

6 Jan 2021

Thai Nguyen International Hospital (TNH)

Pre-listing brief

- **Fourth largest private hospital in Vietnam:** TNH established a brand name in the private hospital operation business thanks two multi-specialty hospitals with total 600 registered beds in Thai Nguyen province, the buoyant northern manufacturing hub. Based on our research, it stays behind Hoan My International Hospital, the Vietnam's dominant private healthcare network (3,407 operating beds) and Vinmec International Hospital (1,650 beds) and Medlatec (700 beds).
- **A stellar earnings growth in FY20F-21F:** in FY20F-21F the management targets revenue of VND375bn (+36.4% yoy)/VND450 (+20% yoy) and aims higher net profit growths to VND120bn (34.8%)/ VND160bn (33.3% yoy). We attribute the commencement of 350 beds in Aug, 2020 in Thai Nguyen Hospital and the recovery of health check services amid the COVID-19 containment in FY21F to the stellar net profit growth in FY20F-21F.
- **Expanding 25% capacity to capture the growing health check demand:** Recognizing the capacity constraint in hospital operation that would dent TNH ability to ride on Vietnam long-term healthcare spending growth at 12.5% p.a in 17-27F, especially the rising annual health check for businesses in Thai Nguyen, TNH is going to invest VND227bn in FY2021-24F to increase by 25% capacity with 150 beds, adding to a capacity of 750 beds.
- **Undemanding valuation given the prosperous outlook:** TNH offers the listing price of VND25,000/share, translating into a TTM P/E of 10.1x and a forward FY21F P/E of 8.6x. We think such valuation is unwarranted to the average industry P/E of 10x given the TNH's FY21F estimates of attractive net profit growth of 33.3% yoy, and promising ROE of 38.6%.

| | 2017A | 2018A | 2019A | 2020G | 2021G |
|---------------------------|-------|-------|-------|-------|-------|
| Sales (VND bn) | 266 | 270 | 275 | 375 | 450 |
| chg. (% YoY) | N/A | 1.5 | 1.8 | 36.4 | 20 |
| Operating profit (VND bn) | 91 | 90 | 102 | N/A | N/A |
| Net profit (VND bn) | 86 | 81 | 89 | 120 | 160 |
| EPS (VND) | 2,467 | 2,325 | 2,141 | 2,891 | 3,855 |
| chg. (% YoY) | N/A | -5.7 | -8.0 | 34.8 | 33.3 |
| EBITDA (VND bn) | 99 | 93 | 108 | N/A | N/A |
| PE (x) | 10.1 | 10.8 | 11.7 | 8.6 | 6.5 |
| EV/EBITDA (x) | 10.9 | 11.7 | 12.5 | N/A | N/A |
| PB (x) | 2.4 | 2.0 | 2.0 | N/A | N/A |
| ROE (%) | 48.2 | 20.4 | 18.3 | 28.9 | 38.6 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

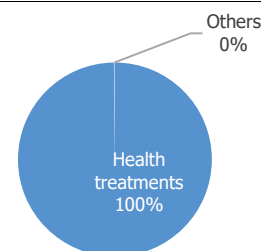
Note: Net profit, EPS and ROE are based on figures attributed to controlling interest, *trailing 12M
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Stock Data

| | Thai Nguyen International Hospital |
|--------------------------|---------------------------------------|
| Company name | Thai Nguyen International Hospital |
| Ticker | TNH |
| Scheduled listing day | 06/01/2020 |
| Reference price (VND) | 25,000 |
| Sector | Healthcare |
| Sub-sector | Hospital |
| Paid-in capital (VND bn) | 415 |
| Listed shares | 41,500,000 |
| Outstanding shares | 41,500,000 |
| Major shareholders (%) | |
| Chairman | 9.64 |
| Nguyen Van Thuy | 5.65 |

Source: Fiinpro

Revenue structure 9M20



Source: Company data

Nhan Lai

Nhan.lai@kisvn.vn

Linh Pham

Linh.pt@kisvn.vn

Business overview

- Thai Nguyen Interantional Hospital (TNH), established in 2014, mainly operates in healthcare services. It is running two multi-specialty hospitals including Thai Nguyen International Hospital (total 450 beds) located in the central of Thai Nguyen Province and The General Yen Binh Hospital (150 beds), located in Yen Binh Industrial Park.
- Despite the additional of 300 registered beds in Thai Nguyen Hospital in Aug, 2020, both hospitals the management are running over capacity with 561 operating beds out of 450 registered beds in Thai Nguyen Hospital and 300 beds for 150 registered beds in Yen Binh Hospital.
- TNH claims that locating in Yen Binh Industrial Park brings a great advantage for the General Yen Binh Hospital thanks to growing demand for health check from the businesses in the IP. In contrast, the Thai Nguyen International Hospital confronts challenges arising from nearby public hospitals.

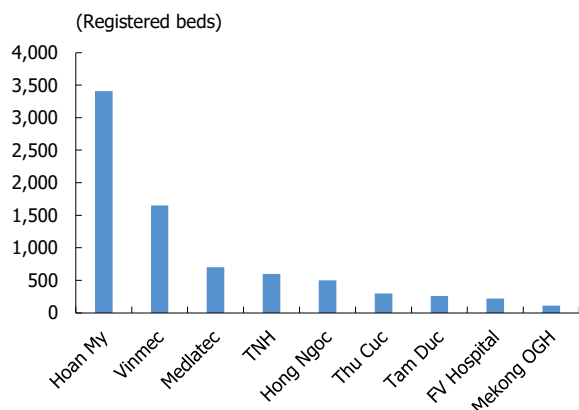
9M20 business performance

- Thanks to the commencement of 300 registered-beds in Thai Nguyen hospital in Aug, revenue rose by 24% YoY to VND234bn and net profit gained by 21% yoy to VND80bn in 9M20.
- Despite the exciting 9M20 business performance, they are still lagging behind the management estimates. The revenue and net profit in 9M20 completed 62.4% and 66.6% full-year 2020 targets. It was blamed for the COVID-19 outbreak that discouraging clients to do health check in the crowded places.

No cash dividend due to high capex

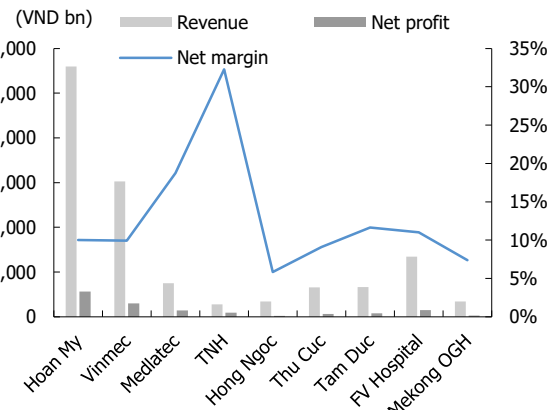
- The company has yet made dividend payment since establishment 2014 and does not plan to pay in the upcoming years. We believe the requirement for constant capex spending into equipment and machinery is the biggest driver for cash drainage. The fixed assets of VND815bn as of end-9M20 rose double as of end-FY19. To funding the capacity expansion in Thai Nguyen Hospital with 300 additional beds in Aug, the company leveraged the net gearing to 78.5% as of end-9M20 vs 66.5% as of end-FY19.

Figure 1. TNH is among the largest private hospital operators



Source: Synthetic data, KIS

Figure 2. Despite a modest scale of revenue, TNH yielded the highest net margin in FY19



Source: Synthetic data, KIS

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- Hold: Expected total return will be between -5% and 15%
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- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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Prepared by: Nhan Lai

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