

**Bangkok Chain Hospital (BCH TB) - BUY, Price Bt18.8, TP Bt24.0****Results Comment**

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**3Q22 earnings turned to loss**

- BCH reported Bt499m norm profit in 3Q22, down 83% y-y and 56% q-q. This was lower than ours and the market's expectation due to its higher-than-expected costs. Including one-time net loss from Moderna vaccine devaluation of Bt902m in 3Q22, BCH's earnings would turn to loss of Bt403m in 3Q22.
- The falling y-y and q-q norm profit were caused by falling revenue from related COVID-19 services. Its top line declined by 57% y-y and 38% q-q to Bt3.4bn in 3Q22. However, excluding revenue from related COVID-19 services; BCH's revenue still grew, driven by improving revenue from non-COVID cash patients and Social Security Scheme (SSS) patients.
- Average number of BCH's registered person under SSS increased to 994,287 people in 3Q22, up 11.2% y-y.
- Its operating margin declined to 11.4% in 3Q22 from 49% in 3Q21 and 27.4% in 2Q22 due to falling top line.
- We estimate BCH's 4Q22 earnings growth to be negative y-y but to turn positive q-q. The y-y earnings drop results from falling revenue from related COVID-19 services. The q-q earnings growth is expected due to rising revenue from SSS.
- With its improving earnings momentum in 4Q22 and cheap valuation, we maintain BUY on BCH.

Income Statement					
(consolidated)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	7,959	6,816	7,087	5,523	3,429
<b>Gross profit</b>	<b>4,271</b>	<b>3,881</b>	<b>3,197</b>	<b>2,037</b>	<b>812</b>
SG&A	367	411	491	524	420
Operating profit	3,904	3,470	2,706	1,513	391
<b>EBITDA</b>	<b>4,124</b>	<b>3,702</b>	<b>2,940</b>	<b>1,748</b>	<b>631</b>
Other income	19	24	32	21	27
Other expense	0	0	0	0	0
Interest expense	40	48	48	39	35
<b>Profit before tax</b>	<b>3,882</b>	<b>3,445</b>	<b>2,690</b>	<b>1,495</b>	<b>383</b>
Income tax	772	679	542	319	(74)
Equity & invest. income	0	1	1	0	0
Minority interests	(215)	(286)	(120)	(32)	41
Extraordinary items	0	0	0	0	(902)
<b>Net profit</b>	<b>2,896</b>	<b>2,480</b>	<b>2,028</b>	<b>1,144</b>	<b>(403)</b>
<b>Normalized profit</b>	<b>2,896</b>	<b>2,480</b>	<b>2,028</b>	<b>1,144</b>	<b>499</b>
EPS (Bt)	1.16	0.99	0.81	0.46	(0.16)
Normalized EPS (Bt)	1.16	0.99	0.81	0.46	0.20

Balance Sheet					
(consolidated)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	2,290	5,256	6,319	1,679	2,447
A/C receivable	6,573	5,669	7,093	8,379	6,724
Inventory	286	437	422	431	329
Other current assets	2,635	2,179	1,863	1,703	93
Investment	32	33	34	31	31
Fixed assets	11,533	11,790	11,929	11,597	11,539
Other assets	1,518	1,020	1,029	1,023	1,337
<b>Total assets</b>	<b>24,867</b>	<b>26,384</b>	<b>28,688</b>	<b>24,842</b>	<b>22,500</b>
S-T debt	2,324	2,978	3,518	2,705	3,277
A/C payable	1,471	893	1,544	1,370	1,173
Other current liabilities	4,079	3,976	4,102	3,058	1,918
L-T debt	5,133	3,979	2,919	2,804	2,702
Other liabilities	237	252	172	162	176
Minority interest	1,064	1,326	1,439	1,150	1,064
<b>Shareholders' equity</b>	<b>10,559</b>	<b>12,980</b>	<b>14,994</b>	<b>13,593</b>	<b>12,189</b>
Working capital	5,389	5,212	5,971	7,439	5,880
Total debt	7,457	6,956	6,437	5,508	5,979
<b>Net debt</b>	<b>5,167</b>	<b>1,700</b>	<b>118</b>	<b>3,829</b>	<b>3,532</b>

Sources: Company data, Thanachart estimates

Income Statement				9M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F	
Revenue	(38)	(57)	92	17,484	12,644	
<b>Gross profit</b>	<b>(60)</b>	<b>(81)</b>	<b>96</b>	<b>6,274</b>	<b>3,888</b>	
SG&A	(20)	15	94	1,521	1,538	
Operating profit	(74)	(90)	97	4,753	2,350	
<b>EBITDA</b>	<b>(64)</b>	<b>(85)</b>	<b>94</b>	<b>5,643</b>	<b>3,238</b>	
Other income	31	41	89	89	95	
Other expense				0	0	
Interest expense	(10)	(13)	132	92	19	
<b>Profit before tax</b>	<b>(74)</b>	<b>(90)</b>	<b>96</b>	<b>4,750</b>	<b>2,426</b>	
Income tax	na	na	84	941	473	
Equity & invest. income	(16)	294	70	2	2	
Minority interests	na	na	69	(160)	(160)	
Extraordinary items				0	0	
<b>Net profit</b>	<b>na</b>	<b>na</b>	<b>76</b>	<b>3,652</b>	<b>1,794</b>	
<b>Normalized profit</b>	<b>(56)</b>	<b>(83)</b>	<b>101</b>	<b>3,652</b>	<b>1,794</b>	
EPS (Bt)	na	na	76	1.46	0.72	
Normalized EPS (Bt)	(56)	(83)	101	1.46	0.72	

Financial Ratios					
(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Sales growth	237.4	195.3	205.9	28.1	(56.9)
Operating profit growth	565.5	828.9	565.3	(5.1)	(90.0)
EBITDA growth	421.1	534.6	371.7	(2.8)	(84.7)
Norm profit growth	600.7	791.2	526.5	(0.2)	(82.8)
Norm EPS growth	600.7	791.2	526.5	(0.2)	(82.8)
Gross margin	53.7	56.9	45.1	36.9	23.7
Operating margin	49.0	50.9	38.2	27.4	11.4
EBITDA margin	51.8	54.3	41.5	31.7	18.4
Norm net margin	36.4	36.4	28.6	20.7	14.5
D/E (x)	0.6	0.5	0.4	0.4	0.5
Net D/E (x)	0.4	0.1	0.0	0.3	0.3
Interest coverage (x)	102.8	76.5	61.2	45.2	18.1
Interest rate	2.2	2.7	2.9	2.6	2.4
Effective tax rate	19.9	19.7	20.2	21.3	(19.4)
ROA	53.4	38.7	29.5	17.1	8.4
ROE	124.6	84.3	58.0	32.0	15.5

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