



No. RJH – SET 11/2019

13 August 2019

Subject : Management’s Discussion and Analysis for the 2nd 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 2nd quarter ended June 30, 2019 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 2nd Quarter Ended June 30, 2019

Operation : Consolidated Profit & Loss Statement	2Q	2Q	%	6 mth	6 mth	%
Unit : THB million	2019	2018	change	2019	2018	change
Revenue from non-social security	232.56	212.10	10%	480.91	430.34	12%
Revenue from social security	190.21	171.37	11%	387.73	336.06	15%
Revenue from Hospital Operations	422.77	383.47	10%	868.64	766.39	13%
Cost of hospital operations before adj.	294.32	274.71	7%	579.74	532.07	9%
Adj. staff benefit	8.15	-		8.15	-	
Gross margin	120.29	108.76	11%	280.74	234.33	20%
% Gross margin	28%	28%	0%	32%	31%	2%
% Gross margin (exclude non-recurring cost)	30%	28%	2%	33%	31%	3%
Administrative expenses before adj.	41.45	40.84	2%	83.09	88.68	-6%
Adj. staff benefit	2.19	-		2.19	-	
Adj. previous year SW income	20.31	10.66	90%	20.31	10.66	90%
EBITDA *	108.36	86.81	25%	248.65	182.99	36%
% EBITDA *	26%	23%	3%	29%	24%	5%
Other income /(expenses)	5.56	4.72	18%	110.34	14.20	677%
Financing cost	1.22	4.32	-72%	3.83	4.62	-17%
Corporate Tax	12.28	13.71	-10%	56.60	31.53	80%
Net profit	48.40	43.96	10%	225.07	113.04	99%
% Net profit margin	11%	11%	0%	23%	14%	9%
Non-controlling interest	0.11	0.12	-12%	0.36	3.29	-89%
Net profit attributable to The Company	48.29	43.84	10%	224.70	109.75	105%

* Non-cash items included depreciation as well as accounting adjustment (ie provision of staff benefit and SW income)

Revenue from Hospital Operations

Revenue from hospital operations in the second quarter of 2019 (“2Q’19”) was THB 422.77 million, increased 10% yoy. The non-social security (non-SW) revenue and social security (SW) revenue grew by 10% and 11% respectively. The growth of non-social security revenue was driven by both OPD (9%) and IPD (10%). This promising growth was due to more subspecialties, more



outside checkup & vaccination as well as capacity expansion. OPD increased by 4 units and IPD increased by 22 units yoy. OPD income was driven by revenue per head while number of patients (not included outside check-up & vaccination) was on par with the previous year. This trend also incurred to IPD income with IPD visit number barely changed yoy. while revenue per visit has increased by 10% yoy. The increase of revenue per visit was the result of more surgeries operated particularly cardiac catheterization and minimal invasive surgeries.

All categories of social security income increased except SW check-up program because allowed check-up items for each insurer decreased when approaching the second year. Average number of insured persons remained on the rise from approximately 173,500 persons as of 2Q'18 to 187,300 persons as of 2Q'19. For SW income per insurer, the income has increased from THB 988 per insurer to THB 1,015 per insurer reflecting the more efficient SW income generated from each insurer.

Cost of Hospital Operations

Cost of hospital operations in 2Q'19 increased by 10% yoy. in line with the increase of income despite extra cost recorded in 2Q'19. Due to the new labour law which was effective in May 2019, the Company has recorded total THB. 10.3 million cost of provision for employee benefits for THB. 8.1 million. Without consideration of this non-recurring cost, the cost to income would be 70% in 2Q19 comparing to 72% in 2Q18.

The improved margin was not only attributed by the increase of fixed income from SW revenue and higher revenue per visit of non-SW category but also from the efficient cost control of medicine and supplies as well as staff.

Administrative Expenses

Administrative expenses increased dramatically by 24% yoy. This was the result of aforementioned provision for employee benefit of THB 2.2 million together with underpaid Adj RW income of THB 20.3 million whereas the provision for underpaid Adj RW income in 2Q18 was only half of 2Q19 provision.

Without regard to the above extra items, administrative expenses would increase by only 2% yoy .

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

EBITDA (not included other income, provision for employee benefit and underpaid Adj RW income) increased substantially by 25% yoy. EBITDA margin rose from 23% of hospital revenue in 2Q'18 to 26% in 2Q'19. The promising EBITDA was attributable to not only the revenue growth but also the effective cost control as mentioned above.

**Financing Cost**

The financing cost decreased from THB 4.3 million to the amount of THB 1.22 million yoy. This was due to THB 300 million bank loans for subsidiary share acquisition which has been drawdown in 2Q'18 was paid off in 2Q19.

Net Profit

Net profit attributable to the Company has increased by 10% yoy. despite the aforementioned extra cost & expenses for the gross amount of THB 30.6 million or THB 24.5 net tax. These extra cost & expenses were only THB 10.7 million or THB 8.5 net tax in the same quarter of previous year.

If excluded these extra cost & expenses (net of tax) from the comparing quarters, the normalized net profit would be approximately THB 72.8 million in 2Q19 comparing to THB 52.4 million in 2Q18 or a surge of 39% .

Statement of Financial Position as of June 30, 2019

Financial Position : Consolidated Balance Sheet	30 Jun.	30 Jun.	31 Dec.	% Change	
	2019	2018	2018	Jun 19 - Jun 18	Jun 19 - Dec 18
Unit : THB million					
Cash and temporary investments	385.50	532.65	539.83	-28%	-29%
Trade receivables	348.38	296.00	270.31	18%	29%
Inventories	24.30	24.56	29.00	-1%	-16%
Property, Plant and Equipment	862.50	845.96	807.84	2%	7%
Goodwill	87.80	87.80	87.80	0%	0%
Other assets	66.45	71.64	144.68	-7%	-54%
Total assets	1,774.93	1,858.61	1,879.48	-5%	-6%
Trade payable	128.39	115.73	122.37	11%	5%
Interest-bearing debts	78.36	371.60	345.48	-79%	-77%
Employee Benefit Obligation	49.89	40.83	37.22	22%	34%
Other liabilities	104.17	75.41	65.36	38%	59%
Total liabilities	360.82	603.57	570.43	-40%	-37%
Total shareholders' equity of the Company	1,410.42	1,252.03	1,305.72	13%	8%
Non-controlling interest	3.70	3.00	3.33	23%	11%
Total shareholders' equity	1,414.12	1,255.04	1,309.05	13%	8%

The consolidated total assets as of 30 June 2019 decreased by 5% yoy. The decrease was mainly attributable to cash spending on annual capital expenditure and loan repayment as well as land disposal transaction. However, accounts receivable has increased substantially from the accrued SW income.

Total liabilities as of 30 June 2019 decreased by 40% yoy and 37% comparing to the end of 2018. The Company has drawdown loan for acquisition of subsidiary shares in the second quarter of



previous year and subsequently paid down loan from its operating cash flow and additionally from proceeds of land sold.

The shareholders' equity at the end of 2Q'19 increased by 13% yoy and 8% comparing to the end of 2018 due to higher profit posted to each period .

Ratio Analysis Financial Statement year ended June 30, 2019

Ratio Analysis :		
Consolidated Financial Statements	2Q	2Q
Unit : THB million	2019	2018
Returns (%)		
Return on Assets *	10.9%	9.5%
Return on Equity *	13.7%	14.0%
Working Capital Management (Days)		
Trade Receivable Period	75	70
Inventory Period **	31	37
Trade Payable Period	51	49
Leverage Ratios (x)		
Interest Coverage	88.8	20.1
Debt Service Coverage	23.0	3.1
Total Debt to Equity	0.3	0.5

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

** based on only cost of medicine & medical supplies

Return on Assets of 2Q'19 improved yoy. driven by the sustainable profit. However, Return on Equity slightly declined from 14% to 13.7% due to lower debt and more reliance on internal operating fund.

From the financial risk perspective, debt to equity ratio decreased from 0.5x to 0.3x due to the substantial loan repayment. As a result, debt service coverage ratio improved.

In respect of liquidity ratio, trade receivable day deteriorated from 70 days to 75 days yoy. This was primarily due to more accrual from social security bureau. For inventory day, it improved comparing to the same quarter of last year.

Please be informed accordingly.

Yours sincerely,

(Surin Prasithirun, M.D.)
Managing Director