BUY Unchanged)

Change in Numbers

TP: Bt 26.00 (Unchanged)

Upside : 25.6%

13 MAY 2021

Bangkok Dusit Medical (BDMS TB)

Hit by low foreign patient flows

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Thanachart Securities

We see revenue from COVID-related services offsetting the hit from fewer Thai patients with other illnesses. But a slowdown in its foreign patient recovery leads us to trim our 2021F earnings by 3%. With BDMS's earnings turnaround story still intact at 23% p.a. EPS growth for 2021-22F and its inexpensive valuation, we reaffirm our BUY call.

3rd COVID wave impact on 'normal' patients

Given the third COVID-19 wave, the government reinstated 14 days of quarantine for international arrivals from 1 May. The government also announced a delay in admission of people to Alternative Hospital Quarantine from 19 April 2021 until the pandemic in Thailand subsides. This directly affects fly-in foreign patients. Meanwhile, BDMS's Thai and expat patients with other illnesses have been hit slightly but their flows are still stronger than in the same period of last year given no full country lockdown this year and people coping better with the COVID-19 situation.

COVID-related services

Unlike the first two COVID-19 waves in Thailand, BDMS has been earning more revenues from COVID-related services in the third wave since the disease is spreading among all groups, both rich and poor, nationwide. BDMS's 47 hospitals are also located in 20 main cities in Thailand. BDMS's COVID-19 testing capacity increased to almost 7,000/day in early May and testing is still high at 3,000-plus per day in May, vs. an average of 3,800/day in April. BDMS has also cooperated with five hotels to provide so-called "Hospitel" services with a total capacity of 533 rooms in May, up from 333 in April. Beds in its network have also been allocated for COVID-19 cases with total Cohort Ward capacity of 1,900 beds (31% of total active beds) in early May, vs. 669 in early April. The occupancy rate is around 75%.

Strong earnings growth in 2Q21F

The third COVID wave has hit Thai and foreign patients suffering from other ailments. However, given the low-base effect in 2Q20 due to the country's full lockdown during the first wave that impacted both Thai and foreign patients and the second-wave effect on Thai patients in 1Q21, together with a surge in revenue from COVID tests and treatment and its Hospitel service in 2Q21F, we therefore expect BDMS's 2Q21F earnings to grow strongly y-y and to experience some growth q-q.

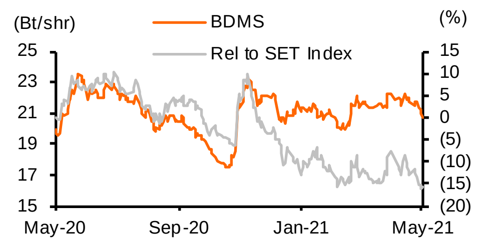
23% EPS growth p.a. over 2021-22F; BUY

We expect revenue from COVID-related services to offset the hit to Thai patients with other illnesses. But the delay to the resumption of foreign fly-in patients leads us to trim our earnings by 3% in 2021F. However, our 2022-32F earnings and DCF-based (2021F base year) 12-month TP of Bt26.0/share remain unchanged. We still see BDMS's earnings turnaround story as intact, driven by rising revenue from COVID-related services, improving patient flows and margin expansion. We estimate BDMS's EPS growth at 16% y-y for 2021F and 30% for 2022F, vs. -36% in 2020. Its 2021F PE to two-year EPS CAGR (2020-22F) at 2.1x does not look excessive to us. Reaffirm BUY call.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	65,166	67,539	80,806	92,252
Net profit	7,214	6,987	9,052	10,811
Consensus NP	—	7,536	9,364	10,464
Diff frm cons (%)	—	*(7.3)*	*(3.3)*	*3.3*
Norm profit	6,045	6,987	9,052	10,811
Prev. Norm profit	—	7,214	9,050	10,811
Chg frm prev (%)	—	*(3.1)*	*0.0*	*0.0*
Norm EPS (Bt)	0.4	0.4	0.6	0.7
Norm EPS grw (%)	(36.3)	15.6	29.6	19.4
Norm PE (x)	54.4	47.1	36.3	30.4
EV/EBITDA (x)	28.5	25.4	20.8	17.9
P/BV (x)	3.7	3.7	3.5	3.3
Div yield (%)	2.7	1.2	1.5	1.8
ROE (%)	7.0	7.9	10.0	11.3
Net D/E (%)	(0.2)	(1.8)	(6.3)	(11.9)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 13-May-21 (Bt)	20.70
Market Cap (US$ m)	10,477.2
Listed Shares (m shares)	15,892.0
Free Float (%)	66.0
Avg Daily Turnover (US$ m)	28.0
12M Price H/L (Bt)	23.50/17.50
Sector	Health Care
Major Shareholder	Prasarttong-Osoth Family 19.23%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2021F	2022F	2023F
Foreign patient growth - OPD (%)			
- New	(5.0)	21.5	15.0
- Old	5.0	10.0	15.0
- Change (pp)	*(10.0)*	*11.5*	*0.0*
Foreign patient growth - IPD (%)			
- New	(10.0)	52.0	27.0
- Old	5.0	30.0	27.0
- Change (pp)	*(15.0)*	*22.0*	*0.0*
Normalized profit (Bt m)			
- New	6,987	9,052	10,811
- Old	7,214	9,050	10,811
- Change (%)	*(3.1)*	*0.0*	*0.0*

Source: Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation Using A Base Year Of 2021F

(Bt m)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	12,393	15,014	17,179	18,974	20,737	22,543	24,348	26,218	28,221	30,368	32,668	35,135	—
Free cash flow	9,129	11,137	13,322	15,219	16,471	18,122	19,763	21,430	23,168	25,013	26,974	29,057	602,397
PV of free cash flow	9,104	9,921	11,200	12,073	12,056	12,462	12,768	13,005	13,209	13,398	12,919	13,013	269,784

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.6
WACC (%)	6.0
Terminal growth (%)	2.0
Enterprise value -	414,911
add investments	
Net debt (end-2020)	(148)
Minority interest	3,553
Equity value	411,506
# of shares (m)	15,892
Equity value/share (Bt)	**26.00**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 3: Valuation Comparison With Regional Peers

Name	BBG code	Country	Market Cap (US$ m)	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Ramsay Healthcare	RHC AU	Australia	11,188	21.5	27.6	30.4	23.8	3.5	3.3	11.1	10.1	1.8	2.2
Guangzhou Pharmaceutical	874 HK	Hong Kong	7,432	8.3	9.6	10.8	9.9	1.2	1.1	7.8	7.6	2.0	2.0
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	1,925	34.7	20.9	12.6	10.4	2.3	2.0	9.1	7.8	3.1	3.7
Apollo Hospitals Enterprise	APHS IN	India	6,260	na	588.8	454.0	65.9	10.9	9.5	42.8	24.5	0.1	0.3
Fortis Healthcare India	FORH IN	India	2,373	na	na	na	62.7	2.6	2.5	46.2	22.7	0.0	0.0
KPJ Healthcare	KPJ MK	Malaysia	1,049	27.6	21.6	27.3	22.4	2.0	1.9	12.1	10.8	1.8	2.2
IHH Healthcare Bhd	IHH MK	Malaysia	11,598	95.2	18.7	44.3	37.3	2.2	2.0	17.4	15.6	0.8	0.9
Ryman	RYM NZ	New Zealand	5,275	(6.0)	33.6	31.2	23.3	2.9	2.6	34.3	26.9	1.6	2.1
Raffles Medical Group	RFMD SP	Singapore	1,482	39.1	9.4	33.1	30.3	2.2	2.1	17.5	15.7	2.4	2.2
Bangkok Chain Hospital *	BCH TB	Thailand	1,446	33.4	(11.3)	27.7	31.2	5.8	5.4	16.5	17.2	1.8	1.8
Bangkok Dusit Medical *	BDMS TB	Thailand	10,477	15.6	29.6	47.1	36.3	3.7	3.5	25.4	20.8	1.2	1.5
Bumrungrad Hospital *	BH TB	Thailand	3,201	0.5	57.9	83.4	52.8	5.6	5.5	37.3	27.3	1.2	1.9
Chularat Hospital *	CHG TB	Thailand	1,065	23.2	6.7	31.0	29.0	7.5	6.9	19.9	18.6	2.3	2.4
Ladprao General Hospital *	LPH TB	Thailand	118	12.5	5.7	22.1	20.9	2.4	2.4	11.9	11.7	3.6	3.8
Praram 9 Hospital *	PR9 TB	Thailand	247	19.1	22.1	32.2	26.4	1.8	1.7	12.7	10.5	1.4	1.7
Rajthanee Hospital *	RJH TB	Thailand	272	15.3	4.3	20.0	19.1	5.3	5.0	14.0	13.9	4.0	4.2
Ratchaphruek Hospital *	RPH TB	Thailand	87	16.0	19.6	25.0	20.9	2.0	1.9	12.8	11.3	3.2	3.8
Thonburi Healthcare Group*	THG TB	Thailand	676	na	123.4	137.4	61.5	2.7	2.6	22.9	19.3	0.5	1.1
Average				**23.7**	**58.1**	**62.9**	**32.5**	**3.7**	**3.4**	**20.6**	**16.2**	**1.8**	**2.1**

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

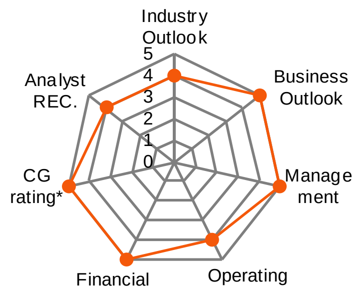
Based on 13 May 2021 closing prices

COMPANY DESCRIPTION

Bangkok Dusit Medical Services Pcl (BDMS) was founded in 1969 and opened its first private hospital known as "Bangkok Hospital" in 1972. It is now the largest private hospital operator in Thailand in terms of patient service revenue and market capitalization. Its main focus is Bangkok and various high-growth markets nationwide.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- As BDMS runs 47 hospitals nationwide (including Phyathai and Paolo groups) and two in Cambodia, revenue is diversified against any particular risk in one location.
- A strong balance sheet enhances BDMS's expansion and acquisition ability.

W — Weakness

- Since depreciation expenses make up about 10% of its 2020 revenues, BDMS's earnings are sensitive to changes in revenue and economic conditions.

O — Opportunity

- Rising incomes make it more affordable for people to pay for better-quality healthcare services at private hospitals.
- More complex medical treatments due to the ageing trend.
- Thailand being a value-for-money destination for medical tourism.

T — Threat

- Aggressive pricing policies of direct regional rivals such as hospitals in Singapore are being supported by their governments.
- Slowdown in economy.
- Political and regulatory risks.
- Natural disasters and disease outbreaks.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	25.30	26.00	3%
Net profit 21F (Bt m)	7,536	6,987	-7%
Net profit 22F (Bt m)	9,364	9,052	-3%
Consensus REC	**BUY: 22**	**HOLD: 6**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are below the Bloomberg consensus estimates, which we attribute to us having a more conservative view on an international patient turnaround due to the COVID-19 situation.
- However, we have a more bullish view on BDMS over the longer term due to its strong service network.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- BDMS's new hospitals may turn profitable slower than we currently expect if there is more intense competition from existing private healthcare operators or if there were to be newcomers to the healthcare market in Thailand.
- If the number of Thai and international patient flows were to be lower than our current expectations.
- If the BDMS Wellness Clinic turns profitable slower than we currently anticipate.
- If the Adjusted Relative Weight (RW) under the Social Security Scheme drops, there could be downside risk to our earnings forecasts.

Source: Thanachart

COVID-related services help to support 2021F revenue

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	79,630	65,166	67,539	80,806	92,252
Cost of sales	54,277	46,371	47,410	55,698	63,040
Gross profit	**25,354**	**18,795**	**20,128**	**25,108**	**29,212**
% gross margin	31.8%	28.8%	29.8%	31.1%	31.7%
Selling & administration expenses	17,447	14,161	14,412	17,058	19,285
Operating profit	**7,907**	**4,634**	**5,716**	**8,050**	**9,926**
% operating margin	9.9%	7.1%	8.5%	10.0%	10.8%
Depreciation & amortization	5,752	6,909	7,184	7,478	7,763
EBITDA	**13,659**	**11,543**	**12,901**	**15,528**	**17,689**
% EBITDA margin	17.2%	17.7%	19.1%	19.2%	19.2%
Non-operating income	4,263	3,935	4,390	4,674	4,864
Non-operating expenses	0	0	0	0	0
Interest expense	(929)	(871)	(846)	(776)	(552)
Pre-tax profit	**11,241**	**7,699**	**9,260**	**11,948**	**14,238**
Income tax	2,350	1,491	1,852	2,390	2,848
After-tax profit	**8,892**	**6,207**	**7,408**	**9,558**	**11,390**
% net margin	11.2%	9.5%	11.0%	11.8%	12.3%
Shares in affiliates' Earnings	1,022	273	30	33	36
Minority interests	(492)	(435)	(451)	(539)	(616)
Extraordinary items	6,095	1,169	0	0	0
NET PROFIT	**15,517**	**7,214**	**6,987**	**9,052**	**10,811**
Normalized profit	**9,422**	**6,045**	**6,987**	**9,052**	**10,811**
EPS (Bt)	1.0	0.5	0.4	0.6	0.7
Normalized EPS (Bt)	0.6	0.4	0.4	0.6	0.7

No significant new investments in 2021-23

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	16,325	30,013	30,150	31,576	32,660
Cash & cash equivalent	5,596	20,939	20,773	20,773	20,773
Account receivables	8,850	7,192	7,402	8,634	9,604
Inventories	1,843	1,855	1,948	2,136	2,245
Others	36	27	28	33	38
Investments & loans	18,004	1,542	1,542	1,542	1,542
Net fixed assets	78,440	81,313	80,637	79,672	78,420
Other assets	20,893	23,182	23,798	27,729	31,108
Total assets	**133,662**	**136,050**	**136,127**	**140,520**	**143,730**
LIABILITIES:					
Current liabilities:	19,263	11,220	11,640	13,449	15,230
Account payables	5,990	4,450	4,546	5,341	6,045
Bank overdraft & ST loans	90	90	0	0	0
Current LT debt	5,210	107	96	73	42
Others current liabilities	7,973	6,573	6,999	8,035	9,143
Total LT debt	**19,130**	**20,594**	**19,009**	**14,554**	**8,427**
Others LT liabilities	8,087	12,773	12,868	14,727	16,319
Total liabilities	**46,480**	**44,588**	**43,518**	**42,730**	**39,976**
Minority interest	3,368	3,553	4,003	4,543	5,159
Preferreds shares	0	0	0	0	0
Paid-up capital	1,589	1,589	1,589	1,589	1,589
Share premium	30,166	30,166	30,166	30,166	30,166
Warrants	0	0	0	0	0
Surplus	6,174	8,880	8,880	8,880	8,880
Retained earnings	**45,884**	**47,275**	**47,971**	**52,612**	**57,960**
Shareholders' equity	83,813	87,910	88,605	93,247	98,595
Liabilities & equity	**133,662**	**136,050**	**136,127**	**140,520**	**143,730**

Sources: Company data, Thanachart estimates

No cash-flow risk, in our view

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	11,241	7,699	9,260	11,948	14,238
Tax paid	(2,200)	(800)	(2,244)	(1,860)	(2,741)
Depreciation & amortization	5,752	6,909	7,184	7,478	7,763
Chg In w orking capital	(564)	106	(207)	(626)	(375)
Chg In other CA & CL / minorities	549	(2,060)	846	534	1,034
Cash flow from operations	**14,779**	**11,853**	**14,840**	**17,474**	**19,918**
Capex	(9,645)	(9,286)	(6,000)	(6,000)	(6,000)
Right of use	0	(3,811)	(400)	(400)	(400)
ST loans & investments	0	0	0	0	0
LT loans & investments	5,170	16,462	0	0	0
Adj for asset revaluation	(5)	2,705	0	0	0
Chg In other assets & liabilities	6,986	6,881	(628)	(2,186)	(1,897)
Cash flow from investments	**2,506**	**12,951**	**(7,028)**	**(8,586)**	**(8,297)**
Debt financing	(15,520)	(3,638)	(1,686)	(4,477)	(6,158)
Capital increase	5,447	0	0	0	0
Dividends paid	(6,941)	(4,741)	(6,292)	(4,411)	(5,462)
Warrants & other surplus	(526)	(1,082)	0	0	0
Cash flow from financing	**(17,539)**	**(9,461)**	**(7,978)**	**(8,888)**	**(11,621)**
Free cash flow	**5,134**	**2,567**	**8,840**	**11,474**	**13,918**

We regard BDMS's valuation as inexpensive

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	34.7	54.4	47.1	36.3	30.4
Normalized PE - at target price (x)	43.5	68.4	59.1	45.6	38.2
PE (x)	21.1	45.6	47.1	36.3	30.4
PE - at target price (x)	26.4	57.3	59.1	45.6	38.2
EV/EBITDA (x)	25.3	28.5	25.4	20.8	17.9
EV/EBITDA - at target price (x)	31.4	35.8	31.9	26.2	22.7
P/BV (x)	3.9	3.7	3.7	3.5	3.3
P/BV - at target price (x)	4.9	4.7	4.7	4.4	4.2
P/CFO (x)	22.1	27.8	22.2	18.8	16.5
Price/sales (x)	4.1	5.0	4.9	4.1	3.6
Dividend yield (%)	2.7	2.7	1.2	1.5	1.8
FCF Yield (%)	1.6	0.8	2.7	3.5	4.2
(Bt)					
Normalized EPS	0.6	0.4	0.4	0.6	0.7
EPS	1.0	0.5	0.4	0.6	0.7
DPS	0.6	0.6	0.2	0.3	0.4
BV/share	5.3	5.5	5.6	5.9	6.2
CFO/share	0.9	0.7	0.9	1.1	1.3
FCF/share	0.3	0.2	0.6	0.7	0.9

Sources: Company data, Thanachart estimates

Earnings on a turnaround trend in 2021-23F

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	7.2	(18.2)	3.6	19.6	14.2
Net profit (%)	68.8	(53.5)	(3.1)	29.6	19.4
EPS (%)	66.7	(53.8)	(3.1)	29.6	19.4
Normalized profit (%)	(5.0)	(35.8)	15.6	29.6	19.4
Normalized EPS (%)	(6.2)	(36.3)	15.6	29.6	19.4
Dividend payout ratio (%)	56.3	121.2	55.0	55.0	55.0
Operating performance					
Gross margin (%)	31.8	28.8	29.8	31.1	31.7
Operating margin (%)	9.9	7.1	8.5	10.0	10.8
EBITDA margin (%)	17.2	17.7	19.1	19.2	19.2
Net margin (%)	11.2	9.5	11.0	11.8	12.3
D/E (incl. minor) (x)	0.3	0.2	0.2	0.1	0.1
Net D/E (incl. minor) (x)	0.2	(0.0)	(0.0)	(0.1)	(0.1)
Interest coverage - EBIT (x)	8.5	5.3	6.8	10.4	18.0
Interest coverage - EBITDA (x)	14.7	13.3	15.2	20.0	32.0
ROA - using norm profit (%)	7.1	4.5	5.1	6.5	7.6
ROE - using norm profit (%)	12.2	7.0	7.9	10.0	11.3
DuPont					
ROE - using after tax profit (%)	11.5	7.2	8.4	10.5	11.9
- asset turnover (x)	0.6	0.5	0.5	0.6	0.6
- operating margin (%)	15.3	13.2	15.0	15.7	16.0
- leverage (x)	1.7	1.6	1.5	1.5	1.5
- interest burden (%)	92.4	89.8	91.6	93.9	96.3
- tax burden (%)	79.1	80.6	80.0	80.0	80.0
WACC (%)	6.0	6.0	6.0	6.0	6.0
ROIC (%)	6.0	3.6	5.2	7.4	9.1
NOPAT (Bt m)	6,254	3,737	4,573	6,440	7,941
invested capital (Bt m)	102,647	87,762	86,937	87,101	86,291

Sources: Company data, Thanachart estimates

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For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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