

Bangkok Chain Hospital Pcl (BCH TB) - BUY

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Earnings Preview

Likely strong y-y earnings growth in 3Q24F

- We estimate BCH's 3Q24 earnings growth of 23% y-y.
- Key drivers were improving revenue from SSS.
- But it is slightly below our previous expectation.
- Maintain our BUY rating on BCH.

We estimate BCH to report strong earnings growth both y-y and q-q in 3Q24. Besides earnings growth from normal hospital operation, the shift of SSS payments for 26 chronic diseases from the fourth quarter to the third quarter is also expected to be another key driver for BCH's strong earnings growth in 3Q24. However, we expect its earnings in 3Q24F to be slightly below our previous estimate due to lower-than-expected revenue from international patients and gross margin.

- We estimate BCH to report Bt543m net profit in 3Q24, up 23% y-y and 96% q-q. Besides earnings growth from normal hospital operation, the shift of SSS payments for 26 chronic diseases from the fourth quarter to the third quarter is also expected to be another key driver for BCH's strong earnings growth in 3Q24. Note that the Social Security Office (SSO) paid for 26 chronic diseases in the fourth quarter of 2023, but this year it made the payment in the third quarter.
- BCH's revenue is expected to grow by 5% y-y and 17% q-q to Bt3.3bn in 3Q24. The moderate y-y revenue growth is expected to be driven by rising revenue from SSS. However, revenue from cash patients is expected to decline slightly y-y due to decreasing revenue from Kuwaiti patients. Rising number of SSS-registered persons, rising revenue intensity and a shift of SSS payments for 26 chronic diseases are expected to be key drivers for SSS revenue. Strong q-q growth is projected to be fueled by revenue from both cash and SSS patients.
- Gross margin is estimated at 33.9% in 3Q24, remaining flat y-y but expanding from 26.1% in 2Q24. Operating margin is expected to grow to 21.6% in 3Q24, up from 19.1% in 3Q23 and 12.5% in 2Q24. This rise in margin is attributed to a reduction in foreign exchange losses, the shift of SSS payments for 26 chronic diseases, and economies of scale.
- Looking ahead to 4Q24F, we estimate that BCH's earnings will decline both y-y and q-q due to a decrease in revenue from Kuwaiti patients y-y and the shift of SSS payments from the fourth quarter to the third quarter.
- We maintain our BUY rating on BCH, as we believe the anticipated weakness in 4Q24F earnings is due to the shift of SSO's payment. Meanwhile, core operations continue to grow y-y. Looking ahead to next year, we estimate BCH will report 15% earnings growth. Trading at 23.7x PE in 2025F appears undemanding in our view.

Key Valuations

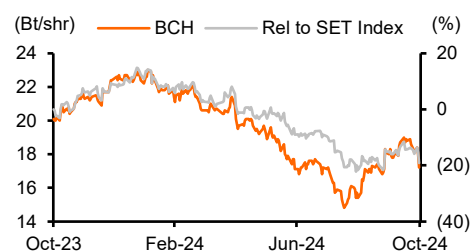
| Y/E Dec (Bt m) | 2023A | 2024F | 2025F | 2026F |
|-----------------|--------|--------|--------|--------|
| Revenue | 11,729 | 12,306 | 13,321 | 14,105 |
| Net profit | 1,406 | 1,570 | 1,808 | 2,011 |
| Norm net profit | 1,406 | 1,570 | 1,808 | 2,011 |
| Norm EPS (Bt) | 0.6 | 0.6 | 0.7 | 0.8 |
| Norm EPS gr (%) | (64.3) | 11.6 | 15.1 | 11.2 |
| Norm PE (x) | 30.5 | 27.3 | 23.7 | 21.3 |
| EV/EBITDA (x) | 15.1 | 13.9 | 12.2 | 11.3 |
| P/BV (x) | 3.4 | 3.2 | 3.1 | 2.9 |
| Div. yield (%) | 2.0 | 2.4 | 2.7 | 3.0 |
| ROE (%) | 11.2 | 12.2 | 13.3 | 14.0 |
| Net D/E (%) | (4.5) | (6.6) | (12.6) | (13.8) |

Source: Thanachart estimates

Stock Data

| | |
|-----------------------------|-----------|
| Closing price (Bt) | 17.2 |
| Target price (Bt) | 24.0 |
| Market cap (US\$ m) | 1,273.6 |
| Avg daily turnover (US\$ m) | 7.2 |
| 12M H/L price (Bt) | 23.0/14.8 |

Price Performance



Source: Bloomberg

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