Healthcare Sector – Neutral

Earnings Preview

Siriporn Arunothai | Email: Siriporn.aru@thanachartsec.co.th

Strong 3Q21F earnings

- **We expect strong y-y and q-q earnings growth in 3Q21F.**
- **COVID-19 services have been key earnings drivers.**
- **Strong y-y growth looks likely to continue in 4Q21F.**
- **CHG and BDMS are still our top sector picks.**

- We estimate the sector's earnings growth at 117% y-y and 75% q-q in 3Q21, driven by 1) revenue from COVID-19 services including COVID-19 patient admissions in hospitals, hospital-cum-hotels (hospitels) and field hospitals and COVID-19 screening, and 2) margin expansion due to scale benefits.
- We expect THG, BCH and CHG to post the strongest y-y earnings growth in 3Q21F. Meanwhile, we expect hospitals that have high exposure to foreign patients such as BH (67% of total revenue in 2019), BDMS (30% of total revenue) and PR9 (15% of total revenue) to post lower y-y earnings growth compared to mid-tier hospitals that have focused on COVID-19 services due to the impact from falling foreign patients and less of a concentration on COVID services.

Ex 1: 3Q21F Earnings Estimates

	Normalized profit (Bt m)			9M as %	– Change (%) –		Positive / Negative factors	Results
	3Q20	2Q21	3Q21F	2021F	Y-Y	Q-Q		Announcement date
BCH	413	1,146	2,059	*114.7*	*398.1*	*79.7*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	16-Nov-21
BDMS	1,787	1,452	2,099	*70.0*	*17.4*	*44.6*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	10-Nov-21
BH	215	212	287	*62.1*	*33.1*	*35.5*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	4-Nov-21
CHG	282	576	1,057	*77.9*	*275.1*	*83.5*	▪ Revenue from hospital/excellence center management, revenue from COVID-19 services and margin expansion boosts 3Q21F earnings	12-Nov-21
LPH	51	85	186	*145.5*	*263.4*	*119.8*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	10-Nov-21
PR9	72	12	72	*58.4*	*0.1*	*513.5*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	11-Nov-21
RJH	120	138	361	*92.3*	*199.7*	*162.1*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	8-Nov-21
RPH	21	14	51	*79.6*	*150.4*	*265.8*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	8-Nov-21
THG	48	83	335	*47.1*	*604.6*	*305.6*	▪ Revenue from COVID-19 services and margin expansion boosts 3Q21F earnings growth	12-Nov-21
Sum	**3,010**	**3,716**	**6,520**	**81.2**	**116.6**	**75.4**		

Sources: Company data; Thanachart estimates

- Looking ahead to 4Q21F, we estimate the sector's y-y earnings growth to remain strong, driven by revenue from COVID-19 services, Moderna vaccine income, and pent-up demand from non-COVID patients under all service schemes (cash, Social Security Scheme [SSS] and the Universal Coverage Scheme [UCS]). However, the sector's earnings will likely soften q-q. Hospitals have reduced their COVID-19 capacity from late-September 2021 after new COVID cases subsided.
- CHG and BDMS are still our top sector picks. We see CHG and BDMS as having a good balance of enjoying both COVID and non-COVID revenue. Thai government's policy to reopen the country in November 2021 provides some risk for rising new COVID cases in Thailand.
- For CHG, we still estimate its 2022F earnings to double from the pre-COVID level in 2019. Excluding the contribution from COVID services, we project CHG's earnings to grow by 12-21% in 2021-23F. CHG is trading at PE of 26.4x 2022F vs. its historical five-year average of 41x and the sector average of 42x, which looks inexpensive to us.
- For BDMS, we see it as a stronger post-COVID turnaround play with 16% EPS growth in 2022F. Key earnings drivers are a Thai and foreign cash-patient rebound.

Ex 2: Healthcare Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth 2021F (%)	Norm EPS growth 2022F (%)	Norm PE 2021F (x)	Norm PE 2022F (x)	Yield 2021F (%)	Yield 2022F (%)
BCH	BUY	20.60	30.00	45.6	52,618	150.3	(32.9)	16.7	24.9	3.3	2.2
BDMS	BUY	23.50	27.00	14.9	368,694	15.6	16.1	53.5	46.1	1.0	1.2
BH	HOLD	142.50	136.00	(4.6)	113,626	(20.0)	69.0	118.0	69.8	2.1	2.1
CHG	BUY	3.78	4.80	27.0	42,680	176.2	(34.9)	17.2	26.4	4.1	2.7
LPH	HOLD	5.85	6.50	11.1	4,212	49.6	(13.0)	19.7	22.7	4.1	3.5
PR9	BUY	11.50	11.60	0.9	8,807	3.9	20.0	43.1	35.9	1.0	1.3
RJH	BUY	35.00	42.00	20.0	9,975	76.6	(21.5)	16.0	20.4	5.0	3.9
RPH	BUY	6.15	7.20	17.1	3,358	13.0	18.2	31.7	26.8	2.4	2.8
THG	SELL	33.25	26.00	(21.8)	28,232	na	(5.6)	59.8	63.3	1.1	1.1

Sources: Bloomberg; Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 124 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ACE16C2202A, ADVA16C2110A, ADVA16C2201A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2112A, BAM16C2110A, BAM16C2112A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BBL16C2201A, BCH16C2111A, BCH16C2111B, BCH16C2201A, BCPG16C2111A, BEC16C2202A, BGRI16C2110A, BGRI16C2112A, CBG16C2201A, CBG16C2202A, CHG16C2111A, CHG16C2112A, COM716C2110A, COM716C2112A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2202A, DELT16C2112A, DELT16C2202A, DOHO16C2111A, DOHO16C2112A, DTAC16C2112A, EA16C2110A, EA16C2201A, EGCO16C2110A, ESSO16C2202A, GLOB16C2201A, GPSC16C2110A, GPSC16C2201A, GPSC16C2201B, GULF16C2112A, GULF16C2202A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2110A, IRPC16C2112A, IVL16C2110A, IVL16C2111A, JAS16C2202A, JMAR16C2111A, JMAR16C2201A, JMT16C2110A, JMT16C2201A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, KTC16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2112A, MTC16C2112A, OR16C2112A, OR16C2202A, PTG16C2201A, PTG16C2202A, PTL16C2201A, PTT16C2112A, PTT16C2201A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112A, S5016C2112B, S5016C2112C, S5016P2112C, S5016P2112A, S5016P2112B, S5016C2203A, S5016P2203A, SAWA16C2112A, SAWA16C2202A, SCB16C2111A, SCB16C2112A, SCB16C2201A, SCC16C2112A, SCGP16C2202A, SCGP16C2201A, SPRC16C2201A, STA16C2112A, STA16C2201A, STEC16C2110A, STEC16C2201A, STGT16C2111A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2112A, TOP16C2202A, TRUE16C2202A, TU16C2110A, TU16C2111A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BCPG, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, MAJOR, MEGA, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)