

Thai Nguyen Hospital (TNH)

Non-rated

Good wine needs no bush

2Q22: Recovering business results

TNH issued 2Q22 business results with a VND119bn (+33% qoq and +9% yoy) revenue and a VND38bn (+137% qoq and +11% yoy) NPAT. In general, although this result has not yet surpassed the peak in 3Q21, it is still a positive signal of a strong recovery after a sharp drop in 1Q22. Despite the tightening in sales growth (from 18% yoy in 1Q22 to 9% yoy in 2Q22), net profit recorded confident growth rate of 11% yoy and expanded 5%p qoq. Sales growth in 2Q22 confirmed the return of patients to hospitals and we believe the upward trend could continue for the healthcare industry in general and TNH in specific in next quarters.

Try hard to maintain high level of gross margin

Although 2Q22's gross margin remained the same as 2Q21, it still upped by 14%p qoq to hit 49% and is in an uptrend. The movement of net margin was quite in line with those of gross margin. Net margin in 2Q22 loosened 14%p qoq but stayed the same level vs 2Q21. However, it should be notice that SG&A to sales was increasing since 3Q21, from 3% to 7% in 2Q22. Notably, the salary of management staff accounted for 73% SG&A expenses in total. On average, management staff's salary incremented around 45%/year. With such a fast growth rate, if it does not well controlled or gross margin does not satisfy hot up, net profit of the company may be eroded.

Valuation

TNH is trading at 16.6x TTM PE and 2.9x PB, higher than 2-yr average of 14.4x and 2.5x. Currently, there are not many companies in healthcare sector listed in Vietnam. Therefore, we have very little valuation information to compare with other companies in the same filed. However, we think this valuation is fair when comparing with global peers, which are trading at 14.8x – 15.6x TTM PE.

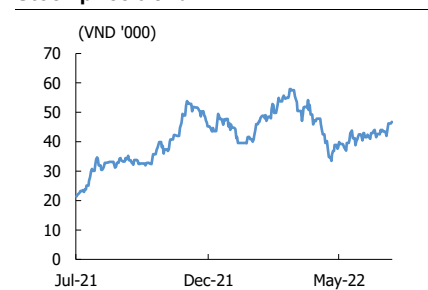
Stock Data

VNIndex (Jul 25, pt)	1,189
Stock price (Jul 25, VND)	46,800
Market cap (USD mn)	103
Shares outstanding (mn)	52
52-Week high/low (VND)	57,900/21,800
6M avg. daily turnover (USD mn)	0.96
Free float / Foreign ownership (%)	58.7/33.8
Major shareholders (%)	
Chairman and relatives	11.88
KWE Beteiligungen AG	8.19

Performance

	1M	6M	12M
Absolute (%)	12.8	12.6	112.8
Relative to VNIndex (%p)	12.1	31.9	118.3

Stock price trend



Source: Bloomberg

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	266	91	86	n.a	n.a	95	n.a	n.a	n.a	27.9	n.a
2018A	270	90	81	n.a	n.a	93	n.a	n.a	n.a	20.4	n.a
2019A	275	102	89	n.a	n.a	108	n.a	n.a	n.a	18.3	n.a
2020A	336	141	109	2,626	n.a	163	17.8	14.7	3.1	18.7	n.a
2021A	412	189	143	2,751	4.8	221	13.6	10.3	2.5	20.1	n.a

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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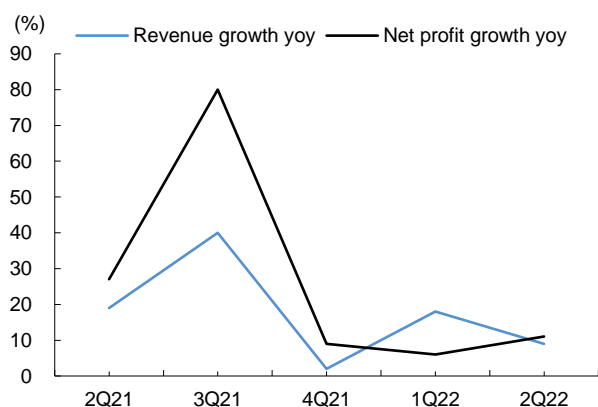
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Key growth drivers for next quarters

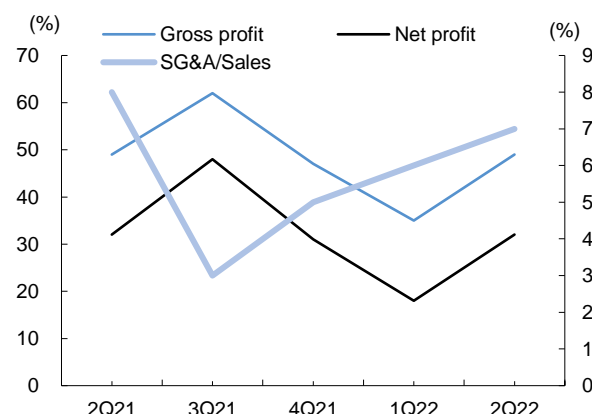
Based on our observation, there are several key themes which could become growth drivers for TNH in 2H22F. Firstly, with a humid climate, dengue fever becomes an endemic disease in Vietnam, especially in rain season (from Apr to Oct). Thus, the number of patients entering treatment for this disease is forecasted to increase in the next few months. Secondly, the demand for examination and treatment of post-COVID diseases is still large, which can help to boost the revenue. And the last thing is the birth rate. Although there are no reliable data to imply that the birth rate in Vietnam in the COVID-19 decrease, we think that because of its harmful effect, people may be more afraid to give birth. Until 2022, with high vaccination rates and good epidemic prevention measures, we expect the birth rate will raise, helping general hospitals such as TNH earn more. Maternity healthcare services are often expensive and so account for a significant proportion of the revenue structure at general hospitals.

Figure 1. Revenue and Net profit growth rate yoy



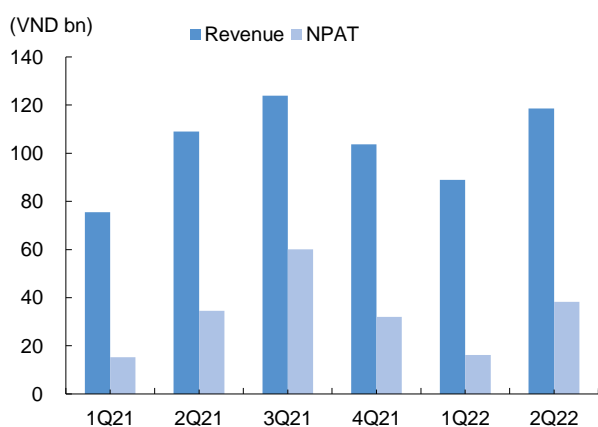
Source: Company data, KIS

Figure 2. Gross margin and Net margin qoq



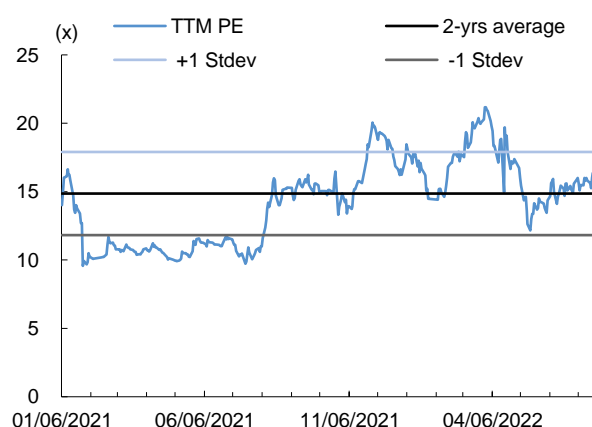
Source: Company data, KIS

Figure 3. Revenue and NPAT by quarters



Source: Company data, KIS

Figure 4. TNH PE



Source: Fiinpro, KIS

■ Company overview

Thai Nguyen International Hospital (TNH: HXS) was established in 2012. The company mainly operates in the field of hospital operation management and business provision of medical examination and treatment services. The company has signed an official medical examination and treatment contract with Sam Sung Thai Nguyen, the largest factory in Asia of Samsung Group with a scale of more than 180,000 workers and staff in the industrial park. TNH was listed on Ho Chi Minh City Stock Exchange (HOSE) from Dec 2020.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	191	203	341	180	194
Cash & cash equivalents	12	1	1	23	134
Accounts & other receivables	177	199	335	144	48
Inventory	2	3	5	11	12
Non-current assets	253	312	539	977	1,092
Fixed assets	60	65	416	889	956
Investment assets	191	230	104	55	112
Others	3	3	15	35	26
Total assets	444	515	880	1,157	1,286
Advances from customers	13	5	7	1	1
Unearned revenue	0	0	2	8	8
Trade payables	4	10	21	27	22
Others	10	9	8	11	7
ST debt & due bonds	20	25	62	98	229
LT debt & bonds	39	26	251	375	239
Total liabilities	86	75	351	520	506
Controlling interest	358	440	529	638	780
Capital stock	350	350	415	415	415
Capital surplus	0	0	0	0	0
Other reserves	0	0	0	0	0
Retained earnings	8	90	114	223	365
Minority interest	0	0	0	0	0
Shareholders' equity	358	440	529	638	780

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	266	270	275	336	412
COGS	174	177	167	180	202
Gross profit	93	93	108	156	211
SG&A expenses	1	3	7	15	22
Operating profit	91	90	102	141	189
Financial income	0	0	0	0	0
Interest income	0	0	0	0	0
Financial expenses	5	4	8	28	42
Interest expenses	5	4	8	28	41
Other non-operating profit	0	0	0	0	0
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	86	86	93	112	147
Income taxes	0	5	5	3	4
Net profit	86	81	89	109	143
Net profit of controlling interest	86	81	89	109	143
EBITDA	95	93	108	163	221

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	150	54	(10)	293	305
Net profit	86	81	89	109	143
Dep'n & Amort'n	3	4	6	22	32
Net incr. in W/C	61	(31)	(105)	162	130
C/F from investing	(17)	(57)	(252)	(431)	(189)
Capex	(17)	(42)	(263)	(396)	(153)
Incr. in investment	0	(15)	11	(35)	(36)
C/F from financing	(123)	(8)	262	161	(6)
Incr. in equity	0	0	0	0	0
Incr. in debt	(135)	(8)	262	161	(6)
Dividends	0	0	0	0	0
C/F from others	0	0	0	0	0
Increase in cash	10	(11)	0	23	110

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	n.a	n.a	n.a	2,627	3,439
BPS	n.a	n.a	n.a	15,361	18,800
DPS	0	0	0	0	0
Growth (%)					
Sales growth	(0.9)	1.3	2.1	21.9	22.9
OP growth	(18.0)	(1.6)	13.5	37.9	34.5
NP growth	(18.0)	(5.7)	9.1	22.7	30.9
EPS growth	n.a	n.a	n.a	n.a	4.8
EBITDA growth	(17.7)	(1.6)	13.5	37.9	57.6
Profitability (%)					
OP margin	34.3	33.3	37.0	41.9	45.8
NP margin	32.4	30.2	32.2	32.5	34.6
EBITDA margin	34.3	33.3	37.0	41.9	53.7
ROA	18.7	17.0	12.7	10.7	11.7
ROE	27.9	20.4	18.3	18.7	20.1
Dividend yield	n.a	n.a	n.a	n.a	n.a
Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
Stability					
Net debt (VND bn)	47	50	312	450	334
Net debt/equity (%)	10.0	10.0	60.0	70.0	40.0
Valuation (x)					
PE	n.a	n.a	n.a	17.8	13.6
PB	n.a	n.a	n.a	3.1	2.5
EV/EBITDA	n.a	n.a	n.a	14.7	10.3

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