



No. RJH – SET 14/2017

10 November 2017

Subject : Management Discussion and Analysis for the 3rd Quarter of 2017 ending 30 September 2017

To : The President
The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No.6/2017 of Rajthanee Hospital Public Company Limited (the “Company”) held on 10 November 2017, approving the reviewed consolidated financial statements for the 3rd quarter of 2017 ending 30 September 2017, the Company would like to report factors that affect the financial performance for the 3rd quarter of 2017 as follows;

Statements of Comprehensive Income for 3rd Quarter and 9 Months of 2017

Operation : Consolidated Profit & Loss Statement	3Q	3Q	%	9 mth	9 mth	%
Unit : THB million	2017	2016	change	2017	2016	change
Revenue from non-social security	220.49	184.48	20%	575.79	504.82	14%
Revenue from social security	169.68	133.25	27%	460.18	388.31	19%
Revenue from Hospital Operations	390.17	317.73	23%	1,035.97	893.13	16%
Cost of hospital operations	262.51	222.97	18%	727.34	640.28	14%
Gross margin	127.66	94.76	35%	308.63	252.85	22%
<i>% Gross margin</i>	33%	30%	3%	30%	28%	1%
Administrative expenses	39.07	36.43	7%	112.68	99.26	14%
Earnings before interest tax and depreciation	114.01	80.11	42%	270.02	218.00	24%
<i>% Earnings before interest tax and depreciation</i>	29%	25%	4%	26%	24%	2%
Other income /(expenses)	5.00	2.84	76%	15.29	8.80	74%
Financing cost	0.58	7.18	-92%	2.98	24.16	-88%
Tax (Note)	18.57	2.34	693%	10.64	20.89	-49%
Net profit	74.43	51.65	44%	197.63	117.12	69%
<i>% Net profit</i>	19%	16%	3%	19%	13%	6%
Non-controlling interests	2.51	2.87	-13%	22.32	(1.46)	-1626%
Net profit attributable to The Company	71.93	48.78	47%	175.30	118.58	48%

Note : During 1Q17, the Company’s subsidiary has recorded income incurred from defer tax. This item was included in 9M17 profit & loss statement for the amount of THB. 25.8 million whereas there was no such item in 3Q17 profit & loss statement.



Revenue from Hospital Operations

Revenue of 9-month period of 2017 (“9M17”) increased 16% yoy. This increase was partly driven by the outstanding 23% income growth in the 3rd quarter of 2017 (“3Q17”). Not only high season of healthcare business, the increase of social security payment rate also helped accelerate growth in this quarter. This new rate has been effective since July 1, 2017. As such, social security revenue of 3Q17 increased by 27% yoy. In light of non-social security revenue, the Company posted 20% growth in 3Q17 which was attributable to the increase of number of patients and bill amount.

Cost of Hospital Operations

Cost of hospital operations during 9M17 increased by 14% yoy in parallel with hospital revenue. However, the cost increase was at lower rate than revenue increase. Likewise, 3Q17 hospital cost increased by 18% yoy lower than revenue growth.

As a result, gross margin improved from 28% in 9M16 to 30% yoy and from 30% in 3Q16 to 33% yoy. This improvement was not only contributed by the increase of bill amount and social security payment rate but also by more efficient management of pharmaceutical supplies.

Administrative Expenses

During 9M17, administrative expenses increased by 14% yoy due mainly to the increase of headcounts and salary rate in order to accommodate business expansion. 3Q17 administrative expenses nevertheless increased merely 7% which was half of the 9-month period. It can imply that most of the increase was in the first half of this year. During the first half of this year, the Company has recorded more provision of doubtful debt for THB. 2.6 million. In addition, advisory & other fee decreased by THB 1.3 million during 3Q17 yoy. Last year, the Company was in the process of listing in SET. thereby incurred high amount of such fee.

Financing Costs

Financing cost decreased significantly during 9M17 and 3Q17 because the Company and its subsidiary applied the proceeds derived from the initial public offering in August 2016 and the rights offering in November 2016, respectively, to repay loans from financial institutions.

**Net Profits**

The Company's net profit during 9M17 and 3Q17 increased substantially by 48% and 47% respectively due mainly to the increase of income coupled with the decrease of financing cost. In addition, during 1Q17, its subsidiary (Rajthanee Rojana Hospital Co., Ltd.) has recognized income incurred from defer tax for the amount of THB 28.6 million which remained THB. 25.8 million in 9M17. This tax benefit was mostly from 5-year loss. Therefore, tax expenses declined despite the increase of earnings before tax. There was no impact of such item in 3Q17

Statement of Financial Position as of 30 September 2017

Financial Position : Consolidated Balance Sheet	Sep	Sep	Dec	% Change	
	2017	2016	2016	Sep.17- Sep.16	Sep.17- Dec.16
Unit : THB million					
Cash and temporary investments	593.05	775.09	711.34	-23%	-17%
Trade receivables	279.13	236.56	203.93	18%	37%
Inventories	20.82	21.56	19.77	-3%	5%
Property, Plant and Equipment	787.64	761.76	769.49	3%	2%
Goodwill	87.80	87.80	87.80	0%	0%
Other assets	62.65	29.39	31.32	113%	100%
Total assets	1,831.10	1,912.16	1,823.65	-4%	0%
Trade payable	122.27	116.41	114.71	5%	7%
Interest-bearing debts	2.07	200.28	81.69	-99%	-97%
Employee Benefit Obligation	28.58	32.31	25.46	-12%	12%
Other liabilities	59.52	36.79	60.75	62%	-2%
Total liabilities	212.43	385.78	282.61	-45%	-25%
Total shareholders' equity of the Company	1,545.54	1,523.21	1,490.24	1%	4%
Non-Controlling Interests	73.13	3.17	50.81	2204%	44%
Total shareholders' equity	1,618.67	1,526.38	1,541.05	6%	5%

The Company and its subsidiary's total assets as of 30 September 2017 decreased by 4%. The decline was from the decrease of cash and temporary investment. The late of last year, the Company has raised fund from SET whereas, during 2017, the Company has spent this fund on debt repayment as well as renovation and expansion projects. However, the Company's trade receivable



has increased which was in line with revenue increase. Additionally, other asset mostly defer tax increased by THB 27 million stemming from the recognition of tax shield as aforementioned.

Liabilities as of 30 September 2017 decreased substantially mainly from the repayment of debt owed to financial institutions. The repayment was from IPO proceeds.

Ratio Analysis : Consolidated Financial Statements	9 mth	9 mth
Unit : THB million	2017	2016
Returns (%)		
Return on Asset	11%	6%
Return on Equity	12%	8%
Working Capital Management (Days)		
Trade Receivable Period	74	72
Inventory Period *	36	44
Trade Payable Period	46	50
Leverage Ratios (x)		
Interest Coverage	91	9
Total Debt to Equity	0.13	0.25

* based on only cost of medicine & medical supplies

Return on Assets and Return on Equity improved from 6%-8% during 9M16 to 11%-12% yoy. It was driven by the outstanding profit and the Company's consistent dividend payment.

In respect of working capital management during 9M17, trade receivable turnover, inventory turnover as well as trade payable turnover were not meaningfully changed yoy.

Leverage ratio has improved as illustrated by Interest Coverage ratio (EBITDA / Financing Cost) which edged up to 91x as of 30 September 2017. Debt to Equity Ratio decreased to extremely low level due to repayment of debt owed to financial institutions.

Please be informed accordingly.

Yours sincerely,

(Mr. Wachira Wudhikulprapan)
Managing Director