

LANKA HOSPITALS

LHCL.N: LKR 58.00

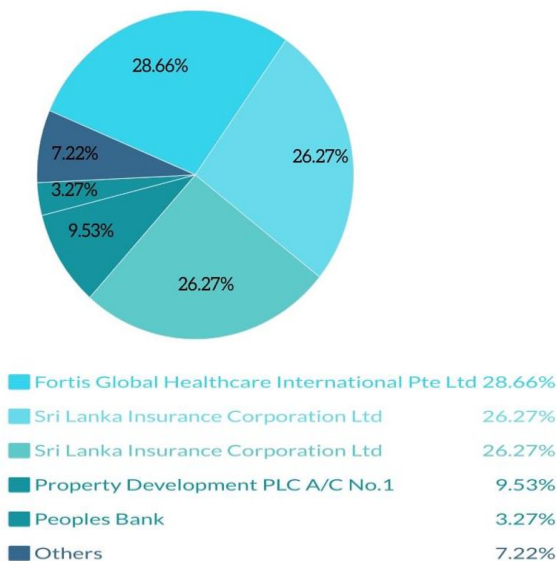
RECOMMENDATION : **BUY**

FAIR VALUE : 66.79

RESULTS RELEASED : 31 Jan 2022

REPORT PUBLISHED : 01 Feb 2022

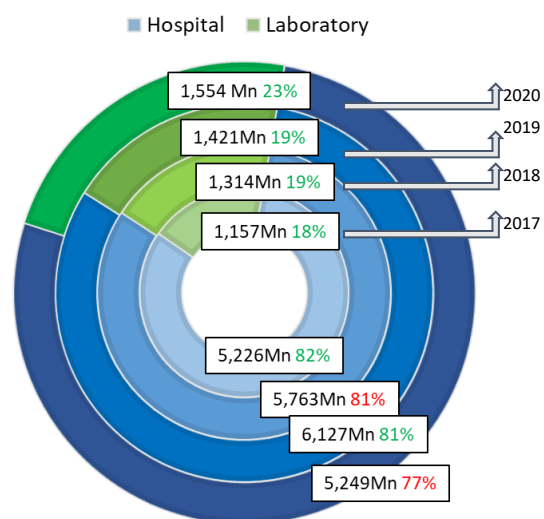
COMPANY SHAREHOLDERS



Company Data

Price (LKR)	58.00
Date of Price	31-Jan-22
Market Cap (Rs. Mn)	12,976
Fiscal Year End	31-Dec
GICS Industry Group	Healthcare

REVENUE BREAKDOWN



COMPANY PROFILE

Lanka Hospitals is a market leader in Sri Lankan healthcare industry, providing an unequalled spectrum of basic, secondary, and tertiary health services. It is Sri Lanka's most recognized multi-specialty hospital, backed by cutting-edge medical and clinical technology and adherence to international quality standards. The hospital's service quality and strategic position in the center of Colombo have been recognized by a number of international accreditations.

Financial Year	FY17	FY18	FY19	FY20	9M FY21
Revenue (LKR Mn)	6,382	7,077	7,549	6,804	7,373
Growth %	8.4%	10.9%	6.7%	-9.9%	
EBIT (LKR Mn)	729	643	653	196	1,390
Growth %	-18.92%	-11.74%	1.56%	-69.98%	
Net Profit (LKR Mn)	581	870	581	385	1,650
Growth %	-40.23%	49.74%	-33.22%	-33.73%	

FINANCIAL PERFORMANCE

LHCL reported a net profit of LKR 385 million for fiscal year 2020, representing a 9.9 percent decrease year on year. The rapid decline in total patient admissions and demand for outpatient treatment because of the COVID-19 pandemic was the cause of this decrease in Net Profit. Despite the stagnant growth in 2020, the hospital was able to raise its revenue significantly in the year 2021 on the 9-month period, majorly from laboratory income, which significantly impacted the hospital's financial performance.

NON-FINANCIAL HIGHLIGHTS



INVESTMENTS

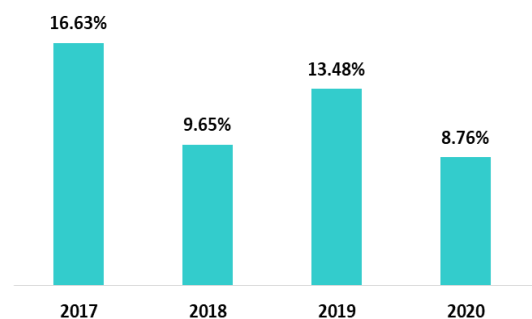
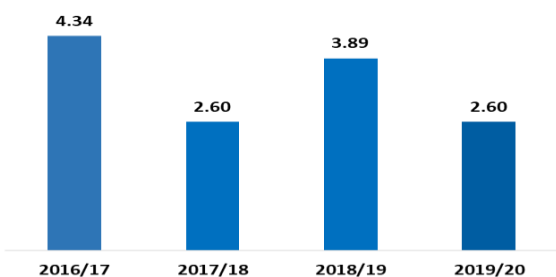
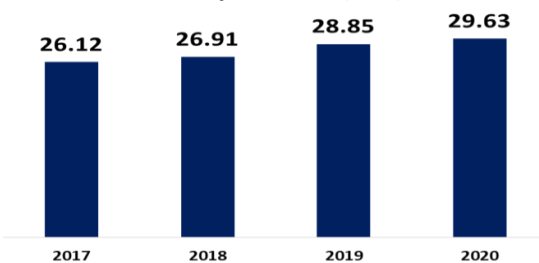
Lanka Hospitals' goal for 2022 is to invest about 2 billion in new technologically sophisticated medical equipment. LHCL also intends to strengthen their emphasis on Medical Tourist in conjunction with the country's tourism development. Additionally, LHCL has concentrated on its main business in the next years, expanding its pharmacy network by a network of 30 outside pharmacies.

KEY CHALLENGES AND RISK

Since the COVID-19 outbreak, LHCL has faced challenging circumstances that have necessitated the implementation of new health and safety regulations in order to protect its personnel and patients. These measures have raised expenses and impaired the efficiency of the organization. Despite the fact that the hospital has implemented cost-control measures, administration expenses will continue to rise as a result of unpredictably high macroeconomic circumstances such as inflation, according to the hospital. Sri Lanka's health industry has long struggled with a scarcity of trained doctors and nursing personnel, which has been a long-standing problem.

PRICE PERFORMANCE**TRADING SNAPSHOT**

Share Price (31st January 2022)	58.00
TTM EPS	9.10
NVPS	38.92
Market Cap (LKR Mn)	12,976
P/E (x)	6.18
P/B (x)	1.49

Return on Equity**Earning Per Share (LKR)****Net Asset Value per Share (LKR)****EARNINGS FORECAST**

Y/E 31 st Dec (R.s in Mn)	FY20	FY21E	FY22E	FY23E
Revenue	6,804	10,001	8,880	8,755
YoY %	-9.90%	47.00%	-11.21%	-1.41%
Gross Profit	2,862	4,821	3,900	3,664
EBIT	196	1,916	1,065	787
EBIT Margin	2.88%	19.16%	12.00%	8.99%
Net Profit	385	2,121	1,133	868
EPS	1.72	9.48	5.07	3.88

OUTLOOK

The outlook of the hospital from 2022 onwards that the hospital is going to be in a challenging environment due to the benefits that derived from Covid related income such as ICC centers and the laboratory revenue of PCR during the 2021 is going to decrease over the months with the pandemic coming to an end based on the WHO views. With that revenues anticipated will decline together with the declining revenue the EBIT Margin is also expected to decrease over the two years. The new equipment investment LKR 2Bn is going to result a higher depreciation charge also going to have an impact on the reduction of EBIT Margins. Therefore, the earning per share is expected to decline during financial year 2023 mainly due to exceptional performance in 2021. But when it comes to year to year from 2020 to 2021, we can observe a significant growth.

PRICE TO EARNINGS (P/E) VALUATION METHOD

Profit After Tax for FY 2021 Expected	2,121,413,609
Market Price as at 31 Jan 2022 (LKR)	58.00
Shares in Issue	223,732,169
TTM EPS of LHCL	8.23
Forward PE	7.04
Expected EPS for FY2021	9.48
Value per Share of LHCL (LKR)	66.79

Based on the Forward P/E method, the resultant per Share Equity Value of LHCL stood at **LKR 66.79**.

PRICE TO EARNINGS (P/E) RELATIVE VALUATION METHOD

Company Name	Ticker	Forward EPS (LKR)	Share Price as at 31/01/2022	Forward PE
ASIRI HOSPITAL HOLDINGS PLC	ASIR.N0000	2.95	49.70	16.84
NAWALOKA HOSPITALS PLC	NHL.N0000	0.95	9.60	10.11
CEYLON HOSPITALS PLC	CHL.N0000	33.06	162.00	4.90
AVERAGE				10.62

Profit After Tax for FY 2021 Expected	2,121,413,609
Average P/E of the Peer Set (x)	10.62
Value of LHCL (LKR Mn)	22,520,694,514
Shares in Issue	223,732,169
Value per Share of LHCL (LKR)	100.66

Based on the Relative P/E method, the Equity Value and the resultant per Share Equity Value of LHCL stood at **LKR 22,521 Mn** and **LKR 100.66** respectively.

EQUITY RESEARCH TEAM

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