

Thai Nguyen Hospital (TNH)

Non - rated

A blessing in disguise

3Q22: Decent despite the fall in profit

- On Oct 20, TNH announced 3Q22 business results with a VND131bn revenue (+10% qoq and +5.3% yoy) and a VND44bn NPAT (+15.8% qoq but -26.4% yoy). In 9M22, the company posted revenue of VND338bn (+10% yoy) and a NPAT of VND98bn (-10% yoy), fulfilling 78%/65% of full-year guidance.
- The gross margin (GM) was 47.2%, (-1.6%p qoq, -14.4%p yoy) in 3Q22. We think the 2022 GM could be lower than 2021 (50%).
- The cost of materials accounted for 38% of COGS followed by staff salaries (37%) and depreciation expense (15%) in 2021. The depreciation cost rose 42% yoy in 3Q22 owing to the newly-added operation of The Thai Nguyen International hospital project phase 2.
- While seeking further information, we think TNH also suffers from the pressure to increase the employees' wages and that contributed to GM contraction in 3Q22. In Vietnam, many medical workers are reported to quit their jobs post-COVID-19 due to low salaries despite heavy workloads
- However, in 3Q22, the company kept the SG&A to sales at a "comfortable" level compared to 2Q22 (5.4% vs 7.2%), but upped 2.23%p yoy. Net margin expanded 1.7%p qoq to reach 33.9% in 3Q22 but shrank by 14.5%p yoy.
- Currently, the Yen Binh (Bac Giang) General hospital phase I is in progress and could come into operation by 2024F.

4Q22F outlook is still solid

- Overall, 4Q22F is the peak period for general medical examination activities for the company's employees (cost sponsored by the company). With the favorable location near the Yen Binh – Thai Nguyen Industrial Park, TNH has the benefit to hit some important customers such as Samsung.
- TNH is trading at 11.2x TTM PE and 2.0x PB, lower than the 2-yrs average of 14.7x and 2.5x.

Stock Data

VNIndex (Oct 21, pt)	1,016
Stock price (Oct 21, VND)	29,450
Market cap (USD mn)	62
Shares outstanding (mn)	52
52-Week high/low (VND)	57,900/29,450
6M avg. daily turnover (USD mn)	0.53
Free float / Foreign ownership (%)	57.6/35.7
Major shareholders (%)	
KWE Beteiligungen AG	10.35
Chairman	9.64

Performance

	1M	6M	12M
Absolute (%)	(25.9)	(43.9)	(14.9)
Relative to VNIndex (%p)	(10.0)	(18.8)	10.7

Stock price trend



Source: Bloomberg

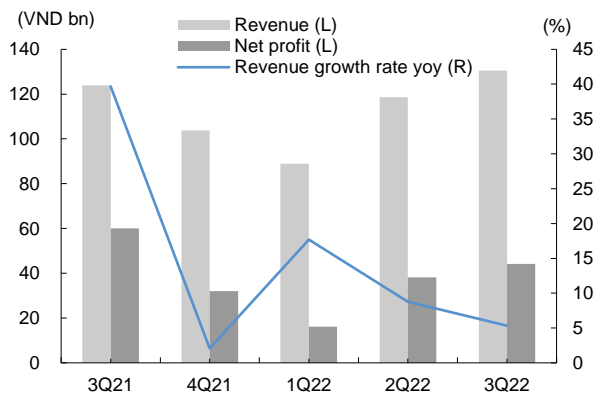
	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	266	270	275	336	412
chg. (% YoY)	(1.0)	1.5	2.1	21.9	22.9
Operating profit (VND bn)	91	90	102	141	189
Net profit (VND bn)	86	81	89	109	143
EPS (VND)	N.A	N.A	N.A	2,627	2,751
chg. (% YoY)	N.A	N.A	N.A	22.7	30.9
EBITDA (VND bn)	95	93	108	163	221
PE (x)	N.A	N.A	N.A	17.8	13.6
EV/EBITDA (x)	N.A	N.A	N.A	14.7	10.3
PB (x)	N.A	N.A	N.A	3.1	2.5
ROE (%)	27.9	20.4	18.3	18.7	20.1
Dividend yield (%)	N.A	N.A	N.A	N.A	N.A

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest.
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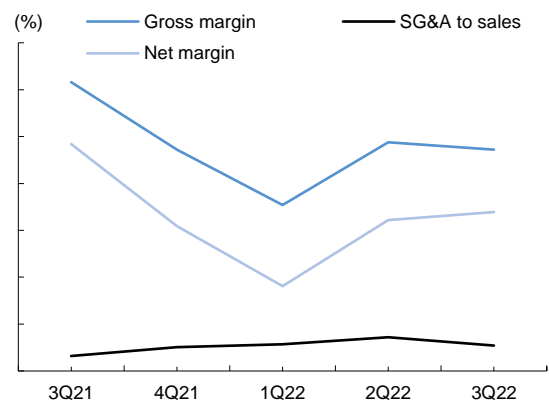
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Figure 1. Revenue and revenue growth rate yoy



Source: Company data, KIS

Figure 2. Gross margin and Net margin by quarters



Source: Company data, KIS

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