Livingstone Health Holdings Ltd

30 May 2022

HOLD (maintained)

BBG	LHH SP
Market cap	S$64.6m
Price (30 May 2022)	S$0.148
52-week range	S$0.115 – S$0.193
Target Price	S$0.156 *(previously S$0.168)*
Shares Outstanding	436.4m
Free Float	25%
Major Shareholder	Livingstone Health Consolidated 49.5%

P/BV (03/22)	9.4x
Net Debt to EBITDA (03/22)	-

Source: Company data, Bloomberg, SAC Capital

Higher costs for staff and supplies begin to bite

FY22 (Mar) revenue were 6.7% higher than our expectations, but net profit missed by 28.0%, hit by a sharp rise in staff costs and cost of supplies and consumables. The jump in cost was more pronounced in 2H. As a % of revenue, staff costs in 2H rose 4.6% pt hoh to 53.4% and supplies and consumables +3.4% pt to 21.6%. We do not think these would ease, given the current inflationary environment and a tight labour market. The higher costs led 2H22 EBITDA to decline 30% hoh, and EBITDA margin fell 8.8% pt to 14.3%. This is at the lower end of the range for SG-listed healthcare groups.

FY22 revenue rose 40.6% yoy, even when compared with a 15-month period in FY21, fuelled by more doctors on board, and the acquisition of 51%-owned Phoenix Medical Group in late FY21. To-date, it has 16 medical doctors practicing at 12 clinics. 2H22 revenue was 13.8% higher than 1H22, contributed mainly by the sale and administration of vaccines. The inoculation exercise has tapered off as the national vaccination rate has reached a high level and more infections among the population has also achieved herd immunity.

2H22 net profit of S$1.0m was 52.6% below 1H22, of which about S$0.9m was contributed by Phoenix, we estimated. One positive is net debt has reduced to S$0.2m (Sep 21: S$2.7m), and net gearing is healthy at 2.8% (Sep 21: 67%).

LVH issued 117.5m new shares (26.9% of enlarged share cap) valued at S$0.20 each to the vendors of its RTO exercise to compensate for higher than estimated FY21 profits. These new shares are also entitled to FY22 dividend of 0.12 Sct/share. No new proceeds are received. The new shares result in EPS dilution from FY23E.

Revenue growth in FY23E will be driven by return of patient loads with border reopening, as elective medical procedures that were postponed are expected to resume. However, margin pressures are expected to persist from higher costs for staff and medical supplies.

We lowered our earnings estimates for FY23E and FY24E by 28.3% and 31.8%. Our DCF-derived TP is also revised downwards to S$0.156 (COE: 14%) on an enlarged share base. Maintain HOLD.

Analyst

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YE 31 Mar (S$m)	FY21A (15 mths)	FY22A	FY23E	FY24E
Revenue	24.3	34.1	39.3	45.2
EBIT	(15.9)	4.6	4.9	5.3
Net profit	(16.8)	3.0	3.6	3.9
EPS (S cents)	(5.3)	0.9	0.8	0.9
DPS (S cents)	-	0.12	0.2	0.2
Net cash / (debt)	-	(0.2)	0.4	2.9
Valuation				
EBIT margin (%)	(65.5)	13.5	12.5	11.8
ROIC (%)	78.4	57.8	53.5	50.8
EV/EBITDA (x)	11.0	7.5	9.9	8.4
P/E (x)	(3.5)	15.6	18.0	16.6
Dividend yield (%)	-	0.8	1.1	1.2

Income Statement

FYE 31 Mar (S$m)	FY21A*	FY22A	FY23E	FY24E
Revenue	**24.3**	**34.1**	**39.3**	**45.2**
Other income	0.0	1.2	1.0	1.0
Supplies and consumables	(4.3)	(6.8)	(7.9)	(9.0)
Purchased and contracted services	(0.1)			
Staff costs	(11.7)	(17.5)	(20.4)	(23.5)
Other operating expenses	(3.2)	(4.7)	(5.5)	(6.3)
EBITDA	**5.3**	**6.3**	**6.5**	**7.3**
Depreciation	(1.4)	(1.5)	(1.6)	(2.0)
Associates & JV	(0.2)	(0.1)	-	-
Exceptional items	(19.6)	-	-	-
EBIT	**(15.9)**	**4.6**	**4.9**	**5.3**
Finance costs	(0.3)	(0.3)	(0.3)	(0.3)
Pretax profit	(16.2)	4.2	4.6	5.0
Tax expense	(0.6)	(0.7)	(0.8)	(0.9)
Minority interests	-	(0.5)	(0.3)	(0.3)
Net profit	**(16.8)**	**3.0**	**3.6**	**3.9**

Balance Sheet

FYE 31 Mar (S$m)	FY21A*	FY22A	FY23E	FY24E
Assets				
PPE	3.5	3.4	3.8	3.8
Joint venture	0.1	0.4	0.4	0.4
Deferred tax	0.3	0.4	0.4	0.4
Goodwill on consolidation	3.6	3.6	3.6	3.6
Non-current assets	**7.5**	**7.8**	**8.2**	**8.2**
Cash	6.8	5.4	5.9	8.4
Trade receivables	4.4	5.9	7.0	8.0
Inventories	0.5	0.7	0.8	0.9
Other receivables	1.0	1.4	1.4	1.4
Current assets	**12.7**	**13.3**	**15.0**	**18.7**
Total assets	**20.3**	**21.1**	**23.2**	**26.9**
Liabilities				
Bank loans	1.1	2.5	2.5	2.5
Trade payables	1.2	0.7	0.8	0.9
Other payables	3.9	4.3	4.3	4.3
Hire purchase	0.1			
Lease liabilities	1.1	1.0	1.0	1.0
Deferred revenue	1.2	0.9	0.9	0.9
Current tax payable	0.9	0.7	0.8	0.9
Current liabilities	**9.6**	**10.0**	**10.2**	**10.4**
Bank loans	5.7	3.0	3.0	3.0
Deferred tax	-	-	-	-
Other payables	1.8	1.5	1.5	1.5
Hire purchase	0.2	-	-	-
Lease liabilities	1.1	0.9	0.9	0.9
Non-current liabilities	**8.8**	**5.4**	**5.4**	**5.4**
Net assets	**1.9**	**5.7**	**7.6**	**11.1**
Equity				
Share capital	22.3	22.8	44.8	44.8
Other reserves	0.1	0.1	(23.4)	(23.4)
Retained earnings	(20.9)	(17.9)	(14.6)	(11.5)
	1.5	**5.0**	**6.7**	**9.8**
Minority interests	0.4	0.7	0.9	1.2
Total equity	**1.9**	**5.7**	**7.6**	**11.1**

* For 15 months ended 31 March 2021

Cash Flow

FYE 31 Mar (S$m)	FY21A*	FY22A	FY23E	FY24E
Pretax profit	(16.2)	4.2	4.6	5.0
Depreciation & amortisation	1.4	1.5	1.6	2.0
Associates & JV	0.2	0.1	-	-
Net finance expense	0.3	0.3	0.3	0.3
Non-fund items	18.9	0.1	-	-
Working capital changes	(2.2)	(0.6)	(1.1)	(1.0)
Interest paid	(0.1)	(0.1)	(0.3)	(0.3)
Dividend from associates	-	-	-	-
Tax paid	(0.2)	(1.0)	(0.7)	(0.8)
Operating cash flow	**2.1**	**4.6**	**4.4**	**5.2**
Capex	(0.3)	(0.9)	(2.0)	(2.0)
Net investments	(0.2)	(1.6)	-	-
Fixed assets disposall	-	-	-	-
Others	(0.3)	(0.8)	-	-
Investing cash flow	**(0.8)**	**(3.3)**	**(2.0)**	**(2.0)**
Free cash flow	**1.3**	**1.3**	**2.4**	**3.2**
Dividend paid	(1.4)	(0.2)	(0.4)	(0.7)
Borrowings	4.2	(2.5)	-	-
Equity	1.0	-	(1.5)	-
Financing cash flow	**3.8**	**(2.7)**	**(1.9)**	**(0.7)**
Net change	**5.1**	**(1.4)**	**0.6**	**2.5**

Ratios

FYE 31 Mar	FY21A*	FY22A	FY23E	FY24E
Profitability (%)				
EBIT margin	(65.5)	13.5	12.5	11.8
Net margin	(69.1)	8.9	9.1	8.6
Liquidity (x)				
Current ratio	1.3	1.3	1.5	1.8
Net Debt/EBITDA	-	-	-	-
Interest coverage ratio	17.4	18.3	23.6	26.6
Net Debt to Equity (%)	1.4	2.8	-	-
Valuation (x)				
P/E	(3.5)	15.6	18.0	16.6
P/B	30.7	9.4	9.7	6.6
EV/EBITDA	11.0	7.5	9.9	8.4
Cash Conversion Cycle				
Trade receivable days	66	63	65	65
Inventory days	44	35	35	35
Trade payable days	106	35	35	35

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