Chularat Hospital Pcl (CHG TB) - BUY, Price Bt3.94, TP Bt4.80

Results Comment

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Good 2Q22, beat expectation

- CHG reported Bt878m net profit in 2Q22, up 52% y-y but down 35% q-q. This was better than our earnings preview and the Street's earnings forecast due to its stronger-than-expected revenue and margin.
- CHG's strong y-y earnings growth was driven by rising revenue from related COVID-19 services, Moderna vaccine income, rising non-COVID cash and SSS patients and rising revenue from excellence center management. The q-q drop mainly resulted from falling revenue from related COVID services.
- Top line grew by 34% y-y but declined by 22% q-q to Bt2.8bn in 2Q22. Revenue from related COVID-19 services and Moderna vaccine income grew by 48% y-y but declined by 39% q-q to Bt1.2bn in 2Q22. Non-COVID patient revenue grew by 26% y-y but down 2% q-q to Bt1.6bn in 2Q22.
- Its operating margin also expanded to 38.2% in 2Q22 from 31.8% in 2Q21 due to rising top line and operating leverage benefit but down from 46.6% in 1Q22 due to falling revenue from related COVID-19 services and operating leverage effect.
- 6M22 earnings accounted for 79% of our full-year earnings forecast. We see 2H22 earnings growth to turn negative y-y and h-h due to falling revenue from related COVID-19 services. However, we see CHG's core earnings (excluding COVID services) still grow y-y and h-h, driven by non-COVID Thai and foreign patients, SSS patients and excellence center management. We maintain BUY on CHG.
- The company announced interim dividend payment of Bt0.085/share. The XD date is 24 August 2022 and the payment date is 9 September 2022.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	2,071	4,390	3,866	3,571	2,784
Gross profit	**865**	**2,232**	**2,343**	**1,869**	**1,288**
SG&A	206	338	117	205	223
Operating profit	659	1,893	2,226	1,665	1,064
EBITDA	**745**	**1,981**	**2,337**	**1,757**	**1,159**
Other income	65	67	70	67	71
Other expense	0	0	0	0	0
Interest expense	5	5	5	3	3
Profit before tax	**718**	**1,956**	**2,290**	**1,729**	**1,133**
Income tax	143	377	426	341	226
Equity & invest. income	0	0	0	0	0
Minority interests	1	(15)	(51)	(31)	(29)
Extraordinary items	0	0	0	0	0
Net profit	**576**	**1,564**	**1,813**	**1,356**	**878**
Normalized profit	**576**	**1,564**	**1,813**	**1,356**	**878**
EPS (Bt)	0.05	0.14	0.16	0.12	0.08
Normalized EPS (Bt)	0.05	0.14	0.16	0.12	0.08

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(22)	34	66	9,566	7,608
Gross profit	**(31)**	**49**	76	**4,150**	**2,375**
SG&A	9	8	55	777	755
Operating profit	(36)	61	81	3,373	1,620
EBITDA	**(34)**	**56**	77	**3,765**	**2,036**
Other income	6	11	51	272	281
Other expense				0	0
Interest expense	(5)	(40)	52	12	10
Profit before tax	**(34)**	**58**	79	**3,633**	**1,891**
Income tax	(34)	58	82	694	369
Equity & invest. income				0	0
Minority interests	na	na	na	(95)	(76)
Extraordinary items				0	0
Net profit	**(35)**	**52**	79	**2,844**	**1,446**
Normalized profit	**(35)**	**52**	79	**2,844**	**1,446**
EPS (Bt)	(35)	52	79	0.26	0.13
Normalized EPS (Bt)	(35)	52	79	0.26	0.13

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	1,158	803	2,790	3,863	1,281
A/C receivable	518	593	616	696	704
Inventory	216	281	295	342	315
Other current assets	984	3,748	2,196	2,722	3,592
Investment	76	76	76	76	76
Fixed assets	4,123	4,204	4,286	4,325	4,359
Other assets	275	309	291	323	319
Total assets	**7,350**	**10,014**	**10,550**	**12,347**	**10,646**
S-T debt	852	835	131	88	86
A/C payable	830	1,645	842	947	806
Other current liabilities	399	1,029	1,235	1,576	984
L-T debt	358	342	313	295	270
Other liabilities	183	185	187	212	236
Minority interest	206	221	272	303	330
Shareholders' equity	**4,523**	**5,756**	**7,569**	**8,925**	**7,934**
Working capital	(96)	(771)	69	91	214
Total debt	1,210	1,177	445	383	356
Net debt	**52**	**374**	**(2,345)**	**(3,480)**	**(926)**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	80.8	200.8	155.9	152.4	34.5
Operating profit growth	244.8	443.1	633.9	539.1	61.5
EBITDA growth	165.6	352.7	497.4	406.5	55.6
Norm profit growth	272.1	455.0	614.8	438.7	52.4
Norm EPS growth	272.1	455.0	614.8	438.7	52.4
Gross margin	41.8	50.8	60.6	52.3	46.2
Operating margin	31.8	43.1	57.6	46.6	38.2
EBITDA margin	36.0	45.1	60.5	49.2	41.6
Norm net margin	27.8	35.6	46.9	38.0	31.5
D/E (x)	0.3	0.2	0.1	0.0	0.0
Net D/E (x)	0.0	0.1	(0.3)	(0.4)	(0.1)
Interest coverage (x)	143.5	386.8	446.8	536.1	372.7
Interest rate	2.0	1.7	2.6	3.2	3.4
Effective tax rate	19.9	19.3	18.6	19.7	19.9
ROA	33.9	72.0	70.5	47.4	30.6
ROE	52.4	121.7	108.8	65.8	41.7

Sources: Company data, Thanachart estimates

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