



No. RJH – SET 7/2020

11 May 2020

Subject : Management’s Discussion and Analysis for the First Quarter of 2020

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 first quarter ended March 31, 2020 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 1st Quarter Ended March 31, 2020

Operation : Consolidated Profit & Loss Statement			
Unit : THB million	1Q 2020	1Q 2019	% change
Revenue from Non-Social Security	251.34	248.35	1%
Revenue from Social Security	195.89	197.53	-1%
Revenue from Hospital Operations	447.23	445.88	0%
Cost of Hospital Operations	304.70	285.42	7%
Gross Margin	142.53	160.45	-11%
<i>% Gross Margin</i>	<i>32%</i>	<i>36%</i>	<i>-4%</i>
Administrative Expenses before Adj.	41.76	41.64	0%
Adj. Previous Year SW Income	2.87	-	0%
EBITDA *	124.15	140.29	-12%
<i>% EBITDA *</i>	<i>28%</i>	<i>31%</i>	<i>-4%</i>
Other Income	6.28	6.04	4%
Profit from Disposal of Land	-	98.74	-100%
Financing Cost	0.03	2.61	-99%
Corporate Tax	21.22	44.31	-52%
Net Profit	82.92	176.67	-53%
Net Profit excl. Profit from Disposal of Land	82.92	97.68	-15%
<i>% Net Profit / Total Revenue</i>	<i>18%</i>	<i>32%</i>	<i>-14%</i>
<i>% Net Profit excl. Disposal of Land / Revenue from Hospital Operations</i>	<i>19%</i>	<i>22%</i>	<i>-3%</i>
Non-Controlling Interests	0.15	0.26	-43%
Net Profit Attributable to The Company	82.77	176.41	-53%

* Non-cash items included depreciation as well as accounting adjustment

Revenue from Hospital Operations



Revenue from hospital operations of the first quarter of 2020 (“1Q’20”) was THB 447.23 million, barely changed from the same quarter of previous year (“yoy”). The non-social security (“non-SW”) revenue increased 1% yoy. whereas social security (“SW”) revenue decreased by 1%. COVID-19 started taking its toll since mid of March. During Jan-Feb, non-SW revenue posted 10% increase but turned negative in Mar. Number of patients decreased yoy by 5% for OPD and 7% for IPD. However, revenue per visit increased for both OPD and IPD by 7% and 9% respectively.

Despite the increased rate of fixed capitation per head for the year 2020, SW revenue posted slight decline. The decline was due mainly to discharge type & complaint, check up and high-cost care. Discharge type & complaint contributions were revoked this year. Check-up revenue decreased by the lesser eligible check-up items of each insurer. For high-cost care, the Company recorded revenue at lower rate from THB. 12,800 in 1Q’19 to THB 10,679 per score in 1Q’20. The actual receipt from Social Security Office during 1Q’20 was at THB 12,000 per score. This recorded rate of THB 10,679 was based on the average actual receipt during Y2019. The impact of lower recorded rate on SW revenue was approximately THB 11 million.

Average number of insured persons increased from approximately 190,500 persons during 4Q’19 to 193,000 persons in 1Q’20.

Cost of Hospital Operations

Cost of hospital operations in 1Q’20 increased by 7% yoy. causing the gross margin to deteriorate from 36% to 32% of revenue. This was not only attributed to the decrease of SW revenue but also from the rising cost of SW patients. Number of insurers increased and consequently more visits of SW patients.

Administrative Expenses

Administrative expenses were unchanged yoy.

Earnings before interest, taxes and depreciation (“EBITDA”)

EBITDA (not included other income) deteriorated by both in term of amount and margin. EBITDA amount decreased by 12% yoy, and EBITDA margin declined from 31% of hospital revenue in 1Q’19 to 28% in 1Q’20. The unfavorable EBITDA stemmed mainly from the social security sector.

Financing Cost

The financing cost was barely zero during 1Q’20 as debt was paid-off.

Net Profit

Net profit of 1Q’20 plunged by 53% yoy. The company has sold land in 1Q’19 yielding profit before corporate income tax of THB 98.7 million or THB 79 million after tax. Without consideration of net profit from land sold, the normalized net profit of 1Q’19 would be THB 97.7 million comparing to THB 82.9 million of 1Q20. The normalized profit has decreased by 15% yoy.



Statement of Financial Position as of March 31, 2020

Financial Position : Consolidated Balance Sheet	31-Mar	31-Dec	31-Mar
Unit : THB million	2020	2019	2019
Cash and Temporary Investments	255.47	223.42	470.18
Trade Receivables	303.20	298.63	365.34
Inventories	30.38	31.09	26.34
Property, Plant and Equipment	1,029.84	966.84	859.05
Goodwill	87.80	87.80	87.80
Other assets	74.78	77.63	55.07
Total Assets	1,781.47	1,685.41	1,863.79
Trade Payable	125.41	136.50	119.16
Interest-Bearing Debts / Leasing	1.18	0.91	123.24
Employee Benefit Obligation	57.72	56.25	38.69
Other Liabilities	114.44	91.93	96.98
Total Liabilities	298.76	285.60	378.07
Total Shareholders' Equity of the Company	1,478.58	1,395.82	1,482.13
Non-Controlling Interests	4.13	3.99	3.59
Total Shareholders' Equity	1,482.72	1,399.80	1,485.72

The consolidated total assets as of 31 March 2020 increased from end of Y2019 by 6%. The increase was mainly attributable to investment of fixed assets ie ward renovation, medical equipment, additional land of Nong-kae hospital project.

Total liabilities as of 31 March 2020 increased by 5% from end of Y2019 mainly due to higher accrued corporate income tax from profit of land sold in 2019.

The shareholders' equity at the end of 1Q'20 increased by 6% from end of Y2019 because of more profit contributed.



Ratio Analysis Financial Statement year ended March 31, 2020

Ratio Analysis : Consolidated Financial Statements	1Q	1Q
Unit : THB million	2020	2019
Returns (%)		
Return on Assets *	18.6%	37.9%
Return on Equity *	22.4%	47.6%
Working Capital Management (Days)		
Trade Receivable Period	62	74
Inventory Period **	40	37
Trade Payable Period	46	46
Leverage Ratios (x)		
Interest Coverage	3,923.2	53.7
Debt Service Coverage	673.5	10.1
Total Debt to Equity	0.2	0.3

* calculated by using earnings of current quarter to be estimated for annual earnings

** based on only cost of medicine & medical supplies

Return on Assets and Return on Equity of 1Q'20 deteriorated yoy. because of high profit of base year which was driven by both the hospital business and extra transaction of land sold.

In respect of liquidity ratio, average trade receivable day improved from 74 days to 62 days yoy. as less accrual from social security bureau. For inventory day and trade payable day, they were barely changed comparing to the same quarter of last year.

For the financial risk perspective, the ratio was at extremely low leverage with debt to equity ratio of 0.2x from 0.3x yoy.

Please be informed accordingly.

Yours sincerely,

(Surin Prasithirun, M.D.)

Managing Director