



No. RJH – SET 7/2018

11 May 2018

Subject : Management’s Discussion and Analysis for the 1st quarter of 2018 ending March 31, 2018

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 1st quarter of 2018 ending March 31, 2018 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 1st Quarter of 2018

Operation : Consolidated Profit & Loss Statement	1Q	1Q	%
Unit : THB million	2018	2017	change
Revenue from non-social security	218.24	177.27	23%
Revenue from social security	164.68	136.58	21%
Revenue from Hospital Operations	382.92	313.85	22%
Cost of hospital operations	257.36	226.88	13%
Gross margin	125.57	86.97	44%
<i>% Gross margin</i>	<i>33%</i>	<i>28%</i>	<i>5%</i>
Administrative expenses	47.84	35.48	35%
Earnings before interest, taxes and depreciation	105.66	75.92	39%
<i>% Earnings before interest, taxes and depreciation</i>	<i>27%</i>	<i>24%</i>	<i>3%</i>
Other income /(expenses)	9.48	5.48	73%
Financing cost	0.30	1.24	-76%
Tax (Note)	17.82	(18.46)	-197%
Net profit	69.08	74.19	-7%
<i>% Net profit margin</i>	<i>18%</i>	<i>23%</i>	<i>-6%</i>
Non-controlling interest	3.56	14.96	-76%
Net profit attributable to The Company	65.52	59.23	11%

Note: During 1Q'17, the subsidiary has recorded income incurred from deferred tax for the amount of THB 28.6 million whereas the Company’s tax expense was THB 10.2 million. Therefore, the consolidated tax was net income for the amount of THB 18.46 million.



Revenue from Hospital Operations

Revenue from hospital operations in 1Q'18 increased by 22% yoy. This increase was driven by both non-social security and social security. Accelerated revenue growth from social security was not only due to the higher number of registered persons which increased from 158,085 to 170,191 persons yoy but also due to the increase of social security payment rate which has been effective since July 1, 2017. As such, social security revenue in 1Q'18 increased by 21% yoy. In light of non-social security, the Company posted 23% yoy revenue growth in 1Q'18 which was attributed by not only the increased revenue per head but also the increased number of patients stemming from the epidemics (Rotavirus and Influenza) as well as weather change.

Cost of Hospital Operations

Cost of hospital operations in 1Q'18 increased by 13% yoy which was at lower rate than revenue increase. As a result, gross margin improved to 33% in this quarter from 28% yoy. This improvement was contributed by the increase of social security payment rate and more revenue contribution from IPD which generated highest margin comparing to other categories. Moreover, the efficient cost management such as medicine & medical supplies as well as the benefit from economy of scale in term of declined fixed cost per unit were another factors for gross margin improvement.

Administrative Expenses

In 1Q'18, administrative expenses increased by 35% yoy due to the increase of expenses namely depreciation, property tax, legal & advisory fee for the acquisition of subsidiary's remaining shares.

Financing Costs

In 1Q'18, financing cost decreased by 76% yoy stemming from the reduction of subsidiary's interest expense. The subsidiary paid off loan from bank in 2017 and borrowed at the end of 1Q'18.

Net Profits

The Company's 1Q'18 consolidated net profit before deduction of non-controlling interest (NCI) reduced yoy due to the subsidiary's deferred tax income for the amount of THB 28.6 million in 1Q'17. Without considering this tax effect, earnings before tax increased by 56% yoy. In addition, consolidated net profit after deduction of NCI nevertheless increased by 11% yoy. This promising performance was mainly due to the increase of income coupled with wider gross margin as mentioned above.



Statement of Financial Position as of 31 March 2018

Financial Position : Consolidated Balance Sheet	Mar.	Mar.	Dec	% Change	
	2018	2017	2017	Mar.18- Mar.17	Mar.18- Dec.17
Unit : THB million					
Cash and temporary investments	760.39	697.77	666.92	9%	14%
Trade receivables	262.78	234.46	223.10	12%	18%
Inventories	24.33	18.56	23.79	31%	2%
Property, Plant and Equipment	840.45	770.55	829.61	9%	1%
Goodwill	87.80	87.80	87.80	0%	0%
Other assets	67.99	65.57	70.03	4%	-3%
Total assets	2,043.75	1,874.71	1,901.25	9%	7%
Trade payable	103.36	111.75	113.88	-8%	-9%
Interest-bearing debts	81.61	75.81	1.80	8%	4440%
Employee Benefit Obligation	39.59	26.50	38.35	49%	3%
Other liabilities	83.70	45.41	80.83	84%	4%
Total liabilities	308.27	259.47	234.86	19%	31%
Total shareholders' equity of the Company	1,656.52	1,549.47	1,590.99	7%	4%
Non-controlling interest	78.96	65.77	75.40	20%	5%
Total shareholders' equity	1,735.48	1,615.24	1,666.39	7%	4%

The Company and its subsidiary's total assets as of 31 March 2018 increased by 9% yoy. The growth was mainly contributed by the increase of cash & temporary investment generated from operation. Moreover, property, plant & equipment increased because of the investments in MRI and Hemodialysis Centers, medical equipment and renovation of ward.

Liabilities as of 31 March 2018 increased by 19% yoy mainly from the surge of provisions for employee benefit and other liabilities. Most of the increase of other liabilities was income tax payable on 2017 profit because there was no such tax benefit from IPO expense as in 2016.



Ratio Analysis Financial Statement year ended March 31, 2018

Ratio Analysis :Consolidated Financial Statements	3 mth	3 mth
Unit : THB million	2018	2017
Returns (%)		
Return on Assets *	12%	10%
Return on Equity *	14%	12%
Working Capital Management (Days)		
Trade Receivable Period	62	67
Inventory Period **	40	35
Trade Payable Period	36	44
Leverage Ratios (x)		
Interest Coverage	350.60	61.01
Total Debt to Equity	0.18	0.16

* calculated by using earning four previous consecutive quarters

** based on only cost of medicine & medical supplies

In 1Q'18, Return on Assets and Return on Equity improved from 10% and 12% in 1Q'17 to 12% and 14% yoy. They were driven by the outstanding profit of both the Company and subsidiary.

In respect of liquidity ratio in this quarter, the ratios were not substantially changed yoy. Trade receivable and Trade payable period were decreased while inventory period was slightly increased.

For the financial risk perspective, this risk was relatively low. Interest Coverage ratio (EBITDA / Financing Cost) edged up to 350x in this quarter from 61x yoy while Debt to Equity Ratio maintained at extremely low level.

Please be informed accordingly.

Yours sincerely,

(Mr. Wachira Wudhikulprapan)

Managing Director