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Bumrungrad Hospital (BH TB/BUY/Bt177.00/Target: Bt200.00)

Sales and core profit continue to grow on weaker EBITDA margins.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,673.52	6.84	0.41
SET50	1,112.39	5.77	0.52
Value (Btm) - SET	39,306		
Top 5 Sector			
BANK	513.78	0.96	0.19
PETRO	1,193.36	9.40	0.79
PROP	295.69	0.54	0.18
ENERG	25,582.50	153.02	0.60
ICT	157.47	0.59	0.38

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PTT	48.75	0.00	36,314
SCC	462.00	0.87	3,207
PTTGC	68.75	0.36	20,838
PTTEP	133.50	0.38	10,671
CPF	27.25	4.81	52,295

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
AQ	0.03	50.00	5,348
POST	2.52	9.57	85
B	0.65	8.33	8,760
ROH	45.50	8.33	1
PORT	4.87	7.45	4,340

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
CHAYO	4.08	(16.05)	56,109.3
BROOK	0.46	(13.21)	4,437.0
INSURE	25.75	(11.97)	3.1
TWZ	0.08	(11.11)	17,763.8
SMM	2.22	(8.26)	479

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	72.2	4.7	14.9	31.8
Dubai crude*	72.1	6.7	18.7	37.8
Baltic Dry Index	1,011.0	50.0	56.7	(20.5)
Gold Spot***	1,275.6	(1.3)	(3.2)	(0.5)

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
12.9	106.5	(300.7)	(3,143.2)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 31.94

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 6.25

* Based on Bangkok Bank's rate

STRATEGY - THAILAND

Alpha Picks: May Portfolio

We are taking profit on DCC as we expect 1Q19 earnings to suffer from high energy costs. We are cutting losses on MINT and VGI and replacing them with CPF and RS.

WHAT'S NEW

- Review of March performance.** Our portfolio underperformed the SET in April, up only 0.7% vs. 1.7% SET gains. Best performing stocks were MTC (+15.9% mom) on the back of strong earning outlook, followed by AMATA (+4.7% mom) as EEC investment activities continued to gain momentum. As a proxy to infrastructure development, STEC continued to gain nearly 3% in April. Key disappointment came from our short call on VGI (-8.3%) whose share price failed to drop despite its overvalued equity.
- Taking profit on DCC and cutting losses on MINT and VGI.** We are taking profit on DCC with total gain of 6.2% as we expect the company's earnings to be under pressure from rising energy costs in 1Q19. We remove VGI from our portfolio and cut loss on MINT as we expect MINT's earnings to report a large yoy drop in earnings in 1Q19, caused by losses from the recently-acquired NH Hotel Group (due to low tourist seasonal effect in Europe). Two new stocks that we put into May portfolio are CPF and RS, the former as it is a key beneficiary of continued domestic meat prices recovery and the latter for its strong earnings outlook from its commerce business (multi-platform commerce: home shopping, ecommerce etc).

ANALYSTS' TOP ALPHA PICKS*

Analyst	Company	Rec	Performance	Catalyst
Peerawat Dentananan	AMATA	BUY	(5.6)	Key beneficiary of EEC investment theme. Land sales to accelerate on renewed investment cycle
Thananchai Jittanoon	BBL	BUY	10.3	Undemanding valuation amid improving earnings and ROE outlook
Thunya Sutaavepramochanon	CPF	BUY		Key beneficiary from continued recovering in meat prices domestically.
Thananchai/Kwanchai	MTC	BUY	5.7	Earnings expected to have surged 53% yoy in 2018 and to jump 40% in 2019
Tanaporn/Chaiwat	PTT	BUY	21.9	Potential earnings and target price upgrade on higher oil prices
Tanaporn/Chaiwat	PTTGC	BUY	(16.2)	Undemanding valuation, trading close to its BV
Thunya Sutaavepramochanon	RS	BUY		Strong earnings growth from multiplatform commerce business.
Kowit Pongwinyoo	STEC	BUY	11.2	Expect good 1H19 earnings from easing gas costs.
Tanaporn/Chaiwat	TOP	BUY	(0.7)	Core earnings is on course for recovery while bottom line will be well support from huge inventory gains.
Kowit Pongwinyoo	DCC		6.2	Dropped
Napat Vorajanyavong	MINT		(4.5)	Dropped
Siwakorn Mitsantisuk	VGI		(8.3)	Dropped

* Denotes a timeframe of 1-3 months and not UOBKH's usual 12-month investment horizon for stock recommendation
Source: UOB Kay Hian

AMATA (Peerawat Dentananan)

- AMATA is Thailand's leading industrial estate developer. It operates three industrial estates in eastern Thailand - Amata Nakorn, Amata City and Amata Thai-Chinese. It has a subsidiary that operates industrial estates in Vietnam.
- Under the government's strategic policy initiative via the EEC, more benefits and tax incentives will be given to promote Thailand's next investment cycle.
- The company reported strong land sales of around 625 rai in 4Q18. This the first time that the company has been able to deliver on its target since 4Q13. We expect robust land presales to continue in 2019, driven by increasing demand from foreigner investors, especially for land at the AMATA Thai-Chinese Industrial Park and AMATA City Rayong Industrial Park.

KEY RECOMMENDATIONS

Company	Share Price (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
AMATA	22.10	26.50	19.91
BBL	204.00	248.00	21.57
CPF	26.00	30.50	17.31
MTC	51.00	58.00	13.73
PTT	48.75	65.00	33.33
PTTGC	68.50	95.00	38.69
RS	19.60	27.00	37.76
STEC	24.80	33.50	35.06
TOP	69.00	86.00	24.64

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	April (%)	To-date* (%)
AMATA	4.7	(5.6)
BBL	(1.4)	10.3
DCC	(4.6)	6.2
MINT	(4.5)	(4.5)
MTC	15.9	5.7
PTT	1.6	21.9
PTTGC	1.9	(16.2)
STEC	2.9	11.2
TOP	(0.7)	(0.7)
VGI	(8.3)	(8.3)
SET Index	1.7	

*Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

PORTFOLIO RETURNS

(%)	2018	1Q18	2Q18	3Q18	4Q18
SET return	(10.8)	1.3	(10.2)	10.1	(11.0)
Alpha Picks Return					
- Price-weighted	(3.9)	13.1	(10.4)	6.5	(5.3)
- Market cap-weighted	(1.5)	16.4	(10.5)	7.0	(7.9)
- Equal-weighted	(2.1)	3.4	(7.7)	9.3	(6.7)

Assumptions for the 3 methodologies:

- Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
- Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

ANALYST(S)

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- Expect stronger earnings growth in 2019, driven by an increase in land transfers and resilient recurring income, underpinned by strong presales in 4Q18; meanwhile, gross margin should remain healthy as we expect land prices to increase further.
- Our target price of Bt26.50 is based on 15.4x 2019F PE, or 1SD above AMATA's historical average PE, which we think is justified given the positive outlook of the industrial estate sector and as the sector usually trades at a high multiple during the elections. Resilient recurring income should limit downside risk while a better land sales outlook supported by improving investment sentiment (comes on the back of the implementation of the EEC programme) will serve as key share price catalysts.

Share Price Catalyst

- Higher foreign direct investment, BOI incentives and implementation of EEC projects.
- Further increase in land prices.

BBL (Thananchai Jittanoon)

- BBL is one of the largest commercial banks in Thailand and a market leader in corporate and SME banking, commanding 20% of Thailand's credit market.
- We expect BBL's loan growth to steadily recover to +5-6% yoy in 2019 (2018: 4%), fuelled by the government's infrastructure investment projects and resumption of private investments (after a huge improvement BOI application). This will directly benefit BBL as it is Thailand's market leader in corporate banking.
- We also like BBL for its strong balance sheet, with asset quality already showing signs of improvements with NPLs and NPL formation trending downward while LLC coverage ratio is moving higher.
- Our target price is at Bt248.00, pegged to 1.0x 2019F P/B.

Share Price Catalyst

- Event: NPLs are now becoming less of a concern while coverage ratio has recovered to 191%, more than enough to cushion against any impact from IFRS9 which is to be adopted in 2020.
- Current valuation at 0.9x 2019F P/B has yet to fully reflect that both earnings and ROE have bottomed and are now on the path to recovery this year.

CPF (Thunya Sutavepramochanon)

- We think 2019 earnings growth would be 6% yoy while its 2019 core earnings growth would be about 400% yoy thanks to domestic meat prices recovering yoy and improvement in its Vietnamese swine business.

Share Price Catalyst

- 1Q19 earnings would improve strongly both yoy and qoq. We project 1Q19 earnings at Bt3,624m, up 19% yoy and 116% qoq thanks to recovery in domestic meat prices and higher swine price in Vietnam.
- Target price is Bt30.50, based on 16x FY19F PE (5-year mean).

MTC (Thananchai Jittanoon, Kwanchai Atiphopchai)

- MTC is a leading non-bank consumer finance company with the largest branch network in Thailand. It provides micro-finance to mid-range and low-end consumers - a segment with no access to commercial bank channels.
- We expect the company's loan growth to be very strong at 34% yoy in 2019 as this segment remains largely untapped. To fully capture the benefits, the company has aggressively expanded its number of outlets, which are expected to reach 3,900 by end-19.

- Also, one of the company's strengths is its asset quality. The company's coverage ratio is robust at 278%. We believe this allowance is more than enough to meet the IFRS9 requirement.

- Maintain BUY and target price of Bt58.00, based on GGM methodology. Our target price implies 24.5x 2019F PE.

Share Price Catalyst

- The overhang from the new interest rate cap (28%) has been removed since the interest rates that MTC is currently charging its clients (averaging at around 23%) are well below the new ceiling rate.
- We expect 2019 net profit to surge 34% yoy, supported by solid loan growth and firm NIM.

PTT (Tanaporn Visaruthapong, Chaiwat Arsirawichai)

- The largest company on the SET by market capitalisation, PTT has a near-monopoly in Thailand's oil & gas industry.
- Our target price is at Bt65.00, based on SOTP methodology.

Share Price Catalyst

- A well-diversified energy conglomerate amid highly volatile oil prices.
- Upside to share price could come from the listing of PTTOR (likely in 2H19).

PTTGC (Tanaporn Visaruthapong, Chaiwat Arsirawichai)

- A petrochemical flagship of the PTT group. PTTGC is a fully integrated petrochemical and chemical company. The company's products, namely ethylene and propylene, are derived from its main product, olefins.

Share Price Catalyst

- Target price is at Bt95.00, based on regional peers' average of 11x 2019F PE. PTTGC is currently trading at undemanding valuation of 7.5x 2019F core PE. PTTGC is one of our top picks in the O&G segment.

RS (Thunya Sutavepramochanon)

- We expect 2019 earnings growth to be over 80% yoy, driven mainly by Multi Platform Commerce Business (MPC). Moreover RS has gained more advertising airtime from another free TV channel, Thairath TV, to sell its products starting in Mar 19.

Share Price Catalyst

- 1Q19 earnings should come in at Bt125m, surging 23% yoy. Key drivers would be from higher gross margin from lower TV production cost and more sales contribution from MPC business.
- Target price is Bt27.00, pegged 32x FY19F PE.

STEC (Kowit Pongwinyoo)

- One of the four leading contractors in Thailand qualified to undertake a wide scope of construction works. STEC has expertise in building power plants and with module fabrication works. As a pure contractor, STEC has sound financials with net cash.
- With its strategy to join with other partners, STEC has been able to build up high orderbook reaching over Bt100b, accounting for over six years of annual sales (highest in the industry). Most of its orderbook is high quality, comprising mass transits and power plants.
- As works on the three major mass transits (Orange, Yellow and Pink lines) have entered the second stage, sales and earnings are expected to gain momentum. After reporting good 2018 results with an increase of 45% yoy in core EBT, we expect 2019 core profit to

rise by 22%.

- Despite the good earnings growth, share price is still undervalued and trades near -2SD EV/EBITDA below its average-five year mean.

Share Price Catalyst

- We expect STEC to report good 1Q19 results on contribution from high-margin mega projects and power plant projects. Sales and earnings are well supported by its high orderbook, accounting for five years of annual turnover.

TOP (Tanaporn Visaruthaphong/Chaiwat Arsirawichai)

- We are more bullish on Thai Oil (TOP TB) as we think TOP's earnings should have bottomed out in 1Q19, with its gross refinery margin (GRM) expected to start rebounding. Moreover, we expect TOP to report healthy earnings in 1Q19 as the company will enjoy huge inventory gains given the 27.5% qoq gains in Dubai oil price in 1Q19.
- Expect GRM to gradually improve from 2Q19 onwards. We expect the major refined product spreads, including gasoline and diesel spreads, to improve strongly from the rising demand from the US during the summer season, and a seasonally low supply caused by maintenance shutdowns by major producers globally.
- Maintain BUY with a target price of Bt86.00, based on the regional refinery sector's 5-year PE mean of 13x. The recent rise in Singapore GRM should lend support to TOP's share price in the immediate future.

Share price catalyst

- The recent improvement in Singapore GRM to US\$5.00 per barrel from US\$3.20 per barrel in 1Q19 will be a near-term catalyst.

VALUATION

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			EPS Growth 2019F (%)	PEG 2019F	P/B 2019F (x)	Yield 2019F (%)	ROE 2019F (%)
							2018F (x)	2019F (x)	2020F (x)					
Amata Corporation	AMATA TB	BUY	22.10	26.50	19.91	744	23.16	13.13	11.88	76.4	0.2	1.61	3.05	10.86
Bangkok Bank	BBL TB	BUY	204.00	248.00	21.57	12,288	11.02	9.73	8.96	13.3	0.7	0.86	4.01	9.26
Charoen Pokphand Foods	CPF TB	BUY	26.00	30.50	17.31	7,065	14.42	13.65	12.39	5.6	2.4	1.40	3.66	7.35
Muangthai Capital	MTC TB	BUY	51.00	58.00	13.73	3,412	29.12	21.81	16.66	33.5	0.7	6.50	0.57	34.26
PTT	PTT TB	BUY	48.75	65.00	33.33	43,940	11.79	10.15	10.15	16.2	0.6	1.32	4.10	9.71
PTT Global Chemical	PTTGC TB	BUY	68.50	95.00	38.69	9,746	7.71	7.38	6.80	4.5	1.6	n.a.	6.10	n.a.
RS	RS TB	BUY	19.60	27.00	37.76	625	38.71	23.11	17.49	67.5	0.3	4.76	n.a.	30.38
Sino-Thai Engineering & Construction	STEC TB	BUY	24.80	33.50	35.06	1,194	23.39	22.93	20.51	2.0	11.5	3.20	2.18	14.17
Thai Oil	TOP TB	BUY	69.00	86.00	24.64	4,442	13.87	10.48	9.57	32.4	0.3	1.07	4.10	10.40

Source: UOB Kay Hian

STRATEGY - THAILAND

Small Caps: Looking For Growth Story

Although SAPPE and RS have promising earnings growth outlook, most fund managers prefer RS for its stronger earnings growth prospects, especially in the operation of multi-platform commerce (MPC). We project 2019 net profit growth of 17% yoy for SAPPE and 80% yoy for RS. SAPPE offers more than 50% share price upside while RS offers more than 35% upside. We recommend BUY for both companies.

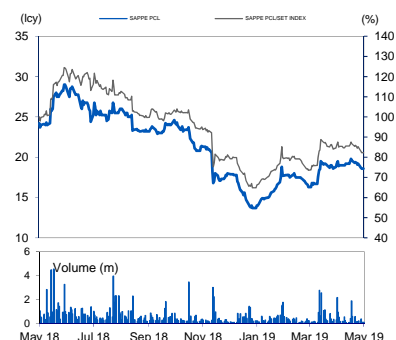
SAPPE

- A functional drinks leader in Thailand.** SAPPE's Beauti drink, a beverage that provides beauty and health benefits to supplement normal diets, is the market leader of functional drinks (in the women segment) in Thailand since 2015. This beverage contributed 11.6% of SAPPE's total sales in 2018. SAPPE has launched more products in 2018, such as snacks under the SAPPE Beauti drink brand, to strengthen its leading position and capture target customers.
- Innovate to grow and to win.** SAPPE is diversifying its product portfolio to penetrate three customer segments: a) existing mass majority, b) new mass segment, and c) new niche. SAPPE plans to launch 20 new products in 2019 (2018: 18 products), of which 9 are non-beverage products.
- Decent sales growth in 1Q19.** For 1Q19, we expect sales to grow 20% yoy, thanks to: a) the consolidation of All COCO group (from 40% in 2018 to 51% in 1Q19); and b) slight impact from a new product (Blue) that was launched on 21 Mar 19. We forecast 1Q19 gross margin at 36%, flat qoq but down yoy. Cost-to-income ratio would be 24% (4Q18: 31%, 1Q18: 22%) due to high marketing expense from the launch of a new product. We forecast 1Q19 net profit of Bt93m, down 21% yoy but jumped 90% qoq. Noted that a one-off employee benefit expense of Bt35m would be recorded in 2Q19 instead of 1Q19.
- Maintain BUY and target price of Bt28.25,** pegged to 21x 2019F PE, or the stock's 5-year mean. Our target price implies more than 50% upside from current price levels. SAPPE currently trades at 14x 2019F PE.

RS

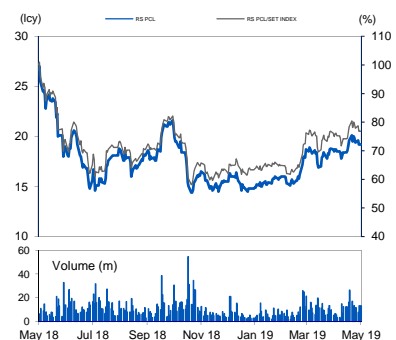
- Driving business from both vertical growth and horizontal growth.** RS targets revenue of Bt5,350m for 2019, coming from: a) vertical business expansion from MPC (60% of total sales), media (30% of total sales) and music & others (10% of total sales); and b) horizontal business expansion by creating a value chain from production to distribution.
- Thairath TV is now a strategic partner.** RS has started to sell its products via Thairath TV since Mar 19 with 30% revenue sharing for Thairath TV. RS claimed that its revenue from Thairath TV is about Bt0.5m per day now with a long-term target of Bt1.5m-2.0m per day.
- No need to compete with other home shopping channels.** RS sees its MPC business is superior to other home shopping businesses. This is because: a) RS owns channel 8, the digital TV channel, and hence could monitor its audience profile of about 10m viewers per day at all times; b) RS has a strong telesales team and a big customer database of 1.2m customers as of end-18; and c) the advertising prime time in the MPC business does not overlapped with the advertising prime time of its media business, thus RS could well manage its overall advertising airtimes to maximise the company's profit.
- No significant concern over lower TV rating.** Channel 8 ratings fell to 0.316 in Mar 19 from 0.474 in Dec 18. This is because boxing shows' airtime was reduced from three days (Friday, Saturday and Sunday) to only one day (Sunday). However, RS claimed no negative impact on its earnings because: a) it could save TV production cost by Bt40m per quarter as replacement programs have lower production cost than boxing shows; and b) the audience in boxing shows is not the target customers for its MPC (women age 35+).

PRICE CHART - SAPPE (SAPPE TB)



Source: Bloomberg

PRICE CHART - RS (RS TB)



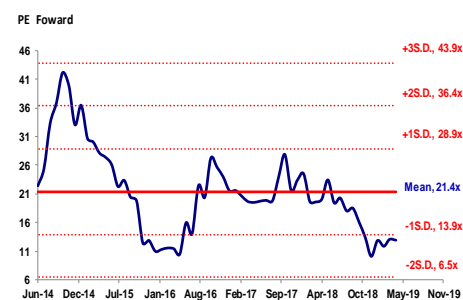
Source: Bloomberg

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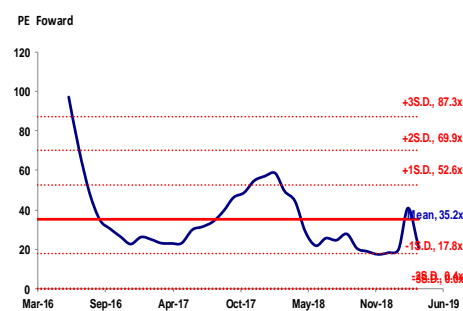
- Continuing to operate digital TV business although it could return its digital TV licence.** Recently, the government decided to invoke section 44, which will ease the financial burden of digital TV operators and allow all existing digital TV operators to return their licences. RS opts to continue to operate its digital TV business. In addition, management thinks other big digital TV operators would not return their digital TV licences due to unclear compensation amount and fear of losing their business credibility.
- Maintain BUY and target price of Bt27.00,** pegged to 32x 2019F PE, and implies 39% upside from current price levels. RS currently trades at 23x 2019F PE.

SAPPE



Source: Bloomberg, UOB Kay Hian

RS



Source: Bloomberg, UOB Kay Hian

VALUATION

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			PEG 2019F	P/B 2019F	Yield 2019F (%)	ROE 2019F (%)
							2018 (x)	2019F (x)	2020F (x)				
RS	RS	BUY	19.60	27.00	37.8	625	38.7	23.1	17.5	0.5	4.8	n.a.	30.4
SAPPE	SAPPE	BUY	18.70	28.25	51.1	180	16.2	13.9	11.5	0.6	2.1	3.2	16.1

Source: Bloomberg, UOB Kay Hian

SECTOR UPDATE

Property – Thailand

Tax Reduction For First-home Buyers

The cabinet approved several economic stimulus measures to support the low-income group, of which one measure was a tax reduction for first-home buyers. We are now more positive on the property sector as we believe the sector's outlook is improving. We expect the stimulus to draw out real demand. We believe developers who focus on the low-end to mid-range segments will be key beneficiaries. Maintain MARKET WEIGHT. Our top pick is QH.

WHAT'S NEW

- Announced property stimulus measures.** According to IQ news, the cabinet approved tax reduction measures for first-home buyers, to take effect from 30 Apr 19 until 31 Dec 19. The property must be worth less than Bt5m. The cost of the home is tax-deductible, but not more than Bt100,000, and the property must be owned for at least five years.
- Sector outlook is improving.** We think the news is positive as we believe the measures will help draw out real demand and provide a chance for property developers to clear their inventories. The key beneficiaries would be developers who focus on the low-end to mid-range segments, such as QH, LPN and SPALI. We are now more positive on the sector's presales outlook for this year.
- Better outlook, but not the best.** In 2012, the government implemented relatively same stimulus measures which were to reduce personal income tax for first-home buyers, but for a longer period (from Sep 11 to Dec 12) and with maximum tax-deductible of Bt500,000. The number of residential units sold increased 34% yoy in 2012. However, we believe the positive impact from this new measure in 2019 will be significantly less than in 2012 given that: a) the tax deductible is five times lower than in 2012; b) the stimulus is only for nine months vs a full year in 2012; c) and the growth in residential units sold in 2012 came from from a low base in 2011, unlike in 2019 which will see a high base in 2018. Nevertheless, this should partially be offset by the recent tightening LTV policy. We believe the market has not factored in a more positive outlook for the sector and we think it is worth revisiting the sector again.

ACTION

- Maintain MARKET WEIGHT.** The property sector is trading at an undemanding 7x 2019F PE, or 1SD below its 10-year historical mean, as the sector has priced in a weaker property market outlook in 2019, including less exciting economic growth and tightening lending policies. At current valuation, we see limited downside risk with an attractive sector dividend yield of 6.7% for 2019. Based on the property stimulus measures, we believe the sector's outlook now looks more positive and see a potential re-rating in the near term. We like companies that are less sensitive to changes in lending policies, have high ROEs, strong earnings visibility and inexpensive valuation. Our top pick is QH as we think the company will be one of the key beneficiaries of the property stimulus and we like the hidden value in its HMPRO investment.

PEER COMPARISON

Company	Ticker	Market Capitalisation (Btm)	Rec	Target Price (Bt)	Current Price (Bt)	Upside (%)	PE				EPS Growth				PB 2019F (x)	ROE 2019F (%)	DPS 2019F (Bt)	Div Yield 2019F (%)
							2018 (x)	2019F (x)	2020F (x)	2021F (x)	2018 (%)	2019F (%)	2020F (%)	2021F (%)				
AP (Thailand)	AP TB	24,853	HOLD	7.60	7.90	-4	6.4	6.8	5.7	4.6	22.4	-6.0	19.9	23.8	0.9	14.2	0.40	5.1
Land and Houses	LH TB	133,208	BUY	12.10	11.20	8	12.9	14.1	13.2	12.9	0.1	-8.9	7.3	2.2	2.6	18.6	0.67	6.0
LPN Development	LPN TB	10,330	BUY	8.50	7.00	21	7.6	5.8	5.2	4.8	28.7	30.0	12.2	7.8	0.7	13.3	0.60	8.6
Pruksa Holding	PSH TB	41,094	HOLD	19.75	18.80	5	6.8	6.5	6.3	5.9	10.2	5.1	3.7	5.3	0.9	14.5	1.41	7.5
Quality Houses	QH TB	31,715	BUY	3.88	2.96	31	8.3	7.9	7.4	7.3	9.8	5.2	7.0	1.7	1.1	14.8	0.22	7.6
Supalai	SPALI TB	47,449	BUY	23.25	22.10	5	8.2	7.4	6.8	6.4	-20.6	10.5	9.1	6.5	1.2	17.2	1.10	5.0
Sector							7.9	7.5	6.8	6.3	6.4	1.1	8.6	6.7	1.4	16.0		6.3

Source: UOB Kay Hian

MARKET WEIGHT

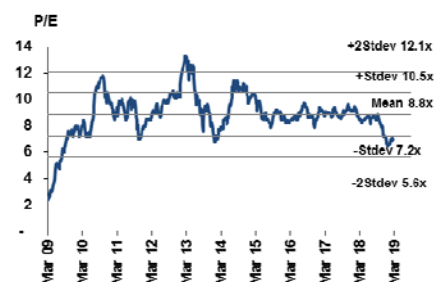
(Maintained)

TOP PICK

Company	Ticker	Rec	Target Price (Bt)	Current Price (Bt)
Quality Houses	QH TB	BUY	3.88	2.96

Source: UOB Kay Hian

SECTOR PE BAND



UOB Kay Hian

Source:

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COMPANY UPDATE

Bumrungrad Hospital (BH TB)

Sales And Core Profit Continue To Grow, Albeit At A Low Rate

Amid slow economic growth, BH has sacrificed EBITDA margins to maintain sales and core profit growth through aggressive marketing campaigns. As gross margin continues to expand nicely, BH's strong earnings growth should return once the market turns favourable. Maintain BUY on cheaper valuation against regional and local peers. Target price: Bt200.00.

WHAT'S NEW

- Launched marketing campaigns to maintain sales growth.** Faced with intense competition and soft economies in both Thailand and several countries which are major customers of Bumrungrad Hospital (BH), BH has adopted aggressive marketing campaigns in 1Q19 to maintain sales growth. This includes bundling packages and discounting programmes for medical treatment cost. The campaigns have borne fruit, resulting in increasing patient volume and patient revenue growing by 1% yoy in 1Q19 (the small sales growth was due to abnormally high sales growth in 1Q18 due to epidemic of Asian flu and rotavirus). As the campaigns have proven to be effective, BH is expected to continue with the marketing campaigns to maintain sales growth. However, the campaigns may be less aggressive than 1Q19 as these would target only some selective procedures and items (vs discounts across the board).
- EBITDA margins to decline.** Although we expect BH's gross margins to continue to expand from 45% last year to 46-47% in the next two years due to focus on intensity and high technology treatments, EBITDA margins are expected to decline. This is due to high SG&A expenses in marketing cost. Moreover, the additional severance pay rates from 300 days to 400 for employees who have worked for 20 years or more (which just came into effect in Apr 19) would result in higher SG&A expense going forward. The higher severance pay starting this year also requires BH to set aside a provision of Bt144m in 2Q19 to cover the past provision for this severance pay rates (up to a maximum of 400 days vs the maximum of 300 days previously). We therefore expect BH's EBITDA margins to contract from 34% in 2018 to 33% in the next two years.
- No impact from price control.** Based on recent developments on the issue of price control on medical costs, the sub-committee working on the issue is likely to approve measures proposed by the head of sub-committee in May. These measures include: a) attaching price tags on all drugs and medical supplies, b) detailed reports of drugs and medical supplies on hospitals' website, and c) issuing prescriptions to patients to buy drugs outside hospitals. As there is no actual price control imposed on medicine and medical supplies and services, we see no negative impact on BH's performance.

KEY FINANCIALS

Year to 31 Dec (Btm)	2017	2018	2019F	2020F	2021F
Net turnover	18,087	18,326	18,665	19,594	20,585
EBITDA	5,963	6,175	6,120	6,521	6,945
Operating profit	4,753	4,992	5,005	5,304	5,618
Net profit (rep./act.)	3,944	4,152	4,086	4,478	4,751
Net profit (adj.)	3,953	4,157	4,230	4,478	4,751
EPS (Bt)	5.4	5.7	5.8	6.1	6.5
PE (x)	32.6	31.0	30.5	28.8	27.2
P/B (x)	7.9	7.0	6.3	5.6	5.1
EV/EBITDA (x)	20.5	19.8	20.0	18.7	17.6
Dividend yield (%)	1.5	1.6	1.7	1.7	1.8
Net margin (%)	21.8	22.7	21.9	22.9	23.1
Net debt/(cash) to equity (%)	(25.5)	(32.1)	(34.5)	(36.4)	(37.7)
Interest cover (x)	39.8	37.4	50.8	54.1	57.6
ROE (%)	25.5	23.8	21.0	20.7	19.7
Consensus net profit	-	-	4,380	4,669	4,944
UOBKH/Consensus (x)	-	-	0.97	0.96	0.96

Source: Bumrungrad Hospital, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt177.00
Target Price	Bt200.00
Upside	+13.0%
(Previous TP)	Bt210.00)

COMPANY DESCRIPTION

One of the country's largest private hospitals in Bangkok with JCI accreditation which caters to both foreign and local patients.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	BH TB
Shares issued (m):	728.8
Market cap (Btm):	129,004.9
Market cap (US\$m):	4,041.0
3-mth avg daily t'over (US\$m):	5.8

Price Performance (%)

52-week high/low Bt197.50/Bt166.50

1mth	3mth	6mth	1yr	YTD
(1.4)	(4.8)	(8.3)	(6.8)	(5.6)

Major Shareholders

	%
Bangkok Dusit Medical Services	24.9
Sophonpanich family	22.8
UOB Kay Hian (HK)	8.4
FY19 NAV/Share (Bt)	28.03
FY19 Net Cash/Share (Bt)	9.68

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **2Q19 core profit to grow moderately.** Despite the low season, we expect 2Q19 sales to increase 3% yoy to Bt4.4b, in line with the continuation of marketing promotions. Although gross margin is expected to expand to 47% (2Q18: 45%), 2Q19 EBITDA margin is forecasted to be maintained at 34%, same as that in 2Q18 as we expect lesser marketing activities in 2Q19. With tax benefits from capital spending and staff training, we forecast a moderate 2Q19 core profit growth of 4% yoy to Bt1.0b. Net profit in 2Q19 is expected to fall by 11% yoy to Bt870m on a Bt144m provision to cover the increase of severance pay rates in the past years.

• **Strong financials.** With no major expansion plans, BH has solid financials with debt-equity-ratio as low as 0.2x, and it is also in a net cash position.

EARNINGS REVISION/RISK

• **Downward revisions.** As the economies in Thailand and other countries which are BH's major customers remain soft, we revise down our 2019 and 2020 sales forecasts. The soft economy leads us to believe that BH's marketing campaigns will continue into the foreseeable future, instead of being suspended in 2H19. We therefore trim our 2019 and 2020 earnings forecasts.

• **Core profit to grow at a low rate.** After factoring in the low economic growth and the abnormally high sales growth in 2018, we expect BH's 2019 and 2020 sales to increase by 2% and 5% yoy to Bt18.7b and Bt19.6b, respectively. Due to the declining EBITDA margins, we forecast only a 2% and 6% core profit growth for BH in 2019 and 2020 to Bt4.2b and Bt4.5b, respectively. BH's 2019 net profit is expected to fall 2% yoy to Bt4.1b on a one-time provision of Bt144m for new severance pay rates.

VALUATION/RECOMMENDATION

• **Maintain BUY.** In line with our lower earnings forecasts, we trim BH's target price to Bt200.00 based on the DCF model at a discount rate of 6%. Despite that, BH's good gross margin signals a strong earnings recovery once economic growth returns. BH's share price still looks attractive on 13% share price upside, and on a 2019F PE of 31x, which is cheaper than regional and local peers at 35-36x.

SHARE PRICE CATALYST

• More M&A deals.

RESULTS PREVIEW

Year to 31 Dec (Btm)	2Q19F	yoy % chg	qoq % chg	2H19F	yoy % chg
Sales	4,377	2.9	(6.2)	9,043	1.7
Gross Profit	2,047	6.2	(5.7)	4,217	5.1
EBITDA	1,498	2.6	(5.7)	3,086	0.2
Pre-tax Profit	1,235	4.2	(6.8)	2,560	1.6
Tax	(221)	4.3	(8.7)	(463)	0.7
Net Profit	870	(10.5)	(19.5)	1,951	(4.9)
Net Profit (Ex EI)	1,014	4.3	(6.4)	2,097	1.9
EPS (Bt)	1.19	(10.2)	(19.5)	2.68	(4.7)
Gross margin (%)	46.8			46.6	
EBITDA margin (%)	34.2			34.1	
Net margin (%)	19.9			21.6	

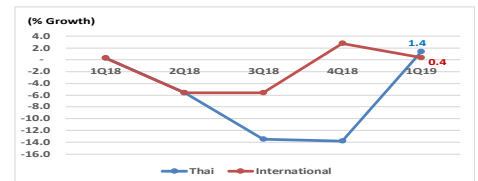
Source: UOB Kay Hian

PEER COMPARISON

Company	Stock Code	PE 2019F (x)	P/B 2019F (x)	EV/EBITDA 2019F (x)	Dividend Yield 2019F (%)	ROE 2019F (%)	Core Earnings
							Growth 2019F (%)
Bangkok Dusit	BDMS TB	36.6	4.8	22.2	1.4	14.1	12.1
Bumrungrad	BH TB	30.5	6.3	20.0	1.7	21.0	1.8
Bangkok Chain	BCH TB	35.9	6.3	19.7	1.4	18.7	16.2
Raffles Medical	RFMD SP	27.7	2.3	20.2	2.1	7.4	5.5
IHH Healthcare	IHH MK	45.2	2.0	58.3	0.6	4.5	36.7
KPJ Healthcare	KPJ MK	23.9	2.2	11.1	2.2	9.9	2.2
Ramsay	RHC AU	23.4	6.0	16.9	2.2	18.6	17.7
Apollo	APHS IN	62.0	5.2	25.1	0.4	3.6	36.1
Local aver.		35.0	5.1	22.4	1.4	21.4	9.7
Total aver.		36.3	4.4	30.6	1.4	14.5	22.2

Source: Bloomberg, UOB Kay Hian

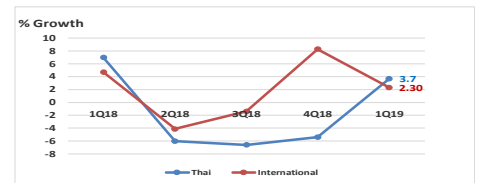
GROWTH OF PATIENT VOLUME



Source: UOB Kay Hian

Note: 1Q19 excluding impact of flu and rota virus' epidemic in 1Q18

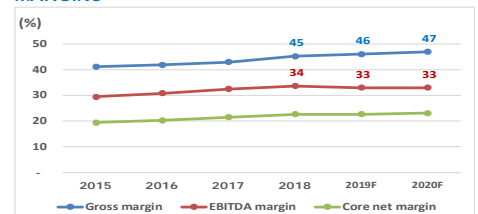
GROWTH OF PATIENT REVENUE



Source: BH, UOB Kay Hian

Note: 1Q19 excluding impact of flu and rota virus' epidemic in 1Q18

MARGINS



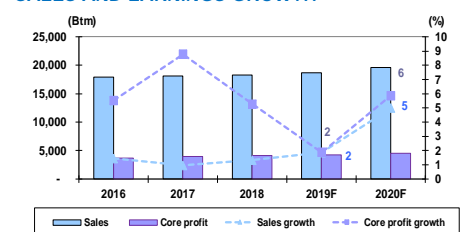
Source: BH, UOB Kay Hian

EARNINGS REVISIONS

(Btm)	2019F			2020F		
	Old	New	% chg	Old	New	% chg
Sales	19,160	18,665	-3%	20,128	19,594	-3%
Core profit	4,488	4,230	-6%	4,834	4,478	-7%

Source: UOB Kay Hian

SALES AND EARNINGS GROWTH



Source: BH, UOB Kay Hian

PE AND SD



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Net turnover	18,326	18,665	19,594	20,585
EBITDA	6,175	6,120	6,521	6,945
Deprec. & amort.	1,183	1,115	1,217	1,327
EBIT	4,992	5,005	5,304	5,618
Total other non-operating income	214	262	263	282
Associate contributions	0	0	0	0
Net interest income/(expense)	(165)	(121)	(121)	(121)
Pre-tax profit	5,041	5,146	5,447	5,779
Tax	(880)	(916)	(970)	(1,029)
Minorities	(4)	0	0	0
Net profit	4,152	4,086	4,478	4,751
Net profit (adj.)	4,157	4,230	4,478	4,751

CASH FLOW

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Operating	4,537	5,059	5,350	5,704
Pre-tax profit	5,036	5,002	5,447	5,779
Tax	(880)	(916)	(970)	(1,029)
Deprec. & amort.	1,183	1,115	1,217	1,327
Associates	0	0	0	0
Working capital changes	(807)	(286)	(344)	(374)
Non-cash items	9	144	0	0
Other operating cashflows	(4)	0	0	0
Investing	(718)	(1,905)	(2,075)	(2,260)
Capex (growth)	(718)	(1,905)	(2,075)	(2,260)
Proceeds from sale of assets	n.a.	n.a.	n.a.	n.a.
Financing	(3,080)	(2,215)	(2,022)	(4,717)
Dividend payments	(2,044)	(2,076)	(2,043)	(2,239)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	21	0
Loan repayment	(1,036)	(139)	0	(2,478)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	739	938	1,254	(1,273)
Beginning cash & cash equivalent	8,268	9,007	9,945	11,199
Ending cash & cash equivalent	9,007	9,945	11,199	9,927

BALANCE SHEET

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Fixed assets	11,256	12,267	13,368	14,569
Other LT assets	1,392	1,414	1,436	1,460
Cash/ST investment	9,007	9,945	11,199	9,927
Other current assets	3,094	2,972	3,116	3,269
Total assets	24,749	26,599	29,120	29,224
ST debt	575	372	2,872	372
Other current liabilities	2,303	2,350	2,448	2,550
LT debt	2,512	2,520	20	20
Other LT liabilities	615	621	627	634
Shareholders' equity	18,454	20,431	22,833	25,313
Minority interest	290	305	320	336
Total liabilities & equity	24,749	26,599	29,120	29,224

KEY METRICS

Year to 31 Dec (%)	2018	2019F	2020F	2021F
Profitability				
EBITDA margin	33.7	32.8	33.3	33.7
Pre-tax margin	27.5	27.6	27.8	28.1
Net margin	22.7	21.9	22.9	23.1
ROA	17.2	15.9	16.1	16.3
ROE	23.8	21.0	20.7	19.7
Growth				
Turnover	1.3	1.9	5.0	5.1
EBITDA	3.6	(0.9)	6.6	6.5
Pre-tax profit	5.2	2.1	5.8	6.1
Net profit	5.3	(1.6)	9.6	6.1
Net profit (adj.)	5.2	1.8	5.8	6.1
EPS	5.2	1.8	5.8	6.1
Leverage				
Debt to total capital	14.1	12.2	11.1	1.5
Debt to equity	16.7	14.2	12.7	1.5
Net debt/(cash) to equity	(32.1)	(34.5)	(36.4)	(37.7)
Interest cover (x)	37.4	50.8	54.1	57.6

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