



No. RJH – SET 3/2018

26 February 2018

Subject : Management’s Discussion and Analysis for the fourth Quarter of 2017 and year ended December 31, 2017

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 subsidiaries for the year ended December 31, 2017 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the Fourth Quarter and Year Ended December 31, 2017

Operation : Consolidated Profit & Loss Statement Unit : THB million	4Q 2017	4Q 2016	% change	12 mth 2017	12 mth 2016	% change
Revenue from non-social security	197.87	182.46	8%	773.66	687.28	13%
Revenue from social security	170.13	133.88	27%	630.31	522.19	21%
Revenue from Hospital Operations	368.00	316.34	16%	1,403.97	1,209.46	16%
Cost of hospital operations	259.24	236.35	10%	986.58	876.62	13%
Gross margin	108.76	79.99	36%	417.39	332.84	25%
<i>% Gross margin</i>	<i>30%</i>	<i>25%</i>	<i>4%</i>	<i>30%</i>	<i>28%</i>	<i>2%</i>
Administrative expenses	40.51	38.10	6%	153.19	137.37	12%
Earnings before interest, taxes and depreciation	92.44	66.21	40%	362.47	284.21	28%
<i>% Earnings before interest, taxes and depreciation</i>	<i>25%</i>	<i>21%</i>	<i>4%</i>	<i>25%</i>	<i>23%</i>	<i>2%</i>
Other income /(expenses)	5.88	5.74	3%	21.17	14.54	46%
Financing cost	0.03	2.15	-99%	3.01	26.31	-89%
Tax (Note)	15.82	7.87	101%	26.45	28.77	-8%
Net profit	58.29	37.61	55%	255.91	154.94	65%
<i>% Net profit margin</i>	<i>16%</i>	<i>12%</i>	<i>4%</i>	<i>18%</i>	<i>13%</i>	<i>5%</i>
Non-controlling interest	2.35	1.76	33%	24.67	0.30	8261%
Net profit attributable to The Company	55.94	35.85	56%	231.24	154.64	50%

Note: During 1Q17, the Company’s subsidiary has recorded income incurred from deferred tax. This extra transaction was included in year ended 2017 financial statement for the net amount of THB 24 million.

Revenue from Hospital Operations

Revenue from hospital operations in year 2017 (“2017”) increased 16% yoy. This increase was driven by both non-social security and social security part. Accelerated revenue growth from social security came from higher number of registered patients as well as increasing of social security payment rate. The new rate has been effective since July 1, 2017. As such, social security revenue of 2017 and fourth quarter of 2017 (“4Q17”) increased by 21% yoy and 27% yoy, respectively. In light of non-social security revenue, the Company posted 13% growth in 2017 and 8% in 4Q17 which was attributable to the increase of number of patients and bill amount per patient.



Cost of Hospital Operations

Cost of hospital operations in year 2017 increased by 13% yoy in parallel with hospital revenue. However, the cost increase was at lower rate than revenue increase. Likewise, 4Q17 hospital cost increased by 10% yoy lower than revenue growth.

As a result, gross margin improved to 30% in 2017 from 28% yoy and improved to 30% in 4Q17 from 25% yoy. This improvement was not only contributed by the increase of bill amount of non-social security patient and social security payment rate but also by more efficient cost management such as staff cost and other related cost.

Administrative Expenses

In year 2017, administrative expenses increased by 12% yoy and 6% yoy in the fourth quarter mainly due to the increase of headcounts and salary rate in order to accommodate business expansion. In addition, advisory & services fee decreased in 2017 because the Company was in the process of listing in SET last year thereby incurred high amount of such fee.

Financing Costs

Financing cost significantly decreased in 2017 due to 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 2017 and 4Q17 net profit increased substantially by 50% and 56%, respectively mainly due 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 deferred tax for the amount of THB 28.6 million which was 24 million net in the financial statement as of 31 December 2017. This tax benefit was mostly from 5-year loss. Therefore, tax expenses declined despite the increase of earnings before tax.



Statement of Financial Position as of 31 December 2017

Financial Position : Consolidated Balance Sheet	Dec	Dec	% Change
Unit : THB million	2017	2016	Dec.17- Dec.16
Cash and temporary investments	666.92	711.34	-6%
Trade receivables	223.10	203.93	9%
Inventories	23.79	19.77	20%
Property, Plant and Equipment	829.61	769.49	8%
Goodwill	87.80	87.80	0%
Other assets	70.03	31.32	124%
Total assets	1,901.25	1,823.65	4%
Trade payable	113.88	114.71	-1%
Interest-bearing debts	1.80	81.69	-98%
Employee Benefit Obligation	38.35	25.46	51%
Other liabilities	80.83	60.75	33%
Total liabilities	234.86	282.61	-17%
Total shareholders' equity of the Company	1,590.99	1,490.24	7%
Non-controlling interest	75.40	50.81	48%
Total shareholders' equity	1,666.39	1,541.05	8%

The Company and its subsidiary's total assets as of 31 December 2017 increased by 4%. The growth was mainly contributed from Property, Plant and Equipment and other assets. PP&E increased due to investment in MRI and Hemodialysis Centers, purchasing Medical Devices and Equipment and building renovation while other asset mostly increased from deferred tax which added by THB 26.6 million stemming from the recognition of tax shield as aforementioned. Additionally, the Company's trade receivable has increased in line with revenue increase.

Liabilities as of 31 December 2017 substantially decreased mainly from the repayment of debt owed to financial institutions. The repayment was from IPO proceeds.



Ratio Analysis Financial Statement year ended December 31, 2017

Ratio Analysis :Consolidated Financial Statements	12 mth	12 mth
Unit : THB million	2017	2016
Returns (%)		
Return on Assets	13%	8%
Return on Equity	15%	10%
Working Capital Management (Days)		
Trade Receivable Period	58	62
Inventory Period *	41	40
Trade Payable Period	42	48
Leverage Ratios (x)		
Interest Coverage	120.38	10.80
Total Debt to Equity	0.14	0.18

Return on Assets and Return on Equity improved from 8% and 10% in 2016 to 13% and 15% yoy. It was driven by the outstanding profit and the Company's consistent dividend payment.

In respect of liquidity ratio in 2017, the ratios were not meaningfully changed yoy. Trade receivable and Trade payable period were slightly decreased while inventory period was unchanged.

Leverage ratio has improved as illustrated by Interest Coverage ratio (EBITDA / Financing Cost) which edged up to 120x as of 31 December 2017. Debt to Equity Ratio decreased to extremely low level.

Please be informed accordingly.

Yours sincerely,

(Mr. Wachira Wudhikulprapan)
Managing Director