Rajthanee Hospital (RJH TB) - BUY, Price Bt31.75, TP Bt36.00

Results Comment

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1Q22 earnings beat expectation

- RJH reported Bt473m net profit in 1Q22, up 343% y-y and 67% q-q. This was above ours and the Street's earnings forecast due to its stronger-than-expected gross margin.
- The company's strong earnings growth was mainly driven by rising revenues from COVID-19 services (COVID screening and COVID admission) and Moderna vaccine income. Its revenue grew by 132% y-y and 29% q-q to Bt1.2bn in 1Q22. Note that revenue from COVID-19 services and Moderna vaccine income accounted for 61% of total revenue in 1Q22.
- Revenue from non-COVID cash patients was at Bt247m in 1Q22, up 5.6% y-y but down 9.4% q-q. Revenue from Social Security Scheme (SSS) declined by 7% y-y but up 4.7% q-q to Bt210m. The y-y drop in SSS revenue was due to no one-time adjusted revenue of Bt25m as it had in 1Q21. Number of SSS-registered persons increased to 207,300 people in 1Q22, up 5.9% y-y and 2.2% q-q.
- Its operating margin also expanded to 50.3% in 1Q22 from 25.5% in 1Q21 and 38.6% in 4Q21 due to strong revenue growth and operating leverage benefits.
- 3M22 earnings accounted for 61% 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 and rising non-COVID patients.
- With an earnings upside, together with its cheap valuation in the healthcare sector, we maintain BUY on RJH.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	505	559	1,143	910	1,175
Gross profit	**168**	**211**	**657**	**398**	**639**
SG&A	39	43	54	47	49
Operating profit	129	168	602	351	590
EBITDA	**164**	**198**	**646**	**405**	**633**
Other income	5	5	7	10	9
Other expense	0	0	0	0	0
Interest expense	0	0	1	4	5
Profit before tax	**134**	**173**	**608**	**357**	**594**
Income tax	27	35	122	72	120
Equity & invest. income	0	0	0	0	0
Minority interests	(0)	(1)	(2)	(1)	(2)
Extraordinary items	0	0	0	0	0
Net profit	**107**	**138**	**484**	**283**	**473**
Normalized profit	**107**	**138**	**484**	**283**	**473**
EPS (Bt)	0.36	0.46	1.61	0.94	1.58
Normalized EPS (Bt)	0.36	0.46	1.61	0.94	1.58

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	29	132	39	2,993	2,238
Gross profit	**61**	**280**	**55**	**1,159**	**739**
SG&A	4	25	25	198	190
Operating profit	68	358	61	962	548
EBITDA	**56**	**286**	**56**	**1,131**	**724**
Other income	(14)	72	23	38	39
Other expense			na	0	0
Interest expense	3	1,473	22	20	13
Profit before tax	**67**	**345**	**61**	**979**	**575**
Income tax	66	346	61	196	115
Equity & invest. income			na	0	0
Minority interests	na	na	47	(5)	(5)
Extraordinary items			na	0	0
Net profit	**67**	**343**	**61**	**778**	**455**
Normalized profit	**67**	**343**	**61**	**778**	**455**
EPS (Bt)	67	343	61	2.59	1.52
Normalized EPS (Bt)	67	343	61	2.59	1.52

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	126	128	77	175	110
A/C receivable	318	377	1,063	965	1,339
Inventory	38	37	47	60	76
Other current assets	3	3	3	4	4
Investment	0	0	0	0	0
Fixed assets	1,315	1,320	1,443	1,428	1,484
Other assets	170	196	221	721	812
Total assets	**1,971**	**2,061**	**2,854**	**3,352**	**3,825**
S-T debt	60	170	350	750	645
A/C payable	198	236	411	378	337
Other current liabilities	45	42	113	169	277
L-T debt	0	0	0	0	0
Other liabilities	59	61	61	90	93
Minority interest	5	6	8	9	12
Shareholders' equity	**1,603**	**1,546**	**1,910**	**1,955**	**2,461**
Working capital	158	177	699	646	1,078
Total debt	60	170	350	750	645
Net debt	**(66)**	**42**	**273**	**575**	**535**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	13.0	42.2	122.6	81.4	132.4
Operating profit growth	31.8	119.8	314.9	215.7	357.7
EBITDA growth	35.1	94.6	272.2	183.9	286.3
Norm profit growth	28.8	112.4	302.2	96.1	343.2
Norm EPS growth	28.8	112.4	302.2	96.1	343.2
Gross margin	33.3	37.7	57.4	43.7	54.4
Operating margin	25.5	30.1	52.7	38.6	50.3
EBITDA margin	32.4	35.5	56.5	44.5	53.9
Norm net margin	21.1	24.6	42.4	31.1	40.2
D/E (x)	0.0	0.1	0.2	0.4	0.3
Net D/E (x)	(0.0)	0.0	0.1	0.3	0.2
Interest coverage (x)	566.9	474.6	830.7	91.3	139.2
Interest rate	1.8	1.5	1.2	3.2	2.6
Effective tax rate	20.0	20.0	20.0	20.1	20.1
ROA	22.0	27.3	78.8	36.5	52.7
ROE	27.5	35.0	112.1	58.6	85.6

Sources: Company data, Thanachart estimates

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