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Healthcare Service Sector

SC Securities (Pvt) Ltd
Subsidiary of Sampath Bank PLC

Case for Investment

- **Ageing population:** It is estimated that over 20% of Sri Lanka's population will be above 60 years by the end of 2030. Nearly 8% of the population was 65 years of age and over at the end of 2019. Thus Sri Lanka's private hospitals are set for strong growth with one of the world's fastest growing ageing populations.
- **Uptick in PCR testing volumes :** PCR testing volumes are picking up amid Covid-19 pandemic and most of the private sector institutions carried out their PCR tests through private sector hospital chains.
- **Surge in Non-Communicable Diseases (NCD) :** Diabetes, Cancer, Heart diseases, Asthma are identified as the major types of NCDs and which will increase the demand for specialized healthcare personnel and inpatient care facilities.
- **Increase in health consciousness and private spending:** The growing upper middleclass segment of the society tend to take medical advice and treatment through private sector hospitals than government sector hospitals.

Industry Analysis

Factor	Effect
Bargaining power of Customers	Low
Bargaining power of Suppliers Doctors and medicine suppliers	High
Threat of Substitutes Government free healthcare facility	High
Threat of New Entrants (High Capex)	Low
Existing Rivalry	High

Healthcare Service Providers

- There is a large number of small to medium scale private healthcare service providers in Sri Lanka, however there are few dominant players in the market .
- Since the few dominant players are price makers, healthcare service sector can be recognized under “Oligopoly” market.

Major PlayeLKR.

- Asiri Hospital Holdings PLC (ASIR.N0000)
- The Lanka Hospital Corporation PLC (LHCL.N0000)
- Asiri Surgical Hospital PLC (AMSL.N0000)
- Nawaloka Hospitals PLC (NHL.N0000)
- Ceylon Hospitals PLC (DURDANCE) (CHL)

Financial Highlights - ASIR

LKR Mn.	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	9,952	10,396	12,025	13,476	15,510
+/- YoY	16%	4%	16%	12%	15%
Gross Profit	4,561	4,713	5,549	6,336	7,011
+/- YoY	15%	3%	18%	14%	11%
EBIT	1,604	1,742	3,403	2,101	2,142
+/- YoY	-29%	9%	95%	-38%	2%
Equity Holders Profit	1,182	1,028	1,739	1,683	808
+/- YoY	-17%	-13%	69%	-3%	-52%
Gross Profit Margin	46%	45%	46%	47%	45%
EBIT Margin	16%	17%	28%	16%	14%
Net Profit Margin	12%	10%	14%	12%	5%
EPS (LKR)	1.06	0.9	1.53	1.48	0.71
NAV (LKR)	5.21	5.64	6.59	7.63	8.76
DPS (LKR)	1.94	0.95	0.60	0.80	0.00
PE (x)	22.64	28.67	17.97	13.65	23.94
PBV (x)	4.61	4.57	4.17	2.65	1.94
Dividend Yield (%)	8%	4%	2%	4%	0%
Market Price (LKR.)	24.00	25.80	27.50	20.20	17.00

Financial Highlights - LHCL

LKR Mn	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	5,514	5,886	6,382	7,077	7,549
+/- YoY	16%	7%	8%	11%	7%
Gross Profit	2,541	2,787	2,863	2,964	3,220
+/- YoY	21%	10%	3%	4%	9%
EBIT	811	669	692	633	679
+/- YoY	14%	-18%	3%	-9%	7%
Equity Holders Profit	860	972	581	870	581
+/- YoY	21%	13%	-40%	50%	-33%
Gross Profit Margin	46%	47%	45%	42%	43%
EBIT Margin	15%	11%	11%	9%	9%
Net Profit Margin	16%	17%	9%	12%	8%
EPS (LKR)	3.84	4.34	2.6	3.89	2.6
NAV (LKR)	22.3	26.12	26.91	28.85	29.63
DPS (LKR)	1.50	2.00	1.00	2.00	1.75
PE (x)	15.70	14.98	23.85	10.95	15.65
PBV (x)	2.70	2.49	2.30	1.48	1.37
Dividend Yield (%)	2%	3%	2%	5%	4%
Market Price (LKR)	60.30	65.00	62.00	42.60	40.70

Financial Highlights - AMSL

LKR Mn	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	2,922	2,884	3,275	3,475	3,655
+/- YoY	6%	10%	-1%	14%	6%
Gross Profit	1,169	999	1,261	1,352	1,389
+/- YoY	14%	-15%	26%	7%	3%
EBIT	568	383	798	665	760
+/- YoY	22%	-33%	108%	-17%	14%
Equity Holders Profit	416	263	547	367	433
+/- YoY	2%	-37%	108%	-33%	18%
Gross Profit Margin	40%	35%	39%	39%	38%
EBIT Margin	19%	13%	24%	19%	21%
Net Profit Margin	14%	9%	17%	11%	12%
EPS (LKR)	0.79	0.5	1.03	0.69	0.82
NAV (LKR)	6.94	6.9	6.75	6.81	7.68
DPS (LKR)	0.00	0.75	0.85	0.50	0.00
PE (x)	13.92	18.40	9.90	13.77	10.98
PBV (x)	1.59	1.33	1.51	1.40	1.17
Dividend Yield (%)	0%	8%	8%	5%	0%
Market Price (LKR)	11.00	9.20	10.20	9.50	9.00

Financial Highlights - NHL

LKR. Mn	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	4,602	5,860	6,300	7,955	8,756
+/- YoY	15%	27%	8%	26%	10%
Gross Profit	2,271	2,954	3,303	4,404	4,390
+/- YoY	49%	50%	52%	55%	50%
Equity Holders Profit	87	206	241	180	-565
+/- YoY	-58%	136%	17%	-25%	-414%
Gross Profit Margin	49%	50%	52%	55%	50%
Net Profit Margin	2%	4%	4%	2%	-6%
EPS (LKR)	0.06	0.15	0.17	0.13	0.4
NAV (LKR)	2.76	2.84	3.15	3.02	2.56
DPS (LKR)	0.06	0.08	0.08	0.1	0.05
PE (x)	55.00	23.33	27.65	35.38	10.50
PBV (x)	1.20	1.23	1.49	1.52	1.64
Dividend Yield (%)	2%	2%	2%	2%	1%
Market Price (LKR)	3.30	3.50	4.70	4.60	4.20

Financial Highlights - CHL

LKR Mn	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	4,728	5,289	5,733	5,806	5,976
+/- YoY	16%	12%	8%	1%	3%
Gross Profit	2,846	3,147	3,417	3,625	3,852
+/- YoY	-19%	11%	9%	6%	6%
Equity Holders Profit	429	328	402	322	403
+/- YoY	114%	-24%	23%	-20%	25%
Gross Profit Margin	60%	59%	60%	62%	64%
Net Profit Margin	9%	6%	7%	6%	7%
EPS (LKR)	12.67	9.67	11.87	9.5	11.91
NAV (LKR)	91.14	153.46	147.88	151.83	174.35
DPS (LKR)	2.20	3.60	3.60	3.60	3.60

Financial Highlights - CHL

CHL	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
PE (x)- Voting	7.10	9.31	6.67	7.61	6.72
PE (x)- Non Voting	5.81	7.44	6.11	7.12	6.13
PBV (x)- Voting	0.99	0.59	0.54	0.48	0.46
PBV (x)- Non Voting	0.81	0.47	0.49	0.45	0.42
Dividend Yield (%) - Voting	2%	4%	5%	5%	5%
Dividend Yield (%) - Non Voting	3%	5%	5%	5%	5%
Market Price (Rs.) - Voting	90.00	90.00	79.20	72.30	80.00
Market Price (Rs.) - Non Voting	73.60	71.90	72.50	67.60	73.00

Peer Comparison – Investor Ratios

Ticker	Price (LKR)	4QT EPS (LKR)	Ann. EPS (LKR)	NAV (LKR)	4QT PE (x)	Ann. PE (x)	PBV (x)
ASIR.N0000	23.30	0.61	0.32	8.08	38.20	72.81	2.88
LHCL.N0000	43.20	2.65	2.78	30.33	16.30	15.54	1.42
AMSL.N0000	13.20	0.57	0.39	7.55	23.16	33.85	1.75
NHL.N0000	5.60	(0.26)	(0.77)	2.29	(21.54)	(7.27)	2.45
CHL.N0000	105.00	12.06	12.06	191.32	8.71	8.71	0.55
CHL.X0000	95.00	12.06	12.06	191.32	7.88	7.88	0.50

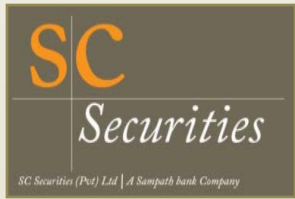
	PE (x)	PBV (x)
ASI	10.34	1.03
Healthcare service Sector	28.20	2.00



THANK YOU



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Strong Buy: FV more than 20% above Current Trading Price

Buy: FV between 10% and 20% above Current Trading Price

Hold: FV between -10% and 10% around Current Trading Price

Sell: FV more than 10% below Current Trading Price