



No. RJH – SET 3/2020

24 February 2020

Subject : Management's Discussion and Analysis for the 4th 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 4th quarter ended December 31, 2019 which has been audited by the independent auditor as follows:

**Statements of Comprehensive Income for the 4th Quarter Ended December 31, 2019**

Operation : Consolidated Profit & Loss Statement						
Unit : THB million	4Q 2019	4Q 2018	% change	12 mth 2019	12 mth 2018	% change
Revenue from non-social security	285.64	220.70	29%	1,041.26	911.16	14%
Revenue from social security	156.05	173.29	-10%	729.57	676.28	8%
<b>Revenue from Hospital Operations</b>	<b>441.68</b>	<b>393.99</b>	<b>12%</b>	<b>1,770.84</b>	<b>1,587.43</b>	<b>12%</b>
Cost of hospital operations before adj.	310.74	276.11	13%	1,205.30	1,101.98	9%
Adj. staff benefit	-	-		8.15	-	
Gross margin	130.94	117.88	11%	557.38	485.45	15%
% Gross margin	30%	30%	0%	31%	31%	1%
% Gross margin (exclude non-recurring cost)	30%	30%	0%	32%	31%	1%
Administrative expenses before adj.	39.79	41.54	-4%	161.99	171.77	-6%
Adj. staff benefit	-	-		2.19	-	
Adj. previous year SW income	3.70	-	0%	24.01	10.66	125%
EBITDA *	113.50	97.71	16%	493.11	392.52	26%
% EBITDA *	26%	25%	1%	28%	25%	3%
Other income /(expenses)	15.00	5.09	195%	130.99	23.62	455%
Financing cost	0.02	3.58	-99%	4.34	12.03	-64%
Corporate Tax	20.58	7.81	163%	99.30	56.44	76%
<b>Net profit</b>	<b>81.86</b>	<b>70.04</b>	<b>17%</b>	<b>396.54</b>	<b>258.16</b>	<b>54%</b>
% Net profit margin	18%	18%	0%	21%	16%	5%
Non-controlling interest	0.12	(0.51)	-123%	0.65	3.62	-82%
<b>Net profit attributable to The Company</b>	<b>81.74</b>	<b>70.55</b>	<b>16%</b>	<b>395.89</b>	<b>254.54</b>	<b>56%</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 4th quarter of 2019 (“4Q19”) was THB 441.68 million, increased 12% yoy. This quarter growth was entirely driven by non-social security (“non-SW”) revenue which posted 29% hike whereas social security (“SW”) revenue posted 10% decrease. The promising growth of non-SW revenue was from IPD (49% growth) followed by OPD (14% growth) yoy. Both number of patients and revenue per head of 4Q19 increased. The higher revenue per head



was contributed by sub-specialty care particularly neurology, general surgery and orthopedics. Besides, the endemic of influenza contributed to more admission of pediatric patients.

The disappointing social security income stemmed from the lower payment rate of both Adj RW and discharge & complaint. The impact of lower Adj RW payment rate was approximately THB 30 million comparing to revenue at normal rate of THB 12,800 per head.

Average number of insured persons remained on the rise from approximately 181,300 persons as of 4Q18 to 190,500 persons as of 4Q19. Mostly, the increase was attributable to the subsidiary as RJH's SW insurer quota was almost full. However, SW income per head has decreased from THB 956 per insurer to THB 819 per insurer due to aforementioned lower payment rate in 4Q19.

### **Cost of Hospital Operations**

Cost of hospital operations in 4Q19 increased by 13% yoy slightly higher than the increase of revenue. As such, gross margin has barely changed from 29.9% to 29.6%.

### **Administrative Expenses**

Administrative expenses increased by 4.7% yoy due to the adjustment of previous year's discharge & complaint SW income for THB 3.7 million. Without this adjustment, administrative expenses would have been decreased by 4%.

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

EBITDA (not included other income) increased substantially by 16% yoy. EBITDA margin rose from 25% of hospital revenue in 4Q18 to 26% in 4Q19. This was mainly attributable to the increase of non-SW revenue.

### **Financing Cost**

The financing cost of 4Q19 was barely zero as loans were almost paid-off.

### **Net Profit**

Net profit attributable to the Company of 4Q has increased significantly by 16% yoy with the margin nearly unchanged from previous year despite the decrease of SW income. Non-SW income has more than offset the unfavorable SW income while cost has been under control.



**Statement of Financial Position as of December 31, 2019**

Financial Position : Consolidated Balance Sheet	31 Dec.	31 Dec.	% Change
	2019	2018	Dec 19 Dec 18
Unit : THB million			
Cash and temporary investments	223.42	539.83	-59%
Trade receivables	298.63	270.31	10%
Inventories	31.09	29.00	7%
Property, Plant and Equipment	966.84	807.84	20%
Goodwill	87.80	87.80	0%
Other assets	77.63	144.68	-46%
<b>Total assets</b>	<b>1,685.41</b>	<b>1,879.48</b>	<b>-10%</b>
Trade payable	136.50	122.37	12%
Interest-bearing debts	0.91	345.48	-100%
Employee Benefit Obligation	56.25	37.22	51%
Other liabilities	91.93	65.36	41%
<b>Total liabilities</b>	<b>285.60</b>	<b>570.43</b>	<b>-50%</b>
Total shareholders' equity of the Company	1,395.82	1,305.72	7%
Non-controlling interest	3.99	3.33	20%
<b>Total shareholders' equity</b>	<b>1,399.80</b>	<b>1,309.05</b>	<b>7%</b>

The consolidated total assets as of 31 December 2019 decreased by 10% yoy. The decrease was mainly attributable to cash spending on loan repayment as well as investment not only in new projects ie. land for new hospital in Saraburi province and investment in Nan-Ram Hospital but also renovation of existing hospitals. The

While accrued SW income decreased, accounts receivables of insurance companies increased. This was due to more utilization of insurance patients.

Total liabilities as of 31 December 2019 decreased considerably. Loan from banks were paid-off from the company's operating cash flow and additionally from proceeds of land sold. Employee benefit obligation increased due to higher retirement compensation rate stipulated by new law.

The shareholders' equity at the end of December 2019 increased by 7% yoy due to higher profit accumulated.



**Ratio Analysis of Financial Statement year ended December 31, 2019**

Ratio Analysis : Consolidated Financial Statements	4Q	4Q	12 mth	12 mth
Unit : THB million	2019	2018	2019	2018
<b>Returns (%)</b>				
Return on Assets *	19.4%	14.9%	23.5%	13.7%
Return on Equity *	23.4%	21.4%	28.3%	19.7%
<b>Working Capital Management (Days)</b>				
Trade Receivable Period	62	63	62	62
Inventory Period **	41	44	40	44
Trade Payable Period	51	51	52	51
<b>Leverage Ratios (x)</b>				
Interest Coverage	5,075.2	27.3	113.7	32.6
Debt Service Coverage	904.1	4.4	103.9	4.6
Total Debt to Equity	0.2	0.4	0.2	0.4

\* 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 4Q19 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 respect of liquidity ratio, trade receivable day barely changed. Despite lower accrual from social security bureau, proportion of insurance patients increased comparing to cash patients. Inventory and account payable has barely changed..

Please be informed accordingly.

Yours sincerely,

(Surin Prasithirun, M.D.)  
Managing Director