



No. RJH – SET 2/2021

22 February 2021

Subject : Management’s Discussion and Analysis for the 4th Quarter of 2020

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 4th quarter ended December 31, 2020 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 4th Quarter ended December 31, 2020

Operation : Consolidated Profit & Loss Statement	4Q			4Q		
	2020	2019	% change	2020	2019	% change
Unit : THB million						
Revenue from Non-Social Security	310.70	285.64	9%	1,081.02	1,041.26	4%
Revenue from Social Security	191.04	156.05	22%	774.47	729.57	6%
Revenue from Hospital Operations	501.74	441.68	14%	1,855.50	1,770.84	5%
Cost of Hospital Operations	349.76	310.74	13%	1,261.61	1,213.45	4%
Gross Margin	151.98	130.94	16%	593.89	557.38	7%
% Gross Margin	30.3%	29.6%	1%	32.0%	31.5%	1%
% Gross Margin (exclude non-recurring cost)	30.3%	29.6%	1%	31.2%	32.5%	-1%
Administrative Expenses	40.79	43.49	-6%	163.27	188.19	-13%
EBITDA *	142.49	113.50	26%	542.67	493.11	10%
% EBITDA *	28.4%	25.7%	3%	29.2%	27.8%	1%
Other Income	5.43	15.00	-64%	22.90	32.25	-29%
Profit from Disposal of Land	-	-	0%	-	98.74	-100%
Financing Cost	0.05	0.02	140%	0.26	4.34	-94%
Earnings Before Tax	116.56	102.43	14%	453.26	495.84	-9%
Corporate Tax Expense /(Income)	(28.31)	20.58	-238%	39.64	99.30	-60%
Net Profit	144.87	81.86	77%	413.62	396.54	4%
Net Profit excl. non-recurring items	103.65	84.82	22%	358.28	357.73	0%
% Net Profit / Total Revenue	29%	18%	11%	22%	21%	1%
% Net Profit excl. non-recurring items / Core Revenue	21%	19%	1%	20%	20%	0%
Non-Controlling Interests	0.38	0.12	223%	1.13	0.65	73%
Net Profit Attributable to The Company	144.49	81.74	77%	412.49	395.89	4%
* Non-cash items included depreciation and accounting adjustment						
Non-Recurring Items : Increase/(Decrease) Net Profit						
Previous period of SW income	-	-		(20.95)	(5.07)	
Cost : Staff benefit	-	-		-	8.15	
SG&A : Staff benefit	-	-		-	2.19	
SG&A : Previous yr SW income over-record	-	3.70		3.29	24.01	
(Gain) from disposal of land	-	-		-	(98.74)	
Defer tax (income)	(41.22)	-		(41.22)	-	
	(41.22)	3.70		(58.88)	(69.46)	



Revenue from Hospital Operations

Revenue from hospital operation was THB 502 million in the 4th quarter of 2020 (“4Q20”), increased by 14% yoy. As COVID-19 pandemic subsided in 4Q20, OPD revenue marginally increased by 2%. Number of OPD patients visited hospitals decreased yoy by 3%, improved from the 3rd quarter which decreased by 10% yoy. However, the outside checkup and vaccination helped boost revenue per head to be THB 1,880, increased by THB 100 yoy. For IPD, number of IPD patients decreased by 27% yoy while income per head increased by 19% to THB 44,600. This was mainly due to the decline of income proportion from pediatrics department which yielded income per head lower than the average and constituted most of IPD income. IPD occupancy rate was 69% in this quarter dropped from 75% yoy. As a result, IPD revenue decreased by 13% yoy. However, the Company earned revenue from COVID-19 test for THB 41 million which more than offset the decline of IPD. Therefore, overall non-sw revenue increased by 9% yoy.

In regard to SW revenue, 4Q20 increased considerably by 22% yoy. This was mainly attributable to base payment and Adjusted RW revenue. For base payment, both registered insurers and base payment rate increased. For Adjusted RW revenue, 4Q19 rate was only THB 7,100 per score comparing to THB 10,679 this year. However, the Company has revised down the Chronic Case income to be in line with 70% receipt of 10 months the impact was negative THB. 8 million.

Average number of insured persons decreased from approximately 193,800 persons in the preceding quarter to 193,600 persons in 4Q20.

For the whole year 2020, income increased by 5% to THB 1,856 million driven by revenue from SW sector and Covid-19 test. Amid Covid-19 pandemic, OPD & IPD income decreased by 6% and 14% respectively. Number of visits decreased while income per head edged up. Annual revenue from COVID-19 test for THB 140 million helped turn around non-SW revenue to the growth territory, 4% increase. For SW revenue, 2020 revenue increased by 6% yoy stemming from the increase of both registered insurers and base payment rate. Insurers increased by 5,900 persons and base rate by THB 140 per insurer. In addition, 2020 SW revenue included the under-record of previous year SW revenue, mostly Chronic Case, for THB 21 million.

Cost of Hospital Operations

Cost of hospital operations of 4Q20 increased by 13% yoy marginally lower than the 14% growth of revenue. Therefore, gross margin was approximately on par with last year.

In view of whole year gross margin, the margin increased from 31.5% of 2019 revenue to 32%. This was attributable to healthy Covid-19 margin and THB 21 million extra revenue from the under-record of previous year SW revenue. Meanwhile, 2019 cost was dampened by provision for employee benefits for THB. 8.1 million following the change of labor law. Without considering this employee benefit provision and given the under-record SW revenue were to be recognized in the underlying year 2019 instead of 2020, the gross margin of 2019 and 2020 would have been 33% and 31% respectively. It was



remarkable that Adjust RW revenue was recognized at THB 10,679 per score lower than the actual receipt of THB 12,000. The rate of THB 10,679 was based on the average actual receipt during Y2019. In the past years, Social Security Office discounted the rate of last quarter. So far, the receipt was until October statement. The difference between actual receipt and recorded rate was approximately THB 25 million.

Administrative Expenses

4Q20 administrative expenses decreased by 6% yoy because 4Q19 expenses included SW revenue adjustment for THB 3.7 million. For the whole year 2020, administrative expenses decreased substantially by 13% because 2019 expenses included adjustment of over-record of SW income for THB 24 million. Without considering this adjustment, 2019 administrative expenses would be on par with 2020.

Earnings before interest, taxes and depreciation (“EBITDA”)

4Q20 EBITDA (not included other income) increased significantly by 26% yoy. EBITDA margin was 28% comparing to 26% margin of the same quarter last year. This healthy margin was mainly attributable to Covid-19 margin and higher Adjusted RW rate from THB 7,100 to THB 10,679 per score.

For annual EBITDA, 2020 posted margin of THB 543 million or increased by 10% yoy. EBITDA margin was 29% comparing to 28% yoy. Apart from the reasons above, the promising EBITDA was also because the under-record of last year SW revenue was received this year for THB 21 million.

Financing Cost

The financing cost increased during 4Q20 as credit term for Covid-19 revenue which constituted 12% of non-SW revenue, was extended longer than conventional OPD & IPD. The company need to borrow short-term loan to support liquidity.

Net Profit

4Q20 earnings before tax (EBT) increased by 14% yoy due to revenue growth and improved margin. Net profit after tax was extraordinarily higher than EBT because of deferred tax income. According to Tax Royal Decree No. 695, the Revenue Department extended to corporate entities a 50% additional expense deduction for investments made in new machinery during 2020. This benefit is equally recognized for the period of 5 years. The Company earned total tax benefit for THB 41 million (net of first year amortization) which was recorded as deferred tax income. In term of cashflow, the Company can save tax THB 10 million annually.

2020 posted impressive performance with net profit of THB 414 million , increased by 4%, amid Covid-19 threat and high-base net profit of 2019. The Company sold land in 2019 with net profit after tax of THB 79 million. In summary, 2020 promising performance was driven by Covid-19 test income,



increased SW insurers, higher rate of base payment and under-record of previous year SW revenue to be recorded this year. Meanwhile, cost was efficiently under control.

Statement of Financial Position as of December 31, 2020

Financial Position : Consolidated Balance Sheet	31-Dec	31-Dec	% Change
Unit : THB million	2020	2019	Dec-20 - Dec-19
Cash and Temporary Investments	58.31	223.42	-74%
Trade Receivables	329.74	298.63	10%
Inventories	36.04	31.09	16%
Property, Plant and Equipment	1,272.27	966.84	32%
Goodwill	87.80	87.80	0%
Other assets	115.17	77.63	48%
Total Assets	1,899.34	1,685.41	13%
Trade Payable	154.47	136.50	13%
Interest-Bearing Debts / Leasing	70.89	0.91	7651%
Employee Benefit Obligation	56.02	56.25	0%
Other Liabilities	116.70	91.93	27%
Total Liabilities	398.08	285.60	39%
Total Shareholders' Equity of the Company	1,496.14	1,395.82	7%
Non-Controlling Interests	5.11	3.99	28%
Total Shareholders' Equity	1,501.25	1,399.80	7%

The consolidated total assets as of 31 December 2020 increased from end of 2019 by 14%. The increase was mainly due to investment in fixed assets and accrued Covid-19 income. 2020 capex were: OPD & IPD facilities renovation, medical equipment as well as energy saving ie. solar roof which can save electricity by THB. 4-5 million annually from 2021 onward. Some of these investments are eligible for tax benefit as mentioned above.

Total liabilities as of 31 December 2020 increased by 41% from end of 2019 stemmed from THB 70 million promissory note borrowing from bank as the expected receipt from Covid-19 income were delay.

The shareholders' equity at the end of 2020 increased from more profit contributed.



Ratio Analysis Financial Statement year ended December 31, 2020

Ratio Analysis : Consolidated Financial Statements	4Q	4Q		
Unit : THB million	2020	2019	2020	2019
Returns (%)				
Return on Assets *	30.5%	19.4%	21.7%	23.5%
Return on Equity *	38.6%	23.4%	27.5%	28.3%
Working Capital Management (Days)				
Trade Receivable Period	60	62	65	62
Inventory Period **	38	41	43	40
Trade Payable Period	55	53	61	54
Leverage Ratios (x)				
Interest Coverage	2,652.9	5,075.2	2,111.4	113.7
Debt Service Coverage	8.1	910.2	7.7	103.9
Total Debt to Equity	0.3	0.2	0.3	0.2

* calculated by using earnings of current quarter to be estimated for annual earnings

** based on only cost of medicine & medical supplies

4Q20 return on assets and return on equity improved yoy due to promising net profit. However, annual return was marginally decreased from previous year despite of higher profit. This was due to investment in assets during 2020 increased at higher rate than the increase of profit for the sake of future tax benefit.

In respect of 2020 liquidity ratio, they were on par with last year.

For financial risk perspective, it was at low leverage with debt to equity ratio of merely 0.3x.

Please be informed accordingly.

Yours sincerely,

(Surin Prasithirun, M.D.)

Managing Director