

May, 15 2018

Bangkok Dusit Medical Services Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

1Q18 Performance

Bangkok Dusit Medical Services Public Company Limited ("Company") reported consolidated operating income during first quarter of 2018 ("1Q18") of Baht 20,029 million, an increase of 15% yoy. Such a strong growth was attributable to an increase in both revenue from hospital operations and revenue from sales of goods. Revenue from hospital operation grew 15% yoy due mainly to solid growth of 10 Centers of Excellence together with growth from both Bangkok & vicinity and upcountry hospitals and positive momentum from both Thai and international patients.

Key growth driver was an increasing in patient volume benefiting from growth of Centers of Excellence together with an increase in influenza and outbreaks during 1Q18 and expansion of insurance patients base. In addition, the Company has the Bangkok Emergency Services to coordinate timely patients referral in case of accident or patients in critical conditions.

Revenue from sales of goods were Baht 783 million in 1Q18, increased by 20% yoy due mainly to an increase in local and export sales of A.N.B. Laboratories Co., Ltd. ("A.N.B.") together with an increase in sales of Bangkok Save Drug Co., Ltd. ("Save Drug") and The Medicpharma Co., Ltd. ("Medicpharma").

In 1Q18, the Company and its subsidiaries reported EBITDA of Baht 4,933 million, increased by 30% yoy resulting in an increase of EBITDA margin to 24.6%. Net profit were Baht 2,919 million, increased by 48% yoy. NPAT margin

increased to 14.6%. This outstanding performance was mainly from strong revenue growth, continued cost containment measures and decreasing in finance expenses comparing to 1Q17.

1Q18 Consolidated Financial Summary

Operating Income			
(THB mm)	1Q18	1Q17	%Chg
Revenues from			
hospital operations	19,057	16,535	15%
Revenue from sales of			
goods and food	783	655	20%
Other income	188	205	(8)%
Total Operating			
Income	20,029	17,395	15%

In 1Q18, total operating income were Baht 20,029 million, an increase of Baht 2,634 million or 15% yoy, primarily due to

- Revenues from hospital operations were Baht 19,057 million, an increase of Baht 2,522 million or 15% yoy. Key growth drivers were growing number of patient volume benefiting from Centers of Excellence performance and an increase in influenza and outbreaks along with an expansion of insurance patients base which is in-line with Company's strategy to increase insurance portion from 26% in 1Q17 to 29% of revenue from hospitals operation in 1Q18. In addition, the Company has the Bangkok Emergency Services to coordinate timely patients referral in case of accident or patients in critical conditions.

Revenue from Bangkok & vicinity hospitals grew 13% yoy while upcountry hospitals grew 18% yoy.

Thai patients grew significantly at 16% yoy and international grew at 12% yoy. Key growth drivers were mainly from Chinese, Cambodian and Kuwaitis.

The revenue proportion between Thai and international patients changed from 67%:33% in 1Q17 to 68%:32% in 1Q18.

Revenues from hospital operations in 1Q18	Chg. (yoy)	% to revenue
Revenues growth from hospital operations	15%	100%
Breakdown by location		
Bangkok & Vicinity	13%	57%
Upcountry	18%	43%
Breakdown by nationality		
Thai	16%	68%
International	12%	32%
Breakdown by type of patients		
Outpatients	11%	45%
Inpatients	19%	55%

- Revenues from sales of goods and food were Baht 783 million in 1Q18, increased by 20% yoy due mainly to an increase in local and export sales of A.N.B. together with an increase in sales of Save Drug and Medicpharma.
- Other incomes were Baht 188 million in 1Q18, decreased by 8% yoy.

Operating Expenses			
(THB mm)	1Q18	1Q17	%Chg
Cost of hospital operations and others	12,631	11,431	10%
Administrative expenses	3,767	3,426	10%
Total Operating Expenses (Including depreciation)	16,398	14,857	10%

In 1Q18, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 16,398 million, an increase of Baht 1,541

million or 10% yoy which grew at the slower pace than total operating income.

- Cost of hospital operations and others (including depreciation and amortization) were Baht 12,631 million, increased by 10% yoy. Cost of hospital operations and others are mainly consisted of doctor fees and clinical staff expenses, medicine and medical supplies from growth in number of outpatients and inpatients.
- The administrative expenses (including depreciation and amortization) were Baht 3,767 million, increased by 10% yoy due mainly to an increase in non-clinical personnel expenses together with other administrative expenses.
- The depreciation and amortization expenses were Baht 1,302 million in 1Q18, increased by 4% yoy due mainly to depreciation and amortization of new network hospitals and partial opening of BDMS Wellness Clinic.

Other Major Items

- Share of income from investments in associated companies were Baht 368 million in 1Q18, an increase of Baht 44 million or 13% yoy. Share of income from investments in associated companies were mainly from share of income from investment in Bumrungrad Hospital Public Co., Ltd. of Baht 221 million and investment in Ramkhamhaeng Hospital Public Co., Ltd. of Baht 135 million.
- Finance expenses decreased to Baht 317 million in 1Q18 or decreased by 13% yoy due mainly to an adjustment in calculation of expected convertible bonds redemption during 1Q17.
- Taxes in 1Q18 were Baht 648 million, increase from Baht 462 million in 1Q17, due mainly to an increase in pre-tax profit.

Profitability Ratio

(THB mm)	1Q18	1Q17	%Chg
EBITDA	4,933	3,790	30%
EBITDA margin	24.6%	21.8%	
EBIT	4,013	2,869	40%
EBIT margin	20.0%	16.5%	
Net profit	2,919	1,974	48%
Net profit margin	14.6%	11.3%	
EPS (THB)	0.19	0.13	48%

Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

EBITDA Margin = EBITDA / Operating income

EBITDA increased from Baht 3,790 million in 1Q17 to Baht 4,933 million in 1Q18 or increased by 30% yoy. EBITDA margin also increased from 21.8% in 1Q17 to 24.6% in 1Q18.

Net profit was Baht 2,919 million, increased by 48% yoy. As a result, net profit margin increased from 11.3% in 1Q17 to 14.6% in 1Q18. EPS was Baht 0.19 per share or increased by 48% yoy.

Assets

(THB mm)	Mar 18	Dec 17	%Chg
Cash & cash equivalents	6,563	5,091	29%
Trade & other receivables	7,386	6,940	6%
Inventories	1,592	1,735	(8)%
Investment in associates	16,099	15,807	2%
Property, premises & equipment	71,853	71,559	0%
Goodwill	17,539	17,539	0%
Other assets	3,852	3,955	(3)%
Total assets	124,885	122,627	2%

The consolidated financial position of the Company and its subsidiaries as of March 31, 2018: The Company and its subsidiaries reported total assets of Baht 124,885 million slightly increased by 2% from December 31, 2017, due mainly to an increase in cash and cash equivalents of Baht 1,472 million.

Liabilities and Equity

(THB mm)	Mar 18	Dec 17	%Chg
Debentures *	19,585	19,585	0%
Long-term loans *	10,429	10,799	(3)%
Convertible debentures	8,852	8,774	1%
Other liabilities	17,447	17,598	(1)%
Total liabilities	56,313	56,756	(1)%
Equity attributable to equity holder of the Company	65,805	63,071	4%
Non-controlling interests	2,766	2,800	(1)%
Total equity	68,571	65,871	4%

* Including current portion

Total consolidated liabilities as of March 31, 2018 were Baht 56,313 million, slightly decreased from December 31, 2017.

Total consolidated shareholders' equity as of March 31, 2018 was Baht 68,571 million, increased by 4% from December 31, 2017, due mainly from net income during 1Q18.

Liquidity and Capital Management

Cash Flow

(THB mm)	1Q18
Net cash from operating activities	3,494
Net cash used in investing activities	(1,647)
Net cash used in financing activities	(376)
Net increase in cash and cash equivalents	1,472
Beginning cash and cash equivalents	5,091
Ending cash and cash equivalents	6,563

For the three-month period ended March 31, 2018, the Company and its subsidiaries had net increase in cash and cash equivalent of Baht 1,472 million from the beginning balance of Baht 5,091 million. As a result, cash and cash equivalents at the end of period was Baht 6,563 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 3,494 million, resulting mainly from profit during 1Q18.

Net cash used in investing activities were Baht 1,647 million comprising mainly from purchase of property, premises and equipment of Baht 1,580 million from hospital network expansion and development.

Net cash used in financing activities were Baht 376 million comprising mainly from repayment of long-term loans of Baht 359 million.

Ratios Analysis

Returns (%)	1Q18	1Q17
Return on Asset	9.4	6.9
Return on Equity	18.1	13.9
Liquidity (x)		
Current ratio	1.2	1.0*
Quick ratio	1.1	0.9*
Assets & Liabilities Management (Days)		
Average Collection Period	33.7	33.9
Average Inventory Period	11.9	11.6
Average Payable Period	33.4	34.5*
Leverage & Coverage Ratios (x)		
Interest coverage	15.6	10.4
	Mar-17	Dec-17
Total debt to equity	0.6	0.6
Net debt to equity	0.5	0.5
Net debt to EBITDA	1.6	2.2

Remark

- * Excluding the payment of land and buildings of Nai Lert Park project of Baht 7,720 million
- Assets & Liabilities Management based on 360 days
- Interest coverage = EBITDA/Interest Expenses
- Debt refers to interest bearing debt

Return on assets and return on equity in 1Q18 increased significantly from 1Q17 as a result of strong performance in 1Q18.

Current ratio and quick ratio in 1Q18 also increased from 1Q17 due to an increase in cash and cash equivalents and account receivables together with decrease in current portion of long-term loans from financial institutions.

Average collection period slightly decreased from 33.9 days in 1Q17 to 33.7 days in 1Q18. Average payable period also decreased from 34.5 days in 1Q17 to 33.4 days in 1Q18 while average inventory period increased from 11.6 days in 1Q17 to 11.9 days in 1Q18.

Interest coverage ratio increased from 10.4x in 1Q17 to 15.6x in 1Q18 due mainly to a decrease in finance expenses during the period.

Total interest bearing debt to equity and net interest bearing debt to equity remained unchanged at 0.6x and 0.5x respectively as of December 31, 2017 and as of March 31, 2018.

Net interest bearing debt to EBITDA decreased from 2.2x as of December 31, 2017 to 1.6x as of March 31, 2018.

The leverage and coverage ratios are well within the financial covenants of the long-term loans and debentures.
