Small Cap Research

BUY (From: HOLD)

Change in Recommendation

TP: Bt 7.00 (From: Bt 6.50)

Upside : 14.8%

10 JANUARY 2022

Ladprao General Hospital (LPH TB)

New earnings base

We upgrade our call on LPH to BUY (from Hold) on its shift to a higher earnings base, 3% dividend yield for a four-month holding period and what we view as an inexpensive valuation at 17.6x 2022F PE after the 12% fall in its share price from 2021's peak. We value LPH at Bt7.0.

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Upgrading to BUY

We upgrade LPH to BUY from Hold. *First,* we see LPH's 2022-23F earnings base doubling from 2019 levels. Due to better-than-expected 3Q21 results and COVID not going away, though we factor in the UCEPCOVID scheme's cancellation from 2H22F, we lift our earnings by 138/34/12/16% in 2021-24F and DCF-based 12-month TP (2022F base year) to Bt7.0 from Bt6.5. *Second,* after its 12% share price fall from the 2021 peak, we see LPH as inexpensive at 17.6x 2022F PE vs. its average 2015-19 PE of 32.9x. *Third,* given the earnings windfall from COVID services, we expect LPH to pay a Bt0.15 DPS for its 4Q21 operation in early May 2022F, implying a 3% yield for a four-month holding period. *Lastly,* asset spin-offs, potential acquisitions and the new COVID wave will likely be short-term share price catalysts.

Earnings base shifting up

Despite our expectation of 51/13% earnings drops in 2022-23F from falling COVID income, LPH's earnings base in those years of Bt249/217m would still be double the Bt110m in 2019. Drivers are growing non-COVID cash patients, rising registered persons under the Social Security Scheme, rising revenue intensity, recurring COVID-related services and vaccines and better operations of its 97%-owned subsidiary Asia Medical and Agricultural Laboratory and Research Center (AMARC). With the new COVID wave early this year, LPH raised its hospital-cum-hotel (hospitel) beds to 600 from 300 at end 2021. COVID screening also rose to c.300 cases/day, up from c.30 in late 2020.

Improving non-COVID cash patients

We expect LPH's non-COVID cash patients to fall by 4.1% in 2021F after a 3.9% drop in 2020. Given Bangkok's high vaccination rate of 100% for one shot and 92% for two shots and the less severe Omicron variant, we don't expect another COVID crisis in 2022. We project LPH's non-COVID cash patients to recover by 5/3/3% in 2022-24F. LPH said its non-COVID cash-patient revenue for OPD and IPD patients in 4Q21 rose slightly y-y and the trend continued in early 2022, driven by heart, diabetic and orthopedic patients along with check-ups.

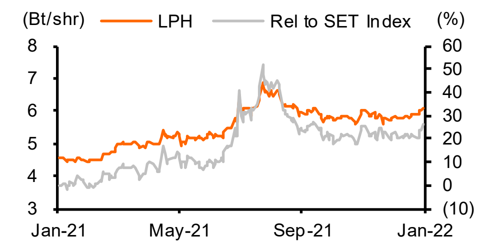
Two short-term catalysts

We see two near-term catalysts. *First,* LPH plans to list AMARC in 2Q22, holding at least 75% post listing. AMARC runs a lab and research business, mainly for agriculture, food, pharmaceuticals, etc. AMARC plans to expand into big cities in Thailand and later on in Cambodia, Laos, Myanmar and Vietnam. We project AMARC's revenue at Bt210/252/292m in 2021-23F or 10-16% of LPH's total revenue (vs. Bt198/220m in 2019-20). *Second,* LPH is negotiating to acquire two operating hospitals in Ayutthaya and on Bangkok's outskirts. We leave these as potential upside.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	1,801	2,433	2,089	2,105
Net profit	143	510	249	217
Consensus NP	—	307	242	na
Diff frm cons (%)	—	*66.0*	*2.9*	*na*
Norm profit	143	510	249	217
Prev. Norm profit	—	214	186	195
Chg frm prev (%)	—	*138.4*	*33.9*	*11.6*
Norm EPS (Bt)	0.2	0.7	0.3	0.3
Norm EPS grw (%)	29.4	256.8	(51.1)	(12.8)
Norm PE (x)	30.7	8.6	17.6	20.2
EV/EBITDA (x)	14.3	5.7	9.9	11.2
P/BV (x)	3.0	2.5	2.5	2.4
Div yield (%)	2.5	5.8	4.3	3.7
ROE (%)	10.2	31.9	14.1	12.0
Net D/E (%)	4.6	(3.2)	(1.7)	11.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 10-Jan-22 (Bt)	6.10
Market Cap (US$ m)	130.6
Listed Shares (m shares)	720.0
Free Float (%)	49.6
Avg Daily Turnover (US$ m)	0.3
12M Price H/L (Bt)	6.90/4.44
Sector	Health Care
Major Shareholder	LP Holding Co.Ltd. 33.65%

Sources: Bloomberg, Company data, Thanachart estimates

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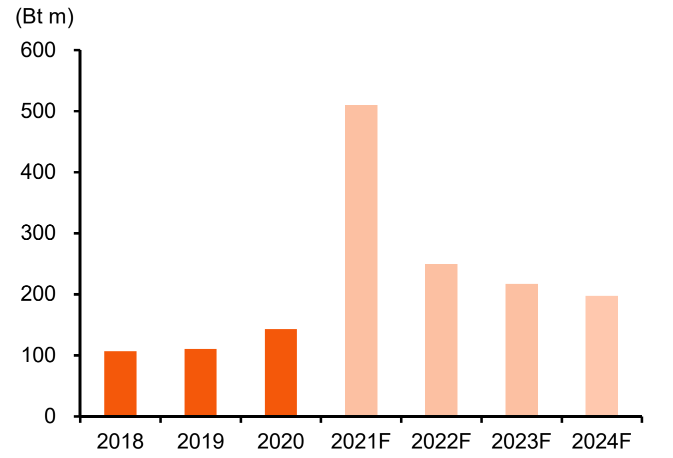
Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019A	2020A	2021F	2022F	2023F	2024F
Revenue from COVID-related services (Bt m)						
- New			710	166	17	12
- Old			314	112	77	39
- Change (%)			*126.3*	*48.0*	*(78.0)*	*(67.7)*
Gross profit (%)						
- New	22.6	24.5	37.3	28.0	27.0	24.9
- Old			24.1	24.5	25.0	23.2
- Change (pp)			*13.2*	*3.5*	*2.0*	*1.7*
Normalized profit (Bt m)						
- New	110	143	510	249	217	198
- Old			214	186	195	170
- Change (%)			*138.4*	*33.9*	*11.6*	*16.3*

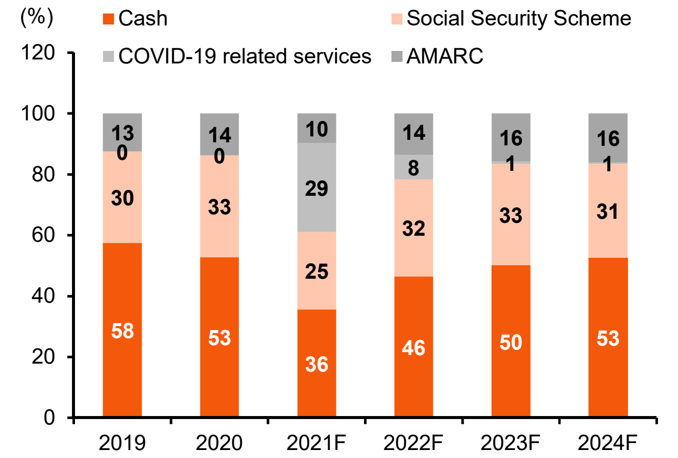
Sources: Company data, Thanachart estimates

Ex 2: 2022-23F Earnings Base To Double From 2019 Level



Sources: Company data, Thanachart estimates

Ex 3: LPH's Revenue Breakdown



Sources: Company data, Thanachart estimates

Ex 4: AMARC's Development

Source: Company data

Ex 5: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	424	394	386	429	467	502	536	571	607	644	686	—
Free cash flow	168	(49)	177	331	353	378	403	430	459	489	319	6,124
PV of free cash flow	168	(43)	147	254	254	255	254	254	254	242	147	2,818

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.6
WACC (%)	6.3
Terminal growth (%)	2.0
Enterprise value	5,002
Net debt (end-2021F)	(57)
Minority interest	10
Equity value	5,050
# of shares (m)*	720
Equity value / share (Bt)	**7.0**

Sources: Company data, Thanachart estimates

Note: * Share count assumes repurchased shares

Valuation Comparison

Ex 6: Valuation Comparison With Regional Peers

Name	BBG code	Country	Market Cap (US$ m)	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Ramsay Healthcare	RHC AU	Australia	11,066	19.8	(11.4)	32.7	36.9	3.7	3.7	12.6	12.6	1.7	1.7
Guangzhou Pharmaceutical	874 HK	Hong Kong	8,173	20.8	4.3	10.4	10.0	1.3	1.1	8.1	8.5	2.0	1.9
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	1,599	(2.4)	39.8	14.6	10.5	2.0	1.8	10.0	7.7	3.1	4.1
Apollo Hospitals Enterprise	APHS IN	India	9,839	(77.0)	934.8	848.5	82.0	17.3	13.4	66.5	33.2	0.1	0.2
Fortis Healthcare India	FORH IN	India	2,949	na	na	na	62.2	3.3	3.3	57.4	21.4	0.0	0.0
KPJ Healthcare	KPJ MK	Malaysia	1,092	(55.2)	200.0	81.5	27.2	2.1	2.0	16.0	12.3	0.9	1.8
IHH Healthcare Bhd	IHH MK	Malaysia	13,989	171.4	7.6	39.1	36.3	2.5	2.3	17.0	16.2	0.8	0.9
Ryman	RYM NZ	New Zealand	4,049	(7.6)	1.5	25.7	25.3	2.4	1.9	30.7	25.9	1.9	1.7
Raffles Medical Group	RFMD SP	Singapore	1,834	78.3	0.0	32.4	32.4	2.7	2.6	18.0	17.0	2.1	1.8
Bangkok Chain Hospital *	BCH TB	Thailand	1,476	373.8	(58.6)	8.5	20.6	4.6	4.5	6.1	11.8	6.5	2.7
Bangkok Dusit Medical *	BDMS TB	Thailand	10,729	15.6	16.1	51.6	44.5	4.1	3.9	27.8	25.0	1.1	1.2
Bumrungrad Hospital *	BH TB	Thailand	3,190	(20.0)	69.0	111.8	66.1	6.3	6.6	44.8	32.9	2.3	2.3
Chularat Hospital *	CHG TB	Thailand	1,171	176.2	(34.9)	16.3	25.0	7.4	7.2	12.5	19.1	4.3	2.8
Ladprao General Hospital *	LPH TB	Thailand	131	256.8	(51.1)	8.6	17.6	2.5	2.5	5.7	9.9	5.8	4.3
Praram 9 Hospital *	PR9 TB	Thailand	257	3.9	20.0	41.2	34.3	2.0	2.0	15.5	13.6	1.1	1.3
Rajthanee Hospital *	RJH TB	Thailand	299	164.4	(50.2)	10.2	20.6	5.1	5.2	7.6	13.8	7.1	3.6
Ratchaphruek Hospital *	RPH TB	Thailand	101	13.0	18.2	31.9	27.0	2.4	2.4	16.7	15.0	2.4	2.8
Thonburi Healthcare Group*	THG TB	Thailand	953	na	(56.4)	28.3	64.8	3.7	3.8	15.1	22.9	2.4	1.1
Average				**70.7**	**61.7**	**82.0**	**35.7**	**4.2**	**3.9**	**21.6**	**17.7**	**2.5**	**2.0**

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

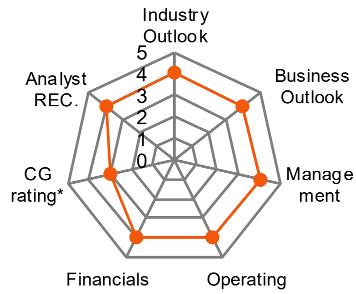
Based on 10 Jan 2022 closing prices

COMPANY DESCRIPTION

Ladprao General Hospital Pcl (LPH) runs three businesses: 1) Medical services (hospital) operated through Ladprao Hospital, a 24-hour service private hospital, 2) a Laboratory and Research business operated by Asia Medical and Agricultural Laboratory and Research Center Company Limited, and 3) Medical and Business Support operated by Asia Business Management Center Company Limited. Its business scope includes determining hospital medical statistics via statistical specialists for scoring social security patients, providing legal services, and performing business development functions of the group for the company and its subsidiaries.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong market position in the Ladprao area of Bangkok.
- LPH provides services to the mid- to low-end segment – both cash and SSS patients.

W — Weakness

- LPH is currently only a single-campus hospital.

O — Opportunity

- Rising incomes make it more affordable for people to pay for better-quality healthcare services at private hospitals.
- More complex medical treatments given an ageing population.
- Rising outsourcing demand from public hospitals.
- COVID-19 pandemic

T — Threat

- Rising healthcare supply in the market.
- Slow economy
- Regulatory risk
- Covid-19 pandemic

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	7.10	7.00	-1%
Net profit 21F (Bt m)	307	510	66%
Net profit 22F (Bt m)	242	249	3%
Consensus REC	**BUY: 2**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F earnings and TP are largely in line with the Bloomberg consensus numbers.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If LPH's new capacity expansion plans over the next five years turn profitable slower than we currently expect, this would represent the key downside risk to our call.
- A secondary downside risk would be if LPH's existing operations perform weaker than we currently expect due to lower-than-expected patient flows or an inability to increase prices.
- If the number of registered patients and adjusted Relative Weight (RW) under the Social Security Scheme (SSS) increase by less than we currently expect, there could be downside risk to our earnings projections.

Source: Thanachart

2022-23F earnings shift up to a new base

New building and excellence center due to open in 2024

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	1,581	1,801	2,433	2,089	2,105
Cost of sales	1,224	1,360	1,524	1,504	1,537
Gross profit	**357**	**441**	**908**	**585**	**567**
% gross margin	22.6%	24.5%	37.3%	28.0%	27.0%
Selling & administration expenses	240	283	297	293	309
Operating profit	**117**	**159**	**611**	**292**	**258**
% operating margin	7.4%	8.8%	25.1%	14.0%	12.3%
Depreciation & amortization	104	152	144	148	153
EBITDA	**220**	**311**	**756**	**440**	**411**
% EBITDA margin	13.9%	17.3%	31.1%	21.1%	19.5%
Non-operating income	12	13	26	23	20
Non-operating expenses	0	0	0	0	0
Interest expense	(9)	(13)	(13)	(4)	(5)
Pre-tax profit	**120**	**159**	**624**	**312**	**273**
Income tax	13	18	106	56	49
After-tax profit	**108**	**141**	**518**	**256**	**224**
% net margin	6.8%	7.9%	21.3%	12.2%	10.6%
Shares in affiliates' Earnings	3	0	0	0	0
Minority interests	(0)	1	(8)	(7)	(6)
Extraordinary items	0	0	0	0	0
NET PROFIT	**110**	**143**	**510**	**249**	**217**
Normalized profit	**110**	**143**	**510**	**249**	**217**
EPS (Bt)	0.2	0.2	0.7	0.3	0.3
Normalized EPS (Bt)	0.2	0.2	0.7	0.3	0.3

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	362	519	657	533	537
Cash & cash equivalent	68	160	100	50	50
Account receivables	158	195	333	286	288
Inventories	25	30	42	41	42
Others	112	134	182	156	157
Investments & loans	0	0	0	0	0
Net fixed assets	1,401	1,451	1,396	1,538	1,825
Other assets	159	257	294	249	234
Total assets	**1,922**	**2,227**	**2,346**	**2,320**	**2,596**
LIABILITIES:					
Current liabilities:	299	380	362	345	435
Account payables	180	231	292	288	295
Bank overdraft & ST loans	15	18	4	2	26
Current LT debt	81	52	11	5	69
Others current liabilities	23	80	54	50	46
Total LT debt	**166**	**156**	**27**	**12**	**161**
Others LT liabilities	84	245	191	161	150
Total liabilities	**548**	**781**	**579**	**519**	**746**
Minority interest	3	2	10	16	23
Preferreds shares	0	0	0	0	0
Paid-up capital	375	375	360	360	360
Share premium	923	923	923	923	923
Warrants	0	0	0	0	0
Surplus	6	6	6	6	6
Retained earnings	**67**	**140**	**469**	**497**	**539**
Shareholders' equity	1,371	1,444	1,757	1,785	1,828
Liabilities & equity	**1,922**	**2,227**	**2,346**	**2,320**	**2,596**

Sources: Company data, Thanachart estimates

Sustainable cash inflow streams

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	120	159	624	312	273
Tax paid	(12)	(15)	(107)	(56)	(49)
Depreciation & amortization	104	152	144	148	153
Chg In w orking capital	(54)	9	(89)	44	3
Chg In other CA & CL / minorities	41	32	(73)	20	(8)
Cash flow from operations	**199**	**337**	**500**	**468**	**371**
Capex	(206)	(182)	(70)	(270)	(420)
Right of use	0	(125)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	12	167	(110)	(3)	(13)
Cash flow from investments	**(194)**	**(140)**	**(180)**	**(273)**	**(433)**
Debt financing	88	(36)	(183)	(24)	236
Capital increase	0	0	(15)	0	0
Dividends paid	(126)	(72)	(181)	(221)	(175)
Warrants & other surplus	(7)	2	0	0	0
Cash flow from financing	**(46)**	**(106)**	**(380)**	**(245)**	**61**
Free cash flow	**(7)**	**155**	**430**	**198**	**(49)**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	39.8	30.7	8.6	17.6	20.2
Normalized PE - at target price (x)	45.6	35.3	9.9	20.2	23.2
PE (x)	39.7	30.7	8.6	17.6	20.2
PE - at target price (x)	45.6	35.3	9.9	20.2	23.2
EV/EBITDA (x)	20.8	14.3	5.7	9.9	11.2
EV/EBITDA - at target price (x)	23.8	16.4	6.6	11.4	12.8
P/BV (x)	3.2	3.0	2.5	2.5	2.4
P/BV - at target price (x)	3.7	3.5	2.9	2.8	2.8
P/CFO (x)	22.1	13.0	8.8	9.4	11.8
Price/sales (x)	2.8	2.4	1.8	2.1	2.1
Dividend yield (%)	2.0	2.5	5.8	4.3	3.7
FCF Yield (%)	(0.2)	3.5	9.8	4.5	(1.1)
(Bt)					
Normalized EPS	0.2	0.2	0.7	0.3	0.3
EPS	0.2	0.2	0.7	0.3	0.3
DPS	0.1	0.2	0.4	0.3	0.2
BV/share	1.9	2.0	2.4	2.5	2.5
CFO/share	0.3	0.5	0.7	0.6	0.5
FCF/share	(0.0)	0.2	0.6	0.3	(0.1)

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

Strong financial status

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	3.7	13.9	35.1	(14.1)	0.8
Net profit (%)	(29.6)	29.3	256.8	(51.1)	(12.8)
EPS (%)	(29.6)	29.3	256.8	(51.1)	(12.8)
Normalized profit (%)	3.4	29.4	256.8	(51.1)	(12.8)
Normalized EPS (%)	3.4	29.4	256.8	(51.1)	(12.8)
Dividend payout ratio (%)	81.5	75.6	50.0	75.0	75.0
Operating performance					
Gross margin (%)	22.6	24.5	37.3	28.0	27.0
Operating margin (%)	7.4	8.8	25.1	14.0	12.3
EBITDA margin (%)	13.9	17.3	31.1	21.1	19.5
Net margin (%)	6.8	7.9	21.3	12.2	10.6
D/E (incl. minor) (x)	0.2	0.2	0.0	0.0	0.1
Net D/E (incl. minor) (x)	0.1	0.0	(0.0)	(0.0)	0.1
Interest coverage - EBIT (x)	13.5	12.1	46.0	79.9	49.5
Interest coverage - EBITDA (x)	25.4	23.7	56.9	120.2	78.8
ROA - using norm profit (%)	5.9	6.9	22.3	10.7	8.8
ROE - using norm profit (%)	8.0	10.2	31.9	14.1	12.0
DuPont					
ROE - using after tax profit (%)	7.8	10.1	32.4	14.4	12.4
- asset turnover (x)	0.8	0.9	1.1	0.9	0.9
- operating margin (%)	8.2	9.6	26.2	15.1	13.2
- leverage (x)	1.4	1.5	1.4	1.3	1.4
- interest burden (%)	93.3	92.4	97.9	98.8	98.1
- tax burden (%)	89.5	89.0	83.0	82.0	82.0
WACC (%)	6.3	6.3	6.3	6.3	6.3
ROIC (%)	7.2	9.0	33.6	14.1	12.1
NOPAT (Bt m)	105	141	507	240	211
invested capital (Bt m)	1,565	1,510	1,700	1,754	2,033

Sources: Company data, Thanachart estimates

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Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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