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22 February 2019

Subject Management's Discussion and Analysis of Financial Condition and Results of Operations  
For The year ended 31 December 2018

To The President  
The Stock Exchange of Thailand

Praram 9 Hospital Public Company Limited (the "Company") (the "Hospital") would like to report Management's Discussion and Analysis of Financial Condition and Results of operations for The year ended 31 December 2018 as follows

### Summary

The Company reported total revenue for the year 2018 of Baht 2,733.5 million; a 11.3% increase from the year 2017 total revenue of Baht 2,455.2 million. Net profit for the year 2018 of Baht 157.2 million, or net profit margin of 5.8%, which decrease 40.0 % (By deducted the share-based payment of Baht 111.9 million) from net profit 262.3 million, or net profit margin of 10.7 % for the year 2017.

### Income Statement

#### The Year Ended Results of Operation

Revenue (Millions of Baht)	For the year ended 31 December		Change (%)
	2017	2018	
Medical Revenue from Out-patient Department	1,291.4	1,494.3	15.7
Medical Revenue from Inpatient Department	1,130.1	1,206.8	6.8
Medical Revenue	2,421.5	2,701.1	11.6
Other Revenue	33.7	32.4	-3.7
<b>Total Revenue</b>	<b>2,455.2</b>	<b>2,733.5</b>	<b>11.3</b>

The Company reported medical revenue for the year 2018 of Baht 2,701.1 million, a 11.6% increased from the year 2017 medical revenue of Baht 2,421.5 million. The main reasons are the increasing number of visits from out-patients department and admissions from inpatient department, which increased 10.8% and 9.1% respectively. The average out-patient's revenue per visit increased 4.4% from year 2017 of Baht 3,309 per visit to Baht 3,453 per visit in the year 2018. This was mainly due to an epidemic of rotavirus during the first half of 2018, included increasing of patient with complicated diseases and increasing number of foreign patients mainly Burmese and Chinese Patients.

Inpatient revenue the year 2018 increased 6.8%. Number of inpatient increased 9.1%. The Revenue decreased 2.1% from Baht 92,563 per admission to Baht 94,551 per admission for the year 2017. Due to the increasing of number of inpatient is from non-complicated disease such as diarrhea from the Rota virus in the first half of the year 2018. While the number of complex inpatient year 2018 is closed to the number of complex inpatient year 2017 such as Kidney Transplantation surgery, which has 82 cases, equaled to year 2017.

Cost of Hospital Operations and Expenses (Millions of Baht)	For the year ended 31 December		Change (%)
	2017	2018	
Cost of Hospital Operations	1,681.6	1,864.2	10.9
<i>As % of medical revenue</i>	69.4	69.0	
Selling and Administrative Expenses	456.5	541.7	18.7
<i>As % of total revenue</i>	18.6	19.8	
Share-based payment <sup>1</sup>	-	111.9	100.0
<i>As % of total revenue</i>	-	4.1	

The Company reported cost of hospital operations in the year 2018 of Baht 1,864.2 million or 69.0% of medical revenue, a increased 10.9% from Baht 1,681.6 million of medical revenue of the year 2017 or 69.4% respectively . The lower cost of hospital operation as % of medical revenue .This was mainly due to decrease in medicine- medical supplies, depreciation and more effective cost management initiatives.

The Company reported selling and administrative expenses of Baht 541.7 million or 19.8 % of total revenue, a 18.7% increase to Baht 456.5 million, a 18.6% of total revenue from the year ended 2017. This was due to high-value expenses; which are, initial financial reporting of founders' benefits calculated based on actuarial calculation, marketing and advertisements related to the rebranding toward digital hospital transformation, employee benefits expenses incurred from the accident occurred in January 2018, and allowance for doubtful account. Moreover, there are non-recurring items in the year 2018 which included advisory expenses, front-end fee on loan from financial institution, and initial public offering related expenses. The Company reported high-value expenses and non-recurring items which equaled to Baht 30.9 million or 1.1 % of total revenue

The Company reported Share-Based Payment of Baht 111.9 million, or 4.1 % of total revenue.

EBITDA (Millions of Baht)	For the year ended 31 December		Change (%)
	2017	2018	
Earnings before interest and tax	317.1	215.7	-32.0
Depreciation and Amortization	151.2	155.8	3.0
<b>EBITDA</b>	<b>468.3</b>	<b>371.5</b>	<b>-20.7</b>
<i>EBITDA Margin (as % of total revenue)</i>	<i>19.1</i>	<i>13.6</i>	

The Company reported for year 2018 earnings before interest, tax, depreciation and amortization (EBITDA) of Baht 371.5 million or decreased 20.7 % form to Baht 468.3 million from the year 2017 .EBITDA margin, a 13.6% ,a 19.1 % from the year 2018 and 2017 respectively. This was due to Share-Based Payment, increased in selling and administrative expenses, mainly contributed from high-value expenses and non-recurring items.

<sup>1</sup> According to Financial Reporting Standard No. 2 Subject to Share-based Payment to record the difference between the offering price to the directors and/or executives who are founders of the company (2.65 baht/ share) with the fair value of the Company's ordinary shares at the grant date (11.60 baht/ share) Based on the market price at the start of trading day as expenses in the statement of comprehensive income

If such expenses are adjusted<sup>2</sup>, the EBITDA will be Baht 514.3 million, an increase of 9.8% or 18.8% EBITDA margin if compared with 2017, slightly decreased.

Net Profit (Millions of Baht)	For the year ended 31 December		Change (%)
	2017	2018	
Earnings before tax	317.1	215.7	-32.0
Income Tax Expenses	54.8	58.5	6.7
<b>Net Profit</b>	<b>262.3</b>	<b>157.2</b>	<b>-40.0</b>
<i>Net Profit Margin</i>	<i>10.7</i>	<i>5.8</i>	
Basic earnings per share (Baht per share)	0.44	0.25	-43.2

Apart from the reported financials aforementioned, the Company reported earnings before tax from Baht 215.7 million in year 2018 to Baht 317.1 million from the year 2017 which decreased a 32.0%. The company has income tax expense 58.5 million, a 6.7% increase from Baht 54.8 million in the year 2017.

For the year 2018, the Company reported an adjusted<sup>2</sup> net profit of baht 296.7 million, a 13.1% increase from net profit for the year 2017 of Baht 262.3 million. And Profit attributable to equity holders of the company to Baht 0.47 per share for the year 2018 The a 6.9% increase from Baht 0.44 per share for the year 2017, which were both calculated based on weighted average number of ordinary shares of 634,733,973 shares and 600,000,000 shares respectively.

#### Financial Conditions

Statement of financial position (Millions of Baht)	As of 31 December		Change (%)
	2017	2018	
Current assets	878.6	2,048.9	133.2
Non-current assets	1,978.0	2,375.4	20.1
<b>Total assets</b>	<b>2,856.6</b>	<b>4,424.4</b>	<b>54.9</b>
Current liabilities	654.5	448.8	-31.4
Non-current liabilities	107.0	102.2	-4.5
Total liabilities	761.6	551.0	-27.6
Total shareholders' equity	2,095.0	3,873.3	84.9
<b>Total liabilities and shareholders' equity</b>	<b>2,856.6</b>	<b>4,424.3</b>	<b>54.9</b>

<sup>2</sup> Adjusted for Share -Based Payment Non-recurring items and high-value expenses which included

- (1) Non tax deductible expenses: Share -Based Payment of Baht 111.9 million, Allowance for doubtful account of Baht 5.6 million and initial financial reporting of founders' benefits which calculated based on actuarial calculation of Baht 8.5 million.
- (2) Tax deductible expenses: initial public offering related expenses of Baht 8.0 million, advisory expenses of Baht 6.4 million, front-end fee on loan from financial institution of Baht 2.1 million,

The adjustment for the year 2018 was before tax Baht 142.8 million and after tax Baht 139.5 million.

## 1. Assets

As of 31 December 2018, the Company reported current assets of Baht 2,048.9 million, a 133.2% increase from Baht 878.6 million as of 31 December 2017. This was mainly due to increased the current investments the money received from the initial public offering take to deposit period of more than 3 months and invest in mutual funds is current investment during the gradual payment for investment in various project .

As of 31 December 2018 the Company reported non-current assets of Baht 2,375.4 million, a 20.1% increase from Baht 1,978.0 million as of 31 December 2017. This was mainly due to an increase in land for the nurse condominium and assets under construction of the new building.

## 2. Liabilities

As of 31 December 2018, the Company reported current liabilities of Baht 448.8 million, a 31.4% decrease from Baht 654.5 million as of 31 December 2017. This was mainly due to the payment of land costs for new buildings and nurse condominium projects.

As of 31 December 2018, the Company reported non-current liabilities of Baht 102.2 million, a 4.5% decrease from Baht 107.0 million as of 31 December 2017. This was mainly due to decrease in liabilities of provision for long-term employee benefits.

## 3. Shareholders' equity

As of 31 December 2018, the Company reported shareholders' equity of Baht 3,873.3 million, a 84.9.1% increase from Baht 2,095.0 million as of 31 December 2017. This was mainly due to an increase in the Company's registered share capital, from Baht 600 million to Baht 800 million as part of listing in the Stock Exchange of Thailand preparation and initial public offering. The Company made the public offering of the 186.3 million additional shares at a price of Baht 11.60 per share. There is an extra premium on ordinary shares after deduction of the offering of shares 's expenses in the amount of Baht 1,924.1 million and dividend payment in the amount of Baht 504 million and the increasing of net profit in the amount of Baht 157.2 million and actuarial gains (net income tax) of Baht 15.8 million.

Key Financial Ratio	For the year 2017	For the year 2018
<b>Liquidity Ratio</b>		
Current ratio	1.3	4.6
Average collection period	21.7	19.9
Average days sales of inventory	8.7	8.0
Average account payables days	23.3	22.4
Cash cycle	7.1	5.4
<b>Profitability Ratio</b>		
Gross profit margin	30.6	31.0
Net profit margin	10.7	5.8 <sup>3</sup>
Return on average shareholders' equity	13.2	5.3
Return on average assets	10.2	4.3

<sup>3</sup> Net Profit margin after share-based payment, non recurring items and high-value expenses

Key Financial Ratio	For the year 2017	For the year 2018
<b>Financial Policy Ratio</b>		
Debt to equity ratio	0.4	0.1
Interest bearing debt to equity ratio	-	-

#### Cash flow statement

Cash flow statement (Millions of Baht)	For the year ended 31 December	
	2017	2018
Cash flows from (used in) operating activities	440.4	479.5
Cash flows from (used in) investing activities	(364.3)	(1,988.0)
Cash flows from (used in) financing activities	(47.1)	1,494.2
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>29.0</b>	<b>(14.3)</b>

For the year 2018, the Company reported cash flows from operating activities of Baht 479.5 million, a 39.1% increase from Baht 440.4 million for the year 2017. This was mainly due to a increase in trade and other payables and other current assets.

For the year 2018, the Company reported cash flows from investing activities of Baht 1,988.0 million, a Baht 1,623.7 million increase from cash flows used in investing activities of Baht 364.3 million for the year 2017. This was mainly due to the payment of land costs for new buildings and nurse condominium projects and increased current investment.

For the year 2018, the Company reported cash flows used in financing activities of Baht 1,494.2 million, a Baht 1,541.3 million increase from cash flows used in financing activities of Baht (47.0) million for the year 2017. This was mainly due to Issuing new ordinary shares and dividend payment.

Please be informed accordingly,

Yours sincerely,

**Praram 9 Hospital Public Company Limited**

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M.D. Satian Pooprasert  
Managing Director