



Dental Corporation PCL

D TB Outperform

Target Price Bt 5.85

Price (19/07/2021) Bt 3.88

Upside % 50.77

Valuation PE

Sector Services

Market Cap Btm 1,117

30-day avg turnover Btm 1.64

No. of shares on issue m 288

CG Scoring Good

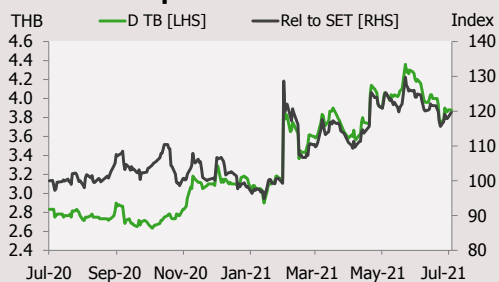
Anti-Corruption Indicator N/A

Investment fundamentals

Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
Company Financials				
Revenue (Btmn)	572	490	735	829
Core profit (Btmn)	(8)	(36)	29	50
Net profit (Btmn)	(8)	(36)	29	50
Net EPS (Bt)	(0.03)	(0.12)	0.09	0.15
DPS (Bt)	0.00	0.09	0.03	0.06
BVPS (Bt)	1.99	1.56	1.85	1.94
Net profit growth (%)	n.m.	n.m.	n.m.	0.75
ROA (%)	-0.7%	-3.4%	2.4%	4.3%
ROE (%)	-1.6%	-7.9%	4.6%	7.7%
Net D/E (x)	0.99	1.01	0.48	0.43
Valuation				
P/E (x)	(95.32)	(31.40)	45.49	25.98
P/BV (x)	1.56	2.48	2.10	2.00
EV/EBITDA (x)	26.79	71.53	17.24	13.52
Dividend yield (%)	0.0%	2.3%	0.9%	1.5%

D TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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Analyst

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20 July 2021

Kasikorn Securities Public Company Limited

Dental Specialty

- **Initiate coverage of D with an Outperform call and 2022 TP of Bt5.85 pegged to one-year forward PER of 39.2x, 1SD below its historical mean.**
- **Expect 53.3k/94.0k/103k patients in 2021/22/23 assuming a domestic rebound in 4Q21 and a return of overseas patients in 2Q22.**
- **Forecast 2022/23 EPS of Bt0.07/Bt0.15. We see D as a reopening play and beneficiary of a structural rise in demand for dental services.**

Investment Highlights

- **Background.** Dental Corporation Plc. (D) was founded by Mr. Pornsak Tantapakul, who currently holds a 55% stake. The company was incorporated in 2005 and underwent an IPO in 2016. D is a fully integrated dental service operator with 1) 15 branches and a room capacity of 94 patients; 2) owned dental lab; and 3) dental supply trading business. D operates in the dental specialty segment, which is geared to mid- to high-income patients locally and internationally.
- **A megatrend.** We see the dental care market will benefit from the country's aging society and urbanization. The proportion of the aged Thai population is expected to reach 26% in 2024, twice the 13% in 2020. Demand for quality dental services will be increasing along with demand for more complicated dental procedures. Thailand's private dental spending has been growing at a high rate of 5.5% annually, and the market penetration rate rose to 64% in 2019 from 47% in 2011.
- **Reopening plays.** D's operations were hit hard by the Thailand's lockdown due to the COVID-19 outbreak that dampened economic activity, and thus patients postponed routine dental services. However, we believe the latest stricter measures implemented by the government and a reported incoming supply of vaccines should result in the infection rate declining in the next 4-6 weeks. Our house assumption is a vaccination rate (double dose) of 21% in 3Q21 and 46% in 4Q21. We thus expect a recovery of domestic patients in 4Q21 and foreign patients in 2Q22. We also expect D to benefit from pent-up demand for dental services.
- **Operating performance.** We forecast D to report a 2021 net loss of Bt36mn owing to the impact of COVID-19 before turning to a net profit of Bt29mn in 2022E and Bt50mn in 2023E. We expect a cash burn rate of Bt3mn per month, whereas cash on hand as of end-1Q21 totaled Bt45mn, implying a 15-month cushion. D has 40mn warrants that are in the money exercisable at the end of every quarter, which will enable D to raise Bt160mn in cash. D also secures a Bt40mn credit facility from a local bank. We estimate the number of patients in 2021 to total 57% of the 93.2k patients in 2019 and then pick up to 100% in 2022 and 110% in 2023. We estimate spending per patient of Bt4.5k/Bt4.9k/Bt5.1k in 2021/22/23E vs. Bt4.9k in 2019.

Valuation and Recommendation

- **Outperform.** We initiate coverage of D with an Outperform call and 2022 PER-based target price of Bt5.85. We view D as a reopening play as the stock's movement will depend on an improvement in the COVID-19 situation rather than on near-term losses. We are positive on management's good track record to turn around its earnings in 1Q21 by a shift in marketing strategy to capture local demand, and the effective cost efficiency to optimize fixed and variable costs.
- **2022 target price Bt5.85.** We assign a PER of 39.2x to 2023 EPS of Bt0.15 to derive a fair value for D, which is 1SD below its historical mean, which should reasonably reflect D's near-term earnings difficulties and uncertainty regarding the timeframe of an economic reopening. D's share price of Bt3.88 looks quite attractive, trading -35% of IPO price, and -58% of the peak share price level on September 24, 2018.
- **Risks:** 1) a faster cash burn rate; 2) a cash call; and 3) a slow reopening.



Outlook

2021: Another tough year

We are optimistic that the distribution of vaccines in the country will accelerate in the rest of the year and that vaccines will be effectively reduce the hospitalization and mortality rates. As such, we expect the country to approach herd immunity and the government to reopen the economy in 2Q22. However, we admit that the impact of the third wave of COVID-19 has been worse and has lasted longer than expected.

Our house view is for expects a vaccination rate (first/second jabs per population) of 34%/21% in 3Q21, 69%/46% in 4Q21, and 83%/71% in 1Q22. Meanwhile, our house assumption is that infection and mortality rates will peak in 3Q21 and then gradually decline along with an increasing rate of vaccinations. We assume 0.7mn tourist arrivals in 2021 (2% of 2019), 12.1mn in 2022 (30%), and 32.25mn in 2023 (81%).

The COVID-19 pandemic has caused the public to postpone dental services. Most hospitals and clinics were required to suspend all routine treatments with the exception of emergency or elective dental treatments. In 2020, dental service operating hours were 87.5% of that in 2019. The situation has improved this year as operating hours are back to normal. However, stricter protective measures and consumer sentiment amid the COVID-19 crisis negatively impacted demand for dental services.

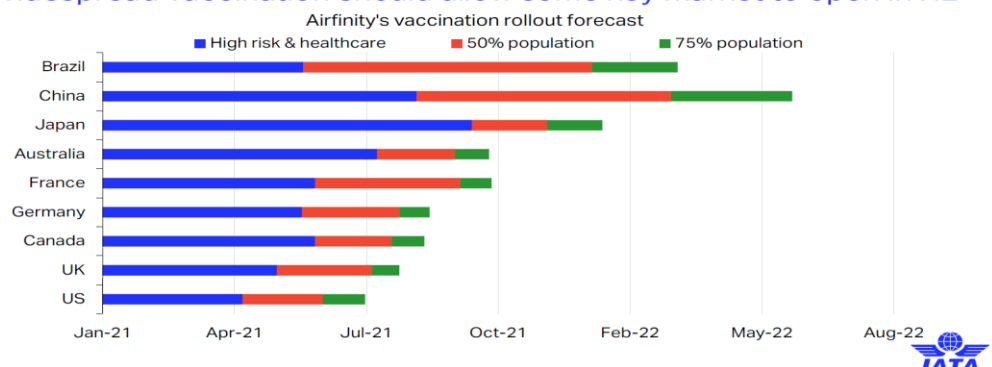
Progress in vaccine distribution to lead to herd immunity

The National Vaccine Institute admitted that only 5-6mn doses of the AstraZeneca vaccine will be delivered per month in July and August, which is far lower than the planned 10mn doses. Meanwhile, there may be only 20mn doses of AstraZeneca available for Thailand in 4Q21, which is just 2/3 of the planned amount that was scheduled to be available. However, with the AstraZeneca and other alternative vaccines, we expect the country will be able to reopen gradually in 4Q21 and fully reopen in 2Q22-3Q22, which should result in domestic and international dental patients feeling more confident about seeking dental treatment.

Infinity Research predicts that 75% of the population of most of the top-10 largest economies, such as the UK, US, Germany, France, Canada, and Australia, will reach the threshold of herd immunity, and Japan, China, and Brazil will reach the threshold level in 2022. This will be a key factor to enable a global reopening and a recovery of consumption, especially in the services sector, which we discuss in the next paragraph.

Fig 1 Vaccination rollout forecast

Vaccination should allow staged reopening of air travel Widespread vaccination should allow some key market to open in H2



Source: IATA Economics using forecasts from Airfinity Science

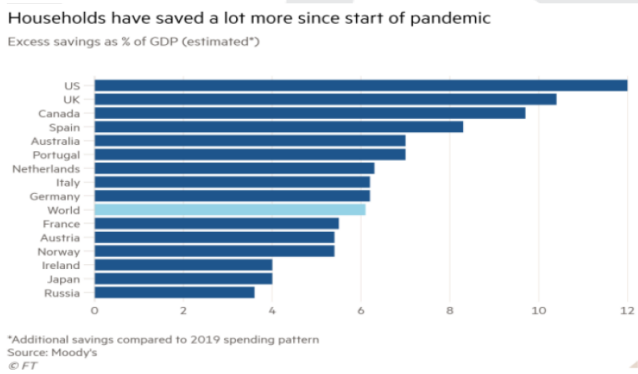


An uneven economic recovery

Thailand had Bt10 trn in savings deposited in financial institutions (64% of GDP) as of 2020, an increase from Bt8 trn (48% of GDP) in 2019. We believe this will set the stage for a spending boom post COVID-19 as spending was mostly on goods. Data from PIIIE show that household spending in April 2021 on goods was 11% above the pre-pandemic level while spending on services was 7% below. The main reason for this was likely travel restrictions and social-distancing measures. However, services, especially those such as dentistry, should recover quickly once reopening occurs following an increasing rollout of vaccines.

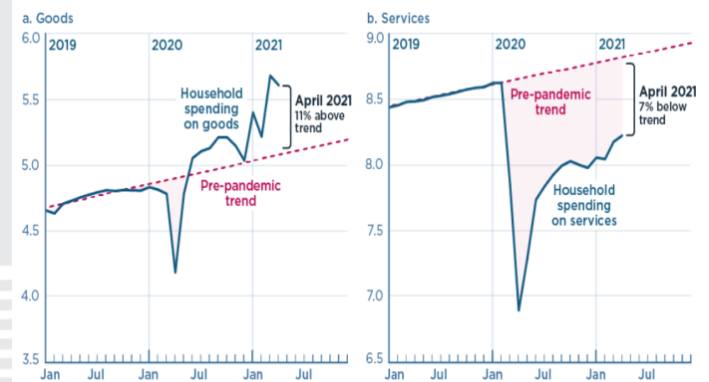
Moody's Analytics estimates consumers around the world built up an extra USD5.4 trn in savings since the COVID-19 pandemic began. This excess savings were equal to 6% of global GDP by the end of March 2021. In some markets (Australia, Canada, US, and UK), consumers' excess savings exceeded 10% of GDP. A second factor that drove the accumulation of savings was unprecedented government support for workers and companies.

Fig 2 Excess savings as % of GDP in 2020



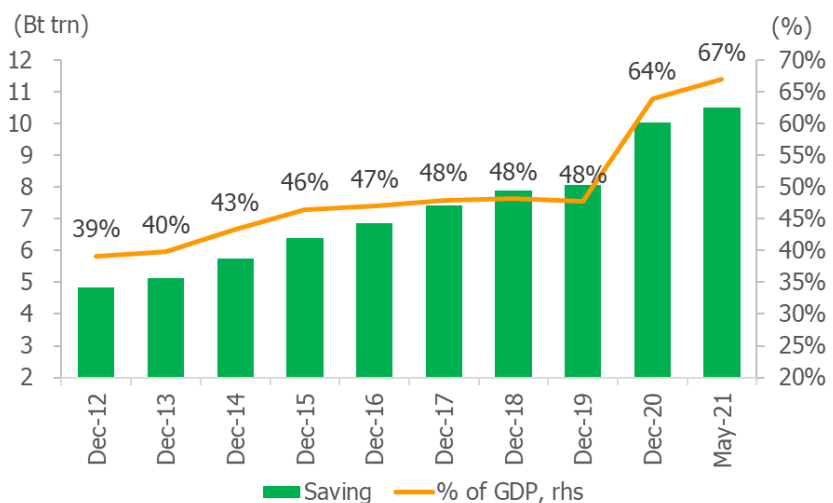
Source: Moody's

Fig 3 Real monthly household spending at an annualized rate, trillions of chained 2012 dollars



Source: PIIIE

Fig 4 Thailand savings as % of GDP



Source: BoT



2022: A reopening play

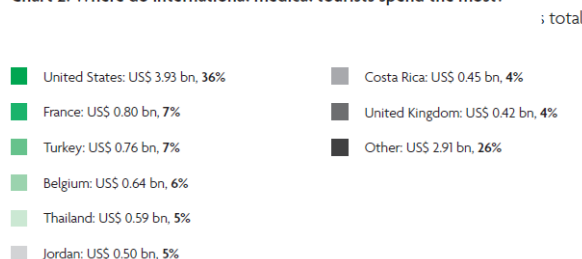
Dental care is a necessary service and as such demand should resume soon as the number of people vaccinated with either a single or double dose will likely begin seeking routine dental services. We expect local demand will begin to pick up in 4Q21 before normalizing in 1Q22 assuming 34% of the population gets a first dose in 3Q21, 69% in 4Q21 and 83% in 1Q22. Meanwhile, demand for dental tourism is likely to recover once herd immunity occurs as expected in 1Q22.

According to latest research conducted in 2017 by the World Travel & Tourism Council (WTTC), global spending on medical tourism services has been growing. The market size is about USD11bn, up from US\$2.4bn in 2000, which is 3.5 times higher, or a compounded annual growth of around 9%. There are various reasons patients may seek dental care overseas. They may wish to combine taking a vacation with obtaining dental treatment, the quality of medical services in their country may not be good enough, or they may seek the same quality of service but at a much lower price. Thanks to many tourism destinations and qualified medical services, Thailand is ranked fifth-largest in terms of global inbound medical spending at USD0.59bn accounting for 5% of the global tourism market share. Thailand is a popular dental tourism destination because of the high quality of dental care available at a lower cost compared with developed countries. The cost is 47% lower than in the US and Australia, and the cost combined with travel expense is still 20% lower than in their home country. As such overseas travelers can fly into the country and enjoy travel and obtain lower-cost dental treatment at the same time.

Fig 5 Inbound medical tourism spending in largest countries



Chart 2: Where do international medical tourists spend the most?



Source: World Travel and Tourism Council

Fig 6 Cost of dental implants - Straumann (top brand)

Country	Treatment	Travel	Total
Philippines	\$ 3,225	\$ 1,050	\$ 4,275
Australia	\$ 3,750	\$ -	\$ 3,750
USA	\$ 3,600	\$ -	\$ 3,600
Slovakia	\$ 1,233	\$ 1,878	\$ 3,111
Thailand	\$ 1,935	\$ 952	\$ 2,887
UK	\$ 2,000	\$ -	\$ 2,000
Malta	\$ 1,018	\$ 906	\$ 1,924
Hungary	\$ 1,233	\$ 636	\$ 1,869
Greece	\$ 1,114	\$ 684	\$ 1,798
Germany	\$ 997	\$ 801	\$ 1,798
Spain	\$ 1,031	\$ 722	\$ 1,753
Portugal	\$ 1,032	\$ 694	\$ 1,726
India	\$ 645	\$ 1,059	\$ 1,704
Romania	\$ 999	\$ 703	\$ 1,702
Poland	\$ 903	\$ 717	\$ 1,620
Turkey	\$ 903	\$ 648	\$ 1,551

Source: treatmentabroad.com

Fig 7 Cost of dental veneer

Country	Cost
USA	\$ 2,500
Mexico	\$ 600
Costa Rica	\$ 525
Colombia	\$ 490
Canada	\$ 1,800
Vietnam	\$ 450
Thailand	\$ 400
India	\$ 140

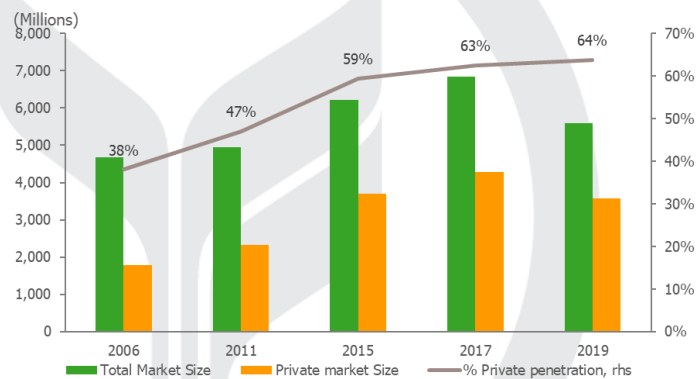
Source: medicaltourismco.com



2023 onward: Back to structural demand expansion mode

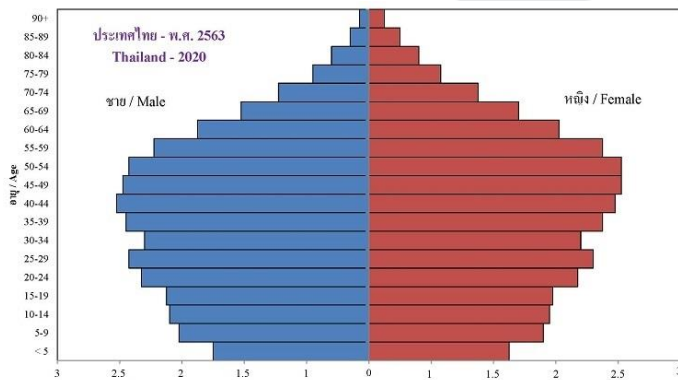
Like other kinds of medical care, dental care should benefit from Thailand’s aging society and urbanization. Due to the aging population, which is expected to be 26% of the total population in 2024, up from 13% in 2020, demand for quality dental services will be increasing with demand for more complicated dental treatments. Thailand’s domestic annual dental market spending amounted to ฿5.5bn, which grew by an average 1.6% per year from 2011-2019 driven by the aging society and increased concern over dental health. Thailand’s private annual dental spending has been growing at a rate of 5.5% with an increase in market penetration of 64% in 2019 from 47% in 2011.

Fig 8 Domestic dental spending



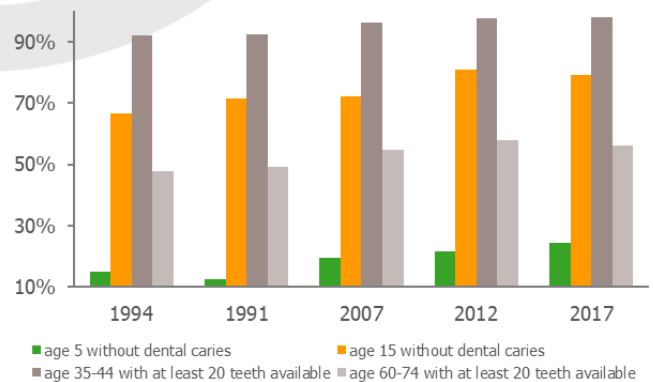
Source: National Statistics Office, KS Research

Fig 9 Thailand’s population pyramid



Source: National Statistics Office

Fig 10 Thailand’s dental health



Source: Bureau of Dental Health

D is in a good position to turn around

Demand recovery. We expect an economic reopening in 4Q21 once the first-dose vaccination rate hits 69% and borders to reopen in 2Q22 once the country reaches herd immunity. Based on these assumptions, D appears to be in a good position to potentially turn around its performance in 4Q21 and post solid growth in 2022.

In 2019, 51% of D’s dental service revenue came from foreign patients. We expect the number of foreign patients to increase in line with our assumption tourist arrivals this year reach 2% of the 2019 level, 30% in 2022 and 81% in 2023. Note that dental service revenue in 2019 totaled 60% of total revenue.



In 2020, 69% of D's dental service revenue came from local patients. Its market segment is geared toward the mid- to high-income brackets, which have been minimally impacted by the COVID-19 led economic crisis during 2020-21.

Other than a local and foreign demand recovery, we also see a certain degree of pent-up demand, as most patients have delayed routine dental care for quite some time given their fear of COVID-19, especially the Delta variant.

More importantly, D's key revenue growth driver will likely be Bangkok International Dental Hospital (BIDH) that was launched on July 1, 2019, 7.5 months prior to the outbreak of the COVID-19 pandemic on February 15, 2020. BIDH has 20 dental treatment rooms (20% of D's total room capacity).

Opex restructuring. D has been able to adapt to survive the COVID-19 pandemic. The company closed four branches in 2019-20, which reduced its cash burn rate from Bt5mn per month in the pre-COVID-19 period to Bt3mn per month currently. Note that the four branches that were closed were at Central Pinklao, Bangkok University, Central Eastville, and Patong.

Financial

Expect a subdued 2021 performance

D is scheduled to release its 2Q21 financial statement on Aug 8. We expect it to post a net loss of Bt18.8mn, worse than a net loss of Bt8.2mn in 2Q20 owing to longer operating hours, and higher than a net loss in 1Q21 of Bt1.9mn due to the negative consumer sentiment caused by rising infection and mortality rates amid the third outbreak of COVID-19.

Given the daily increase in daily infection and mortality rates, we expect the economic situation will barely recover in 3Q21. As such, we forecast D to post another net loss in 3Q21 of Bt16.5mn. We expect local demand to pick up in 4Q21 and result in earnings reaching the breakeven level.

We estimate cash burn of Bt3mn per month whereas cash on hand was Bt45mn in 1Q21, implying a cushion of five quarters prior to its cash call in 2Q22. However, D's management has two options to avoid an undesirable cash call, which are the exercise of its 40mn units that are in the money and exercisable at the end of each quarter and a credit facility of Bt40mn.

Fig 11 2Q21 performance preview

(Btmn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	% YoY	% QoQ	2021E	%2021E	3Q21E	4Q21E
Revenue	152.3	89.6	180.0	150.6	142.9	92.5	3.3%	-35.2%	489.8	48.1%	98.3	156.0
COGS	108.1	66.4	121.8	108.6	101.7	68.1	2.6%	-33.0%	348.0	48.8%	71.4	106.9
Gross profit	44.2	23.2	58.2	42.0	41.2	24.4	5.2%	-40.8%	141.7	46.3%	27.0	49.1
SG&A exp	53.4	32.0	40.0	41.4	40.8	39.8	24.2%	-2.5%	166.9	48.3%	40.0	46.2
Operating profit	-7.7	-6.4	22.1	-1.5	1.6	-14.4	126.2%	-973.9%	-19.3	66.1%	-12.1	5.5
Interest exp	5.4	4.3	4.0	3.9	3.9	4.4	2.2%	14.0%	17.0	48.5%	4.4	4.4
Income tax	-1.4	-2.5	1.5	-0.9	-0.4	0.0	n.m.	n.m.	0.0	n.m.	0.0	0.4
Net profit	-11.8	-8.2	16.7	-4.5	-1.9	-18.8	129.2%	915.7%	-36.3	56.8%	-16.5	0.8
Core profit	-11.8	-8.2	16.7	-4.5	-1.9	-18.8	129.2%	915.7%	-36.3	56.8%	-16.5	0.8
EPS (Bt)	-0.04	-0.03	0.07	-0.02	-0.01	-0.07	91.0%	919.7%	-0.12	56.8%	-0.06	0.00
Core EPS (Bt)	-0.05	-0.03	0.07	-0.02	-0.01	-0.07	91.0%	915.7%	-0.12	56.8%	-0.06	0.00
Key financials												
Revenue % YoY	24.4%	23.6%	-5.0%	-16.8%	-6.2%	3.3%			-14.4%		-45.4%	3.6%
Core profit % YoY	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.			n.m.		n.m.	n.m.
GPM (%)	29.0%	25.9%	32.3%	27.9%	28.8%	26.4%			28.9%		27.4%	31.5%
SG&A to Sale (%)	8.2%	8.1%	6.8%	27.5%	28.6%	43.0%			34.1%		40.7%	29.6%
OPM (%)	-5.1%	-7.1%	12.3%	-1.0%	1.2%	-15.6%			-3.9%		-12.3%	3.5%
Core margin (%)	-7.7%	-9.2%	9.3%	-3.0%	-1.3%	-20.3%			0.0%		-16.7%	0.5%

Source: Company data, KS Research



Expect a 2022 earnings turnaround

We expect D to report a 2022 net profit of Bt29mn and a 2023 net profit of Bt50mn, which mark a turn from a loss of Bt15mn in 2019. Our key underlying assumptions are 1) a local vaccination rate of 69% in 4Q21 (single dose); 2) a border reopening in 2Q22; and 3) 12.1mn/32.25mn tourist arrivals in 2022/23.

We estimate D's revenue to grow by 50% to Bt735mn in 2022 and by 12% to Bt829bn in 2023. We project the number of patients to jump from 53.3k in 2021 to 94k in 2022 and 103.0k in 2023. Note it had 93.3k patients in 2019. We forecast spending per head of Bt4.5k in 2021, Bt4.9k in 2022 and Bt5.1k in 2023 vs. Bt4.9k in 2019. Note that D had a room capacity of 89 in 2019 and 91 in 2020, and we estimate 94 in 2021-23.

We expect GPM to widen to 30.5%/31.0% in 2022/2023E from 28.9% in 2021E and 29.3% in 2019 on a higher number of foreign patients that provide a higher margin and better economies of scale resulting from a higher utilization rate of BIDH.

We believe D's financial position will strengthen with net D/E ratios to decline to 1.01x/0.48x/0.43x in 2021/22/23 and a decrease in cash conversion cycle to 189/145/146. We also expect ROE to improve to -7%/4%/7% in 2021/22/23. Note that we assume the remaining 40mn warrants will be converted into 48mn common shares on March 4, 2022, which will increase D's total shares by 16.67%.

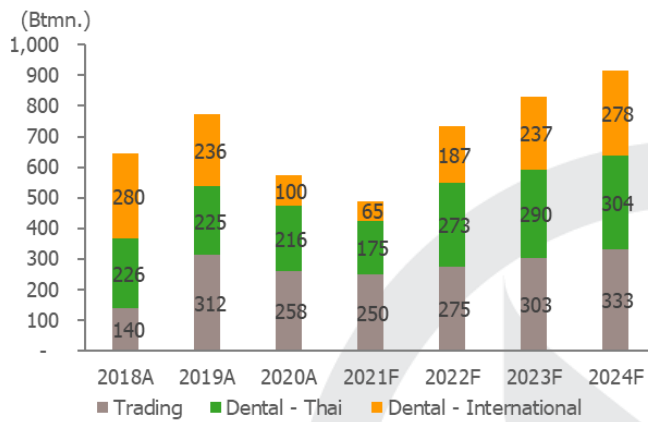
Fig 12 Financial breakdown

(Btmn)	2019A	2020A	2021E	2022E	2023E
Service revenue	461	314	240	460	526
Trading revenue	312	258	250	275	303
Revenue	773	572	490	735	829
Cost of services	310	213	163	307	348
Cost of trading goods sold	244	192	185	204	224
Gross Profit	219	168	142	224	257
SG&A	224	167	167	179	189
EBIT	4	7	-19	51	75
Depreciation	37	39	42	42	42
EBITDA	41	45	22	93	117
Interest expense	16	18	17	15	13
Tax expense	3	-3	0	7	13
Net Profit	-16	-8	-36	29	50
Key ratios					
EPS	-0.08	-0.03	-0.12	0.09	0.15
DPS	0.00	0.00	0.09	0.03	0.06
Gross margin (%)	28.4%	29.3%	28.9%	30.5%	31.0%
EBIT margin (%)	0.5%	1.1%	-3.9%	6.9%	9.1%
Net margin (%)	-2.0%	-1.4%	-7.4%	3.9%	6.1%
ROE (%)	-4.0%	-1.6%	-7.9%	4.6%	7.7%
Debt to Equity (x)	1.77	1.35	1.34	0.92	0.80
Net Debt to Equity (x)	1.36	0.99	1.01	0.48	0.43

Source: Company data, KS Research

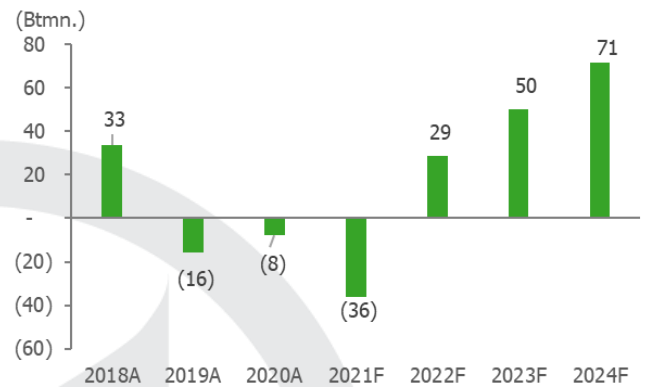


Fig 13 Revenue breakdown



Source: Company data, KS Research

Fig 14 Net profit forecasts



Source: Company data, KS Research

Fig 15 Key assumptions

	2018A	2019A	2020A	2021E	2022E	2023E
Dental Service Business						
Patient	96,928	93,240	69,649	53,300	94,000	103,000
-Thai	60,112	60,302	52,106	42,200	66,000	70,000
-International	36,816	32,938	17,543	11,100	28,000	33,000
Spending per head	5,188	4,944	4,509	4,499	4,897	5,107
-Thai	3,756	3,735	4,136	4,136	4,136	4,136
-International	7,605	7,168	5,678	5,877	6,691	7,168
Trading Business						
Revenue Growth (%)	n.a.	139.0%	-25.4%	1.7%	10.0%	10.0%

Source: Company data, KS Research

Fig 16 Details of warrants

Security	D-W1
Ratio (Warrant:Stock)	1:1.2
Exercise Price (Bt)	3.3333
Last exercise date	March 4, 2022
No. of warrants (mn units)	40
No. of shares for exercise (mn units)	48

Source: Company data, KS Research



Domestic peer comparison

D seems to have a better operating efficiency and turnover compared to its peers as reflected by a higher number of treatments per room as its locations are easily accessible to foot traffic and higher revenue per treatment owing to the high proportion of international patients who mostly fly in to receive complex treatments such as implants and veneer work. D also has a higher level of profitability in that it has a higher EBITDA margin. We think D is a solid growth story based on 1) available capacity at its branches and additional capacity from BIDH that opened in 2H19 that will be available for international patients once reopening occurs; and 2) a permanent reduction in SG&A expense in line with a decrease in the number of personnel due to cost saving program.

Fig 17 Domestic peers

	D			LDC		
	2018A	2019A	2020A	2018A	2019A	2020A
Profile						
branches	16	16	14	31	31	30
rooms	80	89	91	133	135	131
avg. rooms/branche	5.0	5.6	6.5	4.3	4.4	4.4
treatments	96,928	93,240	69,649	168,308	198,129	144,811
Profitability (Btmn)						
revenue	643	773	572	484	548	427
gross profit	205	219	168	28	42	48
EBIT	50	4	7	-30	-32	-4
net profit	33	-16	-8	-38	-27	-17
gross margin (%)	31.8%	28.4%	29.3%	5.8%	7.7%	11.2%
EBIT margin (%)	7.8%	0.5%	1.1%	-6.2%	-5.8%	-0.9%
net margin (%)	5.2%	-2.0%	-1.4%	-7.9%	-4.9%	-4.0%
Dental Business						
dental revenue	503	461	314	484	548	427
dental gross profit	172	151	101	28	42	48
dental gross margin (%)	34.2%	32.8%	32.1%	5.8%	7.7%	11.2%
Efficiency						
treatment/room	1,212	1,048	765	1,265	1,468	1,105
avg. spending/treatment (Btmn)	6,636	8,288	8,219	2,876	2,766	2,949
ROE (%)	8.3%	-4.0%	-1.6%	-12.8%	-10.1%	-7.2%
Valuation						
BVPS	2.03	1.95	1.99	0.47	0.42	0.39
EPS	0.17	-0.08	-0.03	-0.06	-0.05	-0.03
Valuation						
price			3.88			1.33
PBV	1.9	2.0	1.9	2.9	3.1	3.4
PE	23.2	-49.8	-119.3	-22.2	-26.6	-44.3

Source: Company data, KS Research

Valuation and recommendation

We initiate coverage of D with an Outperform call and 2022 PER-based target price of Bt5.85. Our investment thesis assumes 1) a quick return to breakeven level from just a recovery of local demand; 2) scope for revenue and profitability expansion on a recovery in foreign demand when borders reopen; 3) benefit from economies of scale with 20% room expansion from BIDH. We introduce D as a good economic reopening play considering its revenue sensitivity to the COVID-19 situation. We believe D's share price movement will depend more on developments regarding the COVID-19 situation rather than on expected near-term losses. We also expect the government to finally resolve the shortage and the quality of vaccines sooner rather than later, which would reduce infection and mortality rates.

We arrive at our 2022 target price of Bt5.85 pegged to a forward PER of 39.2x 2023 EPS of Bt0.15. Our assigned PER is 1SD below the stock's historical mean, which partly reflects D's near-term earnings difficulties and uncertainty regarding the timeframe of an economy reopening. Note that we forecast EPS will grow from Bt0.09 in 2022 to Bt0.15 in 2023.



Fig 18 2022 target price based on PER multiple

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD
PER multiple (x)	33.9	36.5	39.2	41.9	44.6	47.3	50.0	52.7	55.4
Fair value (Bt/shr)	5.04	5.44	5.84	6.24	6.65	7.05	7.45	7.85	8.25

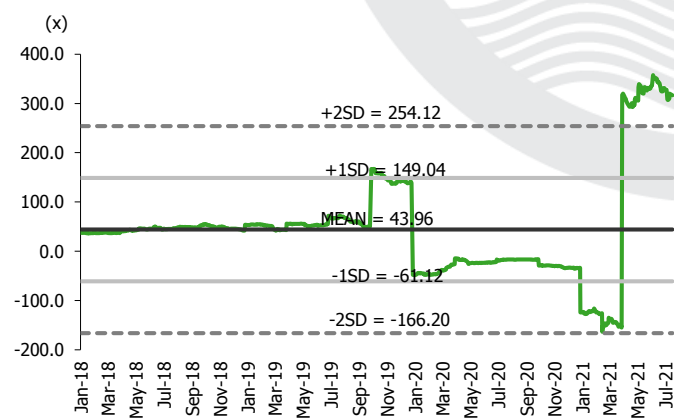
Source: KS Research

Fig 19 Peer comparison

Stock	Market Cap (THB mn)	Basic EPS Growth (%)			Basic P/E (x)			P/BV (x)			Div. Yield (%)			ROE (%)		
		20	21E	22E	20	21E	22E	20	21E	22E	20	21E	22E	20	21E	22E
DENTAL CORP CO LTD	1,141	n.m.	n.m.	n.m.	-95.3	-31.4	45.5	1.6	2.5	2.1	0.0	2.3	0.9	-1.6	-7.9	4.6
LDC DENTAL PCL *	804	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	-7.2	n.a.	n.a.
Global selected peers																
Q & M DENTAL GROUP SINGAPORE *	15,141	150.3	59.8	15.0	18.8	19.9	17.3	3.0	4.9	4.4	1.3	4.0	4.0	16.2	26.5	27.2
PACIFIC SMILES GROUP LTD *	9,818	-30.0	133.3	-6.1	37.4	25.8	27.5	6.5	6.1	5.7	0.8	2.6	2.7	16.4	32.0	23.3
DENTSPLY SIRONA INC *	437,876	-39.9	161.6	11.4	47.5	21.3	19.1	2.3	2.6	2.5	0.7	0.7	0.7	-1.7	12.1	12.7
HENRY SCHEIN INC *	346,603	-37.4	37.9	6.3	22.1	18.3	17.2	2.8	2.5	2.3	n.a.	n.a.	n.a.	12.7	14.8	14.2
STRAUMANN HOLDING AG-REG *	930,516	-19.8	47.7	16.4	77.5	66.9	57.4	13.6	17.3	14.2	0.3	0.4	0.5	7.1	26.7	25.4
BIOLASE INC *	2,861	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	4.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
PATTERSON COS INC *	95,408	17.6	57.9	7.0	12.1	15.0	14.0	3.4	2.0	1.6	3.5	3.5	3.5	-50.9	17.2	15.5
ENVISTA HOLDINGS CORP *	215,910	-26.0	60.6	9.4	66.3	21.3	19.4	1.5	1.7	1.6	n.a.	n.a.	n.a.	0.9	8.7	9.0
SMILEDIRECTCLUB INC *	86,799	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	15.0	25.2	24.0	n.a.	n.a.	n.a.	-24.4	-75.2	-108.9
Simple average		2.1	79.8	8.5	40.2	26.9	24.6	5.8	7.8	7.0	1.3	2.2	2.3	-3.0	7.9	2.3

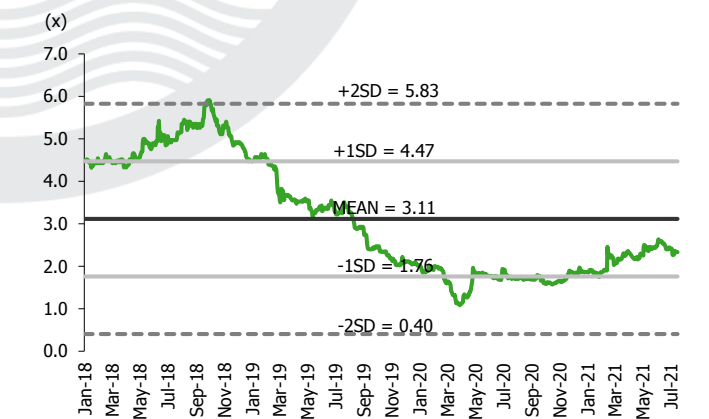
Source: Bloomberg, KS Research (as of September 11, 2020) / * = not under KS coverage

Fig 20 PE - D



Source: Bloomberg, KS Research

Fig 21 PBV - D



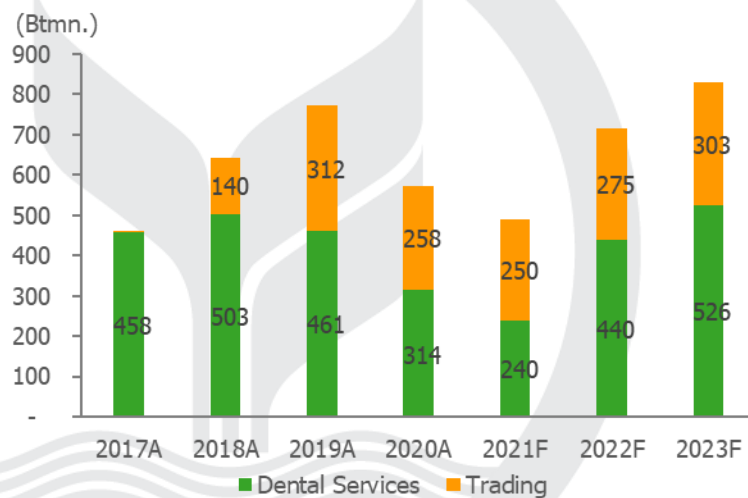
Source: Bloomberg, KS Research



Company profile

Dental Corporation PCL (D), a dental service provider, operates 14 dental clinics and centers comprising Smile Signature, Dental Signature, Dental Planet, Bangkok International Dental Center and Bangkok International Dental Hospital. D operates a dental supply and equipment trading business under Dental Vision (Thailand) Co., Ltd. (DVT). Before the COVID-19 pandemic in 2019, 60% of D's revenue was generated by dental services and 40% from its trading business.

Fig 22 Revenue breakdown by business (Btmn)



Source: Company data, KS Research

D's dental service business is positioned in the high to high-end market segment by providing 1) dentists with expertise; 2) new and hygienic equipment; 3) branches that are pleasantly decorated and located in the CBU area; and 4) a high quality of service.

Dental services comprise three business units*:

- i) Own Company operates 12 small dental clinics and one dental center, i.e., Smile Signature at Siam Square, Seacon Square, Ramintra, Phaholyothin, Central Westgate, The Avenue Ratchayothin, Onnut, Rangsit, BIDD Clinic at Emquater and Siam Paragon, Phuket Dental Signature Clinic, Chiang Mai International Dental Clinic, and Smile Signature dental center at Ratchadapisek 19. Each have 3-7 dental treatment rooms.
- ii) Bangkok International Dental Center Co., Ltd. (BIDC), a 99.99%-held subsidiary, operates one dental center with 20 dental treatment rooms. The BIDC center is a 7-storey standalone building at Ratchadapisek Rd. It is accredited by the Joint Commission International (JCI) of the US, a leading international health care accreditation organization.
- iii) Bangkok International Dental Hospital Center Co., Ltd. (BIDH), a 99.99%-held subsidiary, opened in July 2019 operating as a dental hospital with 20 dental treatment rooms. BIDH center is a 7-storey standalone building located on Sukhumvit 2. The hospital can take inpatient admissions for major treatments or for those who recover from sedation or sleep dentistry.

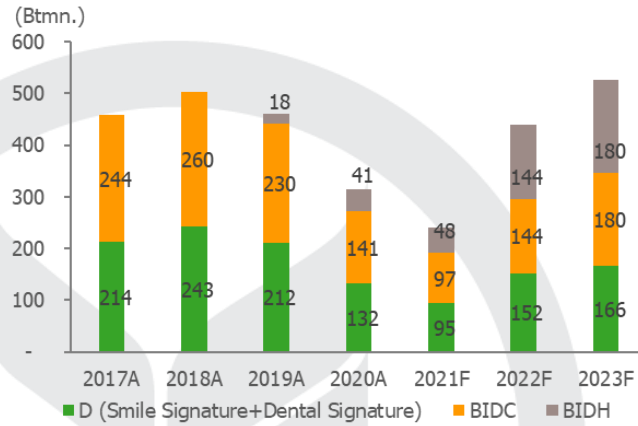
Overall, 46% of D's dental service revenue is contributed by its small branches, 50% by BIDC, and 4% by BIDH. However, we expect BIDH to contribute a larger proportion of 20%/22% revenue in 2022-23

*Definition – dental clinics have at least 1 dentist, dental centers have at least three permanent treatment rooms, and the dental hospital requires inpatient admissions.



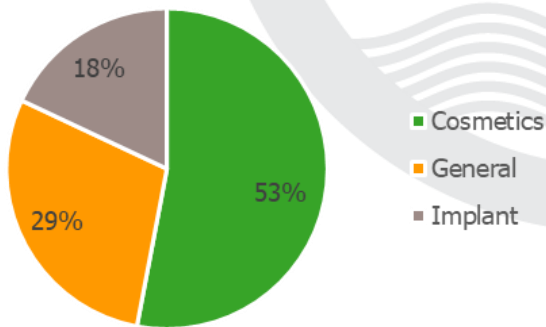
Roughly 49% of D’S dental service revenue was generated by Thai patients and 51% by foreign patients, mostly Australian, American, Chinese, and British. Roughly 65% of the total number of visits were Thai patients and 35% foreign, implying higher spending per head by foreign patients.

Fig 23 Services revenue breakdown by brand (Btmn)



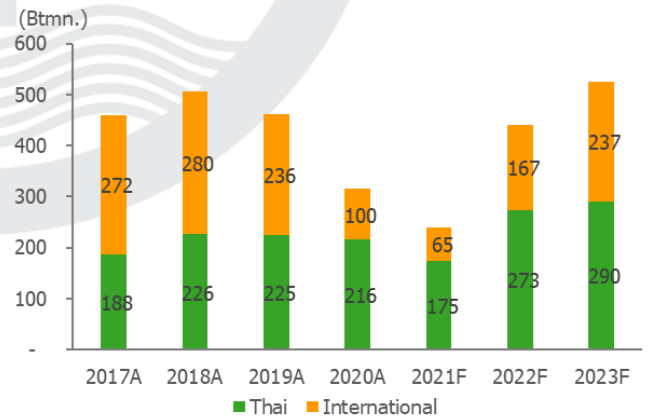
Source: Company data, KS Research

Fig 24 Service revenue breakdown by type (%)



Source: Company data, KS Research

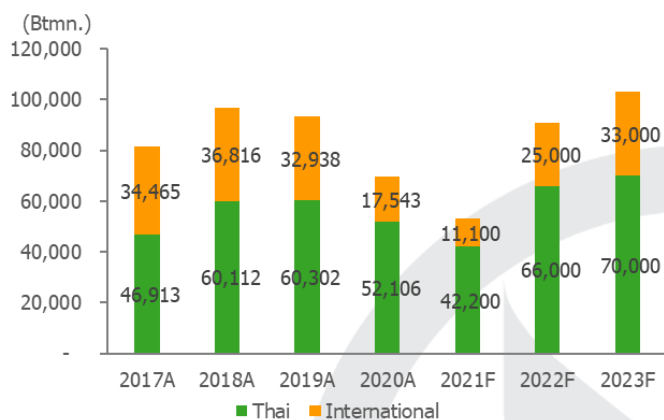
Fig 25 Services revenue breakdown by nationality (Btmn)



Source: Company data, KS Research

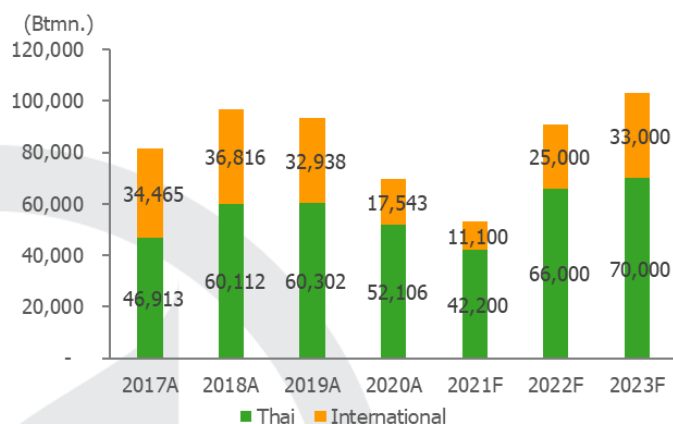


Fig 26 Number of visitors by nationality (%)



Source: Company data, KS Research

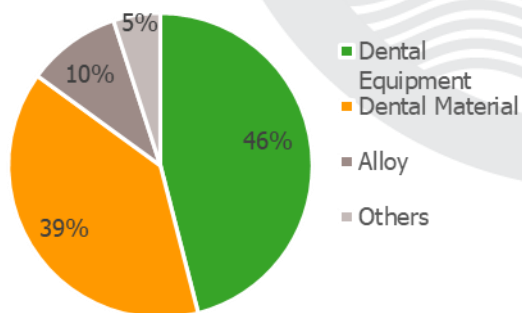
Fig 27 Spending per head by nationality (Btmn)



Source: Company data, KS Research

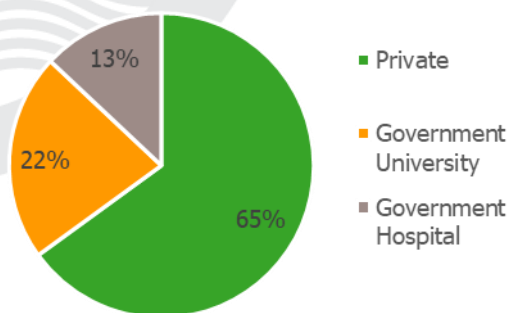
D's Trading business began when it took over Dental Vision Co., Ltd. in 2H18. The company engages in trading dental equipment (X-ray machines, dental chairs) and dental material (diamond bur, filling material, dentures). Private sector customers comprise 65% of trading revenue. The business normally generates Bt300mn in sales per year, and even in weak periods like 2020 it could generate Bt250mn.

Fig 28 Trading revenue breakdown by product (%)



Source: Company data, KS Research

Fig 29 Trading revenue breakdown by customer (Btmn)



Source: Company data, KS Research

The company was founded in 2005 by the Tantapakul family, which has remained the largest shareholder since its inception. It currently holds 67% of the company's total shares.

Fig 30 Major shareholder Post-IPO (as of Feb. 7, 2017)

No.	Major Shareholder	No. of shares (million)	%
1	Tantapakul Family	150	75%
	- Pornsak Tantapakul	120	60%
	- Licinda Chen	30	15%
2	Management	2	1%
3	Public	48	24%
	Total	200	100%

Source: Company data, KS Research

Fig 31 Major shareholder latest (as of July 5, 2021)

Lastest Information (as of 5 July 2021)				
No.	Major Shareholder	No. of shares (million)	%	
1	Tantapakul Family	161	67%	
	- Pornsak Tantapakul	133	55%	
	- Licinda Chen	23	10%	
	- Jureeporn Tantapakul	2	1%	
	- Pornchai Tantapakul	2	1%	
2	Paiboon Sareewiwatthana	8	3%	
3	Wirat Cunaratana-angkul	4	2%	
4	Thanachporn Cunaratana-angkul	3	1%	
5	Yanee Jeeraprapapan	3	1%	
6	Anuchit Kitthanthong	3	1%	
7	Chin Raoprasert	2	1%	

Source: Company data, KS Research



D TB : Year-end Dec 31

Income Statement (Btmn)							Cashflow (Btmn)						
	2018A	2019A	2020A	2021E	2022E	2023E		2018A	2019A	2020A	2021E	2022E	2023E
Revenue	643	773	572	490	735	829	Net profit	33	-16	-8	-36	29	50
Cost of sales and services	-439	-554	-405	-348	-511	-572	Depreciation & amortization	35	37	39	42	42	42
Gross Profit	205	219	168	142	224	257	Change in working capital	-22	8	-39	25	0	-19
SG&A	-163	-224	-167	-167	-179	-189	Others	-6	14	15	-1	0	0
Other income	9	9	6	6	6	6	CF from operation activities	40	44	7	30	71	73
EBIT	50	4	7	-19	51	75	Capital expenditure	-357	-139	-10	-37	-37	-37
EBITDA	85	41	45	22	93	117	Investment in subs and affiliates	0	0	0	0	0	0
Interest expense	-8	-16	-18	-17	-15	-13	Others	0	-6	1	0	0	0
Equity earnings	0	0	0	0	0	0	CF from investing activities	-357	-145	-10	-37	-37	-37
EBT	42	-12	-11	-36	36	63	Cash dividend	-38	0	0	-27	-11	-20
Income tax	-9	-3	3	0	-7	-13	Net proceeds from debt	320	107	-46	-17	-81	-66
NPAT	33	-16	-8	-36	29	50	Capital raising	0	0	100	44	144	0
Minority Interest	0	0	0	0	0	0	Others	0	-20	-18	0	0	0
Core Profit	33	-16	-8	-36	29	50	CF from financing activities	282	86	36	0	52	-86
Extraordinary items	0	0	0	0	0	0	Net change in cash	-35	-14	34	-7	85	-50
FX gain (loss)	0	0	0	0	0	0	Key Statistics & Ratios						
Reported net profit	33	-16	-8	-36	29	50	Per share (Bt)						
Balance Sheet (Btmn)							Reported EPS	0.17	-0.08	-0.03	-0.12	0.09	0.15
Cash & equivalents	25	10	44	36	122	71	Core EPS	0.17	-0.08	-0.03	-0.12	0.09	0.15
ST investments	0	0	0	0	0	0	DPS	0.09	0.00	0.00	0.09	0.03	0.06
Accounts receivable	106	99	107	91	98	110	BV	2.03	1.95	1.99	1.56	1.85	1.94
Inventories	171	184	155	134	164	184	EV	9.03	5.92	5.07	5.45	4.76	4.71
Other current assets	0	0	0	0	0	0	Free Cash Flow	-1.59	-0.48	-0.01	-0.02	0.10	0.11
Total current assets	302	293	306	261	383	365	Valuation analysis						
Investment in subs & others	0	0	0	0	0	0	Reported P/E (x)	41.97	-41.96	-95.32	-31.40	45.49	25.98
Fixed assets-net	520	646	649	645	640	635	Core P/E (x)	41.97	-41.96	-95.32	-31.40	45.49	25.98
Other assets	122	137	167	168	169	169	P/BV (x)	3.47	1.68	1.56	2.48	2.10	2.00
Total assets	944	1,076	1,122	1,074	1,192	1,170	EV/EBITDA (x)	21.25	28.71	26.79	71.53	17.24	13.52
Short-term debt	84	271	115	120	124	128	Price/Cash flow (x)	-4.43	-6.85	-236.10	-158.31	38.61	36.55
Accounts payable	110	129	84	73	110	124	Dividend yield (%)	1.3%	0.0%	0.0%	2.3%	0.9%	1.5%
Total current liabilities	194	400	199	193	235	251	Profitability ratios						
Long-term debt	342	269	402	379	293	223	Gross margin (%)	31.8%	28.4%	29.3%	28.9%	30.5%	31.0%
Other liabilities	-55	176	19	-42	-25	3	EBITDA margin (%)	13.2%	5.3%	7.9%	4.6%	12.6%	14.1%
Total liabilities	539	687	644	615	572	519	EBIT margin (%)	7.8%	0.5%	1.1%	-3.9%	6.9%	9.1%
Paid-up capital	100	100	120	147	168	168	Net profit margin (%)	5.2%	-2.0%	-1.4%	-7.4%	3.9%	6.1%
Share premium	265	265	345	362	485	485	ROA (%)	3.5%	-1.4%	-0.7%	-3.4%	2.4%	4.3%
Retained earnings	40	24	13	-50	-33	-3	ROE (%)	8.3%	-4.0%	-1.6%	-7.9%	4.6%	7.7%
Minority interests	0	0	0	0	0	0	Liquidity ratios						
Total shareholders' equity	405	389	478	459	620	650	Current ratio (x)	1.56	0.73	1.54	1.35	1.63	1.45
Total equity & liabilities	944	1,076	1,122	1,074	1,192	1,170	Quick ratio (x)	0.68	0.27	0.76	0.66	0.94	0.72
Key Assumptions							Leverage Ratios						
Dental Service Business							Liabilities/Equity ratio (x)	1.33	1.77	1.35	1.34	0.92	0.80
Patient	96,928	93,240	69,649	53,300	94,000	103,000	Net debt/EBITDA (x)	4.72	12.85	10.42	20.64	3.19	2.38
-Thai	60,112	60,302	52,106	42,200	66,000	70,000	Net debt/equity (x)	0.99	1.36	0.99	1.01	0.48	0.43
-International	36,816	32,938	17,543	11,100	28,000	33,000	Int. coverage ratio (x)	6.26	0.25	0.37	-1.13	3.35	5.95
Trading Business							Growth						
Spending per head	5,188	4,944	4,509	4,499	4,897	5,107	Revenue (%)	39.9%	20.2%	-25.9%	-14.4%	50.1%	12.7%
-Thai	3,756	3,735	4,136	4,136	4,136	4,136	EBITDA (%)	-3.3%	-51.5%	10.2%	-50.7%	313.8%	26.2%
-International	7,605	7,168	5,678	5,877	6,691	7,168	Reported net profit (%)	-27.4%	n.m.	n.m.	n.m.	n.m.	75.1%
							Reported EPS (%)	-27.4%	n.m.	n.m.	n.m.	n.m.	75.1%
							Core profit (%)	-27.4%	n.m.	n.m.	n.m.	n.m.	75.1%
							Core EPS (%)	-27.4%	n.m.	n.m.	n.m.	n.m.	75.1%

Source: Company, KS estimates



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Neutral: Expected total return between -10% and 10% within a 12-month period

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