



# Dental Corporation PCL

D TB Outperform

Target Price Bt 5.85

Price (06/10/2021) Bt 3.90

Upside % 50.00

Valuation PE

Sector Services

Market Cap Btm 1,123

30-day avg turnover Btm 2.76

No. of shares on issue m 288

CG Scoring Good

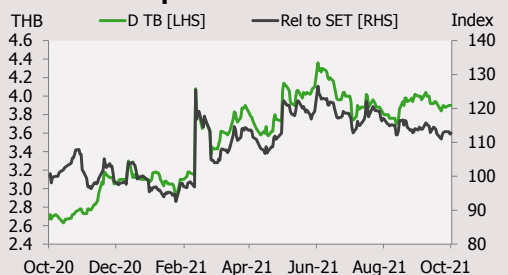
Anti-Corruption Indicator N/A

## Investment fundamentals

### Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
<b>Company Financials</b>				
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
<b>Valuation</b>				
P/E (x)	(95.32)	(31.56)	45.73	26.12
P/BV (x)	1.56	2.50	2.11	2.01
EV/EBITDA (x)	26.79	71.79	17.31	13.58
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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7 October 2021

Kasikorn Securities Public Company Limited

## Expect a 3Q21 net loss

► Expect a 3Q21 net loss of Bt10mn vs. a 3Q20 net profit of Bt17mn and 2Q21 net loss of Bt11mn. 9M21E core loss represents 64% of our 2021 forecast.

► D should benefit from pent-up demand from both domestic and foreign patients, implying possible breakeven in 4Q21 and full recovery in 3Q22.

► Outperform. D is currently trading 3.4SD below its 4-year historical average PER.

## Investment Highlights

► **3Q21 preview.** We expect D to report its 3Q21 financial statement on Nov 11 with a net loss of Bt10mn, worse than a 3Q20 net profit of Bt17mn, owing to the worsening COVID-19 situation and city lockdowns, but slightly better than a 2Q21 net loss of Bt11mn thanks to a decrease in SG&A expense. 9M21E net loss of Bt24mn is worse than a 9M20 net loss of Bt3mn and accounts for 64% of our 2021 net loss forecast, implying a 4Q21 net loss of Bt12mn.

► **Operation.** We expect D to generate 3Q21 revenue of Bt125mn, down 30.5% YoY but up 3.8% QoQ. The YoY contraction should come from a 54.5% decrease in patients to 9.5k as a result of city lockdowns. The QoQ increase should come from project-based revenue from the government. We expect GPM of 20.9%, lower than 32.3% in 3Q20 and 22.6% in 2Q21 due to lower service revenue.

► **Outlook.** We expect D's operations to improve in 4Q21 as the COVID-19 situation has been improving and the government has relaxed lockdown measures. After the government implemented lockdowns in the first wave of COVID-19, D's operations in 2H20 turned profitable quite quickly. We thus expect D's operations to improve in the upcoming quarters. As such, our 4Q21 net loss preview of Bt12mn seems too conservative.

► **A reopening play.** We see D as a reopening play not only due to a resumption of domestic traffic but also a return of medical tourists. Before the COVID-19 pandemic, foreign patient revenue accounted for 30% of D's revenue. The BMA's latest update to allow foreign tourists from Nov 21 onward should benefit D and provide some upside risk to our 2021 net loss estimate. Note that we forecast revenue from foreign patients to reach the pre-COVID-19 level in 3Q22.

## Valuation and Recommendation

► **Outperform.** We maintain our 2021-23 earnings forecasts, 2022 PER-based target price of Bt5.85, and Outperform call on D. Potential rerating catalysts include 1) a quicker recovery in local patient traffic from pent-up demand; 2) a faster comeback of foreign patients; 3) better cost control; and 4) an undemanding valuation. We use a forward PER to derive our target price. We apply a PER of 39.2x, which is 1SD below its four-year historical average. The stock is currently trading at a 1-year forward PER of 26x, which is 3.4SD below its historical average. We believe D's weak 3Q21 results may be a drag on the share price, but we believe this would provide a buying opportunity.

► **Risks** against our Outperform call include 1) a faster cash burn rate; 2) a cash call; and 3) a slow reopening.



Fig 1 3Q21 earnings preview

(Btmn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21E	% YoY	% QoQ	9M21E	9M20	% YoY	2021E	%2021E
Revenue	152.3	89.6	180.0	150.6	142.9	120.5	126.0	-30.0%	4.6%	389.3	421.8	8.3%	489.8	79.5%
COGS	108.1	66.4	121.8	108.6	101.7	93.3	99.7	-18.2%	6.9%	294.6	296.3	0.6%	348.0	84.7%
Gross profit	44.2	23.2	58.2	42.0	41.2	27.2	26.3	-54.8%	-3.2%	94.7	125.6	32.6%	141.7	66.8%
SG&A exp	53.4	32.0	40.0	41.4	40.8	35.3	32.5	-18.7%	-7.9%	108.7	125.5	15.5%	166.9	65.1%
Operating profit	-7.7	-6.4	22.1	-1.5	1.6	-7.0	-5.2	n.m.	n.m.	-10.6	8.0	n.m.	-19.3	55.0%
Interest exp	5.4	4.3	4.0	3.9	3.9	3.9	4.4	10.6%	12.6%	12.2	13.7	12.4%	17.0	71.4%
Income tax	-1.4	-2.5	1.5	-0.9	-0.4	0.2	0.0	n.m.	n.m.	-0.1	-2.4	n.m.	0.0	n.m.
Net profit	-11.8	-8.2	16.7	-4.5	-1.9	-11.2	-9.6	n.m.	n.m.	-22.6	-3.3	n.m.	-36.3	62.3%
Core profit	-11.8	-8.2	16.7	-4.5	-1.9	-11.2	-9.6	n.m.	n.m.	-22.6	-3.3	n.m.	-36.3	62.3%
EPS (Bt)	-0.04	-0.03	0.07	-0.02	-0.01	-0.04	-0.03	n.m.	n.m.	-0.08	-0.01	n.m.	-0.12	63.6%
Core EPS (Bt)	-0.05	-0.03	0.07	-0.02	-0.01	-0.04	-0.03	n.m.	n.m.	-0.08	-0.02	n.m.	-0.12	63.6%
<b>Performance Drivers</b>														
Revenue from service (Btmn)	101.2	46.1	83.5	83.2	88.0	61.4	56.0	-33.0%	-8.8%	205.4	230.8	12.4%	239.8	85.7%
No. of Patients	19,538	9,886	20,868	19,357	18,444	10,359	9,350	-55.2%	-9.7%	38,153	50,292	n.m.	53,300	71.6%
average spending (Bt)	5,181	4,663	4,002	4,299	4,770	5,928	5,900	47.4%	-0.5%	5,383	4,590	n.m.	4,499	n.m.
Revenue from trading (Btmn)	51.1	43.5	96.4	67.4	54.9	59.1	70.0	-27.4%	18.5%	184.0	191.0	3.8%	250.0	73.6%
<b>Key financials</b>														
GPM (%)	29.0%	25.9%	32.3%	27.9%	28.8%	22.6%	20.9%			24.3%	29.8%		28.9%	
SG&A to Sale (%)	8.2%	8.1%	6.8%	27.5%	28.6%	29.3%	25.8%			27.9%	29.7%		34.1%	
OPM (%)	-5.1%	-7.1%	12.3%	-1.0%	1.2%	-5.8%	-4.1%			-2.7%	1.9%		-3.9%	
Core margin (%)	-7.7%	-9.2%	9.3%	-3.0%	-1.3%	-9.3%	-7.6%			-5.8%	-0.8%		0.0%	

Source: Company data, KS Research

Fig 2 Valuation

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD
PE multiple	33.8	36.5	39.2	41.9	44.6	47.3	50.0	52.7	55.4
Fair value (Bt/shr)	5.05	5.45	5.85	6.26	6.66	7.06	7.47	7.87	8.27

Source: Company data, KS Research



**D TB : Year-end Dec 31**

Income Statement (Btmn)	2018A	2019A	2020A	2021E	2022E	2023E	Cashflow (Btmn)	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
<b>Gross Profit</b>	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	7	<b>CF from operation activities</b>	40	44	7	30	71	73
<b>EBIT</b>	50	4	7	-19	51	75	Capital expenditure	-357	-139	-10	-37	-37	-37
<b>EBITDA</b>	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	<b>CF from investing activities</b>	-357	-145	-10	-37	-37	-37
<b>EBT</b>	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
<b>NPAT</b>	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
<b>Core Profit</b>	33	-16	-8	-36	29	50	<b>CF from financing activities</b>	282	86	36	0	52	-86
Extraordinary items	0	0	0	0	0	0	<b>Net change in cash</b>	-35	-14	34	-7	85	-50
FX gain (loss)	0	0	0	0	0	0	<b>Key Statistics &amp; Ratios</b>						
<b>Reported net profit</b>	33	-16	-8	-36	29	50	<b>Per share (Bt)</b>						
<b>Balance Sheet (Btmn)</b>							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	5.47	4.78	4.73
Other current assets	0	0	0	0	0	0	Free Cash Flow	-1.59	-0.48	-0.01	-0.02	0.10	0.11
<b>Total current assets</b>	302	293	306	261	383	365	<b>Valuation analysis</b>						
Investment in subs & others	0	0	0	0	0	0	Reported P/E (x)	41.97	-41.96	-95.32	-31.56	45.73	26.12
Fixed assets-net	520	646	649	645	640	635	Core P/E (x)	41.97	-41.96	-95.32	-31.56	45.73	26.12
Other assets	122	137	167	168	169	169	P/BV (x)	3.47	1.68	1.56	2.50	2.11	2.01
<b>Total assets</b>	944	1,076	1,122	1,074	1,192	1,170	EV/EBITDA (x)	21.25	28.71	26.79	71.79	17.31	13.58
Short-term debt	84	271	115	120	124	128	Price/Cash flow (x)	-4.43	-6.85	-236.10	-159.13	38.81	36.74
Accounts payable	110	129	84	73	110	124	Dividend yield (%)	1.3%	0.0%	0.0%	2.3%	0.9%	1.5%
<b>Total current liabilities</b>	194	400	199	193	235	251	<b>Profitability ratios</b>						
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%
<b>Total liabilities</b>	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	<b>Liquidity ratios</b>						
<b>Total shareholders' equity</b>	405	389	478	459	620	650	Current ratio (x)	1.56	0.73	1.54	1.35	1.63	1.45
<b>Total equity &amp; liabilities</b>	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
<b>Key Assumptions</b>							<b>Leverage Ratios</b>						
<b>Dental Service Business</b>							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
<b>Growth</b>							<b>Growth</b>						
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%
<b>Trading Business</b>							Reported EPS (%)	-27.4%	n.m.	n.m.	n.m.	n.m.	75.1%
Revenue Growth (%)	n.a.	139.0%	-25.4%	1.7%	10.0%	10.0%	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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