

# BANGKOK DUSIT MEDICAL SERVICES PLC

No. 198/2023  
16 October 2023

## CORPORATES

<b>Company Rating:</b>	AA+
<b>Issue Ratings:</b>	
Senior unsecured	AA+
<b>Outlook:</b>	Stable

**Last Review Date:** 12/10/22

### Company Rating History:

Date	Rating	Outlook/Alert
12/10/22	AA+	Stable
24/10/19	AA	Stable
27/10/14	AA-	Stable
10/11/11	A+	Stable
17/12/10	A	Positive
11/02/08	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Bangkok Dusit Medical Services PLC (BDMS) and the ratings on its senior unsecured debentures at “AA+”, with a “stable” rating outlook. The ratings reflect BDMS’s market position as the largest private hospital provider in Thailand, its extensive network of hospitals, and its strong franchise of hospital brands. The ratings factor in the company’s improved operating performance post-pandemic and its strong balance sheet. However, these strengths are tempered by intense competition from local and foreign healthcare service providers, as well as challenges from rising operating expenses.

## KEY RATING CONSIDERATIONS

### Largest private hospital group in Thailand

BDMS maintains its leadership in the private hospital industry, by operating Thailand’s largest hospital network. As of June 2023, its extensive network included 58 hospitals in total: 56 in Thailand and two in Cambodia. The group’s 6,486 inpatient beds accounted for about 17% of all private hospital beds in Thailand. Over the past five years, the company has generated yearly operating revenues ranging from THB69-TH93 billion. This represents a significant share of around 50% of total revenue generated by private hospital operators listed on the Stock Exchange of Thailand (SET).

BDMS’s competitive strength stems from extensive network of hospitals spanning diverse locations. Its well-equipped facilities offer comprehensive healthcare as well as preventive care. Furthermore, the company serves a wide patient group, comprising Thai and international patients across various levels of medical care. Around 70% of the company’s revenue came from Thai patients, with the remaining 30% from international patients.

BDMS’s hospital brands such as Bangkok Hospital, Samitivej Hospital, BNH Hospital, Phyathai Hospital, and Paolo Hospital are well-known for providing high quality treatment. Over the next three years, the company’s strategic investments will aim to extend its medical services and improve its hospital facilities and equipment, allowing the company to provide advanced and complex treatments. The company’s hospital network has a large pool of more than 12,000 doctors and 8,000 registered nurses, making it the largest healthcare workforce in Thailand.

### International patients continue to grow

We expect BDMS’s revenue from international patients will continue to grow, driven by rising numbers of medical tourists (fly-in patients) as well as increase in sophisticated treatments.

Pent-up demand for medical treatment in Thailand and the resumption of overseas travelling have played crucial roles in boosting the medical tourism recovery. Foreign patients often seek treatment for difficult and severe medical diseases. The average daily international outpatient visits during the first six months of 2023 were 4,240 persons, above the pre-pandemic average of 4,078 persons per day in 2019.

In 2022, BDMS’s revenue from international patients increased significantly to THB21.3 billion, a remarkable 69% rise from 2021. This upward trend has continued through the first six months of 2023, with overseas patient revenues increasing by 30% year-on-year (y-o-y), reaching around 105% of the

pre-pandemic level in the first half of 2019. International patient revenue has shown signs of strong revival. Revenues from international patients, particularly patients from Thailand's neighboring nations of Cambodia, Myanmar, and the Lao People's Democratic Republic (Lao PDR) as well as the Arabic and Chinese patients, increased by more than 50% y-o-y in the first six months of 2023.

The company has actively made marketing attempts to approach new international patient groups such as Saudi Arabia in the Middle East. Patients from countries close to Thailand largely constitute the high demand for medical treatments in Thailand. Also, we anticipate the government's economic stimulus measures and the relaxation of visa requirements for tourists from certain countries, will serve as additional incentives driving a greater number of foreign visitors and medical tourists to Thailand. We expect continued rising numbers of patients from Thailand's neighboring nations, as well as China and the Middle East.

We believe that Thailand's competitive strengths in healthcare services over other Southeast Asian countries will remain, supported by its strategic location, highly- skilled medical professionals, good medical facilities, high service quality, warm hospitality, and competitive pricing.

### **Sound performance expected**

In 2022, the company's operating revenue rose by 23% y-o-y, reaching THB93 billion. For the first six months of 2023, the company experienced an 8% y-o-y revenue increase, primarily driven by the significant recovery in foreign patient numbers. The proportion of income from foreigners now accounts for 28% of the total patient revenue, close to the 30% recorded in 2019.

The number of Thai patients is expected to rise with higher cases of complex diseases and the aging of Thai society. Also, the expansion of patients covered by health insurance would contribute to the growth of the Thai patient base. In the first six months of 2023, the proportion of BDMS's patients covered by insurance increased to 36% of medical revenue, up from 29% in 2018. The company is also upgrading its hospitals to Centers of Excellence (CoE), equipped with advanced facilities, modern equipment, and specialized medical professionals, enhancing its capability to treat comprehensive and complex diseases. As of June 2023, the company's CoE totaled 14 hospitals, an increase from 12 hospitals at the end of 2022. With higher intensity of care, the CoE generated about 60% of total patient revenue in the first half of 2023.

The company has expansion plans for its hospital network, focusing on increasing capacity in existing hospitals as well as establishing more specialized treatment facilities. For example, the company recently opened a cancer hospital and a new hospital in Rayong Province. New facilities are aimed at serving patients in need of specialized treatment and expanding the network to a broader patient demographic. The company is further enhancing its health technological service platforms to reach new patients. The company is pursuing an investment plan for holistic and preventive care known as "BDMS Silver Wellness and Residence Project". This project is currently in the design phase and due to be launched in 2029, with a total investment of about THB23.5 billion. BDMS intends to develop this project over 6.5 years.

During the next three years, we expect the company to deliver sound operational performance, driven by the increase in medical tourism patients and the company's strong market position and extensive network. The revenue growth is also boosted by the expansions of BDMS's existing and new hospitals. We expect an annual overall revenue growth of 3%-7% during 2023-2025.

### **Profit margins to remain strong despite elevated costs**

During the next three years, we expect BDMS's earnings before interest, taxes, depreciation, and amortization (EBITDA) to continue to remain strong, aligning with the recovery of international patient visits and enhancement of Thai patient revenue base. The increasing number of international patients seeking treatment for complex diseases and the rebound in Thai patient visits will likely help improve utilization of hospital facilities. However, we expect the company's profit margins to remain under pressure due to the rising personnel expenses and increased costs of medical care. To mitigate the impact on its profit margin, the company's strategy moving forward is to enhance work efficiency and streamline processes through the integration of modern technology and rationalized expenses. In our forecast, we project the company's EBITDA to range between THB22-THB24 billion per annum during the forecast period, with an EBITDA margin of 22%-23%. Funds from operations (FFO) should be THB18-THB20 billion annually during the same period.

### **Strong financial profile**

We expect the company's capital structure to be strong with ample liquidity over the next three years. As of June 2023, BDMS's interest-bearing debt stood at THB10.5 billion, down from THB16.0 billion at the end of 2022, primarily due to the company's repayment of maturing debentures and short-term bank loans. The company's adjusted net debt stood at THB11.7 billion, resulting in a very low debt-to-EBITDA ratio of 0.5 times as of June 2023.

The company possessed cash on hand and cash equivalents amounting to THB11.6 billion, with undrawn bank loan facilities of THB22 billion by the end of June 2023. We expect the company's FFO to be about THB19 billion in 2023. The primary use of funds will be annual capital expenditures of THB9-THB11 billion during 2023-2025. The company has THB2.5 billion of long-term bank loans and bonds coming due in 2024. We expect the company's financial position to remain strong, with its debt to EBITDA ratio in the range of 0.5-1.0 times during the forecast period.

#### BASE-CASE ASSUMPTIONS

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- Revenue to be THB100-THB105 billion per annum during 2023-2025.
- EBITDA margin to stay in the 22%-23% range.
- Total capital spending of THB9-THB11 billion per year during the forecast period.

#### RATING OUTLOOK

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The "stable" outlook reflects our expectation that BDMS will maintain its leading position in the private healthcare service market and deliver sound operating performance. With its financial discipline, BDMS's financial position will likely remain strong with its debt to EBITDA ratio in the range of 0.5-1.0 times over the forecast period.

#### RATING SENSITIVITIES

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The ratings and/or outlook could be revised downward if BDMS's financial position and operating performance deteriorate significantly, or any debt-financed investments substantially weaken the company's balance sheet, with its debt to EBITDA ratio exceeding 1.5 times over an extended period. A rating upgrade is unlikely in the medium term.

#### COMPANY OVERVIEW

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BDMS was established in 1969. Bangkok Hospital, its first private hospital, commenced operation in 1972. BDMS was listed on the SET in 1991. As of June 2023, the major shareholders of BDMS were Dr. Prasert Prasarttong-Osoth and his spouse, with a combined shareholding of 12.8%.

BDMS is the largest private hospital group in Thailand, owning 58 hospitals as of June 2023. The company delivers a comprehensive array of healthcare services spanning all levels and intensities of care. BDMS offers conventional healthcare, from secondary to tertiary and super-tertiary care levels, as well as preventive healthcare. In 2011, the company merged with Health Network PLC (HNC), the major shareholder of Phyathai Hospital and Paolo Hospital Group. During 2018-2019, the company launched BDMS Wellness Clinic to provide preventive healthcare services. Its wellness clinic is situated next to the Movenpick BDMS Wellness Resort Bangkok, a 211-room hotel.

The company's total operating revenue was THB92.9 billion in 2022 and THB48.7 billion for the first half of 2023. In the first six months of 2023, about 72% of its total patient revenue came from Thai patients with international patient revenues constituting for the remainder. Self-pay patients made up 51% of patient revenue, followed by patients covered by health insurance (36%), company-contracted patients (7%), as well as patients under the social security scheme and others (6%).

KEY OPERATING PERFORMANCE

Table 1: Hospitals in BDMS's Portfolio as of Aug 2023

Hospital	Abbreviation	Ownership (%)
1. Bangkok Hospital		100.0
2. Bangkok Heart Hospital		100.0
3. Wattanosoth Hospital	BHQ *	100.0
4. Wattanosoth International		100.0
5. Chiva Transitional Care		100.0
6. Bangkok International Hospital		100.0
7. Bangkok Hospital Hua Hin	BHN *	100.0
8. Bangkok Hospital Sanamchan	BSN	100.0
9. Thepakorn Hospital****	TPK	50.0
10. Bangkok Hospital Phetchaburi	BPR	100.0
11. Bangkok Hospital Muangraj	BMR	100.0
12. Bangkok Hospital Pattaya	BPH *	97.3
13. Bangkok Hospital Rayong	BRH	100.0
14. Bangkok Hospital Rayong Cancer	BRC	100.0
15. Sri Rayong Hospital	SRH	100.0
16. Bangkok Hospital Pluak Daeng	BRD	100.0
17. Bangkok Hospital Chanthaburi	BCH	99.7
18. Bangkok Hospital Trat	BTH	99.8
19. Koh Chang International		99.8
20. Jomtien Hospital	JTH	97.3
21. Bangkok Hospital Chiangmai	BCM *	100.0
22. Bangkok Hospital Ratchasima	BKH	91.5
23. Bangkok Hospital Pakchong	BHP	91.5
24. Bangkok Hospital Udon	BUD	100.0
25. Bangkok Hospital Phitsanulok	BPL	100.0
26. Bangkok Hospital Khon Kaen	BKN	100.0
27. Bangkok Hospital Chiangrai	BCR	100.0
28. Bangkok Hospital Phuket	BPK *	99.7
29. Bangkok Hospital Siriroj	BSI *	100.0
30. Dibuk Hospital	DBK	99.7
31. Bangkok Hospital Hat Yai	BHH	98.8
32. Bangkok Hospital Samui	BSH	100.0
33. Phangan International Hospital		100.0
34. Bangkok Hospital Surat	BSR	100.0
35. Samitivej Sukhumvit Hospital	SVH *	98.9
36. Japanese by Samitivej		98.9
37. Samitivej Srinakarin Hospital	SNH *	98.9
38. Samitivej Sriracha Hospital**	SSH	69.7
39. Samitivej Thonburi Hospital	STH	64.0
40. Samitivej Chonburi Hospital	SCH	100.0
41. Samitivej Chinatown Hospital	SCT	100.0
42. BNH Hospital	BNH *	91.5
43. Phyathai 1 Hospital***	PT1	98.6
44. Phyathai 2 Hospital***	PT2 *	97.8
45. Phyathai 3 Hospital***	PT3	97.6
46. Phyathai Sriracha Hospital***	PTS	77.4
47. Phyathai Bangphra Hospital***		77.4
48. Phyathai Nawamin Hospital	PTN	99.8
49. Paolo Phaholyothin Hospital	PLP	100.0
50. Paolo Samutprakarn Hospital	PLS	93.7
51. Paolo Chokchai 4 Hospital	PLC	85.7
52. Paolo Chokchai 4 Hospital Building 3	PLC	85.7
53. Paolo Chokchai 4 Hospital Building 5	PLC	85.7
54. Paolo Rangsit Hospital	PLR	100.0
55. Paolo Kaset Hospital	PLK	100.0
56. Paolo Phrapradaeng Hospital	PLD	84.0
57. Royal Phnom Penh Hospital	RPH *	100.0
58. Royal Angkor International Hospital	RAH	80.0

Source: BDMS

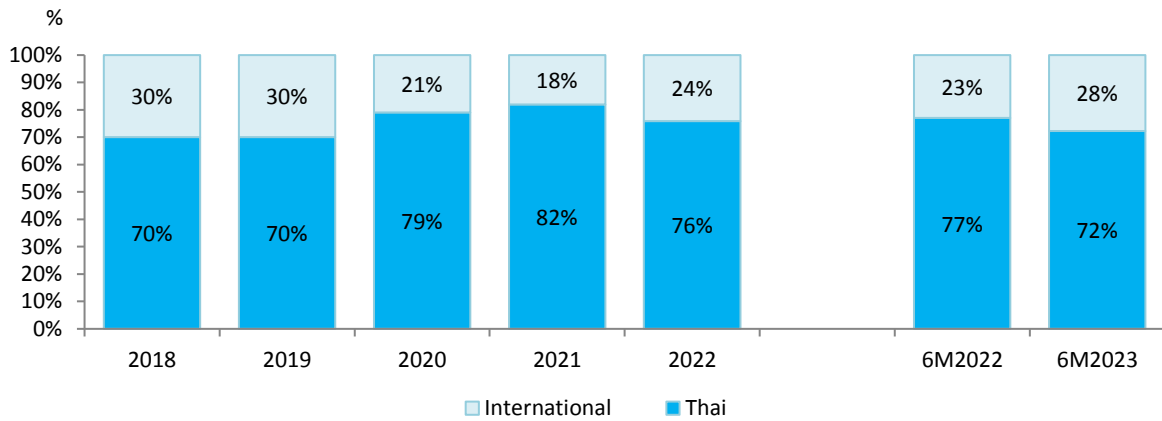
\* Hospitals achieved "Joint Commission International Accreditation"

\*\* Indirect shareholding through Samitivej PLC

\*\*\* Indirect shareholding through Prasit Patana PLC (PPCL), in which BDMS owns 98.60%

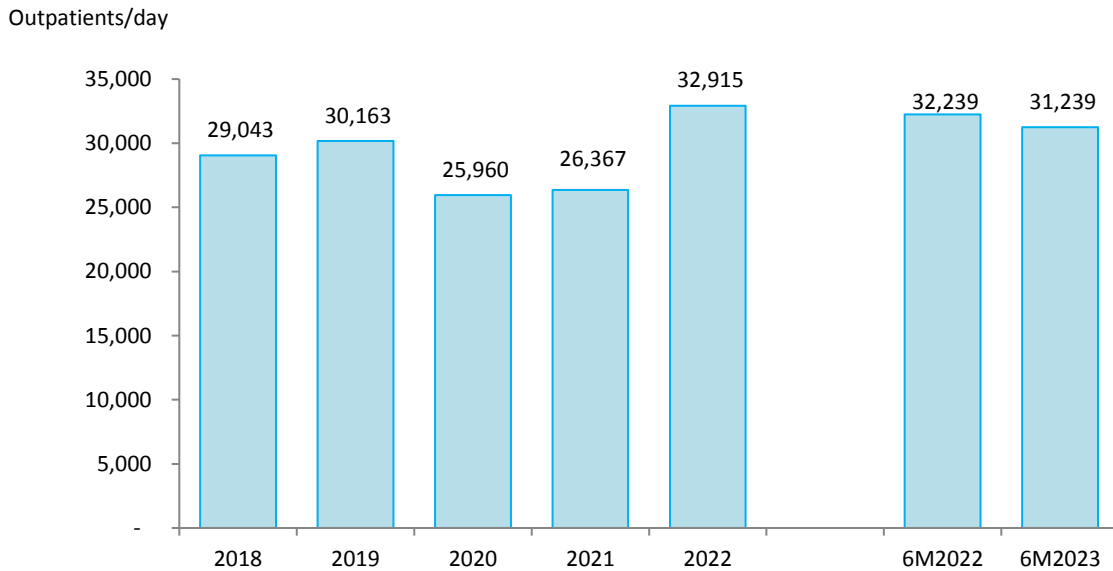
\*\*\*\* Indirect shareholding through Bangkok Hospital Sanamchan Co., Ltd.

**Chart 1: Revenue Contribution by Nationality (%)**



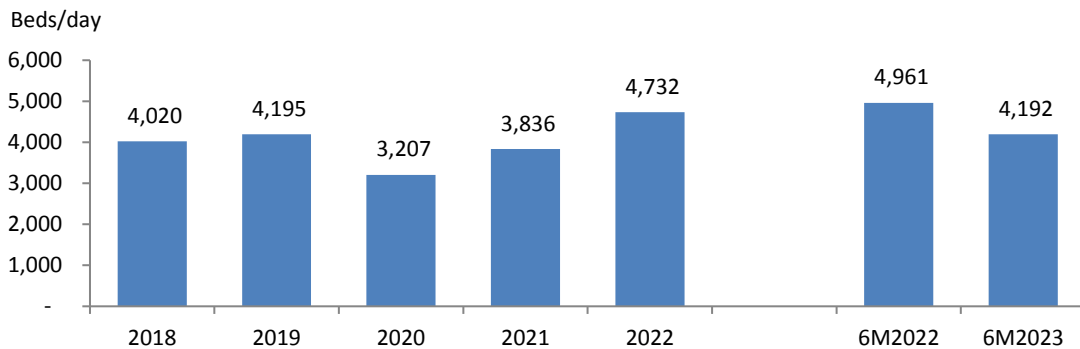
Source: BDMS

**Chart 2: Outpatient Visits per Day**

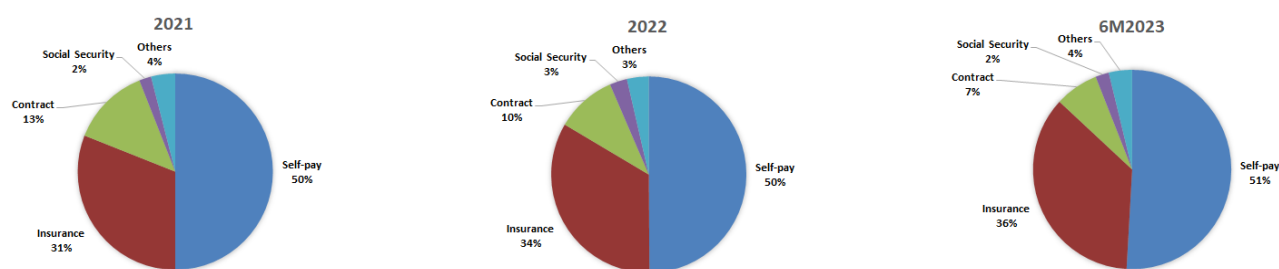


Source: BDMS

**Chart 3: Average Daily Census**



Source: BDMS

**Chart 4: Patient Revenue by Payor: Increasing Insurance Portion**


Source: BDMS

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	----- Year Ended 31 December -----				
	Jan-Jun 2023	2022	2021	2020	2019
Total operating revenues	48,685	92,968	75,714	69,057	83,774
Earnings before interest and taxes (EBIT)	8,787	17,243	11,452	8,958	13,428
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	11,826	23,920	18,164	16,013	19,371
Funds from operations (FFO)	9,808	19,851	15,119	12,423	13,429
Adjusted interest expense	325	762	858	986	1,164
Capital expenditures	3,518	5,072	4,371	6,654	7,995
Total assets	138,662	141,543	128,454	136,050	133,662
Adjusted debt	11,784	13,670	11,591	8,671	25,215
Adjusted equity	95,051	93,713	87,765	91,463	87,182
<b>Adjusted Ratios</b>					
EBITDA margin (%)	24.29	25.73	23.99	23.19	23.12
Pretax return on permanent capital (%)	15.11 **	14.78	9.86	7.51	11.38
EBITDA interest coverage (times)	36.36	31.39	21.17	16.24	16.64
Debt to EBITDA (times)	0.49 **	0.57	0.64	0.54	1.30
FFO to debt (%)	168.46 **	145.22	130.44	143.27	53.26
Debt to capitalization (%)	11.03	12.73	11.67	8.66	22.43

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

**Bangkok Dusit Medical Services PLC (BDMS)**

<b>Company Rating:</b>	AA+
<b>Issue Ratings:</b>	
BDMS242A: THB1,500 million senior unsecured debentures due 2024	AA+
BDMS256A: THB2,000 million senior unsecured debentures due 2025	AA+
BDMS266A: THB3,000 million senior unsecured debentures due 2026	AA+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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