

Bangkok Chain Hospital (BCH TB) - BUY, Price Bt16.5, TP Bt24.0**Results Comment**

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Weak 3Q24 results, below expectation

- BCH reported Bt453m net profit in 3Q24, up 3% y-y and 64% q-q. This was below our earnings preview but it was in-line with the Street's earnings preview. The lower-than-expected earnings resulted from its weaker-than-expected revenue and margin.
- The soft y-y earnings growth resulted from falling revenue from high-margin Kuwaiti patients. The strong q-q earnings growth was driven by rising revenue from cash and SSS and expanding margin.
- Top line increased by 3% y-y and 14% q-q to Bt3.3bn in 3Q24. Revenue from cash patients declined by 2% y-y but increased by 13% q-q to Bt2.2bn in 3Q24. The drop in y-y revenue for cash patients resulted from falling revenue from Kuwaiti patients. Revenue from IPD patients declined by 14.5% y-y to Bt949m in 3Q24. Meanwhile, revenue from OPD patients grew by 11% y-y to Bt1.2bn in 3Q24.
- Revenue from SSS grew by 12% y-y and 17.5% q-q to Bt1.1bn in 3Q24. The high growth in revenue from SSS resulted mainly from the shift of SSS' payment for 26 chronic diseases from the fourth quarter to the third quarter. Average number of BCH's registered persons under SSS increased to 1.02 m people in 3Q24, up 1% y-y.
- Operating margin declined to 18.6% in 3Q24 from 19.1% in 3Q23 but increased from 12.5% in 2Q24. The y-y drop in operating margin resulted from falling high-margin revenue from Kuwaiti patients. The q-q increase in operating margin resulted from rising revenue.
- 9M24 earnings accounted for 67% of our full-year earnings forecast. We see downside risk to our numbers. We estimate BCH's 4Q24 earnings to decline y-y and q-q due to the shift of revenue recognition for 26 chronic diseases under SSS to book in 3Q24, instead of 4Q24. However, its core operation is expected to grow y-y.

Income Statement					
(consolidated)					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24
Revenue	3,175	3,032	2,844	2,857	3,261
Gross profit	1,077	938	801	744	1,023
SG&A	470	392	376	388	417
Operating profit	607	547	425	356	607
EBITDA	843	782	665	598	857
Other income	26	40	23	28	24
Other expense	0	0	0	0	0
Interest expense	30	13	11	13	15
Profit before tax	602	574	437	372	615
Income tax	135	114	87	70	122
Equity & invest. income	0	(0)	0	(0)	(0)
Minority interests	(27)	(32)	(31)	(25)	(40)
Extraordinary items	0	0	0	0	0
Net profit	441	427	319	277	453
Normalized profit	441	427	319	277	453
EPS (Bt)	0.18	0.17	0.13	0.11	0.18
Normalized EPS (Bt)	0.18	0.17	0.13	0.11	0.18

Balance Sheet					
(consolidated)					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24
Cash & ST investment	1,490	2,185	1,521	1,583	1,327
A/C receivable	2,477	2,239	2,137	2,105	2,053
Inventory	284	306	292	304	306
Other current assets	138	113	104	98	108
Investment	29	27	27	26	28
Fixed assets	11,764	11,728	11,779	12,171	12,211
Other assets	1,086	1,133	1,180	1,196	1,197
Total assets	17,268	17,731	17,041	17,484	17,229
S-T debt	1,161	1,240	272	1,126	743
A/C payable	785	778	744	783	822
Other current liabilities	1,475	1,487	1,456	1,387	1,430
L-T debt	390	324	296	280	242
Other liabilities	190	197	194	203	213
Minority interest	1,087	1,110	1,145	1,133	1,089
Shareholders' equity	12,179	12,594	12,933	12,572	12,690
Working capital	1,976	1,767	1,686	1,626	1,537
Total debt	1,551	1,564	569	1,406	985
Net debt	62	(621)	(953)	(177)	(341)

Income Statement					
9M as					
(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F
Revenue	14	3	73	12,306	13,321
Gross profit	38	(5)	71	3,633	4,030
SG&A	7	(11)	75	1,565	1,670
Operating profit	70	(0)	67	2,068	2,360
EBITDA	43	2	70	3,027	3,345
Other income	(14)	(6)	64	117	120
Other expense				0	0
Interest expense	19	(50)	78	50	21
Profit before tax	66	2	67	2,135	2,459
Income tax	74	(10)	66	418	504
Equity & invest. income	na	na	na	0	0
Minority interests	na	na	na	(147)	(148)
Extraordinary items				0	0
Net profit	64	3	67	1,570	1,808
Normalized profit	64	3	67	1,570	1,808
EPS (Bt)	64	3	67	0.63	0.72
Normalized EPS (Bt)	64	3	67	0.63	0.72

Financial Ratios					
(%)	3Q23	4Q23	1Q24	2Q24	3Q24
Sales grow th	(7.4)	8.8	6.4	0.3	2.7
Operating profit grow th	(16.4)	36.3	24.9	(2.3)	(0.0)
EBITDA grow th	(12.7)	22.1	15.1	(0.1)	1.7
Norm profit grow th	(11.7)	58.5	25.6	(2.5)	2.9
Norm EPS grow th	(11.7)	58.5	25.6	(2.5)	2.9
Gross margin	33.9	30.9	28.1	26.1	31.4
Operating margin	19.1	18.0	14.9	12.5	18.6
EBITDA margin	26.6	25.8	23.4	20.9	26.3
Norm net margin	13.9	14.1	11.2	9.7	13.9
D/E (x)	0.1	0.1	0.0	0.1	0.1
Net D/E (x)	0.0	(0.0)	(0.1)	(0.0)	(0.0)
Interest coverage (x)	27.7	60.5	59.3	46.8	56.3
Interest rate	5.7	3.3	4.2	5.2	5.1
Effective tax rate	22.4	19.8	19.9	18.7	19.7
ROA	10.0	9.8	7.3	6.4	10.4
ROE	14.6	13.8	10.0	8.7	14.4

Sources: Company data, Thanachart estimates

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