

COMPANY UPDATE

Bangkok Chain Hospital (BCH TB)

Softening 2H22 Outlook Together With Significant Uncertainties

BCH's 2H22 earnings are expected to fall both yoy and hoh from decreasing COVID-19-related items, despite a strong increase in general patients and the return of Middle Eastern patients at WMC. Nonetheless, BCH's earnings are under serious pressure from potential losses and the write-off of unsold Moderna vaccines. Hence, we only recommend investors to re-accumulate after this overhang concern is over. Maintain HOLD. Target price: Bt19.00.

WHAT'S NEW

- **Positive non-COVID-19 traffic volume.** Bangkok Chain Hospital (BCH) signalled the continuous return of general patients, especially Middle Eastern patients at World Medical Hospital (WMC). Nonetheless, BCH is more well-prepared from increasing capacity and several new specialised centres, including seven new anti-ageing centres, one laboratory and a COVID-19 service centre.
- **Upside risk from SSO rate increase.** BCH foresees the possibility of an increase of 4-7% in basic income under the Social Security Office (SSO) scheme from the current rate of Bt1,640 per head per year, which has been in effect since 1 Jan 20. The increase will be effective retrospectively from 1 Jan 22. The proposal is under consideration and will benefit BCH if it is approved.
- **Excess vaccines pose serious downside risk.** Management explained the current situation on alternative COVID-19 vaccines whereby BCH has sold about 1.2m doses of Moderna vaccines to date (about 925,000 doses between 4Q21-2Q22) and has 1.1m unsold doses in which the company bears the risk. BCH expects some increase in sales following the termination of free Moderna vaccination by government authorities from Sep 22 onwards and is under negotiation on the extension of vaccine lifetime from the original expiry in 4Q22 to 1Q23 given that on vaccine expiry, BCH will have to write off the unsold vaccines, incurring large one-time expense. Despite several marketing strategies such as free vaccination for routine patients, we believe the write-off is inevitable due to: a) limited protection against infection from the current vaccine against virus mutation, and b) larger number of people recently infected with recent Omicron sub-variants (ie BA.5 and BA.2.75) that does not need further vaccination in the next few months.
- In addition, BCH will face pressure from other hospitals that also attempt to liquidate excess vaccines at a loss (below the vaccine cost of Bt1,150 per dose), thus potentially triggering a price war that will enlarge average loss per dose.

KEY FINANCIALS

Year to 31 Dec (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	8,928	21,405	18,155	12,319	12,681
EBITDA	2,609	10,373	6,276	3,482	3,601
Operating profit	1,827	9,499	5,339	2,526	2,627
Net profit (rep./act.)	1,229	6,846	3,839	1,774	1,860
Net profit (adj.)	1,229	6,846	3,839	1,774	1,860
EPS (Bt)	0.5	2.7	1.5	0.7	0.7
PE (x)	40.2	7.2	12.9	27.8	26.6
P/B (x)	7.2	3.8	3.6	3.7	3.4
EV/EBITDA (x)	19.1	4.8	7.9	14.3	13.8
Dividend yield (%)	(1.2)	(6.1)	3.9	1.8	1.9
Net margin (%)	13.8	32.0	21.1	14.4	14.7
Net debt/(cash) to equity (%)	92.5	13.8	(10.3)	(13.1)	(19.6)
Interest cover (x)	19.7	68.6	45.9	47.0	76.2
ROE (%)	18.7	68.9	28.9	13.1	13.4
Consensus net profit	-	-	3,996	2,024	2,070
UOBKH/Consensus (x)	-	-	0.96	0.88	0.90

Source: Bangkok Chain Hospital, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt19.80
Target Price	Bt19.00
Upside	-4.0%

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):	49,376.2
Market cap (US\$m):	1,387.8
3-mth avg daily t'over (US\$m):	9.2

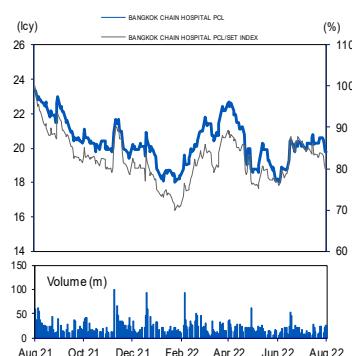
Price Performance (%)

52-week high/low		Bt23.40/Bt18.00		
1mth	3mth	6mth	1yr	YTD
(2.5)	5.9	7.6	(15.4)	(1.5)

Major Shareholders

	%
Harnphanich family	50.0
Thai NVDR	12.7
Social Security Office	2.9
FY22 NAV/Share (Bt)	5.44
FY22 Net Cash/Share (Bt)	0.56

PRICE CHART



Source: Bloomberg

ANALYST(S)

Waritthorn Kaewmuang
+662 090 8642
waritthorn@uobkayhian.co.th

- This loss will have a considerable impact on profitability margins in the upcoming quarters until the write-off occurs and is likely to result in quarterly earnings misses and potentially lower future dividend yield. The amount of quarterly loss and final write-off will depend on the amount and selling cost in each quarter.

SCENARIO ANALYSIS ON P/L FROM 2ND LOT OF MODERNA VACCINES

	Sold ('000)	Write-off ('000)	Rev/dose (Bt)	Revenue (Btm)	Cost (Btm)	GP (Btm)	Write-off (Btm)	Net P/L (Btm)
Ideal case	1,100	0	1,650	1,815	(1,265)	550	0	550
Best case	600	500	900	540	(690)	(150)	(575)	(725)
Base case	400	700	750	300	(460)	(160)	(805)	(965)
Bad case	200	900	500	100	(230)	(130)	(1,035)	(1,165)
Worst case	0	1,100	0	0	0	0	(1,265)	(1,265)

Source: BCH, UOB Kay Hian

Note: a) GP will be spread out between quarters while write-off expense will incur once at an expiry; b) The analysis excludes additional operating expenses to provide the vaccination service, which was around Bt250/dose in 4Q21.

STOCK IMPACT

- Gloomy 2H22 outlook.** BCH's 2H22 outlook is expected to undergo earnings normalisation, although it would still recognise certain contribution from COVID-19 screening tests and treatments during the resurgence of Omicron sub-variants in Jul 22. Although 2023 earnings are expected to be 44% higher than in 2020, BCH's 2H22 earnings may fall below pre-COVID-19 performance due to gross margin pressure from the Moderna vaccines.

EARNINGS REVISION/RISK

- None.** Note that our projection has not factored in additional aforementioned loss from the Moderna vaccines as the amount is still unable to be quantified with precision.

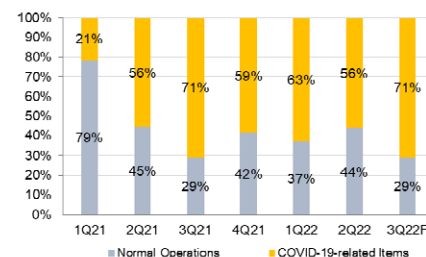
VALUATION/RECOMMENDATION

- Maintain HOLD with a target price of Bt19.00** based on DCF (WACC: 7.4%, terminal growth 3.1%) on 2023 valuation. Despite limited downside to 2023 target price, we foresee downside risk in 2H22 from the Moderna vaccines that may result in short-term deep discount to next year's valuation. We recommend long-term investors to remain extremely cautious and only to accumulate after the overhang concern is over or switch to Bumrungrad Hospital (BH) as a top pick in the healthcare sector on the back of positive earnings growth and negligible impact from potential write-off in the future.

SHARE PRICE CATALYST

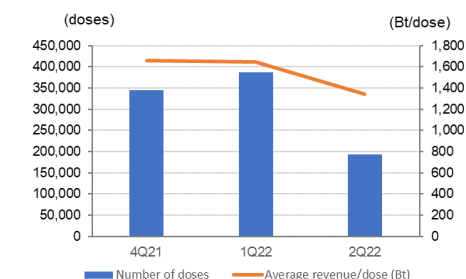
- Increase in the number of registered members under the SSO scheme, which will allow BCH to recognise higher basic income.
- Recovery in the number of international patients at WMC and a strong growth in newly-built hospitals.
- Increasing number of registered patients under the SSO scheme.

REVENUE BREAKDOWN BY ITEM



Source: BCH, UOB Kay Hian

COVID-19 VACCINATION STATISTICS



Source: BCH, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Net turnover	21,405	18,155	12,319	12,681
EBITDA	10,373	6,276	3,482	3,601
Deprec. & amort.	874	937	956	974
EBIT	9,499	5,339	2,526	2,627
Total other non-operating income	4	5	5	6
Associate contributions	2	3	3	3
Net interest income/(expense)	(151)	(137)	(74)	(47)
Pre-tax profit	9,354	5,210	2,460	2,588
Tax	(1,846)	(1,000)	(467)	(492)
Minorities	(661)	(370)	(219)	(237)
Net profit	6,846	3,839	1,774	1,860
Net profit (adj.)	6,846	3,839	1,774	1,860

BALANCE SHEET

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Fixed assets	12,239	12,105	12,145	12,234
Other LT assets	604	1,135	1,098	1,103
Cash/ST investment	5,256	5,496	5,463	5,125
Other current assets	8,285	3,064	2,546	2,733
Total assets	26,384	21,800	21,252	21,195
ST debt	2,980	1,004	1,604	804
Other current liabilities	4,867	2,124	1,811	1,915
LT debt	4,060	3,097	2,101	1,504
Other LT liabilities	170	145	234	260
Shareholders' equity	12,980	13,577	13,431	14,404
Minority interest	1,326	1,852	2,071	2,308
Total liabilities & equity	26,384	21,800	21,252	21,195

CASH FLOW

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Operating	6,090	7,781	3,153	2,987
Pre-tax profit	9,354	5,210	2,460	2,588
Tax	(1,846)	(1,000)	(467)	(492)
Deprec. & amort.	874	937	956	974
Associates	(2)	(3)	(3)	(3)
Working capital changes	(5,098)	4,934	472	(118)
Non-cash items	2,894	(2,455)	(268)	35
Other operating cashflows	(85)	158	3	3
Investing	(764)	(1,360)	(869)	(1,042)
Capex (growth)	(1,221)	(803)	(996)	(1,063)
Investments	512	(524)	(3)	(4)
Others	(56)	(33)	130	24
Financing	(1,015)	(6,181)	(2,316)	(2,283)
Dividend payments	(728)	(3,242)	(1,920)	(887)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(274)	(2,939)	(396)	(1,396)
Others/interest paid	(13)	0	0	0
Net cash inflow (outflow)	4,310	240	(33)	(338)
Beginning cash & cash equivalent	946	5,256	5,496	5,463
Ending cash & cash equivalent	5,256	5,496	5,463	5,125

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	48.5	34.6	28.3	28.4
Pre-tax margin	43.7	28.7	20.0	20.4
Net margin	32.0	21.1	14.4	14.7
ROA	31.9	15.9	8.2	8.8
ROE	68.9	28.9	13.1	13.4
Growth				
Turnover	139.8	(15.2)	(32.1)	2.9
EBITDA	297.6	(39.5)	(44.5)	3.4
Pre-tax profit	448.6	(44.3)	(52.8)	5.2
Net profit	456.9	(43.9)	(53.8)	4.8
Net profit (adj.)	456.9	(43.9)	(53.8)	4.8
EPS	456.9	(43.9)	(53.8)	4.8
Leverage				
Debt to total capital	33.0	21.0	19.3	12.1
Debt to equity	54.2	30.2	27.6	16.0
Net debt/(cash) to equity	13.8	(10.3)	(13.1)	(19.6)
Interest cover (x)	68.6	45.9	47.0	76.2

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W