Praram 9 Hospital (PR9 TB) - BUY, Price Bt11.10, TP Bt11.60

Results Comment

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Stronger turnaround 3Q21 results

- PR9 reported Bt83m profit in 3Q21, up 15% y-y and 604% q-q. This was slightly above our earnings forecast but it was in line with the Street's earnings forecast. The stronger-than-expected earnings resulted from its better-than-expected SG&A expense.
- 3Q21 earnings turnaround resulted from the company focusing more in providing COVID-19 services. This boosted PR9's revenue from IPD patients growing by 32% y-y and 43% q-q. Meanwhile, revenue from OPD patients declined by 10% y-y and 1% q-q.
- Its operating margin also expanded to 12.1% in 3Q21 from 10.3% in 3Q20 and 0.3% in 2Q21 due to strong revenue growth and operating leverage benefits.
- 9M21 earnings accounted for 63% 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 and rising non-COVID cash patients both in Thai and international patients.
- Given limited upside from current market price, we recommend BUY on weakness.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	692	735	669	632	751
Gross profit	**207**	**215**	**166**	**132**	**225**
SG&A	132	132	132	130	134
Operating profit	75	83	34	2	91
EBITDA	**135**	**148**	**106**	**74**	**164**
Other income	9	12	11	11	10
Other expense	0	0	0	0	0
Interest expense	0	0	0	0	0
Profit before tax	**84**	**96**	**45**	**13**	**101**
Income tax	11	14	6	1	18
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**72**	**81**	**39**	**12**	**83**
Normalized profit	**72**	**81**	**39**	**12**	**83**
EPS (Bt)	0.09	0.10	0.05	0.01	0.11
Normalized EPS (Bt)	0.09	0.10	0.05	0.01	0.11

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	19	8	72	2,852	2,978
Gross profit	**70**	**9**	**70**	**750**	**812**
SG&A	3	1	71	558	569
Operating profit	4,428	22	66	192	243
EBITDA	**121**	**22**	**73**	**474**	**527**
Other income	(11)	8	58	55	59
Other expense			na	0	0
Interest expense	(13)	(31)	23	1	2
Profit before tax	**670**	**20**	**65**	**246**	**300**
Income tax	1,274	54	71	36	48
Equity & invest. income			na	0	0
Minority interests			na	0	0
Extraordinary items			na	0	0
Net profit	**604**	**15**	**63**	**210**	**252**
Normalized profit	**604**	**15**	**63**	**210**	**252**
EPS (Bt)	604	15	63	0.27	0.32
Normalized EPS (Bt)	604	15	63	0.27	0.32

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	981	994	1,082	1,015	1,145
A/C receivable	121	159	129	132	197
Inventory	0	0	0	0	0
Other current assets	48	56	52	58	145
Investment	0	0	0	0	0
Fixed assets	3,386	3,417	3,390	3,355	3,355
Other assets	178	171	167	166	164
Total assets	**4,714**	**4,797**	**4,821**	**4,726**	**5,005**
S-T debt	0	0	0	0	0
A/C payable	462	446	433	430	611
Other current liabilities	37	50	48	26	38
L-T debt	0	0	0	0	0
Other liabilities	169	185	186	190	194
Minority interest	0	0	0	0	0
Shareholders' equity	**4,047**	**4,115**	**4,154**	**4,079**	**4,162**
Working capital	(341)	(287)	(304)	(298)	(414)
Total debt	0	0	0	0	0
Net debt	**(981)**	**(994)**	**(1,082)**	**(1,015)**	**(1,145)**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(6.9)	(0.6)	1.5	22.6	8.4
Operating profit growth	(24.9)	6.2	3.2	5.6	21.6
EBITDA growth	(4.5)	23.6	37.6	60.5	21.9
Norm profit growth	(18.7)	9.8	3.2	3.7	14.9
Norm EPS growth	(18.7)	9.8	3.2	3.7	14.9
Gross margin	29.9	29.3	24.9	20.9	29.9
Operating margin	10.8	11.3	5.1	0.3	12.1
EBITDA margin	19.5	20.2	15.8	11.8	21.9
Norm net margin	10.4	11.0	5.8	1.9	11.1
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)
Interest coverage (x)	941.4	995.5	845.3	658.0	1,674.4
Interest rate	na	na	na	na	na
Effective tax rate	13.6	15.1	14.3	9.8	17.5
ROA	6.2	6.8	3.2	1.0	6.8
ROE	7.2	8.0	3.7	1.1	8.1

Sources: Company data, Thanachart estimates

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