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9 May 2016

Subject: Management Discussion and Analysis for the first quarter 2016 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 1Q16 results
9 May 2016

Summary

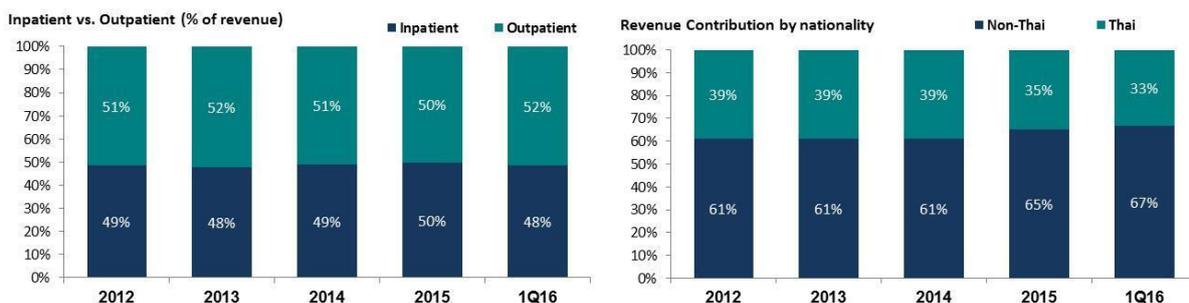
The Company reported Total revenues in 1Q16 of Baht 4,694 million, a 5.3% improvement over 1Q15 revenues of Baht 4,456 million. Net profit for 1Q16 grew 0.3% to Baht 978 million from Baht 975 million in 1Q15, with Net profit margin at 20.8% in 1Q16 compared to 21.9% in 1Q15.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

The Company reported Revenues from hospital operations of Baht 4,618 million, a 5.8% improvement year-over-year from Baht 4,366 million in 1Q15. Inpatient volumes decreased 1.3% and 2.3% in terms of patient days and admissions, respectively, while outpatient volumes declined 1.0% year-over-year. The volume decreases occurred in both Thai and non-Thai patients for outpatient volumes and in non-Thai patients for admissions. Revenue intensity rose 0.4% per admission for inpatient services, attributable to a higher average length of stay for non-Thai patients, and increased 3.9% for outpatient services. The combined results of the above resulted in inpatient service revenue growth of 3.1% with outpatient service revenues advancing 7.9%. The revenue contribution from inpatient services in 1Q16 was 48.4% and from outpatient services was 51.6%, compared with 49.5% and 50.5%, respectively, for 1Q15. In terms of revenues by market segment, non-Thai patients accounted for 67.0% of the total in 1Q16, with the remaining 33.0% from Thai patients, compared to 65.4% and 34.6% for non-Thai and Thai patients, respectively, in 1Q15. The change from the prior year was mostly due to the growth in patient days associated with the increased average length of stay in non-Thai business in 1Q16.



Rental income was Baht 16 million in 1Q16 compared with Baht 14 million in 1Q15. Exchange gains decreased to Baht 6 million in 1Q16 from Baht 12 million in 1Q15 mostly from a reduction in the foreign exchange rate. Interest income decreased to Baht 29 million in 1Q16 from Baht 38 million in 1Q15, due to a decrease in the effective interest rate.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,625 million for 1Q16, or 4.5% more year-over-year from Baht 2,513 million in 1Q15. This represents a favorable change when compared to the 5.8% growth in Revenues from hospital operations. The percentage of cost to Revenues from hospital operations improved from 57.5% in 1Q15 to 56.8% in 1Q16. Administrative expenses (including Depreciation and amortization) were Baht 815 million in 1Q16, or 16.5% more than Baht 699 million in 1Q15. The increase in Administrative expenses was mostly due to Baht 40 million more in staff costs, largely associated with additional staff to fill open positions from the previous year, annual merit increases, and additional staff to support the IBM Watson project; Baht 29 million more in Depreciation and amortization; Baht 19 million more in bad debt expense, mostly from additional provision for certain self-pay accounts; and Baht 12 million more in donation expense. EBITDA grew 3.4% year-over-year from Baht 1,452 million in 1Q15 to Baht 1,501 million in 1Q16, with an EBITDA margin of 32.2% in 1Q16 compared to 32.9% in 1Q15.

Depreciation and amortization was Baht 276 million in 1Q16 compared to Baht 246 million in 1Q15.

Corporate income tax of Baht 235 million in 1Q16 was higher than Baht 228 million in 1Q15, mostly due to Baht 6 million tax benefit from loss on impairment of investment in AGH in 1Q15 and Baht 4 million additional taxes due to higher taxable operating profit in 1Q16 compared with 1Q15, offset by an increase in a tax benefit of Baht 3 million associated with outside training.

Basic EPS for 1Q16 of Baht 1.34 was 0.3% higher than 1Q15, while 1Q16 Diluted EPS increased at the same rate to Baht 1.13 from Baht 1.12 in 1Q15.

Income statements			
(Unit: Baht million)	1Q16	1Q15	Change
Revenues from hospital operations	4,618	4,366	5.8%
Total revenues	4,694	4,456	5.3%
EBITDA	1,501	1,452	3.4%
Net profit	978	975	0.3%
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<i>EBITDA margin</i>	32.2%	32.9%	
<i>Net profit margin</i>	20.8%	21.9%	
EPS			
(Unit: Baht)	1Q16	1Q15	Change
EPS – Basic	1.34	1.34	0.3%
EPS – Fully Diluted	1.13	1.12	0.3%

Statements of financial position

As at 31 March 2016, the Company reported Total current assets of Baht 11,308 million, an increase from Baht 10,088 million as at 31 December 2015. The variance comes mostly from a net increase of Baht 1,246 in Cash, cash equivalents, and Short-term investments, mostly due to increased cash from operating activities. Trade receivables were Baht 2,259 million as at 31 March 2016 versus Baht 2,309 million as at 31 December 2015. The collection period was 47.0 days as at 31 March 2016 compared to 41.3 days as at 31 December 2015, due to timing differences associated with collections on certain Middle East accounts.

Total non-current assets increased to Baht 11,253 million as at 31 March 2016 from Baht 11,209 million as at 31 December 2015, mostly due to an increase in Property, plant and equipment of Baht 29 million and an increase in Deferred tax assets of Baht 15 million. Total assets grew to Baht 22,561 million as at 31 March 2016 from Baht 21,298 million as at 31 December 2015.

Total current liabilities were Baht 4,367 million as at 31 March 2016, an increase from Baht 4,056 million as at 31 December 2015. The variance was mostly due to Baht 241 million additional Income tax payable associated with the increase in taxable operating profit, and Baht 116 million additional Trade and other payables.

Non-current liabilities were Baht 4,163 million as at 31 March 2016, an increase from Baht 4,141 million as at 31 December 2015. The change was primarily from Baht 21 million increase in Provision for long-term employee benefits. Cash and cash equivalent balances continued to exceed outstanding debt balances, resulting in net cash versus net debt position as at 31 March 2016. The Company's Interest coverage ratio improved to 25.0x in 1Q16 from 24.4x in 1Q15, due to higher EBITDA in 1Q16 compared to 1Q15.

Total shareholders' equity grew to Baht 14,031 million as at 31 March 2016 from Baht 13,100 million as at 31 December 2015. This increase resulted from the Company's 1Q16 Net profit of Baht 978 million; offset by other changes in Retained earnings of Baht 35 million; and the change in Non-controlling interests of subsidiaries of Baht 13 million related to Mongolia and Myanmar. Average return on assets (ROA) increased from 17.0% in 2015 to 17.8% in 1Q16. Average return on equity (ROE) increased from 28.2% in 2015 to 28.8% in 1Q16.

Unit: Baht million	31-Mar-16	31-Dec-15	Change
Total assets	22,561	21,297	5.9%
Total liabilities	8,530	8,197	4.1%
Total shareholders' equity	14,031	13,100	7.1%
	1Q16	1Q15	
Interest coverage ratio (x)	25.0*	24.4*	
	1Q16	2015	
Average collection period (days)	47.0	41.3	
Average inventory period (days)	11.3	11.2	
Average payables period (days)	27.8	28.2	
Net debt to equity (x)	(0.2)	0.0	
Average return on assets (%)	17.8%	17.0%	
Average return on equity (%)	28.8%	28.2%	

* After adding back the 1Q16 and 1Q15 capitalized interest expense related to the campus expansion.

Cash flow statements

The Company's Net cash flows from operating activities in 1Q16 were Baht 1,449 million, compared to Baht 1,136 million in 1Q15. This increase was primarily due to an increase in working capital, mostly related to the decrease in Trade and other receivables. Net cash flows provided by investment activities were Baht 1,690 million in 1Q16, compared to net cash flows used in investment activities of Baht 161 million in 1Q15. This variance was mainly due to Baht 1,857 million change between Short-term investments and Cash and cash equivalents. The Company reported Net cash flows used in financing activities of Baht 16 million in 1Q16 versus Baht 17 million in 1Q15. As a result of the above, Cash and cash equivalents increased to Baht 8,177 million as at 31 March 2016, compared to Baht 5,632 million as at 31 March 2015.

The Company's Liquidity ratio as at 31 March 2016 increased to 2.6x from 2.5x as at 31 December 2015. Similarly, the Quick ratio increased to 2.4x as at 31 March 2016 from 1.8x as at 31 December 2015.

Unit: Baht million	1Q16	1Q15
Net cash flows from operating activities	1,449	1,136
Net cash flows from (used in) investing activities	1,690	(161)
Net cash flows used in financing activities	(16)	(17)
Net increase in cash and cash equivalents	3,123	957
Cash and cash equivalents at end of period	8,177	5,632

	31-Mar-16	31-Dec-15
Liquidity ratio (x)	2.6	2.5
Quick ratio (x)	2.4	1.8

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanhiphat, MD)

Vice Chairman