

Bangkok Chain Hospital (BCH TB) - BUY, Price Bt18.4, TP Bt20.5**Results Comment**

Siriporn Arunothai | Email: siriporn.aru@thanachartsec.co.th

2Q23 results rebounded as expected

- BCH reported Bt284m profit in 2Q23, down 75% y-y but up 12% q-q. This was in-line with ours and the market's earnings preview.
- The falling y-y profit was caused by falling revenue from related COVID-19 services. The q-q earnings increase mainly resulted from rising revenue from cash patients and Social Security Scheme (SSS) patients.
- Top line declined by 48% y-y but up 7% q-q to Bt2.8bn in 2Q23. The y-y drop resulted from falling revenue from related COVID-19 services. The q-q increase resulted from rising revenue from cash patients and SSS patients.
- Revenue from cash patients declined by 8% y-y but up 9% q-q to Bt1.9bn in 2Q23. Revenue from SSS grew by 16% y-y and 5% q-q to Bt942m due to rising reimbursement rate for basic capitation and rising revenue from the collaboration project with the SSO to enhance the efficiency of five complex diseases medical treatment.
- Falling operating margin y-y resulted from falling revenue from related COVID-19 service. Meanwhile, FX loss from Kasemrad International Hospital Vientiane of Bt63.4m in 2Q23 caused its 2Q23's operating margin was flat from 1Q23.
- 6M23 earnings accounted for 37% of our full-year earnings forecast, we see a bit downside risk to our full-year numbers. Looking into 2H23, we estimate BCH to report positive y-y and h-h earnings growth due to rising revenue from non-COVID cash patients and SSS patients. We maintain BUY.
- The company announced its interim dividend payment of Bt0.1/share. The XD date is 31 August 2023 and the dividend payment date is 14 September 2023.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	5,523	3,429	2,788	2,674	2,849
Gross profit	2,037	1,147	912	738	860
SG&A	524	420	511	398	495
Operating profit	1,513	726	401	340	365
EBITDA	1,748	966	641	578	599
Other income	21	27	13	25	28
Other expense	0	0	0	0	0
Interest expense	39	35	34	28	24
Profit before tax	1,495	718	380	337	369
Income tax	319	173	101	70	86
Equity & invest. income	0	0	(1)	(1)	2
Minority interests	(32)	(47)	(8)	(12)	(1)
Extraordinary items	0	(902)	0	0	0
Net profit	1,144	(403)	270	254	284
Normalized profit	1,144	499	270	254	284
EPS (Bt)	0.46	(0.16)	0.11	0.10	0.11
Normalized EPS (Bt)	0.46	0.20	0.11	0.10	0.11

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	1,679	2,447	2,640	2,636	2,022
A/C receivable	8,379	6,724	3,754	2,823	980
Inventory	431	329	362	329	296
Other current assets	1,703	93	79	87	1,801
Investment	31	31	31	28	29
Fixed assets	11,597	11,539	11,829	11,778	11,715
Other assets	1,023	1,337	1,102	1,122	1,082
Total assets	24,842	22,500	19,796	18,803	17,925
S-T debt	2,705	3,277	1,271	1,277	1,283
A/C payable	1,370	1,173	797	695	737
Other current liabilities	3,058	1,918	1,443	1,307	1,295
L-T debt	2,804	2,702	2,599	1,540	1,467
Other liabilities	162	176	177	177	175
Minority interest	1,150	1,064	1,065	1,108	994
Shareholders' equity	13,593	12,189	12,445	12,699	11,974
Working capital	7,439	5,880	3,319	2,458	539
Total debt	5,508	5,979	3,870	2,817	2,750
Net debt	3,829	3,532	1,230	181	728

Sources: Company data, Thanachart estimates

Income Statement 6M as					
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	7	(48)	47	11,863	12,861
Gross profit	17	(58)	45	3,542	3,922
SG&A	25	(5)	55	1,612	1,689
Operating profit	7	(76)	37	1,930	2,232
EBITDA	4	(66)	41	2,877	3,192
Other income	15	38	52	102	110
Other expense				0	0
Interest expense	(12)	(37)	53	98	63
Profit before tax	9	(75)	37	1,934	2,280
Income tax	23	(73)	38	406	467
Equity & invest. income	na	479	(27)	(4)	0
Minority interests	na	na	na	(78)	(85)
Extraordinary items				0	0
Net profit	12	(75)	37	1,446	1,727
Normalized profit	12	(75)	37	1,446	1,727
EPS (Bt)	12	(75)	37	0.58	0.69
Normalized EPS (Bt)	12	(75)	37	0.58	0.69

Financial Ratios					
(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Sales grow th	28.1	(56.9)	(59.1)	(62.3)	(48.4)
Operating profit grow th	(5.1)	(81.4)	(88.4)	(87.4)	(75.9)
EBITDA grow th	(2.8)	(76.6)	(82.7)	(80.3)	(65.8)
Norm profit grow th	(0.2)	(82.8)	(89.1)	(87.5)	(75.1)
Norm EPS grow th	(0.2)	(82.8)	(89.1)	(87.5)	(75.1)
Gross margin	36.9	33.4	32.7	27.6	30.2
Operating margin	27.4	21.2	14.4	12.7	12.8
EBITDA margin	31.7	28.2	23.0	21.6	21.0
Norm net margin	20.7	14.6	9.7	9.5	10.0
D/E (x)	0.4	0.5	0.3	0.2	0.2
Net D/E (x)	0.3	0.3	0.1	0.0	0.1
Interest coverage (x)	45.2	27.7	18.8	20.9	24.6
Interest rate	2.6	2.4	2.8	3.3	3.5
Effective tax rate	21.3	24.1	26.7	20.7	23.3
ROA	17.1	8.4	5.1	5.3	6.2
ROE	32.0	15.5	8.8	8.1	9.2

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 24 Derivative Warrants which are CPALL16C2310A, DELTA16C2309A, EA16C2311A, EA16C2309A, GULF16C2311A, GULF16C2309A, HANA16C2309A, HANA16C2308A, JMT16C2311A, JMART16C2310A, JMART16C2308A, KBANK16C2312A, KBANK16C2310A, KCE16C2309A, PTTEP16C2311A, SAWAD16C2312A, SAWAD16C2309A, SCB16C2311A, SET5016C2312A, SET5016P2312A, SET5016C2309B, SET5016C2309A, SET5016P2309A, TIDLOR16C2311A (underlying securities are (CPALL, DELTA, EA, GULF, HANA, JMART, JMT, KBANK, KCE, PTTEP, SAWAD, SCB, SET50, TIDLOR). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Moshi Moshi Retail Corporation Pcl. (MOSHI TB)