

## Thonburi Healthcare Group (THG TB) - SELL, Price Bt42, TP Bt30

## Results Comment

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

## Stronger-than-expected 4Q21 results

- THG reported Bt614m net profit in 4Q21, up from Bt31m in 4Q20. However, it declined 26% q-q. This was above ours and the street's earnings forecast due to its stronger-than-expected top line and margin.
- Strong y-y earnings growth was driven by revenue from related COVID-19 services, Moderna vaccine income, improving operation of Aryu International Hospital and the low base effect in 4Q20. Q-Q earnings drop was due to the peak of related COVID-19 services in 3Q21. THG's revenue grew 87% y-y but declined 9% q-q to Bt3.5bn in 4Q21.
- With strong top line, operating margin also expanded to 23.5% in 4Q21 from 5.4% in 4Q20. But it declined from 26.1% in 3Q21 due to falling revenue.
- Including 4Q21 earnings, THG reported Bt1.3bn net profit in 2021, up from Bt63m in 2020, driven by COVID-19 services. Revenue from COVID-19 services in 2021 accounted for 31% of medical service revenue.
- With our expectation of its earnings contraction in 2022F and its expensive valuation by trading at 72x PE in 2022F, we maintain our SELL rating on THG.
- THG announced dividend at Bt0.50/share. The XD date is 22 March 2022 and the payment date is 27 May 2022.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	1,882	1,566	1,906	3,861	3,514	Revenue	(9)	87	104	10,847	9,597
<b>Gross profit</b>	<b>449</b>	<b>241</b>	<b>493</b>	<b>1,437</b>	<b>1,271</b>	<b>Gross profit</b>	<b>(12)</b>	<b>183</b>	<b>112</b>	<b>3,442</b>	<b>2,220</b>
SG&A	347	349	342	430	444	SG&A	3	28	104	1,566	1,534
Operating profit	102	(109)	151	1,006	827	Operating profit	(18)	712	119	1,876	686
<b>EBITDA</b>	<b>318</b>	<b>114</b>	<b>379</b>	<b>1,246</b>	<b>1,080</b>	<b>EBITDA</b>	<b>(13)</b>	<b>240</b>	<b>113</b>	<b>2,820</b>	<b>1,641</b>
Other income	26	39	48	20	57	Other income	181	114	163	163	105
Other expense	2	3	0	0	3	Other expense	3,320	33	186	6	3
Interest expense	75	71	72	77	78	Interest expense	1	4	101	299	268
<b>Profit before tax</b>	<b>51</b>	<b>(144)</b>	<b>127</b>	<b>949</b>	<b>803</b>	<b>Profit before tax</b>	<b>(15)</b>	<b>1,478</b>	<b>126</b>	<b>1,735</b>	<b>520</b>
Income tax	25	13	29	98	238	Income tax	144	841	183	377	88
Equity & invest. income	2	(25)	(20)	(20)	96	Equity & invest. income	na	4,007	(60)	31	45
Minority interests	3	8	12	(0)	(39)	Minority interests	na	na	(117)	(19)	18
Extraordinary items	(1)	(20)	(5)	2	(8)	Extraordinary items	na	na	186	(32)	
<b>Net profit</b>	<b>31</b>	<b>(194)</b>	<b>84</b>	<b>833</b>	<b>614</b>	<b>Net profit</b>	<b>(26)</b>	<b>1,901</b>	<b>120</b>	<b>1,337</b>	<b>494</b>
<b>Normalized profit</b>	<b>31</b>	<b>(174)</b>	<b>90</b>	<b>831</b>	<b>622</b>	<b>Normalized profit</b>	<b>(25)</b>	<b>1,879</b>	<b>121</b>	<b>1,369</b>	<b>494</b>
EPS (Bt)	0.04	(0.23)	0.10	0.98	0.72	EPS (Bt)	(26)	1,901	120	1.58	0.58
Normalized EPS (Bt)	0.04	(0.20)	0.11	0.98	0.73	Normalized EPS (Bt)	(25)	1,879	121	1.61	0.58

  

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	535	1,012	951	1,209	1,536	Sales growth	(11.1)	(19.3)	20.7	101.9	86.7
A/C receivable	1,351	856	1,150	3,626	3,183	Operating profit growth	(35.0)	na	na	777.8	712.0
Inventory	1,350	1,337	1,346	1,408	1,416	EBITDA growth	(3.7)	(45.1)	191.6	274.5	239.9
Other current assets	1,656	1,709	1,765	1,773	883	Norm profit growth	(62.1)	na	na	1,650.1	1,878.8
Investment	1,365	1,341	1,323	1,371	1,450	Norm EPS growth	(62.1)	na	na	1,650.1	1,878.8
Fixed assets	10,615	10,595	10,696	10,862	11,660	Gross margin	23.8	15.4	25.9	37.2	36.2
Other assets	3,408	3,376	3,378	3,586	3,670	Operating margin	5.4	(6.9)	7.9	26.1	23.5
<b>Total assets</b>	<b>20,280</b>	<b>20,226</b>	<b>20,609</b>	<b>23,835</b>	<b>23,799</b>	EBITDA margin	16.9	7.3	19.9	32.3	30.7
S-T debt	3,820	4,223	4,875	5,784	5,606	Norm net margin	1.7	(11.1)	4.7	21.5	17.7
A/C payable	1,097	1,028	1,243	3,462	2,813	D/E (x)	1.2	1.2	1.3	1.2	1.0
Other current liabilities	126	108	117	187	316	Net D/E (x)	1.1	1.1	1.2	1.0	0.9
L-T debt	5,905	5,737	5,408	4,553	4,461	Interest coverage (x)	4.2	1.6	5.3	16.1	13.8
Other liabilities	1,001	1,000	988	994	986	Interest rate	3.0	2.9	2.8	3.0	3.1
Minority interest	436	428	405	405	471	Effective tax rate	49.7	(9.0)	22.8	10.3	29.6
<b>Shareholders' equity</b>	<b>7,895</b>	<b>7,702</b>	<b>7,573</b>	<b>8,449</b>	<b>9,147</b>	ROA	0.6	(3.4)	1.8	15.0	10.4
Working capital	1,604	1,165	1,253	1,572	1,787	ROE	1.6	(8.9)	4.7	41.5	28.3
Total debt	9,725	9,960	10,283	10,337	10,066						
<b>Net debt</b>	<b>9,190</b>	<b>8,949</b>	<b>9,332</b>	<b>9,128</b>	<b>8,530</b>						

Sources: Company data, Thanachart estimates

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