

28 April 2021

Subject: Management Discussion and Analysis for the first quarter 2021 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for Consolidated 1Q21 results
28 April 2021

Summary

The Company reported Total revenues in 1Q21 of Baht 2,679 million. This amount represented a 35.3% decrease from 1Q20 total revenues of Baht 4,137 million. Net profit for 1Q21 decreased by 88.1% to Baht 91 million from Baht 765 million in 1Q20, with Net profit margin at 3.4% in 1Q21, compared to 18.5% in 1Q20.

Despite the surge in COVID-19 cases in Thailand in mid-December 2020 and continuing into 2021, the Thai and expat business continued to grow year-on-year. Restrictions on travel and medical tourism, continues to impact the Company's international business, especially when compared to the high base of the first half of the first quarter of the previous year, when COVID-19 was only marginally impacting the Company's performance. Total revenues in 1Q21 decreased 9.1% from 4Q20.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

1Q21 vs 1Q20 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 2,642 million, a 35.4% decrease year-over-year from Baht 4,090 million in 1Q20. This was mostly due to a decrease in revenues from non-Thai patients by 54.4% offset with an increase in revenues from Thai patients by 0.5%. As a result, the revenue contribution from Thai patients was 53.9%, whereas revenue from non-Thai patients was 46.1% for 1Q21 compared with 34.6% and 65.4%, respectively, for 1Q20.

Operating Expenses and EBITDA (Unit: Baht million)			
	1Q21	1Q20	Change
Cost of hospital operations	1,748	2,297	23.9%
Selling expenses	79	94	16.4%
Administrative expenses	733	819	10.5%
EBITDA	410	1,238	-66.9%
EBITDA Margin	15.3%	29.9%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 1,748 million for 1Q21, resulting in a 23.9% decrease year-over-year from Baht 2,297 million in 1Q20. The variance was mostly due to Baht 254 million decrease in physicians' fees; Baht 157 million less supply costs; and Baht 103 million decrease in personnel cost, mostly associated with workforce management after the COVID-19 outbreak. These variances were mostly in line with the decrease in Revenues from hospital operations. This contributed to the percentage of cost to Revenues from hospital operations of 66.1% in 1Q21 compared with 56.2% in 1Q20.

Selling expenses (including Depreciation and amortization) were Baht 79 million in 1Q21, or 16.4% decrease year-over-year from Baht 94 million in 1Q20. The variance was mostly due to Baht 12 million decrease in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 733 million in 1Q21, or 10.5% decrease year-over-year from Baht 819 million in 1Q20. The variance was mostly due to Baht 21 million decrease in software support and maintenance; Baht 21 million decrease in consulting fee; Baht 12 million decrease in property taxes as the government announced a 90% property tax reduction; and Baht 10 million decrease in personnel cost, mostly associated with workforce management after the COVID-19 outbreak.

EBITDA decreased by 66.9% year-over-year to Baht 410 million in 1Q21 from Baht 1,238 million in 1Q20, with an EBITDA margin of 15.3% in 1Q21 compared to 29.9% in 1Q20.

Depreciation and amortization were Baht 298 million in 1Q21, compared to Baht 311 million in 1Q20.

Corporate income tax was Baht 12 million in 1Q21 compared to Baht 166 million in 1Q20. The variance was mostly due to the decrease in taxable operating profit.

Basic EPS was Baht 0.11 in 1Q21, compared to Baht 1.03 in 1Q20, while 1Q21 Diluted EPS was Baht 0.11, compared to Baht 0.88 in 1Q20.

1Q21 vs 4Q20 (QoQ Comparison)

1Q21 Revenues from hospital operations decreased by 9.4% from 4Q20. This was mostly due to a decrease in revenues from non-Thai patients and Thai patients by 4.9% and 12.9%, respectively. As a result, the revenue contribution from Thai patients was 53.9%, whereas revenue from non-Thai patients was 46.1% for 1Q21 compared with 56.1% and 43.9%, respectively, for 4Q20.

As a result of the decrease in revenues as noted above, 1Q21 EBITDA fell by 18.7% from 4Q20, with an EBITDA margin of 15.3% in 1Q21 compared to 17.1% in 4Q20.

Income statements					
(Unit: Baht million)	1Q21	1Q20	Change	4Q20	Change
Revenues from hospital operations	2,642	4,090	-35.4%	2,916	-9.4%
Total revenues	2,679	4,137	-35.3 %	2,947	-9.1%
EBITDA	410	1,238	-66.9%	505	-18.7%
Net profit	91	765	-88.1%	173	-47.3%
<i>EBITDA margin</i>	15.3%	29.9%		17.1%	
<i>Net profit margin</i>	3.4%	18.5%		5.9%	
EPS					
(Unit: Baht)	1Q21	1Q20	Change	4Q20	Change
EPS – Basic	0.11	1.03	-88.9%	0.22	-47.3%
EPS – Fully Diluted	0.11	0.88	-88.1%	0.20	-47.3%

Statements of financial position

As at 31 March 2021, the Company reported Total current assets of Baht 11,194 million, an increase from Baht 10,801 million as at 31 December 2020. The variance was mostly due to a net increase of Baht 986 million in Cash and cash equivalents and Other current financial assets being partially offset by Baht 600 million decrease in Trade and other receivables. The collection period was 71.6 days as at 31 March 2021 compared to 78.8 days as at 31 December 2020, mostly due to revenues and the collection periods associated with certain Middle East accounts. The collection period remains under the Company's overall credit term policy of 30-90 days.

Total non-current assets decreased to Baht 13,185 million as at 31 March 2021 from Baht 13,421 million as at 31 December 2020, mostly due to Baht 217 million net reclassification of Other non-current financial assets into Other current financial assets.

Total current liabilities were Baht 4,445 million as at 31 March 2021, an increase from Baht 4,418 million as at 31 December 2020. This was primarily due to an increase of Baht 68 million in Other current liabilities and Baht 35 million in Accrued expenses, being partially offset by Baht 65 million less Accrued physician fee and Baht 17 million of Trade and other payables.

Non-current liabilities were Baht 996 million as at 31 March 2021, an increase from Baht 967 million as at 31 December 2020. The variance was mostly due to Baht 27 million additional Provision for long-term employee benefits.

The Company's Interest coverage ratio was 12.6x in 1Q21 compared to 38.2x in 1Q20, due to the decrease in EBITDA.

Total shareholders' equity was Baht 18,938 million as at 31 March 2021, compared to Baht 18,837 million as at 31 December 2020. This variance was mostly from the Company's 1Q21 Net profit of Baht 91 million. Average return on assets (ROA) was 1.5% in 1Q21, compared to 4.8% in 2020. Average return on equity (ROE) was 1.9% in 1Q21, compared to 6.2% in 2020.

Unit: Baht million	31-Mar-21	31-Dec-20	Change
Total assets	24,378	24,222	0.6%
Total liabilities	5,440	5,385	1.0%
Total shareholders' equity	18,938	18,837	0.5%

	1Q21	1Q20
Interest coverage ratio (x)	12.6*	38.2*

* After adding back the 1Q21 and 1Q20 capitalized interest expenses related to the campus expansion.

	1Q21	2020
Average collection period (days)	71.6	78.8
Average inventory period (days)	16.4	16.5
Average payables period (days)	29.9	32.7
Net debt to equity (x)	0.1	0.1
Net debt to EBITDA (x)	0.6	0.5
Average return on assets (%)	1.5%	4.8%
Average return on equity (%)	1.9%	6.2%

Cash flow statements

The Company's Net cash flows from operating activities in 1Q21 were Baht 1,023 million, compared to Baht 843 million in 1Q20. This increase was mainly due to Baht 855 million decrease in Trade and other receivables, and Baht 79 million decrease in Inventories, offset with Baht 802 million less income from operating activities before changes in operating assets and liabilities. Net cash flows used in investment activities were Baht 667 million in 1Q21, compared to Baht 1,398 million in 1Q20. This variance was mainly due to Baht 773 million net decrease in investments in fixed deposit and debt securities, offset with and Baht 24 million increase in acquisition of PP&E and computer software. The Company reported Net cash flows used in financing activities of Baht 39 million in 1Q21, compared to Baht 24 million in 1Q20. As a result of the above, Cash and cash equivalents was Baht 1,560 million as at 31 March 2021, compared to Baht 1,501 million as at 31 December 2020.

The Company's Liquidity ratio as at 31 March 2021 was 2.5x compared to 2.4x as at 31 December 2020, and the Company's Quick ratio was 0.7x as at 31 March 2021 compared to 0.8x as at 31 December 2020.

Unit: Baht million	1Q21	1Q20
Net cash flows from operating activities	1,023	843
Net cash flows used in investing activities	(667)	(1,398)
Net cash flows used in financing activities	(39)	(24)
Net increase/(decrease) in cash and cash equivalents	331	(579)
Cash and cash equivalents at end of period	1,560	1,501

	31-Mar-20	31-Dec-20
Liquidity ratio (x)	2.5	2.4
Quick ratio (x)	0.7	0.8

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)
Vice Chairman of the Board of Directors