



No. RJH – SET 9/2020

10 August 2020

Subject : Management's Discussion and Analysis for the Second 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 2nd quarter ended June 30, 2020 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 2nd Quarter Ended June 30, 2020

Operation : Consolidated Profit & Loss Statement	2Q	2Q	%
Unit : THB million	2020	2019	change
Revenue from Non-Social Security	215.54	232.56	-7%
Revenue from Social Security	177.35	190.21	-7%
Revenue from Hospital Operations	392.89	422.77	-7%
Cost of Hospital Operations	276.56	294.32	-6%
Adj. staff benefit	-	8.15	-100%
Gross Margin	116.33	120.29	-3%
<i>% Gross Margin</i>	<i>29.6%</i>	<i>28.5%</i>	<i>1%</i>
<i>% Gross Margin (exclude non-recurring cost)</i>	<i>29.6%</i>	<i>30.4%</i>	<i>-1%</i>
Administrative Expenses before Adj.	39.49	41.45	-5%
Adj. staff benefit	-	2.19	-100%
Adj. Previous Year SW Income	0.43	20.31	-98%
EBITDA *	102.39	109.40	-6%
<i>% EBITDA *</i>	<i>26.1%</i>	<i>25.9%</i>	<i>0%</i>
Other Income	4.62	5.56	-17%
Financing Cost	0.03	1.22	-98%
Corporate Tax	16.11	12.28	31%
Net Profit	64.90	48.40	34%
Net Profit excl. non-recurring items	65.24	72.92	-11%
<i>% Net Profit excl. non-recurring items /Core Revenue</i>	<i>17%</i>	<i>17%</i>	<i>-1%</i>
Non-Controlling Interests	0.07	0.11	-30%
Net Profit Attributable to The Company	64.83	48.29	34%

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



Revenue from Hospital Operations

Revenue from hospital operations of the 2nd quarter of 2020 (“2Q20”) was THB 392.9 million, dropped 7% from the same quarter of previous year (“yoy”).

The non-social security (“non-SW) revenue (*not yet included revenue from COVID-19 test*) decreased yoy 20% for OPD and 22% for IPD. COVID-19 pandemic drove away patients from visiting hospital. Number of non-SW patients plunged yoy by approximately 25%-30%. IPD occupancy rate dropped from 72% in 2Q19 to 50% in this quarter. However, revenue from COVID-19 test helped alleviate this weakening data. Overall non-SW revenue dropped by 7% yoy.

Despite the increased rate of fixed capitation per head for the year 2020, social security (“SW”) revenue decreased by 7%. The decline was due mainly to the revocation of discharge type & complaint’s payment, the dwindling check-up items and the lower recorded rate of high-cost care. For high-cost care revenue, the Company recorded at lower rate from THB. 12,800 in Y2019 to THB 10,679 per score this year. The actual receipt from Social Security Office was at THB 12,000 per score. The impact of lower recorded rate on SW revenue was approximately THB 9 million yoy.

Average number of insured persons increased from approximately 193,100 persons in the preceding quarter to 194,500 persons in 2Q20.

Cost of Hospital Operations

Cost of hospital operations in 2Q20 decreased by 6% comparing to 2Q19 (not included non-recurring cost of THB. 8.15 million in 2Q19). This cost decrease rate was lower than 7% revenue decrease rate. Therefore, the gross margin decreased from 30.4% to 29.6% of revenue. A decrease of gross margin was due to higher depreciation from more investment of ward renovation and medical equipment while revenue contracted. However, percent of medicine & supplies and doctor’s fee cost to revenue decreased on back of fewer number of SW patients visit .

Administrative Expenses

Administrative expenses decreased by 5% comparing to 2Q19 (not included non-recurring expenses of THB. 22.5 million). This was attributable to staff expenses.

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

EBITDA (not included other income) decreased by 6% yoy but EBITDA margin remained at the same level of previous year which was 26%. This was attributable to the efficient cost control.

Financing Cost

The financing cost was barely zero during 2Q20.

Net Profit

2Q20 net profit increased by 34% yoy. Since 2Q19 net profit has been affected by non-recurring items for the total amount of THB 30.6 million or THB 24.5 million net tax, 2Q19 normalized net profit was THB 72.8 million. Therefore, 2Q20 net profit nevertheless decreased by 11% comparing



to normalized net profit of 2Q19. However, net profit margin remained at 17% unchanged from previous year despite revenue decrease (given that 2Q19 not included non-recurring items). Most of cost and expenses were efficiently in control.

Statement of Financial Position as of June 30, 2020

Financial Position : Consolidated Balance Sheet	30-Jun	31-Dec	30-Jun
Unit : THB million	2020	2019	2019
Cash and Temporary Investments	100.03	223.42	385.50
Trade Receivables	304.96	298.63	348.38
Inventories	28.41	31.09	24.30
Property, Plant and Equipment	1,077.53	966.84	862.50
Goodwill	87.80	87.80	87.80
Other assets	75.60	77.63	66.45
Total Assets	1,674.32	1,685.41	1,774.93
Trade Payable	118.80	136.50	128.39
Interest-Bearing Debts / Leasing	1.04	0.91	78.36
Employee Benefit Obligation	58.85	56.25	49.89
Other Liabilities	98.03	91.93	104.17
Total Liabilities	276.71	285.60	360.82
Total Shareholders' Equity of the Company	1,393.40	1,395.82	1,410.42
Non-Controlling Interests	4.21	3.99	3.70
Total Shareholders' Equity	1,397.61	1,399.80	1,414.12

The consolidated total assets as of 30 June 2020 marginally changed from end of Y2019. There was the flow of asset from cash to fixed assets. Recently, the hospitals have invested on ward renovation and medical equipment.

Total liabilities as of 30 June 2020 decreased by 3% from end of Y2019 on back of the decrease of trade payable.

The shareholders' equity at the end of 2Q'20 nearly unchanged from end of Y2019 because of more profit contributed and dividend paid nearly at the same amount.



Ratio Analysis Financial Statement year ended June 30, 2020

Ratio Analysis : Consolidated Financial Statements	2Q	2Q
Unit : THB million	2020	2019
Returns (%)		
Return on Assets *	15.5%	10.9%
Return on Equity *	18.6%	13.7%
Working Capital Management (Days)		
Trade Receivable Period	71	74
Inventory Period **	42	31
Trade Payable Period	53	51
Leverage Ratios (x)		
Interest Coverage	3,638.7	89.7
Debt Service Coverage	554.5	23.2
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

Due to non-recurring expenses of 2Q19, Return on Assets and Return on Equity of 2Q19 were abnormally low. Actually, without considering these non-recurring expenses, 2Q19 Return on Assets and Return on Equity would be 16.4% and 20.6% respectively. Therefore, 2Q20 ratio deteriorated owing mainly to decrease of revenue and net profit.

In respect of liquidity ratio, average trade receivable day improved from 74 days to 71 days yoy. as less accrual from social security bureau. For inventory day, it increased 11 days 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