

BANGKOK DUSIT MEDICAL SERVICES PLC

No. 188/2024
21 October 2024

CORPORATES

Company Rating: AA+
Issue Ratings:
Senior unsecured AA+
Outlook: Stable

Last Review Date: 16/10/23

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 strong market position as the largest private healthcare provider in Thailand with its extensive network of hospitals, and its strong franchise of hospital brands. The ratings also take into consideration the company’s sound operating performance and its strong balance sheet. However, these strengths are tempered by intense competition within the domestic healthcare market and external factors influencing the number of foreign patients.

KEY RATING CONSIDERATIONS

Dominant position in Thailand’s healthcare market

BDMS has maintained its dominant position as Thailand’s largest private healthcare provider, in terms of both the size of hospital network and inpatient bed capacity, as well as its operating revenue. As of April 2024, BDMS owned and operated 58 hospitals with a total of 7,222 registered inpatient beds, accounting for about 18% of the total private hospital bed capacity. In terms of revenue, BDMS reported total operating revenue of THB102 billion in 2023, and THB53 billion in the first half of 2024. This represents a significant share of around 48% of total revenue generated by private hospital operators listed on the Stock Exchange of Thailand (SET).

BDMS’s competitive advantage lies in its extensive hospital network, spanning key service areas across the country. The company has the largest pool of more than 13,000 doctors and 10,000 registered nurses, providing a comprehensive range of medical services and preventive care. This enables the company to serve broad categories of patients, particularly the middle- to upper-income group of the Thai population, as well as international patients. Also, BDMS’s hospital brands are widely recognized for high quality of healthcare services. Around 70% of the company’s healthcare service revenue derives from Thai patients, with the remaining 30% from international patients.

BDMS has consistently expanded its hospital network and enhanced the capabilities of its center of excellence (COEs) with advanced facilities and equipment to cater highly critical cases and complex healthcare treatments. Looking ahead, we expect the company to maintain its leading position, despite intense competition from both domestic and international healthcare service providers.

Solid growth from international patients

We expect continued growth in BDMS’s revenue from international patients, driven by increasing numbers of fly-in patients seeking specialized medical treatments and chronic illness care services. Growth is anticipated particularly in hospitals located in Bangkok, as well as tourist destinations like Phuket, Pattaya, Chiang Mai, and Udon Thani. Also, we expect growth opportunity in emerging markets, such as Saudi Arabia, which the company has established a local office and implemented marketing initiatives. In the first half of 2024, the average number of daily international outpatient visits reached 4,595, up about 13% from pre-pandemic levels.

We believe Thailand's competitive edge in the wellness and medical tourism market remains strong, supported by ease of travel, a well-established medical infrastructure, highly skilled medical professionals, Thai hospitality, and competitive pricing. We expect BDMS to remain well-positioned to attract international patients, capitalizing the global healthcare demand, by leveraging its partnerships with international agencies and the country's strength as a medical tourism destination.

In 2023, international patient revenue reached THB26.2 billion, a 23% year-on-year (y-o-y) increase. Revenue grew by a further 12% y-o-y in the first half of 2024, despite a decline in revenue from some of the middle east countries as its government has been in the process of revising the list of qualified hospitals in Thailand. As a result, revenue from international patients accounted for 29% of total healthcare service revenue, close to the pre-pandemic level of 30%. Fly-in patients contributed 55% of its total international patient revenue in 2023, up from 47% in 2022. Revenue from expat groups from Japan and the US also grew, particularly for complex disease treatments.

Continued improvement in performance

We expect BDMS's operating revenue to grow 5%-9% annually over the next three years, driven by a recovery in medical tourism, increase domestic patient visits, and rising demand for sophisticated medical treatments. The expansion of BDMS's existing hospital network, new facilities, and advance medical technologies such as cancer radiation centers and other targeted treatment units will further drive revenue growth. We expect BDMS's strong referral hospital network, broad geographical reach, and healthcare expertise to meet the growing needs for advanced treatments among Thailand's aging population and international patients.

During the same period, we expect BDMS' EBITDA to remain strong, fueled by resurgence in international patient visits and revenue intensity. Despite rising fixed costs associated with human resources, we anticipate a sound EBITDA margin of 24.0%-24.5%, achieved by leveraging economies of scale, enhanced procurement efficiencies, and optimized asset utilization. This translates to estimated annual EBITDA of THB27-THB30 billion during 2024-2026.

In 2023, the company's operating revenue grew by 10% y-o-y, reaching THB102 billion. The growth momentum continued into the first six months of 2024, primarily driven by the recovery in foreign patient numbers and growth in Thai patient visits. The company's EBITDA margin of 24%-25% during these periods was slightly higher than its listed peers, whose average margin was in the 20%-23% range.

Strong balance sheet with ample liquidity

We expect the company's capital structure to remain strong with ample liquidity over the next three years. As of June 2024, BDMS's interest-bearing debt stood at THB8 billion, down from THB10.5 billion at the end of 2023, mainly due to the repayment of maturing debentures and bank loans, coupled with strong internal cash flow to fund its investments. As a result, the debt to EBITDA ratio remained low at 0.5 times as of June 2024.

Looking ahead, we anticipate BDMS's capital expenditures to range from THB11-THB14 billion annually during 2024-2026, primarily for the maintenance of facilities and for new project developments. The BDMS Silver Wellness and Residence Project, currently in the design phase, is slated to commence construction in 2026, with a planned launch in 2029. The total investment is estimated at THB23.5 billion. Based on our projections, the company's funds from operations (FFO) should be sufficient to cover a significant proportion of these investments, with the potential needs for additional financing.

As of June 2024, BDMS's sources of funds comprised about THB8.4 billion in cash on hand and cash equivalents, with undrawn short-term bank loan facilities of THB22 billion. We expect the company to generate FFO of about THB22.5 billion in 2024. These funds will primarily be allocated towards annual capital expenditures and the repayment of maturing debentures and long-term debts. The company has THB2 billion of debentures coming due in 2025. Without any large debt-funded acquisitions or investment, we expect the company's capital structure to remain very strong, with a debt to EBITDA ratio of 0.5-1.0 times during the forecast period.

Debt structure

As of June 2024, BDMS had no priority debt.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for BDMS's operations in 2024-2026 are as follows:

- Revenue of THB111-THB122 billion per annum.
- EBITDA margin to stay in the 24.0%-24.5% range.
- Total capital spending of THB11-THB14 billion per year during the forecast period.

RATING OUTLOOK

The “stable” outlook reflects our expectation that BDMS will be able to maintain its leading position in the private healthcare service market and deliver sound operating performance.

RATING SENSITIVITIES

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

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 2024, the major shareholders of BDMS were Dr. Prasert Prasarttong-Osoth and his spouse, with a combined shareholding of 11.08%.

BDMS is the largest private hospital group in Thailand, owning 58 hospitals as of June 2024. 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 THB102.1 billion in 2023 and THB53 billion for the first half of 2024. In the first six months of 2024, about 71% of its total patient revenue came from Thai patients with international patient revenue constituting the remainder. Self-pay patients made up 49.3% of patient revenue, followed by patients covered by health insurance (36.9%), company-contracted patients (7.3%), as well as patients under the social security scheme and others (6.5%).

Within its extensive hospital network, 12 hospitals serve as flagship hospitals for excellence medical services, strategically located across Thailand to cater to domestic and international patients with complex medical needs. These COEs contributed about 60% of the company’s medical service revenue and EBITDA in the first half of 2024.

KEY OPERATING PERFORMANCE
Table 1: Hospitals in BDMS's Portfolio as of Jun 2024

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	77.8
47. Phyathai Sriracha 2 Hospital***	PTS2	77.8
48. Phyathai Nawamin Hospital	PTN	99.8
49. Phyathai Phaholyothin Hospital ©	PTP	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"

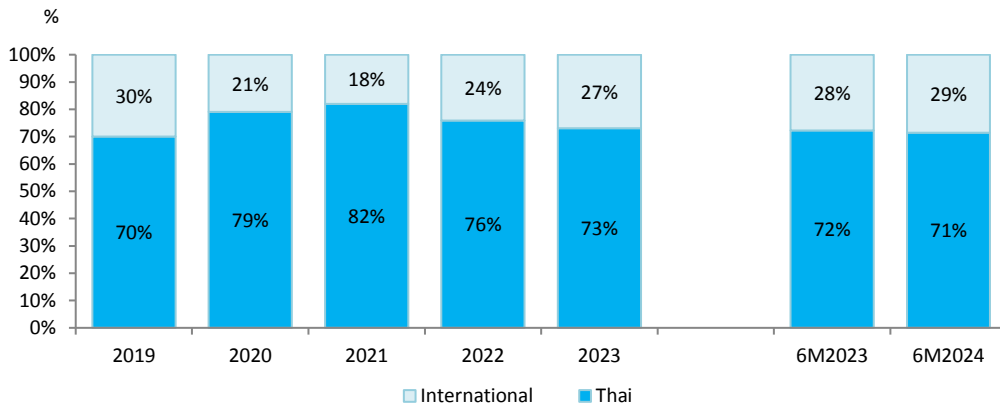
** Indirect shareholding through Samitivej PLC

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

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

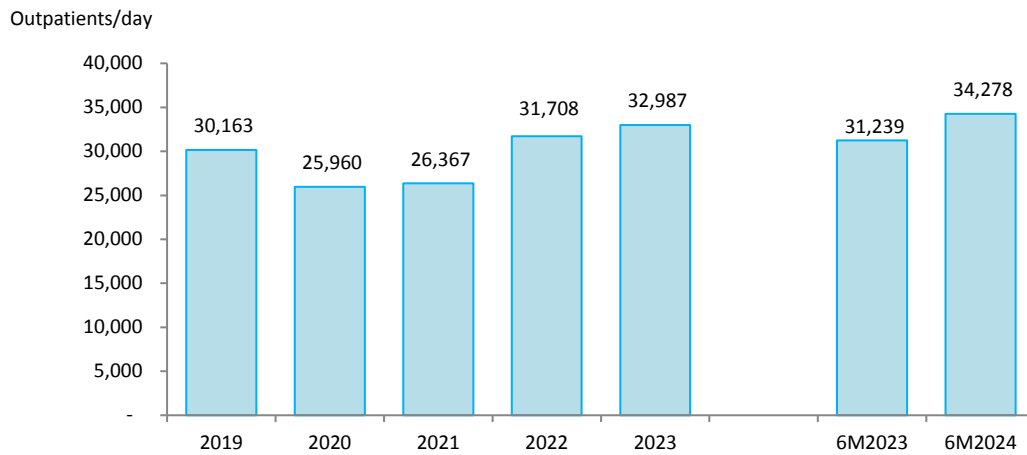
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Chart 1: Revenue Contribution by Nationality (%)



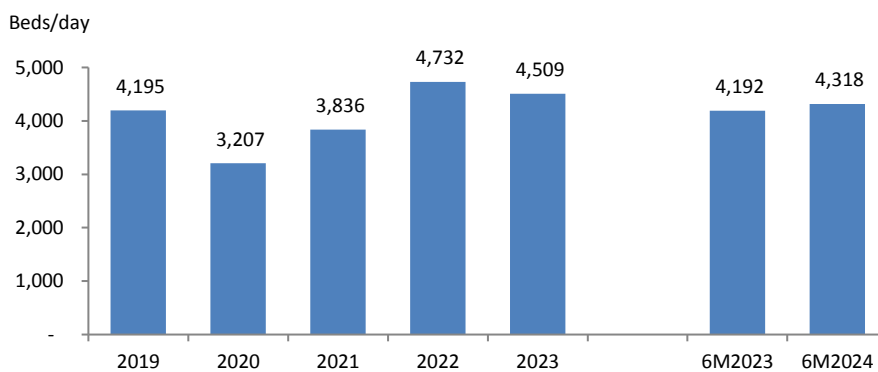
Source: BDMS

Chart 2: Outpatient Visits per Day



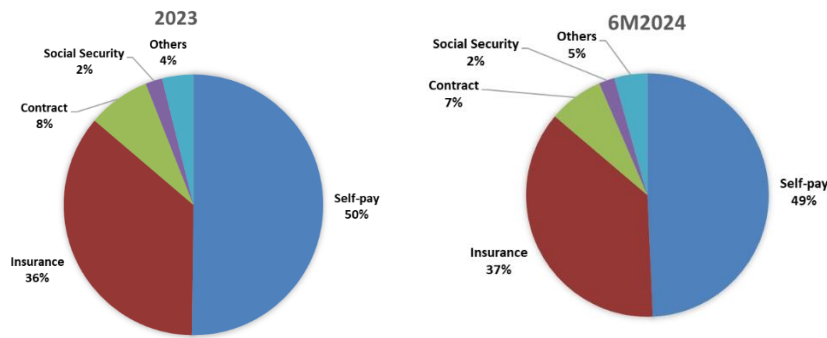
Source: BDMS

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

	Jan-Jun 2024	Year Ended 31 December			
		2023	2022	2021	2020
Total operating revenues	52,987	102,110	92,968	75,714	69,057
Earnings before interest and taxes (EBIT)	9,738	19,347	17,243	11,452	8,958
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	13,008	25,510	23,920	18,164	16,013
Funds from operations (FFO)	10,953	20,766	19,807	15,119	12,423
Adjusted interest expense	257	876	806	858	986
Capital expenditures	5,033	8,307	5,072	4,371	6,654
Total assets	144,725	143,596	141,543	128,454	136,050
Adjusted debt	12,493	13,736	13,222	11,291	8,480
Adjusted equity	101,158	98,872	93,713	87,765	91,463
Adjusted Ratios					
EBITDA margin (%)	24.5	25.0	25.7	24.0	23.2
Pretax return on permanent capital (%)	16.9 **	15.9	14.8	9.9	7.5
EBITDA interest coverage (times)	50.6	29.1	29.7	21.2	16.2
Debt to EBITDA (times)	0.5 **	0.5	0.6	0.6	0.5
FFO to debt (%)	175.5 **	151.2	149.8	133.9	146.5
Debt to capitalization (%)	11.0	12.2	12.4	11.4	8.5

* 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)

Company Rating:	AA+
Issue Ratings:	
BDMS256A: THB2,000 million senior unsecured debentures due 2025	AA+
BDMS266A: THB3,000 million senior unsecured debentures due 2026	AA+
Rating Outlook:	Stable

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