

No. CHG 015/2019

November 14, 2019

Subject: Management's Discussion and Analysis of the consolidated financial statements for the three-month and nine-month period ended 30 September 2019

To: Directors and Manager
The Stock Exchange of Thailand

Management's discussion and analysis of financial statement for the three-month period ended 30 September 2019

Chularat Hospital Public Company Limited ("Company") reported operating performance for the 3Q19 as follows:

Statement of comprehensive income	3Q19	3Q18	Increase (decrease)	Change
Unit : Million Baht				
Revenues from hospital operations	1,431	1,149	282	25%
Total revenues	1,438	1,156	282	24%
Cost of hospital operations	935	826	109	13%
Administrative expenses	167	141	26	18%
Net profit of the Company	269	151	118	78%
<i>Earnings per share (Baht/share)</i>	<i>0.0245</i>	<i>0.0137</i>		
<i>Gross Profit Margin (%)</i>	<i>34.66%</i>	<i>28.11%</i>		
<i>Net Profit Margin (%)</i>	<i>19%</i>	<i>13%</i>		

The Company's net profit of Baht 269 million for 3Q19, increasing by Baht 118 million, or 78%, compared to 3Q18. Overview of operating results was discussed as below.

Growth of revenues from hospital operations

In 3Q19, the Company has revenues from hospital operations of Baht 1,431 million, increasing by Baht 282 million, or 25% YoY. This is mainly due to growth in general patients of 17% YoY. The revenue from outpatients (OPD) and inpatients (IPD) increased by Baht 48.18 million and Baht 77.02 million respectively, mainly from the opening of 2 new hospitals Chularat 304 Inter Hospital and Ruampat Chachoengsao hospital and the expansion of services area to support the increase in patient number.

Revenue from Social Security schemes in 3Q19 increased by 35% YoY. This is due to the actual payment for OPD (26 Chronic Diseases) for 2018 was over the accrual amount, resulting in a revised accrual revenue for 2019 base on actual payment of 2018, and the compared revenue for 3Q2018 was reversed revenue base on the actual payment of 2017, including an increase in cases and registered members.

Revenue from other governmental schemes in 3Q19 has increased by 65% YoY. This is due to an increase in patient number and also the government has adjusted the payment rate of National Health Security (NHSO) from Baht 6,000/Adj.RW to Baht 8,050/Adj.RW since October 2018. As a result, the situation and trend of revenues continue to grow.

Unit: Million Baht	3Q19	3Q18	Increase (decrease)	Change
Revenue from general patients	876.58	751.38	125.20	17%
Revenue from outpatients (OPD)	437.16	388.98	48.18	12%
Revenue from inpatients (IPD)	439.42	362.40	77.02	21%
Revenue from government welfare programs	554.05	397.33	156.72	39%
Social security schemes	462.04	341.62	120.42	35%
Other governmental schemes	92.01	55.71	36.30	65%
Total revenue from hospital operations	1,430.63	1,148.71	281.92	25%

Operation costs

In 3Q19, the Company's gross profit margin has increased from 28.11% to 34.66%, resulting in net profit margin increasing from 13% to 19% YoY. The main causes are the actual payment for OPD (26 Chronic Diseases) as mentioned earlier and an efficient cost control by each branches.

Management's discussion and analysis of financial statement for the nine-month period ended 30 September 2019

Chularat Hospital Public Company Limited ("Company") reported operating performance for the 9M19 as follows:

Statement of comprehensive income Unit : Million Baht	9M19	9M18	Increase (decrease)	Change
Revenues from hospital operations	3,838	3,268	570	17%
Total revenues	3,857	3,287	570	17%
Cost of hospital operations	2,655	2,253	402	18%
Administrative expenses	486	386	100	26%
Net profit of the Company	571	522	49	9%
<i>Earnings per share (Baht/share)</i>	<i>0.0519</i>	<i>0.0475</i>		
<i>Gross Profit Margin (%)</i>	<i>30.82%</i>	<i>31.06%</i>		
<i>Net Profit Margin (%)</i>	<i>15%</i>	<i>16%</i>		

The Company's net profit for 9M19 was Baht 571 million, increasing by Baht 49 million, or 9%, compared to 9M18. Overview of operating results was discussed as below.

Growth of revenues from hospital operations

In 9M19, the Company has revenues from hospital operations of Baht 3,838 million, increasing by Baht 570 million, or 17% YoY. This is mainly due to growth in general patients of 15% YoY. The revenue from outpatients (OPD) and inpatients (IPD) increased by Baht 142.19 million and Baht 167.39 million respectively, mainly from the opening of 2 new hospitals Chularat 304 Inter Hospital and Ruampat Chachoengsao hospital and the expansion of services area to support the increase in patient number.

Revenue from Social Security schemes in 9M19 increased by 18% YoY. This is due to the actual payment from customer complaint and discharge type was over the accrual amount for 1H18, the actual payment for OPD (26 Chronic Diseases) for 2018 was over the accrual amount, resulting in a revised accrual revenue for 2019 base on actual payment of 2018, and the compared revenue for 3Q2018 was reversed revenue base on the actual payment of 2017, including an increase in cases and registered members.

Revenue from other governmental schemes in 9M19 has increased by 43% YoY. This is due to an increase in patient number and also the government has adjusted the payment rate of National Health Security (NHSO) from Baht 6,000/Adj.RW to Baht 8,050/Adj.RW since October 2018. As a result, the situation and trend of revenues continue to grow.

Unit: Million Baht	9M19	9M18	Increase (decrease)	Change
Revenue from general patients	2,368.48	2,058.90	309.58	15%
Revenue from outpatients (OPD)	1,209.51	1,067.32	142.19	13%
Revenue from inpatients (IPD)	1,158.97	991.58	167.39	17%
Revenue from government welfare programs	1,469.05	1,208.99	260.06	22%
Social security schemes	1,216.60	1,032.90	183.70	18%
Other governmental schemes	252.45	176.09	76.37	43%
Total revenue from hospital operations	3,837.53	3,267.89	569.64	17%

Operation costs

In 9M19, the Company's gross profit margin has decreased from 31.06% to 30.82%, resulting in net profit margin decreasing from 16% to 15% YoY. The main causes are the opening of 2 new hospitals Chularat 304 Inter Hospital and Ruampat Chachoengsao hospital cannot generate the same profit margin as the existing hospitals during the initial stage, including the record of the provision for employee benefits as required by Labor Protection Act.

Statement of financial position	30 September	31 December	Increase	Change
Unit : Million Baht	2019	2018	(decrease)	
Total assets	6,263	5,708	555	9.72%
Total liabilities	2,531	1,965	566	28.82%
Shareholders' equity	3,732	3,743	(11)	(0.31%)
Debt to equity ratio (x)	0.68	0.52		

As of September 30, 2019, the Company has total assets of Baht 6,263 million, increasing by Baht 555 million from December 31, 2018, primarily due to

- Cash and cash equivalent increased by Baht 46 million from the Company's operation, as reported in the cash flow statement.

- Trade and other receivables increased by Baht 87 million; accrued medical treatment income increases by Baht 233 million, which are in line with the growth of revenue from Social Security Office.
- Property, plant and equipment increased by Baht 189 million from expansion of the group, mainly from the purchase of new land, construction and service area expansion.

Total liabilities amounting to Baht 2,531 million as of September 30, 2019, increasing by Baht 566 million from December 31, 2018, as described below.

- Short-term loans from financial institutions increased by Baht 357 million.
- Trade and other payables increased by Baht 93 million.
- Share subscription received in advance increased by Baht 49 million.
- Long-term loans from financial institutions increased by Baht 19 million.
- Provision for long-term employee benefits increased by 21 million.

Total shareholders' equity amounting to Baht 3,732 million as of September 30, 2019, decreasing by Baht 11 million from December 31, 2018 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.68, which reflects the ability to loan from financial institution for expansion of new hospital projects in line with the Company's strategy.

Cash flow statement	9M2019	9M2018	Increase
Unit : Million Baht			(decrease)
Net cash from (used in) operating activities	588	600	(12)
Net cash from (used in) investing activities	(411)	(501)	90
Net cash from (used in) financing activities	(130)	25	(155)
Net increase (decrease) in cash and cash equivalents	47	124	(77)
Cash and cash equivalents at beginning of period	471	414	57
Cash and cash equivalents at end of period	518	538	(20)

In 9M19, the Company's net cash from operating activities amounting to Baht 588 million, has decreased by Baht 12 million YoY, in accordance with the operating profit. Net cash used in investing activities amounting to Baht 411 million in 9M19 and Baht 501 million in 9M18, was decreased from the investment plan and construction of building, including the acquisition of tools and medical instruments. Net cash from financing activities increased by Baht 155 million YOY, mainly due to long-term loans payment and dividend payment.

Please be informed accordingly.

Yours faithfully,

(Mr.Kumpol Plussind)
Chief Executive Officer