Ratchaphruek Hospital (RPH TB) - BUY, Price Bt6.65, TP Bt7.20

Results Comment

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Strong beat 1Q22 results

- RPH reported Bt181m net profit in 1Q22, up 857% y-y but down 19% q-q. This was beat our earnings forecast mainly due to its stronger-than-expected top line.
- The company's strong y-y earnings growth was mainly driven by rising top line and margin expansion. Top line grew by 162% y-y to Bt520m in 1Q22. The strong top line growth was driven by revenue from COVID-19 services (COVID screening, COVID admission in hospital and hospitel and home isolation) and Moderna vaccine income. The q-q earnings drop resulted from falling revenue from COVID-19 services.
- Its operating margin also expanded to 43.4% in 1Q22 from 12.3% in 1Q21 but down from 46.4% in 4Q21. The strong operating margin was driven by strong revenue and operating leverage benefits.
- 3M22 earnings accounted for 113% of our full-year earnings forecast. We expect its strong y-y earnings growth to continue in 2Q22F due to Moderna vaccine sales and remaining high Covid-19 cases.
- With an earnings upside, together with its valuation is not fully valued, we maintain BUY on RPH.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	199	190	425	599	520
Gross profit	**58**	**48**	**220**	**340**	**265**
SG&A	34	33	39	62	39
Operating profit	25	15	181	278	226
EBITDA	**47**	**37**	**203**	**300**	**249**
Other income	1	5	3	4	2
Other expense					
Interest expense	2	2	2	1	1
Profit before tax	**24**	**18**	**182**	**280**	**227**
Income tax	5	3	37	55	45
Equity & invest. income					
Minority interests					
Extraordinary items					
Net profit	**19**	**14**	**145**	**225**	**181**
Normalized profit	**19**	**14**	**145**	**225**	**181**
EPS (Bt)	0.03	0.03	0.27	0.41	0.33
Normalized EPS (Bt)	0.03	0.03	0.27	0.41	0.33

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(13)	162	47	1,107	983
Gross profit	**(22)**	**356**	**79**	**337**	**299**
SG&A	(37)	16	27	145	134
Operating profit	(19)	821	118	192	165
EBITDA	**(17)**	**433**	**88**	**281**	**253**
Other income	(44)	135	17	13	14
Other expense			na		
Interest expense	(7)	(26)	32	4	2
Profit before tax	**(19)**	**860**	**113**	**201**	**177**
Income tax	(18)	874	113	40	35
Equity & invest. income			na		
Minority interests			na		
Extraordinary items			na		
Net profit	**(19)**	**857**	**113**	**160**	**141**
Normalized profit	**(19)**	**857**	**113**	**160**	**141**
EPS (Bt)	(19)	857	113	0.29	0.26
Normalized EPS (Bt)	(19)	857	113	0.29	0.26

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	171	124	90	238	439
A/C receivable	49	46	341	450	432
Inventory	21	20	24	30	31
Other current assets					
Investment	12	12	12	12	12
Fixed assets	1,506	1,485	1,474	1,453	1,475
Other assets	25	25	28	32	41
Total assets	**1,785**	**1,711**	**1,970**	**2,215**	**2,430**
S-T debt	123	123	124	125	124
A/C payable	72	74	207	197	184
Other current liabilities	18	8	41	96	136
L-T debt	160	134	108	82	90
Other liabilities	38	38	38	35	35
Minority interest					
Shareholders' equity	**1,374**	**1,334**	**1,452**	**1,680**	**1,861**
Working capital	(1)	(8)	159	282	279
Total debt	283	258	232	206	214
Net debt	**112**	**134**	**142**	**(31)**	**(225)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(7.7)	17.3	116.8	165.3	161.6
Operating profit growth	(30.9)	521.6	635.6	470.6	821.2
EBITDA growth	(18.7)	51.2	331.4	321.2	432.5
Norm profit growth	(36.4)	289.4	608.1	463.3	856.8
Norm EPS growth	(36.4)	289.4	608.1	463.3	856.8
Gross margin	29.2	25.1	51.8	56.7	50.9
Operating margin	12.3	7.7	42.6	46.4	43.4
EBITDA margin	23.5	19.5	47.9	50.1	47.8
Norm net margin	9.5	7.4	34.2	37.5	34.9
D/E (x)	0.2	0.2	0.2	0.1	0.1
Net D/E (x)	0.1	0.1	0.1	(0.0)	(0.1)
Interest coverage (x)	25.6	20.9	124.9	205.5	183.0
Interest rate	2.5	2.6	2.7	2.7	2.6
Effective tax rate	19.7	19.9	20.1	19.8	20.0
ROA	4.2	3.2	31.6	43.0	31.2
ROE	5.6	4.1	41.7	57.4	41.0

Sources: Company data, Thanachart estimates

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