



No. RJH – SET 8/2018

9 August 2018

Subject : Management Discussion and Analysis for the 2nd quarter of 2018 ending June 30, 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 2nd quarter of 2018 ending June 30, 2018 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 2nd Quarter and 6 months of 2018

Operation : Consolidated Profit & Loss Statement	2Q	2Q	%	6 mth	6 mth	%
Unit : THB million	2018	2017	change	2018	2017	change
Revenue from non-social security	212.10	178.03	19%	430.34	355.30	21%
Revenue from social security	171.37	153.92	11%	336.06	290.50	16%
Revenue from Hospital Operations	383.47	331.95	16%	766.39	645.80	19%
Cost of hospital operations	274.71	237.95	15%	532.07	464.83	14%
Gross margin	108.76	94.00	16%	234.33	180.97	29%
<i>% Gross margin</i>	<i>28%</i>	<i>28%</i>	<i>0%</i>	<i>31%</i>	<i>28%</i>	<i>3%</i>
Administrative expenses	51.50	38.13	35%	99.34	73.61	35%
Earnings before interest, taxes and depreciation	80.87	80.09	1%	186.53	156.01	20%
<i>% Earnings before interest, taxes and depreciation</i>	<i>21%</i>	<i>24%</i>	<i>-3%</i>	<i>24%</i>	<i>24%</i>	<i>0%</i>
Other income /(expenses)	4.72	4.81	-2%	14.20	10.29	38%
Financing cost	4.32	1.15	275%	4.62	2.40	93%
Tax (Note)	13.71	10.53	30%	31.53	(7.94)	-497%
Net profit	43.96	49.00	-10%	113.04	123.19	-8%
<i>% Net profit margin</i>	<i>11%</i>	<i>15%</i>	<i>-3%</i>	<i>14%</i>	<i>19%</i>	<i>-4%</i>
Non-controlling interest	0.12	4.86	-98%	3.29	19.82	-83%
Net profit attributable to The Company	43.84	44.14	-1%	109.76	103.37	6%

Note: During 1Q'17, the subsidiary has recorded income incurred from deferred tax for the amount of THB 28.6 million. The net amount after amortization was 27.6 million in the first 6-month period of 2017



Revenue from Hospital Operations

Revenue from hospital operations in the second quarter of 2018 (“2Q’18”) increased 16% yoy. Non-social security revenue growth was 19% which was higher than social security revenue growth. This promising growth was attributed by the increase of number of patients as well as bill amount per patient.

Revenue growth from social security incurred from higher number of registered patients which increased to 173,476 from 162,488 of registered persons yoy as well as increased social security payment rate. The new rate has been effective since July 1, 2017. However, social security revenue of years preceding 2017 was revised up and recorded in 2Q’17 for the amount of THB 7.7 million. Therefore, social security revenue growth of 2Q’18 was only 11% yoy because of this high base.

Revenues for the first 6 months of 2018 (1H18) increased 19% yoy which was contributed by both non-social security and social security revenue. For non-social security part, the majority of growth came from IPD which posted 28% growth yoy due to epidemics, weather change as well as increasing number of beds in service.

Cost of Hospital Operations

Cost of hospital operations in 2Q’18 and 1H18 increased by 15% and 14% yoy, respectively. In 2Q’18, the company’s gross margin was 28% of revenue in line with previous year. The unchanged gross margin of 2Q’18 was due to high revenue base of 2Q’17 following the income adjustment as mentioned above.

For 1H18, gross margin was 31% higher than 28% gross margin of 1H17. This margin 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 to gross margin improvement.

Administrative Expenses

For 2Q’18 and 1H18, administrative expenses increased at the similar rate of 35% yoy. The increase was mainly the accounting expense stemming from the revised down of social security income of 4Q’17 for amount of THB 10.7 million. Without taken into account this extra expense, the administrative expenses will increase by 7% and 20% in 2Q’18 and 1H18, respectively.

Apart from the accounting expense, the increase of administrative expenses during 1H18 was due to one-time expenses incurring from legal & advisory fee for the acquisition of subsidiary’s remaining shares

Financing Costs

In 2Q’18, financing cost increased THB 3.2 million or 275% yoy. This was due to an increase of bank loans for the acquisition of the remaining shares of the subsidiary.



Net Profits

The consolidated profit before non-controlling interest of 2Q'18 decreased by 10% yoy despite the increase of revenue. This was primarily due to high base of 2Q'17 revenue following the adjustment of social security income for the amount of THB 7.7 million. Meanwhile, the 2Q'18 administrative expenses increased by the accounting expense as mentioned above for the amount of THB. 10.7 million.

The consolidated profit before non-controlling interest of 1H18 decreased by 8% yoy. In addition to the impact of transactions in 2nd quarter as mentioned above, the previous year 6-month profit was exceptionally high from subsidiary's deferred tax income recorded in the 1st quarter of 2017 for amount of THB 28.6 million which resulted in the net amount of THB 27.6 million for 1H17. However, net profit attributable to the Company still increased 6% yoy.

If we exclude the adjustment THB 7.7 million of social security income from 2017, THB 10.7 million of accounting expense from 2018 and THB 27.6 million of defer tax income from 2017 performance, the consolidated profit before non-controlling interest would grow by 32% for 2Q'18 and 41% for 1H18.

Statement of Financial Position as of 30 June 2018

Financial Position : Consolidated Balance Sheet	Jun.	Jun.	Dec	% Change	
	2018	2017	2017	Jun.18- Jun.17	Jun.18- Dec.17
Cash and temporary investments	532.65	632.77	666.92	-16%	-20%
Trade receivables	296.00	280.22	223.10	6%	33%
Inventories	24.56	19.56	23.79	26%	3%
Property, Plant and Equipment	845.96	782.60	829.61	8%	2%
Goodwill	87.80	87.80	87.80	0%	0%
Other assets	71.64	64.86	70.03	10%	2%
Total assets	1,858.61	1,867.81	1,901.25	0%	-2%
Trade payable	115.73	113.26	113.88	2%	2%
Interest-bearing debts	371.60	70.06	1.80	430%	20571%
Employee Benefit Obligation	40.83	27.54	38.35	48%	6%
Other liabilities	75.41	52.72	80.83	43%	-7%
Total liabilities	603.57	263.57	234.86	129%	157%
Total shareholders' equity of the Company	1,252.03	1,533.61	1,590.99	-18%	-21%
Non-controlling interest	3.00	70.62	75.40	-96%	-96%
Total shareholders' equity	1,255.04	1,604.24	1,666.39	-22%	-25%

The consolidated total assets as of 30 June 2018 barely changed yoy. Cash and cash equivalent decreased 16% due to the spending of some internal cash flow to acquire the remaining shares of the subsidiary. Social Security Office's trade receivable increased which was in line with more registered persons and higher payment rate. The increase of property, plant and equipment was due to the investment in MRI and Hemodialysis Centers and renovation of building at the beginning of this year.



Total liabilities of the Company at the end of June 2018 increased 129% yoy. This was mainly due to an increase of loans from financial institutions for the amount of THB 300 million to acquire the remaining shares of the subsidiary.

The shareholders' equity at the end of the second quarter of 2018 decreased by 22% due to the Company acquired additional shares from subsidiary to 98.31% from 53.93%. The acquisition proceeds of THB 419.40 million were higher than the book value of net assets for the amount of THB. 343.72 million. This amount was deducted in shareholders' equity as Part of the changes the proportion of subsidiary.

Ratio Analysis Financial Statement year ended June 30, 2018

Ratio Analysis :Consolidated Financial Statements	6mth	6 mth
Unit : THB million	2018	2017
Returns (%)		
Return on Assets *	13%	11%
Return on Equity *	20%	13%
Working Capital Management (Days)		
Trade Receivable Period	35	39
Inventory Period **	20	18
Trade Payable Period	20	22
Leverage Ratios (x)		
Interest Coverage	40	65
Total Debt to Equity	0.48	0.16

* calculated by using earning four previous consecutive quarters

** based on only cost of medicine & medical supplies

Return on Assets and Return on Equity in 6 months 2018 improved from 11% and 13% to 13% and 20% yoy. It was driven by the outstanding profit for the Company and its subsidiary. In addition, the significant improvement of return on equity was from the decrease of shareholders' equity as mentioned above.

For the financial risk perspective, despite the higher debt ratio comparing to previous year, the ratio was nonetheless at relatively low level. Interest coverage ratio (EBITDA / finance costs) decreased to 40x from 65x stemming from the increase of loans and decrease of shareholders' equity as mentioned above. As a result, debt to equity ratio increased but remained at low level of merely 0.48x.

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

Please be informed accordingly.

Yours sincerely,

(Mr. Wachira Wudhikulprapan)

Managing Director