



No. RJH – SET 4/2019

25 February 2019

Subject : Management’s Discussion and Analysis for the fourth Quarter of 2018 and year ended December 31, 2018

To : The President
The Stock Exchange of Thailand

Rajthanee Hospital Public Company Limited (“the Company”) would like to clarify the operating results of the Company and its subsidiaries for the year ended December 31, 2018 which has been audited by the independent auditor as follows:

Statements of Comprehensive Income for the 4th Quarter and Year Ended December 31, 2018

Operation : Consolidated Profit & Loss Statement	4Q	4Q	%	12 mth	12 mth	%
Unit : THB million	2018	2017	change	2018	2017	change
Revenue from non-social security	220.70	196.97	12%	911.16	772.76	18%
Revenue from social security	173.29	170.13	2%	676.28	630.31	7%
Revenue from Hospital Operations	393.99	367.10	7%	1,587.43	1,403.07	13%
Cost of hospital operations	276.11	258.34	7%	1,101.98	985.67	12%
Gross margin	117.88	108.76	8%	485.45	417.39	16%
<i>% Gross margin</i>	<i>30%</i>	<i>30%</i>	<i>0%</i>	<i>31%</i>	<i>30%</i>	<i>1%</i>
Administrative expenses	41.54	40.51	3%	182.44	153.19	19%
Earnings before interest, taxes and depreciation	102.79	92.44	11%	405.48	362.47	12%
<i>% Earnings before interest, taxes and depreciation</i>	<i>26%</i>	<i>25%</i>	<i>1%</i>	<i>25%</i>	<i>25%</i>	<i>0%</i>
Other income /(expenses)	5.09	5.88	-13%	23.62	21.17	12%
Financing cost	3.58	0.03	11583%	12.03	3.01	300%
Tax (Note)	7.81	15.82	-51%	56.44	26.45	113%
Net profit	70.04	58.29	20%	258.16	255.91	1%
<i>% Net profit margin</i>	<i>18%</i>	<i>16%</i>	<i>2%</i>	<i>16%</i>	<i>18%</i>	<i>-2%</i>
Non-controlling interest	0.15	2.35	-94%	3.62	24.67	-85%
Net profit attributable to The Company	69.89	55.94	25%	254.54	231.24	10%

Note: During 1Q'17, the subsidiary has recorded income incurred from deferred tax for the amount of THB 28.6 million. The net amount after amortization was 24.1 million in year 2017

Revenue from Hospital Operations

Revenue from hospital operations in the fourth quarter of 2018 (“4Q’18”) was THB 394 million, increased 7% yoy. Non-social security yoy revenue growth was highly 12% while social security revenue growth slightly increased. The non-social security growth was attributed by the increase of number of patients as well as bill amount per patient.

Revenues for the year 2018 increased 13% yoy which were contributed by both non-social security and social security revenue. For non-social security part, the growth came from 12% yoy increase of OPD and 25% yoy increase of IPD. These promising growth was due to more intensity treatments, epidemics and weather change in the first half of this year as well as increasing number of beds in service.



Social security revenue in year 2018 increased 7% yoy. The growth were mainly from an increasing of average number of registered persons to 175,370 from 163,403 persons yoy, effect of social security payment rate in the first half of this year which has been revised up since July 1, 2017 and more revenues from social security check-up project.

Cost of Hospital Operations

Cost of hospital operations in 4Q'18 and year 2018 increased by 7% and 12% yoy, respectively. In 4Q'18, the company's gross margin almost unchanged yoy.

For year 2018, gross margin was 31% higher than 30% of year 2017. The improvement in gross margin was contributed by more revenue portion from non-social security patients which generated high margin and the increase of social security payment rate in the first half of year 2018. Moreover, the efficient cost management such as medicine & medical supplies and improve in work-force efficiency as well as the benefit from economy of scale in term of declined fixed cost per unit were another factors to gross margin improvement.

Administrative Expenses

For 4Q'18 and year 2018, administrative expenses increased 3% and 19% yoy, respectively. The largely increase in 2018 was mainly from the extra accounting expense stemming from the revised down of social security income of 4Q'17 for amount of THB 10.7 million. Without taken into account this extra expense, the administrative expenses will increase by 12% yoy.

Apart from the accounting expense, the increase of administrative expenses in year 2018 was due to one-time expenses incurring from legal & advisory fee for the acquisition of subsidiary's remaining shares in 1Q'18.

Earnings before interest, taxes and depreciation

For 4Q'18 and year 2018, Earnings before interest, taxes and depreciation ("EBITDA") increased by 11% and 12% yoy, respectively. The increase in EBITDA came from both improved gross profit and administrative expense control. EBITDA margin in the 4Q'18 and year 2018 was 26% and 25% respectively. However, the administrative expenses included the non-cash expense incurring from the extra accounting expense as mention above. If we exclude this transaction, the EBITDA for year 2018 would grow by 15% yoy and EBITDA margin would increase to 26% for year 2018.

Financing Costs

In year 2018, financing cost increased THB 9 million yoy. This was due to an increase of bank loans for the acquisition of the remaining shares of the subsidiary in 1Q'18 and the subsidiary's loan.

Net Profits

The consolidated profit before non-controlling interest of 4Q'18 increased by 20% yoy. The increase in the consolidated profit was primarily due to growing revenues as well as efficient cost management. Moreover, tax expense in this quarter substantially decreased mainly from deferred tax income from tax privileges on investments. The net profit attributable to the Company increased by 25% yoy because more contribution from subsidiary's profit as the Company's stake has increased to 98.31% from 53.93% in 1Q'18.



The consolidated profit before non-controlling interest in year 2018 increased by 1% yoy even though high revenues growth of 13% and improved in gross profit margin. However, the slight increase in the consolidated profit was due to extra accounting expense for the amount of THB. 10.7 million in 2Q'18 and increase in financing cost. Moreover, in year 2017, non-controlling interest profit was high base from adjustment of THB 7.7 million of social security income and subsidiary's deferred tax income net amount of THB 24.1 million. For these reasons, the consolidated profit before non-controlling interest in year 2018 marginally increased.

However, if we exclude the extra transactions in year 2018 and 2017 as mentioned above, the consolidated profit before non-controlling interest for year 2018 would grow by 20% yoy.

The net profit attributable to the Company still increased by 10% yoy in 2018 due to more profit contribution from subsidiary from acquired more shares.

Statement of Financial Position as of December 31, 2018

Financial Position : Consolidated Balance Sheet	Dec.	Dec	Change
	2018	2017	Dec.18- Dec.17
Unit : THB million			
Cash and temporary investments	539.83	666.92	-19%
Trade receivables	270.31	223.10	21%
Inventories	29.00	23.79	22%
Property, Plant and Equipment	807.84	829.61	-3%
Goodwill	87.80	87.80	0%
Other assets	144.68	70.03	107%
Total assets	1,879.48	1,901.25	-1%
Trade payable	122.37	113.88	7%
Interest-bearing debts	345.48	1.80	19118%
Employee Benefit Obligation	37.22	38.35	-3%
Other liabilities	65.36	80.83	-19%
Total liabilities	570.43	234.86	143%
Total shareholders' equity of the Company	1,305.72	1,590.99	-18%
Non-controlling interest	3.33	75.40	-96%
Total shareholders' equity	1,309.05	1,666.39	-21%

The consolidated total assets as of 31 December 2018 barely changed yoy. Cash and cash equivalent decreased 19% due to the spending of some internal cash flow to acquire the remaining shares of the subsidiary in 1Q'18. Trade receivable increased because of accrued social security income. Other assets increased whereas fixed asset decreased due to reclassification of land for sale from fixed assets to other assets. The company sold the land in January 2019.

Total liabilities of the Company at the end of year 2018 increased 143% yoy. This was mainly due to an increase of loans from financial institutions.

The shareholders' equity at the end of 2018 decreased by 21% yoy due to the Company acquired additional shares from subsidiary to 98.31% from 53.93%. The acquisition proceeds of THB 419.40 million were higher than the book value of net assets for the amount of THB. 343.72 million. This amount was deducted in shareholders' equity as part of the changes the proportion of subsidiary.



Ratio Analysis Financial Statement year ended December 31, 2018

Ratio Analysis :Consolidated Financial Statements	2018	2017
Unit : THB million		
Returns (%)		
Return on Assets *	13.5%	12.6%
Return on Equity *	19.4%	14.3%
Working Capital Management (Days)		
Trade Receivable Period	62	73
Inventory Period **	44	36
Trade Payable Period	41	45
Leverage Ratios (x)		
Interest Coverage	34	120
Total Debt to Equity	0.44	0.13

* calculated by using earning four previous consecutive quarters

** based on only cost of medicine & medical supplies

Return on Assets and Return on Equity in year 2018 improved from 12.6% and 14.3% to 13.5% and 19.4% yoy. It was driven by the outstanding profit of the Company and its subsidiary. In addition, the significant improvement of return on equity was from the decrease of shareholders' equity as mentioned above.

For the financial risk perspective, despite the higher debt ratio stemming from increased loans and lower shareholder equity, the ratio was nonetheless at relatively low level. The interest coverage ratio (EBITDA / finance costs) decreased to 32x from 120x and debt to equity ratio increased to 0.44x from 0.13x.

In respect of liquidity ratio in year 2018, average trade receivable day improved due to increase in non-social security revenues portion which granted shorter credit term. However, average inventory day increased.

Please be informed accordingly.

Yours sincerely,

(Mr. Surin Prasithirun)
Managing Director