

Company Update

Thursday, April 11, 2024



I V Global Securities Public Company Limited

Bangkok Dusit Medical Plc (BDMS)

Rating: BUY

Fair price: Bt35.00

Close price: Bt28.25

1Q24F to remain solid

Company Information

Ticker:	BDMS TB
Sector:	Healthcare
Shares outstanding (m):	15,892.0
Market capitalization (Btm):	448,949.05
Trading vol/day (Btm):	1,010.23
Free float (%):	69.75
Beta:	0.59

Major Shareholders

Thai NVDR	12.70%
Prasert Prasartthong-osot	10.95%
Poramaporn Prasarttong-osot	5.76%
The Viriyah Insurance Pcl.	4.27%
Bangkok Airways Pcl	3.33%

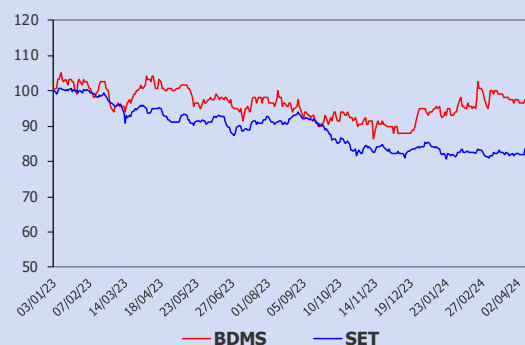
Consensus Bloomberg

2024F EPS (Bt):	0.98
Target price (Bt):	34.85

Price Performance

52 Wk high/low: 30.75 / 25.00

	1M	3M	1Y	YTD
Absolute (%)	-2.6	1.8	-7.4	1.8
Relative (%)	-4.2	2.2	4.2	2.3



Rating	CGR	Thai CAC	SET ESG
BDMS		N/A	AA

Analyst

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- We estimate 1Q24F net profit for BDMS to come in at Bt3.95bn, up 14% YoY thanks to rising hospital revenues from both Thai and international patients, while earnings should come in flat QoQ from the high base effect. We estimate 1Q24F top-line revenue to rise by 11% YoY and 1% QoQ to Bt25.6bn, on track with our full-year target pf 10%. 1Q24 is the high season due to the spread of the flu virus flu, Covid, and the Respiratory Syncytial Virus (RSV) virus, particularly among children.
- During 1Q24, hospital revenue grew by its strongest at 15% YoY in January and the slowest in March due to the start of the Ramadan season. Healthcare service revenue from international patients may grow at a higher rate (with rising revenue intensity from complicated diseases) than that of domestic patients, backed by Chinese patients (+30% YoY) for popular IVF treatment, Europeans (+20%), US, and UK expats. Meanwhile, Middle East and CLMV revenue growth has been stagnant with rising revenue from Cambodia offsetting a decline in Myanmar patients following the political instability in the country. There has been a mixed performance from the Middle East market, with a rise in patients from the UAE, Qatar, and Saudi Arabia offsetting a decline from Kuwait. The impact of the Ramadan season in March 2024 (22 days) is greater than in March 2023 (10 days).
- We estimate EBITDA to rise 11.7% YoY and 0.6% QoQ to Bt6.7bn, with an EBITDA margin of 24.9% in 1Q24F – flat QoQ or slightly better than the 24.6% achieved in 1Q23.
- On 1 March, the company opened its new secondary care Phyathai Sriracha-2 Hospital with 113 structured beds (1st phase of 72 beds) targeting all market segments, including social service customers, providing a total of 59 hospitals in service. As at end-March 2024, the number of registered social security customers increased to 900k, up from 800k at end-2023. However, service revenue from the social security program accounts for just 2% of the total.
- In terms of revenue breakdown in 2023, revenue from self-pay patients accounted for 50% of the total, followed by insurance (36%), contract (8%), social security (2%), and others making up the remaining balance of 4%.
- For 2024F, we currently estimate hospital service revenue to rise by 10% YoY, versus management's target for revenue growth of 10-11%. EBITDA margin is targeted in the range of 24-25%, compared with 24.2% in 2023.
- Maintain BUY.** While the 1Q24F performance should be strong, the 2Q24F performance may be slower due to the Songkran holidays. We maintain our earnings estimates and reiterate our BUY call with a DCF-based price target of Bt35.0. The risk to our forecasts lies partly with unexpected, uncontrollable severe disease outbreaks, which might impact outpatient volumes.

Investment Summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Hospital rev (Btm)	71,541	88,535	97,077	107,101	112,817	117,643
YoY (%)	9.8	23.8	9.6	10.3	5.3	4.3
Net profit (Btm)	7,936	12,606	14,375	15,840	16,699	17,757
YoY (%)	10.0	58.8	14.0	10.2	5.4	6.3
Core profit (Btm)	7,936	12,606	14,375	15,840	16,699	17,757
YoY (%)	31.3	58.8	14.0	10.2	5.4	6.3
EPS (Bt)	0.50	0.79	0.90	1.00	1.05	1.12
YoY (%)	10.0	58.8	14.0	10.2	5.4	6.3
P/E (x)	56.6	35.6	31.2	28.3	26.9	25.3
DPS (Bt)	0.45	0.60	0.70	0.75	0.79	0.84
Yield (%)	1.6	2.1	2.5	2.6	2.8	3.0
EV/EBITDA (x)	25.9	20.0	18.5	16.7	15.9	14.9
BVPS (Bt)	5.40	5.47	5.82	6.17	6.53	6.90
P/BV (x)	5.2	5.2	4.9	4.6	4.3	4.1
ROE (%)	9.5	14.0	15.1	15.7	15.7	15.8
ROA (%)	6.2	8.9	10.0	10.8	11.0	11.2
Net D/E ratio (%)	7.4	9.6	9.1	3.6	Net cash	Net cash

Source: Company and IVG estimates

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Results preview

(Btm)	1Q24F	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Hospital operations	25,623	23,084	11.0	25,379	1.0	97,077	88,535	9.6
Foods	972	926	5.0	966	0.7	3,776	3,399	11.1
Total operating income	26,901	24,313	10.6	26,726	0.7	102,110	92,968	9.8
Cost of hospitals	(16,598)	(15,122)	9.8	(16,389)	1.3	(63,412)	(58,329)	8.7
Gross profit	10,303	9,191	12.1	10,337	(0.3)	38,698	34,638	11.7
SG&A	(5,125)	(4,633)	10.6	(5,191)	(1.3)	(19,806)	(17,655)	12.2
EBITDA	6,688	5,987	11.7	6,649	0.6	24,740	22,933	7.9
Other income	37	38	(2.7)	71	(47.9)	217	88	146.7
Equity income	20	34	(41.5)	22	(7.6)	89	42	113.7
Interest expense	(135)	(164)	(17.7)	(126)	7.0	(547)	(632)	(13.5)
Pre-tax profit	5,100	4,466	14.2	5,112	(0.2)	18,652	16,481	13.2
Income tax	(1,025)	(880)	16.5	(1,038)	(1.2)	(3,755)	(3,227)	16.3
Minority interests	(122)	(116)	5.0	(123)	(0.4)	(522)	(648)	(19.4)
Net profit	3,953	3,470	13.9	3,952	0.0	14,375	12,606	14.0
EPS (Bt)	0.25	0.22	13.9	0.25	0.0	0.90	0.79	14.0

Source: Company and IVG estimates

Financial ratios

(%)	4Q22	1Q23	2Q23	3Q23	4Q23
Revenue growth YoY	9.0	5.0	10.9	11.3	12.1
Revenue growth QoQ	(0.6)	2.0	0.2	9.5	0.1
Gross margin	38.1	37.8	36.7	38.3	38.7
SG&A as % of revenue	20.7	19.1	20.0	19.1	19.4
EBITDA margin	23.7	24.6	22.6	24.7	24.9
Net margin	13.1	14.3	12.6	14.6	14.8
Net DE ratio (%)	9.6	4.7	7.3	11.1	9.1

Source: Company and IVG estimates

Track record

(Btm)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Hospital operations	22,165	20,976	22,825	22,568	23,084	23,141	25,473	25,379
Foods	821	796	875	907	926	941	944	966
Total operating income	23,159	21,981	23,985	23,842	24,313	24,372	26,699	26,726
Cost of hospitals	(14,451)	(14,147)	(14,979)	(14,752)	(15,122)	(15,432)	(16,469)	(16,389)
Gross profit	8,708	7,834	9,006	9,090	9,191	8,940	10,230	10,337
SG&A	(4,025)	(4,200)	(4,496)	(4,933)	(4,633)	(4,876)	(5,106)	(5,191)
EBITDA	6,173	5,112	5,999	5,649	5,987	5,510	6,594	6,649
Other income	13	25	19	32	38	53	55	71
Equity income	9	7	16	10	34	13	21	22
Interest expense	(158)	(151)	(154)	(169)	(164)	(134)	(122)	(126)
Pre-tax profit	4,546	3,514	4,391	4,030	4,466	3,996	5,078	5,112
Income tax	(903)	(695)	(824)	(806)	(880)	(812)	(1,025)	(1,038)
Minority interests	(201)	(155)	(181)	(111)	(116)	(120)	(163)	(123)
Net profit	3,443	2,664	3,386	3,113	3,470	3,063	3,890	3,952
EPS (Bt)	0.22	0.17	0.21	0.20	0.22	0.19	0.24	0.25

Source: Company and IVG estimates

Financial ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Revenue growth YoY	42.2	26.4	19.0	9.0	9.6	22.8	9.8
Revenue growth QoQ	5.9	(5.0)	9.1	(0.6)	-	-	-
Gross margin	37.6	35.7	37.5	38.1	34.7	37.3	37.6
SG&A as % of revenue	17.4	19.1	18.7	20.7	19.8	19.0	20.3
EBITDA margin	26.7	23.3	25.0	23.7	23.2	24.7	24.2
Net margin	14.9	12.1	14.1	13.1	10.5	13.6	14.1
Net DE ratio (%)	2.7	3.0	6.1	9.6	7.4	9.6	9.1

Source: Company and IVG estimates



BDMS IVG ESG Rating : GOOD	75%
E: Environmental	17%
Energy Efficiency Management	50%
Climate-Related Management	50%
Sustainable Water Management	50%
Sustainable Waste Management	50%
S: Social	25%
Human Rights Management	50%
Education and Training Policy	50%
Occupational Health and Safety Policy	100%
Corporate Social Responsibility Policy	100%
G: Governance	33%
Corporate Governance Rating (CGR)	100%
Employees Trained on Anti-Corruption	100%
Risk and Crisis Management	100%
Cybersecurity and Customer Data Privacy Protection	100%
Digitalization and Innovation	100%
Customer Relationship Management	100%

Healthcare sector	Scores	Weights	BDMS
E: Environmental	8	33%	17%
S: Social	8	33%	25%
G: Governance	10	33%	33%
Total	26	100%	75%

Company ESG Policy Priorities		
POOR	MEDIUM	GOOD
1-50%	>50 - 70%	>70 - 100%

Source: Sustainability report from company 2022 and Criteria by IVG

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.




HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months.

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors, and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

