

Healthcare Sector – Overweight

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Earnings Preview

Weak 2Q23F earnings

- Earnings to decline y-y and q-q in 2Q23F.
 - 2Q23F y-y earnings drop at mid-tier hospitals.
 - Moderate y-y earnings growth at premium hospitals.
 - BDMS and BH are our preferred choices.
- We estimate the sector's earnings to contract by 20% y-y and 13% q-q in 2Q23. We expect the y-y earnings drop to be due to falling COVID income outweighing rising revenue from non-COVID Thai and international patients. Meanwhile, we believe the q-q earnings drop will be because of the seasonality factor.

Ex 1: 2Q23F Earnings Estimates

	Normalized profit (Bt m)			6M as %	– Change (%) –		Positive / Negative factors	Results
	2Q22	1Q23	2Q23F	2023F	Y-Y	Q-Q		Announcement date
BCH	1,144	254	284	37.2	(75.2)	11.8	▪ Y-Y earnings drop due to falling revenue from COVID-19 services ▪ Q-Q earnings growth resulting from rising revenue from Social Security Scheme (SSS) due to the reimbursement rate for basic capitation hike of 10%	15-August-23
BDMS	2,664	3,470	2,936	49.2	10.2	(15.4)	▪ Y-Y earnings growth due to rising revenue from Thai and international patients ▪ Q-Q earnings drop due to the seasonality factor and Ramadan impact	11-August-23
BH	1,161	1,586	1,313	48.4	13.1	(17.2)	▪ Y-Y earnings growth due to rising revenue from Thai and international patients ▪ Q-Q earnings drop due to the seasonality factor and Ramadan impact	10-August-23
CHG	878	240	241	40.6	(72.5)	0.3	▪ Y-Y earnings drop due to falling revenue from COVID-19 services ▪ Flat q-q earnings due to falling Thai patients and rising pre-operating expenses from two new hospitals despite benefiting from the SSS' reimbursement rate hike	11-August-23
PR9	125	109	128	44.8	2.6	17.6	▪ Y-Y and q-q earnings growth due to rising revenue from Thai and international patients	11-August-23
THG	384	212	208	42.1	(45.9)	(2.0)	▪ Y-Y earnings drop due to falling revenue from COVID-19 services ▪ Slightly q-q earnings drop due to falling revenue from Jin Wellbeing County sales from nine to four units	11-August-23
Sum	6,355	5,871	5,110	47.4	(19.6)	(13.0)		

Sources: Company data; Thanachart estimates

- We estimate BH, BDMS and PR9 to post y-y earnings growth in 2Q23F. Thai and international patient growth will likely drive their revenue and earnings growth.
- For other mid-tier hospitals under our coverage, i.e., BCH, CHG, and THG, we expect them to post negative y-y earnings growth in 2Q23 due to falling COVID income.
- Looking to 2H23F, we estimate the sector's earnings to grow y-y and h-h due to rising Thai and international cash patients, a rising number of registered persons under the SSS, an increasing basic capitation reimbursement rate under the SSS, and expanding margin.
- BDMS and BH are still our preferred choices in the healthcare sector due to their better earnings growth momentum and less risk from new expansions.

Ex 2: Healthcare Sector Valuations

	Rating	Current price (Bt)	Target price (Bt)	Upside/ (Downside) (%)	Market cap (Bt m)	Norm EPS growth		Norm PE		Yield	
						2023F (%)	2024F (%)	2023F (x)	2024F (x)	2023F (%)	2024F (%)
BCH	BUY	17.80	20.50	15.2	44,389	(63.3)	19.5	30.7	25.7	2.0	2.3
BDMS	BUY	28.75	35.00	21.7	456,895	3.4	12.6	35.1	31.1	2.1	2.4
BH	BUY	215.00	278.00	29.3	172,490	21.3	10.8	28.5	25.7	2.1	2.7
CHG	BUY	2.92	3.80	30.1	31,900	(57.3)	13.3	27.1	23.9	3.0	3.6
PR9	BUY	17.80	20.50	15.2	14,153	(7.0)	16.6	26.5	22.7	1.7	2.2
THG	SELL	68.00	56.00	(17.6)	54,874	(33.4)	19.2	57.8	48.5	1.0	1.2

Sources: Bloomberg; Thanachart estimates

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