

No. BCH. 091/2020

13 May 2020

Subject : Management Discussion and Analysis for the quarter 1 ended 31 March 2020

To : The President
The Stock Exchange of Thailand

Bangkok Chain Hospital Public Company Limited (the “Company”) would like to report the operating results for the first quarter ended 31 March 2020 which had been reviewed by the independent auditor as follows:

1. Summary of the Company’s operating results
2. Analysis of the consolidated financial performance
3. Analysis of the consolidated financial position
4. Analysis of the consolidated cash flow
5. Future operating trends

Summary of the company's operating results

In 1Q2020, many countries around the world including Thailand were facing with the Coronavirus pandemic or COVID-19 pandemic which was confirmed to have reached Thailand in January. The outbreak became widespread in many areas in the country led to the announcement of the state of emergency, country lockdown, temporarily ceases some business activities by the government.

The outbreak caused a significant impact to business sector as a whole which affected the patients’ traffic. As a result, the Company reported total revenue of 2,196.95 million baht (1Q2019: 2,105.75 million baht), an increase in a lower rate comparing to the same period of last year in the amount of 91.20 million baht or 4.33 percent, a gross profit of 662.93 million baht (1Q2019: 634.56 million baht), an increase of 28.37 million baht or 4.47 percent. Profit before finance costs, tax expense, depreciation and amortization was 565.24 million baht (1Q2019: 535.30 million baht) or 5.59 percent. For the profit attributable to owners of the Company amounted to 259.14 million baht (1Q2019: 248.11 million baht), an increase of 11.03 million baht or 4.45 percent.

Analysis of the consolidated financial performance

<i>Statement of Comprehensive Income</i>	For the quarter ended 31 March		Change	
	2020	2019	Amount	Percent
<i>(Unit : Million Baht)</i>				
Revenue from hospital operations	2,178.03	2,078.09	99.94	4.81
Other income	18.92	27.66	(8.74)	(31.60)
Total Revenue	2,196.95	2,105.75	91.20	4.33

<i>Statement of Comprehensive Income</i>	For the quarter ended 31 March		Change	
	2020	2019	Amount	Percent
(Unit : Million Baht)				
Cost of hospital operations	(1,515.10)	(1,443.53)	(71.57)	4.96
Distribution and Administrative expenses	(293.33)	(288.40)	(4.93)	1.71
Total Cost	(1,808.43)	(1,731.93)	(76.50)	4.42
Operating Profit	388.52	373.82	14.71	3.94
Finance costs	(29.99)	(32.24)	(2.25)	(6.98)
Share of profit of investment in associate	0.88	0.67	0.21	31.34
Tax expense	(63.40)	(59.04)	(4.36)	7.38
Profit for the year	296.01	283.21	12.81	4.52
Owners of the Company	259.14	248.11	11.03	4.45
Non-controlling interests	36.88	35.10	1.78	5.07
<i>Gross Profit Margin</i>	<i>30.44%</i>	<i>30.54%</i>		
<i>Operating Profit Margin</i>	<i>16.97%</i>	<i>16.66%</i>		
<i>Profit before Finance costs, Tax expense, Depreciation and Amortization margin</i>	<i>25.73%</i>	<i>25.42%</i>		
<i>Profit attributable to owners of The Company</i>	<i>11.80%</i>	<i>11.78%</i>		

<i>Revenue Structure Breakdown</i>	1Q2020		1Q2019		Change	
	Revenue	Proportion	Revenue	Proportion	Amount	Percent
General patients	1,385.99	63.09%	1,346.62	63.95%	39.37	2.92
Social Security patients	792.04	36.05%	731.47	34.74%	60.57	8.28
Other revenue	18.92	0.86%	27.66	1.31%	(8.74)	(31.60)
Total Revenue	2,196.95	100.00%	2,105.75	100.00%	91.20	4.33

The Company's total revenue for the quarter ended 31 March 2020 was 2,196.95 million baht, an increase of 91.20 million baht or 4.33 percent comparing to that of last year, with the proportion of general patient revenue accounting of 63.09 percent, 36.05 percent from the Social Security patients, and 0.86 percent from other revenue the details are as follows:

General patients' revenue for the quarter ended 31 March 2020 was 1,385.99 million baht, an increase of 39.37 million baht or 2.92 percent which grew at lower rate compared to that of last year, mainly due to the decline in traffic of both OPD and IPD causing by the COVID-19 pandemic and the state of emergency announced by the government to prevent the spread of infection. However, revenue of World Medical Hospital and Kasemrad Hospital Ramkhamhaeng still grew in a significant rate comparing to the same period of last year, plus the consistent revenue growth from the provincial hospitals, resulted to the increasing in the Company's total revenue.

Social Security Patients' revenue for the quarter ended 31 March 2020 was 792.04 million baht, an increase of 60.75 million baht or 8.28 percent from last year. The increase in revenue was mainly due to the rate adjustments of basic capitation and risk adjusted capitation along with a 5.4 percent increase of insured persons in the Social Security scheme compared to the same period of last year. On the other hand, the Company adjusted the revenue recorded of medical fee on High Cost Care (Adj RW \geq 2) from 12,800 baht per RW to 12,000 baht per RW in order to be in accordance with the announcement by the Social Security Office to reduce the risk of insufficient budget. However, the Company expects that the Social Security Office will grant additional payment to the hospital in the scheme if the budget is surplus at the end of the year (At 1 January 2020, the SSO adjusted the budgeting rate of High Cost Care up by 16.56 percent from 640 baht/person/year to 746 baht/person/year).

Other revenue such as rental income and interest income for the quarter ended 31 March 2020 was 18.92 million baht, a decrease of 8.74 million baht or 31.60 percent.

Operating expenses (including depreciation and amortization) for the quarter ended 31 March 2020 was 1,808.43 million baht, an increase of 76.50 million baht or 4.42 percent from the previous year, mainly due to an increasing of Doctor fees in the amount of 31.66 million baht and Personnel expenses in the amount of 19.76 million baht. Moreover, depreciation and amortization expenses were increased 15.24 million baht.

As the result, the Company's gross profit margin decreased from 30.54 percent to 30.44 percent, the operating profit margin increased from 16.66 percent to 16.97 percent, profit before interest, taxes, depreciation and amortization margin increased from 25.42 percent to 25.73 percent, and profit margin attributable to shareholders of the Company increased from 11.78 percent to 11.80 percent.

Analysis of the consolidated financial position

Statement of Financial Position (Unit : Million Baht)	for the quarter ended		Change	
	31 March		Amount	Percent
	2020	2019		
Total assets	14,874.42	14,115.63	758.79	5.38
Current assets	3,094.09	2,966.94	127.15	4.29
Non-current assets	11,780.33	11,148.69	631.64	5.67
Total liabilities	7,577.53	7,137.36	440.17	6.17
Current liabilities	4,047.42	2,185.82	1,861.61	85.17
Non-current liabilities	3,530.11	4,951.54	(1,421.43)	(28.71)
Equity	7,296.89	6,978.27	318.62	4.57
Equity attributable to the Company	6,523.59	6,247.99	275.60	4.41
Non-controlling interests	773.30	730.28	43.02	5.89

Financial Ratio	For the quarter ended 31 March	
	2020	2019
Current Ratio (times)	0.76	1.51
Average Collection Period (days)	75.61	65.01
Average Inventory Period (days)	14.21	14.15
Average Payables Period (days)	28.10	29.44
Debt to Equity (times)	1.04	0.95
Return on Assets (%)	12.39	13.55
Return on Equity (%)	18.39	19.80

As of 31 March 2020, the Company had total assets of 14,874.43 million baht, an increase of 758.80 million baht or 5.38 percent increased from 31 December 2019, mainly due to the following activities:

- An increase in trade accounts receivable in the amount of 86.53 million baht as the result of patient base expansion for private insurance patients and corporate contracts patients.
- An incremental in land, equipment and buildings amounted to 549.51 million baht were also the contribution to the total asset, most of which were assets under construction of Kasemrad International Hospital Aranyaprathet, Kasemrad International Hospital Vientiane, and Kasemrad Hospital Prachinburi, also medical equipments and supplies to support the opening of Kasemrad International Hospital Aranyaprathet.
- The record of right of use assets in the amount of 89.45 million baht which the Company complies with the Thai Financial Reporting Standards no.16 regarding lease agreements (“TFRS16”) which was effective since 1 January 2020. Notwithstanding, that the compliance to TFRS16 provided no significant effects to return on asset ratio.

The Company had total liabilities of 7,577.53 million baht, an increase of 440.17 million baht or 6.17 percent increase, from 31 December 2019, mainly due to an increase of short-term loans from financial institutions in the amount of 293.55 million baht as working capital for the business and recognition of liabilities under lease agreement in amount of 82.10 million baht, as the result of the Company's operation in compliance to TFRS16. However, it provides no significant effects to Debt to Equity ratio and liability ratio.

The Company had total shareholders' equity of 7,296.89 million baht, an increase of 318.62 million baht or 4.57 percent from 31 December 2019 due to the increase in net profit of the Company.

Analysis of the consolidated cash flow statement

<i>Cash flow Statement (Unit : Million Baht)</i>	For the quarter ended 31 March	
	2020	2019
Cash flow from operating activities	358.19	126.85
Cash flow from (used in) investing activities	(678.34)	(293.08)
Cash flow from (used in) financing activities	288.26	144.45
Net increase in cash and cash equivalents	(31.89)	(21.77)
Cash and cash equivalents at 1 January	792.42	645.70
Cash and cash equivalents at 31 December	760.53	623.93

At the end of 31 March 2020, the Company recorded cash and cash equivalents of 760.53 million baht due to the following activities:

The Company reported cash flow from operating activities of 358.19 million baht which are contributed from incremental profit generated by operations and depreciation and amortization. The cash flow used in investing activities was 678.34 million baht, mainly from the cost of construction of Kasemrad International Hospital Aranyaprathet, Kasemrad International Hospital Vientiane, and Kasemrad Hospital Prachinburi as well as the purchase of medical equipment for Kasemrad International Hospital Aranyaprathet. The Company recorded cash flow of 288.26 million baht from financing activities due to an increase in short-term loans from financial institutions to circulate in the Company's operations.

Future operating trends

The Company and its subsidiaries are aware of this outbreak, therefore the Company has agreed to cooperate with the government in proceeding public health measures to prevent COVID-19 widespread. The Company has prepared both medical personnel's and medical supplies to cope with COVID-19 infected patients including examination room, cohort ward, isolation ward, and negative pressure room which are separated from the patients who come to receive regular treatment.

1) Screening Services

There are 11 COVID-19 screening service points in our affiliated hospitals which are located at World Medical Hospital, Kasemrad International Hospital Rattanatibeth, Kasemrad Hospital Prachachuen, Kasemrad Hospital Bangkae, Kasemrad Hospital Ramkhamhaeng, Kasemrad Hospital Rattanatibeth, Kasemrad Hospital Chachoengsao, Kasemrad Hospital Saraburi, Kasemrad Hospital Sriburin/Kasemrad Hospital Mae Sai, Karunvej Hospital Pathum Thani and Kasemrad International Hospital Aranyaprathet. Our hospitals provide COVID-19 screening services to those who meet patient under investigation ("PUI") criteria announced by Department of Disease Control, Ministry of Public Health without any charge. However, for those who do not meet the PUI criteria and desire to be screened, services fee will be the rate determined by the hospital. Our hospitals provide both active and passive screening services, such as Drive Thru and on-site services.

2) Laboratory Testing Services

Currently, the Company has 7 accredited laboratories located at World Medical Hospital, Kasemrad International Hospital Rattanaibeth, Kasemrad Hospital Prachachuen, Kasemrad Hospital Bangkae, Kasemrad Hospital Ramkhamhaeng, Kasemrad Hospital Sriburin, and Kasemrad International Hospital Aranyaprathet. Moreover, the additional 4 laboratories are under installation and requesting certifications to expand the scope of services to other areas in Thailand. Our laboratories use real time reverse transcription–polymerase chain reaction (real time RT-PCR) to detect the presence of virus from secretion in patients’ nose and throat. Our Laboratories provide services to both affiliated hospitals and other hospital outside our group, which the result can be identified and sent back within 24 hours.

3) Care Units and Treatment Services

Our affiliated hospitals provide facilities to serve patients who are COVID-19 infected, which consist of cohort ward, isolation ward, and negative pressure room. The Company also provides both inside and outside hospital quarantine facilities to our patients.

The Ministry of Public Health has announced the criteria and rate of reimbursement for COVID-19 to hospital which will be paid from additional budget and pay according to fee schedule at the rate under Universal Coverage (UC), plus 25%, covering personal protective equipment (PPE) and laboratory fee capped at 540 baht per case and 3,000 baht per case, respectively. The budget is also covered the medical treatment including room charges, medicines, and transportation.

In addition, the National Health Security Office (NHSO) will verify the validity of the disbursement information and notify the expenses to each particular fund under public health insurance scheme pursuant to the patient’s registration; Social Security Office, Comptroller General Department, or National Health Security Office. The report will be informed within 30 days, and then the funds of registered person will pay the reimbursement to the hospital within 15 days.

Regarding the situation of Coronavirus or COVID-19 pandemic, the cooperation of public and private sector has been greatly managed to the cope with this outbreak by both parties, especially private hospitals, which play the major role in providing screening and treatment services for patients, supporting the government’s measures to help the country overcome this pandemic crisis. It also makes people change their behavior and raise awareness on healthcare to build immunity to become healthier.

The Company also aware of the current situation and has adjusted operations to maintain revenue growth along with consistently enhanced quality and capability of service under cost-effective management to respond the needs of healthcare with thorough, up-to-date, and in time services. Thus, the Company planned to open 3 more hospitals to server those needs and generate more revenue streams in the future. Kasemrad Hospital International Aranyaprathet is ready to open in May 2020, while Kasemrad Hospital Prachinburi and Kasemrad Hospital International Vientiane are expected to open within this year and in the first quarter of next year, respectively.



บริษัท บางกอก เซน ฮอสปิทอล จำกัด (มหาชน)

Bangkok Chain Hospital Public Company Limited

Please be informed accordingly

Your sincerely,

(Prof.Dr.Chalerm Harnphanich)

Chief Executive Officer

