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28 February 2017

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

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for Consolidated 4Q16 and 2016 results
28 February 2017

Summary

The Company reported Total revenues in 4Q16 of Baht 4,385 million, a 5.1% decline from 4Q15 revenues of Baht 4,619 million. Net profit for 4Q16 grew 7.3% to Baht 825 million from Baht 769 million in 4Q15, with Net profit margin at 18.8% in 4Q16 compared to 16.6% in 4Q15.

Total revenues for 2016 increased to Baht 18,126 million, producing a 1.1% improvement over 2015 revenues of Baht 17,929 million. Net profit rose 5.5% to Baht 3,626 million in 2016 from Baht 3,436 million in 2015, with Net profit margin at 20.0% in 2016 compared to 19.1% in 2015.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

The Company reported Revenues from hospital operations of Baht 4,317 million, a 5.0% decline year-over-year from Baht 4,545 million in 4Q15. This was mostly due to the 6.7% decrease in revenues from non-Thai patients, offset with the 1.3% increase in revenues from Thai patients. As a result, the revenue contribution from Thai patients in 4Q16 was 37.3% and from non-Thai patients was 62.7%, compared with 35.4% and 64.6%, respectively, for 4Q15.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,569 million for 4Q16, or 7.8% less year-over-year from Baht 2,786 million in 4Q15. This represents a favorable change when compared to the 5.0% drop in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 59.5% in 4Q16 compared with 61.3% in 4Q15. Administrative expenses (including Depreciation and amortization) were Baht 802 million in 4Q16, or 4.9% less than Baht 844 million in 4Q15. EBITDA increased by 3.9% year-over-year to Baht 1,278 million in 4Q16 from Baht 1,230 million in 4Q15, with an EBITDA margin of 29.3% in 4Q16 compared to 26.8% in 4Q15.

Ongoing capital spending and accelerated depreciation associated with the campus expansion contributed to higher 4Q16 Depreciation and amortization of Baht 291 million from Baht 273 million in 4Q15.

Corporate income tax was Baht 141 million in 4Q16 compared with Baht 185 million in 4Q15. The variance is mostly due to Baht 48 million in tax benefits from ongoing capital spending in 4Q16.

Basic EPS for 4Q16 of Baht 1.13 was 7.3% more than Baht 1.06 in 4Q15, while 4Q16 Diluted EPS increased at the same rate to Baht 0.95 from Baht 0.89 in 4Q15.

2016 Operational Performance

Revenues from hospital operations were Baht 17,851 million for 2016, a 1.4% improvement year-over-year from Baht 17,600 million in 2015. This was mostly due to the 4.7% and 0.2% increase in revenues from Thai patients and non-Thai patients, respectively. As a result, the revenue contribution from Thai patients in 2016 was 35.8% and from non-Thai patients was 64.2%, compared with 34.8% and 65.2%, respectively, for 2015.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 10,400 million for 2016, or 0.8% less year-over-year from Baht 10,484 million in 2015. This represents a favorable change when compared to the 1.4% growth in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 58.3% in 2016 from 59.6% in 2015. Administrative expenses (including Depreciation and amortization) were Baht 3,135 million in 2016, increasing 3.8% from Baht 3,020 million in 2015. The increase was mostly due to increased Depreciation and amortization, IT-related purchased services, and additional repair and maintenance expense. EBITDA grew 5.3% year-over-year to Baht 5,616 million in 2016 from Baht 5,332 million in 2015, with the EBITDA margin of 31.2% in 2016 compared with 30.0% in 2015.

Ongoing capital spending and accelerated depreciation associated with the campus expansion contributed to higher 2016 Depreciation and amortization of Baht 1,139 million from Baht 1,045 million in 2015.

Corporate income tax of Baht 774 million in 2016 was less than Baht 823 million in 2015. The variance is mostly due to certain tax benefits, somewhat offset by higher taxable operating profit in 2016 compared with 2015.

Basic EPS for 2016 of Baht 4.98 was 5.5% higher than Baht 4.72 in 2015, while 2016 Diluted EPS increased at the same rate to Baht 4.18 from Baht 3.96 in 2015.

Income statements						
(Unit: Baht million)	4Q16	4Q15	Change	2016	2015	Change
Revenues from hospital operations	4,317	4,545	-5.0%	17,851	17,600	1.4%
Total revenues	4,385	4,619	-5.1%	18,126	17,929	1.1%
EBITDA	1,278	1,230	3.9%	5,616	5,332	5.3%
Net profit	825	769	7.3%	3,626	3,436	5.5%
<i>EBITDA margin</i>	29.3%	26.8%		31.2%	30.0%	
<i>Net profit margin</i>	18.8%	16.6%		20.0%	19.1%	

EPS (Unit: Baht)	4Q16	4Q15	Change	2016	2015	Change
EPS – Basic	1.13	1.06	7.3%	4.98	4.72	5.5%
EPS – Fully Diluted	0.95	0.89	7.3%	4.18	3.96	5.5%

Statements of financial position

As at 31 December 2016, the Company reported Total current assets of Baht 8,803 million, a decrease from Baht 10,088 million as at 31 December 2015. The variance is mostly due to a decrease of Baht 682 million in Cash, Cash equivalents, and Short-term investments, due to Baht 2,452 million capital spending in 2016, Baht 1,750 million dividend payment, Baht 1,500 million repayment of the Series 1 debentures, offset with Baht 5,174 million increase in cash from operations. Trade receivables were reduced by Baht 627 million, or 27.2%, to Baht 1,682 million as at 31 December 2016 from Baht 2,309 million as at 31 December 2015. The collection period was 43.8 days as at 31 December 2016, compared to 41.3 days as at 31 December 2015, due largely to timing differences associated with collections on certain insurance accounts.

Total non-current assets increased to Baht 12,527 million as at 31 December 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 2,358 million as at 31 December 2016, a decrease from Baht 4,056 million as at 31 December 2015. The variance was mostly due to the decrease of Baht 1,497 million Current portion of long-term debentures due December 2016, associated with the Baht 1,500 million repayment of the Series 1 debentures.

Cash and cash equivalent balances continued to exceed outstanding debt balances, resulting in a net cash versus net debt position as at 31 December 2016. The Company's Interest coverage ratio improved to 23.4x in 2016 compared to 22.1x in 2015, due to higher EBITDA in 2016 compared to 2015. Interest expense has been reduced by Baht 25 million and Baht 54 million in 2016 and 2015, respectively, for capitalized interest associated with the campus expansion project.

Total shareholders' equity grew to Baht 14,788 million as at 31 December 2016 from Baht 13,100 million as at 31 December 2015. This increase resulted from the Company's 2016 Net profit of Baht 3,626 million, offset with a dividend payment of Baht 1,752 million. Average return on assets (ROA) was 17.0% for both 2016 and 2015. Average return on equity (ROE) was 26.0% in 2016 compared with 28.2% in 2015.

Unit: Baht million	31-Dec-16	31-Dec-15	Change
Total assets	21,330	21,297	0.2%
Total liabilities	6,542	8,197	-20.2%
Total shareholders' equity	14,788	13,100	12.9%

	2016	2015
Interest coverage ratio (x)	23.4*	22.1*
Average collection period (days)	43.8	41.3
Average inventory period (days)	11.6	11.1
Average payables period (days)	28.0	27.9
Net debt to equity (x)	(0.1)	0.0
Average return on assets (%)	17.0%	17.0%
Average return on equity (%)	26.0%	28.2%

* After adding back the 2016 and 2015 capitalized interest expense related to the campus expansion.

Cash flow statements

The Company's Net cash flows from operating activities in 2016 were Baht 5,174 million, compared to Baht 3,987 million in 2015. This increase was mainly due to Baht 849 million more in working capital, mostly related to Baht 1,350 million reduction in Trade and other receivables. Net cash flows used in investment activities were Baht 1,556 million in 2016, compared with Baht 1,785 million in 2015. This variance was mainly due to Baht 1,166 million decrease in Short-term investments, offset with Baht 912 million more ongoing capital spending in 2016. The Company reported Net cash flows used in financing activities of Baht 3,496 million in 2016 versus Baht 1,833 million in 2015, mostly as a result of the Baht 1,500 million repayment of the Series 1 debentures. As a result of the above, Cash and cash equivalents increased to Baht 5,154 million as at 31 December 2016, compared to Baht 5,054 million as at 31 December 2015.

The Company's Liquidity ratio as at 31 December 2016 improved to 3.7x from 2.5x as at 31 December 2015. Similarly, the Quick ratio improved to 2.9x as at 31 December 2016 from 1.8x as at 31 December 2015.

Unit: Baht million	2016	2015
Net cash flows from operating activities	5,174	3,987
Net cash flows used in investing activities	(1,556)	(1,785)
Net cash flows used in financing activities	(3,496)	(1,833)
Net increase in cash and cash equivalents	100	378
Cash and cash equivalents at end of period	5,154	5,054
	31-Dec-16	31-Dec-15
Liquidity ratio (x)	3.7	2.5
Quick ratio (x)	2.9	1.8

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanhiphat, MD)

Vice Chairman