Healthcare Sector – Neutral

News update

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UCEPCOVID cancellation

- **UCEPCOVID is cancelled from 1 March 2022.**
- **It will provide downside risk to hospitals' earnings.**
- **BCH has the highest negative impact.**
- **PR9 and BH have the less impact.**

- Ministry of Health approved to delist COVID-19 disease from the Universal Coverage for Emergency Patients scheme (UCEPCOVID). After the delisting, Covid-19 patients will still be eligible to free treatment under other schemes such as the gold card Universal Coverage Scheme (UCS), and Social Security Scheme (SSS). The effective date is on 1 March 2022.
- The cancellation of UCEPCOVID is faster than our expectation. We see the cancellation will provide negative impact to healthcare sector and the hospital that has the highest negative impact is BCH.
- If we factor in the UCEPCOVID cancellation in our projection from 1 March 2022, downside risk to our 2022-23F earnings forecast are estimated in the exhibit 1. Note that previously we already assumed that the UCEPCOVID cancellation from mid-2022 in CHG, LPH and PR9 models.
- However, this is not new news and the Cabinet used to mention about this issue in early this year. Healthcare share price correction since the beginning of this year, particularly in hospitals that focus in providing COVID services, leads us to believe that this negative news is in the market's expectation. Though we see this news to put pressure on healthcare stocks' prices in short term and provide downside risk to our earnings forecast in 2022F, we see falling income from UCEPCOVID does not change the sector's good fundamentals in medium to long term. We also believe that current share price is already that bad news. If there is a sharp drop in share price, it provides an opportunity to accumulate buy.

Ex 1: Impact To Earnings

	Our earnings forecast		% Downside risk to earnings	
	2022F	2023F	2022F	2023F
BCH	2,411	2,183	-16%	-13%
BDMS	8,110	9,563	-3%	-1%
BH	1,622	2,424	-	-
CHG	1,599	1,373	-3%	0%
LPH	249	217	-5%	-1%
PR9	277	333	-	-
RJH	489	470	-7%	-5%
RPH	125	141	-	-
THG	494	479	-8%	-5%

Source: Thanachart estimates

Note: RPH reported much higher-than-expected results in 4Q21 and we see upside to our numbers.

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	18.80	31.00	64.9	46,882	373.8	(58.6)	8.0	19.4	6.8	2.8
BDMS	BUY	23.00	27.00	17.4	365,516	15.6	16.1	52.3	45.1	1.1	1.2
BH	HOLD	153.00	136.00	(11.1)	121,572	(20.0)	69.0	126.7	74.9	2.0	2.0
CHG	BUY	3.26	4.40	35.0	35,860	241.6	(46.6)	12.0	22.4	5.8	3.1
LPH	BUY	5.85	7.00	19.7	4,212	256.8	(51.1)	8.3	16.9	6.1	4.4
PR9	BUY	11.90	13.10	10.1	9,357	23.3	11.3	37.6	33.7	1.2	1.3
RJH	HOLD	32.25	37.00	14.7	9,675	164.4	(50.2)	9.9	19.8	7.4	3.7
RPH	BUY	6.50	7.20	10.8	3,549	13.0	18.2	33.5	28.3	2.3	2.7
THG	SELL	44.00	30.00	(31.8)	37,360	na	(63.9)	27.3	75.6	2.1	0.9

Sources: Bloomberg; Thanachart estimates

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