Chularat Hospital Pcl (CHG TB) - BUY, Price Bt3.74, TP Bt4.6

Results Comment

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Strong beat 1Q22 results

- CHG reported Bt1.4bn net profit in 1Q22, up 439% y-y but down 25% q-q. This was better than ours and the Street's earnings forecast due to its stronger-than-expected revenue and margin.
- CHG's strong y-y earnings growth was mainly driven by rising revenue from related COVID-19 services, Moderna vaccine income and rising non-COVID cash and SSS patients.
- The q-q earnings drop resulted from falling revenue from related COVID services due to falling reimbursement rate, falling SSS revenue due to falling risk adjusted capitation and falling vaccine income.
- Top line grew by 152% y-y but declined by 8% q-q to Bt3.6bn in 1Q22. Its operating margin also expanded to 46.6% in 1Q22 from 18.4% in 1Q21 due to rising top line and operating leverage benefit. But the drop in 1Q21 operating margin from 57.6% in 4Q21 was due to falling revenue and operating leverage effect.
- 3M22 earnings accounted for 78% of our full-year earnings forecast. We expect its strong y-y earnings growth to continue in 2Q22F due to rising income from Moderna vaccine sales, remaining high Covid-19 cases, improving non-COVID Thai and international cash patients, rising SSS patients and revenue from excellence center management. We maintain BUY on CHG.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	1,415	2,071	4,390	3,866	3,571
Gross profit	**420**	**865**	**2,232**	**2,343**	**1,869**
SG&A	160	206	338	117	205
Operating profit	260	659	1,893	2,226	1,665
EBITDA	**347**	**745**	**1,981**	**2,337**	**1,757**
Other income	57	65	67	70	67
Other expense	0	0	0	0	0
Interest expense	6	5	5	5	3
Profit before tax	**312**	**718**	**1,956**	**2,290**	**1,729**
Income tax	63	143	377	426	341
Equity & invest. income	0	0	0	0	0
Minority interests	2	1	(15)	(51)	(31)
Extraordinary items	0	0	0	0	0
Net profit	**252**	**576**	**1,564**	**1,813**	**1,356**
Normalized profit	**252**	**576**	**1,564**	**1,813**	**1,356**
EPS (Bt)	0.02	0.05	0.14	0.16	0.12
Normalized EPS (Bt)	0.02	0.05	0.14	0.16	0.12

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(8)	152	43	8,251	7,751
Gross profit	**(20)**	**345**	**69**	**2,712**	**2,363**
SG&A	74	28	27	769	830
Operating profit	(25)	539	86	1,943	1,533
EBITDA	**(25)**	**406**	**75**	**2,335**	**1,949**
Other income	(3)	17	24	283	291
Other expense			na	0	0
Interest expense	(37)	(44)	30	11	9
Profit before tax	**(25)**	**454**	**78**	**2,215**	**1,815**
Income tax	(20)	445	81	423	354
Equity & invest. income			na	0	0
Minority interests	na	na	71	(44)	(42)
Extraordinary items			na	0	0
Net profit	**(25)**	**439**	**78**	**1,747**	**1,419**
Normalized profit	**(25)**	**439**	**78**	**1,747**	**1,419**
EPS (Bt)	(25)	439	78	0.16	0.13
Normalized EPS (Bt)	(25)	439	78	0.16	0.13

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	646	1,158	803	2,790	3,863
A/C receivable	461	518	593	616	696
Inventory	189	216	281	295	342
Other current assets	549	984	3,748	2,196	2,722
Investment	76	76	76	76	76
Fixed assets	4,077	4,123	4,204	4,286	4,325
Other assets	265	275	309	291	323
Total assets	**6,263**	**7,350**	**10,014**	**10,550**	**12,347**
S-T debt	488	852	835	131	88
A/C payable	578	830	1,645	842	947
Other current liabilities	200	399	1,029	1,235	1,576
L-T debt	380	358	342	313	295
Other liabilities	175	183	185	187	212
Minority interest	166	206	221	272	303
Shareholders' equity	**4,276**	**4,523**	**5,756**	**7,569**	**8,925**
Working capital	72	(96)	(771)	69	91
Total debt	868	1,210	1,177	445	383
Net debt	**222**	**52**	**374**	**(2,345)**	**(3,480)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	7.4	80.8	200.8	155.9	152.4
Operating profit growth	12.2	244.8	443.1	633.9	539.1
EBITDA growth	8.6	165.6	352.7	497.4	406.5
Norm profit growth	35.0	272.1	455.0	614.8	438.7
Norm EPS growth	35.0	272.1	455.0	614.8	438.7
Gross margin	29.7	41.8	50.8	60.6	52.3
Operating margin	18.4	31.8	43.1	57.6	46.6
EBITDA margin	24.5	36.0	45.1	60.5	49.2
Norm net margin	17.8	27.8	35.6	46.9	38.0
D/E (x)	0.2	0.3	0.2	0.1	0.0
Net D/E (x)	0.0	0.0	0.1	(0.3)	(0.4)
Interest coverage (x)	59.4	143.5	386.8	446.8	536.1
Interest rate	2.4	2.0	1.7	2.6	3.2
Effective tax rate	20.1	19.9	19.3	18.6	19.7
ROA	16.2	33.9	72.0	70.5	47.4
ROE	24.3	52.4	121.7	108.8	65.8

Sources: Company data, Thanachart estimates

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