Bangkok Chain Hospital (BCH TB) - BUY, Price Bt20.6, TP Bt24

Results Comment

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Slightly weaker-than-expected 2Q22

- BCH reported Bt1.1bn net profit in 2Q22, flat y-y and down 44% q-q. This was slightly below our earnings preview and the Street's earnings forecast due to its weaker-than-expected margin and higher-than-expected SG&A to sales.
- The company's flat y-y earnings growth, despite rising revenue by 28% y-y in 2Q22, was mainly due to falling gross margin from 46.3% in 2Q21 to 36.9% in 2Q22. The y-y increase in revenue was driven by COVID-19 services and non-COVID cash and Social Security Scheme patients.
- The q-q earnings drop resulted from 1) falling revenue by 22% q-q due to falling revenue from related COVID-19 services and 2) falling operating margin to 27.4% in 2Q22 from 38.2% in 1Q22.
- 6M22 earnings accounted for 87% of our full-year earnings forecast. We see 2H22 earnings growth to turn negative y-y and h-h due to falling revenue from related COVID-19 services. However, we estimate its earnings excluding COVID services still grow y-y and h-h, driven by non-COVID cash and SSS patients. We maintain BUY on BCH.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	4,313	7,959	6,816	7,087	5,523
Gross profit	**1,995**	**4,271**	**3,881**	**3,197**	**2,037**
SG&A	401	367	411	491	524
Operating profit	1,594	3,904	3,470	2,706	1,513
EBITDA	**1,799**	**4,124**	**3,702**	**2,940**	**1,748**
Other income	18	19	24	32	21
Other expense	0	0	0	0	0
Interest expense	35	40	48	48	39
Profit before tax	**1,577**	**3,882**	**3,445**	**2,690**	**1,495**
Income tax	312	772	679	542	319
Equity & invest. income	1	0	1	1	0
Minority interests	(121)	(215)	(286)	(120)	(32)
Extraordinary items	0	0	0	0	0
Net profit	**1,146**	**2,896**	**2,480**	**2,028**	**1,144**
Normalized profit	**1,146**	**2,896**	**2,480**	**2,028**	**1,144**
EPS (Bt)	0.46	1.16	0.99	0.81	0.46
Normalized EPS (Bt)	0.46	1.16	0.99	0.81	0.46

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(22)	28	72	17,484	12,644
Gross profit	**(36)**	**2**	83	**6,274**	**3,888**
SG&A	7	31	67	1,521	1,538
Operating profit	(44)	(5)	89	4,753	2,350
EBITDA	**(41)**	**(3)**	83	**5,643**	**3,238**
Other income	(35)	13	58	89	95
Other expense				0	0
Interest expense	(19)	10	94	92	19
Profit before tax	**(44)**	**(5)**	88	**4,750**	**2,426**
Income tax	(41)	2	92	941	473
Equity & invest. income	(39)	(40)	53	2	2
Minority interests	na	na	na	(160)	(160)
Extraordinary items				0	0
Net profit	**(44)**	**(0)**	87	**3,652**	**1,794**
Normalized profit	**(44)**	**(0)**	87	**3,652**	**1,794**
EPS (Bt)	(44)	(0)	87	1.46	0.72
Normalized EPS (Bt)	(44)	(0)	87	1.46	0.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	1,995	2,290	5,256	6,319	1,679
A/C receivable	3,181	6,573	5,669	7,093	8,379
Inventory	249	286	437	422	431
Other current assets	62	2,635	2,179	1,863	1,703
Investment	33	32	33	34	31
Fixed assets	11,455	11,533	11,790	11,929	11,597
Other assets	1,527	1,518	1,020	1,029	1,023
Total assets	**18,503**	**24,867**	**26,384**	**28,688**	**24,842**
S-T debt	2,059	2,324	2,978	3,518	2,705
A/C payable	885	1,471	893	1,544	1,370
Other current liabilities	1,402	4,079	3,976	4,102	3,058
L-T debt	5,006	5,133	3,979	2,919	2,804
Other liabilities	262	237	252	172	162
Minority interest	845	1,064	1,326	1,439	1,150
Shareholders' equity	**8,043**	**10,559**	**12,980**	**14,994**	**13,593**
Working capital	2,546	5,389	5,212	5,971	7,439
Total debt	7,066	7,457	6,956	6,437	5,508
Net debt	**5,071**	**5,167**	**1,700**	**118**	**3,829**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	107.1	237.4	195.3	205.9	28.1
Operating profit growth	288.0	565.5	828.9	565.3	(5.1)
EBITDA growth	199.1	421.1	534.6	371.7	(2.8)
Norm profit growth	311.3	600.7	791.2	526.5	(0.2)
Norm EPS growth	311.3	600.7	791.2	526.5	(0.2)
Gross margin	46.3	53.7	56.9	45.1	36.9
Operating margin	37.0	49.0	50.9	38.2	27.4
EBITDA margin	41.7	51.8	54.3	41.5	31.7
Norm net margin	26.6	36.4	36.4	28.6	20.7
D/E (x)	0.8	0.6	0.5	0.4	0.4
Net D/E (x)	0.6	0.4	0.1	0.0	0.3
Interest coverage (x)	51.2	102.8	76.5	61.2	45.2
Interest rate	2.0	2.2	2.7	2.9	2.6
Effective tax rate	19.7	19.9	19.7	20.2	21.3
ROA	26.0	53.4	38.7	29.5	17.1
ROE	60.1	124.6	84.3	58.0	32.0

Sources: Company data, Thanachart estimates

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