

Bangkok Chain Hospital (BCH TB) - BUY, Price Bt20.4, TP Bt30

Results Comment

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Very strong 3Q21, beat expectation

- BCH reported Bt2.9bn net profit in 3Q21, up 601% y-y and 153% q-q. This was better than our earnings preview and the Street's earnings forecast due to its higher-than-expected revenue and margin.
- Its strong earnings growth was mainly driven by COVID-19 services. Top line grew by 237% y-y and 85% q-q to Bt8.0bn in 3Q21. Revenue from general patients (including revenue from COVID-19 services) grew by 398% y-y and 101% q-q. Revenue from Social Security Scheme (SSS) declined by 18% y-y but up 3% q-q. The weak SSS revenue resulted from a drop in severity cases and the delay of payment for Risk Adjusted Capitation revenue from 3Q21 to 4Q21.
- Its operating margin also expanded to 49% in 3Q21 from 24.9% in 3Q20 and 37% in 2Q21 due to strong revenue growth and operating leverage benefits.
- 9M21 earnings accounted for 142% of our full-year earnings forecast. We expect its strong earnings to continue in 4Q21F due to a new source of income from the Moderna vaccine, remaining high Covid-19 cases, despite falling from its peak in 3Q21 and rising non-COVID patients.
- With an earnings upside, together with its valuation not fully valued, we maintain BUY on BCH.

| Income Statement (consolidated) | | | | | |
|---------------------------------|------------|------------|------------|--------------|--------------|
| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Revenue | 2,359 | 2,308 | 2,316 | 4,313 | 7,959 |
| Gross profit | 863 | 737 | 698 | 1,995 | 4,271 |
| SG&A | 276 | 363 | 291 | 401 | 367 |
| Operating profit | 587 | 374 | 407 | 1,594 | 3,904 |
| EBITDA | 791 | 583 | 623 | 1,799 | 4,124 |
| Other income | 19 | 35 | 68 | 18 | 19 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 35 | 35 | 28 | 35 | 40 |
| Profit before tax | 571 | 373 | 447 | 1,577 | 3,882 |
| Income tax | 107 | 68 | 84 | 312 | 772 |
| Equity & invest. income | 1 | 1 | 1 | 1 | 0 |
| Minority interests | (52) | (28) | (40) | (121) | (215) |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Net profit | 413 | 278 | 324 | 1,146 | 2,896 |
| Normalized profit | 413 | 278 | 324 | 1,146 | 2,896 |
| EPS (Bt) | 0.17 | 0.11 | 0.13 | 0.46 | 1.16 |
| Normalized EPS (Bt) | 0.17 | 0.11 | 0.13 | 0.46 | 1.16 |

| Balance Sheet (consolidated) | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Cash & ST investment | 757 | 946 | 1,713 | 1,995 | 2,290 |
| A/C receivable | 2,450 | 2,303 | 1,739 | 3,181 | 6,573 |
| Inventory | 244 | 250 | 227 | 249 | 286 |
| Other current assets | 43 | 40 | 67 | 62 | 2,635 |
| Investment | 29 | 32 | 34 | 33 | 32 |
| Fixed assets | 11,262 | 11,438 | 11,437 | 11,455 | 11,533 |
| Other assets | 1,578 | 1,519 | 1,520 | 1,527 | 1,518 |
| Total assets | 16,364 | 16,527 | 16,736 | 18,503 | 24,867 |
| S-T debt | 4,355 | 2,787 | 1,760 | 860 | 1,125 |
| A/C payable | 515 | 565 | 535 | 885 | 1,471 |
| Other current liabilities | 796 | 2,316 | 830 | 2,602 | 5,279 |
| L-T debt | 3,060 | 2,946 | 5,344 | 5,006 | 5,133 |
| Other liabilities | 299 | 288 | 264 | 262 | 237 |
| Minority interest | 719 | 742 | 785 | 845 | 1,064 |
| Shareholders' equity | 6,621 | 6,885 | 7,218 | 8,043 | 10,559 |
| Working capital | 2,180 | 1,988 | 1,430 | 2,546 | 5,389 |
| Total debt | 7,414 | 5,732 | 7,104 | 5,866 | 6,257 |
| Net debt | 6,657 | 4,787 | 5,392 | 3,871 | 3,967 |

Sources: Company data, Thanachart estimates

| Income Statement (9M as) | | | | | |
|--------------------------|------------|------------|------------|--------------|--------------|
| (Bt m) | q-q% | y-y% | % 2021F | 2021F | 2022F |
| Revenue | 85 | 237 | 82 | 17,889 | 11,108 |
| Gross profit | 114 | 395 | 123 | 5,648 | 3,464 |
| SG&A | (8) | 33 | 61 | 1,737 | 1,368 |
| Operating profit | 145 | 566 | 151 | 3,911 | 2,096 |
| EBITDA | 129 | 421 | 137 | 4,783 | 2,996 |
| Other income | 4 | (1) | 18 | 572 | 897 |
| Other expense | | | na | 0 | 0 |
| Interest expense | 14 | 16 | 80 | 129 | 106 |
| Profit before tax | 146 | 580 | 136 | 4,354 | 2,887 |
| Income tax | 148 | 624 | 137 | 853 | 554 |
| Equity & invest. income | (87) | (87) | 73 | 2 | 2 |
| Minority interests | na | na | 88 | (425) | (271) |
| Extraordinary items | | | na | 0 | 0 |
| Net profit | 153 | 601 | 142 | 3,077 | 2,064 |
| Normalized profit | 153 | 601 | 142 | 3,077 | 2,064 |
| EPS (Bt) | 153 | 601 | 142 | 1.23 | 0.83 |
| Normalized EPS (Bt) | 153 | 601 | 142 | 1.23 | 0.83 |

| Financial Ratios (%) | | | | | |
|-------------------------|-------|------|------|-------|-------|
| | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Sales growth | (4.5) | 5.1 | 6.4 | 107.1 | 237.4 |
| Operating profit growth | 4.4 | 9.7 | 10.1 | 288.0 | 565.5 |
| EBITDA growth | 8.2 | 13.7 | 14.1 | 199.1 | 421.1 |
| Norm profit growth | 2.8 | 15.6 | 24.9 | 311.3 | 600.7 |
| Norm EPS growth | 2.8 | 15.6 | 24.9 | 311.3 | 600.7 |
| Gross margin | 36.6 | 31.9 | 30.1 | 46.3 | 53.7 |
| Operating margin | 24.9 | 16.2 | 17.6 | 37.0 | 49.0 |
| EBITDA margin | 33.5 | 25.3 | 26.9 | 41.7 | 51.8 |
| Norm net margin | 17.5 | 12.1 | 14.0 | 26.6 | 36.4 |
| D/E (x) | 1.1 | 0.8 | 1.0 | 0.7 | 0.6 |
| Net D/E (x) | 1.0 | 0.7 | 0.7 | 0.5 | 0.4 |
| Interest coverage (x) | 22.8 | 16.7 | 22.6 | 51.2 | 102.8 |
| Interest rate | 1.9 | 2.1 | 1.7 | 2.2 | 2.6 |
| Effective tax rate | 18.7 | 18.1 | 18.8 | 19.7 | 19.9 |
| ROA | 10.3 | 6.8 | 7.8 | 26.0 | 53.4 |
| ROE | 25.3 | 16.5 | 18.4 | 60.1 | 124.6 |

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