Bangkok Dusit Medical (BDMS TB) - BUY, Price Bt28.25, TP Bt33

Results Comment

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Strong 2Q22, above expectation

- BDMS reported net profit of Bt2.7bn in 2Q22, up 83% y-y but down 23% q-q. This was slightly above ours and the Street's earnings forecast due to stronger-than-expected revenue and margin.
- The company's strong y-y earnings growth was mainly driven by COVID-19 services, Moderna vaccine income, rising non-COVID Thai and international cash patients and expanding operating margin.
- Top line grew by 28% y-y to Bt21bn in 2Q22. Thai patient revenue grew by 18% y-y and international patients grew by 69% y-y mainly from Middle East, Australia and CLMV markets. Revenue from COVID-19 services accounted for 12% of total revenue in 2Q22 vs. 11% in 2Q21. Excluding revenue from related COVID-19, revenue grew by 25% y-y.
- The q-q earning drop resulted from falling revenue from COVID-19 services. Portion of revenue contribution from COVID-19 services declined from 18% in 1Q22 to 12% in 2Q22.
- Its operating margin also expanded to 12.5% in 2Q22 from 6.9% in 2Q21 due to operating leverage benefit. But operating margin declined from 16.6% in 1Q22 due to falling revenue from related COVID-19 services.
- 6M22 earnings accounted for 58% of our full-year earnings forecast. Though we expect revenue from COVID-19 services declines, revenue growth from non-COVID cash patients will help to support its earnings growth in 2H22. We see an upside to our numbers. We maintain our BUY rating on BDMS.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	16,443	18,873	20,914	22,165	20,976
Gross profit	**4,681**	**5,749**	**7,389**	**7,714**	**6,829**
SG&A	3,539	3,514	4,691	4,025	4,200
Operating profit	1,142	2,234	2,697	3,689	2,629
EBITDA	**2,727**	**3,834**	**4,254**	**5,179**	**4,115**
Other income	992	1,297	978	1,007	1,030
Other expense	0	0	0	0	0
Interest expense	188	172	173	158	151
Profit before tax	**1,946**	**3,359**	**3,503**	**4,538**	**3,508**
Income tax	383	645	746	903	695
Equity & invest. income	5	3	10	9	7
Minority interests	(116)	(208)	(131)	(201)	(155)
Extraordinary items	0	0	0	0	0
Net profit	**1,452**	**2,509**	**2,636**	**3,443**	**2,664**
Normalized profit	**1,452**	**2,509**	**2,636**	**3,443**	**2,664**
EPS (Bt)	0.09	0.16	0.17	0.22	0.17
Normalized EPS (Bt)	0.09	0.16	0.17	0.22	0.17

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(5)	28	53	80,860	85,693
Gross profit	**(11)**	**46**	56	**26,064**	**27,987**
SG&A	4	19	53	15,555	16,838
Operating profit	(29)	130	60	10,510	11,149
EBITDA	**(21)**	**51**	53	**17,506**	**18,535**
Other income	2	4	49	4,127	4,306
Other expense				0	0
Interest expense	(4)	(20)	49	630	442
Profit before tax	**(23)**	**80**	57	**14,007**	**15,013**
Income tax	(23)	82	57	2,787	2,988
Equity & invest. income	(26)	26	63	24	28
Minority interests	na	na	na	(664)	(580)
Extraordinary items				0	0
Net profit	**(23)**	**83**	58	**10,580**	**11,473**
Normalized profit	**(23)**	**83**	58	**10,580**	**11,473**
EPS (Bt)	(23)	83	58	0.67	0.72
Normalized EPS (Bt)	(23)	83	58	0.67	0.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	10,890	12,861	12,641	13,886	16,631
A/C receivable	6,739	8,908	9,131	11,026	11,453
Inventory	1,688	1,833	2,005	1,939	1,931
Other current assets	24	736	624	325	241
Investment	930	933	931	930	937
Fixed assets	80,342	79,996	79,689	79,506	79,190
Other assets	23,571	23,575	23,432	23,485	23,397
Total assets	**124,183**	**128,842**	**128,454**	**131,098**	**133,780**
S-T debt	2,575	3,174	3,176	4,666	8,666
A/C payable	4,229	4,560	5,035	5,074	4,869
Other current liabilities	5,815	11,398	7,651	9,146	9,266
L-T debt	13,095	12,496	12,496	8,497	7,497
Other liabilities	12,811	12,701	12,331	12,419	12,519
Minority interest	3,584	3,790	3,920	3,978	4,053
Shareholders' equity	**82,074**	**80,724**	**83,845**	**87,318**	**86,909**
Working capital	4,198	6,181	6,101	7,891	8,515
Total debt	15,670	15,670	15,672	13,163	16,164
Net debt	**4,781**	**2,809**	**3,031**	**(723)**	**(467)**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	25.7	17.4	22.1	44.8	27.6
Operating profit growth	1,098.8	37.1	223.1	277.7	130.2
EBITDA growth	61.3	18.2	74.0	102.5	50.9
Norm profit growth	217.2	40.4	115.3	157.2	83.5
Norm EPS growth	217.2	40.4	115.3	157.2	83.5
Gross margin	28.5	30.5	35.3	34.8	32.6
Operating margin	6.9	11.8	12.9	16.6	12.5
EBITDA margin	16.6	20.3	20.3	23.4	19.6
Norm net margin	8.8	13.3	12.6	15.5	12.7
D/E (x)	0.2	0.2	0.2	0.1	0.2
Net D/E (x)	0.1	0.0	0.0	(0.0)	(0.0)
Interest coverage (x)	14.5	22.2	24.6	32.7	27.2
Interest rate	4.1	4.4	4.4	4.4	4.1
Effective tax rate	19.7	19.2	21.3	19.9	19.8
ROA	4.4	7.9	8.2	10.6	8.0
ROE	6.8	12.3	12.8	16.1	12.2

Sources: Company data, Thanachart estimates

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