Rajthanee Hospital Pcl (RJH TB) - BUY

News update

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RJH will invest in RAM and do share repurchase program

- **RJH announced to acquire 1% stake in RAM.**
- **The deal will be financed by debt and internal cash flow.**
- **It also announced to do share repurchase program at Bt150m.**
- **We have a Neutral view on these transactions.**

- RJH announced to acquire 1.04% stake (or 2.5m shares) in Ramkhamhaeng Hospital (RAM TB, Unrated) from Synphaet Co.Ltd. Total investment of Bt352.5m will be financed by debt (of Bt200m) and internal cash flow (of Bt152.5m). The deal will be finished within 29 October 2021.
- The purchase price at Bt141/share implies annualized PE in 2021 at 20.1x (RAM's annualized EPS in 2021 is Bt7.0/share) and P/BV at 2.45x (RAM's BV/share at ended June 2021 was Bt57.5/share) compared to RJH's trading PE at 14.5x and P/BV at5.5x in 2021F and the healthcare sector's average trading PE at 40.5x and P/BV at 4.5x 2021F. We think the purchase price is reasonable.
- In our view, we have Neutral view on the deal. With only 1% stake in RAM, RJH will recognize dividend income in its profit (loss) statement. If we assume RAM's dividend payout ratio at 50%, we estimate dividend income from RAM will be offset by RJH's rising interest expense from the deal. Meanwhile, we expect small synergy benefits between these two hospital groups.
- RJH also announced to do share repurchase program with the maximum amount of Bt150m and not more than 5.75 m shares (1.9% of RJH's total shares). Share repurchase period is from 1 November 2021- 30 April 2022.
- We estimate RJH to report very strong 3Q21F earnings, driven by COVID-19 services. With RJH's trading PE at 18.5x in 2022F, we see RJH is the cheapest stock in the healthcare sector. Dividend yield at 4-6% in 2021-22F is also the highest in the healthcare sector. We maintain BUY on RJH.

Key Valuations

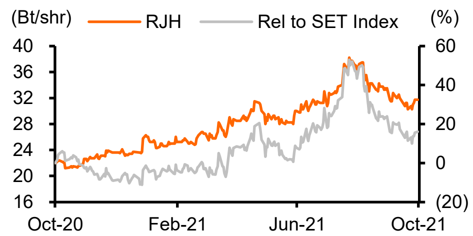
Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	1,855	3,136	2,341	2,166
Net profit	412	656	515	493
Norm net profit	371	656	515	493
Norm EPS (Bt)	1.2	2.2	1.7	1.6
Norm EPS gr (%)	17.2	76.6	(21.5)	(4.2)
Norm PE (x)	25.7	14.5	18.5	19.3
EV/EBITDA (x)	17.7	10.1	12.4	13.3
P/BV (x)	6.4	5.5	5.3	5.1
Div. yield (%)	3.1	5.5	4.3	4.1
ROE (%)	25.7	40.5	29.2	26.9
Net D/E (%)	0.8	(9.6)	(3.9)	13.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	31.75
Target price (Bt)	42.00
Market cap (US$ m)	281.1
Avg daily turnover (US$ m)	1.2
12M H/L price (Bt)	38.25/21.20

Price Performance



Source: Bloomberg

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