



No. RJH – SET 16/2019

11 November 2019

Subject : Management’s Discussion and Analysis for the 3rd 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 3rd quarter ended September 30, 2019 which has been audited by the independent auditor as follows:

**Statements of Comprehensive Income for the 3rd Quarter Ended September 30, 2019**

Operation : Consolidated Profit & Loss Statement						
Unit : THB million	3Q 2019	3Q 2018	% change	9 mth 2019	9 mth 2018	% change
Revenue from non-social security	274.72	260.11	6%	755.63	690.45	9%
Revenue from social security	185.79	166.93	11%	573.53	502.99	14%
<b>Revenue from Hospital Operations</b>	<b>460.51</b>	<b>427.04</b>	<b>8%</b>	<b>1,329.15</b>	<b>1,193.44</b>	<b>11%</b>
Cost of hospital operations before adj.	314.81	293.81	7%	894.56	825.87	8%
Adj. staff benefit	-	-		8.15	-	
Gross margin	145.70	133.24	9%	426.44	367.57	16%
% Gross margin	32%	31%	0%	32%	31%	1%
% Gross margin (exclude non-recurring cost)	32%	31%	0%	33%	31%	2%
Administrative expenses before adj.	39.11	41.56	-6%	122.21	130.24	-6%
Adj. staff benefit	-	-		2.19	-	
Adj. previous year SW income	-	-	0%	20.31	10.66	90%
EBITDA *	129.92	111.83	16%	379.61	294.81	29%
% EBITDA *	28%	26%	2%	29%	25%	4%
Other income /(expenses)	5.65	4.33	30%	115.99	18.53	526%
Financing cost	0.48	3.83	-87%	4.32	8.45	-49%
Corporate Tax	22.13	17.10	29%	78.73	48.63	62%
<b>Net profit</b>	<b>89.61</b>	<b>75.08</b>	<b>19%</b>	<b>314.68</b>	<b>188.12</b>	<b>67%</b>
% Net profit margin	19%	17%	2%	22%	16%	6%
Non-controlling interest	0.17	0.19	-8%	0.53	3.47	-85%
<b>Net profit attributable to The Company</b>	<b>89.44</b>	<b>74.89</b>	<b>19%</b>	<b>314.15</b>	<b>184.65</b>	<b>70%</b>

\* 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 3rd quarter of 2019 ( “ 3Q19 ” ) was THB 460.51 million, increased 8% yoy. The non-social security ( “ non-SW ” ) revenue and social security ( “ SW ” ) revenue grew by 6% and 11% respectively. The growth of non-SW revenue was driven by both OPD (6% growth) and IPD (5% growth). This growth was not as robust as previous year’s growth because the drought prolonged until mid of this 3rd quarter. Number of patients of 3Q19 slightly declined yoy whereas revenue per head remained on the rise. The increase of revenue per head was



contributed by sub- specialty care particularly cardiac catheterization, general surgery and orthopedics.

All categories of social security income increased except SW check-up program because qualified check-up items were reduced when approaching the second year. Average number of insured persons remained on the rise from approximately 176,500 persons as of 3Q18 to 188,400 persons as of 3Q19. Mostly, the increase was attributable by the subsidiary as RJH's SW insurer quota was nearly full. For SW income per insurer, the income has increased from THB 946 per insurer to THB 986 per insurer reflecting more SW income generated from each insurer.

### **Cost of Hospital Operations**

Cost of hospital operations in 3Q19 increased by 7% yoy slightly below the increase of revenue. As such, gross margin has improved from 31.2% to 31.6%.

The reasons for the decline of cost ratio not only stemmed from the increase of SW income and non-sw income per head but also from the efficient cost management particularly staff cost.

### **Administrative Expenses**

Administrative expenses decreased by 6% yoy mostly was attributed to the staff cost.

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

EBITDA (not included other income) increased substantially by 16% yoy. EBITDA margin rose from 26% of hospital revenue in 3Q18 to 28% in 3Q19. 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 of 3Q19 decreased yoy from THB 3.8 million to merely THB 0.5 million. All bank loans were paid off in 3Q19.

### **Net Profit**

Net profit attributable to the Company of 3Q has increased significantly by 19.4% yoy with the margin improved from 17.4% to 19.2%.



**Statement of Financial Position as of September 30, 2019**

Financial Position : Consolidated Balance Sheet	30 Sep.	30 Sep.	31 Dec.	% Change	
	2019	2018	2018	Sep 19 - Sep 18	Sep 19 - Dec 18
Unit : THB million					
Cash and temporary investments	124.21	484.31	539.83	-74%	-77%
Trade receivables	374.14	316.24	270.31	18%	38%
Inventories	25.71	26.07	29.00	-1%	-11%
Property, Plant and Equipment	922.88	855.62	807.84	8%	14%
Goodwill	87.80	87.80	87.80	0%	0%
Other assets	67.14	58.30	144.68	15%	-54%
<b>Total assets</b>	<b>1,601.89</b>	<b>1,828.34</b>	<b>1,879.48</b>	<b>-12%</b>	<b>-15%</b>
Trade payable	141.68	126.33	122.37	12%	16%
Interest-bearing debts	0.99	350.42	345.48	-100%	-100%
Employee Benefit Obligation	51.44	41.35	37.22	24%	38%
Other liabilities	84.05	70.13	65.36	20%	29%
<b>Total liabilities</b>	<b>278.16</b>	<b>588.23</b>	<b>570.43</b>	<b>-53%</b>	<b>-51%</b>
Total shareholders' equity of the Company	1,319.86	1,236.92	1,305.72	7%	1%
Non-controlling interest	3.87	3.19	3.33	21%	16%
<b>Total shareholders' equity</b>	<b>1,323.73</b>	<b>1,240.11</b>	<b>1,309.05</b>	<b>7%</b>	<b>1%</b>

The consolidated total assets as of 30 September 2019 decreased by 12% yoy. The decrease was mainly attributable to cash spending on loan repayment as well as investment in new projects ie. land for new hospital in Saraburi province for THB 54 million and investment in Nan-Ram Hospital for THB 10 million.

Accounts receivable has increased substantially from the accrued SW income. However, it was subsequently paid down in the following quarter.

Total liabilities as of 30 September 2019 decreased considerably. Loan from banks were paid-off from the company's operating cash flow and additionally from proceeds of land sold.

The shareholders' equity at the end of September 2019 increased by 7% yoy due to higher profit accumulated but marginally increased 1% comparing to the end of 2018 because dividend paid for THB 300 million.



**Ratio Analysis of Financial Statement year ended September 30, 2019**

Ratio Analysis : Consolidated Financial Statements	3Q	3Q
Unit : THB million	2019	2018
<b>Returns (%)</b>		
Return on Assets *	22.4%	16.4%
Return on Equity *	27.1%	24.2%
<b>Working Capital Management (Days)</b>		
Trade Receivable Period	75	68
Inventory Period **	31	38
Trade Payable Period	50	49
<b>Leverage Ratios (x)</b>		
Interest Coverage	269.3	29.2
Debt Service Coverage	222.7	5.0
Total Debt to Equity	0.2	0.5

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

\*\* based on only cost of medicine & medical supplies

Both of return on assets and return on equity of 3Q19 improved yoy. driven by the sustainable profit and higher dividend payout ratio.

From the financial risk perspective, all ratios were at extremely low risk level as bank loans were paid off in the 3<sup>rd</sup> quarter.

In respect of liquidity ratio, trade receivable day deteriorated from 68 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