

ASIRI HOSPITAL HOLDINGS

ASIR.N: LKR 31.90

RECOMMENDATION : BUY

FAIR VALUE : 39.77

RESULTS RELEASED : 16/9/2021

REPORT PUBLISHED : 17/9/2021

COMPANY PROFILE

Asiri Hospital Holdings (PLC) established in 1986 has grown with seven hospitals in three provinces: Colombo, Matara, Galle, and Kandy, and the country's largest private laboratory service. ASIR currently offers a variety of specialized services, including cardiac treatments, oncology, neuroscience, cosmetic care, orthopedics, and more. ASIRI has 11 subsidiaries and had partnered with the world's leading medical institutes to provide a high quality health service.

Company	Data
Price	31.90
Date of Price	16/9/21
52-week Range (Rs.)	18.0-34.6
Market Cap (Rs. Mn)	36,287
Fiscal Year End	31-Mar
Shares Outstanding (Mn)	1,138

As at 16 th Sep 2021	PER	PBV
ASIR	14.57x	3.34x
ASPI	10.73x	1.24x

PRICE PERFORMANCE



PRIVATE HEALTHCARE

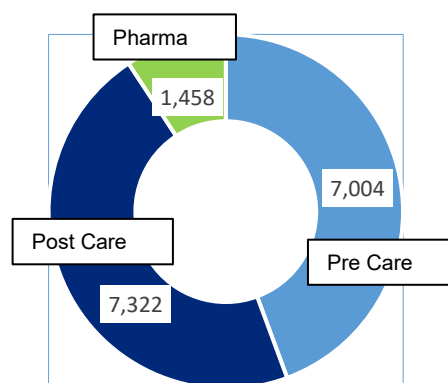
Private healthcare of Sri Lanka remains attractive with increasing demand caused by the increment in per-capita income, aging population, and the increasing prevalence of non-communicable diseases. The demand for private healthcare is also boosted by the robust rise of health insurance.

- **Strengthen with consultants.** More than 1,600 consultants are registered with ASIRI and they conduct around 3,000 consultations per day.
- **Strategic location & lack of regional competition for hospitals based outside the Western province.** Due to travel restrictions, Asiri Hospital Kandy, Asiri Hospital Galle, and Asiri Hospital Matara will enhance its profits, especially from the heart center at ASIRI Kandy, as well as upgraded surgical facilities at ASIRI Matara and Galle.
- **Additional revenue through 4 Covid-19 Intermediary Care Centres.** The income from the four ICCs (room capacity of 400) will operate as a short-term growth driver.
- **Through PCR testing, laboratory revenues will rise and normalization of daily life will increase other tests.** Profits from PCR testing (1,200 tests per day) is expected to rise in FY22 due to increased demand, while profits from other lab tests (4,100 tests) is also expected to rise. ASIR intends to add 10 new collection centers to their island wide lab network.
- **No major CAPEX Expansions ahead.** ASIR intends to function at full capacity (the group's overall bed occupancy is at 55%) and expects to pay off its debts from its increase earnings.

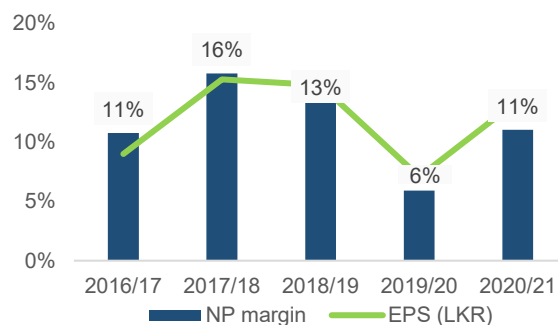
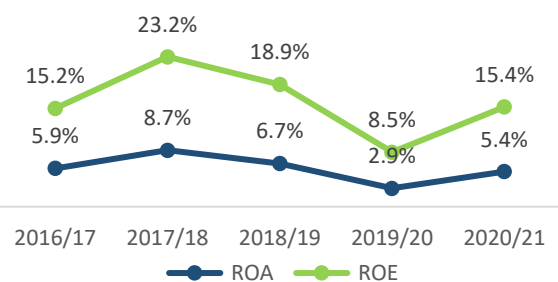
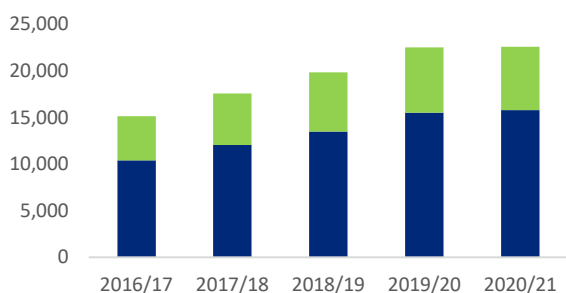
EARNINGS FORECAST

Y/E 31 st Mar (LKR in Mn)	FY21	FY22E	FY23E	FY24E
Revenue	15,785	17,533	20,221	22,368
YoY %	2%	11%	15%	11%
Gross Profit	6,790	7,942	9,160	10,133
EBIT	2,802	3,502	4,195	4,583
Net Profit	1,745	1,982	2,578	2,912
EPS	1.35	1.74	2.27	2.56
Financial Ratios				
GPM %	43.0%	45.3%	45.3%	45.3%
EBIT %	17.8%	20.0%	20.7%	20.5%
NPM %	11.1%	11.3%	12.7%	13.0%

REVENUE MIX (FY 21)



HISTORICAL KEY METRICS



- **Recent financial performance.** ASIR reported a net profit of LKR 619 Mn (1QFY22) resulting a NP growth of (256% YoY) after a net loss of 396 Mn in (1QFY21). ASIR financials have been driven by a 76% increase in revenue (YoY in 1QFY22) and a 41% reduction in finance costs (YoY in 1QFY22), resulting in a 1.49 debt to equity ratio.
- **Valuation .** By applying the DCF model, we recommend a strong purchase of ASIR. With a revenue growth of 11% YoY for FY22, resulting in a dividend of (LKR 1.74/share) at a fair price of LKR 39.77.
- **Key risks to consider.** Competition to increase with more public hospitals improving its technology and tele consultation facilities. Lack of qualified doctors, nurses to cater the rising demand of healthcare, price ceilings by health ministry and the rupee depreciation impact on the growth of private healthcare are other risks developing in the industry.

PEER COMPARISON

COMPANY	NPM %	ROE %	P/B
Asiri Hospital Holdings	11.1	15.44	2.82
Asiri Surgical Hospital	20.1	17.22	1.59
Ceylon Hospitals	10.8	8.31	0.47
Nawaloka Hospitals	4.2	12.2	1.76
The Lanka Hospitals Corp.	5.7	5.37	1.67

TOP 5 SHAREHOLDERS' ANALYSIS

Name of the Shareholder	No. of Shares as at 31/3/2021	% Ownership
Softlogic Holdings Plc	580.4	51.03%
Merrill Lynch Pierce Fenner & Smith-tpg Growth Iii Sf Pte Ltd	328.2	28.86%
Bnymsanv Re-lf Ruffer Investment Funds	40.1	3.53%
Seb Ab-tundra Sustainable Frontier Fund	30.0	2.64%
Softlogic Life Insurance Plc-a/C (participating fund)	14.9	1.31%

EQUITY RESEARCH

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