

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary 2Q19 and 6M19 Performance

Bangkok Dusit Medical Services Public Company Limited (“Company”) reported consolidated operating income during second quarter of 2019 (“2Q19”) of Baht 19,637 million, an increase of 6% yoy. The growth was attributable to an increase in revenue from hospital operations of 7% yoy which was driven by revenue growth from both Thai and international patients together with revenue growth from the outside Bangkok hospitals and solid growth from insurance patients.

In 2Q19, the Company and its subsidiaries reported EBITDA of Baht 3,892 million, slightly increased by 1% yoy. However, EBITDA margin decreased from 20.9% in 2Q18 to 19.8% in 2Q19.

Net profit was Baht 1,865 million, decreased by 9% yoy due mainly to decrease in share of income from investments in associates as a results of divestment of all investment in Ramkhamhaeng Hospital Public Co., Ltd. (“RAM”) in 1Q19.

For six-month period ended 30 June 2019 (“6M19”), the consolidated operating income were Baht 40,407 million, an increase of 6% yoy. The growth was attributable to an increase in revenue from hospital operations of 6% yoy which was driven by revenue growth from both Thai and international patients, higher price intensity from Center of Excellence and strong growth from insurance patients.

In 6M19, the Company recorded non-recurring items (net of income tax) of Baht 5,514 million, primary from

- (1) Gain on divestment of all investment in 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 sub-station to accommodate the electricity usage at Bangkok International Hospital.

If excluding non-recurring items, the Company and its subsidiaries reported EBITDA of Baht 8,962 million, slightly increased by 2% yoy. However, EBITDA margin decreased from 23.0% in 6M18 to 22.2% in 6M19. Core profit was Baht 4,790 million, decreased by 3% yoy.

If including these non-recurring items, net profit was Baht 10,304 million, increased by 108% yoy.

Major Development

1. Convertible Bonds

On 18 September 2014, Company issued zero coupon convertible bonds (“CB”) to investors outside Thailand for Baht 10,000 million due in September 2019. In the meantime, the CB holders has exercised the put option and conversion rights at Baht 21.045 per share. Details are summarized as follows:-

Status	CB Outstanding (THB mm)	Number of Shares (mm)
Issued CB	10,000	15,491.0
Early Redemption in 2017	(1,560)	-
CB holders exercised		
- In 2018	(3,746)	178.0
- In 2Q19	(383)	18.2
- In July 2019	(90)	4.3
Outstanding as of 29 July 19	4,221	15,691.5

2. Opening of Mövenpick BDMS Wellness Resort Bangkok

On 1 June 2019, the Company together with Mövenpick Hotels & Resorts opened Mövenpick BDMS Wellness Resort Bangkok, an international wellness resort located in the heart of Bangkok in coordination with BDMS Wellness Clinic to provide in-house personalized wellness program and promote prevention and lifestyle improvement. The resort consists of around 290 guest rooms with the restaurants serving with healthy selection of organic food and health-conscious menu.

3. Opening of Bangkok International Hospital

On 1 July 2019, Bangkok International Hospital, a tertiary care hospital, has opened as our 48th network hospital with total of 172 structured beds. Under the concept of “Rediscover

Your Life”, Bangkok International Hospital aims to deliver the next level of patient experience and satisfaction by offering a comprehensive state-of-the-art care. Integrated medical services provided by highly experienced multidisciplinary team specialized in Neurology, Orthopedics and Spine result in the best possible outcomes while taking into consideration of patients and families’ needs and preferences.

2Q19 Consolidated Financial Summary

Operating Income			
(THB mm)	2Q19	2Q18	%Chg
Revenues from hospital operations	18,692	17,527	7%
Revenue from sales of goods	722	723	(0)%
Other income	223	206	8%
Total Operating Income	19,637	18,457	6%

In 2Q19, total operating income were Baht 19,637 million, an increase of Baht 1,180 million or 6% yoy, primarily due to

- Revenues from hospital operations were Baht 18,692 million, an increase of Baht 1,165 million or 7% yoy. The growth was contributable to a strong growth from outside Bangkok hospital network 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 of Bangkok and vicinity hospitals grew 5% yoy while outside Bangkok hospitals grew 7% yoy.

Revenue from Thai patients grew 6% yoy and revenue from international patients grew 8% yoy. Key drivers were mainly from increase in Emiratis patients 115% yoy, Omanis patients

90% yoy and Cambodian patients 23% yoy. The revenue proportion between Thai and international patients changed from 72%:28% in 2Q18 to 70%:30% in 2Q19.

Revenues from hospital operations in 2Q19	Chg. (yoy)	% to revenues
Revenues growth from hospital operations	7%	100%
Breakdown by location		
Bangkok & Vicinity	5%	58%
Outside Bangkok	7%	42%
Breakdown by nationality		
Thai	6%	70%
International	8%	30%
Breakdown by type of patients		
Outpatients	6%	45%
Inpatients	7%	55%

- Revenues from sales of goods were Baht 722 million similar to 2Q18.
- Other incomes were Baht 223 million in 1Q19, increased by 8% yoy.

Operating Expenses			
(THB mm)	2Q19	2Q18	%Chg
Cost of hospital operations and others	13,015	12,157	7%
Administrative expenses	4,138	3,782	9%
Total Operating Expenses (Including depreciation)	17,152	15,938	8%

In 2Q19, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 17,152 million, an increase of Baht 1,214 million or 8% yoy.

- Cost of hospital operations and others (including depreciation and amortization) were Baht 13,015 million, increased by 7% yoy due mainly to higher expenses from doctors & clinical staffs, medicine and medical supplies given the growth in revenues from hospital operations.
- The administrative expenses (including depreciation and amortization) were Baht

4,138 million, increased by 9% yoy due mainly to an increase in non-clinical personnel expenses, utilities expenses from expansion of our network together with an increase in cost from non-hospital operations, namely Save Drug Center Co., Ltd., and other administrative expenses.

- The depreciation and amortization expenses were Baht 1,407 million in 2Q19, increased by 5% yoy due mainly to depreciation and amortization of new network hospital, BDMS Wellness Clinic and Mövenpick BDMS Wellness Resort Bangkok.

Other Major Items

- Share of income from investments in associates were Baht 199 million in 2Q19, decreased of 43% yoy due mainly to divestment of all investment in RAM in 1Q19. Share of income from investments in associates in 2Q19 were mainly from investment in Bumrungrad Hospital Public Co., Ltd. ("BH") of Baht 180 million.
- Finance cost decreased to Baht 262 million in 2Q19 or decreased by 11% yoy due mainly to a decrease in the outstanding of CB after exercising conversion rights during 2018 and 2Q19 together with repayment of loans from financial institutions during 1Q19.
- Taxes in 2Q19 were Baht 503 million, increased 10% yoy, due mainly to an increase in pre-tax profit and non-tax deductible expenses.

Nel

Profitability Analysis			
<i>(THB mm)</i>	2Q19	2Q18	%Chg
EBITDA	3,892	3,860	1%
EBITDA margin	19.8%	20.9%	
EBIT	2,734	2,902	(6)%
EBIT margin	13.9%	15.7%	
Net profit	1,865	2,043	(9)%
Net profit margin	9.5%	11.1%	
EPS (THB)	0.12	0.13	(10)%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,671	15,512	

Remarks

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

EBITDA Margin = EBITDA / Operating income

EBITDA increased slightly from Baht 3,860 million in 2Q18 to Baht 3,892 million in 2Q19 while EBITDA margin decreased from 20.9% in 2Q18 to 19.8% in 2Q19.

Net profit was Baht 1,865 million, decreased by 9% yoy. As a results, net profit margin decreased from 11.1% in 2Q18 to 9.5% in 2Q19. EPS was Baht 0.12 per share or decreased by 10% yoy.

6M19 Consolidated Financial Summary

Operating Income			
<i>(THB mm)</i>	6M19	6M18	%Chg
Revenues from hospital operations	38,484	36,344	6%
Revenue from sales of goods	1,474	1,507	(2)%
Other income	448	395	14%
Total Operating Income	40,407	38,245	6%

In 6M19, total operating income were Baht 40,407 million, an increase of Baht 2,162 million or 6% yoy, primarily due to

- Revenues from hospital operations were Baht 38,484 million, an increase of Baht 2,141 million or 6% yoy, in 6M19. Key growth drivers

were an increase in price intensity which was driven by 10 Center of Excellence along with an expansion of insurance patients' base. In addition, the Company has the Bangkok Emergency Services to coordinate timely patients' referral in case of accident or patients in critical conditions.

Revenue of network hospitals in Bangkok and vicinity grew 5% yoy while revenue of network hospitals in the upcountry grew 7% yoy in 6M19.

Revenue from Thai patients grew 5% yoy while revenue from international patient grew 8% yoy in 6M19. Key drivers were mainly from increase in Emiratis patients 94% yoy, Omanis patients 82% yoy and Cambodian patients 22% yoy. The revenue proportion between Thai and international patients changed from 70%:30% in 6M18 to 68%:32% in 6M19.

Revenues from hospital operations in 6M19	Chg. (yoy)	% to revenues
Revenues growth from hospital operations	6%	100%
Breakdown by location		
Bangkok & Vicinity	5%	58%
Outside Bangkok	7%	42%
Breakdown by nationality		
Thai	5%	68%
International	8%	32%
Breakdown by type of patients		
Outpatients	7%	45%
Inpatients	5%	55%

- Revenues from sales of goods were Baht 1,474 million, slightly decreased by 2% yoy due mainly to a decrease in export sales of A.N.B. Laboratories Co., Ltd.
- Other income were Baht 448 million, increased by 14% yoy.

Operating Expenses			
<i>(THB mm)</i>	6M19	6M18	%Chg
Cost of hospital operations and others	26,505	24,598	8%
Administrative expenses	8,432	7,498	12%
Total Operating Expenses (Including depreciation)	34,937	32,096	9%

In 6M19, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 34,937 million, an increase of Baht 2,841 million or 9% yoy due mainly to non-recurring items (before income tax) as follow:-

- (1) Provisions for employee benefits of Baht 616 million. 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 for MEA in finding the land to locate electricity sub-station to accommodate electricity usage at Bangkok International Hospital.

If excluding these non-recurring items, total operating expenses and depreciation would grow 7% yoy.

The depreciation and amortization expenses were Baht 2,766 million in 6MQ19, increased by 5% yoy due mainly to depreciation and amortization of new network hospital, and opening of BDMS Wellness Clinic and Mövenpick BDMS Wellness Resort Bangkok.

Other Major Items

- Share of income from investments in associates were Baht 484 million in 6M19, decrease of 32% yoy due mainly to divestment of all investment in RAM in 1Q19. Share of income from investments in associates in

6M19 were mainly from investment in BH of Baht 449 million.

- Finance cost decreased to Baht 550 million in 6M19 or decreased by 10% yoy due mainly to a decrease in the outstanding of CB after exercising conversion rights together with repayment of loans from financial institutions during 1Q19.
- Tax expenses in 6M19 were Baht 2,570 million, decreased from Baht 1,107 million in 6M18, due mainly to tax expenses from non-recurring items totaling of Baht 1,379 million. (Details are shown in non-recurring items)

Non-recurring items

During 6M19, the Company recorded non-recurring items (net of income tax) of Baht 5,514 million. Details as follows:-

<i>(THB mm)</i>	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	(110)	22	(88)
4. Gain on sales in other long-term investment	2	(1)	1
Total	6,893	(1,379)	5,514

Profitability Analysis			
(THB mm)	6M19	6M18	%Chg
EBITDA *	8,962	8,793	2%
EBITDA margin *	22.2%	23.0%	
EBITDA	8,235	8,793	(6)%
EBITDA margin	20.4%	23.0%	
EBIT *	6,751	6,915	(2)%
EBIT margin *	16.7%	18.1%	
Core profit	4,790	4,962	(3)%
Core profit margin	11.9%	13.0%	
Net profit	10,304	4,962	108%
Net profit margin	25.5%	13.0%	
Core EPS (THB)	0.31	0.32	(4)%
EPS (THB)	0.66	0.32	105%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,670	15,502	

* 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 8,793 million in 6M18 to Baht 8,962 million in 6M19 or slightly increased by 2% yoy. However, core EBITDA margin decreased from 23.0% in 6M18 to 22.2% in 6M19.

Core profit was Baht 4,790 million, decreased by 3% yoy. As a results, core profit margin decreased from 13.0% in 6M18 to 11.9% in 6M19. Core EPS was Baht 0.31 per share in 6M19.

If including non-recurring items, EBITDA was Baht 8,235 million or decreased by 6% yoy resulting in EBITDA margin of 20.4%.

Net profit were Baht 10,304 million, increased by 108% yoy with net profit margin of 25.5%. Such increase was mainly from gain from divestment

of all investment in RAM in 1Q19. EPS was Baht 0.66 per share or increased by 105% yoy.

Assets			
(THB mm)	Jun 19	Dec 18	%Chg
Cash & cash equivalents	9,629	5,034	91%
Short-term investments	820	817	0%
Trade & other receivables	8,065	7,545	7%
Inventories	1,704	1,786	(5)%
Investment in associates	17,098	22,647	(25)%
Property, premises & equipment	75,610	74,547	1%
Goodwill	17,539	17,539	0%
Other assets	3,890	3,585	9%
Total assets	134,354	133,499	1%

As of 30 June 2019, the Company and its subsidiaries reported total assets of Baht 134,354 million, slightly increased from 31 December 2018, due mainly to an increase in cash and cash equivalents of Baht 4,595 million together with an increase in property, premises and equipment of Baht 1,063 million netted with a decrease in investment in associates of Baht 5,549 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.

Nel

Liabilities and Equity

(THB mm)	Jun 19	Dec 18	%Chg
Bank overdrafts and short-term loans	98	5,945	(98)%
Debentures *	19,590	19,588	0%
Long-term loans *	7,787	9,327	(17)%
Convertible bonds *	4,726	5,056	(7)%
Other liabilities	21,551	20,145	7%
Total liabilities	53,751	60,061	(11)%
Equity attributable to equity holder of the Company	77,490	70,320	10%
Non-controlling interests	3,113	3,118	(0)%
Total equity	80,603	73,438	10%

* Including current portion

Total consolidated liabilities as of 30 June 2019 were Baht 53,751 million, decreased by 11% from 31 December 2018 due mainly to decrease in bank overdrafts and short-term loans of Baht 5,847 million.

Total consolidated shareholders' equity as of 30 June 2019 was Baht 80,603 million, increased by 10% from 31 December 2018, due mainly from net profit during the period.

Liquidity and Capital Management

Cash Flow

(THB mm)	6M19
Net cash from operating activities	6,296
Net cash from investing activities	8,888
Net cash used in financing activities	(10,589)
Net increase in cash and cash equivalents	4,595
Beginning cash and cash equivalents	5,034
Ending cash and cash equivalents	9,629

For the six-month period ended 30 Jun 2019, the Company and its subsidiaries had net increase in cash and cash equivalent of Baht 4,595 million from the beginning balance of Baht 5,034 million. As a result, cash and cash equivalents at the end of period was Baht 9,629 million. Details of cash

flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 6,296 million, resulting mainly from profit during 6M19.

Net cash from investing activities were Baht 8,888 million comprising mainly from cash from divestment of an associate and other long-term investment of Baht 12,722 which mainly from divestment in all investment in RAM netted with purchase of property, premises and equipment of Baht 3,755 million from hospital network expansion.

Net cash used in financing activities were Baht 10,589 million comprising mainly from repayment of short-term loans and long-term loans from financial institutions of Baht 5,846 million and Baht 1,540 million, respectively together with dividend payment of Baht 2,978 million.

Ratios Analysis

Returns (%)	6M19	6M18
Return on Asset (ROA)	15.4	8.1
Return on Equity (ROE)	27.9	15.4
Liquidity (x)		
Current ratio	0.7	1.0
Quick ratio	0.7	0.9
Assets & Liabilities Management (Days)		
Average Collection Period	36.7	34.7
Average Inventory Period	11.8	12.3
Average Payable Period	34.1	34.0
Leverage & Coverage Ratios (x)		
Interest coverage	15.0	14.4
	Jun-19	Dec-18
Total debt to equity	0.4	0.5
Net debt to equity	0.3	0.5
Net debt to EBITDA	1.4	2.0

Remarks

- Assets & Liabilities Management based on 360 days
- Interest coverage = EBITDA/Interest Expenses
- Debt refers to interest bearing debt



Return on assets ("ROA") and return on equity ("ROE") in 6M19 increased significantly from 6M18 as a result of net gain from divestment of all investment in RAM.

Current ratio and quick ratio also decreased from 6M18 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 34.7 days in 6M18 to 36.7 days in 6M19. 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 12.3 days in 6M18 to 11.8 days in 6M19. 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 slightly increased from 34.0 days in 6M18 to 34.1 days in 6M19.

Interest coverage ratio increased from 14.4x in 6M18 to 15.0x in 6M19 due to lower finance cost.

Total interest bearing debt to equity decreased from 0.5x as of 31 December 2018 to 0.4x as of 30 June 2019. Net interest bearing debt to equity also decreased from 0.5x as of 31 December 2018 to 0.3x as of 30 June 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 1.4x as of 30 June 2019.

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

Net.