



***Analyst Meeting No.4/2014  
(3Q14 Results Update)***

# **Bumrungrad Hospital Public Company Limited**



***13 November 2014***

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# Overview

## Operational Update

• Outpatient and inpatient volumes advanced 12.7% and 13.7%, respectively, in 3Q14 compared with 3Q13, with most of the increase due to volumes contributed by the UBSD acquisition. Excluding UBSD, outpatient and inpatient volumes grew 1.1% and 1.2%, respectively. Impacted by the significantly lower intensity services provided by UBSD compared to those provided by the Company, revenue intensity declined 8.5% and 7.2% for outpatient and inpatient services, respectively. Revenue intensity, excluding UBSD, rose 4.2% for inpatient services and was flat for outpatient services. The combined results of the above resulted in outpatient service revenues advancing 9.6% while inpatient service revenues grew 11.9%. The revenue contribution from inpatient services in 3Q14 was 48.4% and from outpatient services was 51.6%, compared with 47.9% and 52.1%, respectively, for 3Q13. In terms of revenues by market segment, international patients accounted for 60.1% of the total in 3Q14, with the remaining 39.9% from Thai patients, reflecting a small increase in the 39.8% from Thai patients in 3Q13.

## Financial Performance

|                | <u>3Q14 growth</u> | <u>YTD Sep14 growth</u> |
|----------------|--------------------|-------------------------|
| Total revenues | 9.8%               | 6.8%                    |
| EBITDA         | 12.8%              | 11.0%                   |
| Net profit     | 9.3%               | 7.8%                    |

## Updates and Ongoing Focus

- BI Bangkok license capacity increased to 580 beds
- Thailand
- International

# Agenda

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*Strategy*

*Operational Update*

*Financial Performance*

# Strategy

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## Bumrungrad International Hospital

- Campus expansion
- Doctor recruitment in subspecialties
- Advanced technology
- Skilled work force

## Thailand

- Development of the Bumrungrad Network
- Expand into a new market segment – 2<sup>nd</sup> Brand

## International

- Evolve UB Songdo into a regional referral hospital
- Review of selective opportunities in existing referral markets

# Strategy (Detail)

|  |   |                   |                   |                   |                   |                     |
|--|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| <p><b>Clinics</b></p>                                    | <ul style="list-style-type: none"> <li>• Opened 5 floors in Bumrungrad International Clinic on 23 May 2013</li> <li>• Expand clinics in Bumrungrad International Hospital</li> </ul>  |                   |                   |                   |                   |                     |
| <p><b>Inpatient</b></p>                                  | <ul style="list-style-type: none"> <li>• Added 18 ICU beds and 58 ward beds in Bumrungrad International Hospital building</li> <li>• Expand ancillary services</li> </ul>   |                   |                   |                   |                   |                     |
| <p><b>2<sup>nd</sup> Campus</b></p>                      | <ul style="list-style-type: none"> <li>• Bought 8,200 sq. meters of land on Petchburi Road.</li> <li>• Applying for a bonus FAR of 19.2%</li> </ul>   |                   |                   |                   |                   |                     |
| <p><b>Acquire Additional Capacity</b></p>                | <ul style="list-style-type: none"> <li>• Bought 6,178 sq. meters of land on Sukhumvit Soi 1 to initially develop a parking structure</li> <li>• Renovation of Bumrungrad Tower for employee houses and back office functions</li> </ul> |                   |                   |                   |                   |                     |
| <p><b>International</b></p>                              | <ul style="list-style-type: none"> <li>• Acquired controlling interest in UB Songdo hospital</li> </ul>   |                   |                   |                   |                   |                     |
| <p><b>Estimated Capital Investment (Million THB)</b></p> | <p><b>Y14</b></p>   | <p><b>Y15</b></p> | <p><b>Y16</b></p> | <p><b>Y17</b></p> | <p><b>Y18</b></p> | <p><b>Total</b></p> |
|  | <p>410</p>  | <p>1,807</p>      | <p>2,191</p>      | <p>4,597</p>      | <p>446</p>        | <p>9,451</p>        |

# Master Plan Changes

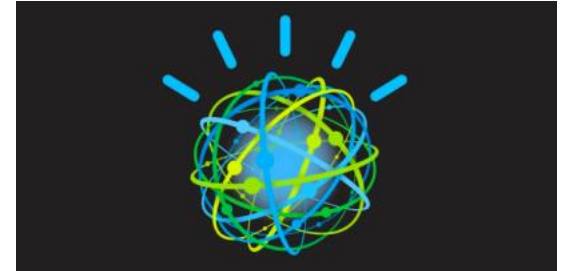


- Under the new city planning regulation, a maximum bonus increase in the FAR of 20% can be obtained by adding capacity to the rain water retention capacity
- Build the maximum FAR of 78,727m<sup>2</sup> or a total construction of 88,683m<sup>2</sup> for the Petchburi Campus
- Land bank Soi 1 with phase 1 development of a parking structure

# Technology – IBM Watson Oncology

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- A cognitive computing system developed collaboratively by IBM and Memorial Sloan Kettering, one of the world's leading cancer center
- Analyzes information for the medical literature international treatment guidelines and recognized world experts
- Integrates patient information into the analysis and makes individualized treatment recommendation to provide state of the art care with the best outcome for Bumrungrad patients with cancer.



IBM Watson  
Oncology

Built with Memorial Sloan Kettering

For more information on IBM Watson, visit  
[www.ibmwatson.com](http://www.ibmwatson.com)



# Current Status – Petchburi Project



- Clarification is being sought on the criteria for calculating the bonus FAR.
- Without any additional bonus FAR, the total land area 8,200 sq.m. will allow a total FAR of construction area of 65,606 sq.m. and a total construction of 73,903 sq.m.
- Re-Design and resubmission of EIA is in progress
- Construction expected to start in September 2015



# Agenda

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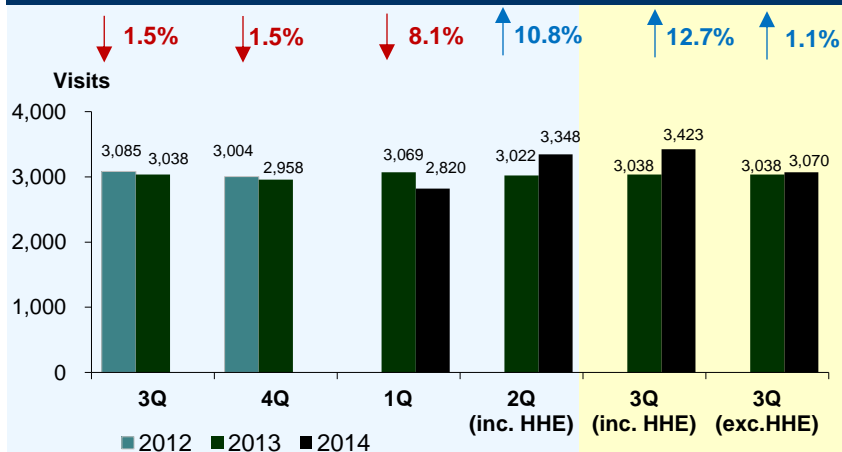
***Strategy***

***Operational Update***

***Financial Performance***

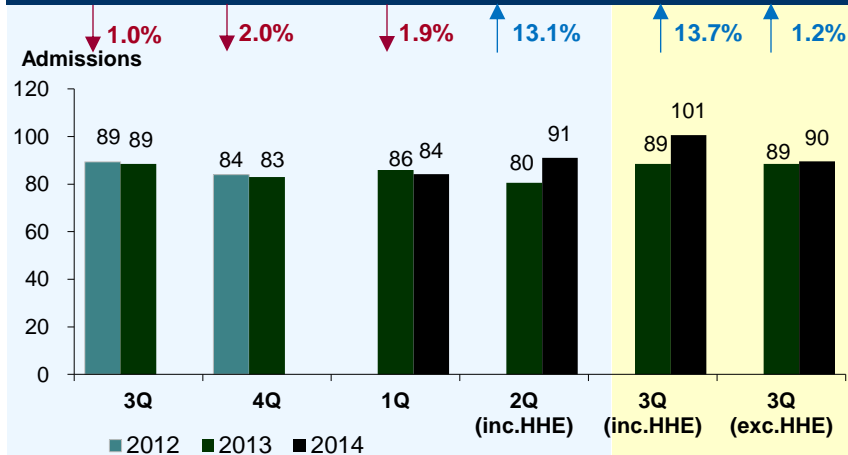
# Overall Volume Trend

## Average Visits per Day

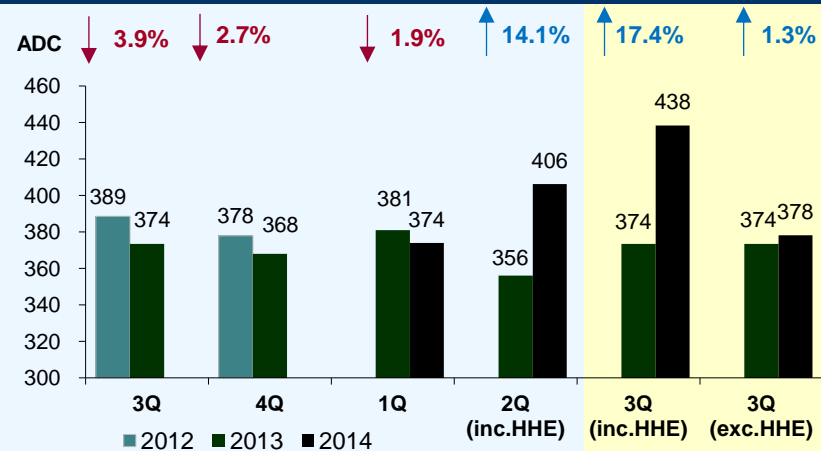


Outpatient and inpatient volumes advanced 12.7% and 13.7%, respectively, in 3Q14 compared with 3Q13, with most of the increase due to volumes contributed by the UBSD acquisition. Excluding UBSD, outpatient and inpatient volumes grew 1.1% and 1.2%, respectively.

## Average Admissions per Day

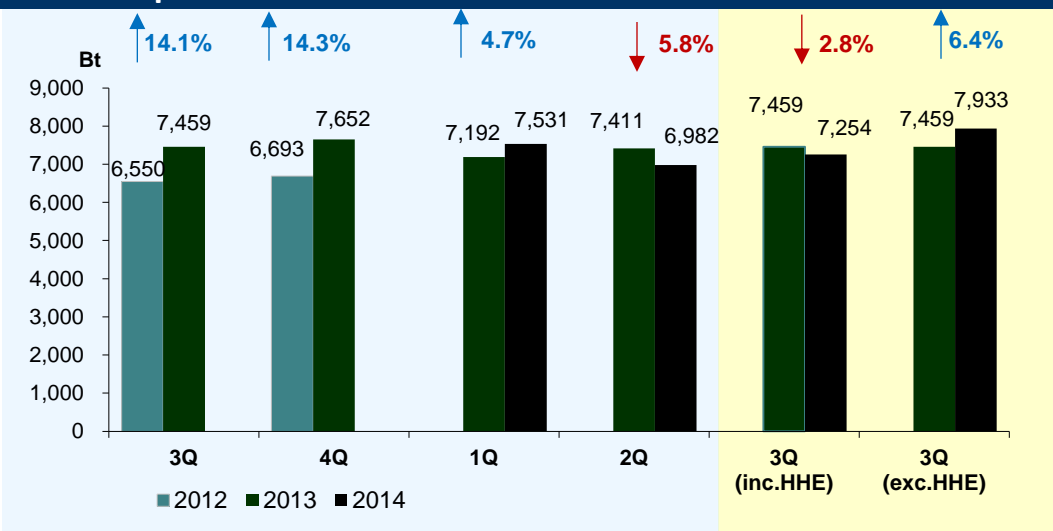


## Average Daily Census



# Revenue Intensity

## Revenue per Visit



Revenue per episode reflects an increase from the 1st Jan 2014 and 15th May 2013 price adjustment.

Revenue intensity :

### 3<sup>rd</sup> Quarter

**Including HHE Consolidated FS**

OPD revenue intensity

-8.5%

IPD revenue intensity per admission

-7.2%

**Excluding HHE Consolidated FS**

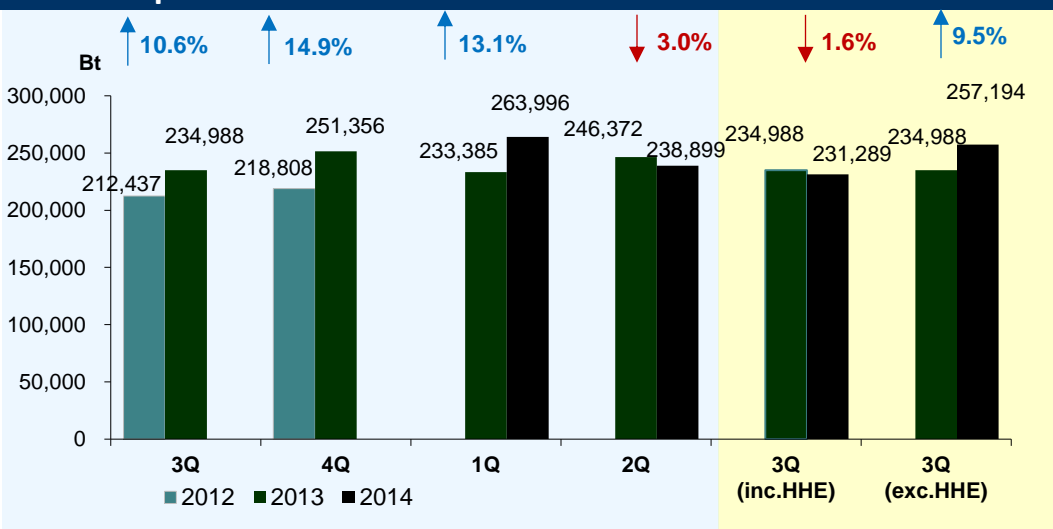
OPD revenue intensity

flat

IPD revenue intensity per admission

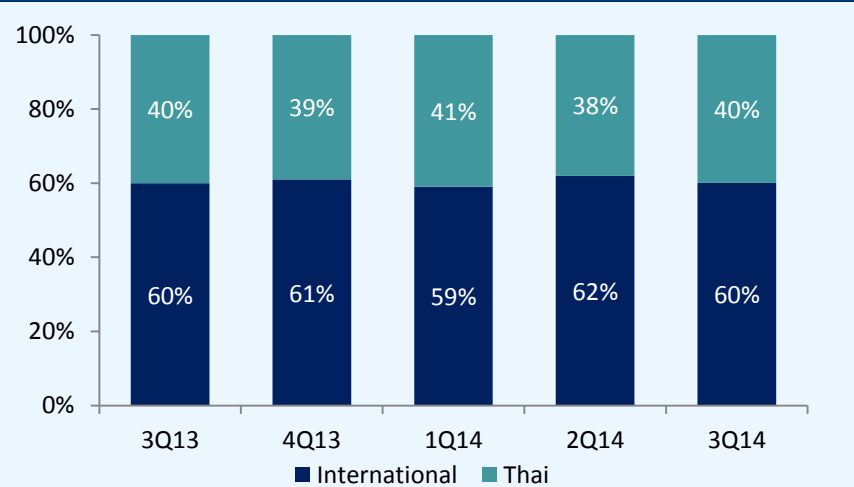
4.2%

## Revenue per Admission



# International Breakdown

## Revenue Contribution by Nationality

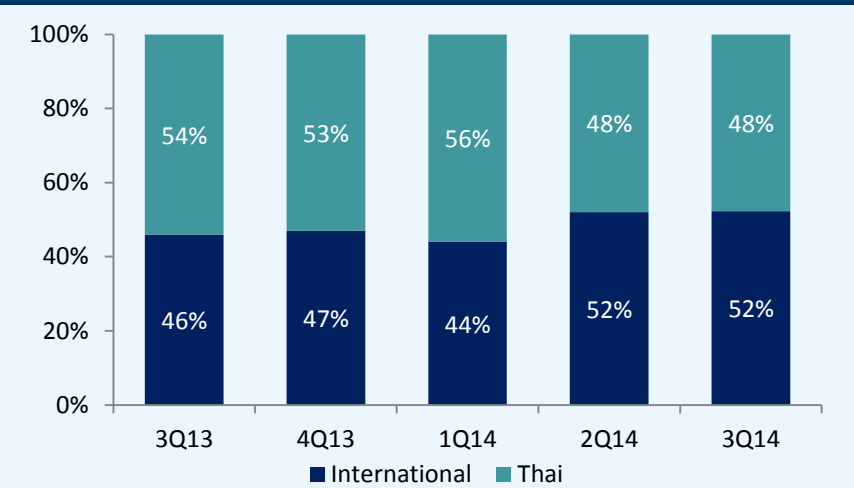


- For 3Q14: Revenues by market segment international patients accounted for 60.1% of the total in 3Q14, with the remaining 39.9% from Thai patients, reflecting a small increase in the 39.8% from Thai patients in 3Q13.

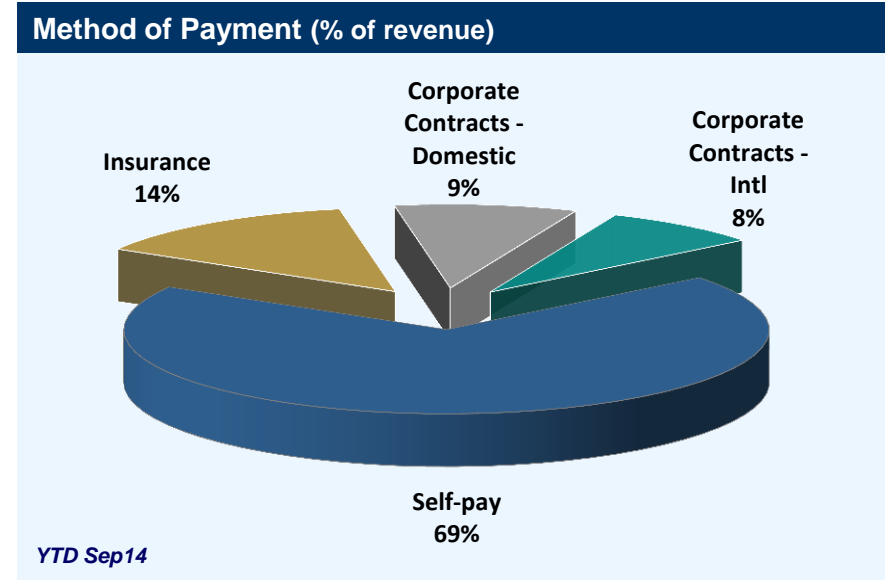
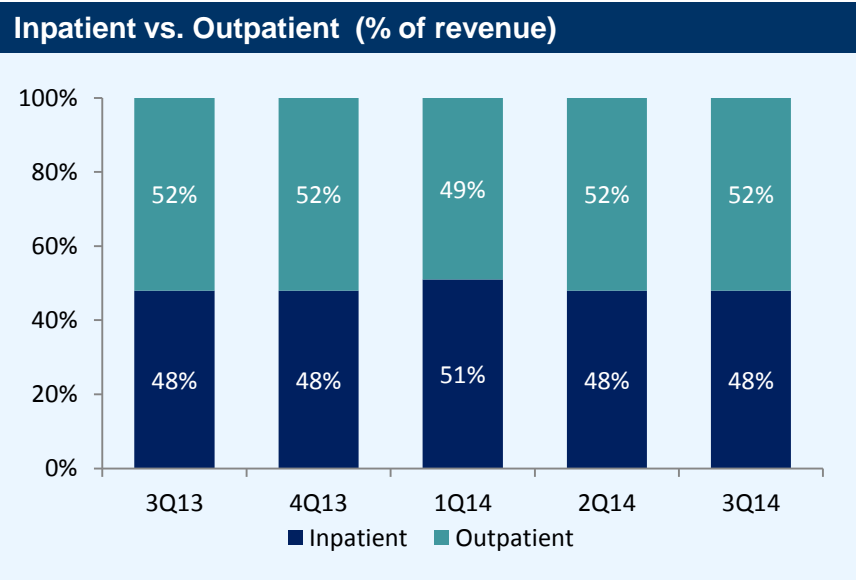
- YTD Sep14 Top 5 revenue contribution by Non-Thai Nationalities

|          |    |
|----------|----|
| Myanmar  | 8% |
| UAE      | 7% |
| Oman     | 7% |
| USA      | 5% |
| Cambodia | 3% |

## Volume Contribution by Nationality



# Revenue Breakdown



- *3Q14 Revenue growth:*
  - *Outpatient revenue increased by 9.6% y-o-y*
  - *Inpatient revenue increased by 11.9% y-o-y*
- *Self-pay remains the primary method of payment*

# Agenda

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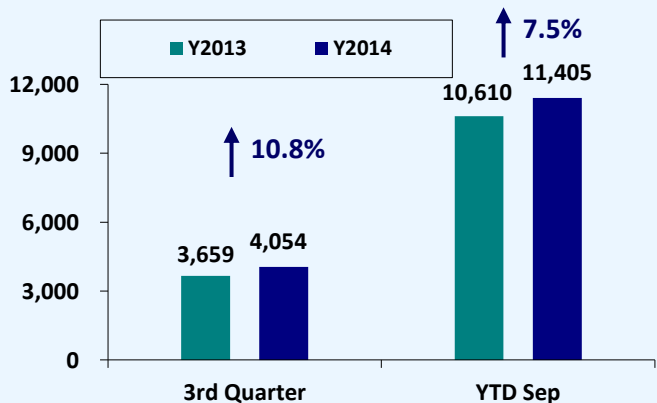
***Strategy***

***Operational Update***

***Financial Performance***

# Revenue from Hospital Operations

## Revenue from Hospital Operations (THB mm)

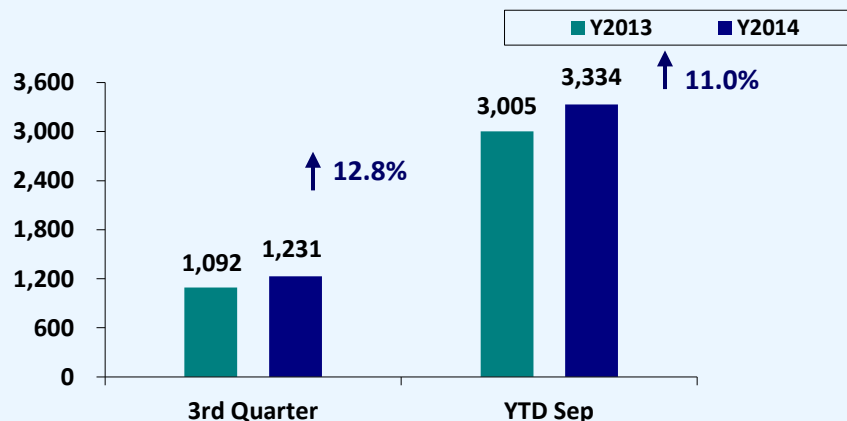


- 3Q14:** The Company reported Revenues from hospital operations of Baht 4,054 million, a 10.8% improvement year-over-year from Baht 3,659 million in 3Q13. Outpatient and inpatient volumes advanced 12.7% and 13.7%, respectively, in 3Q14 compared with 3Q13, with most of the increase due to volumes contributed by the UBSD acquisition. Excluding UBSD, outpatient and inpatient volumes grew 1.1% and 1.2%, respectively. Impacted by the significantly lower intensity services provided by UBSD compared to those provided by the Company, revenue intensity declined 8.5% and 7.2% for outpatient and inpatient services, respectively. Revenue intensity, excluding UBSD, rose 4.2% for inpatient services and was flat for outpatient services. The combined results of the above resulted in outpatient service revenues advancing 9.6% while inpatient service revenues grew 11.9%.
- YTD Sep14:** Revenues from hospital operations were Baht 11,405 million for YTD Sep14, a 7.5% improvement year-over-year from Baht 10,610 million in YTD Sep13. Outpatient and inpatient volumes advanced 5.1% and 8.3%, respectively, in YTD Sep14 compared with YTD Sep13 as a result of volumes added by the UBSD acquisition. Excluding UBSD volumes, outpatient and inpatient volumes declined 3.2% and 0.1%, respectively year-over-year, as the ongoing political environment in Thailand that began in 1Q14 continued to contribute to weak volumes and lower revenue intensity compared to those provided by the Company, especially through 2Q14. Volumes from the international market segment have been significantly more impacted than volumes from the Thai and expat market segments during this period. Thai volumes ended the YTD Sep14 with a 2.0% increase in admissions and a 1.6% decrease in outpatient visits, while international volumes, excluding UBSD, declined 3.6% in admissions and 7.1% in outpatient visits year-over-year. Impacted by the significantly lower intensity services provided by UBSD compared to the Company's, and to a lesser degree the drop in international volumes and elective procedures caused by the unstable Thailand political environment, revenue intensity decreased by 9.6% and 5.7% for outpatient and inpatient services, respectively. Revenue intensity, excluding UBSD, decreased 3.0% for outpatient services and increased 1.8% for inpatient services. The combined results of the above resulted in outpatient service revenues advancing 3.5% while inpatient service revenues grew by 10.9%.

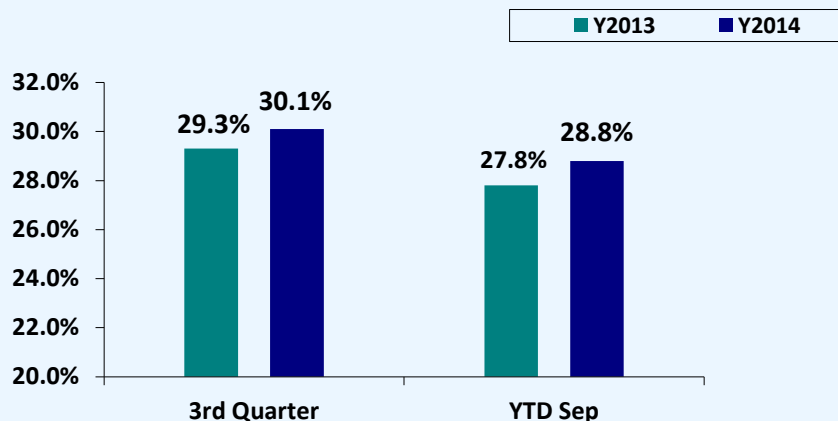


# EBITDA and EBITDA Margin

## EBITDA (THB mm)



## EBITDA Margin

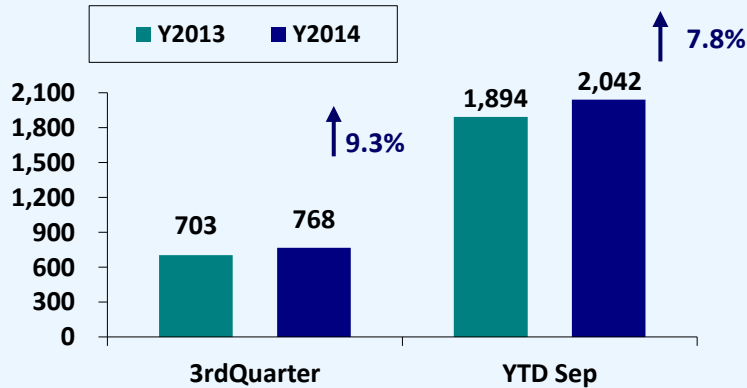


- 3Q14:** Cost of hospital operations (including Depreciation and amortization) of Baht 2,437 million for 3Q14, or 9.0% more year-over-year from Baht 2,236 million in 3Q13, compared to the 10.8% growth in Revenues from hospital operations. In addition, the percentage of Cost of hospital operations to Revenues from hospital operations improved from 61.1% in 3Q13 to 60.1% in 3Q14. Administrative expenses (including Depreciation and amortization) were Baht 681 million in 3Q14, or 14.6% more than Baht 594 million in 3Q13. The change between periods includes Baht 29 million more in Depreciation and amortization associated with the campus expansion and revised estimated useful lives of certain assets; Baht 22 million in repair and maintenance expenses; Baht 17 million in bad debt expenses, mostly due to a prior year bad debt recovery and certain aged self-pay accounts; Baht 9 million additional marketing related expenses, due to timing differences of expenditures between periods; and Baht 9 million in donations to support nurse recruitment. EBITDA grew 12.8% year-over-year from Baht 1,092 million in 3Q13 to Baht 1,231 million in 3Q14, with an EBITDA margin of 30.1% in 3Q14 compared to 29.3% in 3Q13.

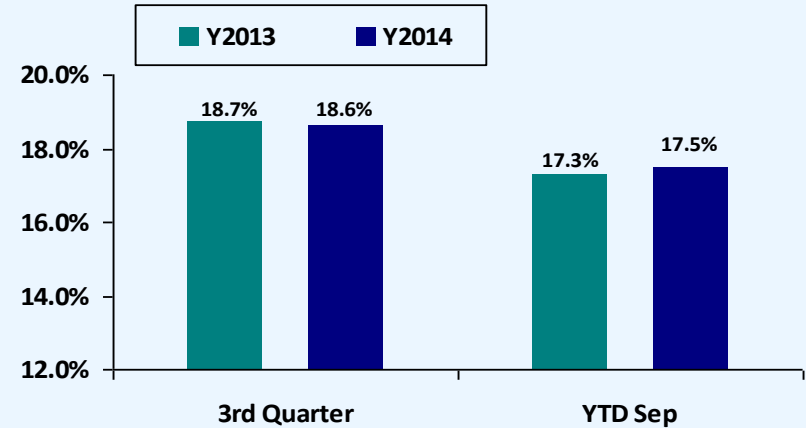
- YTD Sep14:** Cost of hospital operations (including Depreciation and amortization) of Baht 6,921 million for YTD Sep14, or 5.1% more year-over-year from Baht 6,583 million in YTD Sep13, compared to the 7.5% growth in Revenues from hospital operations. In addition, the percentage of Cost of hospital operations to Revenues from hospital operations improved from 62.0% in YTD Sep13 to 60.7% in YTD Sep14. Administrative expenses (including Depreciation and amortization) were Baht 2,049 million in YTD Sep14, increasing 14.1% from Baht 1,796 million in YTD Sep13. This change included Baht 75 million more in Depreciation and amortization associated with the campus expansion and revised estimated useful lives of certain assets, Baht 69 million in donations to support nurse recruitment, and Baht 51 million in repair and maintenance expenses. EBITDA grew 11.0% year-over-year from Baht 3,005 million in YTD Sep13 to Baht 3,334 million in YTD Sep14, with the EBITDA margin advancing to 28.8% in YTD Sep14 compared with 27.8% in YTD Sep13.

# Net Profit, Net Profit Margin and Diluted EPS

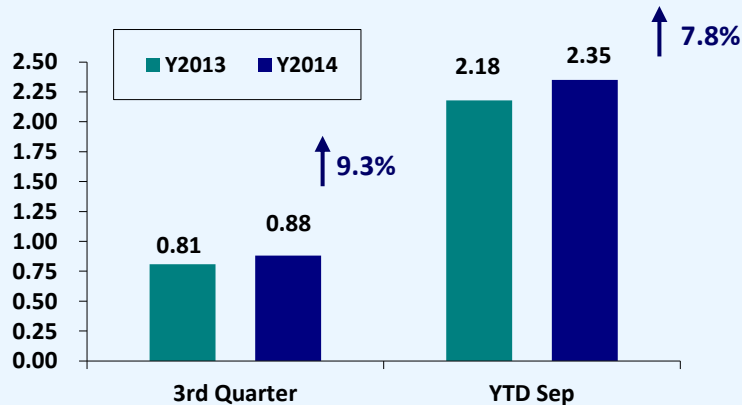
## Net Profit (THB mm)



## Net Profit Margin



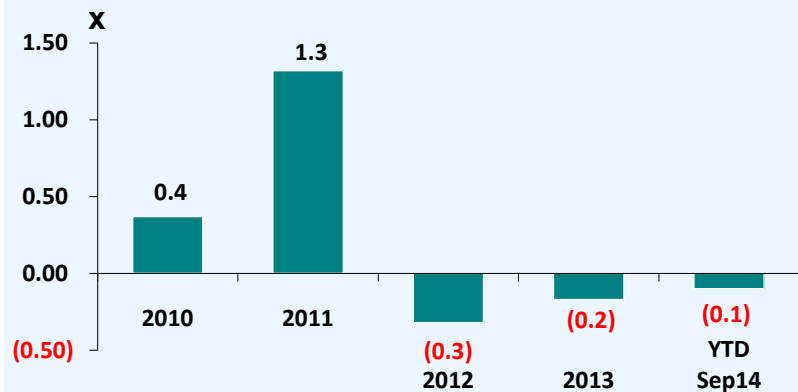
## Diluted EPS (THB)



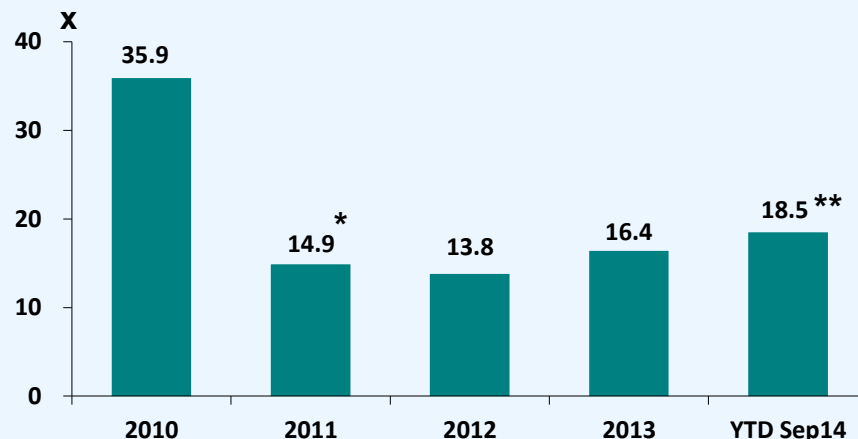
- 3Q14 : Net profit for 3Q14 grew 9.3% to Baht 768 million from Baht 703 million in 3Q13, while Net profit margin dropped to 18.6% in 3Q14 from 18.7% in 3Q13. Diluted EPS increased at the same rate as Net profit to Baht 0.88 from Baht 0.81 in 3Q13.
- YTD Sep14 : Net profit advanced 7.8% to Baht 2,042 million in YTD Sep14 from Baht 1,894 million in YTD Sep13, with Net profit margin at 17.5% in YTD Sep14 compared to 17.3% in YTD Sep13. Diluted EPS increased at the same rate as Net profit to Baht 2.35 from Baht 2.18 in YTD Sep13.

# Leverage

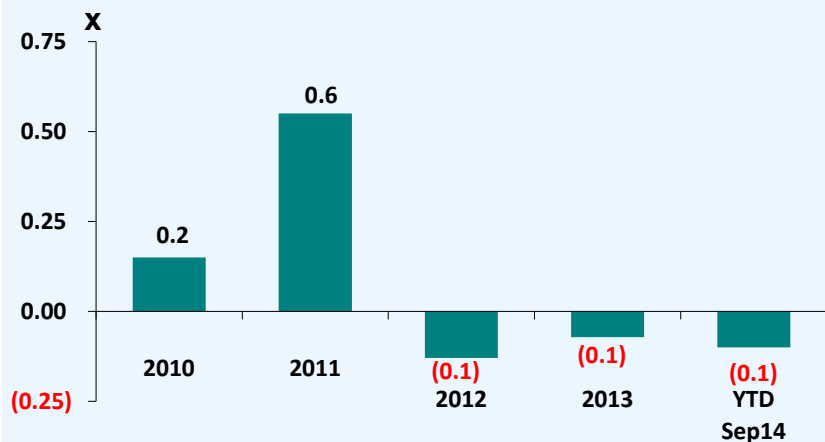
## Net Debt to EBITDA



## Interest Coverage



## Net Debt to Equity



\*Interest expense related to the purchase of common shares of Bangkok Chain Hospital PCL (doing business as "Kasemrad Hospital Group") to calculate interest coverage ratio was Baht 111 million based on remaining days after the transaction settled. Assuming this interest expense was incurred for the full year, interest expense from this transaction would be Baht 140 million and interest coverage ratio will be 12.9x

\*\*After adding back the YTD Sep14 capitalized interest expense related to the campus expansion.

- The total debt as at 30 September 2014 remained significantly lower than the Cash and cash equivalents balance, leading to a net cash balance after considering outstanding debt.
- After adding back the YTD Sep14 capitalized interest expense related to the campus expansion of Baht 41 million, the Company's Interest coverage ratio improved to 18.5x in YTD Sep14.

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## Q & A