

Thonburi Healthcare Group (THG TB) - SELL, Price Bt75, TP Bt45**Results Comment**

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3Q22 - slightly above expectation

- THG reported Bt381m net profit in 3Q22, down 54% y-y and 4% q-q. This was better than ours and the market's expectation due to its higher-than-expected other income item. Including extra gain from land sales of Bt65m in 3Q22, THG reported net profit of Bt438m, down 47% y-y but up 10% q-q.
- The company's falling y-y earnings were mainly due to falling revenue from related COVID-19 services. Its top line declined by 23% y-y to Bt3.0bn in 3Q22. Operating margin declined to 14.1% in 3Q22 from 26.1% in 3Q21 due to no COVID-19 services' economies of scale.
- The q-q slightly drop in earnings, despite rising revenue from hospital business, was due to falling equity income contribution from Aryu International Hospital (Aryu) in Myanmar. Profit sharing from Aryu turned to loss of Bt12m in 3Q22 from Bt42m profit in 2Q22 mainly due to FX loss.
- THG had Bt139m revenue from Jin Wellbeing County sales in 3Q22, up 530% y-y but down 21% q-q. Number of residential unit sales was 29 units in 3Q22 vs. 32 units transferred in 2Q22 and 3 units transferred in 3Q21.
- 9M22 earnings accounted for 93% of our full-year earnings forecast. We see its 4Q22 earnings to decline y-y and q-q due to falling revenue from related COVID-19 services and Moderna vaccine income. However, we estimate its earnings excluding COVID services still grow y-y, driven by non-COVID cash patients.
- With THG's expensive valuation by trading at 82x PE in 2023F, we thus maintain our SELL rating on THG.

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	3,861	3,514	3,530	2,674	2,954	Revenue	11	(23)	79	11,571	9,495
Gross profit	1,437	1,271	1,191	793	875	Gross profit	10	(39)	85	3,353	2,660
SG&A	430	444	440	402	459	SG&A	14	7	80	1,622	1,674
Operating profit	1,006	827	750	391	416	Operating profit	6	(59)	90	1,731	986
EBITDA	1,246	1,080	996	642	672	EBITDA	5	(46)	86	2,680	1,955
Other income	20	57	28	80	159	Other income	98	688	145	185	169
Other expense	0	3	4	1	1	Other expense	(33)	889	108	6	
Interest expense	77	78	75	73	74	Interest expense	1	(5)	78	286	314
Profit before tax	949	803	699	397	500	Profit before tax	26	(47)	98	1,624	840
Income tax	98	238	154	65	127	Income tax	96	31	112	309	168
Equity & invest. income	(20)	96	6	78	23	Equity & invest. income	(70)	na	77	140	158
Minority interests	(0)	(39)	(25)	(14)	(15)	Minority interests	na	na	na	(54)	(56)
Extraordinary items	2	(8)	(0)	1	58	Extraordinary items	4,520	3,510	na	73	
Net profit	833	614	527	398	438	Net profit	10	(47)	92	1,475	775
Normalized profit	831	622	527	397	381	Normalized profit	(4)	(54)	93	1,402	775
EPS (Bt)	0.98	0.72	0.62	0.47	0.52	EPS (Bt)	10	(47)	92	1.74	0.91
Normalized EPS (Bt)	0.98	0.73	0.62	0.47	0.45	Normalized EPS (Bt)	(4)	(54)	93	1.65	0.91
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	1,209	1,536	1,272	1,094	1,470	Sales grow th	101.9	86.7	125.4	40.3	(23.5)
A/C receivable	3,626	3,183	3,005	2,869	2,461	Operating profit grow th	777.8	712.0	na	159.5	(58.7)
Inventory	1,408	1,416	1,428	1,282	1,147	EBITDA grow th	274.5	239.9	771.1	69.5	(46.1)
Other current assets	1,773	883	880	882	888	Norm profit grow th	1,650.1	1,878.8	na	343.2	(54.2)
Investment	1,371	1,450	1,457	1,648	1,680	Norm EPS grow th	1,650.1	1,878.8	na	344.1	(54.1)
Fixed assets	10,862	11,660	11,555	11,620	11,603	Gross margin	37.2	36.2	33.7	29.7	29.6
Other assets	3,586	3,670	3,637	3,681	3,597	Operating margin	26.1	23.5	21.3	14.6	14.1
Total assets	23,835	23,799	23,234	23,077	22,846	EBITDA margin	32.3	30.7	28.2	24.0	22.7
S-T debt	5,784	5,606	5,056	5,442	5,772	Norm net margin	21.5	17.7	14.9	14.8	12.9
A/C payable	3,462	2,813	2,219	2,018	1,433	D/E (x)	1.2	1.0	1.0	1.0	0.9
Other current liabilities	187	316	429	290	278	Net D/E (x)	1.0	0.9	0.8	0.9	0.8
L-T debt	4,553	4,461	4,620	4,298	3,947	Interest coverage (x)	16.1	13.8	13.3	8.8	9.1
Other liabilities	994	986	981	1,001	979	Interest rate	3.0	3.1	3.0	3.0	3.0
Minority interest	405	471	472	475	484	Effective tax rate	10.3	29.6	22.0	16.3	25.5
Shareholders' equity	8,449	9,147	9,457	9,553	9,954	ROA	15.0	10.4	9.0	6.9	6.6
Working capital	1,572	1,787	2,214	2,133	2,175	ROE	41.5	28.3	22.7	16.7	15.6
Total debt	10,337	10,066	9,676	9,740	9,719						
Net debt	9,128	8,530	8,404	8,646	8,249						

Sources: Company data, Thanachart estimates

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