

28 April 2017

Subject: Management Discussion and Analysis for the first quarter 2017 results

To: Directors and Manager  
The Stock Exchange of Thailand

**Bumrungrad Hospital PCL.**  
**Management Discussion and Analysis for Consolidated 1Q17 results**  
**28 April 2017**

## Summary

The Company reported Total revenues in 1Q17 of Baht 4,495 million, a 4.2% decline from 1Q16 revenues of Baht 4,694 million. Net profit for 1Q17 grew 2.8% to Baht 1,005 million from Baht 978 million in 1Q16, with Net profit margin at 22.4% in 1Q17 compared to 20.8% in 1Q16.

Details of the management discussion and analysis follow:

## Income statements

### Quarterly Operational Performance

The Company reported Revenues from hospital operations of Baht 4,436 million, a 4.0% decline year-over-year from Baht 4,618 million in 1Q16. This was mostly due to the 4.6% decrease in revenues from non-Thai patients and 0.4% decrease in revenues from Thai patients. As a result, the revenue contribution from Thai patients in 1Q17 was 34.0% and from non-Thai patients was 66.0%, compared with 33.0% and 67.0%, respectively, for 1Q16.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,495 million for 1Q17, or 6.5% less year-over-year from Baht 2,667 million in 1Q16. This represents a favorable change when compared to the 4.0% drop in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 56.2% in 1Q17 compared with 57.8% in 1Q16. Administrative expenses (including Depreciation and amortization) were Baht 739 million in 1Q17, or 4.4% less than Baht 773 million in 1Q16. EBITDA increased by 2.3% year-over-year to Baht 1,535 million in 1Q17 from Baht 1,501 million in 1Q16, with an EBITDA margin of 34.3% in 1Q17 compared to 32.2% in 1Q16.

Ongoing capital spending and accelerated depreciation associated with the campus expansion contributed to higher 1Q17 Depreciation and amortization of Baht 296 million from Baht 276 million in 1Q16.

Corporate income tax of Baht 220 million in 1Q17 was less than Baht 235 million in 1Q16. The variance is mostly due to certain tax benefits.

Basic EPS for 1Q17 of Baht 1.38 was 2.8% more than Baht 1.34 in 1Q16, while 1Q17 Diluted EPS increased at the same rate to Baht 1.16 from Baht 1.13 in 1Q16.

Income statements			
(Unit: Baht million)	1Q17	1Q16	Change
Revenues from hospital operations	4,436	4,618	-4.0%
Total revenues	4,495	4,694	-4.2%
EBITDA	1,535	1,501	2.3%
Net profit	1,005	978	2.8%
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<i>EBITDA margin</i>	34.3%	32.2%	
<i>Net profit margin</i>	22.4%	20.8%	
EPS			
(Unit: Baht)	1Q17	1Q16	Change
EPS – Basic	1.38	1.34	2.8%
EPS – Fully Diluted	1.16	1.13	2.8%

## Statements of financial position

As at 31 March 2017, the Company reported Total current assets of Baht 10,003 million, an increase from Baht 8,803 million as at 31 December 2016. The variance is mostly due to an increase of Baht 1,481 million in Cash, Cash equivalents, and Short-term investments, due to Baht 1,693 million increase in cash from operations, offset with Baht 216 million capital spending in 1Q17. Trade receivables were reduced by Baht 265 million, or 15.8%, to Baht 1,417 million as at 31 March 2017 from Baht 1,682 million as at 31 December 2016. The collection period was improved to 36.3 days as at 31 March 2017 from 43.8 days as at 31 December 2016, due largely to timing differences associated with collections on certain Middle East accounts.

Total non-current assets decreased to Baht 12,454 million as at 31 March 2017 from Baht 12,527 million as at 31 December 2016, mostly due to a decrease in Property, plant and equipment as a result of a normal level of Depreciation and amortization expense outpacing a reduced level of capital expenditure additions in 1Q17, due to the timing of expenditures.

Total current liabilities were Baht 2,494 million as at 31 March 2017, an increase from Baht 2,358 million as at 31 December 2016. The variance was mostly due to Baht 221 million additional Income tax payable associated with the increase in taxable operating profit, offset with Baht 75 million less in various Accrued expenses.

Cash and cash equivalent balances continued to exceed outstanding debt balances, resulting in a net cash versus net debt position as at 31 March 2017. The Company's Interest coverage ratio improved to

35.3x in 1Q17 from 25.0x in 1Q16, due to higher EBITDA in 1Q17 compared to 1Q16 and less interest expenses associated with the Baht 1,500 million repayment of the Series 1 debentures in December 2016. Interest expense has been reduced by Baht 4 million and Baht 14 million in 1Q17 and 1Q16, respectively, for capitalized interest associated with the campus expansion project.

Total shareholders' equity grew to Baht 15,761 million as at 31 March 2017 from Baht 14,788 million as at 31 December 2016. This increase resulted mostly from the Company's 1Q17 Net profit of Baht 1,005 million. Average return on assets (ROA) increased to 18.4% in 1Q17 from 17.0% in 2016. Average return on equity (ROE) increased to 26.3% in 1Q17 from 26.0% in 2016.

Unit: Baht million	31-Mar-17	31-Dec-16	Change
Total assets	22,457	21,330	5.3%
Total liabilities	6,696	6,542	2.4%
Total shareholders' equity	15,761	14,788	6.6%
	1Q17	1Q16	
Interest coverage ratio (x)	35.3*	25.0*	
	1Q17	2016	
Average collection period (days)	36.3	43.8	
Average inventory period (days)	11.4	11.6	
Average payables period (days)	27.9	28.0	
Net debt to equity (x)	(0.0)	(0.1)	
Average return on assets (%)	18.4%	17.0%	
Average return on equity (%)	26.3%	26.0%	

\* After adding back the 1Q17 and 1Q16 capitalized interest expense related to the campus expansion.

## Cash flow statements

The Company's Net cash flows from operating activities in 1Q17 were Baht 1,693 million, compared to Baht 1,449 million in 1Q16. This increase was mainly due to Baht 225 million more in working capital, mostly related to Baht 238 million reduction in Trade and other receivables. Net cash flows used in investment activities were Baht 2,488 million in 1Q17, compared to net cash flows provided by investment activities of Baht 1,690 million in 1Q16. This variance was mainly due to Baht 4,169 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 both 1Q17 and 1Q16. As a result of the above, Cash and cash equivalents decreased to Baht 4,344 million as at 31 March 2017, compared to Baht 8,177 million as at 31 March 2016.

The Company's Liquidity ratio as at 31 March 2017 improved to 4.0x from 3.7x as at 31 December 2016, while the Quick ratio as at 31 March 2017 was 2.3x, compared to 2.9x as at 31 December 2016.

Unit: Baht million	1Q17	1Q16
Net cash flows from operating activities	1,693	1,449
Net cash flows (used in) from investing activities	(2,488)	1,690
Net cash flows used in financing activities	(16)	(16)
Net (decrease) increase in cash and cash equivalents	(811)	3,123
Cash and cash equivalents at end of period	4,344	8,177
	31-Mar-17	31-Dec-16
Liquidity ratio (x)	4.0	3.7
Quick ratio (x)	2.3	2.9

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)

Vice Chairman