# Bangkok Chain Hospital (BCH TB) - BUY, Price Bt23.90, TP Bt30

**Results Comment**

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## Superb 2Q21 results, beat expectation

- BCH reported Bt1.1bn net profit in 2Q21, up 311% y-y and 254% q-q. This was above ours and the market's expectation due to its higher-than-expected revenue and margin.
- The company's strong earnings growth was mainly driven by rising revenue from related COVID-19 service and margin expansion.
- Cash patient revenue growth of 170% y-y and 137% q-q to Bt3.6bn due to related COVID-19 services. Meanwhile, Social Security Scheme (SSS) revenue declined by 4% y-y and 9% q-q to Bt725m in 2Q21 mainly due to falling revenue from high-intensity IPD cases. With strong revenue from COVID services, its total revenue grew by 107% y-y and 86% q-q to Bt4.3bn in 2Q21.
- Its operating margin also expanded to 37% in 2Q21 from 19.7% in 2Q20 and 17.6% in 1Q21 due to strong revenue and operating leverage benefits.
- 6M21 earnings accounted for 48% of our full-year earnings forecast. We expect to see stronger earnings momentum in 3Q21F and 4Q21F due to rising severity of Covid-19 pandemic, its capacity expansion to serve for COVID service and a new source of income from COVID-19 vaccine.
- With an earnings upside, together with its valuation is not fully valued, we maintain BUY on BCH.
- BCH announced interim dividend payment of Bt0.2/share. The XD date is 31 August 2021 and the payment date is 15 September 2021.

| **Income Statement** | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** |
| Revenue | 2,083 | 2,359 | 2,308 | 2,316 | 4,313 |
| **Gross profit** | **691** | **863** | **737** | **698** | **1,995** |
| SG&A | 280 | 276 | 363 | 291 | 401 |
| Operating profit | 411 | 587 | 374 | 407 | 1,594 |
| **EBITDA** | **602** | **791** | **583** | **623** | **1,799** |
| Other income | 21 | 19 | 35 | 68 | 18 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 32 | 35 | 35 | 28 | 35 |
| **Profit before tax** | **399** | **571** | **373** | **447** | **1,577** |
| Income tax | 75 | 107 | 68 | 84 | 312 |
| Equity & invest. income | 1 | 1 | 1 | 1 | 1 |
| Minority interests | (46) | (52) | (28) | (40) | (121) |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **279** | **413** | **278** | **324** | **1,146** |
| **Normalized profit** | **279** | **413** | **278** | **324** | **1,146** |
| EPS (Bt) | 0.11 | 0.17 | 0.11 | 0.13 | 0.46 |
| Normalized EPS (Bt) | 0.11 | 0.17 | 0.11 | 0.13 | 0.46 |

| **Income Statement** | | | **6M as** | | |
|---|---|---|---|---|---|
| **(Bt m)** | **q-q%** | **y-y%** | **% 2021F** | **2021F** | **2022F** |
| Revenue | 86 | 107 | 37 | 17,889 | 11,108 |
| **Gross profit** | **186** | **189** | **48** | **5,648** | **3,464** |
| SG&A | 38 | 43 | 40 | 1,737 | 1,368 |
| Operating profit | 292 | 288 | 51 | 3,911 | 2,096 |
| **EBITDA** | **189** | **199** | **51** | **4,783** | **2,996** |
| Other income | (73) | (12) | 15 | 572 | 897 |
| Other expense | | | na | 0 | 0 |
| Interest expense | 28 | 8 | 49 | 129 | 106 |
| **Profit before tax** | **253** | **295** | **46** | **4,354** | **2,887** |
| Income tax | 271 | 314 | 46 | 853 | 554 |
| Equity & invest. income | (6) | 8 | 68 | 2 | 2 |
| Minority interests | na | na | 38 | (425) | (271) |
| Extraordinary items | | | na | 0 | 0 |
| **Net profit** | **254** | **311** | **48** | **3,077** | **2,064** |
| **Normalized profit** | **254** | **311** | **48** | **3,077** | **2,064** |
| EPS (Bt) | 254 | 311 | 48 | 1.23 | 0.83 |
| Normalized EPS (Bt) | 254 | 311 | 48 | 1.23 | 0.83 |

| **Balance Sheet** | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** |
| Cash & ST investment | 803 | 757 | 946 | 1,713 | 1,995 |
| A/C receivable | 1,282 | 2,450 | 2,303 | 1,739 | 3,181 |
| Inventory | 247 | 244 | 250 | 227 | 249 |
| Other current assets | 868 | 43 | 40 | 67 | 62 |
| Investment | 33 | 29 | 32 | 34 | 33 |
| Fixed assets | 11,053 | 11,262 | 11,438 | 11,437 | 11,455 |
| Other assets | 1,584 | 1,578 | 1,519 | 1,520 | 1,527 |
| **Total assets** | **15,869** | **16,364** | **16,527** | **16,736** | **18,503** |
| S-T debt | 4,039 | 4,355 | 2,787 | 1,760 | 860 |
| A/C payable | 431 | 515 | 565 | 535 | 885 |
| Other current liabilities | 752 | 796 | 2,316 | 830 | 2,602 |
| L-T debt | 3,158 | 3,060 | 2,946 | 5,344 | 5,006 |
| Other liabilities | 313 | 299 | 288 | 264 | 262 |
| Minority interest | 716 | 719 | 742 | 785 | 845 |
| **Shareholders' equity** | **6,459** | **6,621** | **6,885** | **7,218** | **8,043** |
| Working capital | 1,097 | 2,180 | 1,988 | 1,430 | 2,546 |
| Total debt | 7,197 | 7,414 | 5,732 | 7,104 | 5,866 |
| **Net debt** | **6,394** | **6,657** | **4,787** | **5,392** | **3,871** |

| **Financial Ratios** | | | | | |
|---|---|---|---|---|---|
| **(%)** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** |
| Sales growth | (2.5) | (4.5) | 5.1 | 6.4 | 107.1 |
| Operating profit growth | 18.1 | 4.4 | 9.7 | 10.1 | 288.0 |
| EBITDA growth | 18.2 | 8.2 | 13.7 | 14.1 | 199.1 |
| Norm profit growth | 14.2 | 2.8 | 15.6 | 24.9 | 311.3 |
| Norm EPS growth | 14.2 | 2.8 | 15.6 | 24.9 | 311.3 |
| Gross margin | 33.2 | 36.6 | 31.9 | 30.1 | 46.3 |
| Operating margin | 19.7 | 24.9 | 16.2 | 17.6 | 37.0 |
| EBITDA margin | 28.9 | 33.5 | 25.3 | 26.9 | 41.7 |
| Norm net margin | 13.4 | 17.5 | 12.1 | 14.0 | 26.6 |
| D/E (x) | 1.1 | 1.1 | 0.8 | 1.0 | 0.7 |
| Net D/E (x) | 1.0 | 1.0 | 0.7 | 0.7 | 0.5 |
| Interest coverage (x) | 18.5 | 22.8 | 16.7 | 22.6 | 51.2 |
| Interest rate | 2.0 | 1.9 | 2.1 | 1.7 | 2.2 |
| Effective tax rate | 18.8 | 18.7 | 18.1 | 18.8 | 19.7 |
| ROA | 7.2 | 10.3 | 6.8 | 7.8 | 26.0 |
| ROE | 17.2 | 25.3 | 16.5 | 18.4 | 60.1 |

Sources: Company data, Thanachart estimates

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