Bangkok Chain Hospital (BCH TB) - BUY, Price Bt20, TP Bt24

Results Comment

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Strong 1Q22 results, in line

- BCH reported Bt2bn net profit in 1Q22, up 526% y-y but down 18% q-q. This was in line with our earnings forecast but it was lower than the Street's forecast.
- Strong y-y earnings growth was mainly driven by COVID-19 services, Moderna vaccine income, rising revenue from Social Security Scheme (SSS) and expanding operating margin.
- Q-Q earnings drop resulted from falling operating margin due to falling reimbursement rate for COVID-19 services under UCEPCOVID, UCEP and SSS.
- Top line grew by 206% y-y and 4% q-q to Bt7.1bn in 1Q22. The y-y revenue growth was mainly driven by COVID-19 services, Moderna vaccine income, rising revenue from SSS. The q-q revenue growth was driven by rising revenue from SSS. Number of SS-registered persons increased to 936K in 1Q22 from 888K in 1Q21 and 899K in 4Q21.
- Revenue from COVID-19 services and Moderna vaccine sales account for 60% of total revenue. Moderna vaccines sales was c. Bt634m in 1Q22.
- Its operating margin was at 38.2% in 1Q22 vs. 17.6% in 1Q21 and 50.9% in 4Q21. The y-y operating margin increase resulted from strong revenue growth and operating leverage benefits. The q-q operating margin drop resulted from falling reimbursement rate for COVID services.
- 3M22 earnings accounted for 56% of our full-year earnings forecast. We expect to see improving y-y earnings growth in 2Q22F due to rising revenue from COVID services, rising Moderna vaccine income, rising revenue from non-COVID cash and SSS. We maintain BUY on BCH.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	2,316	4,313	7,959	6,816	7,087
Gross profit	**698**	**1,995**	**4,271**	**3,881**	**3,197**
SG&A	291	401	367	411	491
Operating profit	407	1,594	3,904	3,470	2,706
EBITDA	**623**	**1,799**	**4,124**	**3,702**	**2,940**
Other income	68	18	19	24	32
Other expense	0	0	0	0	0
Interest expense	28	35	40	48	48
Profit before tax	**447**	**1,577**	**3,882**	**3,445**	**2,690**
Income tax	84	312	772	679	542
Equity & invest. income	1	1	0	1	1
Minority interests	(40)	(121)	(215)	(286)	(120)
Extraordinary items	0	0	0	0	0
Net profit	**324**	**1,146**	**2,896**	**2,480**	**2,028**
Normalized profit	**324**	**1,146**	**2,896**	**2,480**	**2,028**
EPS (Bt)	0.13	0.46	1.16	0.99	0.81
Normalized EPS (Bt)	0.13	0.46	1.16	0.99	0.81

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	4	206	41	17,484	12,644
Gross profit	**(18)**	**358**	**51**	**6,274**	**3,888**
SG&A	20	69	32	1,521	1,538
Operating profit	(22)	565	57	4,753	2,350
EBITDA	**(21)**	**372**	**52**	**5,643**	**3,238**
Other income	33	(53)	35	89	95
Other expense			na	0	0
Interest expense	(1)	74	52	92	19
Profit before tax	**(22)**	**502**	**57**	**4,750**	**2,426**
Income tax	(20)	546	58	941	473
Equity & invest. income	(3)	(6)	33	2	2
Minority interests	na	na	75	(160)	(160)
Extraordinary items			na	0	0
Net profit	**(18)**	**526**	**56**	**3,652**	**1,794**
Normalized profit	**(18)**	**526**	**56**	**3,652**	**1,794**
EPS (Bt)	(18)	526	56	1.46	0.72
Normalized EPS (Bt)	(18)	526	56	1.46	0.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	1,713	1,995	2,290	5,256	6,319
A/C receivable	1,739	3,181	6,573	5,669	7,093
Inventory	227	249	286	437	422
Other current assets	67	62	2,635	2,179	1,863
Investment	34	33	32	33	34
Fixed assets	11,437	11,455	11,533	11,790	11,929
Other assets	1,520	1,527	1,518	1,020	1,029
Total assets	**16,736**	**18,503**	**24,867**	**26,384**	**28,688**
S-T debt	1,760	2,059	2,324	2,978	3,518
A/C payable	535	885	1,471	893	1,544
Other current liabilities	830	1,402	4,079	3,976	4,102
L-T debt	5,344	5,006	5,133	3,979	2,919
Other liabilities	264	262	237	252	172
Minority interest	785	845	1,064	1,326	1,439
Shareholders' equity	**7,218**	**8,043**	**10,559**	**12,980**	**14,994**
Working capital	1,430	2,546	5,389	5,212	5,971
Total debt	7,104	7,066	7,457	6,956	6,437
Net debt	**5,392**	**5,071**	**5,167**	**1,700**	**118**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	6.4	107.1	237.4	195.3	205.9
Operating profit growth	10.1	288.0	565.5	828.9	565.3
EBITDA growth	14.1	199.1	421.1	534.6	371.7
Norm profit growth	24.9	311.3	600.7	791.2	526.5
Norm EPS growth	24.9	311.3	600.7	791.2	526.5
Gross margin	30.1	46.3	53.7	56.9	45.1
Operating margin	17.6	37.0	49.0	50.9	38.2
EBITDA margin	26.9	41.7	51.8	54.3	41.5
Norm net margin	14.0	26.6	36.4	36.4	28.6
D/E (x)	1.0	0.9	0.7	0.5	0.4
Net D/E (x)	0.7	0.6	0.5	0.1	0.0
Interest coverage (x)	22.6	51.2	102.8	76.5	61.2
Interest rate	1.5	2.0	2.2	2.7	2.9
Effective tax rate	18.8	19.7	19.9	19.7	20.2
ROA	7.8	26.0	53.4	38.7	29.5
ROE	18.4	60.1	124.6	84.3	58.0

Sources: Company data, Thanachart estimates

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