

COMPANY UPDATE

Bangkok Dusit Medical Services (BDMS TB)

To Return To Growth Mode In 2020

As core profit had bottomed in 2Q19, we are now looking for BDMS to gradually recover and to return to core profit growth mode again in 2020. This would be supported by a good management strategy while the newly-invested assets have started to deliver more revenue. Maintain BUY. Target price raised to Bt27.50.

WHAT'S NEW

- Performance to improve from 2H19 onwards.** In line with our expectation, Bangkok Dusit Medical Services' (BDMS) performance hit a bottom in 2Q19. Its core profit is expected to return to growth from 2H19 onwards. Although the newly-invested assets such as the two newly opened hospitals in 1H19, the BDMS Wellness Clinic and Movenpick BDMS Wellness Resort are not expected to generate much revenue in 2H19, BDMS' improved performance in 2H19 is expected to come from existing assets which should benefit from the positive impact of the hospital's high season in 2H19. Moving into 2020, BDMS' good performance would come from its newly-invested assets. Revenue from these assets should gradually increase - reaching EBITDA breakeven in 2021.
- Management's good strategy to enhance group's performance.** Meanwhile, BDMS' good performance is expected to be enhanced by its good strategy of having 12 Centres of Excellence (CoE) nationwide. This would enable the group to focus on high revenue and high-margin intensity cases nationwide - including neighbouring countries. The group has also focused on tapping patients with health insurance coverage. In 3Q19, patients with health insurance increased to 31% of total revenue, compared to 29% in 3Q18. Besides, BDMS' management is also well aware of expansion costs and has kept costs under control. There are no major expansion plans going forward, with the exception of a new 250-bed hospital at Jomtien in the Chonburi province, catering to middle-income patients; it is targeted to open in 2020.
- EBITDA margin to improve next year.** Despite BDMS' weak performance during 1H19, a gradually improved performance in 2H19 would enable its 2019 EBITDA to be well maintained at 20%, the same as in 2018. Looking forward into 2020, with increasing sales from newly-invested assets and no major capex spending except for that on the new Jomtien hospital and for maintenance costs, we expect BDMS' 2020 EBITDA margin to improve further to 21%. We only expect a small impact from the opening of two major new private hospitals in Bangkok (one with 250-beds, and another with 550-beds) by new entrants in 2020. We expect they should take time to ramp-up capacity and to be recognised by the public.

KEY FINANCIALS

Year to 31 Dec (Btm)	2017	2018	2019F	2020F	2021F
Net turnover	71,933	78,418	83,000	88,288	95,408
EBITDA	14,360	15,958	16,946	18,558	20,398
Operating profit	9,470	10,874	11,500	12,394	13,601
Net profit (rep./act.)	10,216	9,191	15,369	10,655	11,730
Net profit (adj.)	8,021	9,918	9,856	10,655	11,730
EPS (Bt)	0.5	0.6	0.6	0.7	0.7
PE (x)	46.4	37.9	38.7	35.8	32.5
P/B (x)	5.9	5.3	4.4	4.2	3.9
EV/EBITDA (x)	27.6	24.8	23.4	21.3	19.4
Dividend yield (%)	1.0	1.3	1.3	1.4	1.5
Net margin (%)	14.2	11.7	18.5	12.1	12.3
Net debt/(cash) to equity (%)	53.4	48.5	12.9	11.1	10.8
Interest cover (x)	9.4	13.7	19.8	27.8	36.2
ROE (%)	17.2	13.8	19.6	12.0	12.4
Consensus net profit	-	-	9,833	10,874	12,173
UOBKH/Consensus (x)	-	-	1.00	0.98	0.96

Source: Bangkok Dusit Medical Services, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt24.00
Target Price	Bt27.50
Upside	+14.6%
(Previous TP)	Bt27.00

COMPANY DESCRIPTION

A group of leading private hospitals with a nationwide network. The proportion of its local and foreign revenue stands at about 70:30. Local and regional expansion via greenfield projects and M&A are the growth drivers.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	BDMS TB
Shares issued (m):	15,892.0
Market cap (Btm):	381,408.0
Market cap (US\$m):	12,610.6
3-mth avg daily t'over (US\$m):	24.9

Price Performance (%)

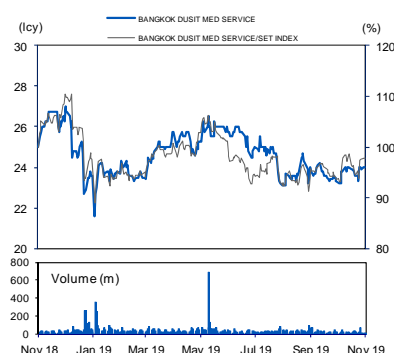
52-week high/low	Bt27.00/Bt21.60				
1mth	3mth	6mth	1yr	YTD	
3.0	3.4	(5.0)	(4.0)	(3.2)	

Major Shareholders

	%
Prasartong-osoth family	27.2
Thai NVDR	8.0
Tongtang family	6.2

FY19 NAV/Share (Bt)	5.43
FY19 Net Debt/Share (Bt)	0.70

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kowit Pongwinyoo
 +662 659 8304
 kowit.p@uobkayhian.co.th

STOCK IMPACT

• **4Q19 core profit to grow moderately.** Given the high seasonal effect and focus on intensity cases, BDMS' 4Q19 sales is expected to grow by 10% yoy to Bt21.4b. Despite opening two new hospitals and a new facility (Movenpick BDMS Wellness Resort) during 9M19, 4Q19 EBITDA margin is expected to still improve to 18% (4Q18: 16%) from good sales growth. With lower contribution from equity accounts after selling its entire stake in Ramkhamhaeng Hospital (RAM) in 1Q19, BDMS' 4Q19 core profit is expected to increase by only 5% yoy to Bt2.2b.

EARNINGS REVISION/RISK

- **Revise up forecasts.** In line with higher-than-estimated sales and earnings in 3Q19, we revise up our 2019 and 2020 sales and earnings forecasts.
- **Expect decent 8% yoy core profit growth in 2020.** Despite an expected stable EBITDA margin, BDMS' weak performance in 1H19 would lead to 2019 sales growth of 6% yoy to Bt83.0b while core profit is forecasted to be flat yoy at Bt9.9b. As newly assets started to generate revenue supported by a good management strategy, we expect EBITDA margin to improve in 2020. This would result in 2020 sales and core profit growth of 6% and 8% yoy to Bt88.3b and Bt10.7b, respectively.

VALUATION/RECOMMENDATION

• **Maintain BUY.** As 2Q19 was the weakest quarter for BDMS, the group is expected to make a gradual come-back which would lead to decent core profit growth of 8% yoy in 2020; we maintain our BUY call. We also raise our target price to Bt27.50 based on SOTP valuation, in-line with the upward revision to earnings forecasts. Share price should not trade below its average five-year 2020F PE mean.

SHARE PRICE CATALYST

- Announcement of new M&A deals.

RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q19F	yoy % chg	qoq % chg	2019F	yoy % chg
Sales	21,417	8.9	(1.0)	83,000	5.8
Gross Profit	7,083	10.1	(7.6)	28,200	4.9
EBITDA	3,813	21.2	(19.9)	16,946	6.2
Pre-tax Profit	2,567	35.1	(25.9)	11,748	9.8
Tax (538)		86.2	(24.2)	(2,440)	21.2
Net Profit	2,175	61.2	(24.7)	15,369	67.2
Net Profit (Ex EI)	2,175	4.8	(24.7)	9,856	(0.6)
EPS (Bt)	0.14	53.8	(22.9)	0.98	67.2
Gross margin (%)	33.1			34.0	
EBITDA margin (%)	17.8			20.4	
Net margin (%)	10.2			18.5	

Source: UOB Kay Hian

SOTP VALUATION

	Value (Btm)	Value/share (Bt)	Note
BDMS TB	413,636	26.03	DCF, discount rate 7% market price
BH TB (25%)	23,427	1.47	
Total	437,063	27.50	

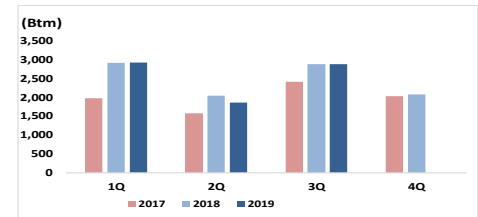
Source: UOB Kay Hian

REGIONAL PEER COMPARISON

Company	Ticker	PE (x) 2020F	P/B (x) 2020F	EV/EBITDA (x) 2020F	Div yield (%) 2020F	ROE (%) 2020F	Earnings Growth (%) 2020F
Bangkok Dusit	BDMS TB	35.8	4.2	21.3	1.4	12.0	8.1
Bumrungrad	BH TB	24.1	4.3	14.9	2.1	18.2	2.6
Bangkok Chain	BCH TB	30.6	5.8	18.2	1.6	18.0	12.0
Chularat	CHG TB	36.7	6.8	23.0	1.6	18.3	15.9
Vibhavadi	VIBHA TB	28.3	3.1	17.4	2.3	8.1	10.7
Raffles Medical	RFMD SP	31.9	2.2	18.0	2.1	7.4	(17.9)
IHH Healthcare	IHH MK	38.2	1.9	51.5	0.7	4.9	26.1
KPJ Healthcare	KPJ MK	22.2	1.9	11.2	2.2	9.8	-
Ramsay	RHC AU	25.4	5.2	10.2	2.2	21.1	2.5
Apollo	APHS IN	52.4	5.5	15.7	0.5	10.5	39.6
Local average		33.9	4.4	20.8	1.5	12.8	8.2
Total average		33.9	3.9	25.5	1.4	12.5	14.4

Source: Bloomberg, UOB Kay Hian

CORE PROFIT HIT BOTTOM IN 2Q19



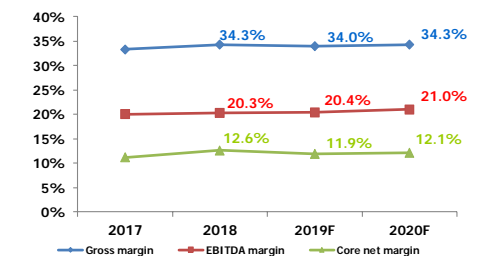
Source: UOB Kay Hian

FORECAST REVISION

(Btm)	2019F			2020F		
	Old	New	% chg	Old	New	% chg
Sales	81,600	83,000	+2%	86,735	88,288	+2%
Core profit	9,611	9,856	+3%	10,388	10,655	+3%

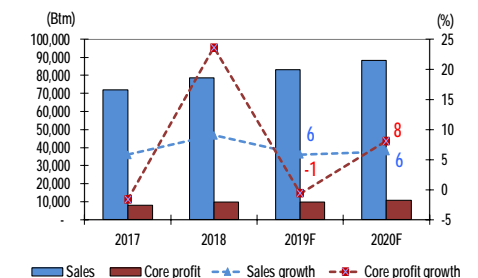
Source: UOB Kay Hian

MARGINS



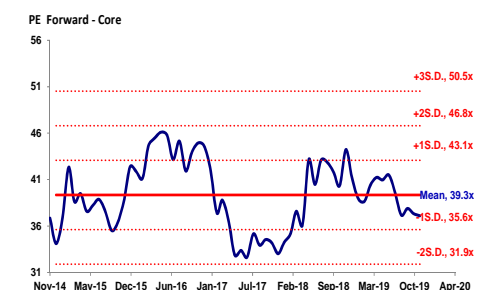
Source: BDMS, UOB Kay Hian

SALES AND CORE PROFIT GROWTH



Source: BDMS, UOB Kay Hian

PE MEAN AND SD



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Net turnover	78,418	83,000	88,288	95,408
EBITDA	15,958	16,946	18,558	20,398
Deprec. & amort.	5,084	5,446	6,165	6,797
EBIT	10,874	11,500	12,394	13,601
Total other non-operating income	989	1,104	1,112	1,121
Associate contributions	1,689	1,010	994	1,045
Net interest income/(expense)	(1,165)	(856)	(669)	(564)
Pre-tax profit	12,387	12,758	13,831	15,203
Tax	(2,013)	(2,440)	(2,696)	(2,973)
Minorities	(456)	(462)	(480)	(500)
Net profit	9,191	15,369	10,655	11,730
Net profit (adj.)	9,918	9,856	10,655	11,730

CASH FLOW

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Operating	12,277	20,095	15,824	18,448
Pre-tax profit	9,971	17,261	12,837	14,158
Tax	(2,013)	(2,440)	(2,696)	(2,973)
Deprec. & amort.	5,084	5,446	6,165	6,797
Associates	1,689	1,010	994	1,045
Working capital changes	(1,492)	5,342	(482)	467
Non-cash items	(506)	(6,061)	(513)	(546)
Other operating cashflows	(456)	(462)	(480)	(500)
Investing	(12,791)	1,167	(10,876)	(14,526)
Capex (growth)	(12,791)	1,167	(10,876)	(14,526)
Financing	701	(13,728)	(9,184)	(8,891)
Dividend payments	(5,598)	(4,596)	(4,928)	(5,327)
Issue of shares	4,186	5,447	0	0
Proceeds from borrowings	2,113	0	0	0
Loan repayment	0	(14,580)	(4,256)	(3,563)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	187	7,534	(4,236)	(4,968)
Beginning cash & cash equivalent	5,663	5,850	13,384	9,148
Ending cash & cash equivalent	5,850	13,384	9,148	4,179

BALANCE SHEET

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Fixed assets	74,496	79,807	85,491	93,270
Other LT assets	43,805	33,029	33,526	34,042
Cash/ST investment	5,850	13,384	9,148	4,179
Other current assets	9,348	9,916	10,553	11,399
Total assets	133,499	136,135	138,718	142,890
ST debt	15,196	5,350	4,741	3,282
Other current liabilities	13,303	14,534	15,872	17,421
LT debt	24,753	19,182	14,622	11,523
Other LT liabilities	6,809	7,490	8,239	9,063
Shareholders' equity	70,320	86,305	91,806	97,993
Minority interest	3,118	3,274	3,438	3,609
Total liabilities & equity	133,499	136,135	138,718	142,890

KEY METRICS

Year to 31 Dec (%)	2018	2019F	2020F	2021F
Profitability				
EBITDA margin	20.3	20.4	21.0	21.4
Pre-tax margin	15.8	15.4	15.7	15.9
Net margin	11.7	18.5	12.1	12.3
ROA	7.2	11.4	7.8	8.3
ROE	13.8	19.6	12.0	12.4
Growth				
Turnover	9.0	5.8	6.4	8.1
EBITDA	11.1	6.2	9.5	9.9
Pre-tax profit	20.7	3.0	8.4	9.9
Net profit	(10.0)	67.2	(30.7)	10.1
Net profit (adj.)	23.7	(0.6)	8.1	10.1
EPS	22.2	(2.0)	8.1	10.1
Leverage				
Debt to total capital	35.2	21.5	16.9	12.7
Debt to equity	56.8	28.4	21.1	15.1
Net debt/(cash) to equity	48.5	12.9	11.1	10.8
Interest cover (x)	13.7	19.8	27.8	36.2

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited (“UOBKH”), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report (“Information”) has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the “Subject Business”); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc (“UOBKHUS”), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2019, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W