



No. RJH – SET 8/2019

13 May 2019

Subject : Management’s Discussion and Analysis for the First Quarter of 2019

To : The President

The Stock Exchange of Thailand

Rajthanee Hospital Public Company Limited (“the Company”) would like to clarify the operating results of the Company and its subsidiary for the first quarter ended March 31, 2019 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 1st Quarter Ended March 31, 2019

Operation : Consolidated Profit & Loss Statement	1Q	1Q	%
Unit : THB million	2019	2018	change
Revenue from non-social security	248.35	218.24	14%
Revenue from social security	197.53	164.68	20%
Revenue from Hospital Operations	445.88	382.92	16%
Cost of hospital operations	285.42	257.36	11%
Gross margin	160.45	125.57	28%
<i>% Gross margin</i>	<i>36%</i>	<i>33%</i>	<i>3%</i>
Administrative expenses	41.64	47.84	-13%
EBITDA	140.29	96.18	46%
<i>% EBITDA</i>	<i>31%</i>	<i>25%</i>	<i>6%</i>
Other income /(expenses)	104.78	9.48	1005%
Financing cost	2.61	0.30	767%
Corporate Tax	44.31	17.82	149%
Net profit	176.67	69.08	156%
<i>% Net profit margin</i>	<i>32%</i>	<i>18%</i>	<i>14%</i>
Non-controlling interest	0.26	3.16	-92%
Net profit attributable to The Company	176.41	65.92	168%

Revenue from Hospital Operations

Revenue from hospital operations in the first quarter of 2019 (“1Q’19”) was THB 445.88 million, increased 16% yoy. The non-social security revenue and social security revenue grew by 14% and 20% respectively. The growth of non-social security revenue was driven by both OPD (15%) and IPD (12%). This promising growth was due to more subspecialties as well as capacity expansion. OPD increased by 3 units and IPD increased by 17 units yoy. Number of OPD patients remained on the rise while revenue per visit increased to over THB 1,600. Despite the slight



decrease of IPD visit number, revenue per visit has increased substantially which can outweigh lower visit number. The increase of revenue per visit was the result of more surgeries operated particularly heart surgeries and minimal invasive surgeries.

All categories of social security income posted increased trend mainly fixed capitation, discharge type & complaint as well as social security check-up program. Average number of insured persons increased from approximately 170,200 persons during 1Q'18 to 184,900 persons in 1Q'19.

Cost of Hospital Operations

Cost of hospital operations in 1Q'19 increased by 11% yoy. lower than the increase rate of income. Therefore, the company's gross margin has been widen from 33% of revenue in 1Q'18 to 36% in 1Q'19. The improved margin was not only attributed by the increase of fixed income from social security revenue and higher revenue per visit of non-social security category but also from the efficient cost control of medicine and supplies as well as staff.

Administrative Expenses

Administrative expenses decreased by 13% yoy. despite expanding business activities. This was the result of cost control measures particularly staff and supplies. In addition, during the same quarter of last year, there was non-recurring expenses incurred from the subsidiary's share acquisition ie. loan , advisory and lawyer fees for an aggregated amount of THB 2.3 million.

Earnings before interest, taxes and depreciation ("EBITDA")

EBITDA (not included other income) increased both in term of amount and margin. EBITDA amount increased dramatically by 46% yoy, and EBITDA margin rose from 25% of hospital revenue in 1Q'18 to 31% in 1Q'19. The favorable EBITDA stemmed from not only the revenue growth but also the effective cost control as mentioned above.

Financing Cost

The financing cost increased from merely THB 0.3 million to the amount of THB 2.61 million yoy. This was due to the drawdown of THB 300 million bank loans for subsidiary share acquisition in 2Q'18 and THB 20 million for acquisition of land by subsidiary in 1Q'19. At present, THB 300 million loan has been substantially paid down.

Net Profit

The company has sold land in 1Q'19 yielding profit of THB 98.7 million (after deduction of land cost and specialty business tax) which was aggregately recorded as other income. As such, net profit attributable to the Company increased significantly by 168% from THB 65.52 million to THB 176.46 million yoy.

Without consideration of land sold and related corporate tax transaction, the normalized net profit would be approximately THB 97.42 million or a surge of 48% yoy.



Statement of Financial Position as of March 31, 2019

Financial Position : Consolidated Balance Sheet	31 Mar.	31 Mar.	31 Dec.	% Change	
	2019	2018	2018	Mar 19 - Mar 18	Mar 19 - Dec 18
Unit : THB million					
Cash and temporary investments	470.18	760.39	539.83	-38%	-13%
Trade receivables	365.34	262.78	270.31	39%	35%
Inventories	26.34	24.33	29.00	8%	-9%
Property, Plant and Equipment	859.05	840.45	807.84	2%	6%
Goodwill	87.80	87.80	87.80	0%	0%
Other assets	55.07	67.99	144.68	-19%	-62%
Total assets	1,863.79	2,043.75	1,879.48	-9%	-1%
Trade payable	119.16	103.36	122.37	15%	-3%
Interest-bearing debts	122.86	81.22	345.11	51%	-64%
Employee Benefit Obligation	38.69	39.59	37.22	-2%	4%
Other liabilities	97.36	84.09	65.73	16%	48%
Total liabilities	378.07	308.27	570.43	23%	-34%
Total shareholders' equity of the Company	1,482.13	1,656.52	1,305.72	-11%	14%
Non-controlling interest	3.59	78.96	3.33	-95%	8%
Total shareholders' equity	1,485.72	1,735.48	1,309.05	-14%	13%

The consolidated total assets as of 31 March 2019 decreased by 9% yoy. The decrease was mainly attributable to cash spending on annual capital expenditure and loan repayment as well as land disposal transaction. However, total assets barely changed comparing to 31 December 2018.

Total liabilities as of 31 March 2019 increased by 23% comparing to 31 March 2018 but decreased considerably by 34% comparing to year end of 2018. The Company has drawdown loan for acquisition of subsidiary shares in 2Q'18 causing rising debt level at the end of December 2018 and subsequently paid down loan from its operating cash flow and additionally from proceeds of land sold.

The shareholders' equity at the end of 1Q'19 decreased by 14% yoy because the payment of THB 419.40 million for subsidiary shares was higher than the book value of subsidiary's net assets for the amount of THB 343.72 million. This discrepancy was deducted in shareholders' equity as changes of the proportion of subsidiary.



Ratio Analysis Financial Statement year ended March 31, 2019

Ratio Analysis :		
Consolidated Financial Statements	1Q	1Q
Unit : THB million	2019	2018
Returns (%)		
Return on Assets *	4.4%	3.1%
Return on Equity *	5.6%	3.6%
Working Capital Management (Days)		
Trade Receivable Period	74	62
Inventory Period **	37	40
Trade Payable Period **	166	172
Leverage Ratios (x)		
Interest Coverage	53.7	319.14
Total Debt to Equity	0.25	0.18

* calculated by using earnings of 4 preceding quarters

** based on only cost of medicine & medical supplies

Return on Assets and Return on Equity of 1Q'19 improved yoy. driven by both the solid profit and more leverages. In addition, the improvement of return on equity was partly from the decrease of shareholders' equity as mentioned above.

For the financial risk perspective, despite the higher debt ratio stemming from increased loans and lower shareholder equity, the ratio was nonetheless at comfortably low level. The interest coverage ratio (EBITDA / finance costs) decreased to 53.7x from 319.14x and debt to equity ratio increased to 0.25x from 0.18x.

In respect of liquidity ratio, average trade receivable day deteriorated from 62 days to 74 days yoy. This was primarily due to more accrual from social security bureau. For inventory day, it was barely changed comparing to the same quarter of last year.

Please be informed accordingly.

Yours sincerely,

(Surin Prasithirun, M.D.)

Managing Director