HOLD (Unchanged)

Change in Numbers

TP: Bt 131.00 (Unchanged)

Downside : 0.8%

7 MAY 2021

Bumrungrad Hospital Pcl (BH TB)

2021F earnings cut

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Though we expect BH's revenue from COVID testing and treatment to help curb the hit from weak patient numbers, we cut our 2021F earnings by 14% to reflect its likely softer-than-expected patient flows in Thailand and hospital business in Mongolia. Meanwhile, our 2022-32F earnings and TP remain unchanged; HOLD.

Thanachart Securities

Cutting our 2021F earnings by 14%

BH reported weak net profit of Bt91m for 1Q21, down 88% y-y and 47% q-q. This was weaker than our expectation and the market's due to softer-than-expected Thai and international patients caused by the second COVID-19 wave in Thailand and the weak operation of its 40%-indirectly owned Ulaanbaatar Songdo Hospital (UBSD) in Mongolia due to the severity of the COVID-19 pandemic there. Though we expect revenue from COVID-related services in the third wave to help BH's operations to some extent, we still cut our earnings by 14% in 2021F to reflect weaker-than-expected Thai and international patient flows. However, our 2022F-32F earnings remain unchanged along with our DCF-based 12-month TP (2021F base year) of Bt131.

Continued weak foreign patients

Given the COVID-19 third wave, the government has reinstated 14 days of quarantine for international arrivals from 1 May. The government also announced a delay in admission of people to Alternative Hospital Quarantine from 19 April 2021 until the pandemic in Thailand subsides. Meanwhile, the severity of the COVID-19 situation in Mongolia has also led to a temporary lockdown in 1Q21 and 2Q21, hitting BH's hospital business there. We estimate BH's foreign patients to fall by 10% in 2021F before growing 21% in 2022F and 5% in 2023F after COVID subsides.

COVID-related services offer some help

Unlike the first two COVID-19 waves in Thailand, BH has been earning more revenues from COVID-related services during the third wave since the disease is spreading among all groups of people from rich to poor, and not specifically among boxing match attendees in Bangkok in the first wave and migrant worker communities in Samut Sakhon in the second wave. COVID-19 swab tests have risen to around 300 a day and testing at BH is fully booked until 20 May. BH has also cooperated with the 170-room Anantara Riverside Bangkok Resort to provide so-called "Hospitel" services. Its occupancy rate is 15%. Revenue from COVID-related services should help to ease some of the negative impact on Thai cash patient revenue.

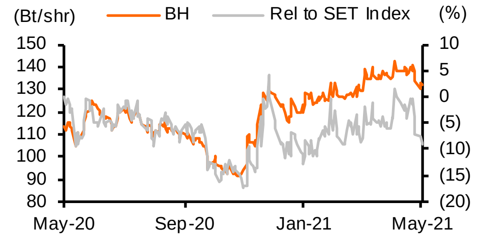
Strong earnings growth in 2Q21F

We expect BH to post strong earnings growth y-y and q-q in 2Q21F, backed by revenue from COVID testing and Hospitel services and the extra low 2Q20 earnings base (net profit of just Bt44m) due to the country lockdown and travel ban. We believe BH's earnings already passed bottom in 2Q20. Meanwhile, strong 2Q21F earnings growth should also support its share price. Trading at a 2021F PE to two-year EPS CAGR (2020-22F) of 3.3x, we see BH as fairly valued, so we maintain HOLD.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	12,315	11,881	14,991	17,309
Net profit	1,204	1,205	1,904	2,479
Consensus NP	—	1,451	2,553	3,065
Diff frm cons (%)	—	*(16.9)*	*(25.5)*	*(19.1)*
Norm profit	1,199	1,205	1,904	2,479
Prev. Norm profit	—	1,408	1,905	2,478
Chg frm prev (%)	—	*(14.4)*	*(0.1)*	*0.0*
Norm EPS (Bt)	1.5	1.5	2.4	3.1
Norm EPS grw (%)	(68.2)	0.5	57.9	30.3
Norm PE (x)	87.4	87.0	55.1	42.3
EV/EBITDA (x)	40.3	39.0	28.6	23.7
P/BV (x)	5.7	5.9	5.8	5.7
Div yield (%)	2.4	1.1	1.8	2.4
ROE (%)	6.2	6.6	10.6	13.5
Net D/E (%)	(29.8)	(18.8)	(22.6)	(28.8)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 7-May-21 (Bt)	132.00
Market Cap (US$ m)	3,366.8
Listed Shares (m shares)	794.6
Free Float (%)	45.4
Avg Daily Turnover (US$ m)	8.5
12M Price H/L (Bt)	142.50/91.00
Sector	Health Care
Major Shareholder	Sophonpanich family ~35%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2021F	2022F	2023F
Foreign patient growth - OPD (%)			
- New	(10.0)	18.0	2.0
- Old	3.0	3.0	2.0
- Change (pp)	*(13.0)*	*15.0*	—
Foreign patient growth - IPD (%)			
- New	(10.0)	70.0	40.0
- Old	10.0	40.0	40.0
- Change (pp)	*(20.0)*	*30.0*	—
Thai patient growth - OPD (%)			
- New	2.0	5.0	2.0
- Old	5.0	2.0	2.0
- Change (pp)	*(3.0)*	*3.0*	—
Thai patient growth - IPD (%)			
- New	2.0	5.0	1.0
- Old	5.0	2.0	1.0
- Change (pp)	*(3.0)*	*3.0*	—
Foreign patient revenue (Bt m)			
- New	5,109	7,454	9,326
- Old	5,997	7,473	9,355
- Change (%)	*(14.8)*	*(0.2)*	*(0.3)*
Thai patient revenue (Bt m)			
- New	6,771	7,536	7,982
- Old	6,970	7,536	7,982
- Change (%)	*(2.9)*	—	—
Average gross margin (%)			
- New	38.3	40.2	41.2
- Old	38.7	40.2	41.2
- Change (pp)	*(0.4)*	—	—
SG&A to sales (%)			
- New	27.4	26.3	25.3
- Old	27.3	26.3	25.3
- Change (pp)	*0.1*	—	—
Normalized profit (Bt m)			
- New	1,205	1,904	2,479
- Old	1,408	1,905	2,478
- Change (%)	*(14)*	*(0)*	*0*

Source: Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation Using A Base Year Of 2021F

(Bt m)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	2,561	3,485	4,197	4,791	5,323	5,846	6,381	6,919	7,493	8,106	8,758	9,454	—
Free cash flow	219	2,038	3,145	3,681	4,175	4,643	5,105	5,571	6,049	6,558	7,101	7,678	150,062
PV of free cash flow	218	1,806	2,623	2,889	3,084	3,141	3,235	3,308	3,365	3,418	3,468	3,325	64,990

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.6
WACC (%)	6.2
Terminal growth (%)	2.0
Enterprise value - add investments	98,870
Net debt (end-2020)	(5,620)
Minority interest	305
Equity value	104,185
# of shares (m)	795
Equity value/share (Bt)	**131.00**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 3: Valuation Comparison With Regional Peers

Name	BBG code	Country	Market Cap (US$ m)	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Ramsay Healthcare	RHC AU	Australia	11,203	21.7	27.7	30.1	23.6	3.5	3.3	11.1	10.0	1.8	2.2
Guangzhou Pharmaceutical	874 HK	Hong Kong	7,124	8.3	9.6	10.6	9.7	1.2	1.1	7.4	7.3	2.0	2.1
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	1,832	34.7	20.9	12.0	9.9	2.2	1.9	8.7	7.4	3.3	3.9
Apollo Hospitals Enterprise	APHS IN	India	6,470	na	588.8	469.8	68.2	11.3	9.8	44.2	25.3	0.1	0.3
Fortis Healthcare India	FORH IN	India	2,390	na	na	na	63.2	2.7	2.5	46.6	22.8	0.0	0.0
KPJ Healthcare	KPJ MK	Malaysia	1,032	27.6	21.6	26.8	22.0	2.0	1.9	11.9	10.6	1.8	2.2
IHH Healthcare Bhd	IHH MK	Malaysia	12,082	95.2	18.7	46.0	38.8	2.3	2.1	17.9	16.1	0.8	0.9
Ryman	RYM NZ	New Zealand	5,112	(6.0)	33.6	29.9	22.4	2.8	2.4	33.2	26.0	1.7	2.2
Raffles Medical Group	RFMD SP	Singapore	1,585	39.1	9.4	35.3	32.3	2.3	2.2	18.6	16.8	2.2	2.0
Bangkok Chain Hospital *	BCH TB	Thailand	1,473	33.4	(11.3)	28.0	31.5	5.9	5.4	16.6	17.4	1.8	1.7
Bangkok Dusit Medical *	BDMS TB	Thailand	11,070	19.3	25.5	47.8	38.1	3.9	3.7	26.2	21.8	1.2	1.4
Bumrungrad Hospital *	BH TB	Thailand	3,367	0.5	57.9	87.0	55.1	5.9	5.8	39.0	28.6	1.1	1.8
Chularat Hospital *	CHG TB	Thailand	1,116	23.2	6.7	32.2	30.2	7.8	7.2	20.7	19.3	2.2	2.3
Ladprao General Hospital *	LPH TB	Thailand	126	12.5	5.7	23.5	22.3	2.6	2.5	12.6	12.3	3.4	3.6
Praram 9 Hospital *	PR9 TB	Thailand	260	19.1	22.1	33.6	27.6	1.9	1.8	13.4	11.1	1.3	1.6
Rajthanee Hospital *	RJH TB	Thailand	289	15.3	4.3	21.0	20.1	5.6	5.3	14.8	14.6	3.8	4.0
Ratchaphruek Hospital *	RPH TB	Thailand	96	16.0	19.6	27.3	22.8	2.1	2.1	14.0	12.4	2.9	3.5
Thonburi Healthcare Group*	THG TB	Thailand	688	na	123.4	138.7	62.1	2.8	2.7	23.1	19.4	0.5	1.1
Average				**24.0**	**57.9**	**64.7**	**33.3**	**3.8**	**3.5**	**21.1**	**16.6**	**1.8**	**2.1**

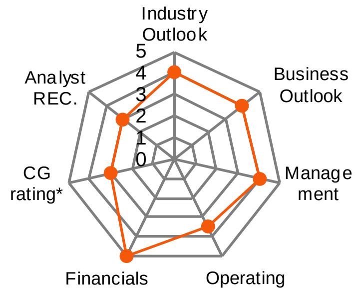
Source: Bloomberg
Note: * Thanachart estimates, using Thanachart normalized EPS
Based on 7 May 2021 closing prices

COMPANY DESCRIPTION

Bumrungrad Hospital (BH) operates a private hospital business in Bangkok with a current capacity of 580 beds and more than 3,000 outpatients a day. It is one of the leading healthcare providers in Thailand and Southeast Asia, offering a complete range of healthcare services. BH is expanding and upgrading its flagship Bangkok facilities to cater to increasing demand for private healthcare.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong brand with a good international reputation.
- High-quality and complex medical treatments with good service in our view.
- Patient base comprises the high affordability group, which is less sensitive to prices.

W — Weakness

- Client base not well diversified.

O — Opportunity

- Rising incomes would boost people's affordability to pay for better-quality healthcare services.
- An ageing population will require more complex medical treatments.
- The ASEAN Economic Community's launch.

T — Threat

- Rising competition from regional peers such as Singapore, Malaysia and India.
- Policy and regulatory risks.
- COVID-19 outbreak risks.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	129.13	131.00	1%
Net profit 21F (Bt m)	1,451	1,205	-17%
Net profit 22F (Bt m)	2,553	1,904	-25%
Consensus REC	**BUY: 3**	**HOLD: 16**	**SELL: 7**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are below the Bloomberg consensus numbers, which we attribute to us having a more conservative view on a patient recovery in the short term due to COVID-19.
- But our TP is slightly above the Street's, likely as we have a more positive view on BH's patient flows and operating margin in longer term.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the number of Thai and international patients were to come in above or below our current expectations, this would represent the key upside or downside risk to our call.
- If BH's billing size and margins were to be higher or lower than our current assumptions, this would represent a secondary upside or downside risk.

Source: Thanachart

COVID-19 spread in Thailand, Mongolia to hit 2021F revenue

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	18,409	12,315	11,881	14,991	17,309
Cost of sales	10,285	7,677	7,336	8,964	10,178
Gross profit	**8,124**	**4,638**	**4,544**	**6,026**	**7,131**
% gross margin	44.1%	37.7%	38.3%	40.2%	41.2%
Selling & administration expenses	3,751	3,394	3,255	3,935	4,371
Operating profit	**4,373**	**1,244**	**1,289**	**2,091**	**2,761**
% operating margin	23.8%	10.1%	10.9%	14.0%	16.0%
Depreciation & amortization	1,223	1,220	1,313	1,435	1,436
EBITDA	**5,596**	**2,464**	**2,602**	**3,526**	**4,197**
% EBITDA margin	30.4%	20.0%	21.9%	23.5%	24.2%
Non-operating income	309	252	241	266	305
Non-operating expenses	(6)	0	0	0	0
Interest expense	(127)	(128)	(123)	(64)	(38)
Pre-tax profit	**4,549**	**1,369**	**1,407**	**2,293**	**3,028**
Income tax	773	150	183	367	522
After-tax profit	**3,776**	**1,219**	**1,224**	**1,927**	**2,506**
% net margin	20.5%	9.9%	10.3%	12.9%	14.5%
Shares in affiliates' Earnings	(3)	(2)	(2)	(2)	(2)
Minority interests	(13)	(17)	(17)	(21)	(24)
Extraordinary items	(12)	5	0	0	0
NET PROFIT	**3,748**	**1,204**	**1,205**	**1,904**	**2,479**
Normalized profit	**3,760**	**1,199**	**1,205**	**1,904**	**2,479**
EPS (Bt)	4.7	1.5	1.5	2.4	3.1
Normalized EPS (Bt)	4.7	1.5	1.5	2.4	3.1

No significant new investments in 2021-23

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	11,736	10,801	7,377	7,783	9,207
Cash & cash equivalent	8,490	8,138	5,000	5,000	6,000
Account receivables	2,748	2,206	1,953	2,259	2,608
Inventories	330	309	281	344	390
Others	168	148	143	180	208
Investments & loans	1,396	76	76	76	76
Net fixed assets	11,860	11,726	13,062	12,754	11,818
Other assets	1,189	1,619	1,563	1,507	1,494
Total assets	**26,181**	**24,222**	**22,078**	**22,120**	**22,594**
LIABILITIES:					
Current liabilities:	2,639	4,418	3,482	3,080	3,166
Account payables	870	704	703	860	976
Bank overdraft & ST loans	0	0	1,583	806	563
Current LT debt	0	2,497	0	0	0
Others current liabilities	1,769	1,217	1,196	1,414	1,627
Total LT debt	**2,513**	**21**	**0**	**0**	**0**
Others LT liabilities	764	946	411	486	561
Total liabilities	**5,916**	**5,385**	**3,893**	**3,566**	**3,728**
Minority interest	292	305	322	342	366
Preferreds shares	1	1	1	1	1
Paid-up capital	729	795	795	795	795
Share premium	286	450	450	450	450
Warrants	0	0	0	0	0
Surplus	305	50	50	50	50
Retained earnings	**18,652**	**17,236**	**16,567**	**16,916**	**17,204**
Shareholders' equity	19,973	18,532	17,863	18,212	18,500
Liabilities & equity	**26,181**	**24,222**	**22,078**	**22,120**	**22,594**

Sources: Company data, Thanachart estimates

Low cashflow risk, on our estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	4,549	1,369	1,407	2,293	3,028
Tax paid	(767)	(550)	(56)	(411)	(461)
Depreciation & amortization	1,223	1,220	1,313	1,435	1,436
Chg In working capital	(220)	397	280	(212)	(280)
Chg In other CA & CL / minorities	(22)	(138)	(144)	221	122
Cash flow from operations	**4,763**	**2,298**	**2,799**	**3,327**	**3,846**
Capex	(1,827)	(1,045)	(2,608)	(1,086)	(500)
Right of use	0	(124)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(1,174)	1,320	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	137	(164)	(520)	90	89
Cash flow from investments	**(2,865)**	**(14)**	**(3,128)**	**(996)**	**(411)**
Debt financing	(179)	10	(936)	(776)	(243)
Capital increase	0	230	(0)	0	0
Dividends paid	(2,151)	(2,544)	(1,874)	(1,554)	(2,191)
Warrants & other surplus	(78)	(332)	0	0	0
Cash flow from financing	**(2,408)**	**(2,636)**	**(2,810)**	**(2,330)**	**(2,435)**
Free cash flow	**2,935**	**1,253**	**191**	**2,241**	**3,346**

Trading at fair value, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	27.8	87.4	87.0	55.1	42.3
Normalized PE - at target price (x)	27.6	86.8	86.4	54.7	42.0
PE (x)	27.9	87.1	87.0	55.1	42.3
PE - at target price (x)	27.7	86.4	86.4	54.7	42.0
EV/EBITDA (x)	17.6	40.3	39.0	28.6	23.7
EV/EBITDA - at target price (x)	17.5	40.0	38.7	28.3	23.5
P/BV (x)	5.2	5.7	5.9	5.8	5.7
P/BV - at target price (x)	5.2	5.6	5.8	5.7	5.6
P/CFO (x)	22.0	45.6	37.5	31.5	27.3
Price/sales (x)	5.7	8.5	8.8	7.0	6.1
Dividend yield (%)	2.2	2.4	1.1	1.8	2.4
FCF Yield (%)	2.8	1.2	0.2	2.1	3.2
(Bt)					
Normalized EPS	4.7	1.5	1.5	2.4	3.1
EPS	4.7	1.5	1.5	2.4	3.1
DPS	2.9	3.2	1.5	2.4	3.1
BV/share	25.2	23.3	22.5	22.9	23.3
CFO/share	6.0	2.9	3.5	4.2	4.8
FCF/share	3.7	1.6	0.2	2.8	4.2

Sources: Company data, Thanachart estimates

Strong financial status

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	0.8	(33.1)	(3.5)	26.2	15.5
Net profit (%)	(9.7)	(67.9)	0.1	57.9	30.3
EPS (%)	(9.7)	(67.9)	0.1	57.9	30.3
Normalized profit (%)	(9.5)	(68.1)	0.5	57.9	30.3
Normalized EPS (%)	(9.6)	(68.2)	0.5	57.9	30.3
Dividend payout ratio (%)	62.2	211.2	100.0	100.0	100.0
Operating performance					
Gross margin (%)	44.1	37.7	38.3	40.2	41.2
Operating margin (%)	23.8	10.1	10.9	14.0	16.0
EBITDA margin (%)	30.4	20.0	21.9	23.5	24.2
Net margin (%)	20.5	9.9	10.3	12.9	14.5
D/E (incl. minor) (x)	0.1	0.1	0.1	0.0	0.0
Net D/E (incl. minor) (x)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)
Interest coverage - EBIT (x)	34.4	9.7	10.4	32.7	73.1
Interest coverage - EBITDA (x)	44.1	19.3	21.1	55.2	111.1
ROA - using norm profit (%)	14.8	4.8	5.2	8.6	11.1
ROE - using norm profit (%)	19.6	6.2	6.6	10.6	13.5
DuPont					
ROE - using after tax profit (%)	19.7	6.3	6.7	10.7	13.7
- asset turnover (x)	0.7	0.5	0.5	0.7	0.8
- operating margin (%)	25.4	12.1	12.9	15.7	17.7
- leverage (x)	1.3	1.3	1.3	1.2	1.2
- interest burden (%)	97.3	91.5	91.9	97.3	98.8
- tax burden (%)	83.0	89.1	87.0	84.0	82.8
WACC (%)	6.2	6.2	6.2	6.2	6.2
ROIC (%)	29.9	7.9	8.7	12.2	16.3
NOPAT (Bt m)	3,630	1,108	1,121	1,757	2,285
invested capital (Bt m)	13,996	12,912	14,445	14,018	13,063

Sources: Company data, Thanachart estimates

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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