

BANGKOK DUSIT MEDICAL SERVICES

THAILAND / HEALTH CARE SERVICES

BDMS TB

BUY

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2Q23 results at first glance

2Q23 core profit grew 15% y-y to THB3.1b, in line with estimate

Highlights

- BDMS reported a core profit of THB3.1b in 2Q23 (+15% y-y, -12% q-q), in line with our forecast and BBG's consensus estimate. 2Q23 core profit exceeded 2Q19's profit by 64%.
- Hospital revenue grew 10% y-y and was flat q-q in 2Q23, even in the low season. International patient revenue grew 22% y-y and exceed the pre-Covid level by 7%, driven by patient revenue from China (+61% y-y), the Middle East (+33% y-y) and CLMV (+30% y-y). Thai patient revenue grew 7% y-y and exceeded pre-Covid by 31%, despite sharply decreasing Covid revenue. In q-q terms, international patient revenue dropped by 10% due to the seasonal effect, but Thai patient revenue grew by 5% q-q.
- COGS increased by 9% y-y and SG&A increased by 16% y-y in 2Q23. As a result, the EBITDA margin was relatively flat y-y at 23%.
- 1H23 core profit of THB6.5b accounted for 49% of our 2023E profit of THB13.5b.

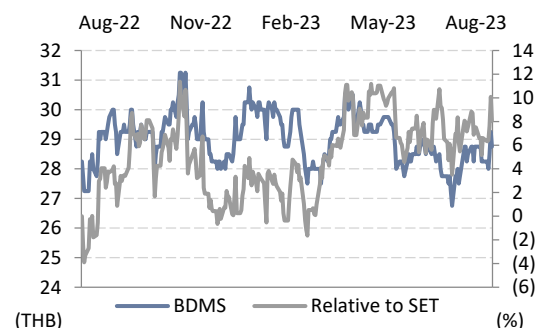
Outlook

- We expect strong 3Q23 earnings, which should grow q-q and y-y due to the rainy season in Thailand and strong demand from Middle Eastern patients post Ramadan.

TARGET PRICE	THB34.50
CLOSE	THB28.75
UP/DOWNSIDE	+20.0%
TP vs CONSENSUS	+2.1%

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 (%)	-	(0.4)	3.9	6.7
EBITDA	22,933	24,415	26,856	29,091
Recurring net profit	12,606	13,469	15,295	16,843
Core EPS (THB)	0.79	0.85	0.96	1.06
EPS growth (%)	63.0	6.8	13.6	10.1
Core P/E (x)	36.2	33.9	29.9	27.1
Dividend yield (%)	1.7	1.7	1.8	2.0
EV/EBITDA (x)	20.5	19.0	16.9	15.3
Price/book (x)	5.1	4.8	4.5	4.1
Net debt/Equity (%)	9.2	1.3	(7.0)	(14.4)
ROE (%)	14.5	14.5	15.4	15.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.6	(3.4)	1.8
Relative to country (%)	1.0	(1.3)	7.5
Mkt cap (USD m)	13,028		
3m avg. daily turnover (USD m)	36.2		
Free float (%)	70		
Major shareholder	Thai NVDR (14%)		
12m high/low (THB)	32.00/26.50		
Issued shares (m)	15,892.00		

Sources: Bloomberg consensus; FSSIA estimates


Teerapol Udomvej, CFA

Analyst register no. 080523

teerapol.udo@fssia.com, +66 2611 3535

Exhibit 1: BDMS – 2Q23 operations summary

	2Q22	3Q22	4Q22	1Q23	2Q23	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	21,981	23,985	23,842	24,313	24,372	0	11	100,315
- Hospital revenue	20,976	22,825	22,568	23,084	23,141	0	10	95,661
- Other revenue	1,005	1,160	1,274	1,229	1,232	0	23	4,655
COGS (incl depreciation)	(14,147)	(14,979)	(14,752)	(15,122)	(15,432)	2	9	(62,761)
Gross profit	7,834	9,006	9,090	9,191	8,940	(3)	14	37,555
SG&A	(4,200)	(4,496)	(4,933)	(4,633)	(4,876)	5	16	(19,351)
Operating profit¹⁾	3,634	4,510	4,157	4,558	4,064	(11)	12	18,204
Net other income	8	0	(0)	12	5			9
Interest income	16	19	32	26	48	85	189	142
Interest expense	(151)	(154)	(169)	(164)	(134)	(18)	(11)	(700)
Pretax profit	3,508	4,374	4,020	4,432	3,983	(10)	14	17,654
Income Tax	(695)	(824)	(806)	(880)	(812)	(8)	17	(3,531)
Associates	7	16	10	34	13	(63)	93	26
Minority interest	(155)	(181)	(111)	(116)	(120)	3	(22)	(680)
Core profit	2,664	3,386	3,113	3,470	3,063	(12)	15	13,469
Extraordinaries, GW & FX								0
Reported net profit	2,664	3,386	3,113	3,470	3,063	(12)	15	13,469
Outstanding shares (m)	15,892	15,892	15,892	15,892	15,892	0	0	15,892
Core EPS (THB)	0.17	0.21	0.20	0.22	0.19	(12)	15	0.85
EPS (THB)	0.17	0.21	0.20	0.22	0.19	(12)	15	0.85
COGS excl depreciation	12,661	13,489	13,268	13,693	13,986	2	10	56,550
Depreciation	1,486	1,490	1,484	1,429	1,446	1	(3)	6,211
EBITDA ²⁾	5,120	5,999	5,641	5,987	5,510	(8)	8	24,415
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Gross margin	36	38	38	38	39	1	3	37
SG&A/Revenue	19	19	21	19	20	1	1	19
EBITDA margin	23.3	25.0	23.7	24.6	22.6	(2)	(1)	24
Net profit margin	12	14	13	14	13	(2)	0	13
Operating stats	(%)	(%)	(%)	(%)	(%)			
OPD revenue growth y-y	39	42	15	11	10			
OPD volume growth y-y	23	35	13	0				
OPD revenue per head growth y-y	13	5	1	11				
IPD revenue growth y-y	18	7	(2)	(2)	10			
IPD volume growth y-y	12	90	35	43				
IPD revenue per head growth y-y	5	(44)	(27)	(31)				
Thai revenue growth y-y	18	10	(4)	(6)	7			
International revenue growth y-y	69	74	61	38	22			

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

Sources: BDMS; 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	(49,462)	(58,329)	(62,761)	(67,590)	(72,059)
Gross profit	26,052	34,638	37,555	41,189	44,362
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 exc. depreciation (%)	42.9	43.7	43.6	43.7	43.8
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)					
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)	2021	2022	2023E	2024E	2025E
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)	2021	2022	2023E	2024E	2025E
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	2021	2022	2023E	2024E	2025E
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) *	59.1	36.2	33.9	29.9	27.1
Recurring P/E @ target price (x) *	70.9	43.5	40.7	35.8	32.6
Reported P/E (x)	57.6	36.2	33.9	29.9	27.1
Dividend yield (%)	2.8	1.7	1.7	1.8	2.0
Price/book (x)	5.4	5.1	4.8	4.5	4.1
Price/tangible book (x)	7.0	6.5	6.0	5.5	5.0
EV/EBITDA (x) **	26.9	20.5	19.0	16.9	15.3
EV/EBITDA @ target price (x) **	32.2	24.5	22.7	20.3	18.5
EV/invested capital (x)	4.5	4.2	4.2	4.1	4.1

* 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).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

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 > THB5b (~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

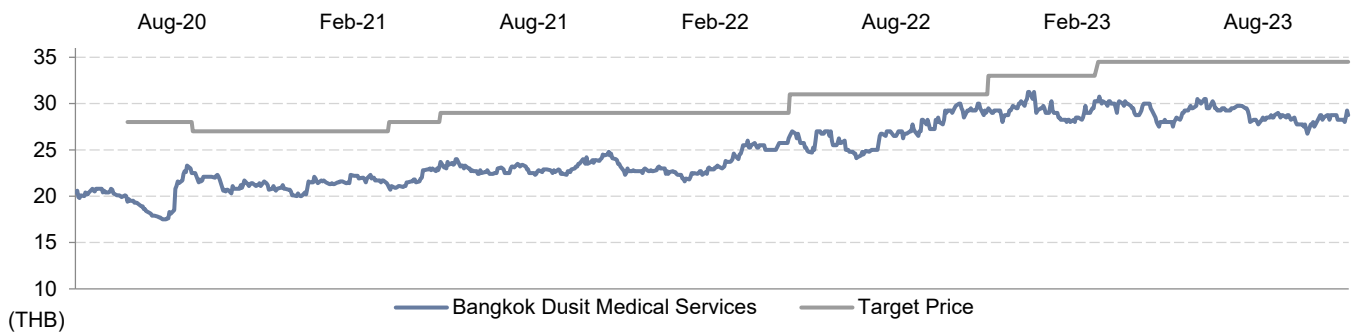
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History of change in investment rating and/or target price

Bangkok Dusit Medical Services (BDMS TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Sep-2020	BUY	28.00	24-Jun-2021	BUY	29.00	08-Jan-2023	BUY	34.50
24-Nov-2020	BUY	27.00	19-Apr-2022	BUY	31.00			
11-May-2021	BUY	28.00	06-Oct-2022	BUY	33.00			

Teerapol Udomvej, CFA started covering this stock from 30-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Dusit Medical Services	BDMS TB	THB 28.75	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.

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 11-Aug-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.