

BANGKOK DUSIT MEDICAL SERVICES

THAILAND / HEALTH CARE SERVICES

BDMS TB

BUY

UNCHANGED

Getting off to a healthy start in 2023

- Expect 1Q23 core profit to grow by 7% q-q to THB3.3b driven by international patient revenue which should grow 40-50% y-y.
- Revenue intensity has already exceeded pre-Covid by c10% and should be a key growth factor in 2023.
- Maintain BUY with a DCF-based TP of THB34.5/shr.

| | |
|-----------------|-----------|
| TARGET PRICE | THB34.50 |
| CLOSE | THB30.00 |
| UP/DOWNSIDE | +15.0% |
| PRIOR TP | THB34.50 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | +2.3% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|---------|---------|---------|
| Revenue | 92,968 | 100,315 | 108,779 | 116,421 |
| Net profit | 12,606 | 13,469 | 15,295 | 16,843 |
| EPS (THB) | 0.79 | 0.85 | 0.96 | 1.06 |
| vs Consensus (%) | - | 3.0 | 7.3 | 8.4 |
| EBITDA | 22,933 | 24,415 | 26,856 | 29,091 |
| Core net profit | 12,606 | 13,469 | 15,295 | 16,843 |
| Core EPS (THB) | 0.79 | 0.85 | 0.96 | 1.06 |
| Chg. In EPS est. (%) | - | - | - | - |
| EPS growth (%) | 63.0 | 6.8 | 13.6 | 10.1 |
| Core P/E (x) | 37.8 | 35.4 | 31.2 | 28.3 |
| Dividend yield (%) | 1.7 | 1.7 | 1.7 | 1.9 |
| EV/EBITDA (x) | 21.3 | 19.8 | 17.7 | 16.0 |
| Price/book (x) | 5.3 | 5.0 | 4.6 | 4.3 |
| Net debt/Equity (%) | 9.2 | 1.3 | (7.0) | (14.4) |
| ROE (%) | 14.5 | 14.5 | 15.4 | 15.8 |

Expect revenue to hit a new record high

We expect 1Q23 revenue to grow by 6% y-y and 3% q-q. International patient revenue should grow by 40-50% y-y and 15-20% q-q and exceed pre-Covid by 8% driven by CLMV and expat patients. Thai patient revenue should drop by 7% y-y due to the high base of Covid-related revenue which contributed 17% in 1Q22, but still exceed pre-Covid by c20%. EBITDA margin should improve to 25% (vs 24% in 4Q22). Overall, core profit should grow by 7% q-q to THB3.3b.

Patient volume to recover; strong revenue intensity to continue

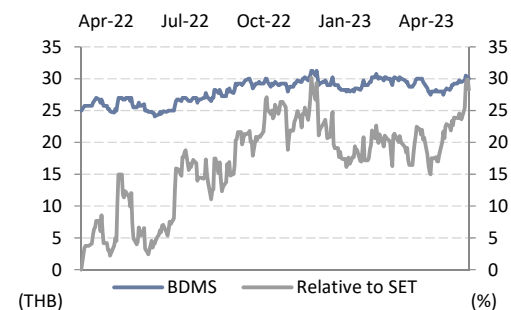
We expect revenue to grow by 8% in 2023, relatively in line with management's guidance, driven by revenue intensity. As of 4Q22, which represents normal operations post-Covid, revenue per head of OPD and IPD exceeded pre-Covid by 9% and 12%, respectively. We expect the momentum to continue in 2023 driven by international patients. Meanwhile, IPD patient volume was below pre-Covid by 4% as Middle Eastern patient volume was still below pre-Covid. We expect the recovery momentum to accelerate this year.

2023 earnings upside from EBITDA margin

We expect core profit to grow by 7% y-y in 2023. We believe there is an upside from EBITDA margin, which we forecast at 24.3% in 2023 (vs 24.7% in 2H23), from rising revenue intensity. We expect international patient revenue to grow by 30% y-y while Thai patient revenue remains relatively flat y-y. With the margin for international patients normally higher than for Thai patients, we estimate that for every 1% increase in EBITDA margin, 2023E earnings would rise by 6%.

Chinese and Saudi patient numbers are a key share price catalyst

We maintain our forecast and DCF-based TP of THB34.5/shr. BDMS is trading at 35x 2023E P/E, relatively in line with its five-year average of 34x. In our view, the key catalyst is the potential to capture more medical tourism from China and Saudi Arabia. BDMS has resumed its partnership with the Ping An group and plans to offer post-Covid packages to Chinese tourists, and has opened the BDMS Saudi Arabia Collaboration Center to facilitate Saudi patients.



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|------------------------------|---------|-------------|
| Absolute (%) | 6.2 | (0.8) | 20.0 |
| Relative to country (%) | 8.2 | 5.3 | 29.4 |
| Mkt cap (USD m) | | | 13,987 |
| 3m avg. daily turnover (USD m) | | | 31.4 |
| Free float (%) | | | 68 |
| Major shareholder | Prasert Prasatthongsoj (13%) | | |
| 12m high/low (THB) | | | 32.00/24.00 |
| Issued shares (m) | | | 15,892.00 |

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

BDMS has aggressively expanded its hospital network from 10 in 2004 to 57 currently. The company had a high capex level averaging 17% of revenue over 2013-19. It is now at the tail end of its capex cycle, as it has already achieved its target of 50 hospitals.

BDMS plans to focus on organic growth. We expect its EBITDA margin to be maintained at a high level of 24-25% over 2023-25 (vs 22% in 2019), led by a higher utilisation rate, its Centre of Excellence (CoE) project, and the turnaround of loss-making hospitals.

BDMS has a healthy balance sheet with 2022 net D/E at only 0.1x. FCF should accelerate, based on our estimates, and this would provide an upside to its dividend payouts.

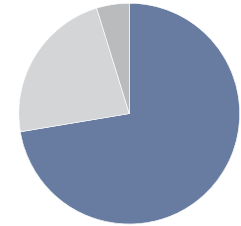
Company profile

BDMS is the largest healthcare provider in terms of market capital in Thailand. It operates 57 hospitals under six brands.

www.bangkokhospital.com

Principal activities (revenue, 2022)

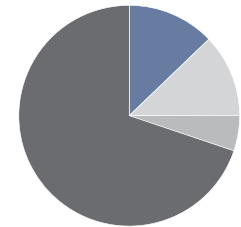
- Thai patient revenue - 72.4 %
- International patient revenue - 22.9 %
- Other revenue - 4.8 %



Source: Bangkok Dusit Medical Services

Major shareholders

- Prasert Prasathongsoj - 12.8 %
- Thai NVDR - 12.1 %
- Bangkok Airways - 5.2 %
- Others - 69.9 %



Source: Bangkok Dusit Medical Services

Catalysts

Key potential growth drivers include 1) higher insurance patient revenue; 2) rising demand from medical tourists; and 3) an improving EBITDA margin led by CoE hospitals.

Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.

Event calendar

| Date | Event |
|----------|---------------------------|
| May 2023 | 1Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|------------------------------|-------|-------|-------|
| | (%) | (%) | (%) |
| No. of hospitals (no.) | 60 | 61 | 62 |
| OPD volume growth | 4 | 4 | 4 |
| OPD revenue / patient growth | 4 | 4 | 3 |
| IPD volume growth | 27 | 9 | 4 |
| IPD revenue / patient growth | (15) | 0 | 3 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in patient volume, we project 2023 earnings to rise by 2%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project 2023 earnings to rise by 6%, and vice versa, all else being equal.

Source: FSSIA estimates

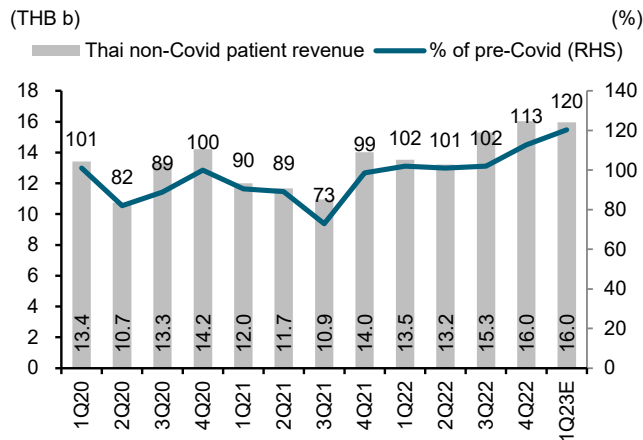
Exhibit 1: 1Q23 results preview

| | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23E | ----- Change ----- | | 2022 | 2023E | Change |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------------|--------------|---------------|---------------|--------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (y-y %) |
| Sales | 23,159 | 21,981 | 23,985 | 23,842 | 24,499 | 3 | 6 | 92,968 | 100,315 | 8 |
| - Hospital revenue | 22,165 | 20,976 | 22,825 | 22,568 | 23,225 | 3 | 5 | 88,535 | 95,661 | 8 |
| - Other revenue | 994 | 1,005 | 1,160 | 1,274 | 1,274 | 0 | 28 | 4,433 | 4,655 | 5 |
| COGS (incl depreciation) | (14,451) | (14,147) | (14,979) | (14,752) | (15,263) | 3 | 6 | (58,329) | (62,761) | 8 |
| Gross profit | 8,708 | 7,834 | 9,006 | 9,090 | 9,236 | 2 | 6 | 34,638 | 37,555 | 8 |
| SG&A | (4,025) | (4,200) | (4,496) | (4,933) | (4,709) | (5) | 17 | (17,655) | (19,351) | 10 |
| Operating profit¹⁾ | 4,683 | 3,634 | 4,510 | 4,157 | 4,527 | 9 | (3) | 16,984 | 18,204 | 7 |
| Net other income | 0 | 8 | 0 | (0) | 0 | | | 8 | 9 | 10 |
| Interest income | 13 | 16 | 19 | 32 | 32 | 0 | 154 | 80 | 142 | 78 |
| Interest expense | (158) | (151) | (154) | (169) | (167) | (1) | 5 | (632) | (700) | 11 |
| Pretax profit | 4,538 | 3,508 | 4,374 | 4,020 | 4,392 | 9 | (3) | 16,440 | 17,654 | 7 |
| Income Tax | (903) | (695) | (824) | (806) | (878) | 9 | (3) | (3,227) | (3,531) | 9 |
| Associates | 9 | 7 | 16 | 10 | 10 | 0 | 18 | 42 | 26 | (39) |
| Minority interest | (201) | (155) | (181) | (111) | (201) | 80 | 0 | (648) | (680) | 5 |
| Core profit | 3,443 | 2,664 | 3,386 | 3,113 | 3,323 | 7 | (3) | 12,606 | 13,469 | 7 |
| Extraordinaries, GW & FX | | | | | | | | 0 | 0 | |
| Reported net profit | 3,443 | 2,664 | 3,386 | 3,113 | 3,323 | 7 | (3) | 12,606 | 13,469 | 7 |
| Outstanding shares (m) | 15,892 | 15,892 | 15,892 | 15,892 | 15,892 | 0 | 0 | 15,892 | 15,892 | 0 |
| Core EPS (THB) | 0.22 | 0.17 | 0.21 | 0.20 | 0.21 | 7 | (3) | 0.79 | 0.85 | 7 |
| EPS (THB) | 0.22 | 0.17 | 0.21 | 0.20 | 0.21 | 7 | (3) | 0.79 | 0.85 | 7 |
| COGS excl. depreciation | 12,961 | 12,661 | 13,489 | 13,268 | 13,763 | 4 | 6 | 52,380 | 56,550 | 8 |
| Depreciation | 1,490 | 1,486 | 1,490 | 1,484 | 1,500 | 1 | 1 | 5,950 | 6,211 | 4 |
| EBITDA ²⁾ | 6,173 | 5,120 | 5,999 | 5,641 | 6,027 | 7 | (2) | 22,933 | 24,415 | 6 |
| Key ratios | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (%) | (ppt) |
| Gross margin | 38 | 36 | 38 | 38 | 38 | (0) | 0 | 37 | 37 | 0 |
| SG&A/Revenue | 17 | 19 | 19 | 21 | 19 | (1) | 2 | 19 | 19 | 0 |
| EBITDA margin | 27 | 23 | 25 | 24 | 25 | 1 | (2) | 25 | 24 | (0) |
| Net profit margin | 15 | 12 | 14 | 13 | 14 | 1 | (1) | 14 | 13 | (0) |
| Operating stats | (%) | (%) | (%) | (%) | (%) | | | | | |
| OPD revenue growth y-y | 36 | 39 | 42 | 15 | n/a | | | | | |
| OPD volume growth y-y | 32 | 23 | 35 | 13 | n/a | | | | | |
| OPD revenue per head growth y-y | 3 | 13 | 5 | 1 | n/a | | | | | |
| IPD revenue growth y-y | 53 | 18 | 7 | (2) | n/a | | | | | |
| IPD volume growth y-y | 7 | 12 | 90 | 35 | n/a | | | | | |
| IPD revenue per head growth y-y | 43 | 5 | (44) | (27) | n/a | | | | | |
| Thai revenue growth y-y | 38 | 18 | 10 | (4) | (7) | | | | | |
| International revenue growth y-y | 72 | 69 | 74 | 61 | 45 | | | | | |

1) Gross profit calculated by revenue – COGS including depreciation; 2) EBITDA calculated by operating profit + operating income – depreciation

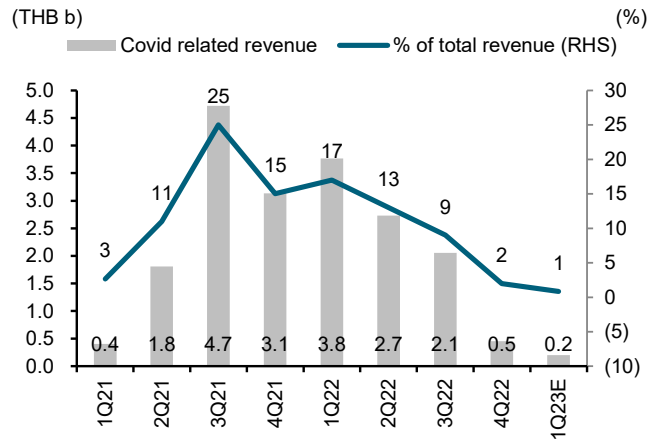
Sources: BDMS; FSSIA estimates

Exhibit 2: Non-Covid Thai patient revenue, quarterly



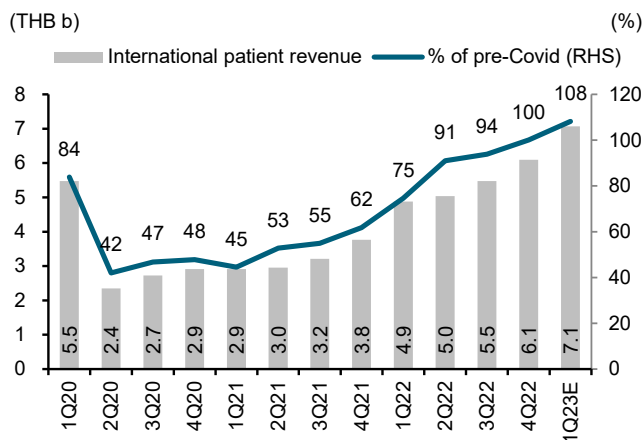
Sources: BDMS; FSSIA estimates

Exhibit 3: Covid-related revenue, quarterly



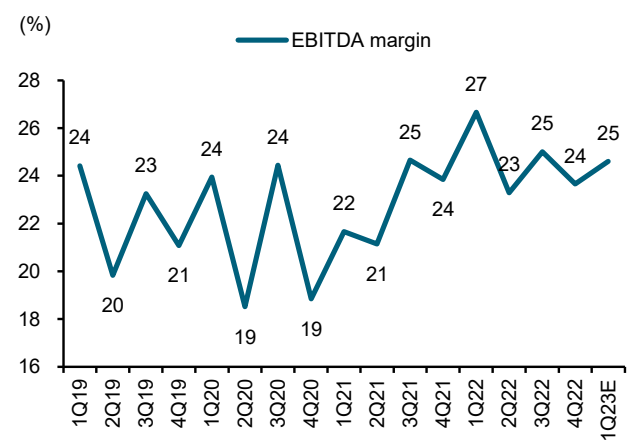
Sources: BDMS; FSSIA estimates

Exhibit 4: International patient revenue, quarterly



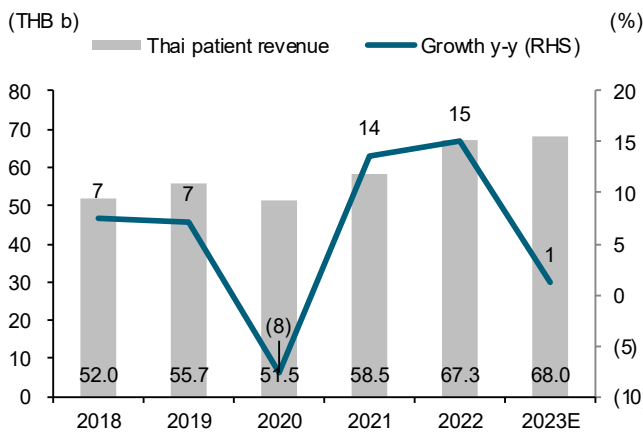
Sources: BDMS; FSSIA estimates

Exhibit 5: EBITDA margin trend, quarterly



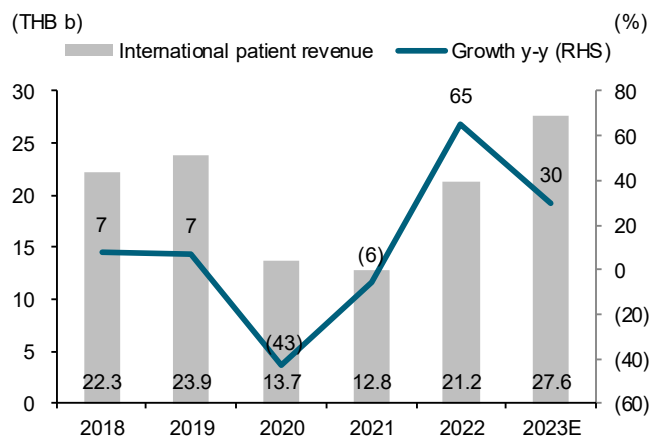
Sources: BDMS; FSSIA estimates

Exhibit 6: Thai patient revenue forecast, yearly



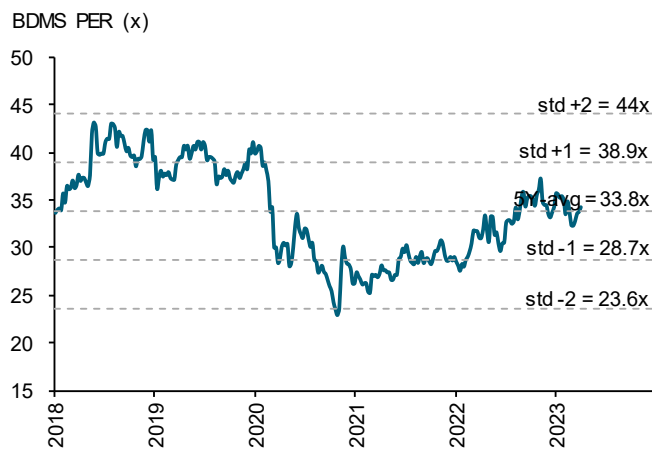
Note: Includes Covid-related revenue of THB10.1b in 2021 and THB9.0b in 2022
Sources: BDMS; FSSIA estimate

Exhibit 7: International patient revenue forecast, yearly



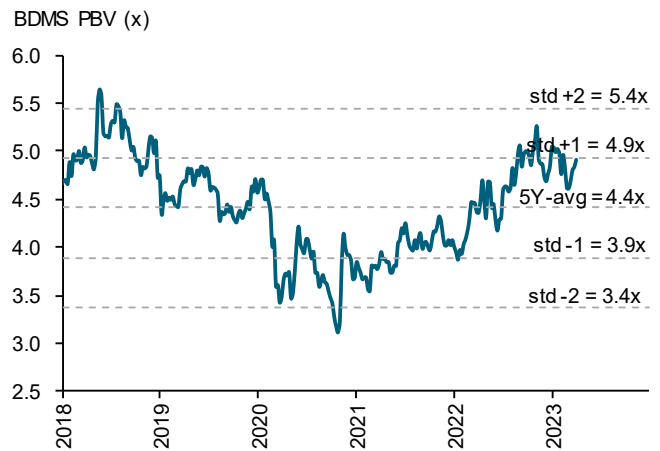
Sources: BDMS; FSSIA estimate

Exhibit 8: One-year prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: One-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Peer comparisons as of 7 April 2023

| Company | BBG | Rec | Share price | | | Market Cap (USD m) | PE | | ROE | | PBV | | EV/EBITDA | |
|-----------------------------|-----------|--------|---------------|--------------|------------|--------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| | | | Current (LCY) | Target (LCY) | Upside (%) | | 23E (x) | 24E (x) | 23E (%) | 24E (%) | 23E (x) | 24E (x) | 23E (x) | 24E (x) |
| Thailand | | | | | | | | | | | | | | |
| Bangkok Dusit Med Service | BDMS TB | BUY | 30.00 | 34.50 | 15.0 | 13,987 | 35.4 | 31.2 | 14.5 | 15.4 | 5.0 | 4.6 | 19.8 | 17.7 |
| Bumrungrad Hospital | BH TB | BUY | 230.00 | 260.00 | 13.0 | 5,364 | 34.1 | 31.3 | 25.6 | 24.8 | 8.2 | 7.3 | 22.0 | 20.1 |
| Bangkok Chain Hospital | BCH TB | BUY | 20.70 | 25.50 | 23.2 | 1,514 | 28.8 | 23.7 | 14.1 | 16.0 | 4.0 | 3.6 | 14.8 | 12.5 |
| Chularat Hospital | CHG TB | BUY | 3.58 | 4.40 | 22.9 | 1,155 | 29.9 | 25.7 | 16.5 | 18.8 | 5.0 | 4.6 | 17.4 | 15.0 |
| Praram 9 Hospital | PR9 TB | BUY | 20.90 | 22.00 | 5.3 | 482 | 28.2 | 26.0 | 12.1 | 12.6 | 3.3 | 3.2 | 14.2 | 12.9 |
| Thonburi Healthcare Group | THG TB | REDUCE | 69.00 | 55.00 | (20.3) | 1,716 | 49.3 | 43.4 | 11.4 | 12.4 | 5.5 | 5.3 | 26.9 | 24.0 |
| Vibhavadi Medical Center | VIBHA TB | BUY | 2.64 | 3.20 | 21.2 | 1,052 | 33.1 | 29.6 | 7.3 | 7.9 | 2.4 | 2.3 | 27.5 | 24.8 |
| Ramkhamhaeng Hospital | RAM TB | BUY | 53.75 | 62.00 | 15.3 | 1,892 | 30.1 | 26.3 | 11.3 | 12.2 | 3.3 | 3.1 | 24.7 | 22.4 |
| Rajthanee Hospital | RJH TB | n/a | 28.25 | n/a | n/a | 248 | 21.2 | 21.6 | 18.4 | 17.6 | 5.7 | 3.8 | 13.6 | 13.4 |
| Ekachai Medical Care | EKH TB | n/a | 7.90 | n/a | n/a | 156 | 23.4 | 22.3 | 12.3 | 12.0 | 5.7 | 2.7 | 11.9 | 11.0 |
| Thailand average | | | | | | 27,567 | 31.4 | 28.1 | 14.4 | 15.0 | 4.8 | 4.1 | 19.3 | 17.4 |
| Regional | | | | | | | | | | | | | | |
| Ramsay Health Care | RHC AU | n/a | 68.31 | n/a | n/a | 10,443 | 38.4 | 28.2 | 10.1 | 12.3 | 3.8 | 3.7 | 13.0 | 11.7 |
| Ihh Healthcare Bhd | IHH SP | n/a | 1.73 | n/a | n/a | 11,440 | 30.1 | 26.7 | 6.4 | 6.8 | 2.2 | 1.8 | 13.6 | 12.7 |
| Ryman Healthcare | RYM NZ | n/a | 5.30 | n/a | n/a | 2,297 | 10.5 | 11.8 | 7.0 | 7.2 | 1.2 | 0.7 | 14.2 | 15.7 |
| Apollo Hospitals Enterprise | APHS IN | n/a | 4,202 | n/a | n/a | 7,394 | 71.7 | 49.4 | 13.8 | 17.6 | 16.6 | 9.4 | 29.8 | 23.5 |
| Kpj Healthcare Berhad | KPJ MK | n/a | 1.13 | n/a | n/a | 1,121 | 23.5 | 20.9 | 9.2 | 10.0 | 2.5 | 2.1 | 11.3 | 10.7 |
| Raffles Medical Group | RFMD SP | n/a | 1.48 | n/a | n/a | 2,067 | 22.1 | 21.8 | 12.0 | 11.7 | 3.2 | 2.6 | 12.5 | 12.3 |
| Mitra Keluarga Karyasehat | MIKA IJ | n/a | 2,790 | n/a | n/a | 2,660 | 35.0 | 29.9 | 19.3 | 20.4 | 8.2 | 6.3 | 22.1 | 19.0 |
| Aier Eye Hospital Group | 300015 CH | n/a | 30.44 | n/a | n/a | 31,795 | 58.2 | 45.0 | 22.2 | 23.7 | 25.0 | 12.1 | 33.5 | 26.7 |
| Regional average | | | | | | 69,218 | 36.2 | 29.2 | 12.5 | 13.7 | 7.8 | 4.8 | 18.8 | 16.5 |
| Overall average | | | | | | 96,785 | 33.5 | 28.6 | 13.5 | 14.4 | 6.2 | 4.4 | 19.0 | 17.0 |

Sources: Bloomberg; FSSIA estimates

Financial Statements

Bangkok Dusit Medical Services

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue | 75,514 | 92,968 | 100,315 | 108,779 | 116,421 |
| Cost of goods sold | (43,141) | (52,380) | (56,550) | (61,212) | (65,396) |
| Gross profit | 32,373 | 40,588 | 43,766 | 47,567 | 51,025 |
| Other operating income | - | - | - | - | - |
| Operating costs | (15,029) | (17,655) | (19,351) | (20,712) | (21,934) |
| Operating EBITDA | 17,345 | 22,933 | 24,415 | 26,856 | 29,091 |
| Depreciation | (6,321) | (5,950) | (6,211) | (6,378) | (6,663) |
| Goodwill amortisation | - | - | - | - | - |
| Operating EBIT | 11,023 | 16,984 | 18,204 | 20,478 | 22,428 |
| Net financing costs | (655) | (552) | (558) | (469) | (394) |
| Associates | 21 | 42 | 26 | 28 | 31 |
| Recurring non-operating income | 26 | 50 | 34 | 38 | 42 |
| Non-recurring items | 200 | 0 | 0 | 0 | 0 |
| Profit before tax | 10,594 | 16,481 | 17,680 | 20,047 | 22,075 |
| Tax | (2,103) | (3,227) | (3,531) | (4,004) | (4,409) |
| Profit after tax | 8,490 | 13,254 | 14,149 | 16,043 | 17,666 |
| Minority interests | (554) | (648) | (680) | (748) | (823) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 7,936 | 12,606 | 13,469 | 15,295 | 16,843 |
| Non-recurring items & goodwill (net) | (200) | 0 | 0 | 0 | 0 |
| Recurring net profit | 7,736 | 12,606 | 13,469 | 15,295 | 16,843 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.49 | 0.79 | 0.85 | 0.96 | 1.06 |
| Reported EPS | 0.50 | 0.79 | 0.85 | 0.96 | 1.06 |
| DPS | 0.80 | 0.50 | 0.50 | 0.51 | 0.58 |
| Diluted shares (used to calculate per share data) | 15,892 | 15,892 | 15,892 | 15,892 | 15,892 |
| Growth | | | | | |
| Revenue (%) | 9.3 | 23.1 | 7.9 | 8.4 | 7.0 |
| Operating EBITDA (%) | 16.1 | 32.2 | 6.5 | 10.0 | 8.3 |
| Operating EBIT (%) | 29.3 | 54.1 | 7.2 | 12.5 | 9.5 |
| Recurring EPS (%) | 28.0 | 63.0 | 6.8 | 13.6 | 10.1 |
| Reported EPS (%) | 10.0 | 58.8 | 6.8 | 13.6 | 10.1 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 34.5 | 37.3 | 37.4 | 37.9 | 38.1 |
| Gross margin of key business (%) | 34.5 | 37.3 | 37.4 | 37.9 | 38.1 |
| Operating EBITDA margin (%) | 23.0 | 24.7 | 24.3 | 24.7 | 25.0 |
| Operating EBIT margin (%) | 14.6 | 18.3 | 18.1 | 18.8 | 19.3 |
| Net margin (%) | 10.2 | 13.6 | 13.4 | 14.1 | 14.5 |
| Effective tax rate (%) | 20.3 | 19.6 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 164.7 | 63.0 | 59.0 | 52.8 | 54.5 |
| Interest cover (X) | 16.9 | 30.8 | 32.7 | 43.8 | 57.0 |
| Inventory days | 16.3 | 14.7 | 14.8 | 14.8 | 14.9 |
| Debtor days | 39.4 | 38.5 | 38.1 | 35.2 | 32.9 |
| Creditor days | 40.1 | 39.1 | 41.4 | 41.4 | 41.7 |
| Operating ROIC (%) | 10.6 | 15.8 | 16.2 | 18.4 | 20.4 |
| ROIC (%) | 8.5 | 12.7 | 13.1 | 14.8 | 16.3 |
| ROE (%) | 9.0 | 14.5 | 14.5 | 15.4 | 15.8 |
| ROA (%) | 6.7 | 10.1 | 10.1 | 10.9 | 11.2 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| | 2021 | 2022 | 2023E | 2024E | 2025E |
| Thai patient revenue | 58,500 | 67,286 | 68,038 | 73,507 | 79,081 |
| International patient revenue | 12,841 | 21,248 | 27,623 | 30,385 | 32,208 |
| Other revenue | 4,173 | 4,433 | 4,655 | 4,887 | 5,132 |

Sources: Bangkok Dusit Medical Services; FSSIA estimates

Financial Statements

Bangkok Dusit Medical Services

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------------|-----------------|-----------------|----------------|----------------|----------------|
| Recurring net profit | 7,736 | 12,606 | 13,469 | 15,295 | 16,843 |
| Depreciation | 6,321 | 5,950 | 6,211 | 6,378 | 6,663 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 997 | 1,275 | 680 | 748 | 823 |
| Change in working capital | (980) | 720 | 940 | 1,072 | 966 |
| Cash flow from operations | 14,074 | 20,551 | 21,300 | 23,493 | 25,295 |
| Capex - maintenance | (4,235) | (14,953) | (6,019) | (6,527) | (6,985) |
| Capex - new investment | - | - | - | - | - |
| Net acquisitions & disposals | (58) | (386) | 0 | 0 | 0 |
| Other investments (net) | - | - | - | - | - |
| Cash flow from investing | (4,293) | (15,340) | (6,019) | (6,527) | (6,985) |
| Dividends paid | (12,738) | (7,943) | (7,946) | (8,081) | (9,177) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | (5,416) | 4,764 | (2,000) | (500) | (500) |
| Other financing cash flows | 75 | 299 | 0 | 0 | 0 |
| Cash flow from financing | (18,079) | (2,880) | (9,946) | (8,581) | (9,677) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (8,298) | 2,330 | 5,335 | 8,385 | 8,633 |
| Free cash flow to firm (FCFF) | 10,509.69 | 5,842.84 | 15,981.37 | 17,627.65 | 18,977.14 |
| Free cash flow to equity (FCFE) | 4,439.73 | 10,273.66 | 13,280.96 | 16,465.99 | 17,810.13 |

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| FCFF per share | 0.66 | 0.37 | 1.01 | 1.11 | 1.19 |
| FCFE per share | 0.28 | 0.65 | 0.84 | 1.04 | 1.12 |
| Recurring cash flow per share | 0.95 | 1.25 | 1.28 | 1.41 | 1.53 |

| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|----------------|----------------|----------------|----------------|----------------|
| Tangible fixed assets (gross) | 142,630 | 155,412 | 161,431 | 167,958 | 174,943 |
| Less: Accumulated depreciation | (59,725) | (63,503) | (69,714) | (76,092) | (82,755) |
| Tangible fixed assets (net) | 82,905 | 91,909 | 91,717 | 91,866 | 92,188 |
| Intangible fixed assets (net) | 18,828 | 19,160 | 19,160 | 19,160 | 19,160 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 1,600 | 1,986 | 1,986 | 1,986 | 1,986 |
| Cash & equivalents | 12,641 | 14,972 | 20,307 | 28,691 | 37,325 |
| A/C receivable | 9,131 | 10,484 | 10,484 | 10,484 | 10,484 |
| Inventories | 2,005 | 2,211 | 2,387 | 2,584 | 2,761 |
| Other current assets | 624 | 132 | 142 | 154 | 165 |
| Current assets | 24,401 | 27,799 | 33,320 | 41,914 | 50,735 |
| Other assets | 720 | 689 | 689 | 689 | 689 |
| Total assets | 128,454 | 141,543 | 146,872 | 155,615 | 164,758 |
| Common equity | 83,845 | 89,879 | 95,402 | 102,615 | 110,282 |
| Minorities etc. | 3,920 | 3,834 | 4,514 | 5,262 | 6,086 |
| Total shareholders' equity | 87,765 | 93,713 | 99,916 | 107,878 | 116,368 |
| Long term debt | 18,753 | 23,062 | 21,062 | 20,562 | 20,062 |
| Other long-term liabilities | 9,442 | 10,032 | 10,032 | 10,032 | 10,032 |
| Long-term liabilities | 28,196 | 33,094 | 31,094 | 30,594 | 30,094 |
| A/C payable | 5,035 | 6,176 | 6,668 | 7,217 | 7,711 |
| Short term debt | 76 | 532 | 532 | 532 | 532 |
| Other current liabilities | 7,382 | 8,028 | 8,663 | 9,394 | 10,053 |
| Current liabilities | 12,493 | 14,736 | 15,862 | 17,143 | 18,296 |
| Total liabilities and shareholders' equity | 128,454 | 141,543 | 146,872 | 155,615 | 164,758 |
| Net working capital | (657) | (1,377) | (2,316) | (3,388) | (4,354) |
| Invested capital | 103,396 | 112,367 | 111,235 | 110,313 | 109,669 |

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 5.28 | 5.66 | 6.00 | 6.46 | 6.94 |
| Tangible book value per share | 4.09 | 4.45 | 4.80 | 5.25 | 5.73 |

Financial strength

| | | | | | |
|---------------------------|-----|------|------|-------|--------|
| Net debt/equity (%) | 7.1 | 9.2 | 1.3 | (7.0) | (14.4) |
| Net debt/total assets (%) | 4.8 | 6.1 | 0.9 | (4.9) | (10.2) |
| Current ratio (x) | 2.0 | 1.9 | 2.1 | 2.4 | 2.8 |
| CF interest cover (x) | 7.8 | 19.6 | 24.8 | 36.1 | 46.2 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 61.6 | 37.8 | 35.4 | 31.2 | 28.3 |
| Recurring P/E @ target price (x) * | 70.9 | 43.5 | 40.7 | 35.8 | 32.6 |
| Reported P/E (x) | 60.1 | 37.8 | 35.4 | 31.2 | 28.3 |
| Dividend yield (%) | 2.7 | 1.7 | 1.7 | 1.7 | 1.9 |
| Price/book (x) | 5.7 | 5.3 | 5.0 | 4.6 | 4.3 |
| Price/tangible book (x) | 7.3 | 6.7 | 6.3 | 5.7 | 5.2 |
| EV/EBITDA (x) ** | 28.1 | 21.3 | 19.8 | 17.7 | 16.0 |
| EV/EBITDA @ target price (x) ** | 32.2 | 24.5 | 22.7 | 20.3 | 18.5 |
| EV/invested capital (x) | 4.7 | 4.4 | 4.3 | 4.3 | 4.3 |

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Bangkok Dusit Medical Services; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in [Environmental](#), and [Social](#) issues, by managing business with transparency in [Governance](#). The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: [Economic](#) (CG, risk management, customer relation management, supply chain management, and innovation); [Environmental](#) (environmental management, eco-efficiency, and climate risk); [Social](#) (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB50 (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER**ANALYST(S) CERTIFICATION****Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd**

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| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------------------|----------|------------|--------|--|
| Bangkok Dusit Medical Services | BDMS TB | THB 30.00 | BUY | Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects. |
| Bumrungrad Hospital | BH TB | THB 230.00 | BUY | Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher medical fee discount promotions, leading to a weaker EBITDA margin. |
| Bangkok Chain Hospital | BCH TB | THB 20.70 | BUY | Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget. |
| Chularat Hospital | CHG TB | THB 3.58 | BUY | Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO. |
| Praram 9 Hospital | PR9 TB | THB 20.90 | BUY | Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building. |
| Thonburi Healthcare Group | THG TB | THB 69.00 | REDUCE | Upside risks to our DCF-based target price include 1) a new Covid wave from a new variant; and 2) big-lot sales of Jin Wellbeing County units. |
| Vibhavadi Medical Center | VIBHA TB | THB 2.64 | BUY | Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO. |
| Ramkhamhaeng Hospital | RAM TB | THB 53.75 | BUY | Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from its subsidiary companies. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 07-Apr-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.