Thonburi Healthcare Group (THG TB) - SELL, Price Bt57, TP Bt43

Results Comment

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Strong 1Q22 results, in line

- THG reported Bt527m norm profit in 1Q22 vs. Bt174m norm loss in 1Q21. But its 1Q22 norm earnings declined by 15% q-q. This was in line with our earnings forecast but it was higher than the Street's earnings forecast.
- The company's strong earnings turnaround from 1Q21 resulted from rising revenue from COVID-19 services, Moderna vaccine income, expanding margin and improving equity income from its affiliated hospitals both in Thailand and Myanmar.
- Top line grew by 125% y-y and flat q-q to Bt3.5bn in 1Q22. Revenue from COVID-19 services and Moderna vaccine income accounted for 27.4% of total revenue in 1Q22. Meanwhile, revenue from Jin Wellbeing County declined by 40% y-y and 69% q-q to Bt12m in 1Q22 due to falling number of residential unit sales in 1Q22 to two units.
- Its operating margin also expanded to 21.3% in 1Q22 from -6.9% in 1Q21 due to strong revenue growth and operating leverage benefits. But it was down from 23.5% in 4Q21 due to falling reimbursement rate for COVID-19 services under UCEPCOVID and UCEP.
- 3M22 earnings accounted for 56% of our full-year earnings forecast. We expect its strong y-y earnings growth to continue in 2Q22F due to income from Moderna vaccine sales, remaining high Covid-19 cases and rising non-COVID cash patients.
- However, with THG's expensive valuation by trading at 51.5x/75.7x PE in 2022-23F, we thus maintain our SELL rating on THG.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	1,566	1,906	3,861	3,514	3,530
Gross profit	**241**	**493**	**1,437**	**1,271**	**1,191**
SG&A	349	342	430	444	440
Operating profit	(109)	151	1,006	827	750
EBITDA	**114**	**379**	**1,246**	**1,080**	**996**
Other income	39	48	20	57	28
Other expense	3	0	0	3	4
Interest expense	71	72	77	78	75
Profit before tax	**(144)**	**127**	**949**	**803**	**699**
Income tax	13	29	98	238	154
Equity & invest. income	(25)	(20)	(20)	96	6
Minority interests	8	12	(0)	(39)	(25)
Extraordinary items	(20)	(5)	2	(8)	(0)
Net profit	**(194)**	**84**	**833**	**614**	**527**
Normalized profit	**(174)**	**90**	**831**	**622**	**527**
EPS (Bt)	(0.23)	0.10	0.98	0.72	0.62
Normalized EPS (Bt)	(0.20)	0.11	0.98	0.73	0.62

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	0	125	34	10,304	9,418
Gross profit	**(6)**	**395**	**42**	**2,807**	**2,570**
SG&A	(1)	26	27	1,627	1,775
Operating profit	(9)	na	64	1,179	795
EBITDA	**(8)**	**771**	**47**	**2,139**	**1,815**
Other income	(51)	(28)	17	166	170
Other expense	47	72	144	3	3
Interest expense	(4)	5	27	279	309
Profit before tax	**(13)**	**na**	**66**	**1,063**	**652**
Income tax	(35)	1,089	72	213	130
Equity & invest. income	(93)	na	8	76	117
Minority interests	na	na	(177)	14	
Extraordinary items	na	na	na		
Net profit	**(14)**	**na**	**56**	**940**	**639**
Normalized profit	**(15)**	**na**	**56**	**940**	**639**
EPS (Bt)	(14)	na	56	1.11	0.75
Normalized EPS (Bt)	(15)	na	56	1.11	0.75

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	1,012	951	1,209	1,536	1,272
A/C receivable	856	1,150	3,626	3,183	3,005
Inventory	1,337	1,346	1,408	1,416	1,428
Other current assets	1,709	1,765	1,773	883	880
Investment	1,341	1,323	1,371	1,450	1,457
Fixed assets	10,595	10,696	10,862	11,660	11,555
Other assets	3,376	3,378	3,586	3,670	3,637
Total assets	**20,226**	**20,609**	**23,835**	**23,799**	**23,234**
S-T debt	4,223	4,875	5,784	5,606	5,056
A/C payable	1,028	1,243	3,462	2,813	2,219
Other current liabilities	108	117	187	316	429
L-T debt	5,737	5,408	4,553	4,461	4,620
Other liabilities	1,000	988	994	986	981
Minority interest	428	405	405	471	472
Shareholders' equity	**7,702**	**7,573**	**8,449**	**9,147**	**9,457**
Working capital	1,165	1,253	1,572	1,787	2,214
Total debt	9,960	10,283	10,337	10,066	9,676
Net debt	**8,949**	**9,332**	**9,128**	**8,530**	**8,404**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(19.3)	20.7	101.9	86.7	125.4
Operating profit growth	na	na	777.8	712.0	na
EBITDA growth	(45.1)	191.6	274.5	239.9	771.1
Norm profit growth	na	na	1,650.1	1,878.8	na
Norm EPS growth	na	na	1,650.1	1,878.8	na
Gross margin	15.4	25.9	37.2	36.2	33.7
Operating margin	(6.9)	7.9	26.1	23.5	21.3
EBITDA margin	7.3	19.9	32.3	30.7	28.2
Norm net margin	(11.1)	4.7	21.5	17.7	14.9
D/E (x)	1.2	1.3	1.2	1.0	1.0
Net D/E (x)	1.1	1.2	1.0	0.9	0.8
Interest coverage (x)	1.6	5.3	16.1	13.8	13.3
Interest rate	2.9	2.8	3.0	3.1	3.0
Effective tax rate	(9.0)	22.8	10.3	29.6	22.0
ROA	(3.4)	1.8	15.0	10.4	9.0
ROE	(8.9)	4.7	41.5	28.3	22.7

Sources: Company data, Thanachart estimates

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