Rajthanee Hospital (RJH TB) - HOLD, Price Bt40.75, TP Bt35.00

Results Comment

Siriporn Arunothai | Email: siriporn.aru@thanachartsec.co.th

Strong 2Q22, higher-than-expected

- RJH reported Bt422m net profit in 2Q22, up 206% y-y but down 11% q-q. This was above our earnings preview but it was in line with the Street's earnings forecast. The higher-than-expected earnings resulted from better revenue and gross margin.
- The company's strong y-y earnings growth was mainly driven by rising revenue from COVID-19 services, rising Moderna vaccine income, rising revenue from SSS and expanding operating margin.
- The q-q earnings drop resulted from falling revenue from COVID-19 services and falling operating margin due to operating leverage effect.
- Its top line grew by 89% y-y but declined by 10% q-q to Bt1.1bn in 2Q22. Its operating margin also expanded to 49.2% in 2Q22 from 30.1% in 2Q21 but declined from 50.3% in 1Q22.
- RJH's revenue from COVID-19 services was Bt590m in 2Q22, up 400% y-y but down14% q-q.
- 6M22 earnings accounted for 91% 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.
- RJH announced to pay interim dividend of Bt2/share. The XD date is 22 August 2022 and the payment date is 7 September 2022.
- Though there is an upside to our numbers, we see RJH's current share price already reflected its good performance and high dividend payment. We maintain HOLD on RJH.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	559	1,143	910	1,175	1,054
Gross profit	**211**	**657**	**398**	**639**	**567**
SG&A	43	54	47	49	49
Operating profit	168	602	351	590	518
EBITDA	**198**	**646**	**405**	**633**	**566**
Other income	5	7	10	9	16
Other expense	0	0	0	0	0
Interest expense	0	1	4	5	5
Profit before tax	**173**	**608**	**357**	**594**	**530**
Income tax	35	122	72	120	106
Equity & invest. income	0	0	0	0	0
Minority interests	(1)	(2)	(1)	(2)	(2)
Extraordinary items	0	0	0	0	0
Net profit	**138**	**484**	**283**	**473**	**422**
Normalized profit	**138**	**484**	**283**	**473**	**422**
EPS (Bt)	0.46	1.61	0.94	1.58	1.41
Normalized EPS (Bt)	0.46	1.61	0.94	1.58	1.41

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(10)	89	69	3,212	2,096
Gross profit	**(11)**	**169**	**86**	**1,404**	**694**
SG&A	(0)	14	54	181	169
Operating profit	(12)	208	91	1,223	526
EBITDA	**(11)**	**185**	**86**	**1,397**	**703**
Other income	91	201	69	36	38
Other expense				0	0
Interest expense	10	1,098	51	19	10
Profit before tax	**(11)**	**206**	**91**	**1,240**	**553**
Income tax	(12)	205	90	249	111
Equity & invest. income				0	0
Minority interests	na	na	na	(8)	(5)
Extraordinary items				0	0
Net profit	**(11)**	**206**	**91**	**983**	**437**
Normalized profit	**(11)**	**206**	**91**	**983**	**437**
EPS (Bt)	(11)	206	91	3.28	1.46
Normalized EPS (Bt)	(11)	206	91	3.28	1.46

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	128	77	175	110	115
A/C receivable	377	1,063	965	1,339	766
Inventory	37	47	60	76	62
Other current assets	3	3	4	4	788
Investment	0	0	0	0	0
Fixed assets	1,320	1,443	1,428	1,484	1,706
Other assets	196	221	721	812	879
Total assets	**2,061**	**2,854**	**3,352**	**3,825**	**4,316**
S-T debt	170	350	750	645	541
A/C payable	236	411	378	337	284
Other current liabilities	42	113	169	277	260
L-T debt	0	0	0	0	393
Other liabilities	61	61	90	93	114
Minority interest	6	8	9	12	56
Shareholders' equity	**1,546**	**1,910**	**1,955**	**2,461**	**2,668**
Working capital	177	699	646	1,078	544
Total debt	170	350	750	645	934
Net debt	**42**	**273**	**575**	**535**	**819**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	42.2	122.6	81.4	132.4	88.7
Operating profit growth	119.8	314.9	215.7	357.7	208.5
EBITDA growth	94.6	272.2	183.9	286.3	185.3
Norm profit growth	112.4	302.2	96.1	343.2	206.2
Norm EPS growth	112.4	302.2	96.1	343.2	206.2
Gross margin	37.7	57.4	43.7	54.4	53.8
Operating margin	30.1	52.7	38.6	50.3	49.2
EBITDA margin	35.5	56.5	44.5	53.9	53.7
Norm net margin	24.6	42.4	31.1	40.2	40.0
D/E (x)	0.1	0.2	0.4	0.3	0.3
Net D/E (x)	0.0	0.1	0.3	0.2	0.3
Interest coverage (x)	474.6	830.7	91.3	139.2	113.1
Interest rate	1.5	1.2	3.2	2.6	2.5
Effective tax rate	20.0	20.0	20.1	20.1	20.0
ROA	27.3	78.8	36.5	52.7	41.4
ROE	35.0	112.1	58.6	85.6	65.8

Sources: Company data, Thanachart estimates

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