

Ref: SET 58/12

6 May 2015

Subject: Management Discussion and Analysis for the first quarter 2015 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 1Q15 results
6 May 2015

Summary

The Company reported Total revenues in 1Q15 of Baht 4,456 million, a 21.1% improvement over 1Q14 revenues of Baht 3,679 million. Net profit for 1Q15 grew 52.6% to Baht 975 million from Baht 639 million in 1Q14, with Net profit margin at 21.9% in 1Q15 compared to 17.4% in 1Q14.

On 28 March 2014, Health Horizons Enterprises Pte. Ltd. (“HHE”), an overseas subsidiary 80% owned by the Company, acquired 100% of the common shares of Bumrungrad Mongolia LLC (“BML”), which holds 51% of the common shares of Seoul Seniors Tower LLC (“SST”), for approximately USD 12 million in cash. Additionally, HHE provided a loan of USD 3.3 million to SST, which owns and operates Ulaanbaatar Songdo Hospital (“UBSD”) in Mongolia. HHE’s consolidated assets, liabilities, and operating results, which include SST and BML as of the acquisition date, are included in the Company’s consolidated financial statements for 1Q15. The details of this transaction are presented in the Significant Event section of this document.

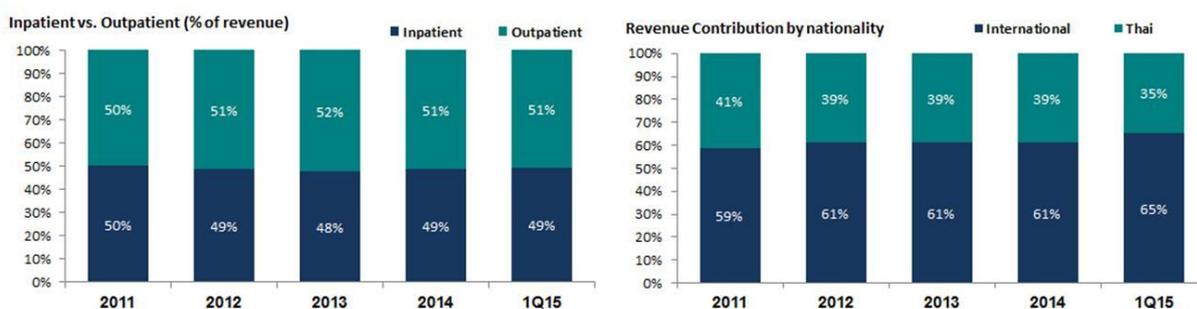
Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

The Company reported Revenues from hospital operations of Baht 4,366 million, a 21.6% improvement year-over-year from Baht 3,589 million in 1Q14. Outpatient and inpatient volumes advanced 17.9% and 18.1%, respectively, in 1Q15 compared with 1Q14, due to strong growth in international volumes of 60.8% and 55.8% for outpatient and inpatient services, respectively, to include those contributed by the UBSD acquisition that occurred 28 March 2014. Excluding UBSD, outpatient and inpatient volumes grew 7.6% and 5.2%, respectively, with international volumes increasing 27.8% for outpatient services and 20.2% for inpatient services. The significant international volume gains in 1Q15, excluding UBSD, are partly a result of the weak volumes in 1Q14 caused by the political unrest in Thailand, and were partly offset by a reduction in Thai outpatient and inpatient volumes of 3.8% and 5.3%, respectively. Impacted by the significantly lower intensity services provided by UBSD compared to those provided by the Company, revenue intensity was flat

for outpatient services and declined 6.8% for inpatient services. Revenue intensity, excluding UBSD, rose 8.5% and 5.0% for outpatient and inpatient services, respectively, contributed to by increased international volumes. The combined results of the above resulted in outpatient service revenues advancing 24.9% while inpatient service revenues grew 16.9%. The revenue contribution from inpatient services in 1Q15 was 49.5% and from outpatient services was 50.5%, compared with 51.1% and 48.9%, respectively, for 1Q14. In terms of revenues by market segment, international patients accounted for 65.4% of the total in 1Q15, with the remaining 34.6% from Thai patients, compared to 59.0% and 41.0% for international patients and Thai patients, respectively, in 1Q14, reflecting the noted improvement of the international business.



Rental income was Baht 14 million in 1Q15 compared with Baht 15 million in 1Q14. Exchange gains increased to Baht 12 million in 1Q15 from Baht 9 million in 1Q14 mostly from timing differences associated with collections on certain Middle East accounts. Interest income increased from Baht 37 million in 1Q14 to Baht 38 million in 1Q15, mainly due to increased cash balance.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,513 million for 1Q15, or 15.8% more year-over-year from Baht 2,169 million in 1Q14, compared to the 21.6% growth in Revenues from hospital operations. The percentage of Cost of hospital operations to Revenues from hospital operations improved from 60.4% in 1Q14 to 57.5% in 1Q15. Administrative expenses (including Depreciation and amortization) were Baht 699 million in 1Q15, or 2.7% more than Baht 681 million in 1Q14. The small percentage increase in Administrative expenses was mostly due to a Baht 41 million reduction in donations to support nurse recruitment, offset by Baht 27 million increase in staff costs, Baht 18 million more in software support and maintenance, and Baht 14 million more in various other expenses. EBITDA grew 40.7% year-over-year from Baht 1,032 million in 1Q14 to Baht 1,452 million in 1Q15, with an EBITDA margin of 32.9% in 1Q15 compared to 28.3% in 1Q14.

Depreciation and amortization was Baht 240 million in 1Q14 compared to Baht 246 million in 1Q15. The Company reported Share of profit from investments in associates of Baht 1 million in 1Q14 compared to Baht 2 million in 1Q15.

Finance cost was the same for both 1Q15 and 1Q14 at Baht 45 million mainly consisting of interest expense and amortization of bond issuance costs associated with bonds issued in December 2011 to refinance debt.

Corporate income tax of Baht 228 million in 1Q15 was higher than Baht 146 million in 1Q14. The variance is mostly due to Baht 83 million additional taxes due to higher taxable operating profit in 1Q15 compared with 1Q14.

Basic EPS for 1Q15 of Baht 1.34 was 52.6% higher than Baht 0.88 in 1Q14, while 1Q15 Diluted EPS increased at the same rate to Baht 1.12 from Baht 0.74 in 1Q14.

Income statements			
(Unit: Baht million)	1Q15	1Q14	Change
Revenues from hospital operations	4,366	3,589	21.6%
Total revenues	4,456	3,679	21.1%
EBITDA	1,452	1,032	40.7%
Net profit	975	639	52.6%
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<i>EBITDA margin</i>	32.9%	28.3%	
<i>Net profit margin</i>	21.9%	17.4%	
EPS			
(Unit: Baht)	1Q15	1Q14	Change
EPS – Basic	1.34	0.88	52.6%
EPS – Fully Diluted	1.12	0.74	52.6%

Statements of financial position

As at 31 March 2015, the Company reported Total current assets of Baht 9,791 million, an increase from Baht 8,499 million as at 31 December 2014. The variance is mostly due to an increase of Baht 957 million in Cash and cash equivalents and Baht 296 million in Trade and other receivables. Trade receivables were Baht 1,812 million at 31 March 2015 versus Baht 1,516 million at 31 December 2014. The collection period was 36.4 days at 31 March 2015 compared to 34.7 days 31 December 2014, due to timing differences associated with collections on certain Middle East accounts.

Total non-current assets decreased to Baht 10,559 million at 31 March 2015 from Baht 10,645 million at 31 December 2014, mostly due to a decrease in Property, plant and equipment as a result of slow down in addition of CAPEX in 1Q15 and increase in Depreciation and amortization associated with the acquisition of UBSD and the certain campus master plan projects completed in 2014. Total assets grew to Baht 20,349 million at 31 March 2015 from Baht 19,145 million at 31 December 2014.

Total current liabilities were Baht 2,609 million at 31 March 2015, an increase from Baht 2,322 million at 31 December 2014. The variance is mostly due to Baht 225 million additional Income tax payable associated with the increase in taxable operating profit, and Baht 54 million additional Accrued physicians' fees relative to the higher Revenues from hospital operations.

Non-current liabilities was Baht 5,558 million as 31 December 2014 versus Baht 5,563 million 31 March 2015. As a result of the increase in Cash and cash equivalents over the increase in interest payable, Net debt to equity stayed at 0.0x as at 31 March 2015 and 31 December 2014. After adding back the capitalized interest expense related to the campus expansion which was the same amount for both 1Q15 and 1Q14 at Baht 14 million, the Company's Interest coverage ratio improved to 24.4x in 1Q15 from 17.5x in 1Q14, due to higher EBITDA in 1Q15 compared to 1Q14.

Total shareholders' equity grew to Baht 12,183 million at 31 March 2015 from Baht 11,260 million 31 December 2014. This increase resulted from the Company's 1Q15 Net profit of Baht 975 million and change in Non-controlling interests of the subsidiaries of Baht 30 million representing Non-controlling interests of the

subsidiary in Mongolia, and other changes in Retained earnings of Baht 22 million. Average return on assets (ROA) increased from 15.0% in 2014 to 19.7% in 1Q15. Average return on equity (ROE) increased from 26.2% in 2014 to 33.3% in 1Q15.

Unit: Baht million	31-Mar-15	31-Dec-14	Change
Total assets	20,349	19,145	6.3%
Total liabilities	8,166	7,885	3.6%
Total shareholders' equity	12,183	11,260	8.2%
	1Q15	1Q14	
Interest coverage ratio (x)	24.4*	17.5*	
	1Q15	2014	
Average collection period (days)	36.4	34.7	
Average inventory period (days)	10.9	12.3	
Average payables period (days)	29.0	29.8	
Net debt to equity (x)	0.0	0.0	
Average return on assets (%)	19.7%	15.0%	
Average return on equity (%)	33.3%	26.2%	

* After adding back the 1Q15 and 1Q14 capitalized interest expense related to the campus expansion.

Cash flow statements

The Company's Net cash flows from operating activities in 1Q15 were Baht 1,136 million, compared to Baht 1,032 million in 1Q14. This increase was due to additional cash from operations offset with a decrease in working capital, mostly related to the increase in Trade and other receivables. Net cash flows used in investment activities were Baht 161 million in 1Q15, compared to net cash flows from investment activities Baht 963 million in 1Q14. This change was mainly due to Baht 1,572 million less in Short-term investments, offset with Baht 309 million for the Company's portion of the acquisition of the subsidiary in Mongolia, Baht 86 million for the Company's portion of a loan repayment made by the subsidiary in Mongolia in 1Q14, described in the Significant Event section of this document, and Baht 54 million less ongoing capital spending. The Company reported Net cash flows used in financing activities of Baht 17 million in 1Q15 versus Baht 16 million in 1Q14. As a result of the above, Cash and cash equivalents were Baht 5,632 million as at 31 March 2015, compared to Baht 5,118 million as at 31 March 2014.

The Company's Liquidity ratio as at 31 March 2015 slightly increased to 3.8x from 3.7x as at 31 December 2014. Similarly, the Quick ratio increased to 2.9x as at 31 March 2015 from 2.7x as at 31 December 2014.

Unit: Baht million	1Q15	1Q14
Net cash flows from operating activities	1,136	1,032
Net cash flows (used in) from investing activities	(161)	963
Net cash flows used in financing activities	(17)	(16)
Net increase in cash and cash equivalents	957	1,978
Cash and cash equivalents at end of period	5,632	5,118

	31-Mar-15	31-Dec-14
Liquidity ratio (x)	3.8	3.7
Quick ratio (x)	2.9	2.7

Significant Event

On 28 March 2014, Health Horizons Enterprises Pte. Ltd. (“HHE”), an overseas subsidiary 80% owned by the Company, acquired 100% of the common shares of Bumrungrad Mongolia LLC (“BML”), which holds 51% of the common shares of Seoul Seniors Tower LLC (“SST”), for approximately USD 12 million in cash. Additionally, HHE provided a loan of USD 3.3 million to SST, which owns and operates Ulaanbaatar Songdo Hospital (“UBSD”) in Mongolia.

The seller of shares of SST is entitled to receive additional contingent consideration in the form of earn-out payments, provided certain cumulative net profit targets are achieved through 31 December 2016, at the maximum of MNT 10,965.9 million.

The Group has reviewed and reassessed the likelihood that the Group would incur such additional contingent consideration by taking into account the current economic situation and the current performance and forecast operating results of Ulaanbaatar Songdo Hospital for the years 2014 - 2016. As at 31 December 2014, the Group estimated that there is no likelihood that the Group would incur such additional contingent consideration.

HHE's consolidated assets and liabilities, which include SST and BML as of the acquisition date, are included in the Company's consolidated financial statements as from the first quarter of 2014. HHE has recorded the net tangible assets of SST and BML acquired at their fair values as of the acquisition date. The remaining excess of the purchase price over the net value of the tangible assets acquired was allocated as goodwill. The amount of goodwill is approximately USD 3.4 million.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)

Vice Chairman