# Ratchaphruek Hospital (RPH TB) - HOLD, Price Bt6.50, TP Bt7.30

**Results Comment**

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## Strong 2Q22 but below expectation

- RPH reported Bt57m net profit in 2Q22, up 202% y-y but down 68% q-q. This was weaker than our earnings preview due to its weaker top line but it was higher than the market's expectation.
- The company's strong y-y earnings growth was mainly driven by rising revenue from COVID-19 services, rising Moderna vaccine income 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 43% y-y but declined by 45% q-q to Bt284m in 2Q22. Its operating margin also expanded to 24.8% in 2Q22 from 7.7% in 2Q21 but declined from 43.4% in 1Q22.
- 6M22 earnings accounted for 80% 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 patients. We maintain HOLD on RPH.

| **Income Statement** | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **2Q21** | **3Q21** | **4Q21** | **1Q22** | **2Q22** |
| Revenue | 190 | 425 | 599 | 520 | 284 |
| **Gross profit** | **48** | **220** | **340** | **265** | **110** |
| SG&A | 33 | 39 | 62 | 39 | 39 |
| Operating profit | 15 | 181 | 278 | 226 | 71 |
| **EBITDA** | **37** | **203** | **300** | **249** | **94** |
| Other income | 5 | 3 | 4 | 2 | 2 |
| Other expense | | | | | |
| Interest expense | 2 | 2 | 1 | 1 | 1 |
| **Profit before tax** | **18** | **182** | **280** | **227** | **72** |
| Income tax | 3 | 37 | 55 | 45 | 14 |
| Equity & invest. income | | | | | |
| Minority interests | | | | | |
| Extraordinary items | | | | | |
| **Net profit** | **14** | **145** | **225** | **181** | **57** |
| **Normalized profit** | **14** | **145** | **225** | **181** | **57** |
| EPS (Bt) | 0.03 | 0.27 | 0.41 | 0.33 | 0.10 |
| Normalized EPS (Bt) | 0.03 | 0.27 | 0.41 | 0.33 | 0.10 |

| **Income Statement** | | | 6M as | | |
|---|---|---|---|---|---|
| **(Bt m)** | **q-q%** | **y-y%** | **% 2022F** | **2022F** | **2023F** |
| Revenue | (45) | 49 | 66 | 1,222 | 976 |
| **Gross profit** | **(59)** | **129** | 74 | **507** | **296** |
| SG&A | 0 | 18 | 54 | 145 | 132 |
| Operating profit | (69) | 381 | 82 | 362 | 164 |
| **EBITDA** | **(62)** | **153** | 76 | **451** | **251** |
| Other income | 9 | (50) | 35 | 13 | 14 |
| Other expense | | | | | |
| Interest expense | 5 | (19) | 81 | 3 | 1 |
| **Profit before tax** | **(68)** | **308** | 80 | **371** | **177** |
| Income tax | (68) | 311 | 81 | 74 | 35 |
| Equity & invest. income | | | | | |
| Minority interests | | | | | |
| Extraordinary items | | | | | |
| **Net profit** | **(68)** | **307** | 80 | **297** | **142** |
| **Normalized profit** | **(68)** | **307** | 80 | **297** | **142** |
| EPS (Bt) | (68) | 307 | 80 | 0.54 | 0.26 |
| Normalized EPS (Bt) | (68) | 307 | 80 | 0.54 | 0.26 |

| **Balance Sheet** | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **2Q21** | **3Q21** | **4Q21** | **1Q22** | **2Q22** |
| Cash & ST investment | 124 | 90 | 238 | 439 | 294 |
| A/C receivable | 46 | 341 | 450 | 432 | 402 |
| Inventory | 20 | 24 | 30 | 31 | 24 |
| Other current assets | | | | | |
| Investment | 12 | 12 | 12 | 12 | 12 |
| Fixed assets | 1,485 | 1,474 | 1,453 | 1,475 | 1,455 |
| Other assets | 25 | 28 | 32 | 41 | 47 |
| **Total assets** | **1,711** | **1,970** | **2,215** | **2,430** | **2,235** |
| S-T debt | 123 | 124 | 125 | 124 | 154 |
| A/C payable | 74 | 207 | 197 | 184 | 144 |
| Other current liabilities | 8 | 41 | 96 | 136 | 55 |
| L-T debt | 134 | 108 | 82 | 90 | 64 |
| Other liabilities | 38 | 38 | 35 | 35 | 35 |
| Minority interest | | | | | |
| **Shareholders' equity** | **1,334** | **1,452** | **1,680** | **1,861** | **1,782** |
| Working capital | (8) | 159 | 282 | 279 | 283 |
| Total debt | 258 | 232 | 206 | 214 | 219 |
| **Net debt** | **134** | **142** | **(31)** | **(225)** | **(75)** |

| **Financial Ratios** | | | | | |
|---|---|---|---|---|---|
| **(%)** | **2Q21** | **3Q21** | **4Q21** | **1Q22** | **2Q22** |
| Sales growth | 17.3 | 116.8 | 165.3 | 161.6 | 49.4 |
| Operating profit growth | 521.6 | 635.6 | 470.6 | 821.2 | 381.2 |
| EBITDA growth | 51.2 | 331.4 | 321.2 | 432.5 | 153.3 |
| Norm profit growth | 289.4 | 608.1 | 463.3 | 856.8 | 307.1 |
| Norm EPS growth | 289.4 | 608.1 | 463.3 | 856.8 | 307.1 |
| | | | | | |
| Gross margin | 25.1 | 51.8 | 56.7 | 50.9 | 38.6 |
| Operating margin | 7.7 | 42.6 | 46.4 | 43.4 | 24.8 |
| EBITDA margin | 19.5 | 47.9 | 50.1 | 47.8 | 33.0 |
| Norm net margin | 7.4 | 34.2 | 37.5 | 34.9 | 20.1 |
| | | | | | |
| D/E (x) | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Net D/E (x) | 0.1 | 0.1 | (0.0) | (0.1) | (0.0) |
| Interest coverage (x) | 20.9 | 124.9 | 205.5 | 183.0 | 65.6 |
| Interest rate | 2.6 | 2.7 | 2.7 | 2.6 | 2.6 |
| Effective tax rate | 19.9 | 20.1 | 19.8 | 20.0 | 20.1 |
| ROA | 3.2 | 31.6 | 43.0 | 31.2 | 9.8 |
| ROE | 4.1 | 41.7 | 57.4 | 41.0 | 12.6 |

Sources: Company data, Thanachart estimates

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