



No. RJH – SET 7/2022

8 August 2022

Subject : Management's Discussion and Analysis for the 2nd Quarter of 2022

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 2nd quarter ended June,30 2022 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 2nd Quarter Ended June 30,2022

Operation : Consolidated Profit & Loss Statement Unit : THB million	2Q	2Q	%	YTD	YTD	%
	2022	2021	change	2022	2021	change
Revenue from Non-Social Security	843.77	367.28	130%	1,809.43	646.77	180%
Revenue from Social Security	210.61	191.58	10%	419.66	417.52	1%
Revenue from Hospital Operations	1,054.37	558.86	89%	2,229.09	1,064.29	109%
Cost of Hospital Operations	487.22	347.93	40%	1,022.65	685.25	49%
Gross Margin	567.16	210.93	169%	1,206.45	379.04	218%
<i>% Gross Margin</i>	<i>53.8%</i>	<i>37.7%</i>	<i>16%</i>	<i>54.1%</i>	<i>35.6%</i>	<i>19%</i>
Administrative Expenses	48.91	42.93	14%	97.82	82.05	19%
EBITDA *	566.01	198.39	185%	1,198.90	362.22	231%
<i>% EBITDA *</i>	<i>53.7%</i>	<i>35.5%</i>	<i>18%</i>	<i>53.8%</i>	<i>34.0%</i>	<i>20%</i>
Other Income	16.40	5.46	201%	25.00	10.45	139%
Financing Cost	5.01	0.42	1100%	9.55	0.71	1251%
Earnings before Tax	529.65	173.04	206%	1,124.07	306.74	266%
Corporate Tax Expense /(Income)	105.70	34.65	205%	225.20	61.43	267%
Net Profit	423.95	138.39	206%	898.87	245.31	266%
<i>% Net Profit / Total Revenue</i>	<i>39.6%</i>	<i>24.5%</i>	<i>15.1%</i>	<i>39.9%</i>	<i>22.8%</i>	<i>17%</i>
Net Profit excl. non-recurring items	423.95	138.39	206%	898.87	225.29	299%
<i>% Net Profit excl. non-recurring items / Total Revenue</i>	<i>39.6%</i>	<i>24.5%</i>	<i>15.1%</i>	<i>39.9%</i>	<i>21.5%</i>	<i>18%</i>
Non-Controlling Interests	2.29	0.70	225%	4.65	1.00	367%
Net Profit Attributable to The Company	421.66	137.69	206%	894.22	244.32	266%

* Non-cash items included depreciation and accounting adjustment

Revenue from Hospital Operations

Total revenue from hospital operations for the 2nd quarter of 2022 (2Q2022) was THB 1,054.37 million where THB 843.8 million was contributed from non-SW patients and THB 210.6 million was from social security program. Total revenue increased 89% compared to the same quarter last year (“yoy”). The main contribution to the surge was from non-SW patients in which the revenue grew 130% yoy whereas social security revenue grew 10% yoy.



Non-sw revenue in terms of non-covid related items such as OPD revenue stood at THB 130.2 million which increased 8.8% yoy and IPD revenue at THB 111.2 million which decreased 13.66% yoy. The number of OPD patients increased 11.24% yoy and 7.06% qoq while spending per visit decreased slightly at 2.19% yoy to over THB 1,700. Nevertheless, the higher number of OPD visits made up for the slight decrease in average spending. For IPD non-sw sector, there was a decrease in admitted case, down 16% qoq which can partly be explained by the industry seasonality where quarter 2 mostly sees lower number of patients and some wards were turned to be covid-19 wards. Average spending wise, the spending per visit increased 12.99% qoq to THB 48,000 from THB 43,000 in the previous quarter.

For Covid-10 related portions, there were a few changes to the government policy such as the change in reimbursement rate for covid-19 both RT-PCR and ATK tests and the treatment for covid-19 patients guidelines such as home isolation and field hospital program. Due to the decrease in reimbursement rate for covid-19 tests, a gradual and continuous decrease from THB 900 reimbursement for each RT-PCR test to THB 200 reimbursement for an ATK test, the revenue from this portion decreased drastically. However, it was still compensated by the revenue from patients registered under home isolation program which was over 30,000 patients for 2Q2022.. All in all, the revenue from covid-19 related items stood at approximately THB 590 million, down from THB 685 million of the previous quarter. The company also continued to administer its Moderna vaccination program this quarter for THB 11 million.

For SW elements, the company continued to see a higher number of insured persons, an average of 209,807 which increased from 207,300 from the previous quarter. This is a 6% increase yoy and 1% increase qoq. Consequently, lump sum revenue generated from registered sw patients was THB 86 million, a 1.21% increase qoq and a 5.51% increase yoy. It should be noted that revenue from high-cost care (Adj RW) increased significantly 22% yoy as the operations resumed following less concerns of Covid-19. All in all, SW revenue totaled at THB 210.6 million, a 0.74% increase qoq and 9.93% increase yoy.

Other Revenues

The company has received dividends from an investment in RAM , BDMS and other non-listed hospital for THB 6.3 million. This is an additional portion that was non-existent in the same quarter last year.



Cost of Hospital Operations

Cost of hospital operations in 2Q2022 increased from THB 347.93 million of the last quarter to THB 487.22 million, a 40.03% increase qoq. This can partly be explained by an additional cost for home isolation program in which we took in over 30,000 patients under care. To facilitate such program, the company needed to invest in medical equipment and provided food supplies together with delivery services to the patients. In the previous quarter, most patients stayed in the company's field hospital where all facilities were shared and provided together. Due to the change in government policy, home isolation program became the main service for the quarter and hence aforementioned costs increased. Nevertheless, due to our high volume, the company still saw a 54% gross profit margin million which is on par with the previous quarter. The gross profit for the quarter was THB 567.2 million.

Administrative Expenses

Administrative expenses remained the same as the previous quarter due to the company's good manpower management and the effective use of existing resources. The SG&A expenses were at THB 48.9 million or merely 5% of total revenue.

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

EBITDA (not included other income) increased by 185.30% from THB 198.4 million to THB 566 million yoy. EBITDA margin improved from 35.5% to 53.7% of revenue.

Financing Cost

Interest expenses increased to THB 5 million approximately 10% increase from previous quarter or increase from merely THB 0.4 million of the same quarter last year. Due to the prolonged credit term of Covid-19 related revenue, the Company has to borrow more to funding hospital operations. Nevertheless, this expense is considered in the Company's payment capacity as it was merely 0.9% of EBITDA.

Net Profit

The net profit for the quarter was THB 424 million, a slight decrease from THB 474.9 million of the previous quarter but a significant increase from THB 138.4 million of the same quarter last year. The net profit margin remains at a high 40% which reflects the ability to capture revenue and effective cost control despite changes in government policy and higher associated costs.



Statement of Financial Position as of June, 30 2022

Financial Position : Consolidated Balance Sheet	30-Jun	30-Jun	31-Dec	30 Jun 22-	30 Jun 22-
Unit : THB million	2022	2021	2021	30 Jun 21	31 Dec 21
Cash and Temporary Investments	115.28	128.15	174.71	-10%	-34%
Trade Receivables	1,537.73	364.81	858.72	322%	79%
Inventory	62.46	37.16	59.92	68%	4%
Long-term Investments	725.11	13.45	565.50	5291%	28%
Property, Plant and Equipment	1,705.70	1,320.25	1,427.78	29%	19%
Other assets	169.82	197.54	265.74	-14%	-36%
Total Assets	4,316.09	2,061.35	3,352.37	109%	29%
Trade Payable	177.86	147.37	205.14	21%	-13%
Interest-Bearing Debts / Leasing	991.72	170.60	750.31	481%	32%
Corporate Income Tax Payable	203.02	42.06	169.33	383%	20%
Other Liabilities	219.84	149.52	262.64	47%	-16%
Total Liabilities	1,592.44	509.55	1,387.42	213%	15%
Total Shareholders' Equity of the Company	2,689.82	1,545.70	1,977.16	74%	36%
Treasury Stock	(21.68)	-	(21.68)	100%	0%
Non-Controlling Interests	55.52	6.11	9.47	809%	486%
Total Shareholders' Equity	2,723.66	1,551.81	1,964.95	76%	39%

Total assets as of June 30, 2022 was THB 4,316.09 million, increased 109% yoy or 29% increase from the end of 2021. The biggest contributions came from 3 factors, long-term investments, trade receivables and inventory.

During 2Q2022, the Company has invested in 1.162 million shares (7.76% stake) of Phatara-Thonburi Hospital Co., Ltd. for THB 56.98 million and divest some of BDMS shares. The increase of investment comparing to the end of 2021 was due to mark-to-market of listed-shares mainly RAM.

Trade receivables though increased sharply but this reflected the activities related to Covid-19 elements. This amount, over THB 1,100 million, awaits to be reimbursed gradually under the UCEP and SW programs.

Inventory increased 68% from THB 37.16 million as of 31 Mar 22 to THB 62.46 million. Apart from inventory related to Home Isolation program, the increase was also from Moderna vaccine as well as Covid-19 tests.

Total liabilities increased from THB 509.55 million to THB 1,592.44 million, a 213% increase yoy. Most contributing factors were borrowings from banks and tax payable. The prolonged credit term of Covid-19 related revenue has driven higher borrowings from banks.

For shareholders' equity at the end of June 2022, it increased by 76% yoy where the majority of the rise are from higher earnings and unrealized profits from the listed-stock investments.



Ratio Analysis of Financial Statements ended June, 30 2022

Ratio Analysis :		
Consolidated Financial Statements	2Q	2Q
Unit : THB million	2022	2021
Returns (%)		
Return on Assets *	39.3%	26.9%
Return on Equity *	62.3%	35.7%
Working Capital Management (Days)		
Trade Receivable Period	133	59
Inventory Period **	47	34
Trade Payable Period	40	49
Leverage Ratios (x)		
Interest Coverage	113.1	475.6
Debt Service Coverage	3.7	4.6
Total Debt to Equity	0.6	0.3

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

** based on only cost of medicine & medical supplies

Return on assets and return on equity of 2Q22 improved impressively yoy , particularly ROE almost doubled, from 35.7% to 62.3%, due to higher profits from operations and high dividend payout.

Nevertheless, Trade receivable period increased from 59 days in the second quarter of 2021 to 133 days in this quarter due to the aforementioned longer credit-term of Covid-19 revenue under UCEP and SW program.

Interest coverage ratio decreased from 475x to 113.1x and Debt Service Coverage ratio decreased from 4.6x to 3.7x. Debt-to-equity ratio increased from 0.3x to 0.6x. Despite the significant rise of debt levels, these leverage ratios remained at healthy level.

Please be informed accordingly.

Yours sincerely,

(Surin Prasithirun, M.D.)

Managing Director