

BANGKOK CHAIN HOSPITAL  
THAILAND / HEALTH CARE SERVICES

## BCH TB

BUY

UNCHANGED

## A bit under the weather in 1Q23

- คาดกำไรปกติ 1Q23 จะปรับตัวลดลง 2% q-q มาอยู่ที่ 263 ลบ. จากค่าใช้จ่ายบุคลากรและสาธารณูปโภคที่เพิ่มขึ้น
- แนวโน้มการเติบโตของกำไรน่าจะเร่งตัวขึ้นในช่วง 2H23 จากอัตราการจ่ายของสำนักงานประกันสังคม (SSO) เพิ่มขึ้นโดยมีผลตั้งแต่วันที่ 1 พ.ค. เป็นต้นไป
- คงแนะนำซื้อหลังปรับราคาเป้าหมายลงเหลือ 23.5 บาท (DCF)

TARGET PRICE	THB23.50
CLOSE	THB20.10
UP/DOWNSIDE	+16.9%
PRIOR TP	THB25.50
CHANGE IN TP	-7.8%
TP vs CONSENSUS	-2.4%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,827	12,851	14,089	15,342
Net profit	3,039	1,645	1,991	2,239
EPS (THB)	1.22	0.66	0.80	0.90
vs Consensus (%)	-	(13.4)	(5.5)	(4.1)
EBITDA	5,059	3,316	3,790	4,165
Core net profit	3,039	1,645	1,991	2,239
Core EPS (THB)	1.22	0.66	0.80	0.90
Chg. In EPS est. (%)	-	(8.2)	(8.5)	(8.2)
EPS growth (%)	(55.6)	(45.9)	21.0	12.5
Core P/E (x)	16.5	30.5	25.2	22.4
Dividend yield (%)	7.0	2.5	1.8	2.2
EV/EBITDA (x)	10.4	15.1	12.9	11.4
Price/book (x)	4.0	3.9	3.6	3.3
Net debt/Equity (%)	9.2	(7.9)	(16.2)	(23.4)
ROE (%)	23.9	13.0	14.9	15.4

## EBITDA margin ใน 1Q23 อาจลดลงเล็กน้อยเมื่อเทียบกับระดับก่อนโควิด

เราคาดว่ารายได้จะลดลง 2% q-q จากปัจจัยด้านฤดูกาล รายได้จาก SSO น่าจะโต 7% y-y จากฐานสมาชิก SSO ลงทะเบียนที่ใหญ่ขึ้น (ประมาณ 1.02 ล้านใน 1Q23E เทียบกับ 936k ใน 1Q22) แต่ลดลง 7% q-q จากรายได้เพิ่มเติมจากการรักษาโรคเรื้อรัง (34 ลบ. ใน 4Q22) ที่หายไป ในขณะที่เดียวกันเราคาดว่ารายได้จากผู้ป่วยเงินสดจะลดลง 2% q-q แต่ยังคงสูงกว่าระดับก่อนโควิดถึง 40% EBITDA margin น่าจะปรับตัวขึ้นเป็น 24% (เทียบกับ 23% ใน 4Q22) แต่ยังคงต่ำกว่า 26% ที่ได้ใน 1Q19 อยู่เล็กน้อยจากค่าใช้จ่ายบุคลากรและสาธารณูปโภคที่เพิ่มขึ้น ในภาพรวมเราคาดว่ากำไรปกติจะลดลงเล็กน้อยที่ 2% q-q เป็น 263 ลบ.

## โอกาสในการจับนักท่องเที่ยวเชิงการแพทย์จากจีน

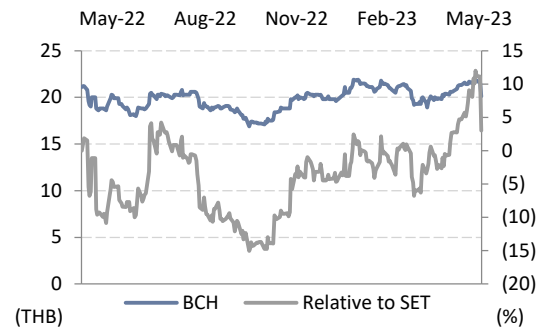
World Medical Hospital (WMC) ได้เซ็นบันทึกความเข้าใจกับ Lavidia Advanced Fertility and Genetics Centre ไปเมื่อไม่นานมานี้เพื่อส่งต่อผู้ป่วยชาวจีนที่มีความประสงค์ใช้บริการ IVF และ Anti-aging มาที่ WMC บัญชีดังกล่าวน่าจะช่วยเพิ่มรายได้จากผู้ป่วยชาวจีนซึ่งคิดเป็น 5% ของรายได้ในปี 2022 เราคาดว่ารายได้จากผู้ป่วยต่างชาติของ BCH จะโต 10% จาก 1.5 พัน ลบ. เป็น 1.7 พัน ลบ. และคิดเป็นประมาณ 13% ของรายได้รวมในปี 2023 โดยการเติบโตส่วนมากจะมาจากผู้ป่วยจากตะวันออกกลางและชาวจีน

## อัตราการจ่ายของ SSO ที่สูงขึ้นจะช่วยดันกำไรปกติขึ้น 5% ในปี 2023

เมื่อไม่นานมานี้ SSO ได้ปรับอัตราการจ่ายคงที่สำหรับสมาชิกจดทะเบียนขึ้น 10% จาก 1,640 บาทเป็น 1,808 บาทโดยให้มีผลตั้งแต่วันที่ 1 พ.ค. เป็นต้นไป เราคาดว่าปัจจัยดังกล่าวจะทำให้กำไรปกติเพิ่มขึ้น 5% ในปี 2023 และ 8% ต่อปี นอกจากนี้เรายังคาดว่าจะมีจำนวนผู้ประกันตนจะโตขึ้น 6% เป็น 1.04 ล้านในปี 2023 ซึ่งจะช่วยกระตุ้นรายได้จาก SSO ได้มากกว่า 10% ในปี 2023

## การเติบโตของกำไรในช่วง 2H23 และการควมรวมและซื้อกิจการเป็นปัจจัยบวกในระยะกลาง

เราปรับลดประมาณการกำไรปกติปี 2023-25 ลง 8% เพื่อสะท้อนต้นทุนที่สูงขึ้นและได้ราคาเป้าหมายใหม่ที่ 23.5 บาท (DCF) ปัจจุบัน BCH มีการซื้อขายที่ 30x ของค่า 2023E เราคาดว่าอัตราการเติบโตของกำไรในช่วง 2H23 จะอยู่ในเกณฑ์ดี นอกจากนี้ BCH กำลังพิจารณาควมรวมและซื้อกิจการ บริษัท คาดว่าจะสำเร็จ 1 รายการภายในปีนี้ซึ่งเราคิดว่าน่าจะช่วยหนุนการเติบโตจากภายนอก (inorganic) ในปี 2023



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.5)	(6.1)	(6.5)
Relative to country (%)	3.7	3.6	2.0
Mkt cap (USD m)	1,465		
3m avg. daily turnover (USD m)	5.6		
Free float (%)	50		
Major shareholder	Chalerm Hamphanich (33%)		
12m high/low (THB)	22.20/16.80		
Issued shares (m)	2,493.75		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 3 พฤษภาคม 2023

### Investment thesis

BCH is the leading service provider under the Social Security Office (SSO) scheme with a 5% market share. It will likely be the hospital that benefits the most from Covid-19 services, including screening and treatments for Covid patients.

After Covid-19 subsidies, we think World Medical Hospital (WMC) should continue to capture rising demand from medical tourists. Normally, 50% of WMC's revenue comes from international patients, especially from the Middle East. We expect BCH to capture the strong recovery of that patient segment.

BCH opened three new hospitals in 2020-21. We see the Covid pandemic as the driver for these new hospitals to turn around earlier than expected due to the influx of Covid patients, some of which could convert to regular patients in the future.

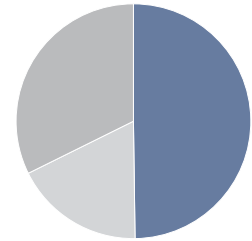
### Company profile

The company operates its business as a group, providing healthcare services for both cash patients and patients under the social security scheme.

[www.bangkokchainhospital.com](http://www.bangkokchainhospital.com)

### Principal activities (revenue, 2022)

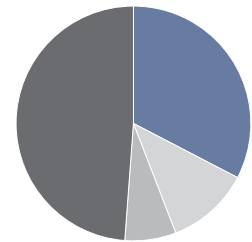
- Cash patient revenue - 49.8 %
- SSO patient revenue - 17.9 %
- NHSO patient revenue - 32.3 %



Source: Bangkok Chain Hospital

### Major shareholders

- Chalerm Harnphanich - 32.6 %
- Thai NVDR - 11.5 %
- Somporn Harnphanich - 7.1 %
- Others - 48.8 %



Source: Bangkok Chain Hospital

### Catalysts

Key potential growth drivers include 1) more SSO-registered members; 2) rising demand from medical tourists; and 3) an improving EBITDA margin led by new hospitals.

### Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.

### Event calendar

Date	Event
May 2023	1Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
SSO volume growth	6	3	3
SSO revenue / patient growth	5	5	5
OPD volume growth	(36)	5	5
OPD revenue / patient growth	30	5	5
IPD volume growth	10	5	5
IPD revenue / patient growth	7	5	3

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in patient volume, we project 2023 earnings would rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2023 earnings would rise by 5%, and vice versa, all else being equal.

Source: FSSIA estimates

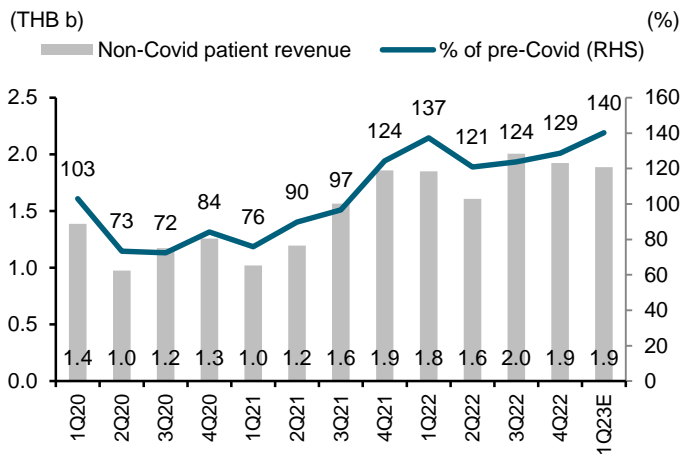


## Exhibit 1: 1Q23 results preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	----- Change -----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
<b>Sales</b>	<b>7,087</b>	<b>5,523</b>	<b>3,429</b>	<b>2,788</b>	<b>2,729</b>	<b>(2)</b>	<b>(62)</b>	<b>18,827</b>	<b>12,851</b>	<b>(32)</b>
COGS (incl. depreciation)	(3,890)	(3,487)	(3,519)	(1,876)	(1,880)	0	(52)	(12,772)	(8,714)	(32)
<b>Gross profit</b>	<b>3,197</b>	<b>2,037</b>	<b>(90)</b>	<b>912</b>	<b>849</b>	<b>(7)</b>	<b>(73)</b>	<b>6,055</b>	<b>4,137</b>	<b>(32)</b>
SG&A	(491)	(524)	(420)	(511)	(450)	(12)	(8)	(1,946)	(1,825)	(6)
<b>Operating profit</b>	<b>2,706</b>	<b>1,513</b>	<b>(511)</b>	<b>401</b>	<b>399</b>	<b>(1)</b>	<b>(85)</b>	<b>4,109</b>	<b>2,312</b>	<b>(44)</b>
Net other income	32	21	27	13	13	0	(60)	92	90	(2)
Interest expense	(48)	(39)	(35)	(34)	(34)	0	(29)	(156)	(125)	(20)
<b>Pretax profit</b>	<b>2,690</b>	<b>1,495</b>	<b>(519)</b>	<b>380</b>	<b>377</b>	<b>(1)</b>	<b>(86)</b>	<b>4,045</b>	<b>2,278</b>	<b>(44)</b>
Income Tax	(542)	(319)	74	(101)	(75)	(25)	(86)	(888)	(456)	(49)
Associates	1	0	0	(1)	0	(100)	(100)	0	2	n/a
Minority interest	(120)	(32)	41	(8)	(39)	410	(68)	(118)	(179)	51
<b>Core profit</b>	<b>2,028</b>	<b>1,144</b>	<b>(403)</b>	<b>270</b>	<b>263</b>	<b>(2)</b>	<b>(87)</b>	<b>3,039</b>	<b>1,645</b>	<b>(46)</b>
Extraordinaries, GW & FX	0	0	0	0	0					
<b>Reported net profit</b>	<b>2,028</b>	<b>1,144</b>	<b>(403)</b>	<b>270</b>	<b>263</b>	<b>(2)</b>	<b>(87)</b>	<b>3,039</b>	<b>1,645</b>	<b>(46)</b>
Outstanding shares (m)	2,494	2,494	2,494	2,494	2,494	0	0	2,494	2,494	0
<b>Core EPS (THB)</b>	<b>0.81</b>	<b>0.46</b>	<b>(0.16)</b>	<b>0.11</b>	<b>0.11</b>	<b>(2)</b>	<b>(87)</b>	<b>1.22</b>	<b>0.66</b>	<b>(46)</b>
<b>EPS (THB)</b>	<b>0.81</b>	<b>0.46</b>	<b>(0.16)</b>	<b>0.11</b>	<b>0.11</b>	<b>(2)</b>	<b>(87)</b>	<b>1.22</b>	<b>0.66</b>	<b>(46)</b>
COGS (excl. depreciation)	3,656	3,251	3,279	1,636	1,635	(0)	(55)	11,822	7,711	(35)
Depreciation	234	236	240	240	245	2	5	950	1,003	6
EBITDA	2,972	1,769	(244)	654	656	0	(78)	5,151	3,406	(34)
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	45	37	(3)	33	31	(2)	(14)	32	32	0
SG&A/Revenue	7	9	12	18	16	(2)	10	10	14	4
EBITDA margin	42	32	(7)	23	24	1	(18)	27	27	(1)
Net profit margin	29	21	(12)	10	10	(0)	(19)	16	13	(3)
<b>Operating stats</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>	<b>(y-y %)</b>						
Cash-OPD revenue growth	121	(32)	(10)	(45)						
Cash-OPD volume growth	211	(14)	(23)	(63)						
Cash-OPD revenue per head growth	(29)	(21)	17	50						
Cash-IPD revenue growth	514	0	(86)	(79)						
Cash-IPD volume growth	514	(54)	(97)	(71)						
Cash-IPD revenue per head growth	(0)	117	402	(26)						
SSO revenue growth	81	247	61	(2)						
SSO registered member ('000)	936	976	994	1,012						
SSO registered member growth	5	10	11	13						
SSO revenue per head growth	72	217	45	(13)						

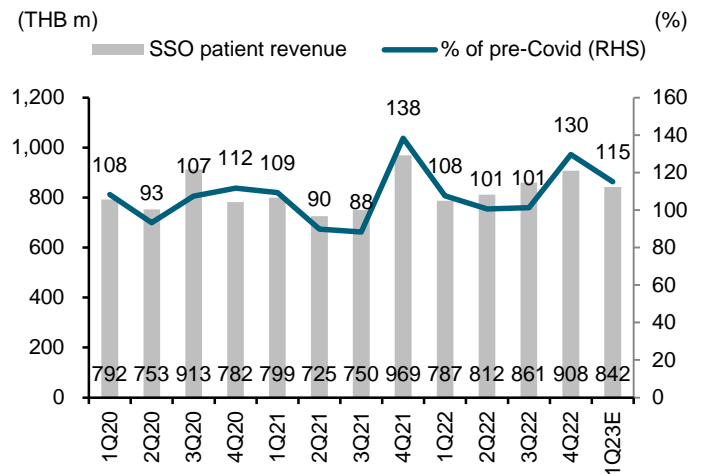
Sources: BCH; FSSIA estimates

**Exhibit 2: Non-Covid general patient revenue**



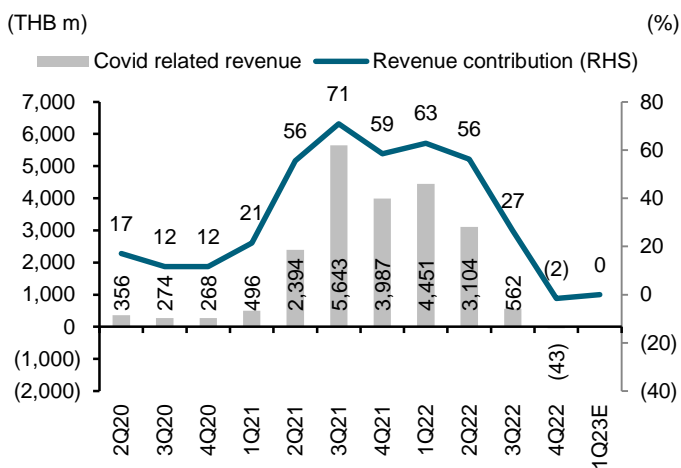
Source: BCH

**Exhibit 3: SSO revenue, quarterly**



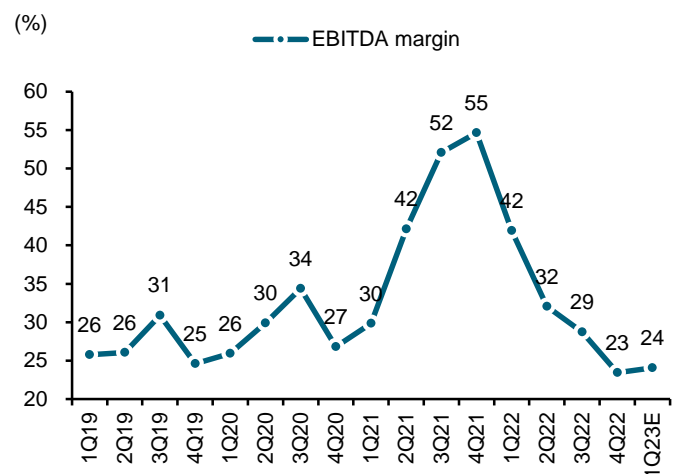
Source: BCH

**Exhibit 4: Covid-related revenue, quarterly**



Note: 4Q22 include revenue reversal from NHSO refund  
Source: BCH

**Exhibit 5: EBITDA margin**



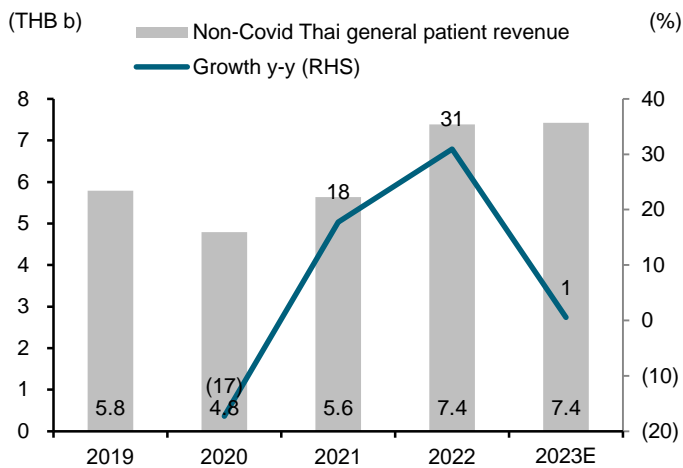
Note: 3Q22 excludes Moderna write-off  
Sources: BCH; FSSIA estimates

**Exhibit 6: Forecast revisions**

	Current			Previous			% Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
SSO registered members ('000)	1,038	1,069	1,101	1,038	1,069	1,101	0.0	0.0	0.0
SSO revenue per head (THB)	3,615	3,796	3,986	3,547	3,653	3,762	1.9	3.9	5.9
Cash-OPD visits per day (no.)	3,468	3,642	3,824	3,468	3,642	3,824	0.0	0.0	0.0
Cash-OPD revenue per head (THB)	3,561	3,739	3,926	3,615	3,796	3,986	(1.5)	(1.5)	(1.5)
Cash-IPD admissions per day (no.)	142	149	156	142	149	156	0.0	0.0	0.0
Cash-IPD revenue per head (THB)	88,677	93,111	95,904	88,677	93,111	95,904	0.0	0.0	0.0
Revenue (THB m)	12,851	14,089	15,342	12,848	14,012	15,180	0.0	0.6	1.1
EBITDA margin (%)	25.8	26.9	27.1	27.1	28.6	29.0	(1.3)	(1.7)	(1.9)
Core profit (THB m)	1,645	1,991	2,239	1,792	2,175	2,438	(8.2)	(8.5)	(8.2)

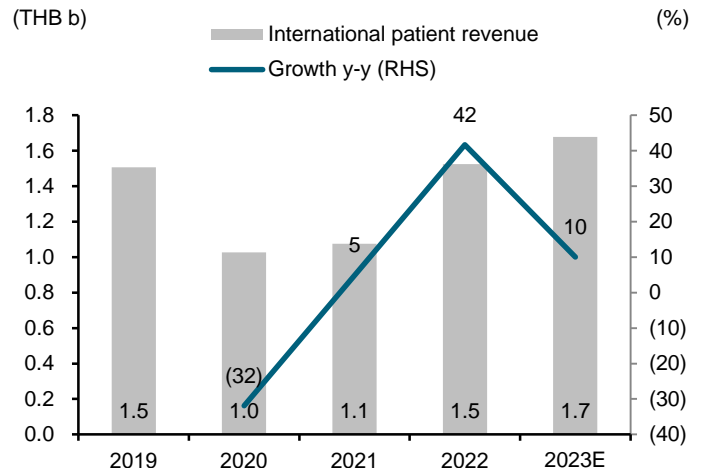
Note: Change of items in percentage terms are represented in ppt change  
Source: FSSIA estimates

**Exhibit 7: Non-Covid Thai general patient revenue**



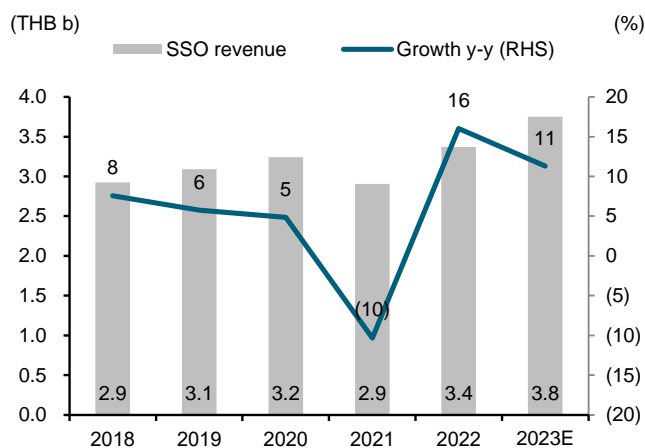
Sources: BCH; FSSIA estimates

**Exhibit 8: International patient revenue**



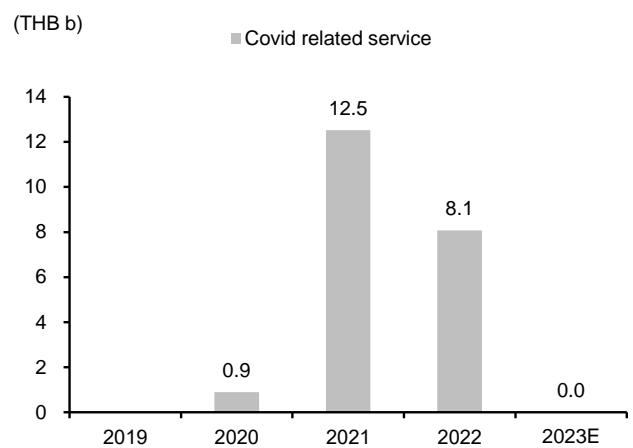
Sources: BCH; FSSIA estimates

**Exhibit 9: SSO revenue, yearly**



Sources: BCH; FSSIA estimate

**Exhibit 10: Covid-related revenue, yearly**



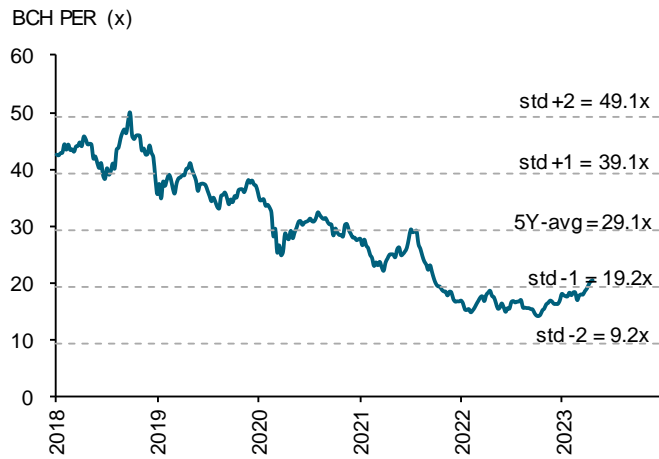
Sources: BCH; FSSIA estimate

**Exhibit 11: DCF-derived TP**

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		4.0
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		1.0			
Cost of equity, Ke		10.6	Net cost of debt, Kd		3.2
Weight applied		70.0	Weight applied		30.0
WACC		8.4			
DCF valuation estimate		(THB b)	(THB/share)	Comments	
NPV		22.9	9.2	WACC 8.4%, Risk-free rate 3%, Risk premium 8%	
Terminal value		38.1	15.3	Terminal growth 3%	
Cash & liquid assets		2.6	1.1	At end-2023E	
Investments		0.0	0.0	At end-2023E	
Debt		(3.9)	(1.6)	At end-2023E	
Minorities		(1.1)	(0.4)	At end-2023E	
<b>Residual ordinary equity</b>		<b>58.7</b>	<b>23.5</b>		

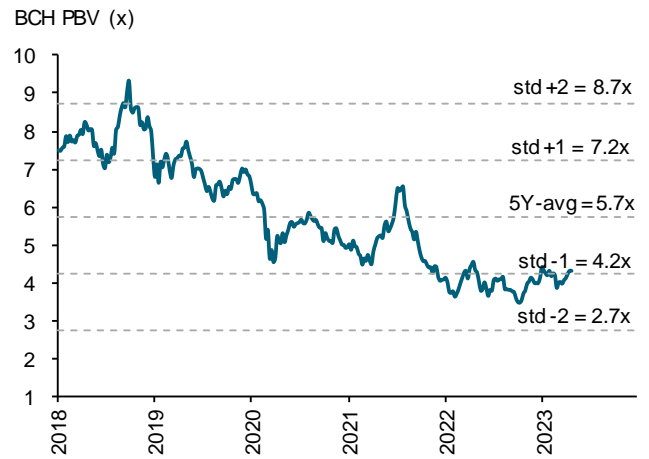
Source: FSSIA estimates

**Exhibit 12: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 13: Historical P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 14: Peer comparisons as of 2 May 2023**

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>														
Bangkok Dusit Med Service	BDMS TB	BUY	29.25	34.50	17.9	13,588	34.5	30.4	14.5	15.4	4.9	4.5	19.3	17.2
Bumrungrad Hospital	BH TB	BUY	239.00	260.00	8.8	5,553	35.4	32.5	25.6	24.8	8.5	7.6	22.9	20.9
Bangkok Chain Hospital	BCH TB	BUY	20.10	23.50	16.9	1,465	30.5	25.2	13.0	14.9	3.9	3.6	15.1	12.9
Chularat Hospital	CHG TB	BUY	3.48	4.40	26.4	1,119	29.1	24.9	17.3	19.1	5.0	4.5	17.2	14.8
Praram 9 Hospital	PR9 TB	BUY	18.70	22.00	17.6	430	25.2	23.3	11.9	12.0	2.9	2.7	12.4	11.2
Thonburi Healthcare Group	THG TB	REDUCE	67.25	55.00	(18.2)	1,666	48.1	42.3	11.4	12.4	5.4	5.1	26.3	23.5
Vibhavadi Medical Center	VIBHA TB	BUY	2.64	3.20	21.2	1,048	33.1	29.6	7.3	7.9	2.4	2.3	27.5	24.8
Ramkhamhaeng Hospital	RAM TB	BUY	52.50	60.00	14.3	1,842	32.1	27.5	10.0	11.2	3.1	3.0	34.5	30.2
Rajthanee Hospital	RJH TB	n/a	28.50	n/a	n/a	250	21.1	21.2	18.0	18.0	5.7	3.8	13.6	13.2
Ekachai Medical Care	EKH TB	n/a	8.10	n/a	n/a	160	24.0	22.8	12.3	12.0	5.8	2.8	12.2	11.3
<b>Thailand average</b>						<b>27,120</b>	<b>31.3</b>	<b>28.0</b>	<b>14.1</b>	<b>14.8</b>	<b>4.8</b>	<b>4.0</b>	<b>20.1</b>	<b>18.0</b>
<b>Regional</b>														
Ramsay Health Care	RHC AU	n/a	65.01	n/a	n/a	9,973	36.5	26.9	10.1	12.3	3.6	3.5	12.7	11.4
Ihh Healthcare Bhd	IHH SP	n/a	1.74	n/a	n/a	11,474	30.8	27.4	6.4	6.8	2.2	1.9	13.8	12.9
Ryman Healthcare	RYM NZ	n/a	5.35	n/a	n/a	2,322	10.6	12.0	7.5	7.6	1.2	0.7	14.4	15.7
Apollo Hospitals Enterprise	APHS IN	n/a	4,514	n/a	n/a	7,889	77.7	53.6	13.6	17.3	17.8	10.1	32.0	25.3
Kpj Healthcare Berhad	KPJ MK	n/a	1.11	n/a	n/a	1,085	23.1	20.6	9.2	10.0	2.5	2.1	11.1	10.5
Raffles Medical Group	RFMD SP	n/a	1.45	n/a	n/a	2,019	21.3	21.0	12.0	11.8	3.1	2.5	12.2	12.0
Mitra Keluarga Karyasehat	MIKA IJ	n/a	2,720	n/a	n/a	2,632	33.8	29.0	19.2	20.0	8.0	6.1	21.4	18.6
Aier Eye Hospital Group	300015 CH	n/a	29.46	n/a	n/a	30,588	57.7	44.6	20.7	22.2	24.2	11.3	33.6	26.9
<b>Regional average</b>						<b>67,983</b>	<b>36.4</b>	<b>29.4</b>	<b>12.3</b>	<b>13.5</b>	<b>7.8</b>	<b>4.8</b>	<b>18.9</b>	<b>16.7</b>
<b>Overall average</b>						<b>95,103</b>	<b>33.6</b>	<b>28.6</b>	<b>13.3</b>	<b>14.2</b>	<b>6.1</b>	<b>4.3</b>	<b>19.6</b>	<b>17.4</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

Bangkok Chain Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	21,405	18,827	12,851	14,089	15,342
Cost of goods sold	(9,687)	(11,822)	(7,711)	(8,369)	(9,090)
<b>Gross profit</b>	<b>11,717</b>	<b>7,005</b>	<b>5,140</b>	<b>5,720</b>	<b>6,252</b>
Other operating income	-	-	-	-	-
Operating costs	(1,469)	(1,946)	(1,825)	(1,930)	(2,087)
<b>Operating EBITDA</b>	<b>10,248</b>	<b>5,059</b>	<b>3,316</b>	<b>3,790</b>	<b>4,165</b>
Depreciation	(874)	(950)	(1,003)	(1,040)	(1,099)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>9,374</b>	<b>4,109</b>	<b>2,312</b>	<b>2,750</b>	<b>3,067</b>
Net financing costs	(147)	(148)	(121)	(107)	(93)
Associates	2	0	2	2	2
Recurring non-operating income	127	84	88	92	96
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>9,354</b>	<b>4,046</b>	<b>2,280</b>	<b>2,734</b>	<b>3,069</b>
Tax	(1,846)	(888)	(456)	(546)	(613)
<b>Profit after tax</b>	<b>7,507</b>	<b>3,157</b>	<b>1,824</b>	<b>2,188</b>	<b>2,456</b>
Minority interests	(661)	(118)	(179)	(197)	(217)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>6,846</b>	<b>3,039</b>	<b>1,645</b>	<b>1,991</b>	<b>2,239</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,846</b>	<b>3,039</b>	<b>1,645</b>	<b>1,991</b>	<b>2,239</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.75	1.22	0.66	0.80	0.90
Reported EPS	2.75	1.22	0.66	0.80	0.90
DPS	0.33	1.40	0.50	0.36	0.44
Diluted shares (used to calculate per share data)	2,494	2,494	2,494	2,494	2,494
<b>Growth</b>					
Revenue (%)	139.8	(12.0)	(31.7)	9.6	8.9
Operating EBITDA (%)	306.3	(50.6)	(34.5)	14.3	9.9
Operating EBIT (%)	438.6	(56.2)	(43.7)	18.9	11.5
Recurring EPS (%)	456.9	(55.6)	(45.9)	21.0	12.5
Reported EPS (%)	456.9	(55.6)	(45.9)	21.0	12.5
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	50.7	32.2	32.2	33.2	33.6
Gross margin of key business (%)	50.7	32.2	32.2	33.2	33.6
Operating EBITDA margin (%)	47.9	26.9	25.8	26.9	27.1
Operating EBIT margin (%)	43.8	21.8	18.0	19.5	20.0
Net margin (%)	32.0	16.1	12.8	14.1	14.6
Effective tax rate (%)	19.7	22.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	12.0	114.9	75.8	45.4	48.9
Interest cover (X)	64.5	28.4	19.9	26.5	33.9
Inventory days	12.9	12.3	14.1	10.7	10.7
Debtor days	42.9	49.3	43.7	39.9	36.6
Creditor days	40.3	41.0	50.8	38.6	38.6
Operating ROIC (%)	51.4	21.4	13.9	17.9	20.2
ROIC (%)	50.1	21.0	13.7	17.5	19.8
ROE (%)	68.9	23.9	13.0	14.9	15.4
ROA (%)	35.5	14.2	9.7	11.4	12.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Cash patient revenue	7,476	9,372	9,099	10,032	10,954
SSO patient revenue	2,905	3,371	3,752	4,058	4,388
NHSO patient revenue	11,023	6,084	0	0	0

Sources: Bangkok Chain Hospital; FSSIA estimates



## Financial Statements

### Bangkok Chain Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	6,846	3,039	1,645	1,991	2,239
Depreciation	874	950	1,003	1,040	1,099
Associates & minorities	-	-	-	-	-
Other non-cash items	660	24	176	197	217
Change in working capital	(2,204)	1,459	1,766	123	129
<b>Cash flow from operations</b>	<b>6,175</b>	<b>5,471</b>	<b>4,590</b>	<b>3,351</b>	<b>3,683</b>
Capex - maintenance	(678)	(984)	(896)	(986)	(1,074)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(1)	2	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(679)</b>	<b>(982)</b>	<b>(896)</b>	<b>(986)</b>	<b>(1,074)</b>
Dividends paid	(821)	(3,491)	(1,247)	(905)	(1,095)
Equity finance	0	0	0	0	0
Debt finance	(274)	(3,153)	0	(800)	0
Other financing cash flows	(90)	(462)	(99)	(109)	(119)
<b>Cash flow from financing</b>	<b>(1,186)</b>	<b>(7,106)</b>	<b>(1,346)</b>	<b>(1,813)</b>	<b>(1,214)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>4,310</b>	<b>(2,616)</b>	<b>2,348</b>	<b>551</b>	<b>1,395</b>
Free cash flow to firm (FCFF)	5,647.32	4,645.31	3,818.29	2,479.56	2,711.31
Free cash flow to equity (FCFE)	5,131.91	875.07	3,594.65	1,455.88	2,489.97

#### Per share (THB)

FCFF per share	2.26	1.86	1.53	0.99	1.09
FCFE per share	2.06	0.35	1.44	0.58	1.00
Recurring cash flow per share	3.36	1.61	1.13	1.29	1.43

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	19,417	20,274	21,174	22,160	23,234
Less: Accumulated depreciation	(7,175)	(7,992)	(8,995)	(10,035)	(11,134)
<b>Tangible fixed assets (net)</b>	<b>12,243</b>	<b>12,282</b>	<b>12,179</b>	<b>12,125</b>	<b>12,100</b>
<b>Intangible fixed assets (net)</b>	<b>540</b>	<b>425</b>	<b>425</b>	<b>425</b>	<b>425</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	34	32	32	32	32
Cash & equivalents	5,256	2,640	4,988	5,539	6,934
A/C receivable	3,547	1,539	1,539	1,539	1,539
Inventories	437	362	236	256	278
Other current assets	4,302	2,294	124	135	148
<b>Current assets</b>	<b>13,541</b>	<b>6,835</b>	<b>6,886</b>	<b>7,469</b>	<b>8,899</b>
Other assets	26	223	223	223	223
<b>Total assets</b>	<b>26,384</b>	<b>19,796</b>	<b>19,744</b>	<b>20,274</b>	<b>21,678</b>
Common equity	12,980	12,445	12,843	13,929	15,073
Minorities etc.	1,326	1,065	1,146	1,234	1,332
<b>Total shareholders' equity</b>	<b>14,306</b>	<b>13,510</b>	<b>13,988</b>	<b>15,163</b>	<b>16,405</b>
Long term debt	6,791	3,888	3,888	3,088	3,088
Other long-term liabilities	170	163	163	163	163
<b>Long-term liabilities</b>	<b>6,961</b>	<b>4,051</b>	<b>4,051</b>	<b>3,251</b>	<b>3,251</b>
A/C payable	1,358	1,300	848	920	1,000
Short term debt	250	0	0	0	0
Other current liabilities	3,510	935	856	939	1,022
<b>Current liabilities</b>	<b>5,117</b>	<b>2,235</b>	<b>1,704</b>	<b>1,859</b>	<b>2,022</b>
<b>Total liabilities and shareholders' equity</b>	<b>26,384</b>	<b>19,796</b>	<b>19,744</b>	<b>20,274</b>	<b>21,678</b>
Net working capital	3,418	1,959	194	71	(58)
Invested capital	16,260	14,921	13,052	12,875	12,722

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	5.20	4.99	5.15	5.59	6.04
Tangible book value per share	4.99	4.82	4.98	5.41	5.87

#### Financial strength

Net debt/equity (%)	12.5	9.2	(7.9)	(16.2)	(23.4)
Net debt/total assets (%)	6.8	6.3	(5.6)	(12.1)	(17.7)
Current ratio (x)	2.6	3.1	4.0	4.0	4.4
CF interest cover (x)	35.9	6.9	30.7	14.6	27.7

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>7.3</b>	<b>16.5</b>	<b>30.5</b>	<b>25.2</b>	<b>22.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>8.6</b>	<b>19.3</b>	<b>35.6</b>	<b>29.4</b>	<b>26.2</b>
Reported P/E (x)	7.3	16.5	30.5	25.2	22.4
Dividend yield (%)	1.6	7.0	2.5	1.8	2.2
Price/book (x)	3.9	4.0	3.9	3.6	3.3
Price/tangible book (x)	4.0	4.2	4.0	3.7	3.4
EV/EBITDA (x) **	5.2	10.4	15.1	12.9	11.4
EV/EBITDA @ target price (x) **	6.0	12.0	17.7	15.1	13.5
EV/invested capital (x)	3.3	3.5	3.8	3.8	3.7

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Bangkok Chain Hospital; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Chain Hospital	BCH TB	THB 20.10	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
Bangkok Dusit Medical Services	BDMS TB	THB 29.25	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bumrungrad Hospital	BH TB	THB 239.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin.
Chularat Hospital	CHG TB	THB 3.48	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 18.70	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Thonburi Healthcare Group	THG TB	THB 67.25	REDUCE	Upside risks to our DCF-based target price include 1) a new Covid wave from a new variant; and 2) big-lot sales of Jin Wellbeing County units.
Vibhavadi Medical Center	VIBHA TB	THB 2.64	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Ramkhamhaeng Hospital	RAM TB	THB 52.50	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from its subsidiary companies.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 02-May-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.