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KEY HIGHLIGHTS

Update

Bangkok Chain Hospital (BCH TB/HOLD/Bt20.00/Target: Bt20.00)

Earnings continue to normalise as COVID-19 subsides.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,648.46	(1.36)	(0.08)
SET50	987.60	(1.59)	(0.16)
Value (Btm) - SET	66,571		
Top 5 Sector			
BANK	412.56	6.16	1.52
PETRO	1,112.19	(4.00)	(0.36)
PROP	237.76	(0.93)	(0.39)
ENERG	23,937.01	(68.47)	(0.29)
ICT	180.22	(0.98)	(0.54)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
KBANK	147.00	2.08	21,150.1
SCB	130.50	2.35	21,989.4
CPALL	61.50	(1.99)	36,101.3
SVOA	2.80	16.67	673,658.9
BANPU	11.50	0.00	158,044.7

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
NEWS	0.05	25.00	84,657.5
WIN	1.25	21.36	155,962.0
SVOA	2.80	16.67	673,658.9
PPS	1.02	14.61	299,817.6
ARIP	1.03	13.19	94,650.4

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
SVT	5.70	(10.94)	86,309.9
ABM	2.28	(9.52)	107,229.9
TRT	2.92	(7.59)	4,057.3
LHK	3.78	(7.35)	2,231.8
BIG	1.00	(6.54)	62,768.2

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	82.3	(2.8)	18.8	62.5
Dubai crude*	80.9	(1.6)	19.4	61.1
Baltic Dry Index	2,715.0	(36.2)	(35.2)	98.8
Gold Spot***	1,791.2	(0.9)	0.0	(5.6)

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

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
10.1	90.6	(1,912.6)	7,129.7

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 33.46

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

Thai Lending Rate (%) - MLR = 5.25

COMPANY UPDATE

Bangkok Chain Hospital (BCH TB)

Earnings Continue To Normalise As COVID-19 Subsides

BCH's earnings are set to fall progressively from 4Q21 onwards due to a lower contribution from COVID-19 patients. The decrease will be partly offset by revenue from alternative vaccines. Neither of these factors is expected to be recurring in subsequent years and may result in BCH's earnings normalising further into 2023. However, due to a massive 3Q21 net profit, we anticipate an attractive dividend yield for the upcoming payment. Maintain HOLD. Target price: Bt20.00.

WHAT'S NEW

- COVID-19-related revenue to fall.** The peak for Bangkok Chain Hospital (BCH) was already behind in 3Q21 as the COVID-19 situation in Thailand progressively improves, which is reflected in the declining number of COVID-19 hospitalised patients in hospitals to around 2,500 patients/day in Nov 21 (Aug 21: over 13,000 patients/day). Nevertheless, the contribution is likely to remain higher than in 2Q21 of around 1,600 patients/day.
- Downside mitigated by the Moderna vaccines.** BCH started to recognise revenue from COVID-19 alternative vaccine (Moderna) from 9 Nov 21 after the first lot was imported. In addition, the company has opened the second lot for booking from this month until the end of 2021 to target inoculated people seeking for a booster dose to strengthen their immunisation. Among private hospitals, BCH will benefit the most from COVID-19 alternative vaccines, with a total amount of around 2.2m doses (from both lots) that will add around Bt3,700m to its revenue. In addition, BCH aims to provide post-COVID-19 services, such as "Long COVID-19" syndrome in order to generate extra contribution in the future. Therefore, BCH's revenue in 4Q21 and 2022 is likely to remain above pre-COVID-19 levels.
- Core operations continue to grow.** In addition to the return of non-COVID-19 patients and elective surgeries, BCH's revenue from core operations will benefit from a higher quota from social security scheme (SC) patients of up to 1.5m people in 2022 and a higher number of registered people from the Factory Sandbox project, in which BCH is the sole hospital providing COVID-19 screening tests to labours in the industrial area. Furthermore, the performance of Kasemrad International Vientiane (KIV) in Laos has been successful with EBITDA above the breakeven point of around 1.5 months since its inception.

KEY FINANCIALS

Year to 31 Dec (Btm)	2019	2020	2021F	2022F	2023F
Net turnover	8,880	8,928	19,669	15,727	12,058
EBITDA	2,372	2,609	8,663	4,457	3,358
Operating profit	1,708	1,827	7,792	3,519	2,402
Net profit (rep./act.)	1,135	1,229	5,655	2,489	1,684
Net profit (adj.)	1,135	1,229	5,655	2,489	1,684
EPS (Bt)	0.5	0.5	2.3	1.0	0.7
PE (x)	43.9	40.6	8.8	20.0	29.6
P/B (x)	8.0	7.2	4.3	4.4	4.2
EV/EBITDA (x)	22.2	20.2	6.1	11.8	15.7
Dividend yield (%)	1.1	1.6	5.7	2.5	1.7
Net margin (%)	12.8	13.8	28.8	15.8	14.0
Net debt/(cash) to equity (%)	73.6	92.5	14.0	8.9	2.3
Interest cover (x)	18.1	19.7	58.8	37.0	45.3
ROE (%)	19.0	18.7	60.8	21.5	14.5
Consensus net profit	-	-	4,533	1,860	1,785
UOBKH/Consensus (x)	-	-	1.25	1.34	0.94

Source: Bangkok Chain Hospital, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt20.00
Target Price	Bt20.00
Upside	+0.0%

COMPANY DESCRIPTION

The company operates a group of mid-sized hospitals in Bangkok and suburban areas with middle-income locals and patients registered under the government-sponsored social security scheme as primary customer targets.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	BCH TB
Shares issued (m):	2,493.7
Market cap (Btm):	49,875.0
Market cap (US\$m):	1,494.6
3-mth avg daily t'over (US\$m):	12.6

Price Performance (%)

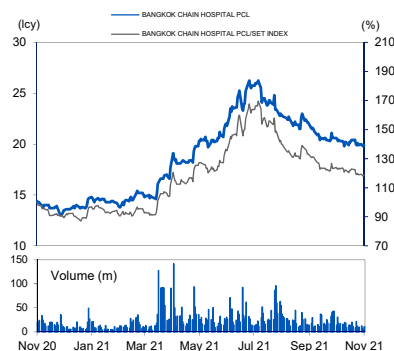
52-week high/low	Bt26.25/Bt13.00			
1mth	3mth	6mth	1yr	YTD
(2.9)	(12.3)	(1.5)	38.9	47.1

Major Shareholders

	%
Hamphanich family	39.8
Thai NVDR	13.4
Social Security Office	6.1

FY21 NAV/Share (Bt)	4.70
FY21 Net Debt/Share (Bt)	0.66

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Expect negative growth until 2023.** Apart from lower revenue from COVID-19 patients in 2022, we also expect revenue from COVID-19 alternative vaccines to decline in the subsequent year due to vaccine procurement from the government and increasing herd immunity that will result in COVID-19 moving towards an endemic. Therefore, we foresee BCH's earnings progressively subsiding on a qoq basis until at least 4Q22.
- Lower margins.** BCH's profitability margins will decrease in line with its revenue not only from lower contribution from high-margin services (the treatment of COVID-19 patients), but also from lower margins from COVID-19 alternative vaccines (around 15% in gross margin). From our projection, BCH's gross margin will decline to 42% in 4Q21 and will plunge further to 30% in 2Q22 before recovering back to the normal range of around 33% in 2023 due to lower contribution from the vaccines and the improvement of its core operations.
- Attractive dividend yield.** Due to tremendous earnings in 2021, BCH is set to announce extraordinary dividend payments in May 22 with dividend yield of 3.5-4.7%, according to its dividend payout ratio of not less than 40% (BCH usually pays at 50%), which is higher than around 1.2% during the pre-COVID-19 period.

EARNINGS REVISION/RISK

- Forecast revised.** We revise our 2021-23 projection to factor in: a) higher-than-expected 3Q21 results, b) additional contribution from the second lot of COVID-19 alternative vaccines, c) changes to the assumption of the number of COVID-19 patients undergoing treatment, d) revision of gross margin to factor in the mix of margins from various operations, and e) higher contribution from SC patients from increasing quota.

EARNINGS REVISION

	2021F			2022F			2023F		
	Old	New	chg	Old	New	chg	Old	New	chg
Sales	18,414	19,669	7%	11,760	15,727	34%	11,242	12,058	7%
Gross profit	7,866	9,121	16%	3,916	4,939	26%	3,777	3,955	5%
EBITDA	7,125	8,663	22%	3,518	4,457	27%	3,413	3,358	-2%
Core profit	4,436	5,655	27%	1,761	2,489	41%	1,697	1,684	-1%

Source: BCH, UOB Kay Hian

VALUATION/RECOMMENDATION

- Maintain HOLD with a target price of Bt20.00** based on DCF (WACC 7.0%, terminal growth 3.4%). We believe investors have priced in earnings normalisation in the current share price as the COVID-19 situation in Thailand gradually improves. Although the current valuation corresponds to 20x 2022F PE and is considerably cheaper than the healthcare sector of around 35x, BCH justifies a lower valuation because the COVID-19 portion of its earnings in 2022 is likely to be non-recurring. However, at the current valuation, the downside is limited in the medium term due to its attractive dividend yield that should serve as a positive catalyst as a defensive stock with steady growth from its core operations.

SHARE PRICE CATALYST

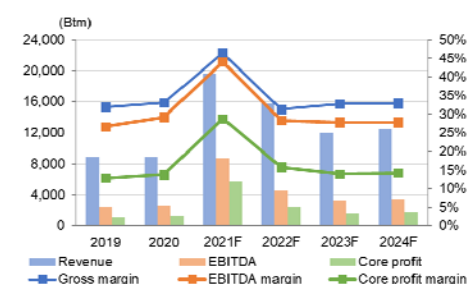
- The return of non-COVID-19 patients and strong performance from SC-based patients and BCH's tertiary care hospitals.
- Higher-than-expected contribution from COVID-19 patients and vaccines.

4Q21 RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q21F	4Q20	3Q21	%yoy chg	%qoq chg
Sales	5,080	2,308	7,959	120%	-36%
Gross Profit	2,158	737	4,271	193%	-49%
EBITDA	2,014	615	4,143	228%	-51%
Pre-tax Profit	1,744	374	3,883	367%	-55%
Net Profit	1,289	278	2,896	363%	-55%
Core Profit	1,289	278	2,896	363%	-55%
EPS (Bt)	0.517	0.112	1.161	363%	-55%
Gross M. (%)	42.5%	31.9%	53.7%		
EBITDA M. (%)	39.6%	26.6%	52.0%		
Net M. (%)	25.4%	12.1%	36.4%		

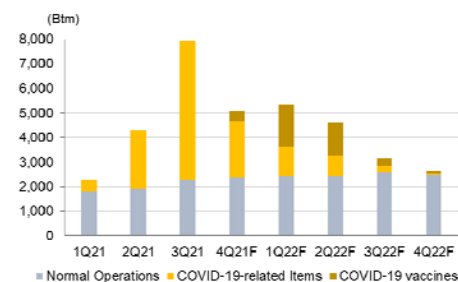
Source: BCH, UOB Kay Hian

YEARLY FORECAST AND MARGINS



Source: BCH, UOB Kay Hian

QUARTERLY REVENUE BREAKDOWN



Source: BCH, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Net turnover	8,928	19,669	15,727	12,058
EBITDA	2,609	8,663	4,457	3,358
Deprec. & amort.	782	871	937	956
EBIT	1,827	7,792	3,519	2,402
Total other non-operating income	7	5	5	5
Associate contributions	3	3	3	3
Net interest income/(expense)	(132)	(147)	(120)	(74)
Pre-tax profit	1,705	7,652	3,407	2,337
Tax	(313)	(1,512)	(654)	(444)
Minorities	(163)	(485)	(264)	(208)
Net profit	1,229	5,655	2,489	1,684
Net profit (adj.)	1,229	5,655	2,489	1,684

CASH FLOW

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Operating	1,427	6,594	4,407	2,997
Pre-tax profit	1,705	7,652	3,407	2,337
Tax	(313)	(1,512)	(654)	(444)
Deprec. & amort.	782	871	937	956
Associates	(3)	(3)	(3)	(3)
Working capital changes	(569)	(939)	890	343
Non-cash items	(24)	522	(173)	(194)
Other operating cashflows	(150)	3	3	3
Investing	(2,607)	(1,060)	(943)	(1,012)
Capex (growth)	(2,608)	(1,035)	(986)	(996)
Investments	7	(9)	(3)	(3)
Others	(6)	(17)	46	(13)
Financing	1,247	(3,655)	(3,198)	(1,641)
Dividend payments	(574)	(821)	(2,827)	(1,244)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,837	0	0	0
Loan repayment	0	(2,843)	(370)	(396)
Others/interest paid	(17)	10	0	0
Net cash inflow (outflow)	67	1,878	266	344
Beginning cash & cash equivalent	879	946	2,824	3,090
Ending cash & cash equivalent	946	2,824	3,090	3,433

BALANCE SHEET

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Fixed assets	11,892	12,056	12,105	12,145
Other LT assets	1,097	1,121	1,147	1,118
Cash/ST investment	946	2,824	3,090	3,433
Other current assets	2,593	3,716	3,007	2,539
Total assets	16,527	19,718	19,349	19,235
ST debt	4,289	378	1,004	1,604
Other current liabilities	1,379	2,085	2,092	1,773
LT debt	3,027	4,093	3,097	2,101
Other LT liabilities	207	207	275	229
Shareholders' equity	6,885	11,728	11,389	11,829
Minority interest	742	1,227	1,491	1,699
Total liabilities & equity	16,527	19,718	19,349	19,235

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	29.2	44.0	28.3	27.8
Pre-tax margin	19.1	38.9	21.7	19.4
Net margin	13.8	28.8	15.8	14.0
ROA	8.0	31.2	12.7	8.7
ROE	18.7	60.8	21.5	14.5
Growth				
Turnover	0.5	120.3	(20.0)	(23.3)
EBITDA	10.0	232.0	(48.6)	(24.7)
Pre-tax profit	7.6	348.8	(55.5)	(31.4)
Net profit	8.3	360.0	(56.0)	(32.3)
Net profit (adj.)	8.3	360.0	(56.0)	(32.3)
EPS	8.3	360.0	(56.0)	(32.3)
Leverage				
Debt to total capital	49.0	25.7	24.2	21.5
Debt to equity	106.3	38.1	36.0	31.3
Net debt/(cash) to equity	92.5	14.0	8.9	2.3
Interest cover (x)	19.7	58.8	37.0	45.3

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