Bangkok Dusit Medical Services Pcl (BDMS TB) – BUY

Analyst Meeting

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To invest in BDMS Silver Wellness & Residence

- **BDMS spends Bt23.5bn to invest in …**
- **… wellness, residence and hotel.**
- **The project will start in 2029.**
- **We have positive view for the project in long-term; BUY.**

- BDMS sees an opportunity to capture high demand and high growth of wellness tourism business in Thailand (with 8.52% growth p.a. in 2010-18), particularly in Personal care & beauty, Healthy eating, Physical activity and Wellness tourism. The new project will also help BDMS to expand more wellness services from the existing BDMS Wellness Clinic project on Wireless road.
- The new project will have 3 buildings consisting of 1) wellness, 2) residence and 3) hotel. It is located on lease land at the corner of Sarasin road and Lang Suan road, Lumpini Sub-district with total area of c. 13 rais. Total investment of Bt23.5bn (Bt9.1bn for land lease from Crown Property Bureau for 60 years and Bt14.4bn for construction and equipment) will be financed by internal cash flow and debt. Construction period is 6.5 years. The project will be operated in 2029. The pre-sales of the residential project will start in 2027.
- Target group for the project is the silver age group both in Thai and international customers. BDMS will have a project partner in developing the project.
- The project's IRR is 11-12%. Payback period is 10-11 years.
- We have a positive view for the deal in the longer term. With BDMS's high cash on hand and low net gearing, the investment does not provide any significant impact to its financial status. Its current net D/E was 0.1x as of ended-1Q22. Including all investment (if other factors are constant), its net D/E will increase to only 0.3x.
- The development will help BDMS to expand and capture high-growth trends of the wellness market and to create more ROI from its remaining cash on hand. We expect the deal will add value to BDMS in the long-term although it may give a negative impact to BDMS's earnings in the medium-term (from loss in early years of operation from wellness and hotel businesses).
- Note that BDMS will give more details of the project in the future after it concludes all details with its partner.
- Given that the project is a very long term investment, it does not provide any negative impact to BDMS's operation in the next 3 years and we also have a positive view for the long term investment. We maintain BUY on BDMS.

Key Valuations

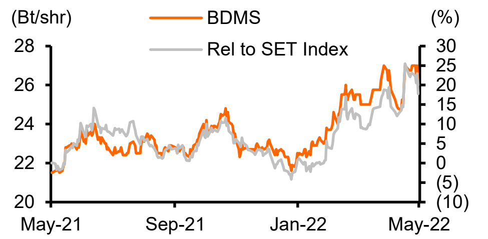
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	71,541	76,833	82,541	90,649
Net profit	7,936	9,204	10,610	12,905
Norm net profit	7,936	9,204	10,610	12,905
Norm EPS (Bt)	0.5	0.6	0.7	0.8
Norm EPS gr (%)	31.3	16.0	15.3	21.6
Norm PE (x)	52.1	44.9	38.9	32.0
EV/EBITDA (x)	30.1	27.3	24.2	20.4
P/BV (x)	4.9	4.8	4.5	4.2
Div. yield (%)	1.7	1.2	1.4	1.9
ROE (%)	9.2	10.8	11.9	13.6
Net D/E (%)	3.5	(2.5)	(10.7)	(19.1)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	26.00
Target price (Bt)	29.00
Market cap (US$ m)	12,093.7
Avg daily turnover (US$ m)	33.3
12M H/L price (Bt)	27.00/21.50

Price Performance



Source: Bloomberg

Ex 1: Project's Location

Source: Company data

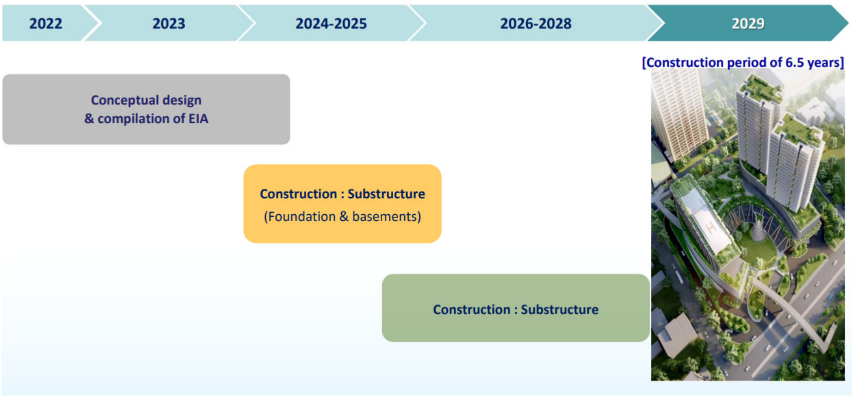
Ex 2: Project Landscape

Source: Company data

Ex 3: Project Details And Investment

Source: Company data

Ex 4: Project Construction Timeline



Source: Company data

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