

26 May 2020

Consumer Non-cyclical | Healthcare

Bangkok Dusit Medical Services

(BDMS TB)

Buy (Maintained)

Long-Term Outlook Still Robust; Keep BUY

Target Price (Return): THB23.00 (+10%)
 Price: THB20.90
 Market Cap: USD10,363m
 Avg Daily Turnover (THB/USD): 789m/24.5m

- **BUY, new THB23.00 TP from THB25.00, 10% upside with 1.5% FY20F yield.** International travel restrictions imposed in late March led to a higher-than-expected negative impact to Bangkok Dusit Medical Services' 1Q20 revenue. However, Thai patient revenue should bottom out in the quarters ahead, as travel and movement restrictions come to an end. Its outlook remains healthy, and valuations remain compelling for long-term play.
- **Core earnings miss estimates.** BDMS' 1Q20 core earnings fell to THB2.6bn (-12% YoY), dragged by lower revenue from hospital operations (-7% YoY) and a weaker share of profits (-12.1% YoY). Non-Thai segmental revenue dropped significantly by 14% YoY, largely from the decrease in Middle East (-40% YoY) and China (-32% YoY) patients as a result of international travel restrictions. Its Thai patient revenue growth was flat YoY as well, due to infection fears in the early days of the COVID-19 pandemic.
- **Softer revenue outlook.** The negative impact on hospital revenue should accelerate in 2Q20, on prolonged travel restrictions and the nationwide lockdown. While BDMS is starting to see some recovery in outpatient (OPD) numbers in recent weeks – as COVID-19 is now better controlled in Thailand – it aims to give discounts to improve hospital utilisation rates, but this should dampen revenue intensity and margins in the short term. Management has conservatively trimmed FY20F revenue growth to -10% YoY (from +3-4% YoY). This is to factor in the decline of fly-in patients, and the delayed growth of its utilisation rate as developments on new projects slow down.
- **Still optimistic.** BDMS remains upbeat that fly-in patient traffic will resume – especially from South-East Asia patients, who account for 14% of revenue. This should happen when governments lift travel restrictions, and patients flock to Thailand to seek treatment. This pent-up demand (higher patient traffic in its Cambodian centre of excellence, and expansion of its waiting list) should relieve investor concerns over service disruptions.
- **Winding-down of medical tourism unlikely.** The increase in government healthcare spending in different nations should not lead to a sharp fall in medical tourism post outbreak – thanks to Thailand's flourishing ecosystem of healthcare services. Strengths include affordability, accreditation of healthcare services, and other tourist attractions in Thailand that help lure visitors – and these should help Thailand remain as a leader in medical tourism in the longer term.
- **We cut FY20F hospital revenue by 9%,** in line with management's guidance. This is largely on lower revenue intensity and traffic from the non-Thai patient segment. Our new DCF-based TP of THB23.00 also implies a FY20F P/E of 41x, at +1SD from its historical average. Key risks are prolonged international travel restrictions, and the rebound of the pandemic.

Analyst

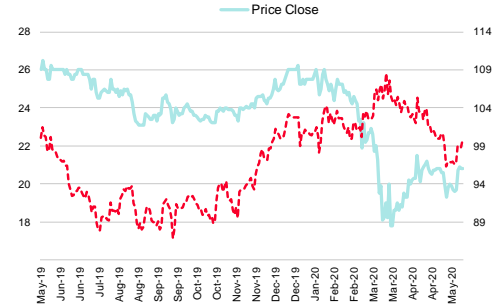
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(20.0)	(1.9)	(14.1)	(14.1)	(20.8)
Relative	(2.5)	(5.2)	(1.3)	4.3	(0.9)
52-wk Price low/high (THB)	17.8 – 26.5				

Bangkok Dusit Medical (BDMS TB)



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	77,373	82,722	75,462	79,223	84,010
Recurring net profit (THBm)	9,193	10,055	7,830	9,316	10,417
Recurring net profit growth (%)	25.3	9.4	(22.1)	19.0	11.8
Recurring P/E (x)	34.97	31.97	41.06	34.51	30.86
P/B (x)	4.9	4.2	4.1	3.9	3.7
P/CF (x)	22.54	15.68	21.83	20.98	19.44
Dividend Yield (%)	2.2	1.9	1.5	1.7	1.9
EV/EBITDA (x)	14.73	15.79	16.46	15.13	13.68
Return on average equity (%)	16.7	21.9	10.1	11.5	12.2
Net debt to equity (%)	46.3	21.4	17.9	9.8	1.9

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	0.59	0.65	0.51	0.60	0.67
Consumer Non-cyclical	DPS	0.45	0.39	0.30	0.36	0.40
Bangkok Dusit Medical Services	BV/PS	4.21	4.96	5.07	5.37	5.69
BDMS TB	Return on average equity (%)	16.7	21.9	10.1	11.5	12.2
Buy						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Recurring P/E (x)	34.97	31.97	41.06	34.51	30.86
	P/B (x)	4.9	4.2	4.1	3.9	3.7
	FCF Yield (%)	0.3	7.3	2.5	3.3	4.0
	Dividend Yield (%)	2.2	1.9	1.5	1.7	1.9
	EV/EBITDA (x)	14.73	15.79	16.46	15.13	13.68
	EV/EBIT (x)	22.02	24.04	28.77	24.20	21.26
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	77,373	82,722	75,462	79,223	84,010
	Gross profit	26,872	28,446	24,496	26,329	29,270
	EBITDA	16,260	16,752	15,778	16,773	18,074
	Depreciation and amortisation	(5,386)	(5,752)	(6,751)	(6,289)	(6,446)
	Operating profit	10,874	11,000	9,026	10,484	11,628
	Net interest	(1,165)	(928)	(1,044)	(779)	(693)
	Pre-tax profit	13,333	19,884	10,216	12,115	13,536
	Taxation	(2,739)	(3,873)	(1,855)	(2,225)	(2,499)
	Reported net profit	10,138	15,519	7,830	9,316	10,417
	Recurring net profit	9,193	10,055	7,830	9,316	10,417
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	918	(238)	560	132	97
	Cash flow from operations	14,264	20,503	14,729	15,320	16,540
	Capex	(13,350)	2,818	(6,536)	(4,837)	(3,611)
	Cash flow from investing activities	(13,350)	2,818	(6,536)	(4,837)	(3,611)
	Dividends paid	(5,598)	(6,941)	(6,032)	(4,698)	(5,590)
	Cash flow from financing activities	641	(15,486)	(6,573)	(7,387)	(7,746)
	Cash at beginning of period	5,663	5,850	5,595	7,215	10,311
	Net change in cash	1,555	7,835	1,620	3,095	5,183
	Ending balance cash	5,850	5,595	7,215	10,311	15,494
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	5,850	5,595	7,215	10,311	15,494
	Tangible fixed assets	74,803	78,945	78,624	77,061	74,108
	Total investments	23,920	18,882	19,825	20,816	21,856
	Total assets	133,499	133,813	135,202	138,227	142,102
	Short-term debt	15,114	5,216	4,101	4,202	5,103
	Total long-term debt	24,733	19,099	19,099	15,279	12,223
	Total liabilities	60,061	46,480	45,965	44,254	43,175
	Total equity	73,438	87,333	89,237	93,973	98,928
	Total liabilities & equity	133,499	133,813	135,202	138,227	142,102
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	7.6	6.9	(8.8)	5.0	6.0
	Recurrent EPS growth (%)	25.3	9.4	(22.1)	19.0	11.8
	Gross margin (%)	34.7	34.4	32.5	33.2	34.8
	Operating EBITDA margin (%)	21.0	20.3	20.9	21.2	21.5
	Net profit margin (%)	13.1	18.8	10.4	11.8	12.4
	Dividend payout ratio (%)	68.5	38.9	60.0	60.0	60.0
	Capex/sales (%)	17.3	(3.4)	8.7	6.1	4.3
	Interest cover (x)	9.33	11.85	8.65	13.45	16.78

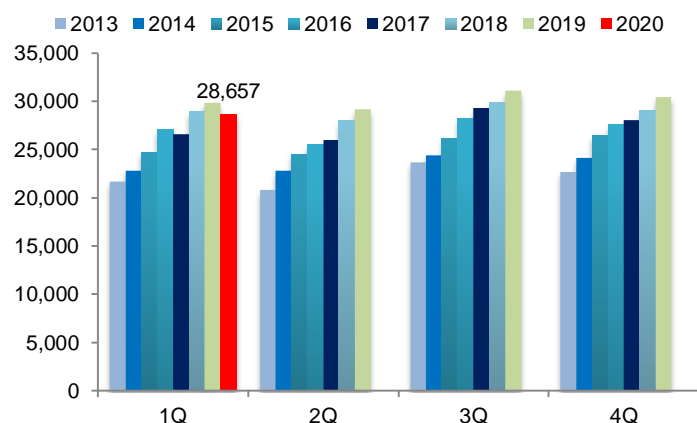
Source: Company data, RHB

Figure 1: BDMS' DCF valuation

THBm	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	10,317	11,904	13,189	15,153	17,881	20,234	22,302	25,815	29,683	33,937
EBIT (1-Tax)	8,253	9,523	10,551	12,123	14,305	16,187	17,841	20,652	23,746	27,149
Plus: Depreciation	6,751	6,289	6,446	6,607	6,773	6,942	7,115	7,293	7,476	7,663
Less: CAPEX	(6,430)	(4,726)	(3,494)	(3,581)	(3,671)	(3,763)	(3,857)	(3,953)	(4,052)	(4,153)
Net working capital	560	132	97	249	194	367	530	516	885	951
FCFF	9,134	11,218	13,601	15,398	17,601	19,733	21,630	24,508	28,055	31,610
Implicit Growth Rate	1.5%									
WACC	8.0%									
Terminal value	244,395									
PV of FCFF	135,633									
DCF (THBm)	380,028									
Net debt	(15,985)									
Minorities	(3,537)									
NPV to Equity	360,506									
No. of outstanding shares (m)	15,670									
Per share (THB)	23.0									

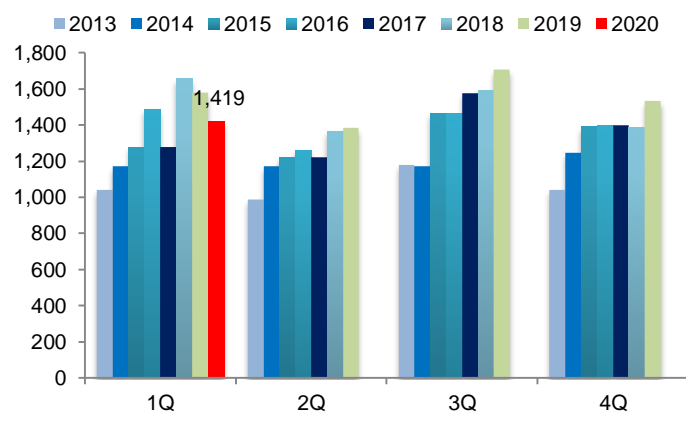
Source: RHB

Figure 2: Overall average visits per day (OPD)



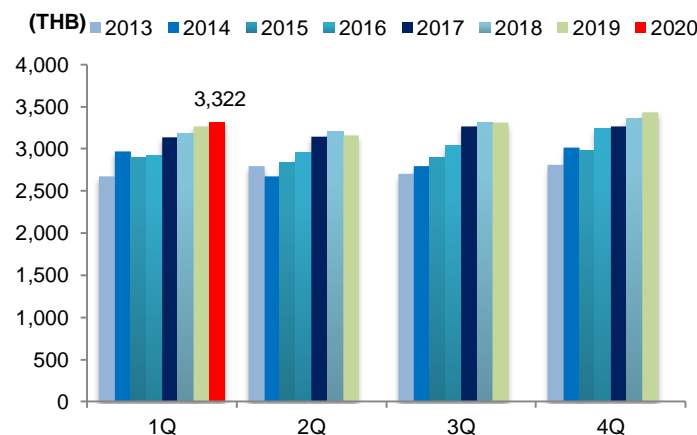
Source: Company data

Figure 3: Overall average admissions per day (IPD)



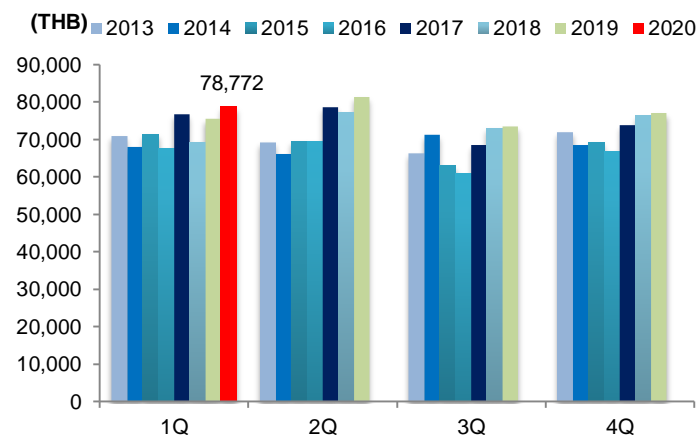
Source: Company data

Figure 4: Average revenue per visit per day (OPD)



Source: Company data

Figure 5: Average revenue per admission (IPD)



Source: Company data

Figure 6: BDMS' 1Q20 results review

FYE Dec (THBm)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)	Comments
Revenue	20,790	21,495	20,014	(6.9)	3.4	
Hospital operation income	19,793	20,307	18,882	(7.0)	2.6	Dropped QoQ, mainly dragged by lower revenue from the non-Thai segment (-14% YoY) due to the international travel restrictions imposed.
Non hospital income (F&B)	752	832	858	3.1	10.6	
Others	245	356	274	(23.0)	45.3	Increased YoY, mainly from increased demand for medical supplies during the early days of the COVID-19 pandemic. The QoQ decline was mainly on seasonal factors.
Cost of hospital & services	(13,490)	(13,810)	(13,034)	(5.6)	2.4	Increased slightly from higher overhead costs from new facilities.
<i>Gross Margin (%)</i>	<i>35.1</i>	<i>35.8</i>	<i>34.9</i>			
EBITDA	4,334	4,137	4,790	15.7	10.5	
<i>EBITDA Margin (%)</i>	<i>19.8</i>	<i>20.9</i>	<i>24.0</i>			
Depreciation	(1,358)	(1,499)	(1,593)	6.3	10.4	Up mainly from the adoption of TFRS 16, and the additional depreciation from BDMS Wellness Center.
EBIT	3,005	2,994	3,208	7.1	(0.4)	
<i>EBIT Margin (%)</i>	<i>14.5</i>	<i>13.9</i>	<i>16.0</i>			
Interest expense	(288)	(205)	(228)	11.2	(28.8)	
Associates	285	247	217	(12.1)	(13.3)	
EI/Others	7,617	0	0	nm	nm	
Pretax profit	10,619	3,036	3,197	5.3	(71.4)	
<i>Pretax Margin (%)</i>	<i>51.1</i>	<i>14.1</i>	<i>16.0</i>			
Net Profit	8,439	2,325	2,569	10.5	(72.4)	Mainly due to the absence of investment gains from Ramkhamhaeng Hospital's share divestment in 1Q19.
Core Profit	2,926	2,325	2,569	10.5	(12.2)	Decreased YoY, mainly from lower margins on the back of the decrease in topline.

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-03-02	Buy	25.0	22.3
2019-12-03	Buy	28.0	24.7
2018-12-28	Buy	29.0	24.8

Source: RHB, Bloomberg

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Analyst	Company
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ช่วงคะแนน Score	สัญลักษณ์ Rang Number of Logo	ความหมาย	Description
90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนารมณ์เข้าร่วม CAC
- ได้รับการรับรอง CAC

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