

Chularat Hospital Pcl (CHG TB) - BUY, Price Bt3.56, TP Bt5.00**Results Comment**

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Big miss 3Q22 results

- CHG reported Bt258m net profit in 3Q22, down 83% y-y and 71% q-q. This was much lower than ours and the market's expectation due to its higher-than-expected costs.
- The falling y-y and q-q earnings were mainly caused by falling revenue from related COVID-19 services. Its top line declined by 54% y-y and 27% q-q to Bt2bn in 3Q22. However, excluding revenue from related COVID-19 services; CHG's revenue grew by 27% y-y and 6% q-q to Bt1.7bn, driven by non-COVID cash patient rebound and improving revenue from Social Security Scheme (SSS).
- Revenue from related COVID-19 services declined by 90% y-y and 74% q-q to c. Bt300m in 3Q22. Revenue from non-COVID cash patients grew by 6% y-y and 1% q-q to Bt1bn in 3Q22. Revenue from SSS grew by 54% y-y and 16% q-q to Bt565m in 3Q22.
- Its operating margin declined to 14.5% in 3Q22 from 43.1% in 3Q21 and 38.2% in 2Q22 due to no COVID-19's economies of scale, one-time low-margin vaccine income and one-time extra bonus.
- 9M22 earnings accounted for 82% of our full-year earnings forecast. With its higher-than-expected cost in 3Q22, we see downside risk to our earnings and TP.
- We estimate CHG's 4Q22 earnings growth to be negative y-y but to turn positive q-q. The y-y earnings drop results from falling revenue from related COVID-19 services. The q-q earnings growth is expected due to rising revenue from SSS.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	4,390	3,866	3,571	2,784	2,026	Revenue	(27)	(54)	84	10,023	8,064
Gross profit	2,232	2,343	1,869	1,288	546	Gross profit	(58)	(76)	82	4,494	2,514
SG&A	338	117	205	223	253	SG&A	13	(25)	81	838	835
Operating profit	1,893	2,226	1,665	1,064	293	Operating profit	(72)	(85)	83	3,656	1,679
EBITDA	1,981	2,337	1,757	1,159	394	EBITDA	(66)	(80)	82	4,053	2,106
Other income	67	70	67	71	74	Other income	4	10	77	275	285
Other expense	0	0	0	0	0	Other expense				0	0
Interest expense	5	5	3	3	4	Interest expense	25	(24)	67	15	18
Profit before tax	1,956	2,290	1,729	1,133	364	Profit before tax	(68)	(81)	82	3,916	1,945
Income tax	377	426	341	226	97	Income tax	(57)	(74)	85	779	379
Equity & invest. income	0	0	0	0	0	Equity & invest. income				0	0
Minority interests	(15)	(51)	(31)	(29)	(8)	Minority interests	na	na	na	(90)	(72)
Extraordinary items	0	0	0	0	0	Extraordinary items				0	0
Net profit	1,564	1,813	1,356	878	258	Net profit	(71)	(83)	82	3,046	1,494
Normalized profit	1,564	1,813	1,356	878	258	Normalized profit	(71)	(83)	82	3,046	1,494
EPS (Bt)	0.14	0.16	0.12	0.08	0.02	EPS (Bt)	(71)	(83)	82	0.28	0.14
Normalized EPS (Bt)	0.14	0.16	0.12	0.08	0.02	Normalized EPS (Bt)	(71)	(83)	82	0.28	0.14

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	803	2,790	3,863	1,281	1,746	Sales growth	200.8	155.9	152.4	34.5	(53.8)
A/C receivable	593	616	696	704	701	Operating profit growth	443.1	633.9	539.1	61.5	(84.5)
Inventory	281	295	342	315	235	EBITDA growth	352.7	497.4	406.5	55.6	(80.1)
Other current assets	3,748	2,196	2,722	3,592	3,195	Norm profit growth	455.0	614.8	438.7	52.4	(83.5)
Investment	76	76	76	76	76	Norm EPS growth	455.0	614.8	438.7	52.4	(83.5)
Fixed assets	4,204	4,286	4,325	4,359	4,458	Gross margin	50.8	60.6	52.3	46.2	26.9
Other assets	309	291	323	319	329	Operating margin	43.1	57.6	46.6	38.2	14.5
Total assets	10,014	10,550	12,347	10,646	10,741	EBITDA margin	45.1	60.5	49.2	41.6	19.5
S-T debt	835	131	88	86	1,086	Norm net margin	35.6	46.9	38.0	31.5	12.8
A/C payable	1,645	842	947	806	944	D/E (x)	0.2	0.1	0.0	0.0	0.2
Other current liabilities	1,029	1,235	1,576	984	546	Net D/E (x)	0.1	(0.3)	(0.4)	(0.1)	(0.0)
L-T debt	342	313	295	270	311	Interest coverage (x)	386.8	446.8	536.1	372.7	101.4
Other liabilities	185	187	212	236	259	Interest rate	1.7	2.6	3.2	3.4	1.8
Minority interest	221	272	303	330	338	Effective tax rate	19.3	18.6	19.7	19.9	26.7
Shareholders' equity	5,756	7,569	8,925	7,934	7,257	ROA	72.0	70.5	47.4	30.6	9.7
Working capital	(771)	69	91	214	(8)	ROE	121.7	108.8	65.8	41.7	13.6
Total debt	1,177	445	383	356	1,397						
Net debt	374	(2,345)	(3,480)	(926)	(349)						

Sources: Company data, Thanachart estimates

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