

Report type: Trade Flash

Company Overview

BH operates a private hospital in Bangkok, which has 554 IPD bed and could serve up to 3,500 OPD per day. It is also the first hospital in Asia to be accredited by US-based JCI.

- We expect net profit to weaken q-q in 4QCY12 when compared to high season in 3QCY12 as a number of patents usually increased at faster pace during several outbreak diseases, and higher HR expenses.
- Profit from core business over the first nine months of 2012 increased 27.37% y-y to Bt1,610mn. Including gains from divestment of BCH and others, net profit jumped 86.39% y-y to Bt2,262.53mn.
- We trim slightly our CY12 net profit projection to Bt2,713mn from an earlier Bt2,767.44mn with core profit estimated at Bt2,115.44mn. For CY13, we expect core profit to continue to grow to Bt2,308mn.
- We rate BH an 'ACCUMULATE' with a CY13 target price of Bt86.3/share.

What is the news?

BH saw a decline in revenue from medical services in the first two months of 4QCY12 when compared to the previous quarter as the third quarter of year was normally a high season to the business on several outbreak diseases resulting to rising numbers of patients. A number of patients appear to lower q-q on several festive seasons in the final quarter of year, resulting to an increase in a cost per unit. For this reason, gross margin is expected to soften q-q but widen y-y as BH provided financially flood-relieved program to help out staff in 4QCY11. As BH is expected to pay special bonus on top of year-end bonus in 4QCY12, net profit is more likely to be lower than our earlier estimate. We project net profit to arrive at Bt449mn in 4QCY12.

For CY12, we project net profit at Bt2,711mn with profit from core business of Bt2,059mn, a reduction from the previous estimate at Bt2,115mn due to unexpected special bonus and higher operating expense. For CY13, profit from core business is projected to increase to Bt2,308mn on the back of rising capacity to provide services to patients.

In Feb 2013, BH plans to open 80 examination room for OPD or a rise of 40% from the current capacity of 212 examination rooms. For IPD segment, BH plans to increase a total of 61 beds, splitting into three phases. The phase I is expected to provide services for 20 beds.

On top of the increase in IPD beds, BH will add gradually 44 ICU beds to a total of 105 units within 2014. Currently, BH has a total of 484 beds, comprising of 56 ICU and 428 IPD.

Furthermore, BH plans to expand its business with two projects on the table. For 1st project, BH already acquired 4-rai land plots at Sukhumvit Soi 1 with a plan to build three buildings, which will increase space by 30,000 sq. m. CAPEX is estimated at Bt2,000mn (or Bt3,000mn including land plots). A construction is expected to begin in 2013 and to be completed in 2014. For 2nd project, BH will build a 20-30 storey building as a second hospital on New Petchaburi road and further information had yet disclosed.

BH also plans to establish a 2nd-tier hospital which is in negotiation process that BH thinks to acquire at least 51% stake.

How do we view this?

An outlook in domestic healthcare industry remains bright as Thailand has high potential to become medical hub with high competitiveness, in terms of specialized doctors and cheaper medical charges. We project CY13 net profit to grow further by 9% y-y.

Investment Actions?

We rate BH an 'ACCUMULATE' with a CY13 target price of Bt86.3/share.

Valuation Method

DCF (WACC: 7.8%, terminal g 3.5%)

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