

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Executive Summary  
4Q19 and 2019 Performance**

Bangkok Dusit Medical Services Public Company Limited (“Company”) reported consolidated operating income during fourth quarter of 2019 (“4Q19”) of Baht 21,480 million, an increase of 9% yoy. The growth was attributable to an increase in revenue from hospital operations of 9% yoy which was driven by higher volume growth from Thai patients, solid growth from insurance patients and hospitals outside of Bangkok.

The Company and its subsidiaries reported EBITDA in 4Q19 of Baht 4,478 million, increased 26% yoy. As a result, EBITDA margin increase from 18.1% in 4Q18 to 20.8% in 4Q19.

Net profit in 4Q19 was Baht 2,323 million, increased 72% yoy.

For the year ended 31 December 2019 (“2019”), the consolidated operating income were Baht 83,774 million, an increase of 7% 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, higher volume and price intensity together with strong growth from insurance patients and hospitals outside of Bangkok.

In 2019, the Company recorded non-recurring income (net of income tax) of Baht 5,464 million mainly from gain on divestment of all investment in RAM. While in 2018, the Company recorded non-recurring expenses (net of income tax) of Baht 945 million.

If excluding these non-recurring items in 2019 and 2018, the Company and its subsidiaries reported EBITDA of Baht 18,579 million, increased by 6% yoy. EBITDA margin decreased from 22.4% in 2018 to 22.2% in 2019. Core profit was Baht 10,053 million, slightly decreased by 1% yoy.

If including these non-recurring items, net profit was Baht 15,517 million, increased by 69% yoy.

**4Q19 Consolidated Financial Summary**

<b>Operating Income</b>			
<i>(Baht mm)</i>	<b>4Q19</b>	<b>4Q18</b>	<b>%Chg</b>
Revenues from hospital operations	20,308	18,591	9%
Revenue from sales of goods	831	806	3%
Other income	341	302	13%
<b>Total Operating Income</b>	<b>21,480</b>	<b>19,700</b>	<b>9%</b>

In 4Q19, total operating income were Baht 21,480 million, an increase of Baht 1,781 million or 9% yoy, primarily due to

- Revenues from hospital operations were Baht 20,308 million, an increase of Baht 1,716 million or 9% yoy. The growth was contributable to a higher volume of Thai patients from both outpatients and inpatients together with an expansion of insurance patients base which is in-line with the Company’s strategy.

Revenue of Bangkok and vicinity hospitals grew 7% yoy while outside Bangkok hospitals grew 13% yoy.

Revenue from Thai patients grew 12% yoy and revenue from international patients grew 4% yoy. Key drivers were mainly from increase in Omanis patients 31% yoy, Cambodian patients 15% yoy and Emiratis patients 14% yoy. The revenue proportion between Thai and international patients changed from 69%:31% in 4Q18 to 70%:30% in 4Q19.

Revenues from hospital operations in 4Q19	Chg. (yoy)	% to revenues
Revenues growth from hospital operations	9%	100%
<b>Breakdown by location</b>		
Bangkok & Vicinity	7%	58%
Outside Bangkok	13%	42%
<b>Breakdown by nationality</b>		
Thai	12%	70%
International	4%	30%
<b>Breakdown by type of patients</b>		
Outpatients	7%	47%
Inpatients	12%	53%

- Revenues from sales of goods were Baht 831 million, increased by 3% yoy from the improving growth of A.N.B. Laboratories Co., Ltd.
- Other incomes were Baht 341 million, increased by 13% yoy.

Operating Expenses (Baht mm)	4Q19	4Q18	%Chg
Cost of hospital operations and others	13,810	12,914	7%
Administrative expenses	4,691	4,605	2%
<b>Total Operating Expenses (Including depreciation)</b>	<b>18,502</b>	<b>17,519</b>	<b>6%</b>

In 4Q19, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 18,502 million, an increase of Baht 983 million or 6% yoy, which increased at the slower pace than total operating income.

- Cost of hospital operations and others (including depreciation and amortization) were Baht 13,810 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 4,691 million, slightly increased by 2% yoy. The Company recorded non-recurring expenses of Baht 50 million in 4Q19 and Baht 382 million in 4Q18 (Details are shown in non-recurring items). If excluding non-recurring items, the administrative expenses increased 10% yoy.
- The depreciation and amortization expenses were Baht 1,499 million in 4Q19, increased by 9% yoy due mainly to depreciation and amortization of new network hospital and Mövenpick BDMS Wellness Resort Bangkok ("BWR").

#### Other Major Items

- Share of income from investments in associates were Baht 247 million in 4Q19, decreased of 55% yoy due mainly to divestment of all investment in Ramkhamhaeng Hospital Public Co., Ltd. ("RAM") in 1Q19. Share of income from investments in associates in 4Q19 were mainly from investment in Bumrungrad Hospital Public Co., Ltd. ("BH") of Baht 221 million.
- Finance cost were Baht 206 million in 4Q19 or decreased by 30% yoy due mainly no outstanding liability of convertible bonds ("CB") together with the repayment of loans from financial institutions since 1Q19.
- Taxes in 4Q19 were Baht 593 million, decreased 42% yoy. In 4Q18 the Company recorded high income tax expense mainly from deferred tax liabilities of Baht 727 million

from divestment in all investment in RAM (non-recurring items).

#### Non-recurring items

The Company recorded non-recurring items (net of income tax) in 4Q19 and 4Q18 as follows:-

(Baht mm)	Amount	Tax	Net of tax
<b>4Q19</b>			
Impairment loss on commercial rights from Save Drug Center Co., Ltd. ("Save Drug")	(50)	-	(50)
<b>Total</b>	<b>(50)</b>	<b>-</b>	<b>(50)</b>
<b>4Q18</b>			
1. Partial Income tax expense from disposal of all investment in RAM		(727)	(727)
2. Provision for lifelong membership program	(185)	125*	(61)
3. Provision for employee for long service awards	(115)	23	(92)
4. CSR activities	(82)	16	(66)
<b>Total</b>	<b>(382)</b>	<b>(562)</b>	<b>(945)</b>

\*Including recording of deferred tax assets

<b>Profitability Analysis</b>			
(Baht mm)	4Q19	4Q18	%Chg
EBITDA *	4,528	3,945	15%
EBITDA margin *	21.1%	20.0%	
EBITDA	4,478	3,562	26%
EBITDA margin	20.8%	18.1%	
EBIT *	3,291	3,127	5%
EBIT margin *	15.3%	15.9%	
Core profit	2,373	2,295	3%
Core profit margin	11.0%	11.6%	

\* Excluding non-recurring items

#### Remarks

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

EBITDA Margin = EBITDA / Operating income

<b>Profitability Analysis</b>			
(Baht mm)	4Q19	4Q18	%Chg
Non-recurring items	(50)	(945)	(95)%
Net profit	2,323	1,350	72%
Net profit margin	10.8%	6.9%	
Core EPS (Baht)	0.15	0.15	1%
EPS (Baht)	0.15	0.09	69%
<i>Weighted average number of ordinary shares</i>			
(mm shares)	15,892	15,570	

If excluding non-recurring items as previously mentioned, core EBITDA increased from Baht 3,945 million in 4Q18 to Baht 4,528 million in 4Q19 or increased by 15% yoy. As a result, core EBITDA margin increased from 20.0% in 4Q18 to 21.1% in 4Q19.

While core profit was Baht 2,373 million, increased by 3% yoy. As a result, core profit margin decreased from 11.6% in 4Q18 to 11.0% in 4Q19.

If including non-recurring items, EBITDA increased from Baht 3,562 million in 4Q18 to Baht 4,478 million in 4Q19 or increased by 26% yoy. As a result, core EBITDA margin increased from 18.1% in 4Q18 to 20.8% in 4Q19.

While net profit was Baht 2,323 million, increased by 72% yoy resulting in an increase in net profit margin from 6.9% in 4Q18 to 10.8% in 4Q19.

## Major Development

### 1. TRIS Rating upgraded the Company rating and senior unsecured debentures rating at "AA"

On 24 October 2019, TRIS Rating upgraded the Company and senior unsecured debenture ratings to "AA" from "AA-", with stable outlook. The upgrades reflect following factors:-

- Company's faster-than-expected debt reduction efforts and larger equity base, while maintaining sound operating performance and strong cash flow.
- The Company has the largest hospital referral network which helps reduce reliance on its flagship hospitals and diversify the source of income; providing a comprehensive array of healthcare services spanning all levels of care from preventive care to curative care.
- Strong brand franchises with various customer segments help support revenue growth.
- The Company has adequate liquidity.

### 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. Convertible Bonds

On 18 September 2014, Company issued zero coupon convertible bonds ("CB") to investors outside Thailand for Baht 10,000 million and expired in September 2019. At present, the Company has no outstanding liability of the CB.

In summary, some holders exercised right to early redeem CB and the rest are converted all the remaining CB at Baht 21.045 per share into ordinary shares.

Details are summarized as follows:-

Status	CB Outstanding (Baht mm)	Number of Shares (mm)
<b>Issued CB</b>	<b>10,000</b>	<b>15,491.0</b>
Early redemption in 2017	(1,560)	-
CB holders exercised		
- In 2018	(3,746)	178.0
- In 2019	(4,694)	223.0
<b>Outstanding as of Sep 2019</b>	<b>-</b>	<b>15,892.0</b>

### 4. Impact to new financial reporting standards, TFRS 16 leases, effective in 2020

TFRS 16 leases sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

The Company's management is currently finalizing the impact of this standard on the financial statements in the year when it is adopted.

### 5. Business expansion in 2019

- Hospital business:  
The Company added 2 hospitals to network as follow:-

Hospital	# Structured beds	Opening Month
Bangkok Chiangrai	80	Jan 19
Bangkok International	172	Jul 19

- Mövenpick BDMS Wellness Resort Bangkok opened on 1 June 2019 with the cooperation with Mövenpick Hotels & Resorts. It is 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.

#### 6. Lifelong medical care program

(Details please refer to Notes to consolidated financial statements #22)

In January 2020, the Supreme Court prohibited the Company from appealing some of the past cases filed by the members against the Company, making such cases final as per the judgments of the Court of First Instance and the Court of Appeal, wherein it was ruled that the terms of the agreement and the programs did not possess the characteristics of an insurance, and ordered the Company to continue to comply with the terms of the programs. For these reasons, the Company had thus delivered letters to notify the members that the Company intends to comply with the law and the final judgments of the courts, and will launch the programs for operation from 1 March 2020.

As per the judgment of the Civil Court, the Company and its subsidiary hereby records the provision for lifelong medical care programs as of 31 December 2019 in the consolidated financial statements amounts to approximately Baht 724 million, net of the amounts refunded from the former members.

#### 2019 Consolidated Financial Summary

Operating Income			
(Baht mm)	2019	2018	%Chg
Revenues from hospital operations	79,630	74,286	7%
Revenue from sales of goods	3,092	3087	0%
Other income	1,051	915	15%
<b>Total Operating Income</b>	<b>83,774</b>	<b>78,288</b>	<b>7%</b>

In 2019, total operating income were Baht 83,774 million, an increase of Baht 5,486 million or 7% yoy, primarily due to

- Revenues from hospital operations were Baht 79,630 million, an increase of Baht 5,344 million or 7% yoy, in 2019. Key growth drivers were a higher volume and price intensity 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 Bangkok and vicinity hospitals grew 6% yoy while outside Bangkok hospitals grew 9% yoy in 2019.

Revenue from Thai patients and international patient grew 7% yoy in 2019. Key drivers were mainly from increase in Emiratis patients 56% yoy, Omanis patients 56% yoy and Cambodian patients 16% yoy. The revenue proportion between Thai and international patients remains unchanged at 70%:30% in 2018 and in 2019.

Revenues from hospital operations in 2019	Chg. (yoy)	% to revenues
Revenues growth from hospital operations	7%	100%
<b>Breakdown by location</b>		
Bangkok & Vicinity	6%	58%
Outside Bangkok	9%	42%
<b>Breakdown by nationality</b>		
Thai	7%	70%
International	7%	30%
<b>Breakdown by type of patients</b>		
Outpatients	6%	46%
Inpatients	7%	54%

- Revenues from sales of goods were Baht 3,092 million, similar to 2018.
- Other income were Baht 1,051 million, increased by 15% yoy.

<b>Operating Expenses</b>			
(Baht mm)	2019	2018	%Chg
Cost of hospital operations and others	54,277	50,502	7%
Administrative expenses	17,447	15,998	9%
<b>Total Operating Expenses (Including depreciation)</b>	<b>71,723</b>	<b>66,500</b>	<b>8%</b>

In 2019, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 71,723 million, an increase of Baht 5,223 million or 8% yoy

The company recorded non-recurring expenses (before income tax) in 2019 of Baht 776 million. Details are 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.
- (3) Impairment loss on commercial rights from Save Drug from Save Drug of Baht 50 million.

In 2018, the company recorded non-recurring expenses (before income tax) of Baht 382 million.

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

The depreciation and amortization expenses were Baht 5,752 million in 2019, increased by 7% yoy due mainly to depreciation and amortization of new network hospital, and opening of BDMS Wellness Clinic and BWR.

#### Other Major Items

- Share of income from investments in associates were Baht 1,022 million in 2019, decrease of 40% yoy due mainly to divestment of all investment in RAM in 1Q19. Share of income from investments in associates in 2019 were mainly from investment in BH of Baht 933 million.
- Finance cost decreased to Baht 929 million in 2019 or decreased by 20% yoy due mainly to full conversion of the remaining convertible bonds ("CB") together with the repayment of loans from financial institutions since 1Q19.
- Tax expenses in 2019 were Baht 3,873 million, increased from Baht 2,740 million in 2018, 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 2019, the Company recorded non-recurring items (net of income tax) of Baht 5,464 million. Details as follows:-

2019 (Baht mm)	Amount	Tax	Net of tax
1. Gain on sales in RAM	7,617	(1,523)	6,094
2. Provisions for employee benefits (400 days)	(616)	123	(493)
3. One-time expenses in finding the land to locate electricity sub-station	(110)	22	(88)
4. Impairment loss on commercial rights from Save Drug	(50)	-	(50)
5. Gain on sales in other long-term investment	2	(1)	1
<b>Total</b>	<b>6,843</b>	<b>(1,379)</b>	<b>5,464</b>

During 2018, the Company recorded non-recurring items (net of income tax) of Baht 945 million. Details as follows:-

2018 (Baht mm)	Amount	Tax	Net of tax
1. Partial Income tax expense from disposal of all investment in RAM		(727)	(727)
2. Provision for lifelong membership program	(185)	125*	(61)
3. Provision for employee for long service awards	(115)	23	(92)
4. CSR activities	(82)	16	(66)
<b>Total</b>	<b>(382)</b>	<b>(562)</b>	<b>(945)</b>

\* Including recording of deferred tax assets

### Profitability Analysis

(Baht mm)	2019	2018	%Chg
EBITDA *	18,579	17,557	6%
EBITDA margin *	22.2%	22.4%	
EBITDA	17,803	17,175	4%
EBITDA margin	21.3%	21.9%	
EBIT *	13,969	13,935	0%
EBIT margin *	16.7%	17.8%	
Core profit	10,053	10,136	(1)%
Core profit margin	12.0%	12.9%	
Non-recurring items	5,464	(945)	(678)%
Net profit	15,517	9,191	69%
Net profit margin	18.5%	11.7%	
Core EPS (Baht)	0.64	0.65	(2)%
EPS (Baht)	0.99	0.59	67%
<i>Weighted average number of ordinary shares</i>			
(mm shares)	15,743	15,570	

\* 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 in 2018 and 2019, core EBITDA increased from Baht 17,557 million in 2018 to Baht 18,579 million in 2019 or increased by 6% yoy. However, core EBITDA margin decreased from 22.4% in 2018 to 22.2% in 2019.

Core profit was Baht 10,053 million, slightly decreased by 1% yoy resulting a decrease in core profit margin from 12.9% in 2018 to 12.0% in 2019.

If including non-recurring items, EBITDA was Baht 17,803 million or increased by 4% yoy. However, EBITDA margin decreased from 21.9% in 2018 to 21.3% in 2019.

Net profit were Baht 15,517 million, increased by 69% yoy partly from gain from divestment of all

investment in RAM in 1Q19. As a result, net profit margin increased from 11.7% in 2018 to 18.5% in 2019. EPS was Baht 0.99 per share or increased by 67% yoy.

<b>Assets</b>			
<i>(Baht mm)</i>	<b>Dec 19</b>	<b>Dec 18</b>	<b>%Chg</b>
Cash & cash equivalents	4,696	5,034	(7)%
Short-term investments	900	817	10%
Trade & other receivables	8,850	7,545	17%
Inventories	1,843	1,786	3%
Investment in associates	17,538	22,647	(23)%
Property, premises & equipment	78,440	74,547	5%
Goodwill	17,539	17,539	0%
Other assets	3,855	3,636	8%
<b>Total assets</b>	<b>133,662</b>	<b>133,499</b>	<b>0%</b>

As of 31 December 2019, the Company and its subsidiaries reported total assets of Baht 133,662 million, similar to 31 December 2018. Key changes in assets are mainly from an increase in property, premises and equipment of Baht 3,893 million and increase in trade and other receivables of Baht 1,305 million netted with a decrease in investment in associates of Baht 5,108 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.

<b>Liabilities and Equity</b>			
<i>(Baht mm)</i>	<b>Sep 19</b>	<b>Dec 18</b>	<b>%Chg</b>
Bank overdrafts and short-term loans	90	5,945	(98)%
Debentures *	19,591	19,588	0%
Long-term loans *	4,701	9,327	(50)%
Convertible bonds *	-	5,056	(100)%
Other liabilities	22,098	20,145	10%
<b>Total liabilities</b>	<b>46,480</b>	<b>60,061</b>	<b>(23)%</b>
Equity attributable to equity holder of the Company	83,813	70,320	19%
Non-controlling interests	3,368	3,118	8%
<b>Total equity</b>	<b>87,182</b>	<b>73,438</b>	<b>19%</b>

\* Including current portion

Total consolidated liabilities as of 31 December 2019 were Baht 46,480 million, decreased by 23% from 31 December 2018 due mainly to no outstanding liability of CB. The decrease in liabilities also came from a decrease in long-term loans from financial institutions of Baht 4,626 and decrease in bank overdrafts and short-term loans of Baht 5,855 million.

Total consolidated shareholders' equity as of 31 December 2019 was Baht 87,182 million, increased by 19% from 31 December 2018, due mainly from increase in the Company's ordinary shares from conversion of CB and net profit during the year.

### Liquidity and Capital Management

<b>Cash Flow</b>	
<i>(Baht mm)</i>	<b>2019</b>
Net cash from operating activities	14,546
Net cash from investing activities	2,818
Net cash used in financing activities	(17,701)
Net increase in cash and cash equivalents	(337)
Beginning cash and cash equivalents	5,034
Ending cash and cash equivalents	4,696

For the year ended 31 December 2019, the Company and its subsidiaries had net decrease in



cash and cash equivalent of Baht 337 million from the beginning balance of 5,034 million. As a result, cash and cash equivalents at the end of period was Baht 4,696 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 14,546 million, resulting mainly from profit during 2019.

Net cash from investing activities were Baht 2,818 million comprising mainly from cash from divestment of an associate and other long-term investment of Baht 12,732 million which mainly from divestment in all investment in RAM netted with purchase of property, premises and equipment of Baht 7,437 million from hospital network expansion.

Net cash used in financing activities were Baht 17,701 million comprising mainly from dividend payment of Baht 6,941 million together with repayment of short-term loans from financial institutions of Baht 5,854 million and repayment of long-term loans from financial institutions of Baht 4,626 million.

Ratios Analysis		
Returns (%)	2019	2018
Return on Asset (ROA)	11.6	7.2
Return on Equity (ROE)	20.1	13.8
<b>Liquidity (x)</b>		
Current ratio	0.8	0.5
Quick ratio	0.7	0.5
<b>Assets &amp; Liabilities Management (Days)</b>		
Average Collection Period	36.9	35.0
Average Inventory Period	12.0	12.6
Average Payable Period	37.1	35.4

**Remarks**

- Assets & Liabilities Management based on 360 days

**Ratios Analysis**

Leverage & Coverage Ratios (x)	2019	2018
Interest coverage	19.2	14.7
Total debt to equity	0.3	0.5
Net debt to equity	0.2	0.5
Net debt to EBITDA	1.1	2.0

**Remarks**

- Interest coverage = EBITDA/Interest Expenses
- Debt refers to interest bearing debt

Return on assets ("ROA") and return on equity ("ROE") in 2019 increased significantly from 2018 as a result of net gain from divestment of all investment in RAM.

Current ratio and quick ratio increased from 2018 due to a decrease in CB and decrease in long-term loans and short-term loans from financial institutions.

Average collection period increased from 35.0 days in 2018 to 36.9 days in 2019. The Company and its subsidiaries reported the aging of the outstanding trade accounts receivables 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 12.6 days in 2018 to 12.0 days in 2019. 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 increased from 35.4 days in 2018 to 37.1 days in 2019.

Interest coverage ratio increased from 14.7 in 2018 to 19.2 in 2019 due to lower finance cost.

From the conversion of the remaining CB and the repayment of loans from financial institutions during the period, total interest bearing debt to equity decreased from 0.5x as of 31 December 2018 to 0.3x as of 31 December 2019. Net interest bearing debt to equity also decreased from 0.5x as of 31 December 2018 to 0.2x as of 31 December 2019.

Net interest bearing debt to EBITDA decreased from 2.0x as of 31 December 2018 to 1.1x as of 31 December 2019.

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

### **Management's Outlook**

We expect short-term negative impact to our business from COVID-19 outbreak as some international patients and tourists tend to avoid travelling and postpone medical treatment. After outbreak is under control, we confident that, in the long-term, our business would turn to positive territory from our key competitive edge; diversified portfolio of network hospitals, capable physicians and nurses and strong franchise of our hospital brands together with customer service experience enhancement through innovation.

#### **Increasing healthcare demand**

Long-term prospect of healthcare sector is still intact from the aging population, rising income per capita, especially those in the rural area, rising health and wellness trend where people pay more attention to their health wishing to live longer with a better quality of life together with growth of health insurance in Thailand.

On the other hand, international healthcare demand continues to rise as Thailand remains one of the world's most attractive medical tourism destinations for our quality of care, Thai hospitality and value for money. Potential growth

markets are China, CLMV, Middle East and Expatriate market.

In term of supply, private hospital operators continued to expand business to serve these rising healthcare demand.

These favorable factors support our strategy of focusing on preventive care services at BDMS Wellness Clinic and BWR together with upgrading our clinical capabilities at our Centers of Excellence with multidisciplinary specialists, state of the art medical equipment and experienced staffs to accommodate increasing demand of healthcare.

#### **Key strategic priorities**

The Company's diverse portfolio of network hospitals with multiple brands and diversified market segments play a crucial role in continuous growth in healthcare business and serving rising healthcare demand in the future. The company would focus on the following strategic priorities:

- ***Increasing asset utilization***

With the rising healthcare inflations, we foresee private health insurance as one of the key potential growth drivers for healthcare business going forward. We are working closely with both domestic and international insurance companies to develop exclusive insurance policies that would help expand our patient base. Also the development of e-claims and e-billing system will provide convenience for both insurance companies and patients. These initiatives would help diversify our payor base by growing private health insurance portion and increase our bed utilization unlocking the true potential of our hospital network growth prospects.

- *Improving operational efficiencies*

We continue to improve operational efficiencies, profitability and asset utilization of ramping-up hospitals by improving their standard of care and encouraging cooperation among our network hospitals. We divided network hospitals into 6 groups. Its cluster enables us to realize the scale benefit, utilize shared services functions and increase efficiency of our operations.

- *Center of Excellence*

With the determination for continuous development of the 10 Center of Excellence to be in accordance with the Joint Commission International (JCI), we also would continue to collaborate with world leading institutions to uplift our Thai standard of care effectively to be equivalent to the international standard.

\*\*\*\*\*