

Dental Corporation Pcl.

D

Expect limited recovery due to heightened competition

NEUTRAL

Maintain Rating

Valuation: PER
Target Price/Upside:
Bt3.24/8.00%

Maintain Target Price

Price (Jan 7, 2025)
Bt3.00

Sector: Services	No. of shares on issue:	342mn
Market Cap: Bt1,027mn	CG Scoring (IOD-Y2023):	N/A
30-day avg turnover: Bt.62mn	Anti-Corruption Indicator:	N/A

Investment fundamentals

Year end Dec 31	2022A	2023A	2024E	2025E
Company Financials				
Revenue (Btmn)	815	927	944	1,003
Core profit (Btmn)	52	71	60	73
Net profit (Btmn)	58	71	60	73
Net EPS (Bt)	0.19	0.21	0.18	0.21
DPS (Bt)	0.06	0.12	0.06	0.11
BVPS (Bt)	1.78	1.71	1.92	2.03
Net profit growth (%)	n.m.	24%	-15%	21%
ROA (%)	5.1%	6.6%	5.6%	6.9%
ROE (%)	10.7%	12.2%	9.2%	10.5%
Net D/E (x)	0.70	0.52	0.30	0.23
Valuation				
P/E (x)	33.61	19.60	17.14	14.15
P/BV (x)	3.60	2.39	1.57	1.49
EV/EBITDA (x)	21.68	13.10	9.93	8.53
Dividend yield (%)	0.9%	2.9%	2.0%	3.6%

Investment Topics

- ▶ **4Q24 preview.** D is scheduled to post its 2024 financial statement on Feb 28 which we expect will show a net profit of Bt16mn, up 87.9% YoY on a higher dental service business GPM and a low base of Bt8mn last year, as well as a 57.1% QoQ increase in GPM of the dental trading business owing to a lack of impairment expense for aging dental equipment. We estimate this will result in a 2024 net profit of Bt60mn, down 15.4% YoY. We expect D will declare a 2H24 DPS of Bt0.06, implying a dividend payout ratio of 81% and an annualized dividend yield of 2%.
- ▶ **Outlook.** we expect D's 2025 earnings will recover with modest growth of 21.2% YoY driven by strong foreign patient volume growth, which as of 4Q24 exceeded the pre-COVID-19 level by 10%. However, we anticipate limited margin expansion due to increased competition among local dental clinics that will pressure an average spending per patient. As a result, we project D's 2025/26 net profit margins to come in both at 7.3%, below management guidance between 8% and 10%. If the company achieves its margin targets, there could be an upside risks between 13.8% and 48.7% to our 2025 net profit forecast of Bt73mn.
- ▶ **Earnings revisions.** We fine-tune our 2024/25/26 core profit forecasts by 0.2%/0.2%/-0.4% as we revising up our revenue forecasts for dental service and dental trading business while lowering our other income forecasts and raising our SG&A expense as we assume higher marketing expense to support the opening of new branches and D's new toothpaste products (Elite Smile).

Valuation and Recommendation

- ▶ **Neutral.** We maintain our Neutral call on D with an end-2025 target price of Bt3.24. On a YTD basis, the stock has fallen by 1.3% vs. a decline of 4% for its local peer, LDC (Ladprao Dental Clinic) (non-rated) and the SET's increase of 1.9%. Given a lack of rerating catalysts, as an increase in utilization rate of its new Bangkok International Dental Hospital (BIDH), hinges on growth of foreign patients and the launch of a Dental Planet branch to compete with rising competition among local dental clinics will take quite some time. Current valuation still looks demanding trading at 2024/25 PERs of 17.1x/14.2x vs. our 3-year CAGR net profit forecast of 2.5% and 2024/25 ROEs of 9.2%/10.5%.
- ▶ **Risks** include a lower-than-expected number of foreign and Thai patients and margin erosion from the impact of the THB depreciation on the dental trading business.

Analyst

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	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	% YoY	% QoQ	12M23	12M24E	% YoY	2024E	% YTD
Service	111	130	144	160	180	156	167	156	169	164	163	158	1.6%	-2.8%	659	655	-0.6%	600	100.0%
Sale	55	58	68	89	62	86	64	56	58	76	83	73	29.9%	-11.4%	268	290	8.0%	271	100.0%
Revenue	166	188	212	249	242	242	231	212	227	240	246	232	9.1%	-5.7%	927	944	1.9%	870	100.0%
Service	73	82	88	96	110	95	103	99	103	103	101	99	-0.3%	-2.1%	407	405	-0.5%	378	100.0%
Sale	40	44	54	71	44	66	48	42	42	55	67	56	31.8%	-16.9%	201	220	9.6%	206	100.0%
COGS	113	126	142	167	153	161	152	147	145	157	168	154	4.8%	-8.1%	613	625	1.9%	584	100.0%
Service	38	48	56	64	71	61	64	57	67	62	62	60	4.7%	-3.9%	252	250	-0.9%	222	100.0%
Sale	15	15	14	18	18	20	16	14	16	21	16	17	24.3%	12.2%	67	69	3.3%	65	100.0%
Gross profit	53	62	70	82	89	81	79	65	82	83	77	77	17.8%	-1.0%	314	320	1.7%	287	100.0%
SG&A	42	44	50	62	55	59	54	56	57	61	61	58	2.8%	-6.0%	223	237	6.2%	209	100.0%
Operating profit	11	18	20	20	34	22	25	9	25	22	16	19	110.3%	18.0%	91	83	-9.3%	78	100.0%
Other income	3	1	3	8	3	5	2	7	3	2	2	3	-58.0%	21.8%	18	9	-46.5%	15	100.0%
EBIT	14	19	23	28	37	28	28	16	28	24	19	22	38.3%	18.5%	109	92	-15.3%	93	100.0%
D&A exp	9	9	9	9	9	10	10	10	10	10	10	10	2.4%	0.1%	39	41	6.3%	39	100.0%
EBITDA	24	28	33	37	47	37	38	26	38	34	29	32	24.5%	12.0%	147	133	-9.7%	132	100.0%
Interest exp	4	3	4	4	4	5	5	5	4	4	4	4	-13.0%	-5.0%	18	17	-8.7%	18	100.0%
EBT	10	15	20	24	33	23	23	11	24	20	14	18	59.4%	25.5%	90	75	-16.7%	75	100.0%
Tax charge	2	0	3	6	6	5	5	3	5	4	4	2	-28.6%	-52.4%	19	15	-21.4%	15	100.0%
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	242.7%	-730.7%	0	0	-100.0%	0	n.a.
Net profit	8	15	17	18	27	18	18	8	19	16	10	16	87.9%	57.1%	71	60	-15.4%	60	100.0%
Extra items	1	0	0	5	0	0	0	0	0	0	0	0	n.a.	n.a.	0	0	n.a.	0	n.a.
Core profit	7	15	17	13	27	18	18	8	19	16	10	16	87.9%	57.1%	71	60	-15.4%	60	100.0%
FD core EPS (Bt)	0.02	0.04	0.05	0.04	0.08	0.05	0.05	0.02	0.05	0.05	0.03	0.05	87.9%	57.1%	0.21	0.18	-15.4%	0.18	100.0%
FD DPS (Bt)	0.00	0.00	0.03	0.06	0.00	0.06	0.00	0.06	0.00	0.04	0.00	0.06	2.9%	n.a.	0.12	0.11	-11.1%	0.09	173.0%
Key financial ratios (%)																			
GPM	32.1%	33.0%	32.8%	32.9%	36.7%	33.5%	34.4%	30.6%	36.3%	34.7%	31.5%	33.1%			33.9%	33.8%		33.0%	
GPM (Service)	34.4%	36.7%	38.7%	40.0%	39.2%	39.3%	38.1%	36.5%	39.5%	37.5%	38.1%	37.7%			38.3%	38.2%		37.0%	
GPM (Sale)	27.4%	24.9%	20.5%	20.0%	28.6%	23.1%	24.6%	24.9%	26.9%	27.7%	18.8%	23.8%			25.1%	24.0%		24.0%	
SG&A to sales	25.2%	23.5%	23.4%	24.9%	22.6%	24.3%	23.3%	26.3%	25.2%	25.5%	24.9%	24.8%			24.1%	25.1%		24.0%	
OPM	6.9%	9.5%	9.4%	8.0%	14.1%	9.2%	11.0%	4.3%	11.1%	9.2%	6.6%	8.2%			9.8%	8.7%		9.0%	
CPM	4.2%	8.2%	7.9%	5.1%	11.3%	7.3%	7.7%	4.0%	8.1%	6.5%	4.1%	6.9%			7.7%	6.4%		6.9%	

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Fig 1 Key 4Q24 drivers

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	% YoY	% QoQ	12M23	12M24E	% YoY	2024E	% YTD
Performance drivers																			
Revenue from service (Btmn)	111	130	144	160	180	156	167	156	169	164	163	158	1.6%	-2.8%	659	655	-0.6%	600	100.0%
Rev from Thai patients	67	72	77	73	73	66	75	62	64	67	62	60	-3.8%	-3.2%	277	253	-8.4%	259	100.0%
Rev from Foreign patients	43	57	67	87	107	90	92	94	105	97	101	98	4.6%	-2.5%	383	402	4.8%	341	100.0%
No of patients	17,203	19,139	20,476	22,276	22,842	21,239	21,722	21,159	22,290	21,034	20,489	20,679	-2.3%	0.9%	86,962	84,492	-2.8%	80,888	100.0%
Thai patients	12,512	12,988	13,259	13,870	13,311	12,729	13,642	12,767	12,664	12,106	11,730	11,753	-7.9%	0.2%	52,449	48,253	-8.0%	49,827	100.0%
Foreign patients	4,691	6,151	7,217	8,406	9,531	8,510	8,080	8,392	9,626	8,928	8,759	8,926	6.4%	1.9%	34,513	36,239	5.0%	31,062	100.0%
Average spending (Bt)	6,383	6,704	7,023	7,174	7,889	7,340	7,691	7,398	7,596	7,803	7,957	7,663	3.6%	-3.7%	30,318	31,019	2.3%	7,413	400.2%
Revenue from trading (Btmn)	55	58	68	89	62	86	64	56	58	76	83	73	29.9%	-11.4%	268	290	8.0%	271	100.0%
Key financial ratios (%)																			
GPM (Service)	34.4%	36.7%	38.7%	40.0%	39.2%	39.3%	38.1%	36.5%	39.5%	37.5%	38.1%	37.7%			38.3%	38.2%		37.0%	
GPM (Sale)	27.4%	24.9%	20.5%	20.0%	28.6%	23.1%	24.6%	24.9%	26.9%	27.7%	18.8%	23.8%			25.1%	24.0%		24.0%	
GPM	32.1%	33.0%	32.8%	32.9%	36.7%	33.5%	34.4%	30.6%	36.3%	34.7%	31.5%	33.1%			33.9%	33.8%		33.0%	

Source: Company, KS Research

Fig 2 D's 2025 operating guidance vs. our projections

Release date		3-Jan-25				
Core service revenue		10-15%				
Net profit margin (%)		8-10%				
Btmn	2024E	2025E	D	2025E	% variance	
	Actual	Low	High	KS	Low	High
Core revenue	944	1039	1086	1003	3.6%	8.3%
% YoY	1.9%	10.0%	15.0%	6.2%		
Net profit	60	83	109	73	13.8%	48.7%
Net profit margin (%)	6.4%	8.0%	10.0%	7.3%		

Source: Company, KS Research

Fig 3 Earnings revisions

Btmn	2023	New			Previous			% change		
		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	927	944	1003	1048	870	922	963	8.5%	8.8%	8.9%
COGS	613	625	661	687	584	609	632	7.1%	8.7%	8.8%
Gross profit	314	320	342	361	287	313	331	11.4%	9.0%	9.1%
SG&A exp	223	237	244	259	209	221	231	13.5%	10.1%	12.1%
Operating profit	91	83	98	102	78	92	100	6.0%	6.3%	2.3%
Other income	18	9	10	10	15	16	16	-36.2%	-36.0%	-35.9%
EBIT	109	92	108	112	93	108	116	-0.8%	0.1%	-3.1%
Interest exp	18	17	17	17	18	17	20	-5.0%	0.0%	-16.4%
EBT	90	75	91	96	75	91	96	0.2%	0.2%	-0.4%
Tax	19	15	18	19	15	18	19	0.2%	0.2%	-0.4%
NCI	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
Extra items	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
Net profit	71	60	73	77	60	73	77	0.2%	0.2%	-0.4%
Core profit	71	60	73	77	60	73	77	0.2%	0.2%	-0.4%
No of shares (m)	342	342	342	342	342	342	342	0.0%	0.0%	0.0%
EPS (Bt)	0.21	0.18	0.21	0.22	0.18	0.21	0.22	0.2%	0.2%	-0.4%
Core EPS (Bt)	0.21	0.18	0.21	0.22	0.18	0.21	0.22	0.2%	0.2%	-0.4%
DPS (Bt)	0.12	0.06	0.11	0.12	0.09	0.11	0.12	-29.8%	2.2%	-4.0%

Source: Company, KS Research

Fig 4 Earnings revisions (key ratios)

	2023	New			Previous			Change in ppt		
		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Dental service (Btmn)	659	655	710	753	600	649	686	9.2%	9.5%	9.7%
Trading business (Btmn)	268	290	292	295	271	273	276	6.9%	6.9%	6.9%
Key drivers										
No of patients (total)	86,962	84,492	87,993	90,917	80,888	84,059	86,737	4.5%	4.7%	4.8%
Thai patients	52,449	48,253	49,218	50,203	49,827	50,823	51,840	-3.2%	-3.2%	-3.2%
Foreign patients	34,513	36,239	38,775	40,714	31,062	33,236	34,898	16.7%	16.7%	16.7%
Spending per head	7,581	7,752	8,074	8,281	7,413	7,716	7,913	4.6%	4.6%	4.6%
Momentum										
Revenue % YoY	13.8%	1.9%	6.2%	4.5%	-6.1%	5.9%	4.4%	-130.3%	4.3%	2.7%
Core profit % YoY	38.3%	-15.4%	21.2%	4.9%	-15.6%	21.3%	5.4%	-1.3%	-0.5%	-9.9%
SG&A to sales	24.1%	25.1%	24.3%	24.7%	24.0%	24.0%	24.0%	4.6%	1.3%	2.9%
Margin										
GPM (%)	33.9%	33.8%	34.1%	34.4%	33.0%	34.0%	34.3%	2.7%	0.2%	0.2%
OPM (%)	9.8%	8.7%	9.8%	9.7%	9.0%	10.0%	10.3%	-2.3%	-2.3%	-6.0%
CPM (%)	7.7%	6.4%	7.3%	7.3%	6.9%	7.9%	8.0%	-7.6%	-7.9%	-8.5%
Working capital										
A/R days	31	33	35	37	33	35	37	0.0%	0.0%	0.0%
INV days	105	107	109	111	107	109	111	0.0%	0.0%	0.0%
A/P days	51	50	49	48	50	49	48	0.0%	0.0%	0.0%
CCC days	86	91	94	99	91	94	99	0.0%	0.0%	0.0%
Leverage										
Net debt to equity (x)	0.52	0.30	0.23	0.17	0.29	0.22	0.16	0.2%	3.5%	6.2%
Net debt to EBITDA (x)	2.33	1.57	1.14	0.87	1.64	1.16	0.83	-3.8%	-1.1%	4.4%
Return (%)										
ROE (%)	12%	9%	11%	10%	9%	11%	11%	-1.1%	-1.1%	-1.7%
ROA (%)	7%	6%	7%	7%	6%	7%	7%	-1.2%	-1.4%	-1.9%

Source: Company, KS Research

Fig 5 PER-based valuation

Period	end-2025	
	PER (-0.5SD)	Intrinsic PER
Assigned PER (x)	19.0	11.3
end-2025 net profit (Btmn)	73	73
PER value	1,388	828
No. of shares (m)	342	342
Bt per share	4.06	2.42
Simple average		3.24

Source: Company, KS Research

D TB : Year-end Dec 31

Income Statement (Btmn)	2022A	2023A	2024E	2025E	2026E	Cashflow (Btmn)	2022A	2023A	2024E	2025E
Revenue	815	927	944	1,003	1,048	Net profit	58	71	60	73
Cost of sales and services	-548	-613	-625	-661	-687	Depreciation & amortization	37	39	41	42
Gross Profit	267	314	320	342	361	Change in working capital	-15	11	-16	-19
SG&A	-198	-223	-237	-244	-259	Others	24	27	47	4
Other income	0	0	0	0	0	CF from operation activities	104	148	132	100
EBIT	84	109	92	108	112	Capital expenditure	-14	-19	-38	-39
EBITDA	106	130	124	140	145	Investment in subs and affiliates	0	0	0	0
Interest expense	-15	-18	-17	-17	-17	Others	1	-1	1	0
Equity earnings	0	0	0	0	0	CF from investing activities	-13	-20	-37	-39
EBT	69	90	75	91	96	Cash dividend	-18	-23	-21	-37
Income tax	-11	-19	-15	-18	-19	Net proceeds from debt	-84	-94	-34	-53
NPAT	58	71	60	73	77	Capital raising	46	0	0	0
Minority Interest	0	0	0	0	0	Others	-14	-21	0	0
Core Profit	52	71	60	73	77	CF from financing activities	-70	-138	-55	-90
Extraordinary items	6	0	0	0	0	Net change in cash	21	-9	41	-29
FX gain (loss)	0	0	0	0	0					
Reported net profit	58	71	60	73	77					
Balance Sheet (Btmn)						Key Statistics & Ratios				
Cash & equivalents	58	49	90	61	57	Per share (Bt)				
ST investments	0	0	0	0	0	Reported EPS	0.19	0.21	0.18	0.21
Accounts receivable	123	80	86	96	105	Core EPS	0.17	0.21	0.18	0.21
Inventories	161	177	184	197	208	DPS	0.06	0.12	0.06	0.11
Other current assets	0	0	0	0	0	BV	1.78	1.71	1.92	2.03
Total current assets	342	305	360	354	370	EV	7.64	4.96	3.59	3.49
Investment in subs & others	0	0	0	0	0	Free Cash Flow	0.30	0.38	0.28	0.18
Fixed assets-net	534	611	566	548	531	Valuation analysis				
Other assets	257	158	157	157	157	Reported P/E (x)	33.61	19.60	17.14	14.15
Total assets	1,132	1,075	1,082	1,059	1,058	Core P/E (x)	37.52	19.60	17.14	14.15
Short-term debt	118	145	132	132	133	P/BV (x)	3.60	2.39	1.57	1.49
Accounts payable	104	85	85	89	90	EV/EBITDA (x)	21.68	13.10	9.93	8.53
Total current liabilities	228	230	217	222	223	Price/Cash flow (x)	21.50	10.81	10.94	16.91
Long-term debt	314	206	153	89	50	Dividend yield (%)	0.9%	2.9%	2.0%	3.6%
Other liabilities	54	54	54	54	55	Profitability ratios				
Total liabilities	595	490	423	365	328	Gross margin (%)	32.7%	33.9%	33.8%	34.1%
Paid-up capital	151	171	171	171	171	EBITDA margin (%)	13.1%	14.0%	13.1%	13.9%
Share premium	385	385	385	385	385	EBIT margin (%)	10.3%	11.7%	9.7%	10.8%
Retained earnings	-24	29	103	139	175	Net profit margin (%)	7.1%	7.7%	6.4%	7.3%
Minority interests	0	0	0	0	0	ROA (%)	5.1%	6.6%	5.6%	6.9%
Total shareholders' equity	537	585	658	694	730	ROE (%)	10.7%	12.2%	9.2%	10.5%
Total equity & liabilities	1,132	1,075	1,082	1,059	1,058	Liquidity ratios				
Key Assumptions						Current ratio (x)	1.50	1.33	1.66	1.60
Dental Service Business						Quick ratio (x)	0.79	0.56	0.81	0.71
Patient	79,094	86,962	84,492	87,993	90,917	Leverage Ratios				
-Thai	52,629	52,449	48,253	49,218	50,203	Liabilities/Equity ratio (x)	1.11	0.84	0.64	0.53
-International	26,465	34,513	36,239	38,775	40,714	Net debt/EBITDA (x)	3.52	2.33	1.57	1.14
Spending per head	6,849	7,581	7,752	8,074	8,281	Net debt/equity (x)	0.70	0.52	0.30	0.23
-Thai	5,468	5,278	5,250	5,355	5,462	Int. coverage ratio (x)	5.50	5.94	5.51	6.50
-International	9,594	11,083	11,083	11,526	11,757	Growth				
Trading Business						Revenue (%)	54.1%	13.8%	1.9%	6.2%
Revenue Growth (%)	18.5%	-0.7%	8.0%	1.0%	0.0%	EBITDA (%)	427.4%	21.9%	-4.7%	13.2%
						Reported net profit (%)	n.m.	23.9%	-15.4%	21.2%
						Reported EPS (%)	n.m.	9.3%	-15.4%	21.2%
						Core profit (%)	n.m.	38.3%	-15.4%	21.2%
						Core EPS (%)	n.m.	22.1%	-15.4%	21.2%

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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