Ladprao General Hospital (LPH TB) - BUY, Price Bt6.20, TP Bt6.60

Results Comment

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Weaker-than-expected 2Q22 results

- LPH reported Bt69m net profit in 2Q22, down 19% y-y and 55% q-q. This was below our earnings preview due to one-time extra expenses from 1) extra bonus of c. Bt10m, 2) advance marketing expenses for international customers of c. Bt5m and 3) extra provision for accruals from insurer receivables that are under business restructuring of c. Bt5m. Excluding these extra items, LPH's earnings were in line with our expectation.
- The company's weak y-y earnings resulted from falling gross margin and rising SG&A to sales due to extra expenses as we mentioned earlier. This caused its operating margin declined from 19.5% in 2Q21 to 12.6% in 2Q22.
- The q-q weak earnings resulted from falling revenue of 18% q-q due to declining revenue from related COVID-19 services and falling operating margin from 24.4% in 1Q22 to 12.6% in 2Q22 due to extra expenses and operating leverage effect.
- 6M22 earnings accounted for 95% 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 estimate its earnings excluding COVID services still grow y-y and h-h, driven by non-COVID cash and SSS patients. We maintain BUY on LPH.
- The company announced interim dividend payment of Bt0.10/share. The XD date is 23 August 2022 and the payment date is 9 September 2022.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	529	868	628	712	583
Gross profit	**170**	**431**	**171**	**262**	**166**
SG&A	67	82	111	88	93
Operating profit	103	349	60	174	73
EBITDA	**148**	**378**	**99**	**211**	**116**
Other income	3	12	8	5	7
Other expense					
Interest expense	4	4	4	3	3
Profit before tax	**102**	**357**	**64**	**176**	**78**
Income tax	17	65	12	26	9
Equity & invest. income					
Minority interests	(1)	(3)	(1)	1	
Extraordinary items					
Net profit	**85**	**289**	**51**	**152**	**69**
Normalized profit	**85**	**289**	**51**	**152**	**69**
EPS (Bt)	0.11	0.38	0.07	0.21	0.10
Normalized EPS (Bt)	0.11	0.38	0.07	0.21	0.10

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(18)	10	60	2,175	2,130
Gross profit	**(37)**	**(3)**	73	**590**	**556**
SG&A	5	38	59	305	321
Operating profit	(58)	(29)	87	285	235
EBITDA	**(45)**	**(22)**	74	**440**	**395**
Other income	44	158	71	17	19
Other expense					
Interest expense	(0)	(18)	43	14	16
Profit before tax	**(56)**	**(24)**	88	**288**	**239**
Income tax	(65)	(47)	71	49	41
Equity & invest. income					
Minority interests				(7)	(6)
Extraordinary items					
Net profit	**(55)**	**(19)**	95	**233**	**192**
Normalized profit	**(55)**	**(19)**	95	**233**	**192**
EPS (Bt)	(55)	(16)	95	0.32	0.27
Normalized EPS (Bt)	(55)	(16)	95	0.32	0.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	95	111	147	202	147
A/C receivable	195	344	291	280	270
Inventory	29	40	45	36	39
Other current assets	197	548	385	400	375
Investment					
Fixed assets	1,499	1,500	1,494	1,503	1,555
Other assets	250	258	235	236	236
Total assets	**2,265**	**2,801**	**2,597**	**2,657**	**2,622**
S-T debt	72	269	131	74	84
A/C payable	228	305	275	245	242
Other current liabilities	82	134	136	153	98
L-T debt	130	117	104	86	78
Other liabilities	253	257	243	242	267
Minority interest	5	8	9	8	6
Shareholders' equity	**1,496**	**1,712**	**1,698**	**1,849**	**1,848**
Working capital	(3)	79	61	71	68
Total debt	202	386	235	159	162
Net debt	**107**	**275**	**88**	**(43)**	**15**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	35.8	80.4	23.5	49.7	10.3
Operating profit growth	na	513.8	5.4	281.3	(29.0)
EBITDA growth	344.2	303.7	6.8	161.6	(21.8)
Norm profit growth	na	462.8	(5.6)	275.1	(19.1)
Norm EPS growth	na	462.8	(1.7)	290.7	(15.8)
Gross margin	32.2	49.7	27.3	36.8	28.5
Operating margin	19.5	40.2	9.6	24.4	12.6
EBITDA margin	28.1	43.5	15.7	29.6	19.9
Norm net margin	16.0	33.2	8.1	21.3	11.8
D/E (x)	0.1	0.2	0.1	0.1	0.1
Net D/E (x)	0.1	0.2	0.1	(0.0)	0.0
Interest coverage (x)	41.0	90.3	23.7	71.0	39.1
Interest rate	7.1	5.7	5.4	6.0	7.4
Effective tax rate	16.4	18.3	18.1	14.8	11.6
ROA	15.1	45.6	7.5	23.1	10.4
ROE	22.8	72.0	11.9	34.2	14.8

Sources: Company data, Thanachart estimates

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