

Bangkok Dusit Medical (BDMS TB) - BUY, Price Bt28.75, TP Bt35**Results Comment**

Siriporn Arunothai | Email: siriporn.aru@thanachartsec.co.th

Good 2Q23 results, in line

- BDMS reported net profit of Bt3.1bn in 2Q23, up 15% y-y but down 12% q-q. This was in line with ours and the Street's earnings forecast.
- Despite having an extra high earnings base in 2Q22, BDMS still reported earnings growth of 15% y-y. This was supported by rising fly-in international patients and improving non-COVID Thai cash patients. Meanwhile, q-q earnings drop was due to falling revenues from international patients, falling gross margin and raising SG&A to sales ratio due to low seasons in 2Q.
- Top line grew by 10% y-y and flat q-q to Bt23bn in 2Q23. Despite falling revenue from COVID-19 services, Thai cash patient revenue still grew by 7% y-y and 5% q-q due to the epidemic of Dengue fever and Norovirus. International patient revenue grew by 22% y-y but declined by 11% q-q due to Ramadan impact. International patient growth was mainly from China, Middle East and CLMV markets.
- Its operating margin was at 12.2% in 2Q23, falling from 12.5% in 2Q22 and 14.4% in 1Q23. The y-y margin drop was due to falling revenue from high-margin COVID-19 service. Note that revenue from COVID-19 accounted for 13% of total revenue in 2Q22. The q-q margin drop was due to falling mix of high-margin international patient revenue. Portion of revenue from Thai and international patients was 74:26 in 2Q23 vs. 71:29 in 1Q23.
- Thanks to the in-line results, we maintain our earnings projection. Looking into 2H23F, we estimate BDMS's earnings still grow y-y and h-h driven by rising non-COVID Thai and international cash patients and operating leverage benefits.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	20,976	22,825	22,568	23,084	23,141
Gross profit	6,829	7,846	7,816	7,962	7,709
SG&A	4,200	4,496	4,933	4,633	4,876
Operating profit	2,629	3,350	2,883	3,329	2,833
EBITDA	4,115	4,840	4,367	4,759	4,279
Other income	1,030	1,179	1,306	1,267	1,285
Other expense	0	0	0	0	0
Interest expense	151	154	169	164	134
Profit before tax	3,508	4,374	4,020	4,432	3,983
Income tax	695	824	806	880	812
Equity & invest. income	7	16	10	34	13
Minority interests	(155)	(181)	(111)	(116)	(120)
Extraordinary items	0	0	0	0	0
Net profit	2,664	3,386	3,113	3,470	3,063
Normalized profit	2,664	3,386	3,113	3,470	3,063
EPS (Bt)	0.17	0.21	0.20	0.22	0.19
Normalized EPS (Bt)	0.17	0.21	0.20	0.22	0.19

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	16,631	13,808	14,972	17,785	11,480
A/C receivable	11,453	11,062	10,484	10,528	10,091
Inventory	1,931	2,048	2,211	2,019	2,049
Other current assets	241	156	132	87	85
Investment	937	953	963	984	996
Fixed assets	79,190	79,490	81,860	82,002	82,695
Other assets	23,397	26,358	30,920	31,105	31,266
Total assets	133,780	133,875	141,543	144,509	138,662
S-T debt	8,666	7,570	5,532	5,500	2,500
A/C payable	4,869	5,323	6,176	5,313	5,519
Other current liabilities	9,266	10,073	8,909	11,128	10,459
L-T debt	7,497	8,498	10,498	8,998	7,998
Other liabilities	12,519	12,122	16,716	16,989	17,135
Minority interest	4,053	4,249	3,834	3,215	3,268
Shareholders' equity	86,909	86,040	89,879	93,367	91,783
Working capital	8,515	7,787	6,520	7,235	6,621
Total debt	16,164	16,067	16,030	14,498	10,498
Net debt	(467)	2,259	1,058	(3,286)	(982)

Income Statement 6M as					
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	0	10	49	94,064	101,203
Gross profit	(3)	13	49	32,235	35,192
SG&A	5	16	49	19,327	20,493
Operating profit	(15)	8	48	12,908	14,698
EBITDA	(10)	4	46	19,474	21,437
Other income	1	25	53	4,788	5,030
Other expense				0	0
Interest expense	(18)	(11)	47	629	553
Profit before tax	(10)	14	49	17,067	19,175
Income tax	(8)	17	50	3,396	3,816
Equity & invest. income	(63)	93	97	48	54
Minority interests	na	na	na	(689)	(741)
Extraordinary items				0	0
Net profit	(12)	15	50	13,030	14,673
Normalized profit	(12)	15	50	13,030	14,673
EPS (Bt)	(12)	15	50	0.82	0.92
Normalized EPS (Bt)	(12)	15	50	0.82	0.92

Financial Ratios (%)					
	2Q22	3Q22	4Q22	1Q23	2Q23
Sales grow th	27.6	20.9	7.9	4.1	10.3
Operating profit grow th	130.2	49.9	6.9	(9.8)	7.7
EBITDA grow th	50.9	26.2	2.7	(8.1)	4.0
Norm profit grow th	83.5	34.9	18.1	0.8	15.0
Norm EPS grow th	83.5	34.9	18.1	0.8	15.0
Gross margin	32.6	34.4	34.6	34.5	33.3
Operating margin	12.5	14.7	12.8	14.4	12.2
EBITDA margin	19.6	21.2	19.3	20.6	18.5
Norm net margin	12.7	14.8	13.8	15.0	13.2
D/E (x)	0.2	0.2	0.2	0.2	0.1
Net D/E (x)	(0.0)	0.0	0.0	(0.0)	(0.0)
Interest coverage (x)	27.2	31.4	25.9	29.0	31.9
Interest rate	4.1	3.8	4.2	4.3	4.3
Effective tax rate	19.8	18.8	20.0	19.8	20.4
ROA	8.0	10.1	9.0	9.7	8.7
ROE	12.2	15.7	14.2	15.1	13.2

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 24 Derivative Warrants which are CPALL16C2310A, DELTA16C2309A, EA16C2311A, EA16C2309A, GULF16C2311A, GULF16C2309A, HANA16C2309A, HANA16C2308A, JMT16C2311A, JMART16C2310A, JMART16C2308A, KBANK16C2312A, KBANK16C2310A, KCE16C2309A, PTTEP16C2311A, SAWAD16C2312A, SAWAD16C2309A, SCB16C2311A, SET5016C2312A, SET5016P2312A, SET5016C2309B, SET5016C2309A, SET5016P2309A, TIDLOR16C2311A (underlying securities are (CPALL, DELTA, EA, GULF, HANA, JMART, JMT, KBANK, KCE, PTTEP, SAWAD, SCB, SET50, TIDLOR). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Moshi Moshi Retail Corporation Pcl. (MOSHI TB)