Bangkok Dusit Medical (BDMS TB) - BUY, Price Bt22.5, TP Bt26

Results Comment

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Good 2Q21 results, in line

- BDMS reported Bt1.5bn net profit in 2Q21, up 217% y-y and 8% q-q. This was in-line with our earnings forecast but it was slightly below the market's expectation.
- The company's strong y-y earnings growth was mainly driven by rising revenue from related COVID-19 services and the low base effect in 2Q20.
- Top line grew by 26% y-y and 7% q-q to Bt16.4bn in 2Q21. Excluding revenue from COVID-19 services, BDMS's 2Q21 revenue grew by 12% y-y but declined by 4% q-q to Bt14.6bn Its operating margin also expanded to 6.9% in 2Q21 from 0.7% in 2Q20 and 6.4% in 1Q21 due to strong revenue and operating leverage benefits.
- 6M21 earnings accounted for 40% of our full-year earnings forecast. We expect to see stronger earnings momentum in 3Q21F and 4Q21F due to rising severity of COVID-19 pandemic, its capacity expansion to serve for COVID services and a new source of income from COVID-19 vaccine.
- We see BDMS's story for earnings recovery trend in 2021-23F remaining unchanged. 2021F earnings driver is COVID-19 services. Meanwhile, 20222-23F earnings driver is improving cash patient flows. We maintain BUY on BDMS.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Revenue	13,080	16,071	17,134	15,311	16,443
Gross profit	**3,226**	**4,902**	**4,733**	**4,261**	**4,681**
SG&A	3,131	3,272	3,899	3,284	3,539
Operating profit	95	1,629	835	977	1,142
EBITDA	**1,690**	**3,244**	**2,444**	**2,558**	**2,839**
Other income	914	910	979	983	992
Other expense	0	0	0	0	0
Interest expense	218	215	210	195	188
Profit before tax	**791**	**2,324**	**1,604**	**1,765**	**1,946**
Income tax	226	482	286	330	383
Equity & invest. income	(37)	66	26	3	5
Minority interests	(71)	(122)	(120)	(99)	(116)
Extraordinary items	0	13	1,164	0	0
Net profit	**458**	**1,801**	**2,388**	**1,339**	**1,452**
Normalized profit	**458**	**1,787**	**1,224**	**1,339**	**1,452**
EPS (Bt)	0.03	0.11	0.15	0.08	0.09
Normalized EPS (Bt)	0.03	0.11	0.08	0.08	0.09

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	7	26	47	67,539	80,806
Gross profit	**10**	**45**	**44**	**20,128**	**25,108**
SG&A	8	13	47	14,412	17,058
Operating profit	17	1,099	37	5,716	8,050
EBITDA	**11**	**68**	**42**	**12,901**	**15,528**
Other income	1	9	45	4,390	4,674
Other expense			na	0	0
Interest expense	(4)	(14)	45	846	776
Profit before tax	**10**	**146**	**40**	**9,260**	**11,948**
Income tax	16	69	38	1,852	2,390
Equity & invest. income	80	na	27	30	33
Minority interests	na	na	48	(451)	(539)
Extraordinary items			na	0	0
Net profit	**8**	**217**	**40**	**6,987**	**9,052**
Normalized profit	**8**	**217**	**40**	**6,987**	**9,052**
EPS (Bt)	8	217	40	0.44	0.57
Normalized EPS (Bt)	8	217	40	0.44	0.57

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Cash & ST investment	3,428	4,079	20,939	23,828	10,890
A/C receivable	6,879	6,891	7,192	6,151	6,739
Inventory	1,892	1,707	1,855	1,647	1,688
Other current assets	894	849	27	43	24
Investment	17,334	17,077	939	924	930
Fixed assets	78,431	78,407	81,313	80,839	80,342
Other assets	23,994	23,885	23,786	23,577	23,571
Total assets	**132,852**	**132,896**	**136,050**	**137,009**	**124,183**
S-T debt	3,499	5,096	190	2,582	2,575
A/C payable	3,692	4,071	4,450	3,936	4,229
Other current liabilities	5,303	4,801	6,580	6,850	5,815
L-T debt	23,993	20,593	20,594	18,095	13,095
Other liabilities	11,956	11,983	12,773	12,705	12,811
Minority interest	3,248	3,366	3,553	3,542	3,584
Shareholders' equity	**81,162**	**82,988**	**87,910**	**89,299**	**82,074**
Working capital	5,079	4,527	4,597	3,861	4,198
Total debt	27,492	25,689	20,784	20,677	15,670
Net debt	**24,063**	**21,610**	**(155)**	**(3,151)**	**4,781**

Financial Ratios					
(%)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Sales growth	(30.0)	(22.9)	(15.6)	(18.9)	25.7
Operating profit growth	(93.8)	(36.1)	(53.8)	(52.9)	1,098.8
EBITDA growth	(42.7)	(19.7)	(26.1)	(30.3)	68.0
Norm profit growth	(75.5)	(38.1)	(48.4)	(47.9)	217.2
Norm EPS growth	(75.8)	(38.1)	(48.4)	(47.9)	217.2
Gross margin	24.7	30.5	27.6	27.8	28.5
Operating margin	0.7	10.1	4.9	6.4	6.9
EBITDA margin	12.9	20.2	14.3	16.7	17.3
Norm net margin	3.5	11.1	7.1	8.7	8.8
D/E (x)	0.3	0.3	0.2	0.2	0.2
Net D/E (x)	0.3	0.3	(0.0)	(0.0)	0.1
Interest coverage (x)	7.8	15.1	11.6	13.1	15.1
Interest rate	3.0	3.2	3.6	3.8	4.1
Effective tax rate	28.6	20.7	17.8	18.7	19.7
ROA	1.3	5.4	3.6	3.9	4.4
ROE	2.3	8.7	5.7	6.0	6.8

Sources: Company data, Thanachart estimates

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