

9 November 2017

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

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for Consolidated 3Q17 results
9 November 2017

Summary

The Company reported Total revenues in 3Q17 of Baht 4,896 million, a 5.5% improvement from 3Q16 revenues of Baht 4,640 million. Net profit for 3Q17 grew 9.3% to Baht 1,056 million from Baht 966 million in 3Q16, with Net profit margin at 21.6% in 3Q17 compared to 20.8% in 3Q16.

Total revenues for 9M17 increased to Baht 13,861 million, or 0.9% more than Baht 13,741 million in 9M16. Net profit rose 7.8% to Baht 3,021 million in 9M17 from Baht 2,801 million in 9M16, with Net profit margin at 21.8% in 9M17 compared to 20.4% in 9M16.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

The Company reported Revenues from hospital operations of Baht 4,829 million, a 5.5% improvement year-over-year from Baht 4,579 million in 3Q16. This was mostly due to the increase in revenues from Thai and non-Thai patients by 1.9% and 8.9%, respectively. As a result, the revenue contribution from Thai patients in 3Q17 was 35.5% and from non-Thai patients was 64.5%, compared with 37.1% and 62.9%, respectively, for 3Q16.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,756 million for 3Q17, or 5.2% more year-over-year from Baht 2,620 million in 3Q16. This represents a favorable change when compared to the 5.5% growth in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 57.1% in 3Q17 compared with 57.2% in 3Q16. Administrative expenses (including Depreciation and amortization) were Baht 824 million in 3Q17, or 3.6% more year-over-year from Baht 796 million in 3Q16. EBITDA increased by 7.2% year-over-year to Baht 1,589 million in 3Q17 from Baht 1,483 million in 3Q16, with an EBITDA margin of 32.6% in 3Q17 compared to 32.2% in 3Q16.

Ongoing capital spending contributed to higher 3Q17 Depreciation and amortization of Baht 302 million from Baht 287 million in 3Q16.

Corporate income tax of Baht 223 million in 3Q17 was higher than Baht 212 million in 3Q16. The variance is mostly due to the increase in taxable operating profit.

Basic EPS for 3Q17 of Baht 1.45 was 9.3% more than Baht 1.33 in 3Q16, while 3Q17 Diluted EPS increased at the same rate to Baht 1.22 from Baht 1.11 in 3Q16.

Nine Months Operational Performance

The Company reported Revenues from hospital operations of Baht 13,681 million, a 1.1% improvement year-over-year from Baht 13,534 million in 9M16. This was mostly due to the 1.8% increase in revenues from both Thai and non-Thai patients. As a result, the revenue contribution from Thai patients and from non-Thai patients for both 9M17 and 9M16 was 35.3% and 64.7%, respectively.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 7,770 million for 9M17, or 0.9% less year-over-year from Baht 7,838 million in 9M16. This represents a favorable change when compared to the 1.1% growth in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 56.8% in 9M17 compared with 57.9% in 9M16. Administrative expenses (including Depreciation and amortization) were Baht 2,299 million in 9M17, or 1.2% less than Baht 2,326 million in 9M16. EBITDA increased by 6.2% year-over-year to Baht 4,609 million in 9M17 from Baht 4,338 million in 9M16, with an EBITDA margin of 33.4% in 9M17 compared to 31.8% in 9M16.

Ongoing capital spending contributed to higher 9M17 Depreciation and amortization of Baht 894 million from Baht 848 million in 9M16.

Corporate income tax of Baht 660 million in 9M17 was higher than Baht 633 million in 9M16. The variance is mostly due to the increase in taxable operating profit, partially offset with the increase in tax benefit related to capital spending.

Basic EPS for 9M17 of Baht 4.15 was 7.8% more than Baht 3.84 in 9M16, while 9M17 Diluted EPS increased at the same rate to Baht 3.48 from Baht 3.23 in 9M16.

Income statements						
(Unit: Baht million)	3Q17	3Q16	Change	9M17	9M16	Change
Revenues from hospital operations	4,829	4,579	5.5%	13,681	13,534	1.1%
Total revenues	4,896	4,640	5.5%	13,861	13,741	0.9%
EBITDA	1,589	1,483	7.2%	4,609	4,338	6.2%
Net profit	1,056	966	9.3%	3,021	2,801	7.8%
<i>EBITDA margin</i>	32.6%	32.2%		33.4%	31.8%	
<i>Net profit margin</i>	21.6%	20.8%		21.8%	20.4%	

EPS (Unit: Baht)	3Q17	3Q16	Change	9M17	9M16	Change
EPS – Basic	1.45	1.33	9.3%	4.15	3.84	7.8%
EPS – Fully Diluted	1.22	1.11	9.3%	3.48	3.23	7.8%

Statements of financial position

As at 30 September 2017, the Company reported Total current assets of Baht 9,941 million, an increase from Baht 8,803 million as at 31 December 2016. The variance is mostly due to an increase of Baht 1,238 million in Cash, Cash equivalents, and Short-term investments, due to Baht 4,081 million increase in cash from operations, offset with Baht 1,858 million dividend payment and Baht 923 million capital spending in 9M17. Trade receivables were reduced by Baht 81 million, or 4.8%, to Baht 1,601 million as at 30 September 2017 from Baht 1,682 million as at 31 December 2016. The collection period improved to 37.0 days as at 30 September 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 increased to Baht 12,557 million as at 30 September 2017 from Baht 12,527 million as at 31 December 2016.

Total current liabilities were Baht 2,397 million as at 30 September 2017, an increase from Baht 2,358 million as at 31 December 2016. The variance was mostly due to Baht 169 million additional accrued expenses, offset with Baht 145 million less Corporate income tax payable.

The Company's Interest coverage ratio improved to 34.9x in 9M17 from 24.0x in 9M16, due to higher EBITDA in 9M17 compared to 9M16 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 17 million and Baht 22 million in 9M17 and 9M16, respectively, for capitalized interest associated with the campus expansion project.

Total shareholders' equity grew to Baht 15,879 million as at 30 September 2017 from Baht 14,788 million as at 31 December 2016. This increase resulted mostly from the Company's 9M17 Net profit of Baht 3,021 million, offset with Baht 1,861 million dividend payment. Average return on assets (ROA) increased to 18.4% in 9M17 from 17.0% in 2016. Average return on equity (ROE) was 26.3% in 9M17, compared to 26.0% in 2016.

Unit: Baht million	30-Sep-17	31-Dec-16	Change
Total assets	22,497	21,330	5.5%
Total liabilities	6,618	6,542	1.2%
Total shareholders' equity	15,879	14,788	7.4%

	9M17	9M16
Interest coverage ratio (x)	34.9*	24.0*

	9M17	2016
Average collection period (days)	37.0	43.8
Average inventory period (days)	11.3	11.6
Average payables period (days)	27.9	28.0
Net debt to equity (x)	0.1	(0.1)
Average return on assets (%)	18.4%	17.0%
Average return on equity (%)	26.3%	26.0%

* After adding back the 9M17 and 9M16 capitalized interest expenses related to the campus expansion.

Cash flow statements

The Company's Net cash flows from operating activities in 9M17 were Baht 4,081 million, compared to Baht 3,827 million in 9M16. This increase was mainly due to Baht 261 million additional cash from operations. Net cash flows used in investment activities were Baht 5,161 million in 9M17, compared to Baht 1,208 million in 9M16. This variance was mainly due to Baht 4,162 million change between Short-term investments and Cash and cash equivalents. The Company reported Net cash flows used in financing activities of Baht 1,976 million in 9M17, compared to Baht 1,879 million in 9M16. As a result of the above, Cash and cash equivalents was Baht 2,098 million as at 30 September 2017, compared to Baht 5,786 million as at 30 September 2016.

The Company's Liquidity ratio as at 30 September 2017 improved to 4.1x from 3.7x as at 31 December 2016, while the Quick ratio as at 30 September 2017 was 1.5x, compared to 2.9x as at 31 December 2016.

Unit: Baht million	9M17	9M16
Net cash flows from operating activities	4,081	3,827
Net cash flows used in investing activities	(5,161)	(1,208)
Net cash flows used in financing activities	(1,976)	(1,879)
Net (decrease) increase in cash and cash equivalents	(3,056)	731
Cash and cash equivalents at end of period	2,098	5,786

	30-Sep-17	31-Dec-16
Liquidity ratio (x)	4.1	3.7
Quick ratio (x)	1.5	2.9

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)
Chairman of the Board