Healthcare Sector – Overweight

Earnings Preview

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Good 2Q22F earnings

- **Strong y-y growth but q-q drop in 2Q22F.**
- **COVID and non-COVID services boost y-y earnings.**
- **Q-Q earnings drop a result of falling COVID income.**
- **BDMS, CHG and PR9 are our top sector picks.**

We estimate the sector's earnings grew by 62% y-y but declined by 33% q-q in 2Q22F. The y-y earnings growth has been driven by 1) revenue from COVID-19 services and Moderna vaccine income, 2) revenue from non-COVID Thai and foreign cash patients, and 3) a rising number of registered persons under the Social Security Scheme (SSS). The q-q earnings decline is mainly due to falling revenue from COVID-19 services caused by a lower reimbursement rate under the UCEP and SSS and infections declining from 15,610 case/day in 1Q22 to 9,830 cases/day in 2Q22.

- We expect PR9 and RPH to post the strongest y-y earnings growth in 2Q22F. PR9's earnings growth drivers have been rising revenue from a higher number of non-COVID cash patients, COVID-19 services and Moderna vaccine income. RPH's strong earnings growth has resulted from rising revenue from COVID-19 services and Moderna vaccine income.
- Looking ahead to 2H22F, we estimate the sector's y-y earnings to decline on the back of falling revenue from COVID-19 services, despite a rebound in non-COVID cash patients. BDMS, CHG and PR9 are still our top sector picks.
- **BDMS:** Given its turnaround story on all fronts from domestic patients now, foreign patients later and then long-term structural growth strategies, we expect the growth strategies to lead to sustainable earnings growth and higher-quality earnings.
- **CHG:** We like CHG for its most consistent non-COVID earnings growth in the sector, which implies good execution of its growth strategies. We estimate 2023F earnings to double 2019's level.
- **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 1: 2Q22F Earnings Estimates

	Normalized profit (Bt m)			6M as %	– Change (%) –		Positive / Negative factors	Results Announcement date
	2Q21	1Q22	2Q22F	2022F	Y-Y	Q-Q		
BCH	1,146	2,028	1,231	89.2	7.4	(39.3)	▪ Revenue from COVID-19 services, Moderna vaccine income, non-COVID cash patients and rising SSS-registered persons	15-Aug-22
BDMS	1,452	3,443	2,421	55.4	66.7	(29.7)	▪ Revenue from COVID-19 services, Moderna vaccine income, non-COVID cash patients and rising SSS-registered persons	11-Aug-22
BH	212	725	688	48.8	225.0	(5.2)	▪ Rising number of non-COVID foreign patients and Moderna vaccine income	11-Aug-22
CHG	576	1,356	693	72.1	20.3	(48.9)	▪ Rising COVID-19 services, Moderna vaccine income, rising non-COVID Thai and foreign cash patients, rising SSS-registered persons and rising income from excellence center management	15-Aug-22
LPH	85	152	90	103.7	6.0	(40.7)	▪ Revenue from COVID-19 services, Moderna vaccine income, non-COVID cash patients and a rising number of SSS-registered persons	9-Aug-22
PR9	12	157	147	76.0	1,147.9	(6.4)	▪ Revenue from COVID-19 services, Moderna vaccine income and non-COVID cash patients	15-Aug-22
RJH	138	473	387	87.4	180.8	(18.2)	▪ Revenue from COVID-19 services, Moderna vaccine income, non-COVID cash patients and rising SSS-registered persons	8-Aug-22
RPH	14	181	83	88.9	491.2	(54.2)	▪ Revenue from COVID-19 services and Moderna vaccine income	8-Aug-22
THG	90	527	279	85.7	211.2	(47.1)	▪ COVID-19 services, Moderna vaccine income and improving non-COVID cash patients	10-Aug-22
Sum	**3,723**	**9,043**	**6,018**	**66.0**	**61.6**	**(33.4)**		

Sources: Company data; Thanachart estimates

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	19.90	24.00	20.6	49,626	(46.7)	(50.9)	13.6	27.7	3.7	1.8
BDMS	BUY	27.00	33.00	22.2	429,084	33.3	8.4	40.6	37.4	1.4	1.5
BH	BUY	178.50	185.00	3.6	141,887	127.3	27.8	49.0	38.3	2.0	2.6
CHG	BUY	3.70	4.80	29.7	40,700	(32.4)	(49.1)	14.3	28.1	5.2	3.0
LPH	BUY	5.85	6.60	12.8	4,212	(49.9)	(17.6)	18.1	22.0	4.1	3.4
PR9	BUY	16.50	17.60	6.7	12,974	60.6	13.6	32.4	28.5	1.4	1.6
RJH	HOLD	38.25	35.00	(8.5)	11,475	(2.8)	(55.5)	11.7	26.2	6.9	2.9
RPH	HOLD	6.35	7.30	15.0	3,467	(26.2)	(52.4)	11.7	24.5	5.1	3.1
THG	SELL	65.00	43.00	(33.8)	55,085	(31.3)	(32.0)	58.7	86.4	1.0	0.7

Sources: Bloomberg; Thanachart estimates

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