

Thonburi Healthcare Group (THG TB) - SELL, Price Bt33.5, TP Bt26 | Results Comment

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Superb 3Q21, beat expectation

- THG reported Bt831m norm profit in 3Q21, up 1,650% y-y and 907% q-q. This was above ours and the Street's earnings forecast due to its higher-than-expected revenue and margin.
- The company's very strong earnings growth was mainly driven by COVID-19 services. Top line grew by 102% y-y and 103% q-q to Bt3.9bn in 3Q21. Revenue from COVID-19 service accounted for 56% of total revenue in 3Q21.
- Its operating margin also expanded to 26.1% in 3Q21 from 6.0% in 3Q20 and 7.9% in 2Q21 due to strong revenue growth and operating leverage benefits.
- 9M21 earnings accounted for 152% 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 and rising non-COVID patients.
- Given the company's stronger-than-expected earnings, we will revisit our number and recommendation.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	1,913	1,882	1,566	1,906	3,861	Revenue	103	102	82	8,912	8,498
Gross profit	448	449	241	493	1,437	Gross profit	191	221	93	2,341	1,972
SG&A	333	347	349	342	430	SG&A	26	29	75	1,499	1,537
Operating profit	115	102	(109)	151	1,006	Operating profit	567	778	124	842	435
EBITDA	333	318	114	379	1,246	EBITDA	229	274	99	1,758	1,396
Other income	23	26	18	41	20	Other income	(50)	(12)	49	162	376
Other expense	2	2	3	0	0	Other expense	176	(95)	88	3	3
Interest expense	76	75	71	72	77	Interest expense	8	1	75	293	270
Profit before tax	60	51	(165)	120	949	Profit before tax	693	1,492	128	708	539
Income tax	39	25	13	29	98	Income tax	238	152	66	213	151
Equity & invest. income	21	2	(25)	(20)	(20)	Equity & invest. income	na	na	119	(55)	38
Minority interests	6	3	8	12	(0)	Minority interests	na	na	64	31	20
Extraordinary items	28	(1)	(20)	2	2	Extraordinary items	(2)	(94)	93	(18)	
Net profit	75	30	(215)	84	833	Net profit	890	1,008	155	454	446
Normalized profit	48	31	(195)	83	831	Normalized profit	907	1,650	152	472	446
EPS (Bt)	0.09	0.04	(0.25)	0.10	0.98	EPS (Bt)	890	1,008	155	0.53	0.52
Normalized EPS (Bt)	0.06	0.04	(0.23)	0.10	0.98	Normalized EPS (Bt)	907	1,650	152	0.56	0.52
Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	1,231	535	1,012	951	1,209	Sales grow th	(14.4)	(11.1)	(19.3)	20.7	101.9
A/C receivable	1,426	1,351	856	1,150	3,626	Operating profit grow th	(50.4)	(35.0)	na	na	777.8
Inventory	1,342	1,350	1,337	1,346	1,408	EBITDA grow th	(14.6)	(3.7)	(45.1)	191.6	274.5
Other current assets	1,620	1,656	1,709	1,765	1,773	Norm profit grow th	(68.5)	(62.5)	na	na	1,650.1
Investment	1,355	1,365	1,341	1,323	1,371	Norm EPS grow th	(68.5)	(62.5)	na	na	1,650.1
Fixed assets	10,217	10,615	10,595	10,696	10,862	Gross margin	23.4	23.8	15.4	25.9	37.2
Other assets	3,582	3,408	3,376	3,378	3,586	Operating margin	6.0	5.4	(6.9)	7.9	26.1
Total assets	20,774	20,280	20,226	20,609	23,835	EBITDA margin	17.4	16.9	7.3	19.9	32.3
S-T debt	4,048	3,820	4,223	4,875	5,784	Norm net margin	2.5	1.7	(12.4)	4.3	21.5
A/C payable	1,137	1,097	1,028	1,243	3,462	D/E (x)	1.2	1.2	1.2	1.3	1.2
Other current liabilities	119	126	108	117	187	Net D/E (x)	1.1	1.1	1.1	1.2	1.0
L-T debt	6,185	5,905	5,737	5,408	4,553	Interest coverage (x)	4.4	4.2	1.6	5.3	16.1
Other liabilities	1,009	1,001	1,000	988	994	Interest rate	3.0	3.0	2.9	2.8	3.0
Minority interest	440	436	428	405	405	Effective tax rate	65.1	50.0	(7.8)	24.1	10.3
Shareholders' equity	7,835	7,895	7,702	7,573	8,449	ROA	0.9	0.6	(3.8)	1.6	15.0
Working capital	1,632	1,604	1,165	1,253	1,572	ROE	2.4	1.6	(10.0)	4.3	41.5
Total debt	10,234	9,725	9,960	10,283	10,337						
Net debt	9,003	9,190	8,949	9,332	9,128						

Sources: Company data, Thanachart estimates

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