

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

1Q19 Performance

Bangkok Dusit Medical Services Public Company Limited ("Company") reported consolidated operating income during first quarter of 2019 ("1Q19") of Baht 19,793 million, an increase of 5% yoy. The growth was attributable to an increase in revenue from hospital operations of 5% yoy which was driven by higher price intensity from 10 Centers of Excellence together with strong revenue growth from International patients.

Revenue from sales of goods were Baht 752 million, decreased by 4% yoy due mainly to a decrease in export sales of A.N.B. Laboratories Co., Ltd. ("A.N.B").

The Company recorded non-recurring items (net of income tax) of Baht 5,513 million. Details as follow:-

- (1) Gain on divestment of all investment in Ramkhamhaeng Hospital Public Co., Ltd. ("RAM") of Baht 6,094 million.
- (2) Provisions for employee benefits of Baht 493 million for those who have worked for an uninterrupted period of 20 years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate.
- (3) One-time expenses of Baht 88 million for Metropolitan Electricity Authority ("MEA") in finding the land to locate electricity substation to accommodate the electricity usage at Bangkok International Hospital.

If excluding non-recurring items, the Company and its subsidiaries reported EBITDA of Baht 5,070 million, increased by 3% yoy. However, EBITDA margin decrease from 24.9% in 1Q18 to 24.4% in 1Q19. Core profit was Baht 2,936 million, slightly increased yoy.

If including these non-recurring items, net profit was Baht 8,439 million, increased by 189% yoy.

Major Development

1. Opening of a new network hospital

Since 3 January 2019, Bangkok Hospital Chiangrai has become our 47th network hospital. It is a secondary care hospital targeting middle income patients in Chiangrai, neighboring provinces and neighboring countries. Bangkok Hospital Chiangrai has total of 80 structured beds, of which 57 beds are opened during the first phase. This hospital will strengthen our referral network in the North of Thailand.

2. Divestment in RAM

During 1Q19, the Company divested all of its investment in RAM totaling 4,588,424 ordinary shares, or approximately 38.24% of issued and paid-up shares of RAM. The company realized the total gain (net of tax and expenses) of Baht 6,094 million.

3. 2018 Dividend payment

On 12 April 2019, shareholder approved 2018 dividend payment of Baht 0.32 per share, totaling Baht 5,013.63 million. Details of dividend payment are:-

Dividend Payment	THB/share	Payment Date
Interim	0.13	28 Sep 18
Final dividend	0.19	26 Apr 19
Total	0.32	

1Q19 Consolidated Financial Summary

Operating Income			
(THB mm)	1Q19	1Q18	%Chg
Revenues from hospital operations	19,793	18,817	5%
Revenue from sales of goods	752	783	(4)%
Other income	225	188	20%
Total Operating Income	20,770	19,789	5%

In 1Q19, total operating income were Baht 20,770 million, an increase of Baht 982 million or 5% yoy, primarily due to

- Revenues from hospital operations were Baht 19,793 million, an increase of Baht 976 million or 5% yoy. The growth was contributable to an increase in price intensity which was driven by 10 Centers of Excellence along with an expansion of insurance patients base which is in-line with Company's strategy. In addition, the Company has the Bangkok Emergency Services to coordinate timely patients referral in case of accident or patients in critical conditions.

Revenue from Bangkok & vicinity hospitals grew 4% yoy while outside Bangkok hospitals grew 6% yoy.

Revenue from Thai patients grew 4% yoy and revenue from international patients grew 8% yoy. Key drivers were mainly from increase in Emiratis patients 75% yoy, Omanis patients 75% yoy and Cambodian patients 26% yoy. The revenue proportion between Thai and international patients changed from 68%:32% in 1Q18 to 67%:33% in 1Q19.

Revenues from hospital operations in 1Q19	Chg. (yoy)	% to revenue
Revenues growth from hospital operations	5%	100%
Breakdown by location		
Bangkok & Vicinity	4%	57%
Outside Bangkok	6%	43%
Breakdown by nationality		
Thai	4%	67%
International	8%	33%
Breakdown by type of patients		
Outpatients	7%	45%
Inpatients	4%	55%

- Revenues from sales of goods and food were Baht 752 million in 1Q19, decreased by 4% yoy due mainly to a decrease in export sales of A.N.B.
- Other incomes were Baht 225 million in 1Q19, increased by 20% yoy

Operating Expenses			
(THB mm)	1Q19	1Q18	%Chg
Cost of hospital operations and others	13,490	12,391	9%
Administrative expenses	4,295	3,767	14%
Total Operating Expenses (Including depreciation)	17,785	16,158	10%

In 1Q19, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 17,785 million, an increase of Baht 1,615 million or 10% yoy due mainly to non-recurring items as follow:-

- (1) Provisions for employee benefits of Baht 616 million (before income tax). According to legal retirement benefit rates for employees who have worked for an uninterrupted period of 20 years or more, such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate.

- (2) One-time expenses of Baht 110 million (before income tax) for MEA in finding the land to locate electricity sub-station to accommodate electricity usage at Bangkok International Hospital as current electricity usage at Bangkok Hospital Headquarter (all of our buildings in Soi Soonvijai area) exceeding 15,000 KVA according to rules and regulations of MEA. This transaction is recorded as administrative expenses.

If excluding these non-recurring items, total operating expenses and depreciation would grow 6% yoy.

The depreciation and amortization expenses were Baht 1,358 million in 1Q19, increased by 4% yoy due mainly to depreciation and amortization of new network hospital, namely Bangkok Hospital Chiangrai, and opening of BDMS Wellness Clinic.

Other Major Items

- Share of income from investments in associated companies were Baht 286 million in 1Q19, decrease of Baht 82 million or 22% yoy due mainly to divestment of all investment in RAM during 1Q19. Share of income from investments in associated companies were mainly from Bumrungrad Hospital Public Co., Ltd. of Baht 269 million.
- Finance expenses decreased to Baht 288 million in 1Q19 or decreased by 9% yoy due mainly to a decrease in the outstanding of CB after exercising conversion rights during 2018.
- Taxes in 1Q19 were Baht 2,067 million, increase from Baht 648 million in 1Q18, due mainly to tax expenses from non-recurring items totaling of Baht 1,378 million. (Details are shown in non-recurring items)

Non-recurring items

During 1Q19, the Company recorded non-recurring items (net of income tax) of Baht 5,513 million. Details as follows:-

(THB mm)	Amount	Tax	Net of tax
1. Gain on sales in RAM	7,617	(1,523)	6,094
2. Provisions for employee benefits	(616)	123	(493)
3. One-time expenses in finding the land to locate electricity sub-station for Bangkok International Hospital	(110)	22	(88)
Total	6,891	(1,378)	5,513

Profitability Analysis

(THB mm)	1Q19	1Q18	%Chg
EBITDA *	5,070	4,933	3%
EBITDA margin *	24.4%	24.9%	
EBITDA	4,344	4,933	(12)%
EBITDA margin	20.9%	24.9%	
EBIT *	4,017	4,013	0%
EBIT margin *	19.3%	20.3%	
Core profit	2,926	2,919	1%
Core profit margin	14.1%	14.8%	
Net profit	8,439	2,919	189%
Net profit margin	40.6%	14.8%	
Core EPS (THB)	0.19	0.19	0%
EPS (THB)	0.54	0.19	186%

Weighted average number of ordinary shares (mm shares)

15,669 15,491

* Excluding non-recurring items

Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

EBITDA Margin = EBITDA / Operating income

If excluding non-recurring items, core EBITDA increased from Baht 4,933 million in 1Q18 to Baht 5,070 million in 1Q19 or increased by 3% yoy.

However, core EBITDA margin decreased from 24.9% in 1Q18 to 24.4% in 1Q19.

Core profit was Baht 2,926 million, slightly increased yoy. However, core profit margin decreased from 14.8% in 1Q18 to 14.1% in 1Q19. Core EPS was Baht 0.19 per share in 1Q19.

If including non-recurring items, EBITDA was Baht 4,344 million or decreased by 12% yoy resulting in EBITDA margin of 20.9%.

Net profit were Baht 8,439 million, increased by 189% yoy with net profit margin of 40.6%. Such increase was mainly from gain from divestment of all investment in RAM. EPS was Baht 0.54 per share or increased by 186% yoy.

Assets			
(THB mm)	Mar 19	Dec 18	%Chg
Cash & cash equivalents	9,224	5,034	83%
Short-term investments	2,621	817	221%
Trade & other receivables	8,331	7,545	10%
Inventories	1,704	1,786	(5)%
Investment in associates	17,219	22,647	(24)%
Property, premises & equipment	75,136	74,496	1%
Goodwill	17,539	17,539	0%
Other assets	3,794	3,636	4%
Total assets	135,568	133,499	2%

As of 31 March 2019, the Company and its subsidiaries reported total assets of Baht 135,568 million, slightly increased by 2% from 31 December 2018, due mainly to an increase in cash and cash equivalents of Baht 4,191 million and short-term investments of Baht 1,805 million netted with a decrease in investment in associates of Baht 5,428 million mainly from divestment of all investment in RAM.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2018. Such goodwill is tested for

impairment annually and when circumstances indicate that the carrying value may be impaired. However, the Company has considered that this goodwill is not impaired.

Liabilities and Equity			
(THB mm)	Mar 19	Dec 18	%Chg
Bank overdrafts and short-term loans	144	5,945	(98)%
Debentures *	19,589	19,588	0%
Long-term loans *	7,787	9,327	(17)%
Convertible bonds *	5,101	5,056	1%
Other liabilities	21,609	20,145	7%
Total liabilities	54,230	60,061	(10)%
Equity attributable to equity holder of the Company	78,242	70,320	11%
Non-controlling interests	3,096	3,118	(1)%
Total equity	81,338	73,438	11%

* Including current portion

Total consolidated liabilities as of 31 March 2019 were Baht 54,230 million, decreased by 10% from 31 December 2018 due mainly to decrease in bank overdrafts and short-term loans of Baht 5,800 million and decrease in long-term loans of Baht 1,540 million.

Total consolidated shareholders' equity as of 31 March 2019 was Baht 81,338 million, increased by 11% from 31 December 2018, due mainly from net profit during 1Q19.

Liquidity and Capital Management

Cash Flow	
(THB mm)	1Q19
Net cash from operating activities	2,749
Net cash from investing activities	8,788
Net cash used in financing activities	(7,346)
Net increase in cash and cash equivalents	4,191
Beginning cash and cash equivalents	5,034
Ending cash and cash equivalents	9,224

For the three-month period ended 31 March 2019, the Company and its subsidiaries had net

increase in cash and cash equivalent of Baht 4,191 million from the beginning balance of Baht 5,034 million. As a result, cash and cash equivalents at the end of period was Baht 9,224 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 2,749 million, resulting mainly from profit during 1Q19.

Net cash from investing activities were Baht 8,788 million comprising mainly from cash from divestment of all investment in RAM of Baht 12,710 million netted with purchase of property, premises and equipment of Baht 1,893 million from hospital network expansion and development and decrease in short-term investment of Baht 1,805 million.

Net cash used in financing activities were Baht 7,346 million comprising mainly from repayment of short-term loans and long-term loans from financial institutions of Baht 5,800 million and Baht 1,540 million, respectively.

Ratios Analysis		
Returns (%)	1Q19	1Q18
Return on Asset	25.1	9.4
Return on Equity	45.4	18.1
Liquidity (x)		
Current ratio	0.8	1.2
Quick ratio	0.8	1.1
Assets & Liabilities Management (Days)		
Average Collection Period	36.1	34.1
Average Inventory Period	11.6	12.1
Average Payable Period	33.8	34.1
Leverage & Coverage Ratios (x)		
Interest coverage	15.1	15.6

Remark

- Assets & Liabilities Management based on 360 days
- Interest coverage = EBITDA/Interest Expenses

Ratios Analysis

	Mar-19	Dec-18
Total debt to equity	0.4	0.5
Net debt to equity	0.3	0.5
Net debt to EBITDA	1.3	2.0

Remark

- Debt refers to interest bearing debt

Return on assets ("ROA") and return on equity ("ROE") in 1Q19 increased significantly from 1Q18 as a results of net gain from divestment of all investment in RAM.

Current ratio and quick ratio in 1Q19 also decreased from 1Q18 due to an increase in current portion of long-term loans from financial institutions and current portion of convertible bonds.

Average collection period increased from 34.1 days in 1Q18 to 36.1 days in 1Q19. The Company and its subsidiaries reported the aging of the outstanding trade accounts receivable which most of them aged not over than 3 months. The Company and its subsidiaries report allowance for doubtful accounts for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

Average inventory period decreased from 12.1 days in 1Q18 to 11.6 days in 1Q19. The Company's inventories were mostly medicines and medical supplies which the Company and its subsidiaries already recorded allowance for the expired medicine and medical supplies to reduce its cost to net realizable value.

Average payable period also decreased from 34.1 days in 1Q18 to 33.8 days in 1Q19.

Interest coverage ratio decreased from 15.6x in 1Q18 to 15.1x in 1Q19 due to lower EBITDA from non-recurring items.

Nal



Total interest bearing debt to equity decreased from 0.5x as of 31 December 2018 to 0.4x as of 31 March 2019. Net interest bearing debt to equity also decreased from 0.5x as of 31 December 2018 to 0.3x as of 31 March 2019. The decreases were mainly from the repayment of loans from financial institutions during the period.

Net interest bearing debt to EBITDA decreased from 2.0x as of 31 December 2018 to 1.3x as of 31 March 2019.

The leverage and coverage ratios are well within the financial covenants of the long-term loans and debentures.

Nal