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

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for Consolidated 3Q16 results
3 November 2016

Summary

The Company reported Total revenues in 3Q16 of Baht 4,640 million, a 5.6% increase from 3Q15 revenues of Baht 4,393 million. Net profit for 3Q16 grew 14.5% to Baht 966 million from Baht 843 million in 3Q15, with Net profit margin at 20.8% in 3Q16 compared to 19.2% in 3Q15.

Total revenues for 9M16 increased to Baht 13,741 million, producing a 3.2% improvement over 9M15 revenues of Baht 13,311 million. Net profit rose 5.0% to Baht 2,801 million in 9M16 from Baht 2,667 million in 9M15, with Net profit margin at 20.4% in 9M16 compared to 20.0% in 9M15.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

The Company reported Revenues from hospital operations of Baht 4,579 million, a 6.1% improvement year-over-year from Baht 4,315 million in 3Q15. Outpatient volumes grew 1.2% in 3Q16 compared with 3Q15, mostly due to growth of 2.7% from international markets and 0.3% from the Thai market. Inpatient volumes advanced 1.1% in terms of admissions but declined 6.4% in terms of patient days. The increase in admissions was mostly due to a 7.3% rise year-over-year from the Thai market, offset by a 5.4% decline in international admissions. The fewer patient days resulted mostly from a lower average length of stay for non-Thai patients. Revenue intensity improved 2.4% for outpatient services and 3.2% on a patient-day basis for inpatient services. The combined results of the above produced outpatient service revenue growth of 8.6% and inpatient service revenue growth of 1.8%. The revenue contribution from inpatient services in 3Q16 was 47.1% and from outpatient services 52.9%, compared with 48.7% and 51.3%, respectively, for 3Q15.

Exchange gains decreased to Baht 1 million in 3Q16 from Baht 12 million in 3Q15, mostly from variations in the foreign exchange rate between billing and payment dates of certain Middle East accounts.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,618 million for 3Q16, or 2.6% more year-over-year from Baht 2,551 million in 3Q15. This represents a favorable change when compared to the 6.1% growth in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 57.2% in 3Q16 compared to 59.1% in 3Q15. Administrative expenses (including Depreciation and amortization) were Baht 798 million in 3Q16, or 5.7% more than Baht 755 million in 3Q15. The increase was mostly due to increased Depreciation and amortization, cost associated with the Company's 36th Anniversary, and certain marketing related expenses. EBITDA increased by 12.6% year-over-year to Baht 1,483 million in 3Q16 from Baht 1,317 million in 3Q15, with an EBITDA margin of 32.2% in 3Q16 compared to 30.2% in 3Q15.

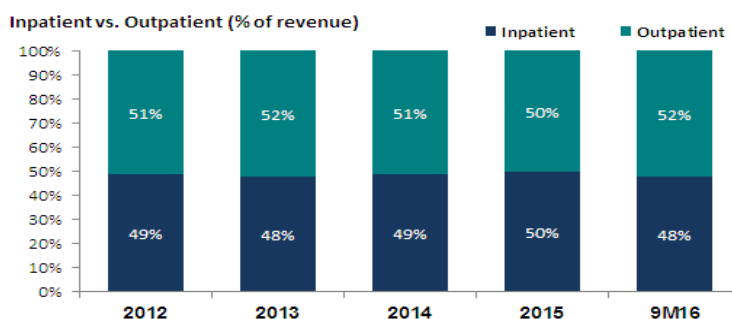
Ongoing capital spending and accelerated depreciation associated with the campus expansion contributed to higher 3Q16 Depreciation and amortization of Baht 287 million from Baht 264 million in 3Q15.

Corporate income tax was Baht 212 million in 3Q16 compared with Baht 199 million in 3Q15. The variance is mostly due to Baht 25 million additional taxes from higher taxable operating profit in 3Q16 compared with 3Q15.

Basic EPS for 3Q16 of Baht 1.33 was 14.5% more than Baht 1.16 in 3Q15, while 3Q16 Diluted EPS increased at the same rate to Baht 1.11 from Baht 0.97 in 3Q15.

Nine Months Operational Performance

Revenues from hospital operations were Baht 13,534 million for 9M16, a 3.7% improvement year-over-year from Baht 13,055 million in 9M15. Outpatient volumes declined 1.2% year-over-year, while inpatient volumes decreased 3.0% and 6.2% in terms of admissions and patient days, respectively. The volumes decline occurred mostly from the international market, while Thai and expat volumes grew in both admissions and outpatient visits. Thai volumes advanced 3.9% and 0.5% for admissions and outpatient visits, respectively, while expat volumes increased 6.3% in admissions and 3.7% in outpatient visits. The reduction in patient days resulted mostly from a decline in international admissions and a lower average length of stay from the Thai market. Revenue intensity for outpatient services improved 1.8% year-over-year, while inpatient service intensity improved 2.4% year-over-year on a patient-day basis. The combined results of the above produced outpatient service revenue growth of 5.6% with inpatient service revenue increasing 1.2%. The revenue contribution from inpatient services in 9M16 was 48.3% and from outpatient services was 51.7%, compared with 49.4% and 50.6%, respectively, for 9M15.



Exchange gains decreased to Baht 17 million in 9M16 from Baht 37 million in 9M15 mostly from variations in the foreign exchange rate between billing and payment dates of certain Middle East accounts.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 7,831 million for 9M16, or 1.7% more year-over-year from Baht 7,698 million in 9M15. This represents a favorable change when compared to the 3.7% growth in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 57.9% in 9M16 from 59.0% in 9M15. Administrative expenses (including Depreciation and amortization) were Baht 2,333 million in 9M16, increasing 7.2% from Baht 2,177 million in 9M15. This change included increased staff and marketing costs, as well as additional Depreciation and amortization. EBITDA grew 5.8% year-over-year to Baht 4,338 million in 9M16 from Baht 4,101 million in 9M15, with the EBITDA margin of 31.8% in 9M16 compared with 31.1% in 9M15.

Ongoing capital spending and accelerated depreciation associated with the campus expansion contributed to higher 9M16 Depreciation and amortization of Baht 848 million from Baht 772 million in 9M15.

Corporate income tax of Baht 633 million in 9M16 was less than Baht 639 million in 9M15. The variance is mostly due to certain tax benefits, somewhat offset by higher taxable operating profit in 9M16 compared with 9M15.

Basic EPS for 9M16 of Baht 3.84 was 5.0% higher than Baht 3.66 in 9M15, while 9M16 Diluted EPS increased at the same rate to Baht 3.23 from Baht 3.07 in 9M15.

Income statements						
(Unit: Baht million)	3Q16	3Q15	Change	9M16	9M15	Change
Revenues from hospital operations	4,579	4,315	6.1%	13,534	13,055	3.7%
Total revenues	4,640	4,393	5.6%	13,741	13,311	3.2%
EBITDA	1,483	1,317	12.6%	4,338	4,101	5.8%
Net profit	966	843	14.5%	2,801	2,667	5.0%
<i>EBITDA margin</i>	32.2%	30.2%		31.8%	31.1%	
<i>Net profit margin</i>	20.8%	19.2%		20.4%	20.0%	
EPS						
(Unit: Baht)	3Q16	3Q15	Change	9M16	9M15	Change
EPS – Basic	1.33	1.16	14.5%	3.84	3.66	5.0%
EPS – Fully Diluted	1.11	0.97	14.5%	3.23	3.07	5.0%

Statements of financial position

As at 30 September 2016, the Company reported Total current assets of Baht 10,468 million, an increase from Baht 10,088 million as at 31 December 2015. The variance is mostly due to an increase of Baht 863 million in Cash, Cash equivalents, and Short-term investments, mostly due to increased cash from operating activities, offset by cash paid for Property, plant and equipment and dividend payment. Trade receivables were Baht 1,846 million as at 30 September 2016 versus Baht 2,309 million as at 31 December 2015. The collection period was 44.3 days as at 30 September 2016 compared to 41.3 days as at 31 December 2015, due largely to timing differences associated with collections on certain Middle East accounts.

Total non-current assets increased to Baht 11,534 million as at 30 September 2016 from Baht 11,209 million as at 31 December 2015, mostly due to an increase in Property, plant and equipment.

Total current liabilities were Baht 3,795 million as at 30 September 2016, a decrease from Baht 4,056 million as at 31 December 2015. The variance was mostly due to Baht 158 million less in Corporate income tax payable and Baht 106 million less in Accrued physicians' fees.

Cash and cash equivalent balances continued to exceed outstanding debt balances, resulting in a net cash versus net debt position as at 30 September 2016. The Company's Interest coverage ratio improved to 24.0x in 9M16 compared to 22.8x in 9M15, due to higher EBITDA in 9M16 compared to 9M15. Interest expense has been reduced by Baht 22 million and Baht 41 million in 9M16 and 9M15, respectively, for capitalized interest associated with the campus expansion project.

Total shareholders' equity grew to Baht 13,997 million as at 30 September 2016 from Baht 13,100 million as at 31 December 2015. This increase resulted from the Company's 9M16 Net profit of Baht 2,801 million, offset with a dividend payment of Baht 1,752 million. Average return on assets (ROA) was 17.3% in 9M16 compared with 17.0% in 2015. Average return on equity (ROE) was 27.6% in 9M16 compared with 28.2% in 2015.

Unit: Baht million	30-Sep-16	31-Dec-15	Change
Total assets	22,002	21,297	3.3%
Total liabilities	8,005	8,197	-2.3%
Total shareholders' equity	13,997	13,100	6.8%
	9M16	9M15	
Interest coverage ratio (x)	24.0*	22.8*	
	9M16	2015	
Average collection period (days)	44.3	41.3	
Average inventory period (days)	11.0	11.2	
Average payables period (days)	27.4	28.2	
Net debt to equity (x)	(0.0)	0.0	
Average return on assets (%)	17.3%	17.0%	
Average return on equity (%)	27.6%	28.2%	

* After adding back the 9M16 and 9M15 capitalized interest expense related to the campus expansion.

Cash flow statements

The Company's Net cash flows from operating activities in 9M16 were Baht 3,827 million, compared to Baht 2,753 million in 9M15. This increase was mainly due to Baht 840 million more in working capital, mostly related to Baht 1,187 million reduction in Trade and other receivables. Net cash flows used in investment activities were Baht 1,208 million in 9M16, compared with Baht 866 million in 9M15. This variance was mainly due to Baht 552 million more ongoing capital spending in 9M16, offset with Baht 258 million decrease in Short-term investments. The Company reported Net cash flows used in financing activities of Baht 1,879 million in 9M16 versus Baht 1,715 million in 9M15, mostly as a result of the Baht 182 million

increased dividend payment. As a result of the above, Cash and cash equivalents increased to Baht 5,786 million as at 30 September 2016, compared to Baht 4,849 million as at 30 September 2015.

The Company's Liquidity ratio as at 30 September 2016 improved to 2.8x from 2.5x as at 31 December 2015. Similarly, the Quick ratio improved to 2.0x as at 30 September 2016 from 1.8x as at 31 December 2015.

Unit: Baht million	9M16	9M15
Net cash flows from operating activities	3,827	2,753
Net cash flows used in investing activities	(1,208)	(866)
Net cash flows used in financing activities	(1,879)	(1,715)
Net increase in cash and cash equivalents	731	174
Cash and cash equivalents at end of period	5,786	4,849
	30-Sep-16	31-Dec-15
Liquidity ratio (x)	2.8	2.5
Quick ratio (x)	2.0	1.8

Revenue Guidance Revision

As previously noted, the Company has adjusted revenue guidance for FY 2016 due to volume pressures in the international sector. Although volumes were materially affected by the Mongolian market, the revenue impact was immaterial. The Middle East volume declines do materially affect revenue. However, the revenue intensity for these same patients remained at high levels for 9M16. In consideration of significant world economic pressures and corresponding oil price declines, the Company has changed its guidance for revenue from 8% to 10% growth to flat growth with a potential variance of 2% for the full year of 2016.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)

Vice Chairman