

Chularat Hospital Pcl (CHG TB) - BUY, Price Bt3.72, TP Bt4.80

Results Comment

Siriporn Arunothai | Email: siriporn.aru@thanachartsec.co.th

Excellent 3Q21, beat expectation

- CHG reported Bt1.6bn net profit in 3Q21, up 455% y-y and 171% q-q. This was better than our earnings preview and the Street's earnings forecast due to its stronger-than-expected revenue 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/excellence center management.
- Top line grew by 201% y-y and 112% q-q to Bt4.4bn in 3Q21. Its operating margin also expanded to 43.1% in 3Q21 from 31.8% in 2Q21 and 23.9% in 3Q20 due to strong revenue and operating leverage benefits.
- CHG's cash patient revenue grew by 32% y-y and 9% q-q to Bt1.1bn in 3Q21, driven by rising revenue from related COVID services. Universal Coverage Scheme (UCS) revenue also grew by 2,547% y-y and 368% q-q to Bt2.9bn in 3Q21, driven by revenue from COVID-19 services. However, Social Security Scheme (SSS) revenue declined by 29% y-y and 16% q-q to Bt367m in 3Q21 due to the delay of payment for the risk adjusted capitation revenue from 3Q21 to 4Q21 and the drop in high-cost care revenue due to the delay of heart surgery.
- 9M21 earnings accounted for 99% of our full-year earnings forecast. We expect its strong earnings to continue in 4Q21F due to a new source of income from Moderna vaccine, remaining high Covid-19 cases, despite falling from its peak in 3Q21, rising revenue from hospital/excellence center management and rising non-COVID patients. With an earnings upside and inexpensive valuation, we maintain BUY on CHG.

Income Statement		(consolidated)				
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	
Revenue	1,460	1,511	1,415	2,071	4,390	
Gross profit	520	510	420	865	2,232	
SG&A	171	207	160	206	338	
Operating profit	349	303	260	659	1,893	
EBITDA	438	391	347	745	1,981	
Other income	8	14	57	65	67	
Other expense	0	0	0	0	0	
Interest expense	9	7	6	5	5	
Profit before tax	348	310	312	718	1,956	
Income tax	70	57	63	143	377	
Equity & invest. income	0	0	0	0	0	
Minority interests	4	1	2	1	(15)	
Extraordinary items	0	0	0	0	0	
Net profit	282	254	252	576	1,564	
Normalized profit	282	254	252	576	1,564	
EPS (Bt)	0.03	0.02	0.02	0.05	0.14	
Normalized EPS (Bt)	0.03	0.02	0.02	0.05	0.14	

Balance Sheet		(consolidated)				
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	
Cash & ST investment	627	580	646	1,158	803	
A/C receivable	422	481	461	518	593	
Inventory	169	179	189	216	281	
Other current assets	760	523	549	984	3,748	
Investment	114	76	76	76	76	
Fixed assets	4,056	4,091	4,077	4,123	4,204	
Other assets	250	271	265	275	309	
Total assets	6,399	6,201	6,263	7,350	10,014	
S-T debt	1,159	706	488	852	835	
A/C payable	562	570	578	830	1,645	
Other current liabilities	124	153	200	399	1,029	
L-T debt	441	407	380	358	342	
Other liabilities	171	171	175	183	185	
Minority interest	170	169	166	206	221	
Shareholders' equity	3,771	4,024	4,276	4,523	5,756	
Working capital	29	90	72	(96)	(771)	
Total debt	1,601	1,114	868	1,210	1,177	
Net debt	974	534	222	52	374	

Income Statement		9M as				
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F	
Revenue	112	201	85	9,319	7,503	
Gross profit	158	329	95	3,694	2,465	
SG&A	64	98	75	934	808	
Operating profit	187	443	102	2,760	1,657	
EBITDA	166	353	98	3,133	2,042	
Other income	4	791	67	282	336	
Other expense			na	0	0	
Interest expense	(1)	(40)	85	19	6	
Profit before tax	172	463	99	3,024	1,987	
Income tax	163	438	96	605	397	
Equity & invest. income			na	0	0	
Minority interests	na	na	(480)	3	(13)	
Extraordinary items			na	0	0	
Net profit	171	455	99	2,421	1,577	
Normalized profit	171	455	99	2,421	1,577	
EPS (Bt)	171	455	99	0.22	0.14	
Normalized EPS (Bt)	171	455	99	0.22	0.14	

Financial Ratios						
(%)	3Q20	4Q20	1Q21	2Q21	3Q21	
Sales grow th	2.0	13.7	7.4	80.8	200.8	
Operating profit grow th	6.0	81.9	12.2	244.8	443.1	
EBITDA grow th	6.6	51.7	8.6	165.6	352.7	
Norm profit grow th	4.8	88.8	35.0	272.1	455.0	
Norm EPS grow th	4.8	88.8	35.0	272.1	455.0	
Gross margin	35.6	33.8	29.7	41.8	50.8	
Operating margin	23.9	20.1	18.4	31.8	43.1	
EBITDA margin	30.0	25.9	24.5	36.0	45.1	
Norm net margin	19.3	16.8	17.8	27.8	35.6	
D/E (x)	0.4	0.3	0.2	0.3	0.2	
Net D/E (x)	0.2	0.1	0.0	0.0	0.1	
Interest coverage (x)	51.1	52.2	59.4	143.5	386.8	
Interest rate	2.1	2.2	2.4	2.0	1.7	
Effective tax rate	20.1	18.5	20.1	19.9	19.3	
ROA	17.7	16.1	16.2	33.9	72.0	
ROE	30.1	26.0	24.3	52.4	121.7	

Sources: Company data, Thanachart estimates

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