

Financial Game 2: Explanation

Financial Game 2:

Value Investor

- Each group is required to pick up a stock from SET or MAI, which is best for long-term investment. Explain your reasons, including financial ratios.

Value Investing (1)

- Value investing is an investment paradigm that derives from the ideas on investment that Ben Graham and David Dodd began teaching at Columbia Business School in 1928 and subsequently developed in their 1934 text *Security Analysis*
- Although value investing has taken many forms since its inception, it generally involves buying securities that appear underpriced by some form of fundamental analysis
- High-profile proponents of value investing, including Berkshire Hathaway chairman **Warren Buffett**, have argued that the essence of value investing is buying stocks at less than their intrinsic value

How?

- <http://www.investopedia.com/university/value-investing/value-investing1.asp>
- From examining the performance of simple value strategies, such as buying *low PE ratio* stocks, *low price-to-cash-flow ratio* stocks, or *low price-to-book ratio* stocks, numerous academics have published studies investigating the effects of buying value stocks
- These studies have consistently found that value stocks outperform growth stocks and the market as a whole!

However, it might be better to know great stocks!

- For the last 25 years, Warren Buffett has taken the value investing concept even further with a focus on "*finding an outstanding company at a sensible price*" rather than generic companies at a bargain price

(Source: https://en.wikipedia.org/wiki/Value_investing)

- The big problem for value investing is estimating intrinsic value and there is no "correct" intrinsic value. For this reason, another central concept to value investing is that of "margin of safety". This just means that you buy at a big enough discount to allow some room for error in your estimation of value.

(Source: <http://www.investopedia.com/terms/v/valueinvesting.asp#ixzz40njXVXQh>)

But, how to find a great stock? (1)

- Remember that

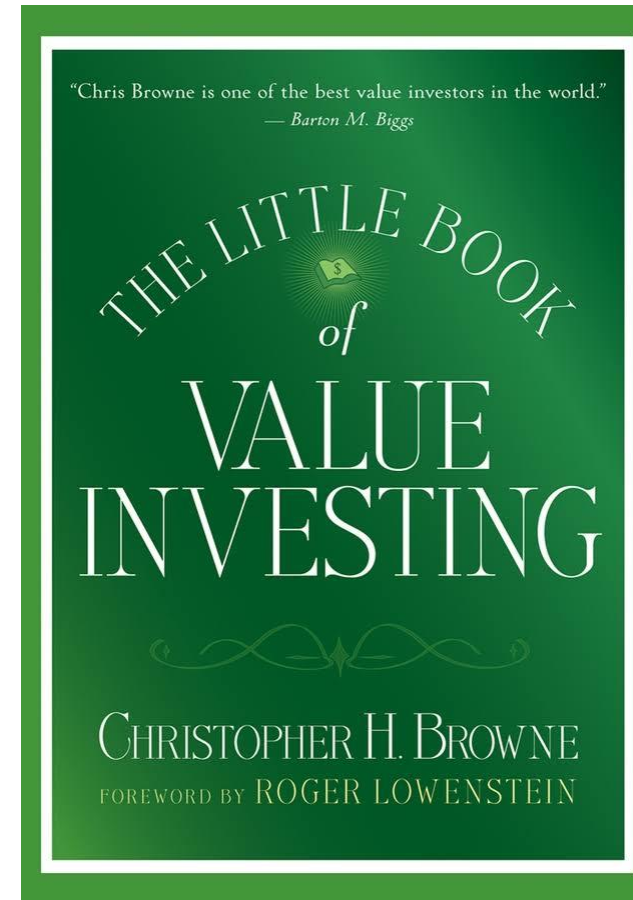
$$P_0 = \sum_{t=1}^{\infty} \frac{D_t}{(1+k_e)^t}$$

and dividend payments actually depend on the company's operating performances into the future

- That means we have to be able to project the future prospect of the company

But, how to find a great stock? (2)

- Value investor Christopher H. Browne recommends in his book “The Little Book of Value Investing” to think about the company's future prospects:
 - Can the company increase its revenue by raising prices? Increasing sales? Lowering expenses? Selling or closing unprofitable divisions? Growing the company? Who are the company's competitors and how strong are they?



(Source: <http://www.investopedia.com/university/value-investing/value-investing3.asp#ixzz40nsSu4Wo>)

But, how to find a great stock? (3)

- To increase your odds of accurately answering these questions, it's wise to buy companies that you understand. Warren Buffett takes this approach.
- Companies that you understand will most likely be those in industries you have worked in or sell consumer goods products that you are familiar with. If you've worked for a biotech company for several years, you probably have a better-than-average understanding of the biotechnology business.
- And if you buy basic items like cars, clothes, appliances and food, you know a thing or two about consumer goods

(Source: <http://www.investopedia.com/university/value-investing/value-investing3.asp#ixzz40nsSu4Wo>)

Some clues

- <http://www.investopedia.com/university/value-investing/value-investing3.asp>
- <http://www.investopedia.com/university/value-investing/value-investing4.asp>
- <http://www.investopedia.com/university/value-investing/value-investing5.asp>

Financial Game 2

What to tell?

- Each group picks one out of the two:
 - Group 1 – 3 compare between BEM and BTS.
 - Group 4 – 7 compare between BCH and THG.
- You must be able to tell the service the company provides.
- You must check financial strength of the company e.g. earnings, dividends, financial ratios, debts, other interesting features etc.
- Other interesting factors.

An Example: BH

- The Company operates a private hospital namely Bumrungrad International hospital in Bangkok, which serves both local and international wards. The Company is providing complete healthcare services for both outpatients and inpatients and also invest in the related health care services businesses

Company Highlight : Health Care Services

Rank	Securities	Close	Change	% Change	P/E	P/BV	Dvd Yield (%)	Mkt Cap (Mil B.)
1	AHC	21.10	0.00	0.00	19.15	2.12	2.09	3,163.09
2	M-CHAI	-	-	-	20.74	2.31	2.15	3,056.00
3	LPH	6.10	-0.05	-0.81	21.57	2.98	3.39	4,575.00
4	NEW	-	-	-	22.24	2.16	0.95	740.00
5	RAM	2,788.00	0.00	0.00	23.79	3.00	0.57	33,456.00
6	NTV	60.25	+0.75	+1.26	23.96	5.27	2.21	9,640.00
7	CMR	3.14	0.00	0.00	25.85	3.61	1.50	12,632.61
8	SVH	472.00	-2.00	-0.42	26.15	5.98	2.65	47,200.00
9	VIH	7.60	0.00	0.00	26.74	4.04	1.58	4,337.06
10	RJH	24.70	0.00	0.00	31.18	5.92	2.23	7,410.00
11	BH	186.50	-2.50	-1.32	33.79	7.92	1.45	135,912.13
12	EKH	6.05	-0.05	-0.82	35.33	4.64	1.98	3,630.00
13	VIBHA	2.46	-0.02	-0.81	35.40	4.81	1.46	32,464.46
14	SKR	3.86	-0.02	-0.52	37.36	2.17	1.27	7,717.41
15	RPH	5.45	-0.05	-0.91	39.50	2.30	1.93	2,975.70
16	BDMS	25.00	0.00	0.00	41.60	5.95	1.42	391,640.75
17	CHG	2.62	-0.02	-0.76	43.32	8.14	1.37	28,820.00
18	WPH	2.84	-0.02	-0.70	45.08	2.00	0.63	1,704.00

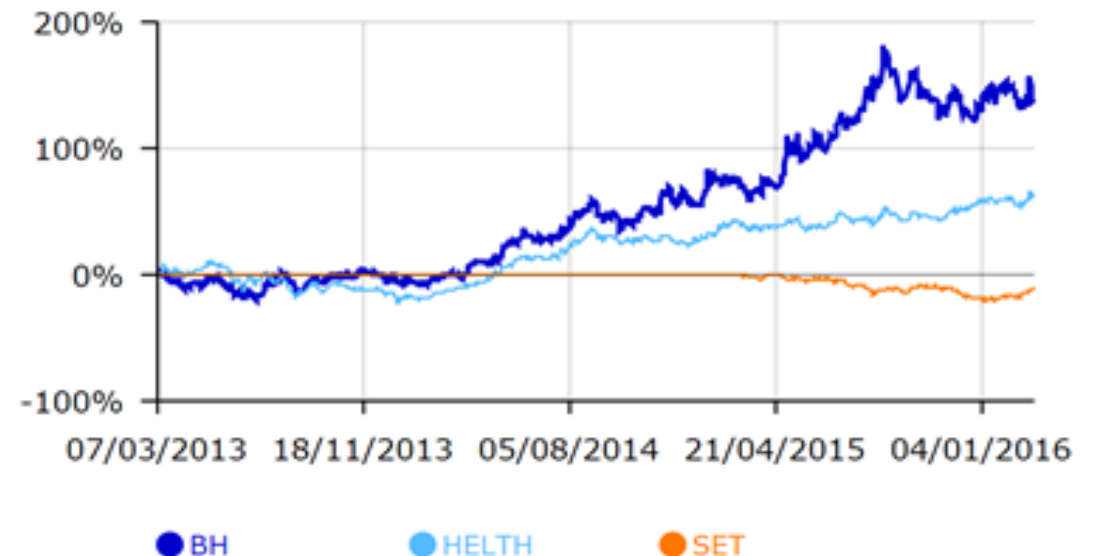
BH stock is outstanding.

BH is one of the stocks that is listed in SET 50 :

- large market capitalization
- high liquidity
- compliance with requirements regarding the distribution of shares to minor shareholders.



3 Yr Price Performance (Adjusted Price)



TRIS
RATING

CreditNews ข่าวเครดิต

BUMRUNGRAD HOSPITAL PLC

No. 92/2013

6 November 2013

Company Rating:	A	
Outlook:	Stable	
New Issue Rating:	-	
Rating History:		
Date	Company	Issue (Secured/Unsecured)
18/11/11	A/Sta	-/A
21/10/11	A/Sta	-

Rating Rationale

TRIS Rating affirms the company and senior debenture ratings of Bumrungrad Hospital PLC (BH) at "A". The ratings reflect BH's leading position in Thailand's private healthcare industry, strong market position in the medical tourist segment, and stable cash flow. However, these strengths are partially offset by competition in the local and international healthcare markets, the risk from having single location, and the potential risks from BH's future investments.

BH operates a hospital in Bangkok under the name "Bumrungrad International Hospital". The company is a leading private healthcare provider in Thailand and the ASEAN region, with service capacities of 5,500 outpatients per day and 538 registered inpatient beds. The company's strong business profile reflects its solid brand equity and three decades of respectable medical records. BH targets mostly the premium local and foreign patients and competes with differentiation on services and quality.

Company Background

What Bumrungrad Hospital does....

- providing health care services in Thailand
- serves both local and international wards
- providing complete healthcare services for both outpatients and inpatients
- offers state-of-the-art diagnostic, therapeutic and intensive care facilities in a one-stop medical centre
- serves 1.1 million patients annually, including over 520,000 international patients
- invest in the related health care services businesses in Asian region

....Bumrungrad is managed by a multi-national team of experienced medical professionals and hospital administrators. As a public company, it follows guidelines of good corporate governance as set out by the Stock Exchange of Thailand. Medical quality, patient rights and safety, and organizational discipline is according to Joint Commission International standards. Transparency and corporate social responsibility are also important for them....



Unlike other hospitals, BH does this..

- **Orion Health's ENTERPRISE** solution provides Bumrungrad with an enterprise platform to run and manage its daily operations. The ENTERPRISE solution is integral to how patients are managed and clinical care is delivered. The Orion Health platform has helped Bumrungrad become a world leader in healthcare delivery. (Orion Health Enterprise is a functionally rich, single vendor hospital solution providing unique cost advantages- it is a system for running hospital operation)
- **International services:** Bumrungrad encourage all doctors , nurses and staffs to improve English proficiency to be able to communicate with foreign patients and earn more customers' satisfaction professionally.
- **Not only healthcare, it also provide entertainment as well.** This practice could ensure that all patients will have a nice stay at Bumrungrad hospital.
- **Signing contacts with international hotels:** Bumrungrad has signed a contact with many global hotels in Thailand, for example, Shangri-la hotel, Dusit Thani etc. that if any guest need to be delivered to the hospital , those hotels need to offer and send the guest to Bumrungrad as a first choice.. However , this depends on guests' willingness as well

Major shareholder of Bumrungrad Hospital

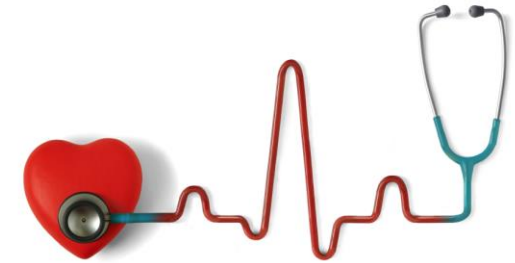
Rank	name	# Shares	%	rank	name	#share	%
1.	บริษัท กรุงเทพดุสิตเวชการ จำกัด (มหาชน)	174,850,200	24	6.	บริษัท วัฒนโลกธนพาณิชย์ จำกัด	26,138,875	3.59
2.	บริษัท กรุงเทพประกันชีวิต จำกัด (มหาชน)	106,760,417	14.65	7.	สำนักงานประกันสังคม	18,055,000	2.48
3.	UOB KAY HIAN (HONG KONG) LIMITED - Client Account	60,829,265	8.35	8.	STATE STREET BANK EUROPE LIMITED	15,761,316	2.16
4.	บริษัท บริหารสินทรัพย์บีวี จำกัด	54,258,514	7.45	9.	CHASE NOMINEES LIMITED	11,471,680	1.57
5.	บริษัท ไทยเอ็นวีดีอาร์ จำกัด	40,512,881	5.56	10.	GIC PRIVATE LIMITED	11,235,200	1.54



Financial Data: Comparing BH with its competitors

Price Ratios:

Ratio	BH	SVH	SKR	KDH	VIBHA
P/E	45.91	23.58	59.14	N/A	35.67
P/B	12.83	4.33	4.88	3.17	4.77
Dividend Yield (%)	0.92	2.67	1.23	N/A	1.56
Earning per share (Baht)	4.72	13.57	0.96	-2.25	0.06



- 1. Price Earnings ratios (P/E):** The higher this ratio is, the higher expected earnings in the future from the company. BH is the second largest with P/E ratio.
- 2. Price to Book ratio (P/B):** This ratios is similar to P/E but it use book value as a denominator of the ratio. The higher this ratios, the better. According to table 1., BH has the highest P/B ratio.
- 3. Dividend Yield(%):** This ratios shows how much dividend the company pay per price per share of the stock. Even though BH has the lowest dividend yield among other 4 stocks. It does not mean that this stock is bad. Some of investors do not look for high dividend yield, but they rather look for steady dividend payout.
- 4. Earning per Share (EPS):** EPS is the portion of a company's profit allocated to each outstanding shares. It is an indicator for company's profitability. BH does not have the highest EPS among its competitor, however, more ratios other than price ratios needed to be analyzed.

Comparing BH with its competitors

Profitability Ratios:

Ratio	BH	SVH	SKR	KDH	VIBHA
ROE (%)	29.09	19.99	6.35	-8.81	14.50
ROA (%)	21.94	18.31	5.67	-6.27	11.48
Net Profit Margin	19.15	13.43	5.70	-9.69	13.17



- 5. Return on Equity (ROE):** This ratio tells how good a company is at rewarding its shareholders for their investment. The higher ROE is, the better the stock is. BH has the highest ROE among other 4 stocks from the same industry. It means that BH generates the most net income from each 1 Baht invested from shareholders.
- 6. Return on Asset (ROA):** This ratio shows how good the company is at using its assets to generate money. The higher ROA, the better the company is at generating profits from its assets. BH has the highest ROA with 21.94%. It means that for every 1 Baht of assets it owns, it can generate 0.2194 Baht of profits.
- 7. Net Profit Margin:** It calculates how much of a company's total sales become profits. The higher the ratio is, the more profitability of the company is. BH has the highest Net Profit Margin ratios compared among its competitors. So, BH generates relatively the highest profits from sales.

Comparing BH with its competitors

Debt Ratios:

Ratio	BH	SVH	SKR	KDH	VIBHA
D/E %	64.36	39.21	80.6	38.18	82.56
Interest coverage	16.77	3343.1	3.27	-30.91	12.24
Asset turnover%	84.24	101	58.63	68.61	49.06



- 8. Debt to equity ratio (D/E):** indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. A lower the percentage is better because it means that a company has a stronger equity position. BH's D/E ratio is not the lowest but it's in appropriate range as it is a big company that has high debt
- 9. Interest Coverage:** used to determine how easily a company can pay interest expenses on outstanding debt. The lower the ratio, the more the company is burdened by debt expense. The result varies in each company since some company generated very small or negative profit and some paid small amount of debt. For BH company, it's calculated from a very high number of profit along with the proper interest expense value.
- 10. Asset turnover (Efficiency ratio):** is a ratio of the value of a company's sales or revenues generated relative to the value of its assets. The higher ratio, the better the company is performing. The high number of Asset turnover ratio of BH implies that per dollar of asset, BH can generate more revenue. Even SVH has higher number, but the actual revenue from BH is a lot higher.

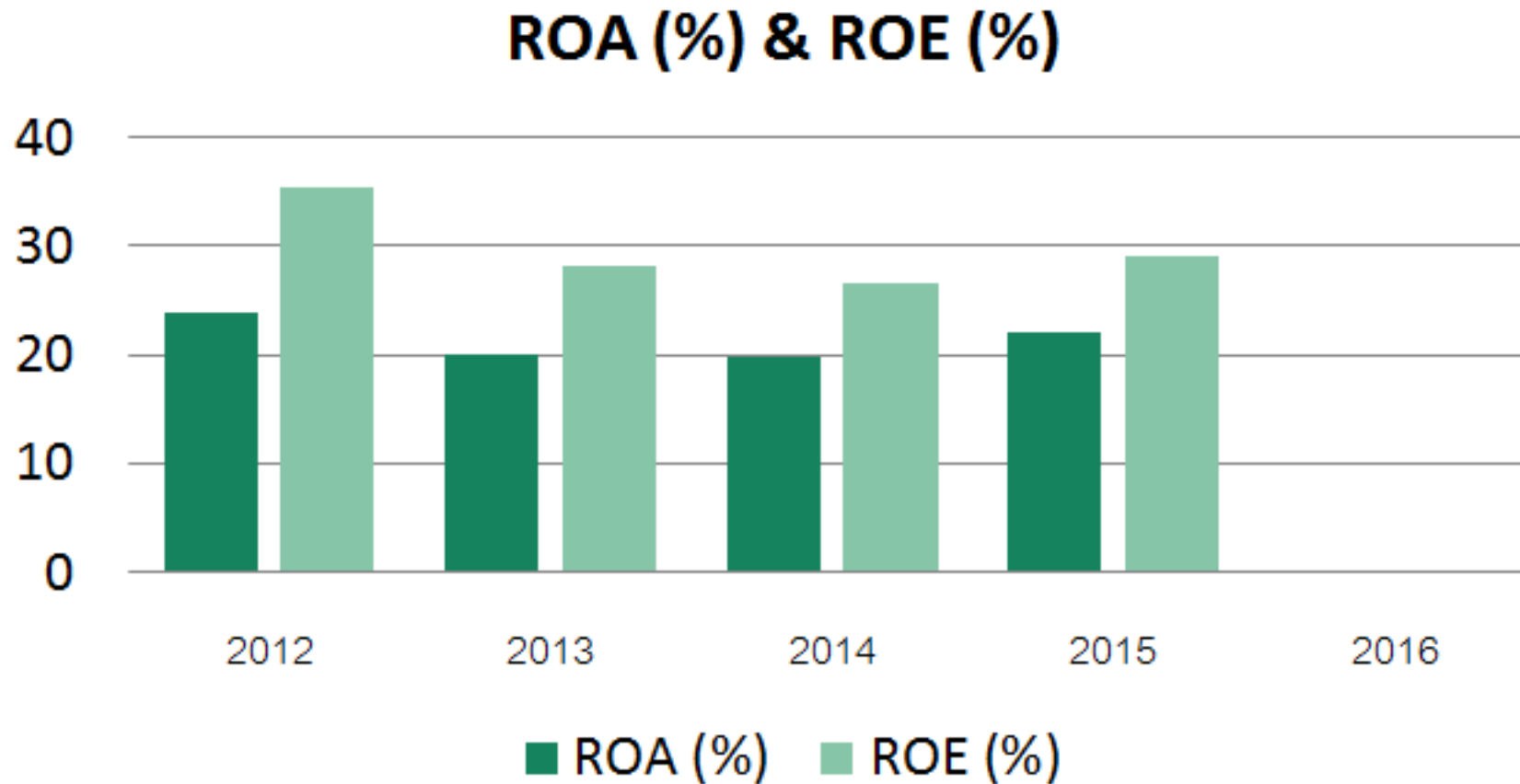
Financial Data Analysis



By looking from **Price, Profitability, Debt** and **Efficiency ratios** data used **Bumrungrad International** to compare BH with its competitors, it shows

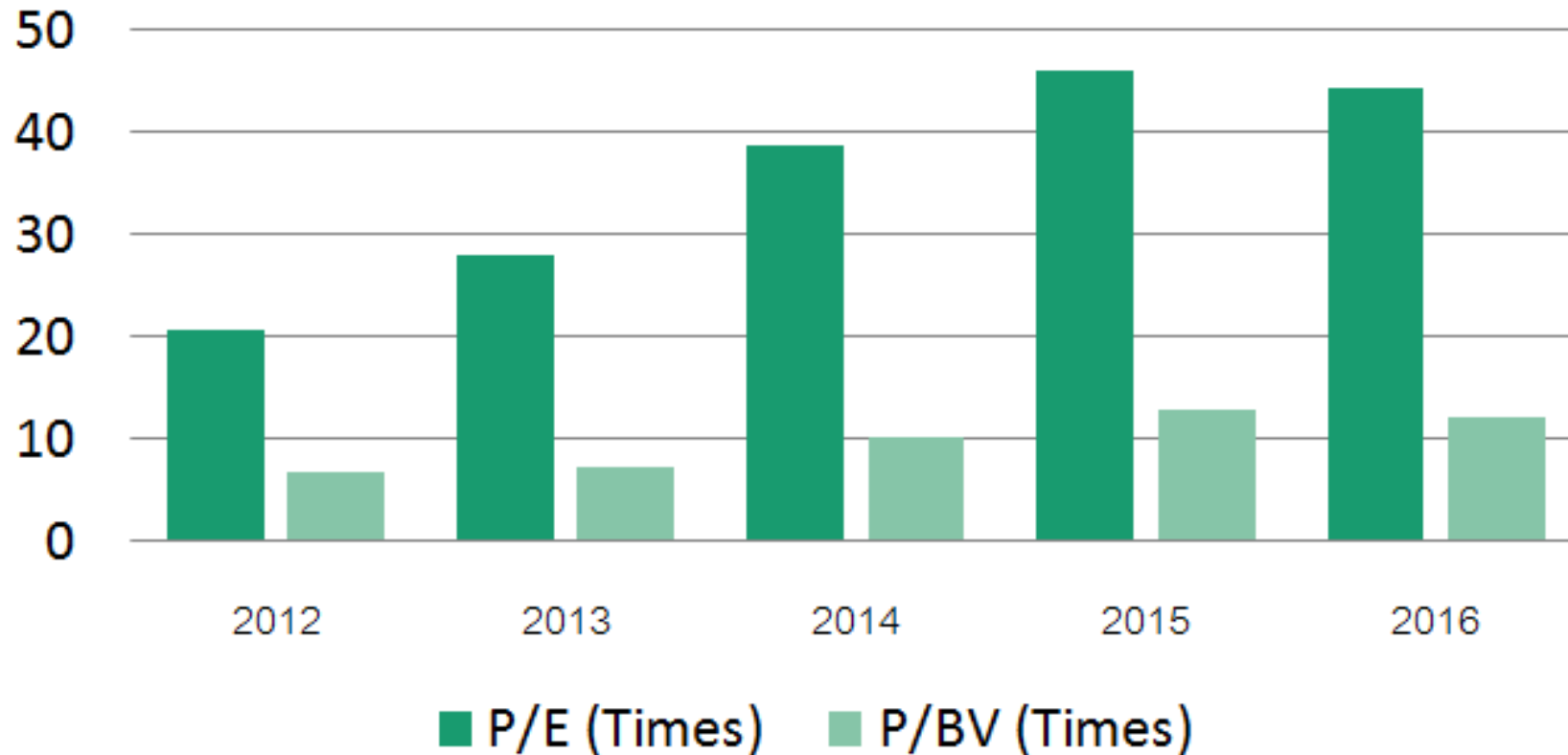
- The value and profitable capability of BH company.
- The ability to finance the extent of company's leverage.
- The long term value creation capability.
- BH stock is a superior investment compare to other stocks in the same industries.
- These ratios provide an insight into investment decision and a prospect of investing in BH stock.
- Therefore, **BH stock is one of the potential stock that is worth investing.**

5-Year Historical Data

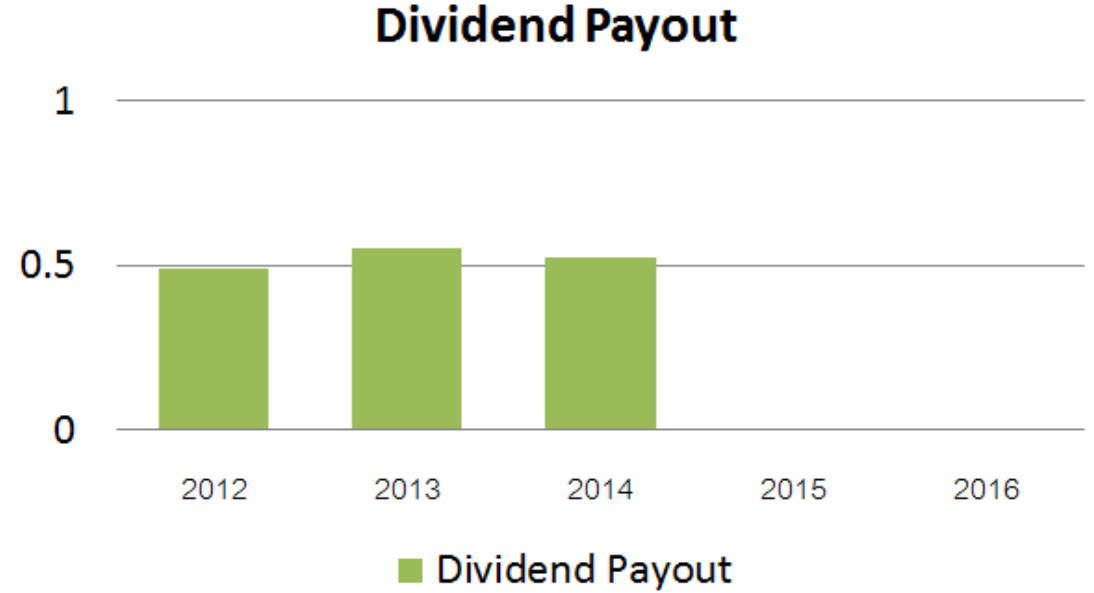
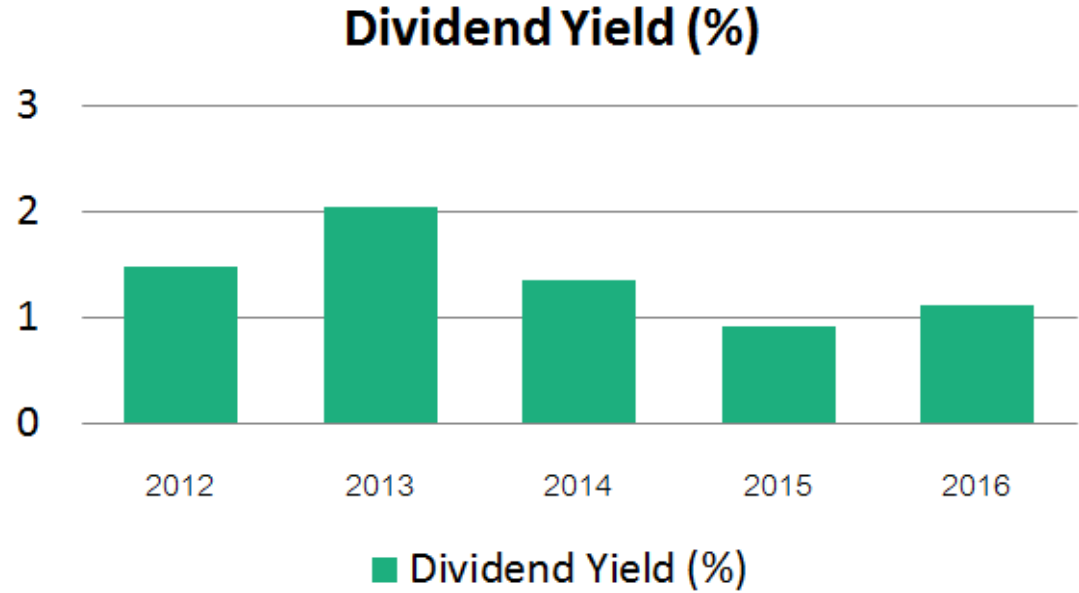


5-Year Historical Data

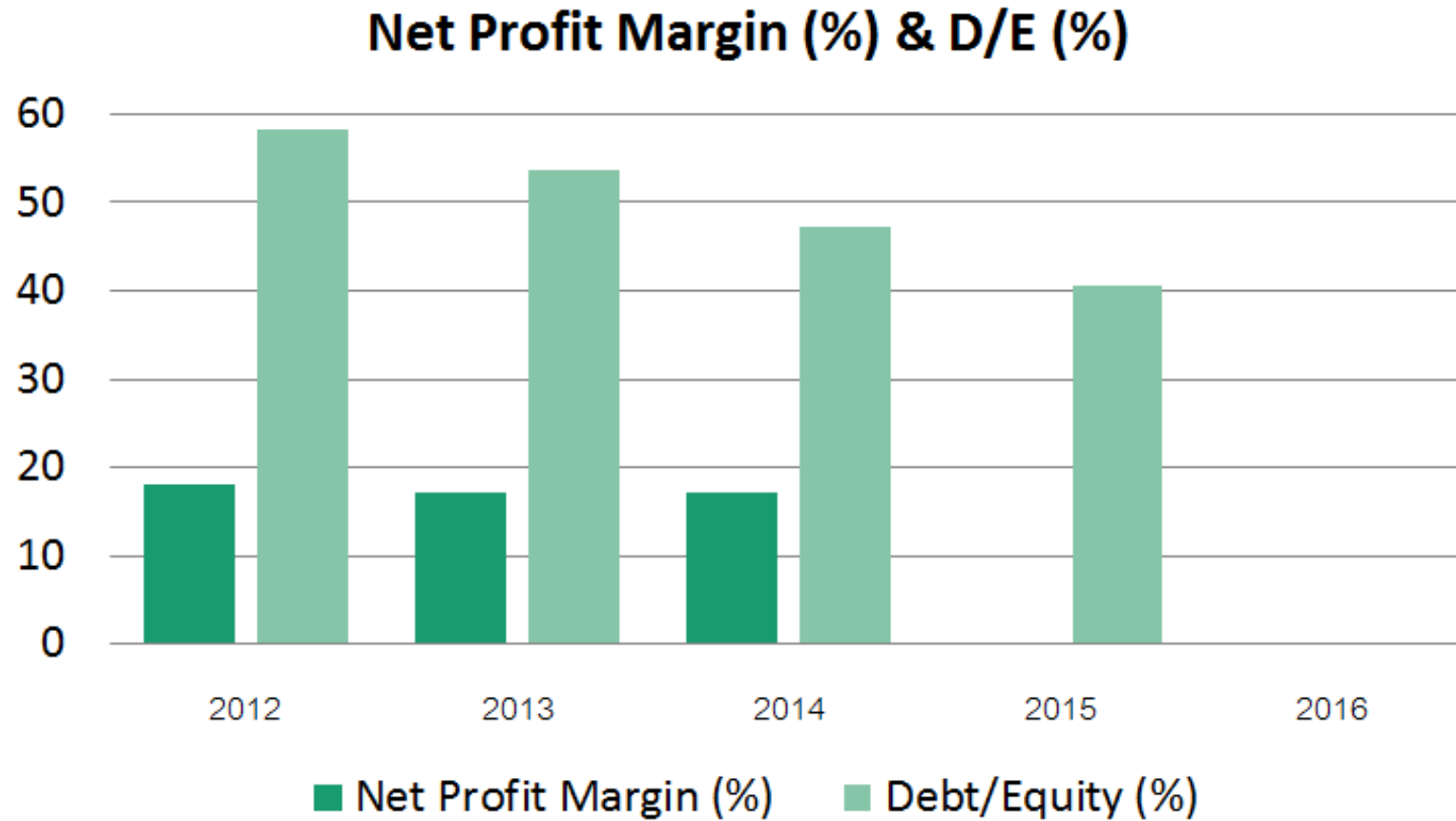
P/E (Times) & P/BV (Times)



5-Year Historical Data

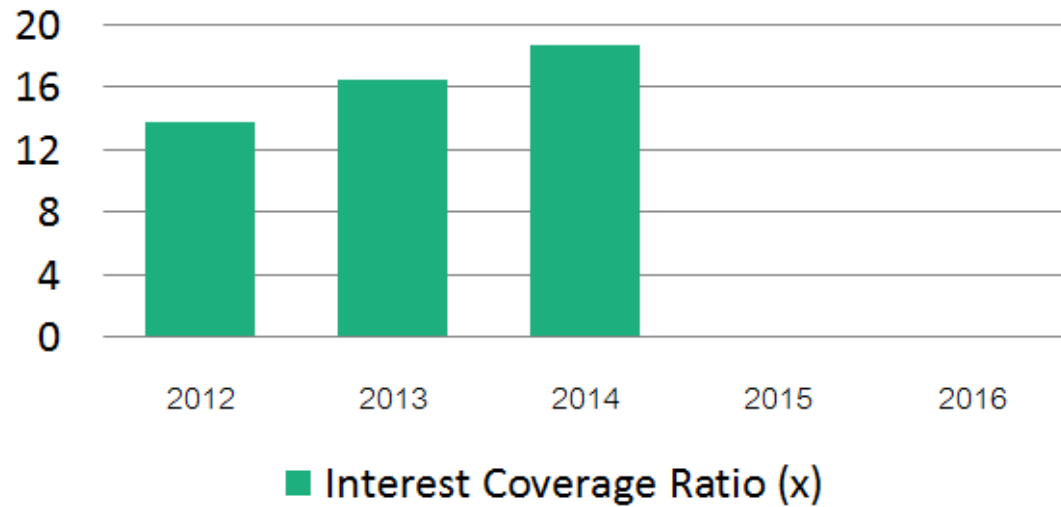


5-Year Historical Data

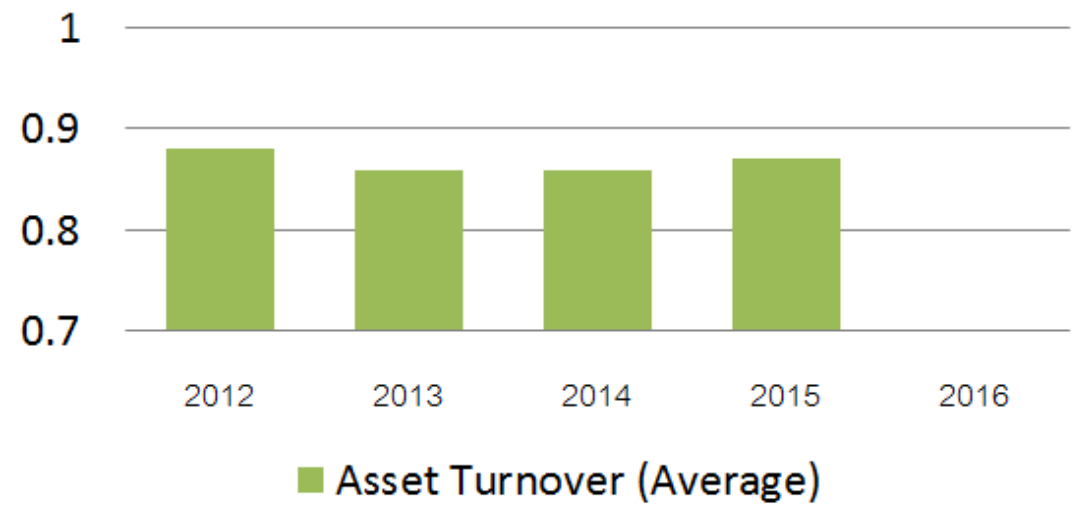


5-Year Historical Data

Interest Coverage Ratio (x)



Asset Turnover (Average)



SWOT Analysis

S-Strength

- Internationally renowned
- Innovativeness and high-tech medication
- Sophisticated human resource
- High class image in terms of healthcare packages
- High quality service and customer's satisfaction
- Overall profitability
- Increased productivity

W-Weakness

- High costs and expenses
- Too much dependent on foreign customers
- Cannot cater to middle class customers during recession
- Small amount of local clients



SWOT Analysis



O-Opportunity

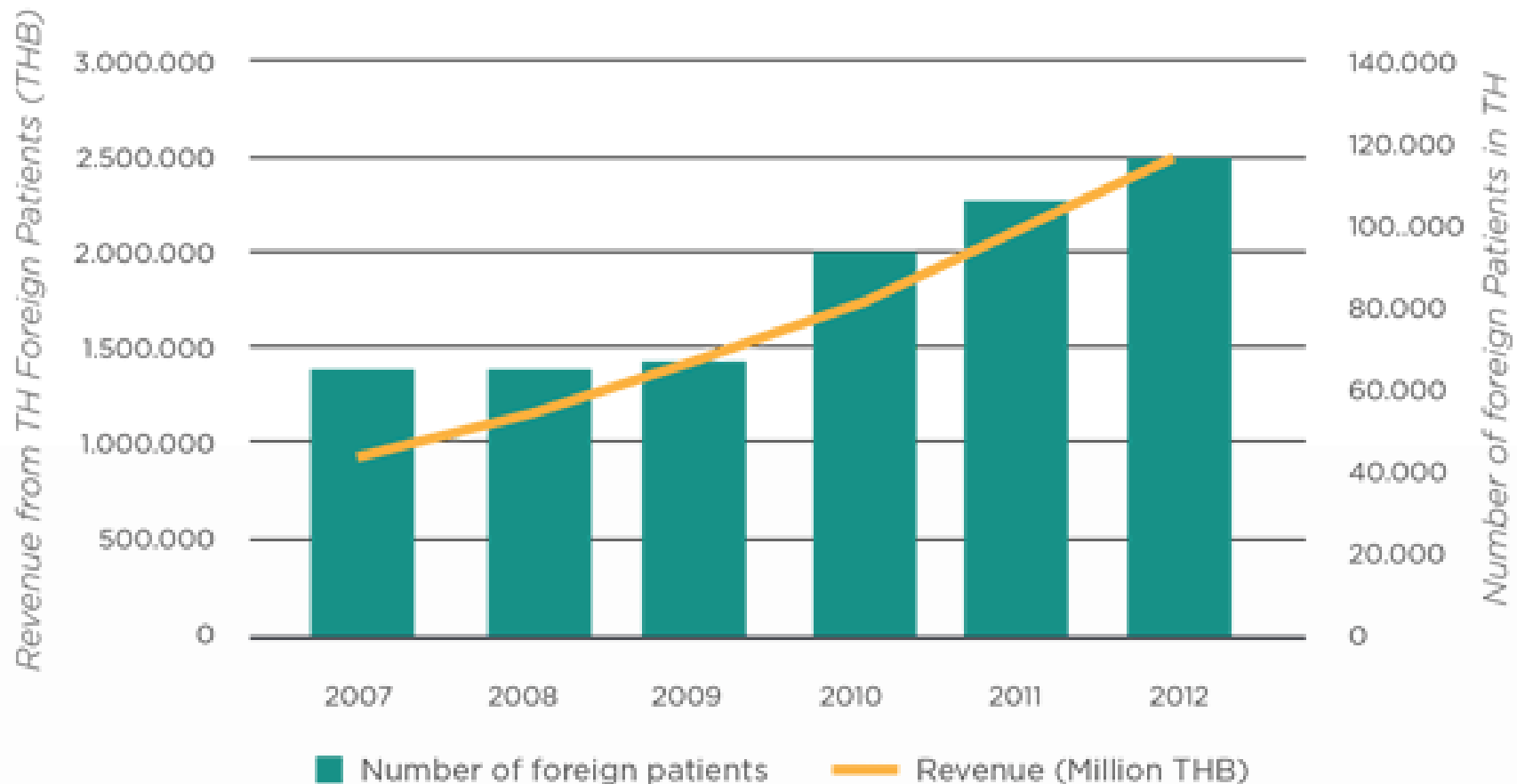
- Government policy to promote medical industry to be a medical hub in Asia
- Increased number of consumers with higher income and better education
- Higher demand for healthcare services with treatment & chronic diseases as primary focus
- AEC 2015 to further boost urbanization and expand the customer base
- Increasing number of medical tourism

T-Threat

- Higher competition in healthcare sector
- Increasing healthy trend around the world
- Other premium hospitals that target local clients




NUMBER OF FOREIGN PATIENTS ARRIVING IN THAILAND & GENERATED REVENUE 2007 - 2012



PEST Analysis

A stethoscope is positioned at the top left, with its chest piece resting on a light blue horizontal bar. To the right, a red ECG line is shown, with a heart shape integrated into the waveform.

Political

A close-up of the chest piece of a stethoscope, showing its metallic surface and the two earpieces.

- Promoting Medical hub
- Growing political focus on healthcare
- Infrastructure

Economic

- Increasing in levels of disposable income
- The establishment of the ASEAN Economic Community (AEC)

Social

- Ageing population
- Good Corporate Social Responsibility(CSR)
- People are more health concern

Technological

- Research and development
- Impact of internet on communication
- Reducing of medication errors
- Wifi lets patients connect to the world
- 4D ultrasound



HEALTH CARE

Starting Points

- Form 56_1
 - <http://market.sec.or.th/public/idisc/FinancialStatement.aspx?lang=en&reportcode=PP06>
- Opportunity Day
 - <http://www.set.or.th/set/oppdaybyperiod.do?language=en&country=US>
- Analysts' reports
 - http://portal.settrade.com/C17_ResearchList.jsp?select_category=all&select_security_type=SETmai