

13 November 2020

Subject : Management Discussion and Analysis for the third quarter ended 30 September 2020

To : The President
The Stock Exchange of Thailand

Bangkok Chain Hospital Public Company Limited (the “Company”) would like to report the operating results for the third quarter ended 30 September 2020 which had been reviewed by the independent auditor as follows:

1. Summary of the Company’s operating results
2. Analysis of the consolidated financial performance
3. Analysis of the consolidated financial position
4. Analysis of the consolidated cash flow
5. Future operating trends
6. Company credit rating

Summary of the Company's operating results

In 3Q2020, although the situation of the COVID-19 outbreak in Thailand became controllable, the government carefully took cautious steps in implementing the relief measures, especially measures relating to international travel restriction. Up until now, the pandemic prevention measures, such as screening and quarantine, remain conducting as the outbreak of COVID-19 outside Thailand is still at risk. Presently, the overall domestic business activities have started to gradually recover but people still have concern for COVID-19 infection which led to the slower than expected recovery of various business sectors, including healthcare.

Thus far, the Company and its affiliated hospitals continued to support public health measures by providing COVID-19 screening, quarantine, and treatment services. The cooperation to such measures was not only to restrain the pandemic, but also helped sustain the Company’s normal operations that were slowdown as a result of lower patients’ utilizations rate. In addition to cooperating the prevention measures, the Company and its affiliated hospitals continued to maintain their cost and expense initiatives as well as strived to increase their operational efficiency in order to sustain financial performance under this economic crisis and pandemic.

In 3Q2020, the Company's revenue reported at 2,376.60 million baht, decreasing by 123.35 million baht or 4.93 percent. The Company’s gross profit was 862.70 million baht, decreasing by 16.67 million baht or 1.90 percent. The profit before finance costs, tax, depreciation and amortization of 808.98 million baht, increasing by 46.86 million baht or 6.15 percent. Net profit attributable to the Company amounted to 413.36 million baht, increasing by 11.29 million baht or 2.81 percent.

For the operating results of the nine-month period ended 30 September 2020, the Company's revenue reported at 6,674.75 million baht, a decreased 95.67 million baht or 1.41 percent. The Company’s gross profit was to 2,216.38 million baht, increasing by 48.78 million baht or 2.25 percent. Profit before finance costs, tax, depreciation and amortization of 1,994.39 million baht, increasing by 8.73 percent. Net profit attributable to the Company in the amount of 951.09 million baht, increasing by 57.03 million baht or 6.38 percent.

Analysis of the consolidated financial performance

<i>Statement of Comprehensive Income</i>	3Q2020	3Q2019	% Change YoY	9M2020	9M2019	% Change YoY
<i>(Unit : Million Baht)</i>						
Revenue from hospital operations	2,358.94	2,469.21	-4.47%	6,619.57	6,684.32	-0.97%
Other income	17.66	30.73	-42.53%	55.18	86.10	-35.91%
Total Revenue	2,376.60	2,499.94	-4.93%	6,674.75	6,770.42	-1.41%
Cost of hospital operations	(1,496.24)	(1,589.85)	-5.89%	(4,403.18)	(4,516.72)	-2.51%
Distribution and Administrative expenses	(276.16)	(317.41)	-12.99%	(849.35)	(911.60)	-6.83%
Total Cost	(1,772.40)	(1,907.25)	-7.07%	(5,252.54)	(5,428.32)	-3.24%
Operating Profit	604.20	592.69	1.94%	1,422.21	1,342.10	5.97%
Interest income	1.59	0.52	206.12%	3.74	2.78	34.29%
Finance costs	(34.64)	(34.70)	-0.18%	(97.12)	(101.34)	-4.17%
Share of profit of investment in associate	0.66	0.69	-4.20%	2.16	2.17	-0.24%
Tax expense	(106.60)	(100.79)	5.77%	(245.17)	(224.43)	9.24%
Profit for the year	465.20	458.41	1.48%	1,085.82	1,021.27	6.32%
Owners of the Company	413.36	402.08	2.81%	951.09	894.06	6.38%
Non-controlling interests	51.84	56.34	-7.98%	134.73	127.21	5.91%
<i>Gross Profit Margin</i>	<i>36.57%</i>	<i>35.61%</i>		<i>33.48%</i>	<i>32.43%</i>	
<i>Operating Profit Margin</i>	<i>25.42%</i>	<i>23.71%</i>		<i>21.31%</i>	<i>19.82%</i>	
<i>Profit before Finance costs, Tax expense, Depreciation and Amortization margin</i>	<i>34.04%</i>	<i>30.49%</i>		<i>29.88%</i>	<i>27.09%</i>	
<i>Profit attributable to owners of The Company</i>	<i>17.39%</i>	<i>16.08%</i>		<i>14.25%</i>	<i>13.21%</i>	

Revenue Composition by Type (Unit : Million Baht)	3Q2020		3Q2019		% Change
	Revenue	Proportion	Revenue	Proportion	YoY
General patients	1,446.41	60.86%	1,619.03	64.76%	-10.66%
Social security patients	912.53	38.40%	850.18	34.01%	7.33%
Other revenue	17.66	0.74%	30.73	1.23%	-42.53%
Total Revenue	2,376.60	100.00%	2,499.94	100.00%	-4.93%

Revenue Composition by Type (Unit : Million Baht)	9M2020		9M2019		% Change
	Revenue	Proportion	Revenue	Revenue	Proportion
General patients	4,162.26	62.36%	4,294.84	63.44%	-3.09%
Social security patients	2,457.31	36.81%	2,389.48	35.29%	2.84%
Other revenue	55.18	0.83%	86.10	1.27%	-35.91%
Total Revenue	6,674.75	100.00%	6,770.42	100.00%	-1.41%

The Company's total revenue for the quarter ended 30 September 2020 was 2,376.60 million baht, a decrease of 123.35 million baht or 4.93 percent compared to 3Q2019, with the proportion of general patient revenue of 60.86 percent, 38.40 percent from social security patients, and 0.74 percent from other revenue. Details are as follows:

General patients' revenue for 3Q2020 was 1,446.41 million baht, a decrease of 172.62 million baht or 10.66 percent compared to 3Q2019. This was mainly due to a slowdown in utilization rate of the general patients, including the revenue from foreign patients which were deteriorated by travel restriction measures and limited commercial flights. Nevertheless, the Company has still been recognizing the additional revenue related to COVID-19 services such as screening services, Alternative State Quarantine services for international travelers, and Alternative Hospital Quarantine services for patients entering the country to receive medical treatment for non-COVID-19 diseases.

Social security patients' revenue for 3Q2020 was 912.53 million baht, an increase of 62.35 million baht or 7.33 percent compared to 3Q2019, mainly due to the pent-up demand of in-patient services with High-Cost Care (Adj.RW \geq 2) and other services that were deferred from 2Q2020. Furthermore, the Company has recognized the additional revenue from medical services related to Risk Adjusted Capitation which was disbursed from the remaining budget of 2019.

Other revenue such as rental income and other income for 3Q2020 was 17.66 million baht, a decrease of 13.07 million baht or 42.53 percent. This was mainly due to the measure to relieve tenants who rent an area within the hospital buildings.

Operating expenses (including depreciation and amortization) for 3Q2020 was 1,772.40 million baht, a decrease of 134.85 million baht or 7.07 percent from 3Q2019, mainly due to a decrease in drug and medical supply costs and doctor fee which vary with respect to patients' volume. Besides, the Company continued to maintain an effective fixed cost management, resulting in a reduction of staff, marketing, and utility expenses compared to the same period of last year. As a result, the Company's gross profit margin increased from 35.61 percent to 36.57 percent, the operating profit margin increased from 23.71 percent to 25.42 percent, profit before interest, taxes, depreciation and amortization margin increased from 30.49 percent to 34.04 percent, and profit margin attributable to shareholders of the Company increased from 16.08 percent to 17.39 percent.

Analysis of the consolidated financial position

<i>Statement of Financial Position</i> <i>(Unit : Million Baht)</i>	for the period ended 30 September		% Change
	2020	2019	YoY
Total assets	16,364.04	14,115.63	15.93%
Current assets	3,494.44	2,966.94	17.78%
Non-current assets	12,869.60	11,148.69	15.44%
Total liabilities	9,023.87	7,137.36	26.43%
Current liabilities	5,665.24	2,185.82	159.18%
Non-current liabilities	3,358.63	4,951.54	-32.17%
Equity	7,340.17	6,978.27	5.19%
Equity attributable to the Company	6,621.50	6,248.00	5.98%
Non-controlling interests	718.67	730.27	-1.59%

Financial Ratio	for the period ended 30 September	
	2020	2019
Current Ratio (times)	0.62*	1.45
Average Collection Period (days)	92.03	74.00
Average Inventory Period (days)	14.43	13.24
Average Payables Period (days)	31.42	30.18
Debt to Equity (times)	1.23	1.04
Return on Assets (%)	11.90	13.62
Return on Equity (%)	18.86	20.30

Remark: * Decrease in Current Ratio was due to an increase in short-term loan (Bridging Loan) which will be repaid by long-term loan in the future and an increase in current portions of debenture and long-term loan.

As of 30 September 2020, the Company had total assets of 16,364.04 million baht, an increase of 2,248.41 million baht or 15.93 percent from 31 December 2019, mainly due to the following activities:

- An increase in trade accounts receivable of 515.41 million baht from the government contracted institutions (COVID-19).
- An increase in accrued income of 117.65 million baht from Social Security Office.
- An increase in rights of use of 83.88 million baht from applying TFRS 16.
- An increase in property, plant and equipment amounted to 1,647.27 million baht were also contributed to the total asset, most of which were an increase in asset under construction of Kasemrad International Hospital Aranyaprathet, Kasemrad Hospital Prachinburi and Kasemrad International Hospital Vientiane, and asset purchased by a subsidiary to support the hospital capacity expansion.

The Company had total liabilities of 9,023.87 million baht, an increase of 1,886.51 million baht or 26.43 percent from 31 December 2019, mainly due to an increase in short-term loans from financial institutions in the amount of 1,897.47 million baht for using as a bridge to manage liquidity and finance costs of projects under construction before converting to long-term loan in the future.

The Company had total shareholders' equity of 7,340.17 million baht, an increase of 361.90 million baht or 5.19 percent from 31 December 2019 due to an increase in the Company's retained earnings.

Analysis of the consolidated cash flow statement

<i>Cash flow Statement (Unit : Million Baht)</i>	for the period ended 30 September	
	2020	2019
Cash flow from operating activities	1,071.58	1,169.77
Cash flow from (used in) investing activities	(2,229.34)	(1,005.91)
Cash flow from (used in) financing activities	1,094.37	(88.33)
Net increase in cash and cash equivalents	(63.39)	75.53
Cash and cash equivalents at 1 January	792.42	645.70
Cash and cash equivalents at 30 June	729.03	721.23

At the end of 30 September 2020, the Company had a net decrease in cash and cash equivalents of 63.39 million baht, with the Company's net cash at the beginning of the period as of 1 January 2020 in the amount of 792.42 million baht, resulting in the net cash at the end of the period ended 30 September 2020 remained at 729.03 million baht. Details of cash flows for each activity are as follows:

The Company reported cash flow from operating activities of 1,071.58 million baht which were contributed from net profit, depreciation and amortization. The cash flow used in investing activities was 2,229.34 million baht, mainly from the incremental assets under construction of three new hospitals and asset purchased by a subsidiary. The Company had net cash flow from financing activities in the amount of 1,094.37 million baht, mainly due to an increase in short-term loan from financial institutions, which were deducted by 2019 annual dividend payment and 2020 interim dividend payment.

Future operating trends

For the rest of the year, the Company is committed to providing regular medical services along with cooperation with government measures to provide screening and quarantine services in order to prevent the widespread of COVID-19. In addition, the Company shall continue to maintain cost and expense initiatives, as well as strive to increase operational efficiency within the organization in order to maintain good performance through the crisis. The factors contributing to growth during the rest of the year are as follows:

1. Revenue from Social Security Scheme

1.1 High Cost Care (Adj. RW \geq 2)

Since the beginning of the year, the Social Security Office had managed its budget by adjusting the global budget for this service type by 16.56% from 640 baht per head per year to 746 baht per head per year. At the same time, it reduced the disbursement rate from 12,800 baht per Adj.RW to 12,000 baht per Adj.RW to mitigate the budgetary risk occurred in the past. However, due to the COVID-19 situation, the utilization rate for High Cost Care had decreased significantly, the company expects that the global budget for this service type may not be fully disbursed this year, reflecting the relatively low budgetary risk.

1.2 Influenza vaccination service for insured persons under Section 33 and 39 who are aged 50 years and above

Insured persons can receive influenza vaccination service at the registered hospital once a year free of charge. In 2020, the service can be used from 15 October to 31 December 2020. And, from 2021 onwards, the service can be used between 1 May to 31 August of each year. The rates of medical services paid to hospitals are as specified by the Social Security Office. The aforementioned revenue will be one of the additional Social Security revenue from 4Q2020 onwards.

1.3 One-day surgery medical service (ODS)

From the announcement of the Medical Committee 2020, it has increased benefits for Social Security insurers to have access to quality and advanced medical services by reducing the waiting time for surgery, recovery time, and related expenses. For hospitals participating in the scheme, they can reimburse this kind of medical service fee at 9,600 baht / Adj. RW which our affiliated hospitals are available to provide services to all qualified registered persons from 4Q2020 onwards.

2. Provision of the medical services in relation to COVID-19 prevention measures

Although Thailand is able to cope with the COVID-19 pandemic, the situation in many countries is still uncontrollable. Therefore, in order to prevent and control until the pandemic becomes an epidemic or until the vaccine is successfully invented, the Company continues to cooperate with the government by focusing on proactive screening within the country as well as expanding cooperation with private sector to respond to travel restriction relief measures which allow both Thais and foreigners to be able to enter into Thailand under specified conditions. Our affiliated hospitals have been offering COVID-19 related services, such as screening, quarantine, and treatment for those who traveling into Thailand, services include: Alternative State Quarantine (ASQ), Alternative Hospital Quarantine (AHQ) and Organization Quarantine (OQ).

3. Project in pipeline

Kasemrad Hospital Prachinburi is expected to be officially opened in January 2021 to provide medical services to insured persons under Social Security Scheme and expatriates in which the hospital is built on the strategic location that is accessible by the target patients. This hospital will be one of the drivers for the Company's growth in number of registered persons from 2021 onwards. In addition, the Company aims to open Kasemrad International Hospital Vientiane in 2Q2021 to serve local patients, expatriates, and foreign tourists in which the latter two groups will drive the hospital's revenue since these groups of patient have purchasing power and many of them reside in Vientiane.



บริษัท บางกอก เซน ฮอสปิทอล จำกัด (มหาชน)

Bangkok Chain Hospital Public Company Limited

Company credit rating

On 10 November 2020, TRIS Rating affirmed the company rating on Bangkok Chain Hospital PLC (BCH) and the ratings on BCH's senior unsecured debentures at "A-", with a "positive" outlook. The ratings reflect that its performance will continue to improve and financial position remains strong with sufficient liquidity.

Please be informed accordingly

Your sincerely,

(Prof.Dr.Chalerm Hamphanich, M.D.)

Chief Executive Officer

