

# Bangkok Dusit Medical Services

2QFY15 net profit seen down on seasonal effect and economic growth slowdown

THAILAND | SET | HELTH | COMPANY PREVIEW

BLOOMBERG BDMS TB | REUTERS BDMS.BK

## 2QFY15 net profit seen down on seasonal effect, weaker profitability

The second-quarter earnings normally pale in comparison to other quarters given a greater number of holidays. But the current economic sluggishness increasingly damped the middle-incomers' purchasing power and this appears to take a toll on BDMS's chain hospitals Phayathai and Paolo. Meanwhile, the upcountry hospitals that welcome international clients such as, BGH Phuket, BGH Samui, BGH Pattaya, have suffered from lower demand as well due to economic growth slowdown overseas—e.g., Australia, Russia and Scandinavia. In contrast, BDMS's premium segment, including BDMS Soi Soon Vijai, SVH, BHN, continued to enjoy a significant growth in patient volume and higher intensity cases. Revenue from Bangkok and upcountry hospitals is likely to grow at a similar pace of 5% each, still below the regular level of 7%-8% while that of new provincial hospitals would grow 11%.

In sum, total revenue would grow 11% y-y in 2QFY15, breaking down to 5% growth from the existing 26 hospitals and 6% from the 13 newly operated hospitals. In terms of operating cost, the existing hospitals still have effective cost-control measures. This, together with higher intensity cases, strengthens their profitability, which seems to be dampened by new hospitals that have to shoulder burden of high expenses during initial stage of operations, while it would take around 2-3 years to drive EBITDA back into positive. For this reason, we expect 2QFY15 net profit to decline 2.4% y-y and 36% q-q to Bt1,465mn.

## 2HFY15 outlook brighter on seasonally stronger demand in 3QFY15 and rising int'l patients

A number of foreign patients gradually climbs and the Middle East customers are expected to increase as the Ramadan was over while the high-demand season in 3QFY15 should move the needle to its top line. Nevertheless, a modest growth in 2QFY15 revenue, hurt by subdued economy that resulted in lower volume of domestic and international patients, prompts us to cut our FY15 revenue forecast down to 60,777.14mn, representing 11.84% y-y, and gross margin estimate to 33.85% from earlier 34.04%. We also raise our SG&A assumption to reflect higher expenses in new hospitals and higher medical employers. As such, our net profit projection is lower to Bt8,222mn, which still sees 11.21% y-y growth.

## 'BUY' rating maintained with downwardly revised target price to Bt22.40/share

A downward revision in our FY15 forecast leads our target price down to Bt22.40/share (earlier Bt23.25/share) but we still have a 'BUY' call for BDMS as the share prices currently provides 13% upside gains and dividend yield is estimated at 1.4%.

29 July 2015

### Buy(Maintain)

Closing Price(Bt) 19.80  
Target Price(Bt) 22.40 (+13.13%)

#### COMPANY DATA

O/S Shares (mn):	15,491
Market Cap. (Btmn):	306,721
Market Cap. (USDmn):	8,790
52-WK Hi/Lo (Bt):	21.7/15.3
3M Average Daily T/O (mn):	23.54
Par Value (Bt):	0.10

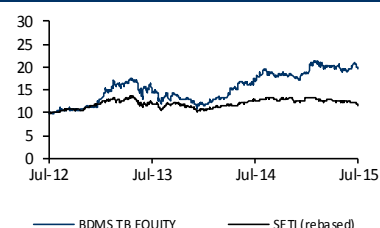
#### MAJOR SHAREHOLDERS (%) 27 March 2015

1. Mr. Prasert Prasarttong-osoath	19.1
2. Mr. Wichai Thongtang	6.7
3. Bangkok Airway Plc	6.5

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	1%	-2%	13%
REL TO SET INDEX	8%	6%	23%

#### PRICE VS SET INDEX



Source: Bloomberg, PSR

#### KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Sales(Btmn)	49,170	54,341	60,777	66,425
Net Profit(Btmn)	6,261	7,394	8,222	9,243
EPS (Bt)	0.40	0.48	0.53	0.60
P/E (X)	49.5	41.5	37.4	33.0
BVPS (Bt)	2.63	3.02	3.36	3.69
P/B (X)	7.5	6.6	5.9	5.4
DPS (Bt)	0.20	0.24	0.27	0.30
Dividend Yield (%)	1.0	1.2	1.4	1.5
ROE (%)	16.15	16.91	16.66	16.97
Debt/Equity (X)	0.83	0.95	0.84	0.74

Source: Company, PSR Est.

\*\*Multiples and yields are based on latest closing price

#### VALUATION METHOD

DCF (WACC: 7%; terminal g: 4%)

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## Industry Group

Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
Technology [TECH]	Transportation & Logistics	TRANS
	Electronic Components	ETRON
	Information & Communication Technology	ICT

## PSR Rating System

Capital Gain	Recommendation
> +10%	Buy
0% to + 10%	Neutral
< 0%	Sell

### Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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