

### COMPANY UPDATE

## Bangkok Dusit Medical Services (BDMS TB)

Expect A Seasonal Drop In 2Q24

BDMS has been gradually improving in profitability ever since the COVID-19 outbreak eased. We should see steady growth going forward as international patients have returned and the daily volume has recovered. There are also factors supporting the growth in patient volume and treatment prices. However, we foresee a qoq drop in 2Q24 due to seasonality. Maintain BUY. Target price: Bt32.00.

### WHAT'S NEW

- **Ever since the COVID-19 outbreak subsided, profitability has been constantly improving.** During the peak of the COVID-19 outbreak, the overwhelming number of cases filled hospital beds across the country. However, these patients were not profitable for hospitals as it stretched the capabilities of available personnel and immobilized other Outpatient Department (OPD) units. The number of international patients (high contribution to margin) also dropped due to lockdowns across the world. Now that the outbreak has passed, the hospitals are back to their normal operations and international patients are back after the lifting of travel restrictions. The margins have become more stable and are gradually improving.

### REVENUE BY SOURCE

Revenue Breakdown	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
<u>Nationality</u>									
Thai	78%	76%	76%	73%	71%	74%	74%	72%	70%
International	22%	24%	24%	27%	29%	26%	26%	28%	30%
<u>Location</u>									
Bangkok	57%	58%	56%	56%	56%	56%	56%	56%	54%
Upcountry	43%	42%	44%	44%	44%	44%	44%	44%	46%
<u>Hospital Services</u>									
OPD	45%	48%	47%	49%	48%	48%	48%	48%	49%
IPD	55%	52%	53%	51%	52%	52%	52%	52%	51%

Source: BDMS, UOB Kay Hian

- **Our forecast is slightly above the company's guidance.** Bangkok Dusit Medical Services (BDMS) guided for 2024 revenue growth of 10% while we forecast a 10.2% growth. The guidance on total capex (annual + expansion) for 2024 is 8-10% of total revenue while we forecast a total capex of 9.2% of total revenue. The guided EBITDA margin is 24-25% but our estimate is 25.2%, slightly above the guided range.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	91,934	100,853	111,107	117,199	123,353
EBITDA	22,941	24,784	28,049	29,618	31,208
Operating profit	16,992	18,936	21,856	23,075	24,308
Net profit (rep./act.)	12,606	14,375	17,052	18,084	19,133
Net profit (adj.)	12,606	14,375	17,052	18,084	19,133
EPS (Bt)	0.8	0.9	1.1	1.1	1.2
PE (x)	33.7	29.6	24.9	23.5	22.2
P/B (x)	4.7	4.5	4.3	4.1	3.9
EV/EBITDA (x)	19.0	17.6	15.6	14.7	14.0
Dividend yield (%)	2.2	2.6	3.1	3.3	3.5
Net margin (%)	13.7	14.3	15.3	15.4	15.5
Net debt/(cash) to equity (%)	9.6	9.1	7.4	6.8	6.0
Interest cover (x)	36.3	45.3	102.3	150.2	276.5
ROE (%)	14.5	15.5	17.5	17.8	18.1
Consensus net profit	-	-	15,732	17,178	19,022
UOBKH/Consensus (x)	-	-	1.08	1.05	1.01

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

## BUY

(Maintained)

Share Price	Bt26.75
Target Price	Bt32.00
Upside	+19.6%

### COMPANY DESCRIPTION

A group of leading private hospitals with a nationwide network offering world-class medical treatment to both local and international patients with new greenfield projects, M&A and digitalization of healthcare services as key long-term growth drivers.

### STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	BDMS TB
Shares issued (m):	15,892.0
Market cap (Btm):	425,111.1
Market cap (US\$m):	11,600.5
3-mth avg daily t'over (US\$m):	28.3

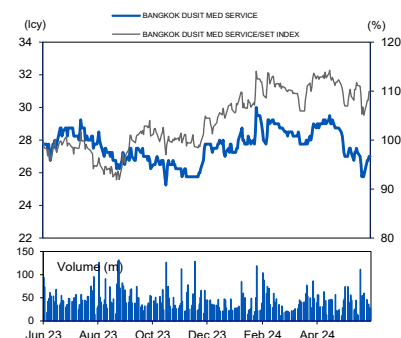
### Price Performance (%)

52-week high/low	Bt30.00/Bt25.25			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(7.0)	(6.1)	0.0	(5.3)	(3.6)

### Major Shareholders

	%
Prasartong-osoith family	18.0
Thai NVDR	13.7
Bangkok Airways	5.2
FY24 NAV/Share (Bt)	6.25
FY24 Net Debt/Share (Bt)	0.46

### PRICE CHART



Source: Bloomberg

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**Nonpawit Vathanadachakul**

- **Expect a seasonal drop in 2Q24.** In 2Q24, we expect to see a margin compression due to seasonality of the healthcare business. The pressure should come from the cost side, which is mainly dominated by personnel cost. There are many public holidays in 2Q, so BDMS' staff cost is expected to rise sharply qoq due to the increase in overtime pay to continue operating the hospitals. However, we should still see yoy growth in 2Q24 top-line.

### CORE OPERATIONAL STATISTICS

Core Operational Stats	1Q23	4Q23	1Q24	yoy (%)	qoq (%)
OPD visits per day	30,785	34,774	34,559	12%	-1%
Available beds	6,458	6,687	6,686	4%	0%
Average daily census	4,103	4,604	4,473	9%	-3%

Source: BDMS, UOB Kay Hian

### STOCK IMPACT

- **Surge in insurance will boost patient volume.** After the COVID-19 outbreak, people became more aware of the importance of and need for insurance. We are seeing a trend of increasing payors in insurance with the self-pay portion decreasing. This is a good thing for hospitals as self-paying payors are more sensitive to economics and can deny unnecessary treatments while the admission rate for insurance payors is higher as the treatments are covered by insurance.
- **Treatment price will be driven by Centers of Excellence.** Centers of Excellence (COE) are hospitals where BDMS provide treatments for complex and medically intense conditions such as trauma, heart diseases, orthopedics, neurological diseases, and cancer. For the conditions mentioned, the price of treatments is high, leading to high profitability for hospitals. BDMS has 13 COEs across Thailand and one COE in Cambodia. They contributed up to 62% of BDMS's EBITDA in 1Q24. The advantage of COEs is that they are located in top tourist destinations like Pattaya and Phuket where competition is not as fierce as in Bangkok. They often come as part of a medical tourism package to attract fly-in patients as well as expats who often come for more complex treatments, resulting in more profitability for BDMS.

### VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt32.00.** Our valuation is based on EV/EBITDA multiple of 18.0x. Despite BDMS being likely to have a seasonal drop qoq in 2Q24, we still like BDMS due to: a) its clear plan of driving growth via patient volume and pricing, b) its diversified base of patients, and c) its advantage in having COEs located in top tourist destinations.

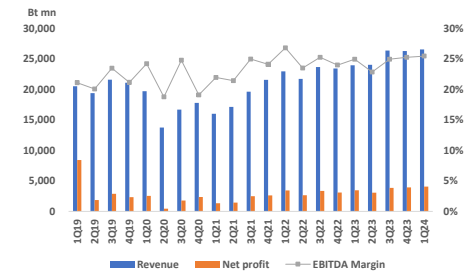
### SHARE PRICE CATALYST

- Insurance to boost patient volume.
- COEs to drive price of treatments.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

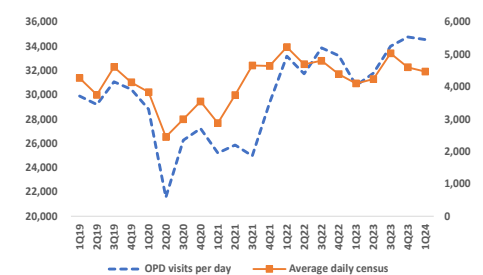
<b>CG Report: 5</b>
<b>SET ESG Rating: AA</b>
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Energy efficiency and waste management</b> by using energy-saving equipment and renewable energy sources.</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- <b>High-quality and accessible healthcare services.</b></li> <li>- <b>Strong community engagement</b> with active participation in health education and disaster relief efforts.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- <b>Strict standards</b> to ensure transparency and ethical business practices.</li> <li>- <b>Promote culture of compliance and ethics</b> through established codes of conduct and anti-corruption policies.</li> </ul> </li> </ul>

### BDMS QUARTERLY PERFORMANCE



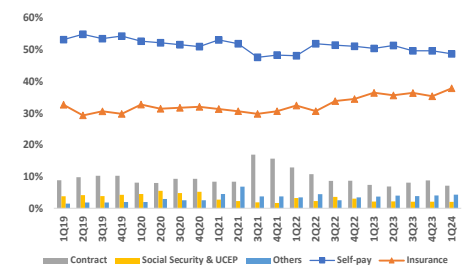
Source: BDMS, UOB Kay Hian

### BDMS' OPD AND IPD PATIENT VOLUME



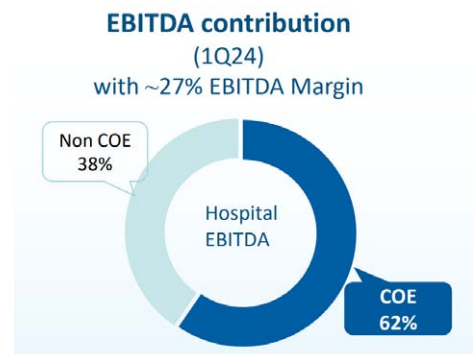
Source: BDMS, UOB Kay Hian

### REVENUE BREAKDOWN BY PAYOR



Source: BDMS, UOB Kay Hian

### CENTER OF EXCELLENCE CONTRIBUTION



Source: BDMS, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	100,853	111,107	117,199	123,353
EBITDA	24,784	28,049	29,618	31,208
Deprec. & amort.	5,848	6,193	6,543	6,901
EBIT	18,936	21,856	23,075	24,308
Total other non-operating income	173	177	180	184
Associate contributions	89	98	108	119
Net interest income/(expense)	(547)	(274)	(197)	(113)
<b>Pre-tax profit</b>	<b>18,652</b>	<b>21,857</b>	<b>23,166</b>	<b>24,498</b>
Tax	(3,755)	(4,262)	(4,517)	(4,777)
Minorities	(522)	(543)	(565)	(587)
<b>Net profit</b>	<b>14,375</b>	<b>17,052</b>	<b>18,084</b>	<b>19,133</b>
Net profit (adj.)	14,375	17,052	18,084	19,133

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>19,378</b>	<b>24,734</b>	<b>25,330</b>	<b>26,761</b>
Pre-tax profit	18,652	21,857	23,166	24,498
Tax	(3,755)	(4,262)	(4,517)	(4,777)
Deprec. & amort.	5,848	6,193	6,543	6,901
Associates	(89)	(98)	(108)	(119)
Working capital changes	(557)	410	(366)	(369)
Non-cash items	730	535	503	508
Other operating cashflows	(1,451)	98	108	119
<b>Investing</b>	<b>(11,214)</b>	<b>(10,404)</b>	<b>(11,098)</b>	<b>(11,473)</b>
Capex (growth)	(11,838)	(10,238)	(11,505)	(11,873)
Investments	(280)	(141)	(153)	(165)
Others	904	(26)	560	566
<b>Financing</b>	<b>(13,657)</b>	<b>(16,461)</b>	<b>(16,827)</b>	<b>(17,593)</b>
Dividend payments	(9,535)	(13,047)	(13,916)	(14,681)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(5,460)	(3,414)	(2,911)	(2,912)
Others/interest paid	1,338	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(5,493)</b>	<b>(2,132)</b>	<b>(2,595)</b>	<b>(2,305)</b>
Beginning cash & cash equivalent	14,988	9,495	7,363	4,768
Ending cash & cash equivalent	9,495	7,363	4,768	2,463

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	116,679	120,723	125,685	130,658
Other LT assets	3,372	3,676	3,878	4,092
Cash/ST investment	9,495	7,363	4,768	2,463
Other current assets	14,051	13,377	14,111	14,852
<b>Total assets</b>	<b>143,596</b>	<b>145,139</b>	<b>148,442</b>	<b>152,065</b>
ST debt	2,817	3,330	4,343	1,357
Other current liabilities	15,616	15,888	16,760	17,639
LT debt	15,317	11,390	7,465	7,540
Other LT liabilities	10,973	11,111	11,720	12,335
Shareholders' equity	95,242	99,247	103,416	107,868
Minority interest	3,630	4,173	4,738	5,325
<b>Total liabilities &amp; equity</b>	<b>143,596</b>	<b>145,139</b>	<b>148,442</b>	<b>152,065</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	24.6	25.2	25.3	25.3
Pre-tax margin	18.5	19.7	19.8	19.9
Net margin	14.3	15.3	15.4	15.5
ROA	10.1	11.8	12.3	12.7
ROE	15.5	17.5	17.8	18.1
<b>Growth</b>				
Turnover	9.7	10.2	5.5	5.3
EBITDA	8.0	13.2	5.6	5.4
Pre-tax profit	13.2	17.2	6.0	5.7
Net profit	14.0	18.6	6.1	5.8
Net profit (adj.)	14.0	18.6	6.1	5.8
EPS	14.0	18.6	6.1	5.8
<b>Leverage</b>				
Debt to total capital	15.5	12.5	9.8	7.3
Debt to equity	19.0	14.8	11.4	8.2
Net debt/(cash) to equity	9.1	7.4	6.8	6.0
Interest cover (x)	45.3	102.3	150.2	276.5

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