

## Chularat Hospital Pcl (CHG TB) - BUY, Price Bt4.04, TP Bt4.80

## Results Comment

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## Superb 2Q21 results, beat expectation

- CHG reported Bt576m net profit in 2Q21, up 272% y-y and 129% q-q. This was much higher than ours and the market's expectation due to its higher-than-expected top line and margin.
- CHG's strong earnings growth was driven by rising revenue from related COVID-19 services, improving Ruampat Chachoengsao (RPC) and Chularat 304 International (304)'s operation and a new source of income from hospital management.
- Top line grew by 81% y-y and 46% q-q to Bt2.1bn in 2Q21. Its operating margin also expanded to 31.8% in 2Q21 from 16.7% in 2Q20 and 18.4% in 1Q21 due to strong revenue and operating leverage benefits.
- CHG's cash patient revenue grew by 64% y-y and 21% q-q to Bt1bn in 2Q21, driven by rising revenue from related COVID services. Social Security Scheme (SSS) revenue grew by 2% y-y but declined by 4% q-q to Bt435m in 2Q21. Universal Coverage Scheme (UCS) revenue grew by 515% y-y and 396% q-q to Bt625m in 2Q21, driven by rising revenue from related COVID-19 services and rising reimbursement rate by 6% to Bt8,750/adj. RW, starting from June 2020.
- 6M21 earnings accounted for 60% of our full-year earnings forecast. We expect to see stronger earnings momentum in 3Q21 and 4Q21 due to rising severity of Covid-19 pandemic, its capacity expansion to serve for COVID services and a new source of income from COVID-19 vaccine.
- With an earnings upside, together with its valuation is not fully valued, we maintain BUY on CHG.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	1,146	1,460	1,511	1,415	2,071	Revenue	46	81	48	7,198	7,197
<b>Gross profit</b>	<b>332</b>	<b>520</b>	<b>510</b>	<b>420</b>	<b>865</b>	<b>Gross profit</b>	<b>106</b>	<b>160</b>	<b>58</b>	<b>2,232</b>	<b>2,250</b>
SG&A	141	171	207	160	206	SG&A	29	46	46	796	812
Operating profit	191	349	303	260	659	Operating profit	153	245	64	1,436	1,438
<b>EBITDA</b>	<b>280</b>	<b>438</b>	<b>391</b>	<b>347</b>	<b>745</b>	<b>EBITDA</b>	<b>115</b>	<b>166</b>	<b>60</b>	<b>1,808</b>	<b>1,821</b>
Other income	5	8	14	57	65	Other income	12	1,218	39	313	366
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	10	9	7	6	5	Interest expense	(11)	(46)	47	24	15
<b>Profit before tax</b>	<b>187</b>	<b>348</b>	<b>310</b>	<b>312</b>	<b>718</b>	<b>Profit before tax</b>	<b>130</b>	<b>285</b>	<b>60</b>	<b>1,726</b>	<b>1,789</b>
Income tax	42	70	57	63	143	Income tax	129	238	60	345	358
Equity & invest. income	0	0	0	0	0	Equity & invest. income			na	0	0
Minority interests	11	4	1	2	1	Minority interests	(67)	(93)	121	3	(13)
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
<b>Net profit</b>	<b>155</b>	<b>282</b>	<b>254</b>	<b>252</b>	<b>576</b>	<b>Net profit</b>	<b>129</b>	<b>272</b>	<b>60</b>	<b>1,383</b>	<b>1,419</b>
<b>Normalized profit</b>	<b>155</b>	<b>282</b>	<b>254</b>	<b>252</b>	<b>576</b>	<b>Normalized profit</b>	<b>129</b>	<b>272</b>	<b>60</b>	<b>1,383</b>	<b>1,419</b>
EPS (Bt)	0.01	0.03	0.02	0.02	0.05	EPS (Bt)	129	272	60	0.13	0.13
Normalized EPS (Bt)	0.01	0.03	0.02	0.02	0.05	Normalized EPS (Bt)	129	272	60	0.13	0.13

  

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	727	627	580	646	1,158	Sales grow th	(2.8)	2.0	13.7	7.4	80.8
A/C receivable	325	422	481	461	518	Operating profit grow th	29.6	6.0	81.9	12.2	244.8
Inventory	175	169	179	189	216	EBITDA grow th	23.6	6.6	51.7	8.6	165.6
Other current assets	655	760	523	549	984	Norm profit grow th	26.1	4.8	88.8	35.0	272.1
Investment	114	114	76	76	76	Norm EPS grow th	26.1	4.8	88.8	35.0	272.1
Fixed assets	4,115	4,056	4,091	4,077	4,123	Gross margin	29.0	35.6	33.8	29.7	41.8
Other assets	236	250	271	265	275	Operating margin	16.7	23.9	20.1	18.4	31.8
<b>Total assets</b>	<b>6,348</b>	<b>6,399</b>	<b>6,201</b>	<b>6,263</b>	<b>7,350</b>	EBITDA margin	24.5	30.0	25.9	24.5	36.0
S-T debt	1,186	1,159	706	488	852	Norm net margin	13.5	19.3	16.8	17.8	27.8
A/C payable	468	562	570	578	830	D/E (x)	0.4	0.4	0.3	0.2	0.3
Other current liabilities	162	124	153	200	399	Net D/E (x)	0.2	0.2	0.1	0.0	0.0
L-T debt	475	441	407	380	358	Interest coverage (x)	29.4	51.1	52.2	59.4	143.5
Other liabilities	173	171	171	175	183	Interest rate	2.4	2.1	2.2	2.4	2.0
Minority interest	174	170	169	166	206	Effective tax rate	22.7	20.1	18.5	20.1	19.9
<b>Shareholders' equity</b>	<b>3,709</b>	<b>3,771</b>	<b>4,024</b>	<b>4,276</b>	<b>4,523</b>	ROA	9.7	17.7	16.1	16.2	33.9
Working capital	32	29	90	72	(96)	ROE	16.3	30.1	26.0	24.3	52.4
Total debt	1,662	1,601	1,114	868	1,210						
<b>Net debt</b>	<b>935</b>	<b>974</b>	<b>534</b>	<b>222</b>	<b>52</b>						

Sources: Company data, Thanachart estimates

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