BGH EYES STAKES IN ASIA HOSPITALS

SATHORN ONGDEE
THE NATION

Bangkok Dusit Medical Services Plc (BGH), the second-largest private hospital in Asia with market capitalisation of $8.85 billion (Bt333 billion), expects to conclude acquisition deals with foreign private hospitals in the region by the end of this year.

The move would take its total number of patient beds to 8,000 over the next three years.

"The group is discussing acquisition proposals with three or four private hospitals in the region. We might choose only one or two hospitals to acquire shares in," said Prasert Prasartong-Osoth, BGH’s group chief executive officer and president.

He declined to give details about either the size of the acquisitions or the names of the hospitals. The group would leave the names of the hospitals it acquires unchanged. The phrase “by Bangkok Hospital Group” would be attached to the names, he said.

IHH, the biggest private hospital in Asia with a market capitalisation of $7 billion, recently mobilised a huge amount of funding via a dual public listing in the stock markets of Malaysia and Singapore. The hospital now has around 6,000 patient beds after taking over a private hospital in Turkey. Prasert said that in terms of number of beds, BGH is as large as IHH, but the latter earns a higher average price.

According to a study by CIMB, BGH expects that in the second quarter, it will earn Bt2,739 in revenue per outpatient visit, up 10 per cent year on year, while taking in Bt2,160 in revenue per patient day, up 8 per cent year on year.

The result of mergers and acquisitions between three groups of private hospitals a few years ago, BGH has five main brands – Bangkok Hospital, Samitivej Hospital, BHN Hospital, Phayathai Hospital and Paolo Memorial Hospital. The group now has a total of 26 private hospitals in Bangkok and the provinces with a combined 5,000 patient beds approximately, targeting all market segments from high to low end.

CIMB said BGH booked a Bt479-million revaluation gain from its acquisition of the Phayathai Group in the second quarter of 2011 and a Bt8.8-billion revaluation gain from its acquisition of more Bumrungrad shares in the first quarter of this year.

In addition, in the second quarter, BGH’s outpatient volume grew 5 per cent year on year to 19,341 visits per day and average daily census rose 7 per cent to 2,546 patient beds. This should see BGH’s revenue grow 16 per cent year on year in the second quarter, powered by a 6-per-cent increase in volume and a 5-per-cent increase in prices, CIMB said.

STOCKS UP

BGH’s stock closed up 77 per cent at B98.75 yesterday after being cheered by brokerage houses due to guidance from the company during an analyst visit last Friday that it would post a strong core-profit for the second quarter. A reason for the jump in earnings was a rise in healthcare revenue and profit sharing from the 24-per-cent stake in Bangkok Hospital.

CIMB recommended investors "stay invested" in BGH stock and rated it "outperform" for long-term investment, while Buaahng Securities suggested a "buy" rating in its latest study.

Chatree Duangnet, chief executive of Bangkok Hospital Medical Centre, said yesterday that the synergy of the group’s M&A activities had started paying off. "So far, we have helped to transfer the centre’s know-how in special medical treatments, such as heart and cancer treatments, to Phayathai 3 Hospital and Paolo Memorial Hospital on Navamin Rd, raising their quality standards to the same level as the centre’s.

Prasert said the group could have advantages over rivals in Asia, especially when full liberalisation of Asian Economic Community begins in 2015. "Our target in the next three years is to boost the number of professional doctors. The more doctors, the greater the hospital’s quality."

CIMB expects BGH’s second-quarter earnings to grow 45 per cent to Bt1.3 billion. If the core forecast materialises, the hospital’s core net profit in the first half would account for 48 per cent of this forecast.

Buaahng expects Bt100 million in acquisition income from Bumrungrad in the second quarter of this year. It targets a 20-per-cent increase in the capacity of BGH in the next three to five years, with patient beds increasing from 5,000 to 6,000.