Healthcare Sector – Overweight

Earnings Preview

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Strong 1Q22F earnings

- **Strong y-y growth but slight q-q drop in 1Q22F.**
- **COVID and non-COVID services boosted y-y earnings.**
- **Y-Y earnings to continue growing in following quarters.**
- **BDMS, CHG and PR9 are our top sector picks.**

We estimate the sector's earnings to grow by 266% y-y but decline by 16% q-q in 1Q22F. The y-y earnings growth has been driven by 1) revenue from COVID-19 services including COVID-19 patient admissions to hospitals, hospital-cum-hotels (hospitels), home isolation and field hospitals, COVID-19 screening and Moderna vaccine income, and 2) revenue from non-COVID cash and high-intensity Social Security Scheme (SSS) patients. The q-q earnings decline has mainly been due to falling revenue from COVID-19 services on lower UCEPCOVID and UCEP scheme reimbursement rates.

- We expect THG and BCH to post the strongest y-y earnings growth in 1Q22F. THG's earnings growth drivers have been rising revenue from COVID-19 services, Moderna vaccine income, more non-COVID cash patients and the improving operation of Aryu International Hospital in Myanmar. BCH's strong earnings growth was expected because of rising revenue from COVID-19 services, Moderna vaccine income and an increasing number of SSS-registered persons.

Ex 1: 1Q22F Earnings Estimates

	Normalized profit (Bt m)			3M as %	– Change (%) –		Positive / Negative factors	Results Announcement date
	1Q21	4Q21	1Q22F	2022F	Y-Y	Q-Q		
BCH	324	2,480	2,182	*59.8*	*574.0*	*(12.0)*	▪ Rising COVID-19 services, Moderna vaccine income and a rising number of SSS-registered persons	13-May-22
BDMS	1,339	2,636	2,723	*29.6*	*103.4*	*3.3*	▪ Rising COVID-19 services, Moderna vaccine income and a rising number of non-COVID Thai and international cash patients	11-May-22
BH	98	667	545	*22.3*	*455.8*	*(18.3)*	▪ Rising number of non-COVID international patients and Moderna vaccine income	28-Apr-22
CHG	252	1,812	789	*45.2*	*213.2*	*(56.5)*	▪ Rising COVID-19 services, Moderna vaccine income, rising number of non-COVID Thai and international cash patients, rising number of SSS-registered persons and increasing income from excellence center management	13-May-22
LPH	40	51	122	*52.4*	*202.5*	*140.3*	▪ Rising COVID-19 services, Moderna vaccine income and rising health check-up revenue	11-May-22
PR9	39	116	112	*33.3*	*191.0*	*(3.2)*	▪ Rising COVID-19 services, Moderna vaccine income and rising non-COVID Thai cash patients	12-May-22
RJH	107	283	342	*43.9*	*220.5*	*20.6*	▪ Rising COVID-19 services, Moderna vaccine income and rising SSS-registered persons	9-May-22
RPH	19	225	100	*62.4*	*426.8*	*(55.6)*	▪ Rising COVID-19 services and Moderna vaccine income	9-May-22
THG	(174)	622	558	*59.3*	*n.a.*	*(10.3)*	▪ Rising COVID-19 services, Moderna vaccine income, improving non-COVID cash patients and the improving operation of Aryu International Hospital in Myanmar	12-May-22
Sum	**2,043**	**8,892**	**7,473**	**38.3**	**265.8**	**(16.0)**		

Sources: Company data; Thanachart estimates

- Looking ahead to the rest of 2022, we estimate the sector's y-y earnings growth to continue, driven by revenue from COVID-19 services, Moderna vaccine income, and pent-up demand from non-COVID patients under all service schemes (cash, SSS and the Universal Coverage Scheme [UCS]). BDMS, CHG and PR9 are still our top sector picks.
- **BDMS:** We like BDMS given its turnaround story on all fronts from domestic patients now, foreign patients later and then long-term structural growth strategies. We also expect the growth strategies to lead to higher-quality earnings.
- **CHG:** We like CHG for its most consistent non-COVID earnings growth in the sector, which implies good execution of growth strategies. We estimate 2023F earnings to double 2019's. CHG has also adjusted swiftly to enjoy a substantial COVID windfall.
- **PR9:** PR9's earnings look to be on a turnaround trend. Non-COVID patient flows have bounced back and we think it's time PR9 started to enjoy growth from its expansion, more new excellence centers and operating leverage benefits.

Ex 2: Healthcare Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth 2022F (%)	Norm EPS growth 2023F (%)	Norm PE 2022F (x)	Norm PE 2023F (x)	Yield 2022F (%)	Yield 2023F (%)
BCH	BUY	21.90	24.00	9.6	54,613	(46.7)	(50.9)	15.0	30.4	3.3	1.6
BDMS	BUY	26.25	29.00	10.5	417,165	16.0	15.3	45.3	39.3	1.2	1.4
BH	HOLD	168.00	170.00	1.2	133,541	92.0	36.9	54.6	39.9	1.9	2.5
CHG	BUY	4.00	4.60	15.0	44,000	(58.4)	(18.8)	25.2	31.0	2.8	2.3
LPH	BUY	5.80	6.60	13.8	4,176	(49.9)	(17.6)	18.0	21.8	4.2	3.4
PR9	BUY	14.30	14.50	1.4	11,244	35.2	17.9	33.4	28.3	1.3	1.6
RJH	BUY	33.75	36.00	6.7	10,125	(23.1)	(41.5)	13.0	22.3	6.1	3.4
RPH	BUY	6.40	7.20	12.5	3,494	(60.2)	(11.8)	21.8	24.7	3.5	3.1
THG	SELL	80.00	43.00	(46.3)	67,797	(31.3)	(32.0)	72.3	106.3	0.8	0.6

Sources: Bloomberg; Thanachart estimates

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