Rajthanee Hospital (RJH TB) - BUY, Price Bt32.25, TP Bt42.00

Results Comment

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Strong 3Q21 results, beat expectation

- RJH reported Bt484m net profit in 3Q21, up 302% y-y and 252% q-q. This was higher than ours and the market's expectation due to its stronger-than-expected revenue and margin.
- The company's strong earnings growth was mainly driven by COVID-19 services. Its revenue grew by 123% y-y and 105% q-q to Bt1.1bn in 3Q21, despite revenue from non-COVID cash patients falling by 4% y-y and 9% q-q and revenue from Social Security Scheme (SSS) declining by 17% y-y and 9% q-q. COVID-19 pandemic caused SSS patients refraining from operations and blood shortage.
- Its operating margin also expanded to 57.4% in 3Q21 from 35.6% in 3Q20 and 37.7% in 2Q21 due to strong revenue growth and operating leverage benefits.
- 9M21 earnings accounted for 111% 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 non-COVID cash patients and increasing high-intensity IPD patients under SSS.
- With an earnings upside, together with its cheapest valuation in the healthcare sector, we maintain BUY on RJH. The company announced its dividend payment of Bt1.1/share. The XD date is 22 November 2021 and the payment date is 7 December 2021.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	514	502	505	559	1,143
Gross profit	**183**	**152**	**168**	**211**	**657**
SG&A	38	41	39	43	54
Operating profit	145	111	129	168	602
EBITDA	**174**	**142**	**164**	**198**	**646**
Other income	7	5	5	5	7
Other expense	0	0	0	0	0
Interest expense	0	0	0	0	1
Profit before tax	**152**	**117**	**134**	**173**	**608**
Income tax	31	(28)	27	35	122
Equity & invest. income	0	0	0	0	0
Minority interests	(1)	(0)	(0)	(1)	(2)
Extraordinary items	0	0	0	0	0
Net profit	**120**	**144**	**107**	**138**	**484**
Normalized profit	**120**	**144**	**107**	**138**	**484**
EPS (Bt)	0.40	0.48	0.36	0.46	1.61
Normalized EPS (Bt)	0.40	0.48	0.36	0.46	1.61

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	105	123	70	3,136	2,341
Gross profit	**211**	**259**	**103**	**1,008**	**788**
SG&A	27	44	62	219	175
Operating profit	258	315	114	789	613
EBITDA	**226**	**272**	108	**930**	**761**
Other income	23	2	52	33	33
Other expense			na	0	0
Interest expense	86	440	97	2	1
Profit before tax	**251**	**301**	**111**	**821**	**645**
Income tax	251	297	111	164	129
Equity & invest. income			na	0	0
Minority interests	na	na	233	(1)	(1)
Extraordinary items			na	0	0
Net profit	**252**	**302**	**111**	**656**	**515**
Normalized profit	**252**	**302**	**111**	**656**	**515**
EPS (Bt)	252	302	111	2.19	1.72
Normalized EPS (Bt)	252	302	111	2.19	1.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	93	58	126	128	77
A/C receivable	423	343	318	377	1,063
Inventory	34	36	38	37	47
Other current assets	3	4	3	3	3
Investment	0	0	0	0	0
Fixed assets	1,107	1,272	1,315	1,320	1,443
Other assets	139	187	170	196	221
Total assets	**1,798**	**1,899**	**1,971**	**2,061**	**2,854**
S-T debt	95	70	60	170	350
A/C payable	216	241	198	236	411
Other current liabilities	25	29	45	42	113
L-T debt	0	0	0	0	0
Other liabilities	64	58	59	61	61
Minority interest	5	5	5	6	8
Shareholders' equity	**1,394**	**1,496**	**1,603**	**1,546**	**1,910**
Working capital	241	138	158	177	699
Total debt	95	70	60	170	350
Net debt	**2**	**12**	**(66)**	**42**	**273**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	11.5	13.6	13.0	42.2	122.6
Operating profit growth	36.2	27.1	31.8	119.8	314.9
EBITDA growth	33.7	29.8	35.1	94.6	272.2
Norm profit growth	34.6	76.8	28.8	112.4	302.2
Norm EPS growth	34.6	76.8	28.8	112.4	302.2
Gross margin	35.6	30.3	33.3	37.7	57.4
Operating margin	28.3	22.2	25.5	30.1	52.7
EBITDA margin	33.8	28.4	32.4	35.5	56.5
Norm net margin	23.4	28.8	21.1	24.6	42.4
D/E (x)	0.1	0.0	0.0	0.1	0.2
Net D/E (x)	0.0	0.0	(0.0)	0.0	0.1
Interest coverage (x)	1,205.8	2,637.6	566.9	474.6	830.7
Interest rate	1.2	0.3	1.8	1.5	1.2
Effective tax rate	20.2	(24.3)	20.0	20.0	20.0
ROA	27.7	31.3	22.0	27.3	78.8
ROE	34.6	40.0	27.5	35.0	112.1

Sources: Company data, Thanachart estimates

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