

No. CHG 019/2020

November 13, 2020

Subject: Management's Discussion and Analysis of the consolidated financial statements for the three-month and nine-month period ended 30 September 2020

To: Directors and Manager
The Stock Exchange of Thailand

Management's discussion and analysis of financial statement for the three-month period ended 30 September 2020

Chularat Hospital Public Company Limited ("Company") reported the operating performance for the 3Q20 as follows:

Statement of comprehensive income Unit : Million Baht	3Q20	3Q19	Increase (Decrease)	Change (%)
Revenues from hospital operations	1,460	1,431	29	2%
Total revenues	1,467	1,438	29	2%
Cost of hospital operations	940	935	5	1%
Administrative expenses	171	167	4	2%
Net profit of the Company	282	269	13	5%
<i>Earnings per share (Baht/share)</i>	<i>0.0256</i>	<i>0.0244</i>		
<i>Gross Profit Margin (%)</i>	<i>35.62%</i>	<i>34.66%</i>		
<i>Net Profit Margin (%)</i>	<i>19%</i>	<i>19%</i>		

The Company's net profit was Baht 282 million for 3Q20, increasing by Baht 13 million, or 5%, compared to 3Q19. Overview of operating results was discussed as below.

Revenues from hospital operations

In 3Q20, the Company has revenues from hospital operations of Baht 1,460 million, increasing by Baht 29 million, or 2% YoY.

Revenue from general patients in 3Q20 decreased by 5% YoY. The revenue from outpatients (OPD) and inpatients (IPD) decreased by Baht 2.51 million and Baht 42.33 million respectively, mainly from the impact of the COVID-19 pandemic by early February affecting the revenue from general patients (OPD & IPD), especially the international patients who cannot travel to Thailand including the change in lifestyle behaviors (New Normal).

Revenue from Social Security schemes in 3Q20 increased by 12% YoY. This is due to an increased fixed payment rate per head/year by 9% or about Baht 140 per head/year from Baht 1,500 to Baht 1,640 effective on 1 January 2020 and an additional medical treatment income of Chronic Diseases (OPD) from the actual payment for the last payment of 2019.

Revenue from other governmental schemes in 3Q20 increased by 20% YoY. This is due to the increased number of cases and the increased payment rate of National Health Security (NHSO) from Baht 8,050/Adj.RW to Baht 8,750/Adj.RW effective on 1 June 2020.

Unit: Million Baht	3Q20	3Q19	Increase (Decrease)	Change (%)
Revenue from general patients	831.74	876.58	(44.84)	(5%)
Revenue from outpatients (OPD)	434.65	437.16	(2.51)	(1%)
Revenue from inpatients (IPD)	397.09	439.42	(42.33)	(10%)
Revenue from government welfare programs	627.52	554.05	73.47	13%
Social security schemes	517.03	462.04	54.99	12%
Other governmental schemes	110.49	92.01	18.48	20%
Total revenue from hospital operations	1,459.26	1,430.62	28.63	2%

Operation costs

In 3Q20, the Company's gross profit margin increased from 34.66% to 35.62%, with no change on net profit margin YoY. This is mainly due to an effective cost management including the cost control on unnecessary expenses in line with the decreased revenue.

The Company's net profit 3Q20 was Baht 282 million, increasing by Baht 13 million, or 5% YoY, in accordance with the increasing operating results.

Management's discussion and analysis of financial statement for the nine-month period ended 30 September 2020

Chularat Hospital Public Company Limited ("Company") reported operating performance for the 9M20 as follows:

Statement of comprehensive income	9M20	9M19	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	3,922	3,838	84	2%
Total revenues	3,938	3,856	82	2%
Cost of hospital operations	2,684	2,655	29	1%
Administrative expenses	466	486	(20)	(4%)
Net profit of the Company	623	571	52	9%
<i>Earnings per share (Baht/share)</i>	<i>0.0566</i>	<i>0.0519</i>		
<i>Gross Profit Margin (%)</i>	<i>31.57%</i>	<i>30.82%</i>		
<i>Net Profit Margin (%)</i>	<i>16%</i>	<i>15%</i>		

The Company's net profit for 9M20 was Baht 623 million, increasing by Baht 52 million, or 9%, compared to 9M19. Overview of operating results was discussed as below.

Revenues from hospital operations

In 9M20, the Company has revenues from hospital operations of Baht 3,922 million, increasing by Baht 84 million, or 2% YoY.

Revenue from general patients in 9M20 decreased by 4% YoY. The revenue from outpatients (OPD) and inpatients (IPD) decreased by Baht 47.22 million and Baht 58.82 million respectively, mainly from the impact of the COVID-19 pandemic by early February affecting the revenue from general patients (OPD & IPD), especially the international patients. However, the full operation of the two new hospitals (CH304 and RPC) has contributed to the increased patient visits.

Revenue from Social Security schemes in 9M20 increased by 13% YoY. This is due to an increased fixed payment rate per head/year by 9% or about Baht 140 per head/year from Baht 1,500 to Baht 1,640 effective on 1 January 2020 and an increased medical treatment income of Chronic Diseases (OPD) base on the new payment guideline of the Social Security early this year. In addition, the Company received the final payment of 2019 for medical treatment income of Chronic Diseases (OPD) which is more than the accrued amount.

Revenue from other governmental schemes in 9M20 increased by 15% YoY. This is due to the increased number of cases and the increased payment rate of National Health Security (NHSO) from Baht 8,050/Adj.RW to Baht 8,250/Adj.RW effective on 1 October 2019 and Baht 8,750/Adj.RW effective on 1 June 2020.

Month	2020	2019	% Change
January - May	8,250 /Adj.RW	8,050 /Adj.RW	2%
June - September	8,750 /Adj.RW	8,050 /Adj.RW	9%

Unit: Million Baht	9M20	9M19	Increase (decrease)	Change
Revenue from general patients	2,262.44	2,368.48	(106.04)	(4%)
Revenue from outpatients (OPD)	1,162.29	1,209.51	(47.22)	(4%)
Revenue from inpatients (IPD)	1,100.15	1,158.97	(58.82)	(5%)
Revenue from government welfare programs	1,659.87	1,469.05	190.82	13%
Social security schemes	1,370.29	1,216.60	153.69	13%
Other governmental schemes	289.58	252.45	37.13	15%
Total revenue from hospital operations	3,922.31	3,837.53	84.78	2%

Operation costs

In 9M20, the Company's gross profit margin increased from 30.82% to 31.57%, resulting in net profit margin increasing from 15% to 16% YoY. This is mainly due to an effective cost management and cost control measures that does not affect the standard and quality of medical treatment services, but in line with the decreased A-Class revenue.

The Company's net profit for 9M20 was Baht 623 million, increasing by Baht 52 million, or 9% YoY, in accordance with the increasing operating results and cost control measures.

Statement of financial position	30 September	31 December	Increase	Change
Unit : Million Baht	2020	2019	(Decrease)	(%)
Total assets	6,399	6,265	134	2.14%
Total liabilities	2,458	2,370	88	3.71%
Shareholders' equity	3,941	3,895	46	1.18%
Debt to equity ratio (x)	0.62	0.61		

As of September 30, 2020, the Company has total assets of Baht 6,399 million, increased by Baht 134 million from December 31, 2019, primarily due to

- Cash and cash equivalent increased by Baht 117 million from the Company's operation, as reported in the cash flow statement.
- Trade and other receivables decreased by Baht 22 million; accrued medical treatment income increased by Baht 118 million in line with the revenue growth and payment guideline from Social Security Office.
- Property, plant and equipment decreased by Baht 165 million from an adoption of Thai Financial Reporting Standard No. 16 Lease (TFRS 16), effective on 1 January 2020 classifying some Land, Building and equipment as Right-of-use assets at Baht 70 Million, decreasing from Depreciation which is more than the acquisition of the additional assets.

Total liabilities amounting to Baht 2,458 million as of September 30, 2020, increasing by Baht 88 million from December 31, 2019, as described below.

- Short-term loans from financial institutions increased by Baht 200 million.
- Trade and other payables decreased by Baht 45 million.
- Liabilities under lease agreement increased by Baht 21 million from an adoption of Thai Financial Reporting Standard No. 16 Lease (TFRS 16).
- Long-term loans from financial institutions decreased by Baht 96 million.

Total shareholders' equity amounting to Baht 3,941 million as of September 30, 2020, increasing by Baht 46 million from December 31, 2019 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.62, which reflects the ability to loan from financial institution for business expansion and in line with the Company's strategy.

Cash flow statement Unit : Million Baht	9M2020	9M2019	Change
Net cash from operating activities	758	641	117
Net cash used in investing activities	(182)	(464)	282
Net cash used in financing activities	(459)	(130)	(329)
Net increase in cash and cash equivalents	117	47	70
Cash and cash equivalents at beginning of period	467	471	(4)
Cash and cash equivalents at end of period	584	518	66

In 9M20, the Company's Net cash from operating activities amounting to Baht 758 million, increased by Baht 117 million YoY, in accordance with the operating profit. Net cash used in investing activities decreased by Baht 282 million from the investment plan and the acquisition of medical equipment for the two new hospitals in 9M19, whereas the additional medical equipment and tools are acquired to increase the treatment potentials in 9M20. Net cash used in financing activities amounting to Baht 459 million YoY, mainly due to the payment of long-term loans from financial institution for hospital expansion plans and the dividend payment of the Company.

Please be informed accordingly.

Yours faithfully,

(Mr.Kumpol Plussind)
Chief Executive Officer