



## Bangkok Dusit Medical Services (BGH)

### Investor Presentation

### 1Q14 Results

June 2014

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## Overview

## Overview

- Established on February 26, 1972
- Largest private hospital operator in Thailand in terms of revenues from patient services and market capitalization
- Owns and manages 31 hospitals (with total beds\* of 5,616) under 6 hospital brands:

	Brand	No. of Hospitals	No. of Beds*
	Bangkok Hospital	16	2,652
	Phyathai Hospital	5	1,237
	Samitivej Hospital	4	975
	Paolo Memorial Hospital	3	557
	BNH Hospital	1	144
	Royal International Hospital	2	51

\* Maximum number of beds according to the structure of the hospitals

# Shareholding Structure

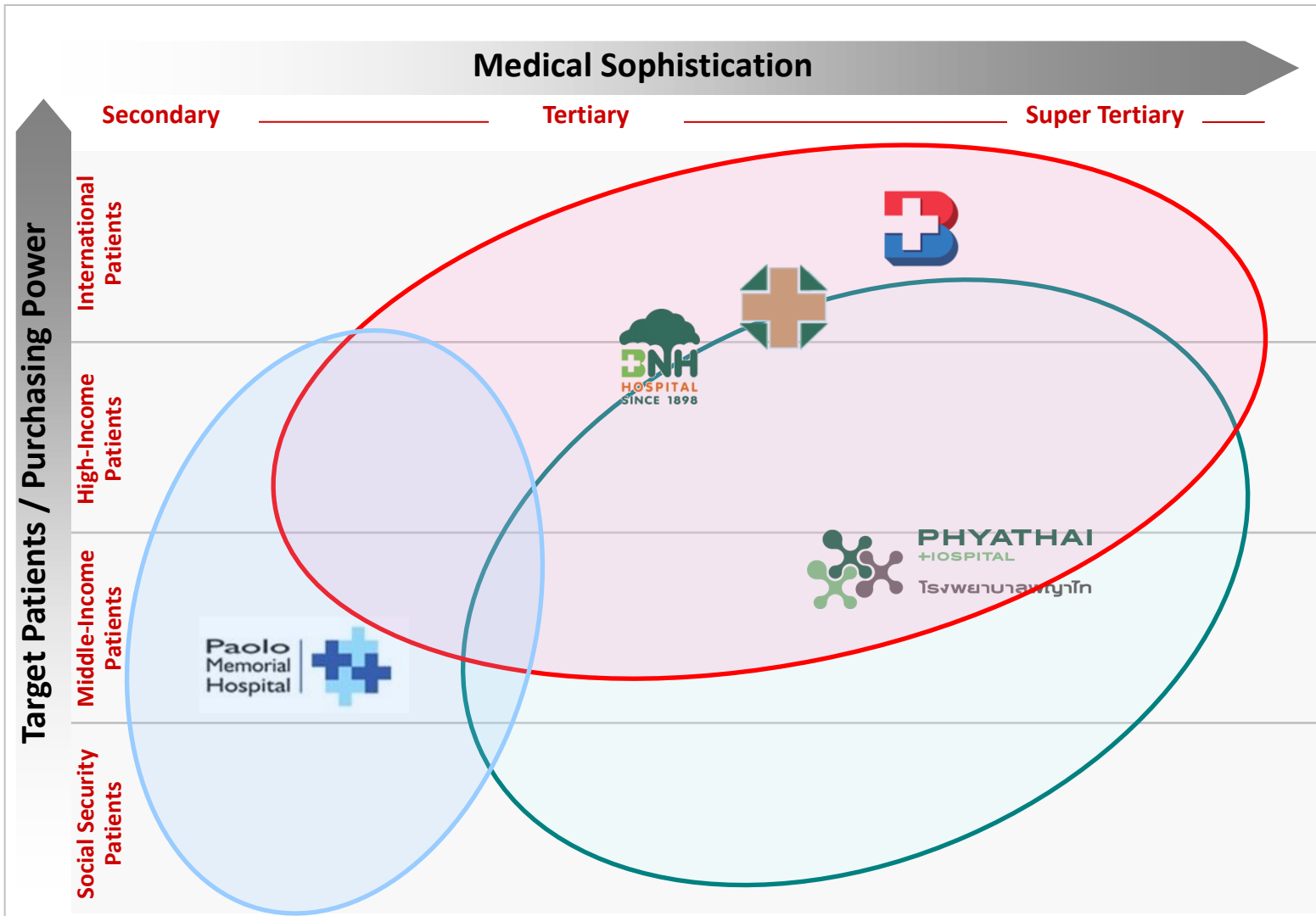
As of 23 Jan 2014

		% of Shareholding
1	Mr. Prasert Prasarttong-Osoth, M.D. and family	24.3%
2	Mr. Wichai Thongtang and family	15.3%
3	Bangkok Airways*	7.8%
4	The Viriyah Insurance Co., Ltd.	6.2%
5	Mr. Chirothana Suchato, M.D. and family	2.7%
6	Thai NVDR Co., Ltd.	2.6%
7	Ladpli family	2.5%
8	HSBC (SINGAPORE) NOMINEES PTE LTD	2.4%
9	Bangkok Bank Public Co., Ltd.	2.3%
10	Mr. Chuladej Yossundharakul, M.D. and family	1.9%
	<b>Total</b>	<b>68.0%</b>

Source: Summary of the information from Thailand Securities Depository Company Limited (TSD)

\* Consisted of Bangkok Airways Co., Ltd., Bangkok Airways Holding Co., Ltd, and Bangkok Air Catering Co., Ltd


# Diversification of Patient Mix



# Hospital Network in Key Strategic Locations

## Hospitals under Management





	<u>Group 1</u>	<u>Ownership</u>	<u>No. of Beds</u> <sup>(1)</sup>
}	1. Bangkok Hospital	100%	343
	2. Bangkok Heart Hospital (BMC)	100%	97
	3. Wattanosoth Hospital	100%	48
	4. Bangkok Huahin (BHN)	100%	60

	<u>Group 2</u>	<u>Ownership</u>	<u>No. of Beds</u>
	5. Samitivej Sukhumvit (SVH)	95.8%	275
	6. Samitivej Srinakarin (SNH)	95.8%	400
	7. Samitivej Sriracha (SSH)	69.8%	150
	8. Samitivej Thonburi <sup>(2)</sup> (STH)	55.7%	150
	9. BNH Hospital (BNH)	91.5%	144

Remark (1) Structured beds  
 (2) Formerly known as Krungdhon hospital (KDH)  
 (3) Registered beds  
 (4) Formerly known as Paolo Nawamin Hospital

	<u>Group 3</u>	<u>Ownership</u>	<u>No. of Beds</u> <sup>(1)</sup>
	10. Bangkok Pattaya (BPH)	97.3%	400
	11. Bangkok Rayong (BRH)	100%	220
	12. Bangkok Chanthaburi (BCH)	99.7%	170
	13. Bangkok Trat (BTH)	99.8%	114
	14. Bangkok Phuket (BPK)	99.7%	317
	15. Bangkok Hat Yai (BHH)	98.8%	165
	16. Bangkok Samui (BSH)	100%	50
	17. Bangkok Phrapradaeng (BPD)	84.0%	60

	<u>Group 4</u>	<u>Ownership</u>	<u>No. of Beds</u>
	18. Bangkok Ratchasima (BKH)	90.9%	300
	19. Bangkok Pakchong	90.9%	30
	20. Bangkok Udon (BUD)	100%	120
	21. Bangkok Phitsanulok (BPL)	100%	100
	Children Ratanavej Hospital at Phitsanulok	100%	58
	22. Royal Angkor International	80.0%	21
	23. Royal Rattanak International	70.0%	30

	<u>Group 5</u>	<u>Ownership</u>	<u>No. of Beds</u> <sup>(3)</sup>
	24. Phyathai 1 (PYT1)	100%	350
	25. Phyathai 2 (PYT2)	99.1%	260
	26. Phyathai 3 (PYT3)	98.2%	230
	27. Phyathai Sriracha (PYTS)	74.1%	257
	28. Phyathai Nawamin (Pnwm) <sup>(4)</sup>	99.8%	140
	29. Paolo Paholyothin (Pmed)	100%	237
	30. Paolo Samutprakarn (Psamut)	93.5%	200
	31. Paolo Chokchai 4 (Pchok)	85.7%	120

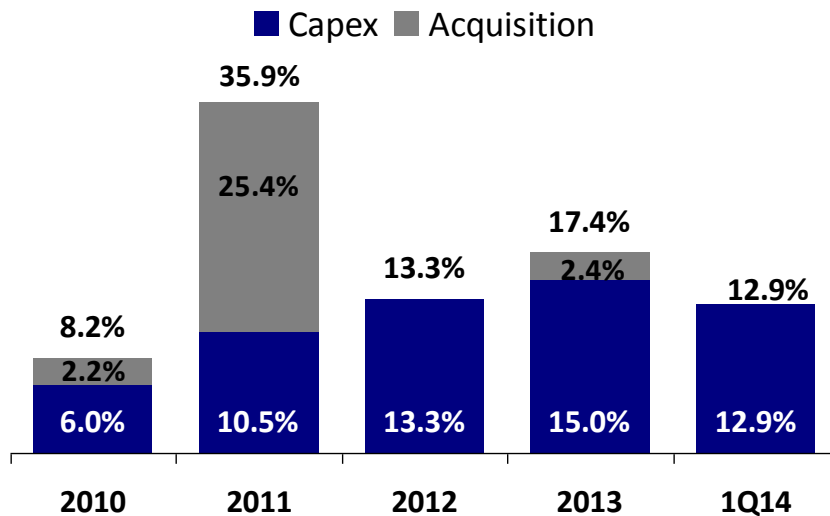


# Expansion Plans and Investment Criteria

## Expansion Plans

- Expansion of existing hospitals where utilization is reaching 75-80%
- New greenfield hospitals
- New hospitals from acquisitions
- Expansion in complementary non-hospital investments

## CAPEX as % of Revenue \*



Remark:- CAPEX based on fixed assets addition

\* Revenue from hospital operations, revenue from sales of goods and other income

## Investment Criteria

- Strategic fit & potential synergy
  - Strategic location/ high growth areas
  - Proven track record
  - Patient base expansion
  - Potential to attract both local and international patients
- Financial Return
  - IRR / Payback period
  - Investment cost per bed
  - Profit break-even point
  - Revenue & profit contribution to Group
- Impact to Balance Sheet
  - Gearing ratios

# Investment Updates

## New Hospitals in Pipeline



Bangkok Hospital Chiangmai



Royal Phnom Penh Hospital



Hospitals	Total Beds	1 <sup>st</sup> Phase	Project Details	Commission Date
1 Bangkok Hospital Chinatown	58	24	Basic Tertiary care hospital aiming to tap into affluent ethnic Thai- Chinese residents	By 3Q14
2 Bangkok Hospital Khon Kaen	120	50	Acquired Vachprasit Hospital during 2Q13 and upgrading to become Basic Tertiary care hospital	By 3Q14
3 Bangkok Hospital Chiangmai	185	34	Hub Tertiary care hospital targeting Thai & international patients	By 3Q14
4 Royal Phnom Penh Hospital, Cambodia	104	50	Basic Tertiary care hospital targeting Cambodian and expatriates	By 3Q14
5 Sri-Rayong Hospital	195	25	<ul style="list-style-type: none"> <li>Secondary care hospital targeting middle income patients</li> <li>Initial opening as clinic &amp; ER (Dec 2013)</li> </ul>	By 3Q14

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# Investment Updates

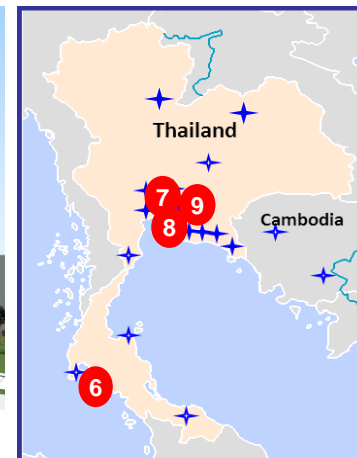
## New Hospitals in Pipeline



Samitivej Chonburi Hospital



Jomtien Hospital



Hospitals	Total Beds	1 <sup>st</sup> Phase	Project Details	Commission Date
6 Dibuk Hospital (Bangkok Hospital Phuket 2)	100	29	■ Secondary care hospital targeting middle income patients	2014
7 Samitivej Chonburi Hospital	220	59	■ Basic Tertiary care hospital targeting patients living in Chonburi	2015
8 Paolo Rangsit Hospital	150	100	■ Secondary care hospital targeting middle income patients	2015
9 Jomtien Hospital (Bangkok Hospital Pattaya 2)	250	100	■ Secondary care hospital targeting middle income patients ■ Opening as polyclinic & ER (Mid 2014)	2016

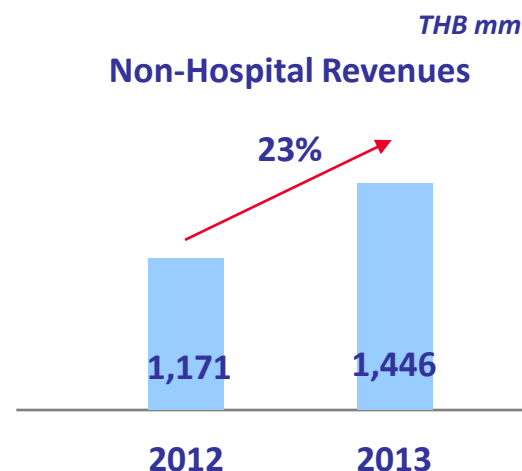
# Investments

## Investments in Other Hospitals : - Listed Companies

- Ramkhamhaeng Hospital PCL 38.24%
- Bumrungrad Hospital PCL 23.95%

## Non- Hospital Strategic Investments<sup>(1)</sup>

- |   |      |  |
|---|------|--|
| ■ National Healthcare Systems           | 100% | central lab, central supply chain & other shared services    |
| ■ Greenline Synergy                     | 100% | shared IT services   |
| ■ A.N.B. Laboratories                   | 100% | medicine & pharmaceutical product manufacturer & distributor |
| ■ Bangkok Premier Life Insurance Broker | 100% | health & life insurance broker                               |
| ■ Bio Molecular Laboratories            | 95%  | central lab for bio molecular study & examination            |
| ■ Medic Pharma                          | 87%  | pharmaceutical product manufacturer                          |
| ■ Sodexo                                | 74%  | support services   |
| ■ Bangkok Helicopter Services           | 49%  | transportation of patients via helicopter services           |



(1) Not included all BGH's investments

# Extensive Market Coverage in Bangkok and Vicinity Area



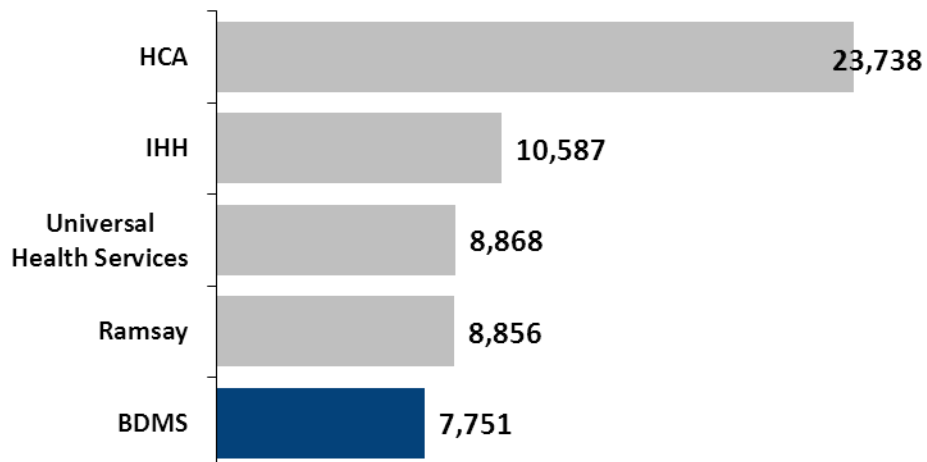
Region	Total Private Hospital Beds	BGH Registered Beds	Market Share
Bangkok	14,042	2,540	18%
Central	10,688	1,390	13%
South	2,376	450	19%
Northeast	2,889	281	10%
North	4,036	158	4%
<b>Total</b>	<b>33,848</b>	<b>4,819</b>	<b>14%</b>

Source: Department of Health Service Support as of Sep 2013

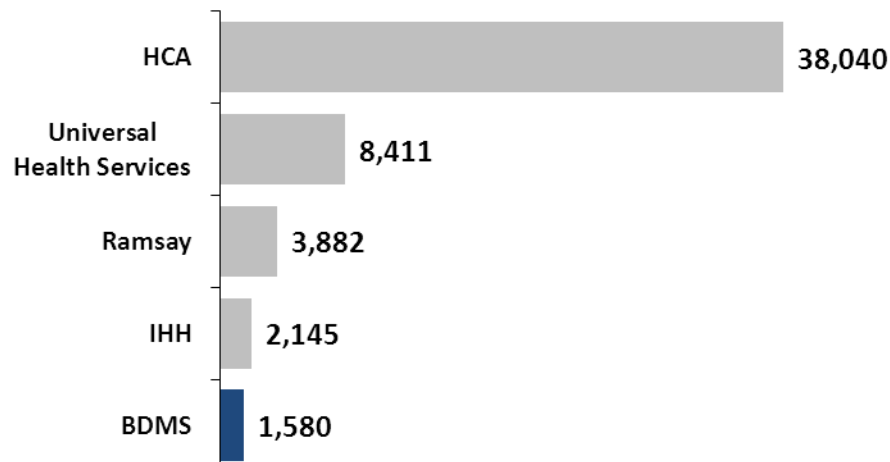


# Global Hospital Rankings

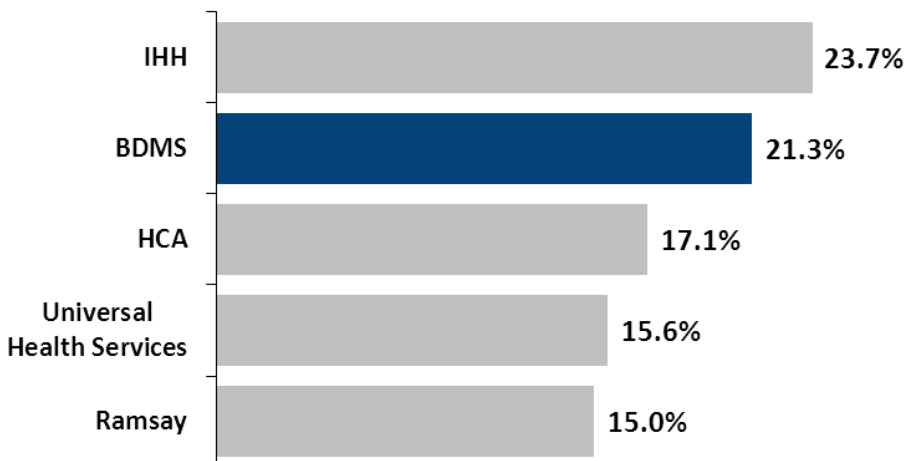
## Market Capitalization (USD mm)



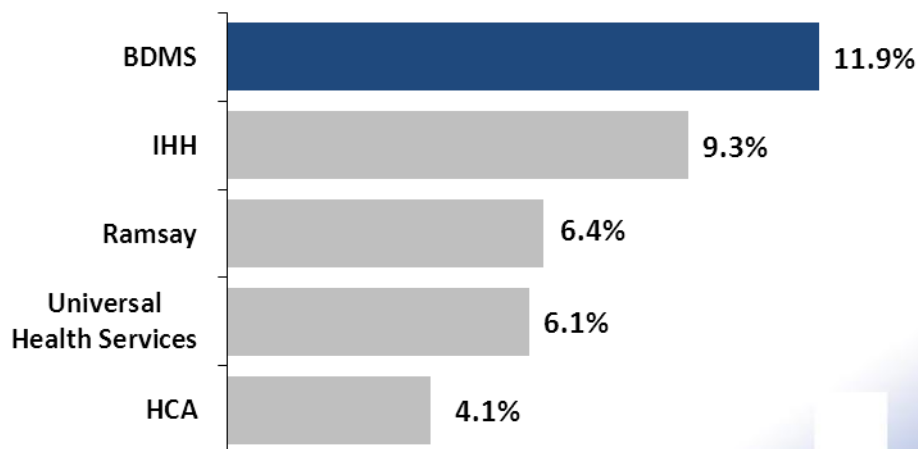
## Revenue (USD mm)



## EBITDA Margin



## Net Profit Margin



Remark: - Market capitalization as of 30 May 2014

- Financial performance (excluding non-recurring items) for year ended December 2013 except Ramsay for year ended June 2013

# Group Vision & Strategic Goals

*“To be a leader in providing a full continuum of healthcare with Thai hospitality”*

## Ensure Business Growth

### Organic growth & expansion

- Grow revenue from existing market
- Acquire new patients in new markets
- Develop new products/ technologies & increase outreach
- Enhance referral within BDMS and other providers

## Improve Organizational Efficiency

### Enhance shared services

- Leverage networking competitive advantages
- Optimize tangible asset utilization
- Outsource non- core activities

## Become Hospital of Endearment

### Attract & maintain healthcare professionals

- Improve clinical & hospitality service standards
- Strengthen payer and alliance relationship
- Strengthen strategic suppliers relationship
- Encourage corporate social responsibility

## Strengthen Brand

### Promote brand positioning

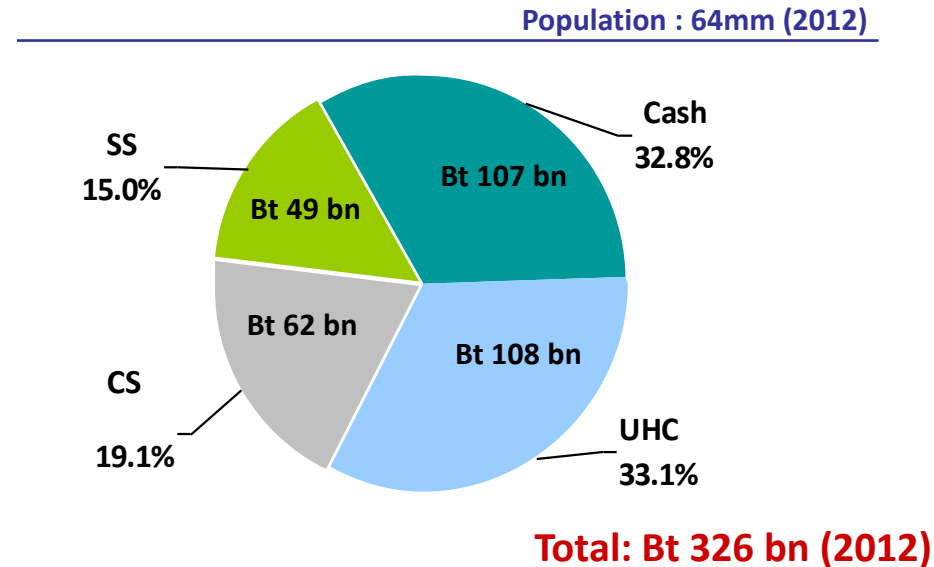
- Clear market segmentation among 6 hospital brands
- Enhance BDMS corporate identity to all stakeholders

## Healthcare Industry



# Thailand Healthcare Coverage

## Healthcare Segments in Thailand



Source: NHSO, SSO, IHPP, BDMS Estimates

- **Universal Healthcare Coverage (UHC)** – A welfare program for Thai people to receive medical coverage for IPD and OPD care at registered facilities for payment of Baht 30 (US\$ 1.00) per visit
- **Civil Servant (CS)** - A welfare program provided to employees of governments and state-owned enterprises
- **Social Security Scheme (SS)** - Minimum requirement of healthcare provided to employees of private companies
- **Private Healthcare** - Proportion of Thai population not covered or choose not to use public healthcare schemes (UHC, CS and SS), though may have private insurance coverage

# Increasing Healthcare Demand

## Thai Population / Bed

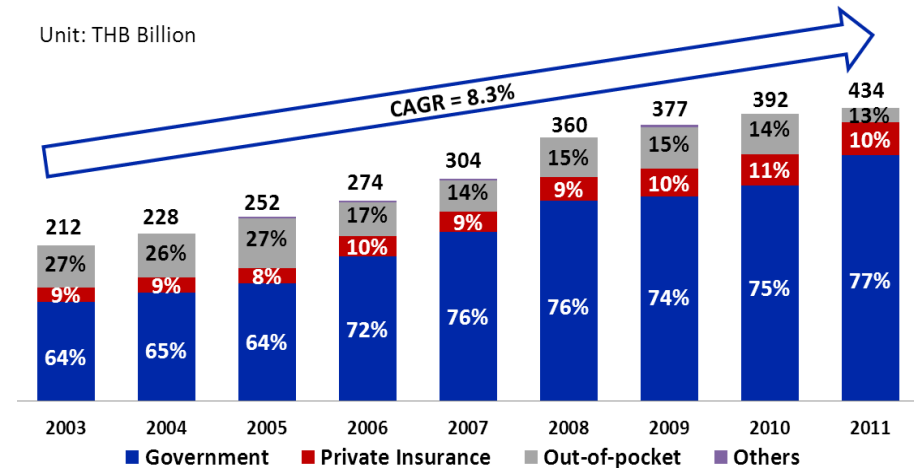
Population growth higher than supply

	2008	2009	2010
Bangkok	312	379	266
Central	402	414	409
Northeast	779	724	714
North	500	679	460
South	492	500	498
<b>Total</b>	<b>502</b>	<b>540</b>	<b>477</b>
Global Average (Y2006-2012)	← 385 →		

Source: Ministry of Public Health and World Health Organization

## Increasing Healthcare Expenditures in Thailand (2003 – 2011)

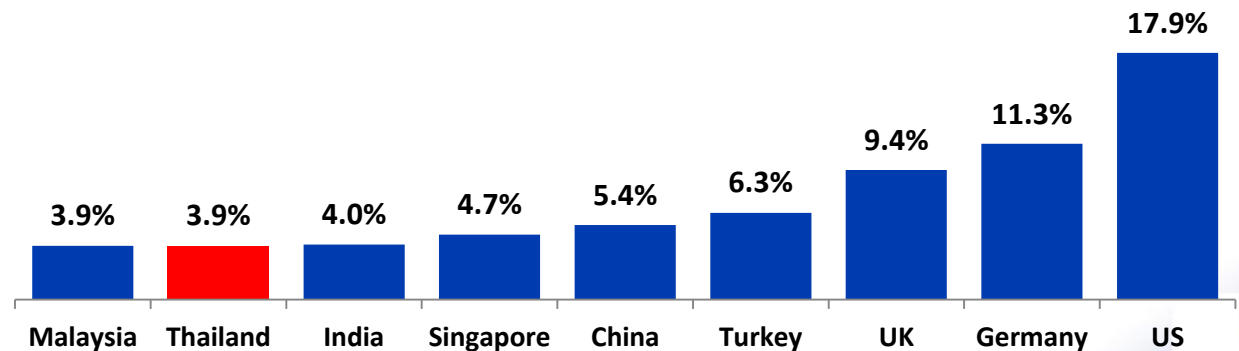
Unit: THB Billion



Source: National Health Account of Thailand and Health Systems Research Institute

## Low Healthcare Penetration

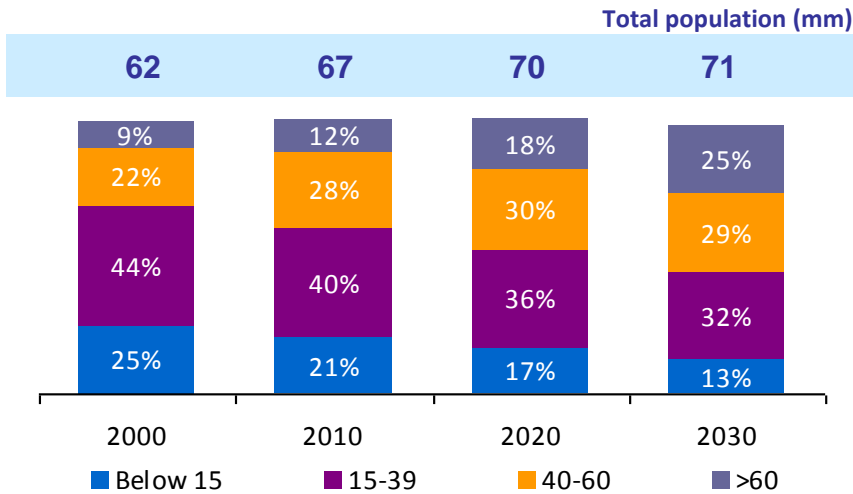
- Healthcare expenditure as % of GDP in Thailand is still low compared to other developing and developed countries



Source: World Health Organization for 2012

# Increasing Healthcare Demand

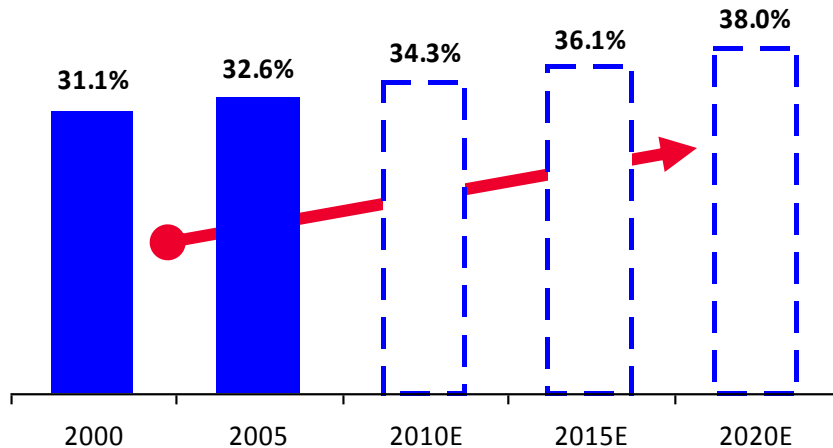
## Population Growth and Aging Profile



## Commentary

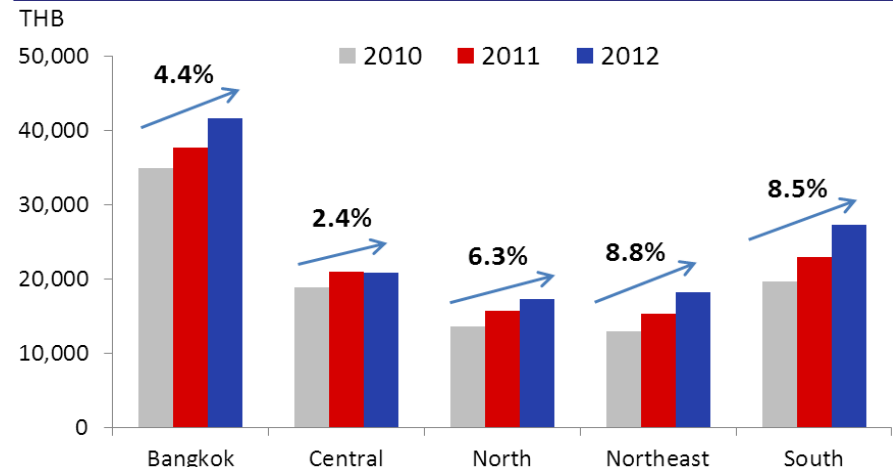
- Aging population will have great implications on both healthcare costs as well as its capacity to serve demand. In addition, aging population also means a strain on healthcare capacity if it fails to catch up well with increasing demand
- Increasing degree of urbanization is expected over time from 31.1% in 2008 to 38.0% in 2020
- The trend has also been the same for overall South East Asia countries where rapid urbanization is expected from 36.7% in 2000 to 50.6% in 2025

## Urbanization



Sources: NESDB, Health & Welfare Surveys, National Statistics Office (Data related to Thailand)

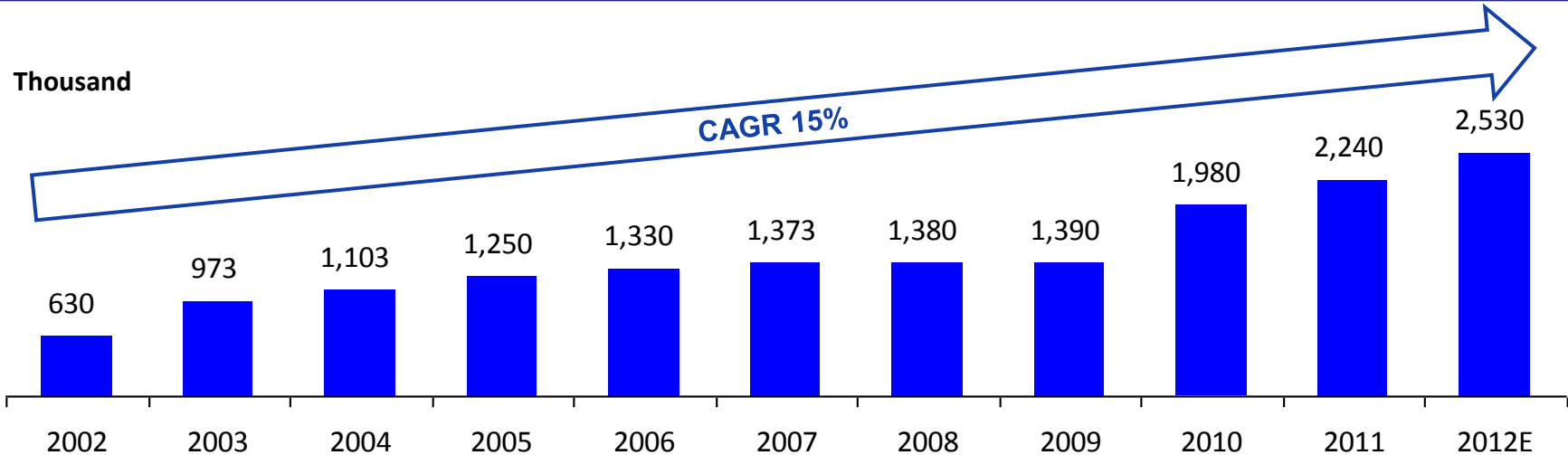
## Rising Income per Capita



Sources: NESDB

# Medical Tourism

## Increasing trend of international patient visits



Source: Department of Export Promotion, Ministry of Commerce.

## Medical Tourism as a Rising Phenomenon

Procedures ( In USD)	USA	Singapore	Thailand	Malaysia	India
Heart Bypass	130,000	18,500	11,000	9,000	10,000
Heart Valve Replacement	160,000	12,500	10,000	9,000	9,000
Angioplasty	57,000	13,000	13,000	11,000	11,000
Hip Replacement	43,000	12,000	12,000	10,000	9,000
Hysterectomy	20,000	6,000	4,500	3,000	3,000
Knee Replacement	40,000	13,000	10,000	8,000	8,500
Spinal Fusion	62,000	9,000	7,000	6,000	5,500

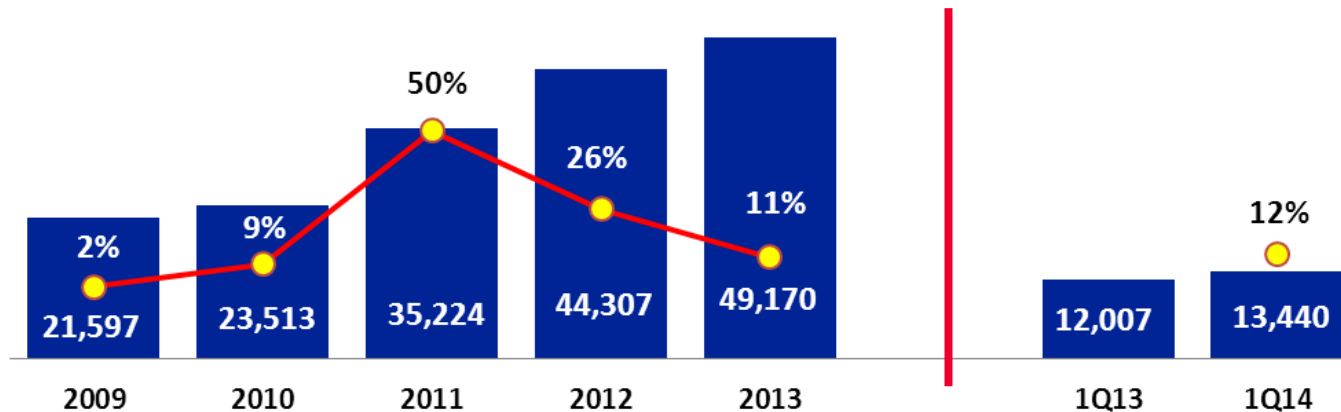
Source: "Patient Beyond Border" by Josef Woodman

## Operational Statistics

# Continued Double Digit Revenue Growth

## Patient Revenue Trend

(THB mm)

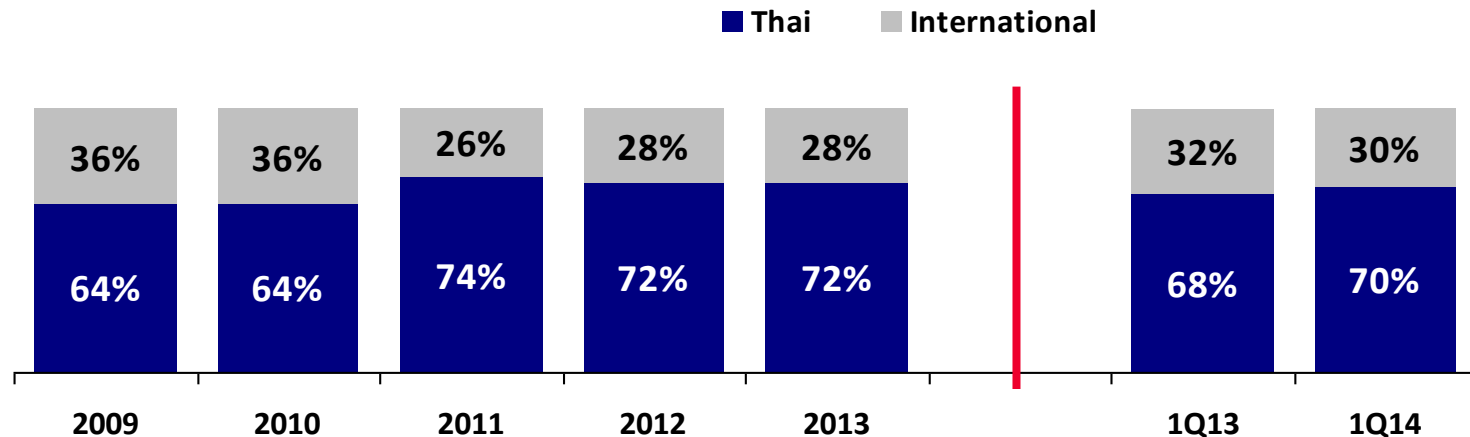


## Commentary

- 1Q14 Patient revenue increased by **12% yoy**, primarily from
  - Growth in number of outpatients and inpatients across our network hospitals
  - Rising in healthcare inflation and increasing in intensity
  - Patient ward renovation and an increase in patient referral
  - Consolidation of new network hospitals
    - Samitivej Thonburi (STH) since May 2013
    - Bangkok Hospital Phitsanulok (BPL) since October 2013

# Expanding Both Thai and International Patients

## Revenue Contribution by Nationality



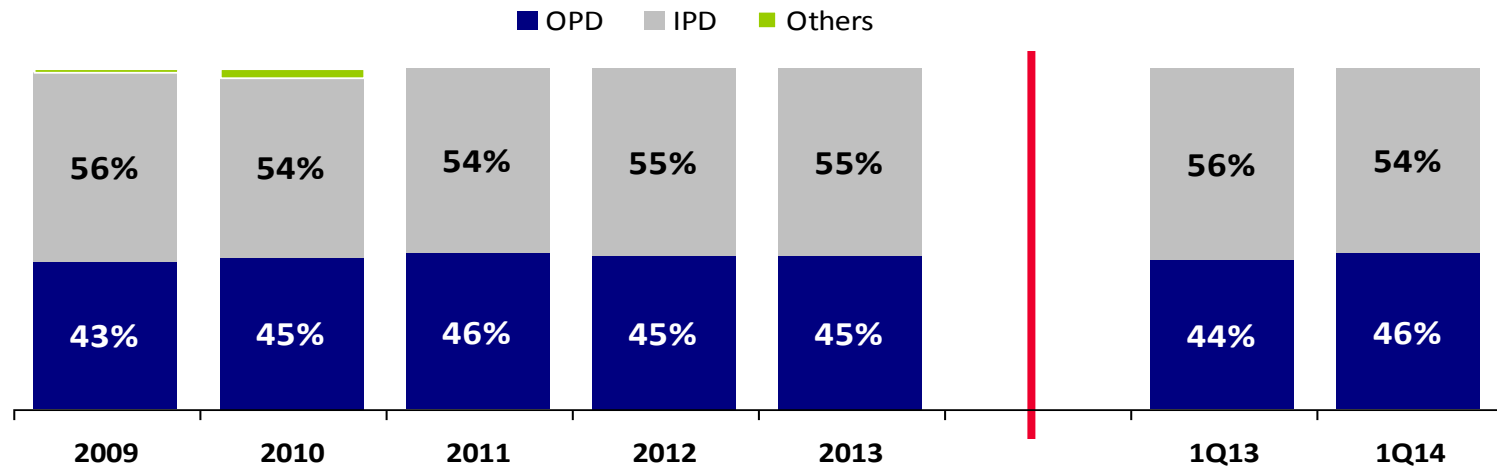
## Commentary

- **1Q14** revenue from Thai patients grew 15% while international patients grew 4% yoy
  - Top 5 international patient revenues are from Japan, UK, Myanmar, Germany and USA which contribute 2.7%, 2.0%, 1.8%, 1.8% and 1.6% of total patient revenues respectively
  - International patient revenues grew significantly for Russia (+15%), Myanmar (+15%) and Japan (+9%)

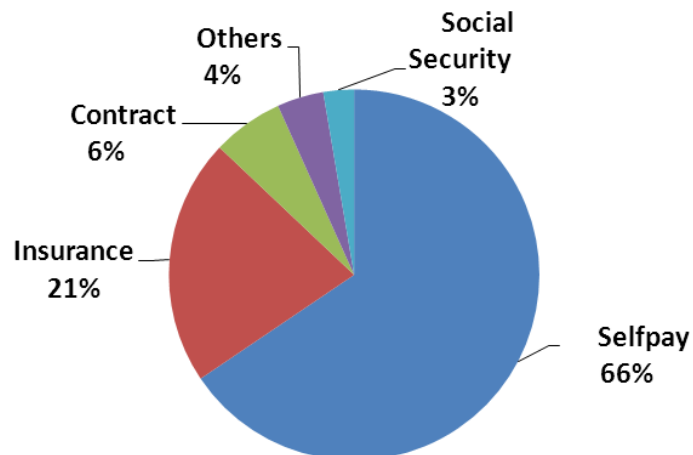
Remarks:- Operational statistics data in 2011 are including PYT & Paolo since Jan 2011

# Patient Mix

## Revenue Breakdown by Patient Types



## 1Q14 Patient Revenue by Payor



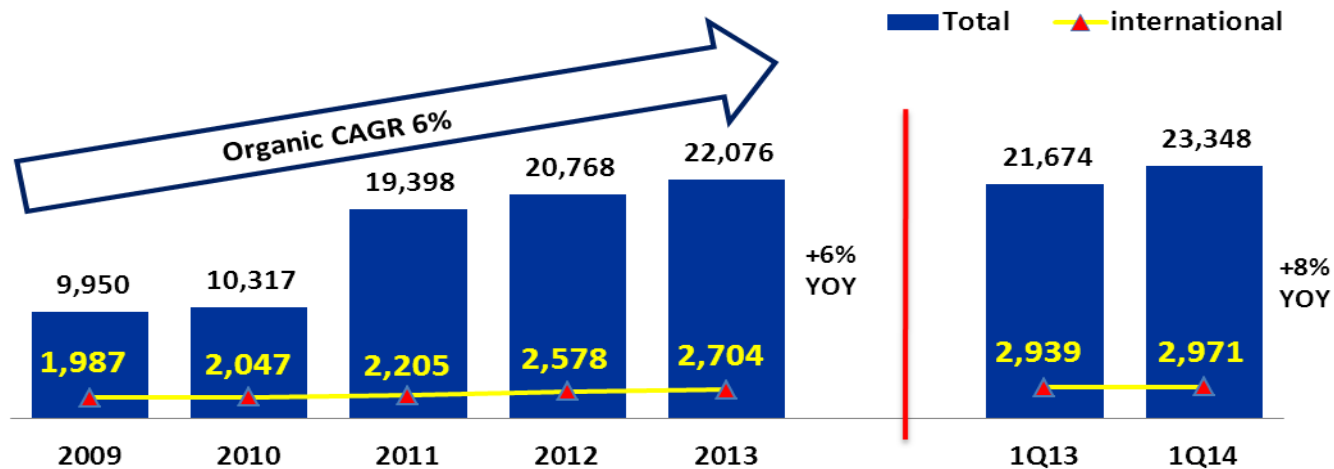
## Commentary

- **1Q14** OPD revenues increased 10% yoy while IPD revenues increased 14% yoy

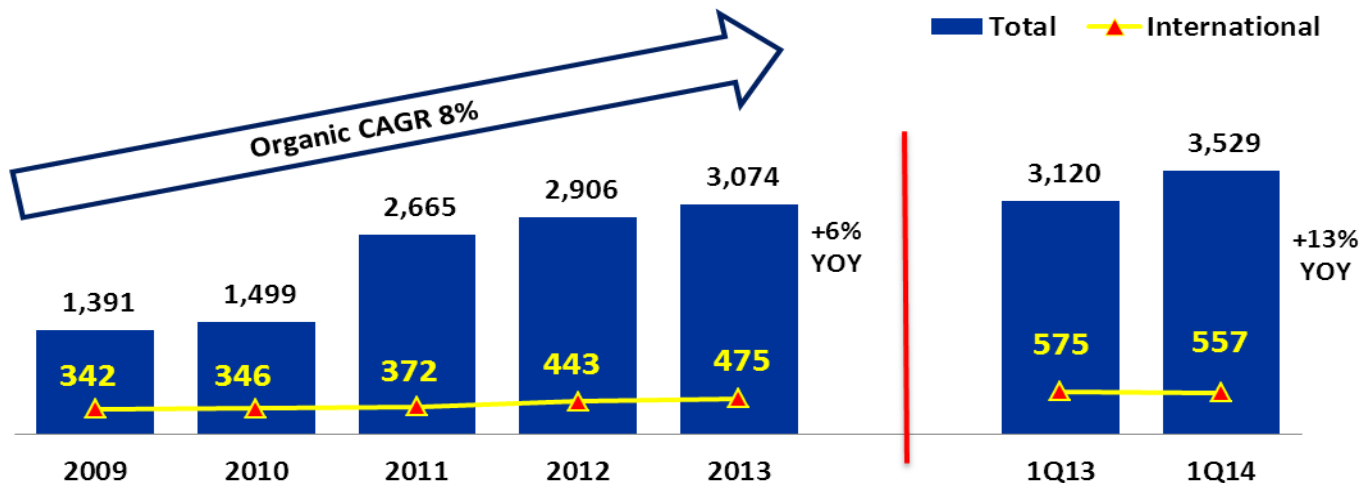


# Patient Base Expansion From Both Organic Growth & Acquisitions

## Number of OPD Visits per Day



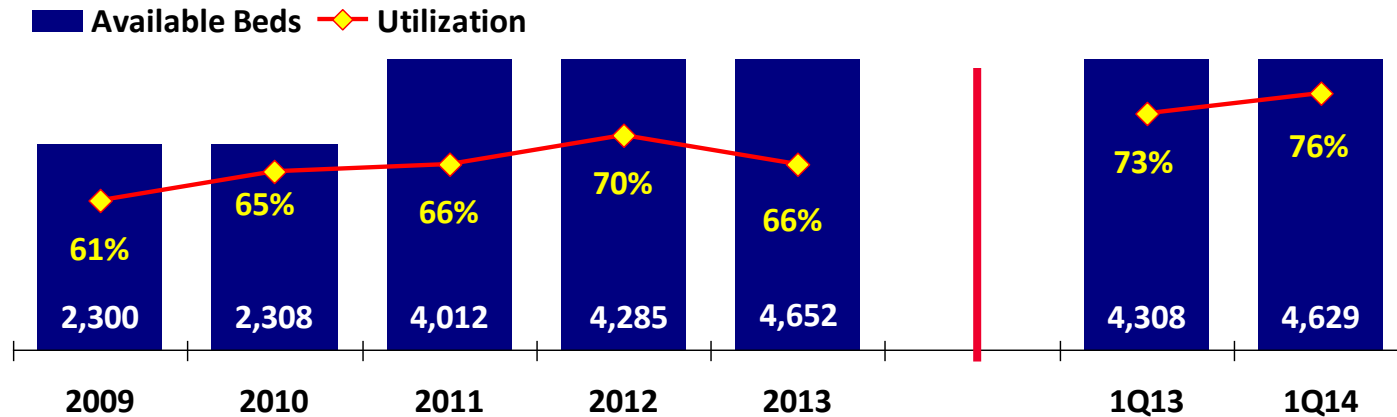
## Average Daily Census ( ADC )



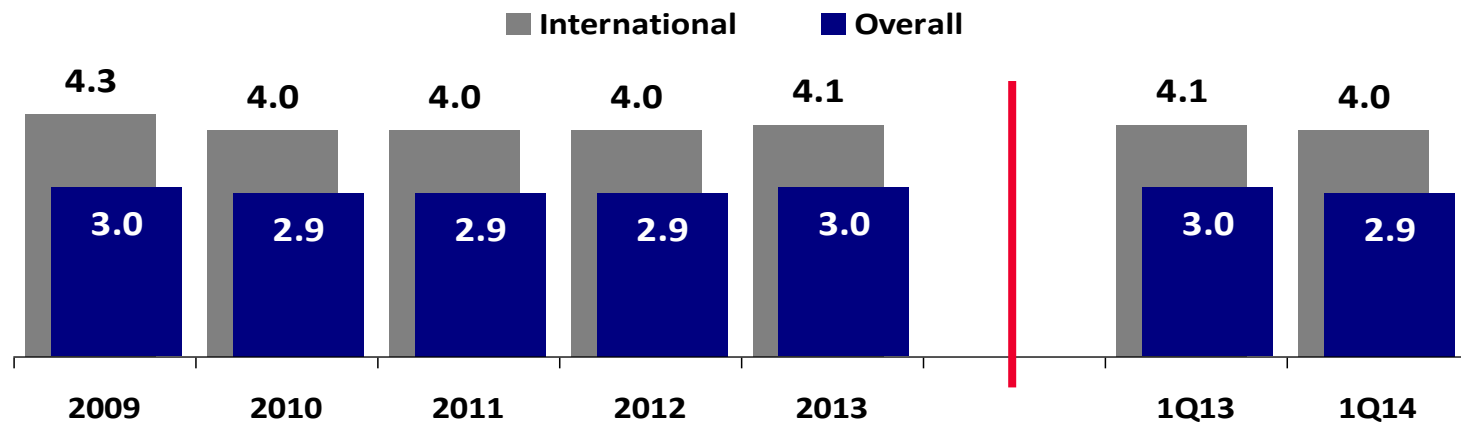
Remarks:- Including social security

# Utilization of Beds

## Utilization Based on Available Beds



## Average Length of Stay (days)

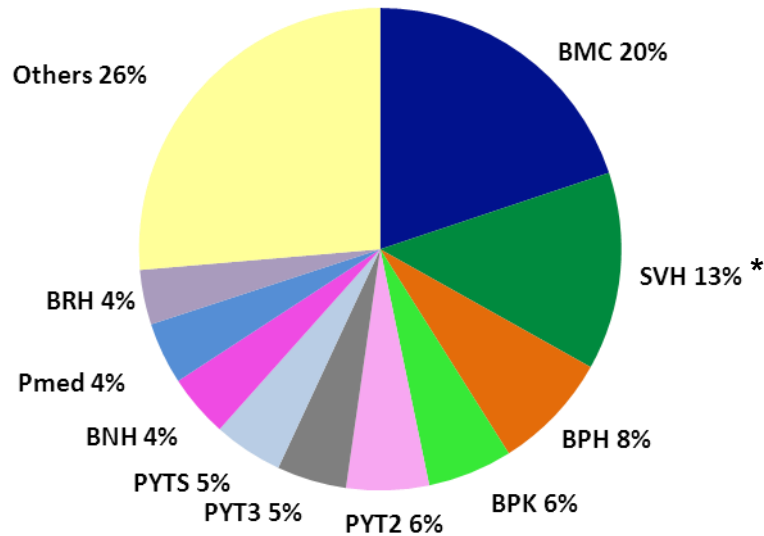


Remarks:- Including social security patients

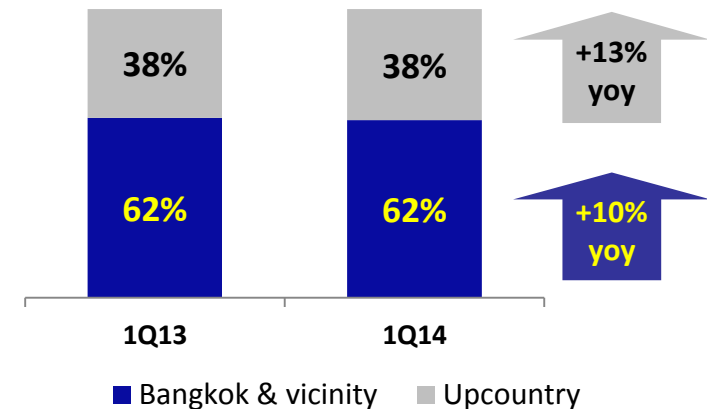
## Financial Highlights

# Diversified Sources of Revenues

## Revenue Contribution in 1Q14



## Revenue Contribution & Growth by Locations



## Commentary

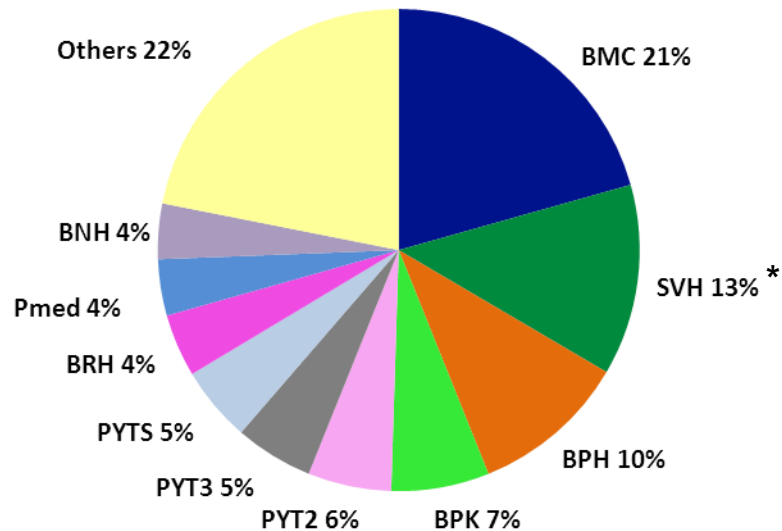
- During **1Q14**, top 5 hospitals (by location) contributed 53% of total revenue
- Bangkok & vicinity hospitals that grew more than 10% yoy : - PNWM(+29%), PYT3(+19%), Psamut(+15%), Pchok(+14%) and Pmed(+11%)
- Upcountry hospitals that grew more than 13% yoy :- BUD(+47%), BHN(+24%), BHP(+22%), BCH(+19%), RAH(+19%), SSH(+18%), BPD(+17%), RRH(+17%) and BTH(+14%)

Remark:- Hospital abbreviation shown on page 8

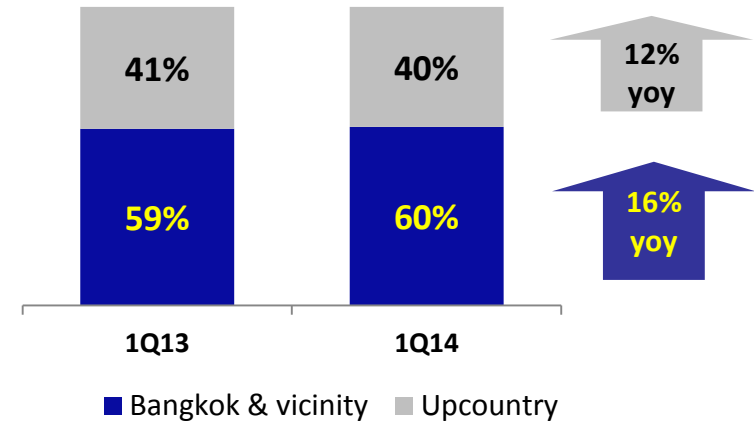
\* SVH also included SNH performance

# EBITDA Contribution

## EBITDA Contribution in 1Q14



## EBITDA Contribution & Growth by Locations



## Commentary

- During **1Q14**, top 5 hospitals (by location) contributed 57% of total EBITDA

Remark:- Hospital abbreviation shown on page 8

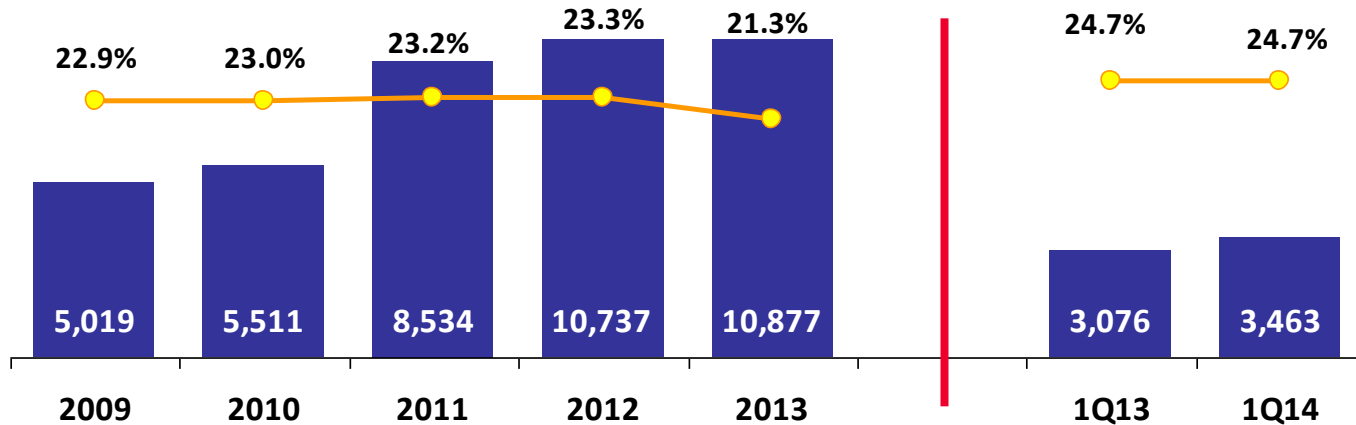
\* SVH also included SNH performance

EBITDA is calculated from revenue from hospital operations + revenue from F&B + other income – cost from hospital operations – SG&A expenses

# Profitability Trend

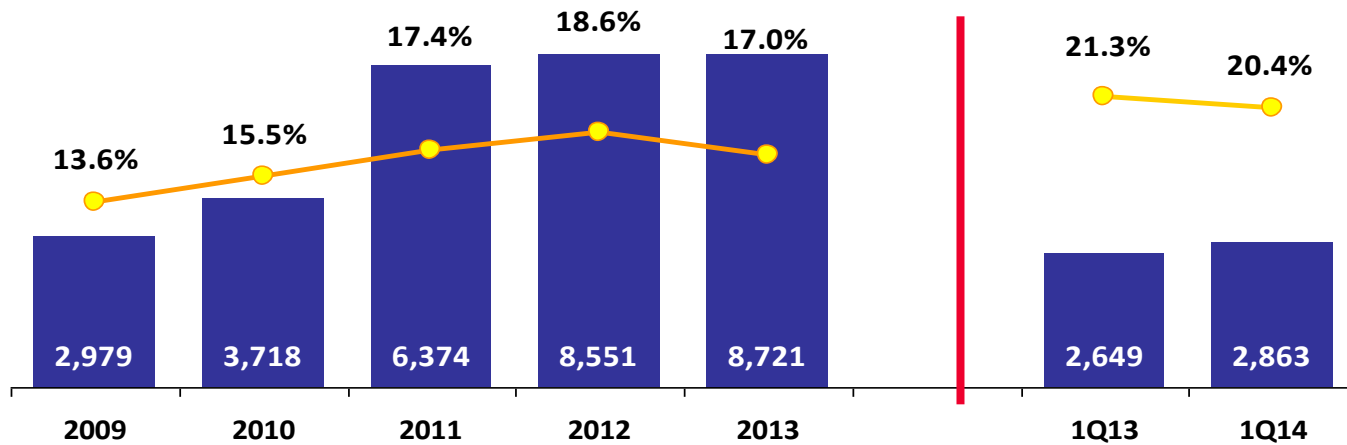
## EBITDA & EBITDA Margin\*

(THB mm)



## EBIT & EBIT Margin\*

(THB mm)

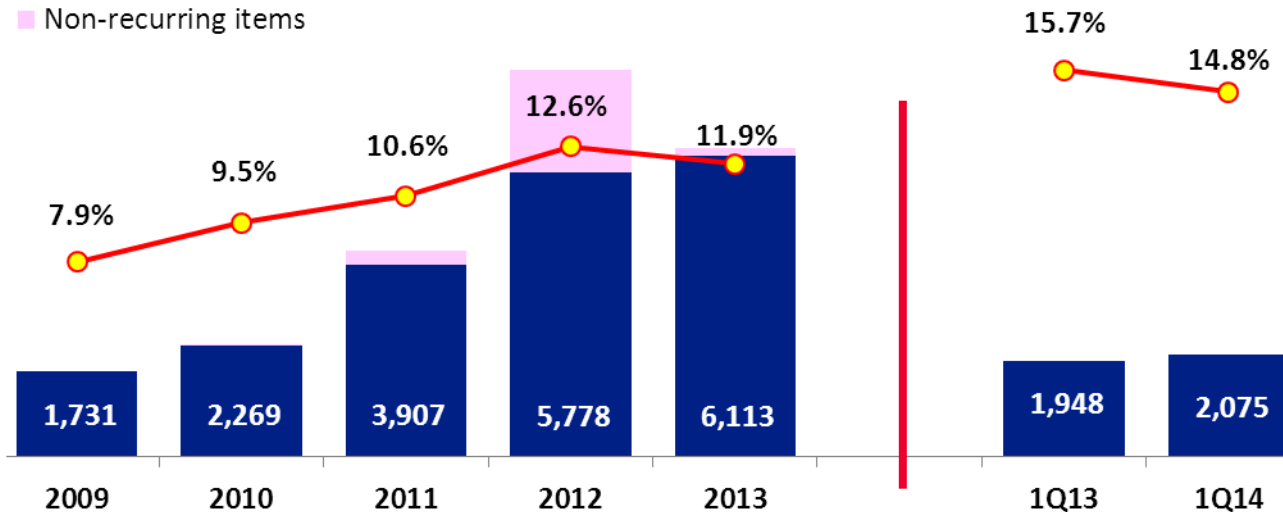


\* Excluding non-recurring items

# Profitability Trend

Net Profit & Net Profit Margin\*

(THB mm)



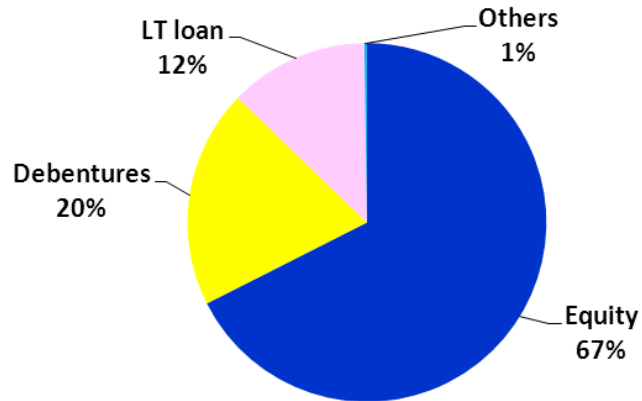
## Commentary

- **1Q14** Net profit increased 7% yoy from growth in number of outpatients and inpatients across our network hospitals, rising in healthcare inflation and increasing in intensity netted with an increase in both clinical and non-clinical staffs and rental expenses

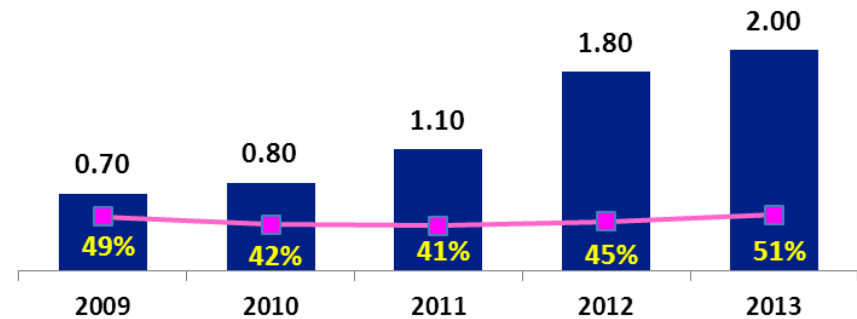
\* Excluding non-recurring items

# Capital Management

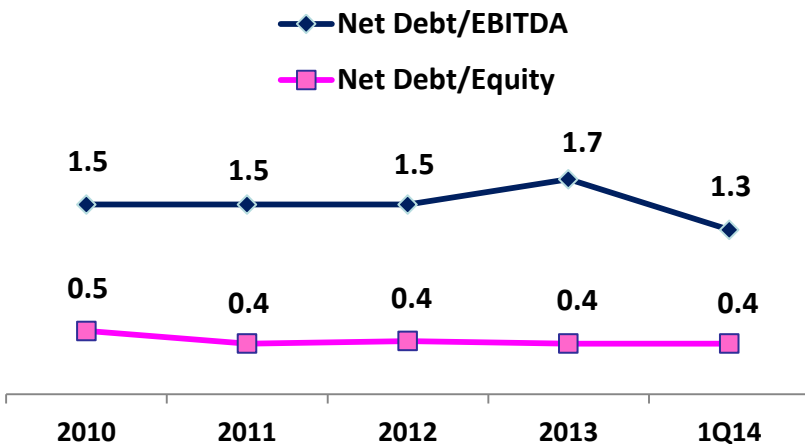
## Capital Structure as of Mar 2014



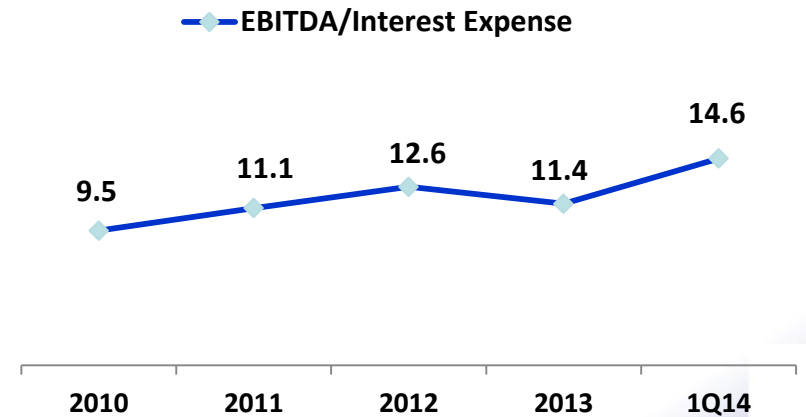
## Dividend Payment & Payout Ratio



## Gearing Ratios: Well Within Covenants



## Interest Coverage



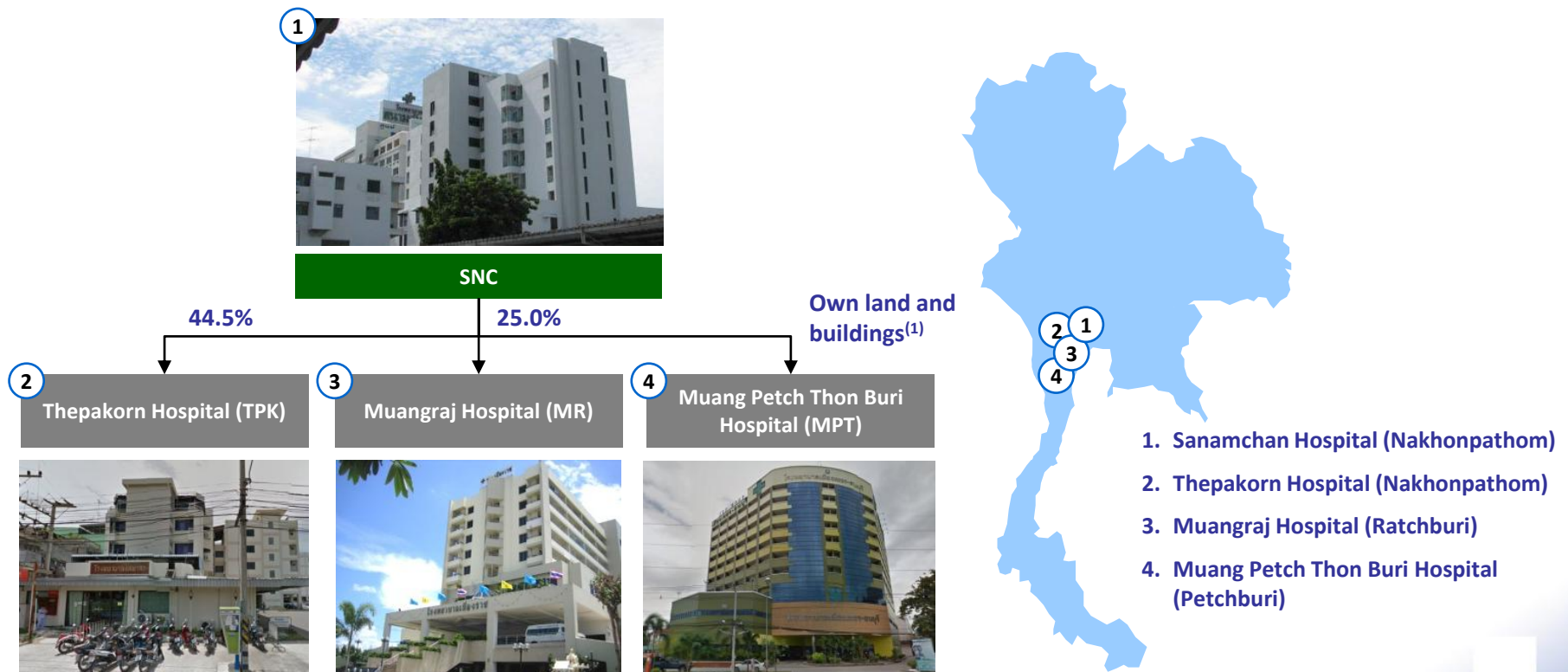


# The Acquisition of Sanamchan Hospital

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## Overview of Sanamchan Hospital

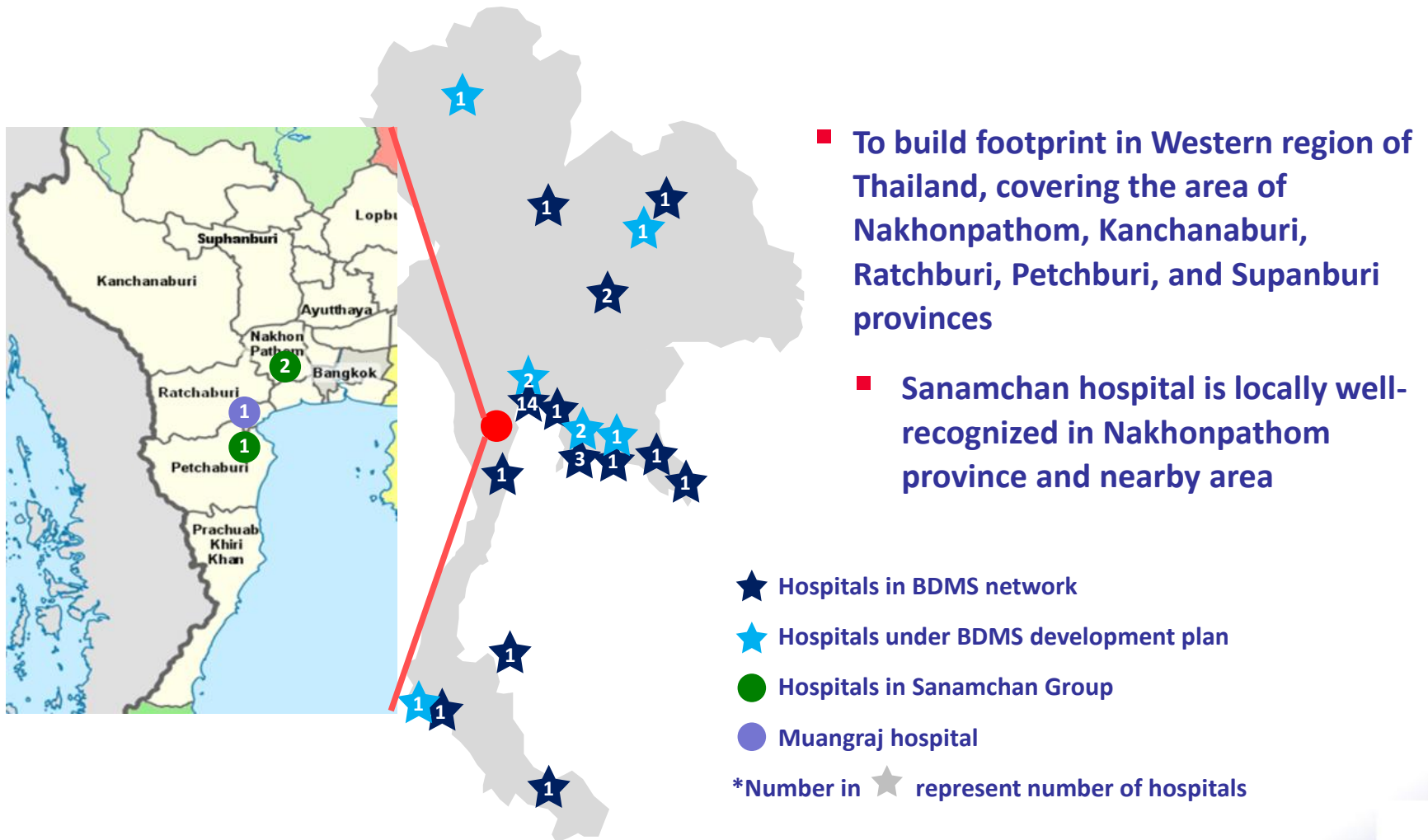
- Sanamchan Hospital (SNC) is a private hospital located in Nakhonpathom province, which also holds shares in Thepakorn Hospital, Muangraj Hospital, and owns land and buildings of Muang Petch Thon Buri Hospital



Remark: (1) SNC purchased MPT's assets, including land and buildings, from Sukhumvit Asset Management in 2012

# The Acquisition of Sanamchan Hospital

## Operating Landscape

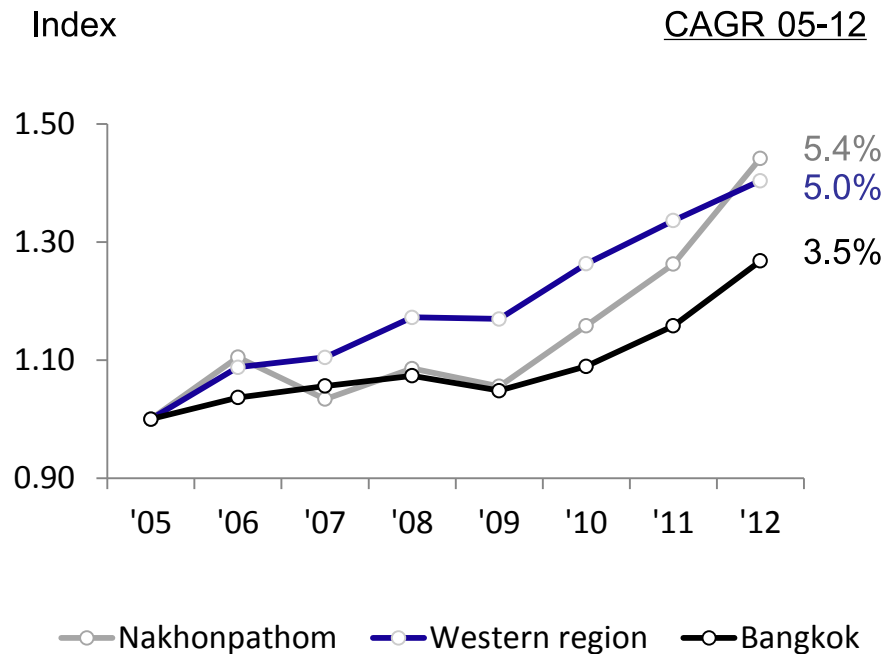


# The Acquisition of Sanamchan Hospital

## Operating Landscape

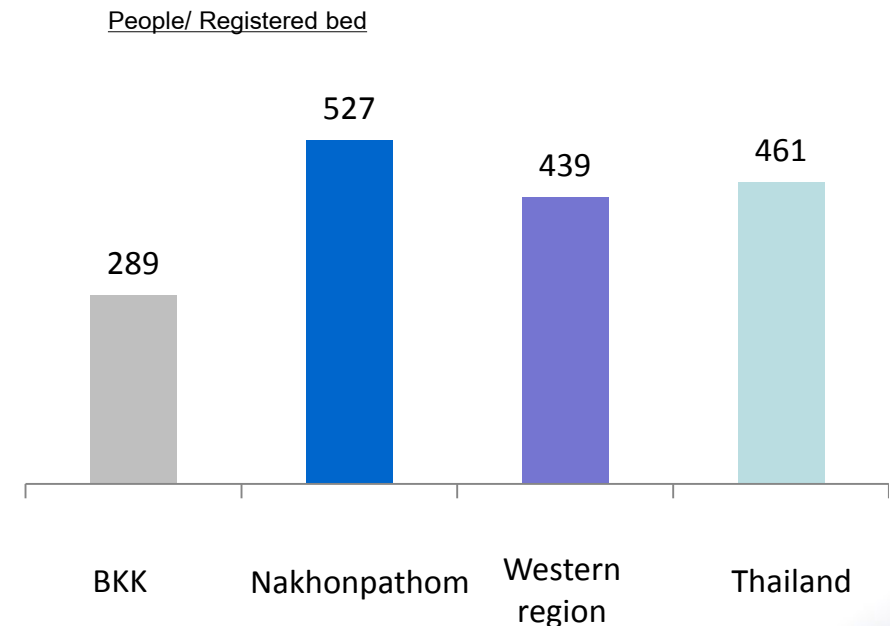
- Nakhonpathom and western region economy have been growing during the past years at 5.4% and 5.0%
- The lack of medical infrastructure in this area should serve as an opportunity for SNC and its affiliates

### GDP per capita index



\*Source: NESDB, Ministry of Public Health

### Population / bed in 2011



\*Source: NESDB and MOPH

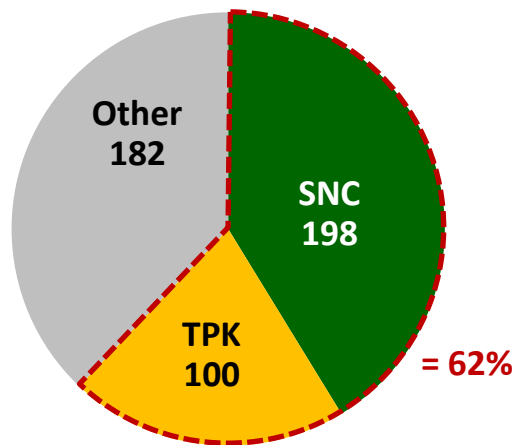
# The Acquisition of Sanamchan Hospital

## Transaction Rationale

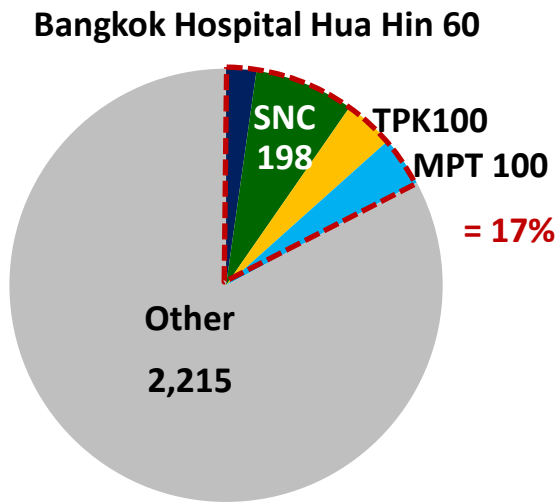
- BDMS could immediately increase patient base in Western region
- Potential referral of patients from Sanamchan group to BDMS

### Private hospital beds in Nakhonpathom

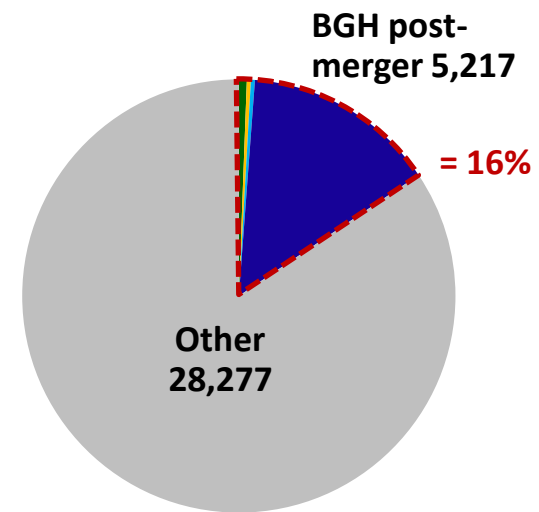
#### Registered Beds



### Private hospital beds in Western region



### Private hospital beds in Thailand



\*Source: Ministry of Public Health

Remark: SNC is in the process of obtaining approval to reduce the registered beds from 275 to 198

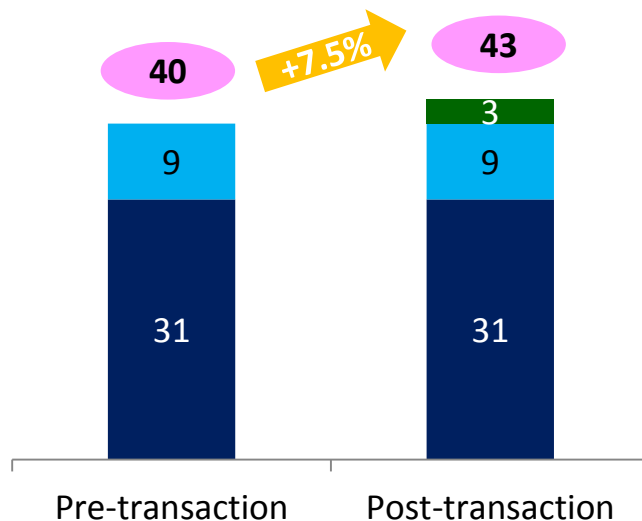
# The Acquisition of Sanamchan Hospital

## Transaction Rationale (Cont'd)

- Further expand BDMS network nationwide by adding 3 more hospitals with 555 additional structured beds

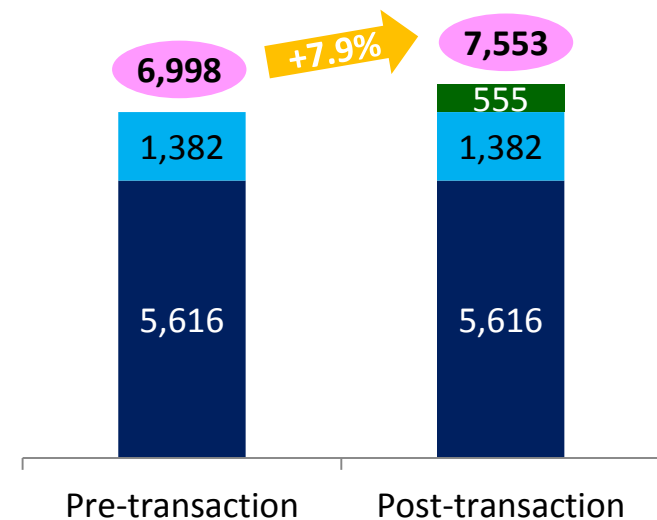
### Number of hospitals in BDMS network

#### Hospitals



### Number of structured bed in BDMS network

#### Beds



Remark: 555 structured beds consisted of 200 beds of Sanamchan Hospital + 100 beds of Thepakorn Hospital + 255 beds of Muang Petch Thon Buri Hospital

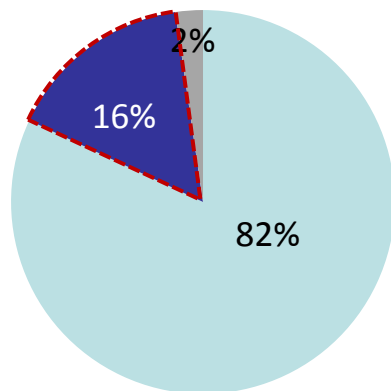
# The Acquisition of Sanamchan Hospital

## Transaction Rationale (Cont'd)

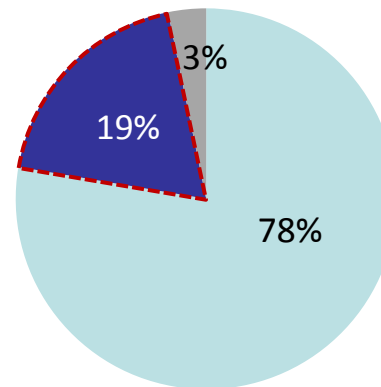
- Expand patient base to capture growth in middle income segment
  - During 2009 – 2011, percentage of middle income population has increased from 16% to 19%

### Percentage of Each Income Group to total Population

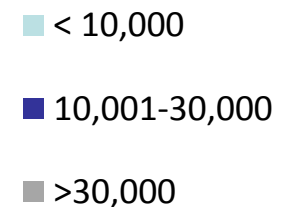
THB/month



2009



2011



\*Source: NSO

# The Acquisition of Sanamchan Hospital

## Transaction Rationale (Cont'd)

### Medical Sophistication

Secondary

Tertiary

Super Tertiary

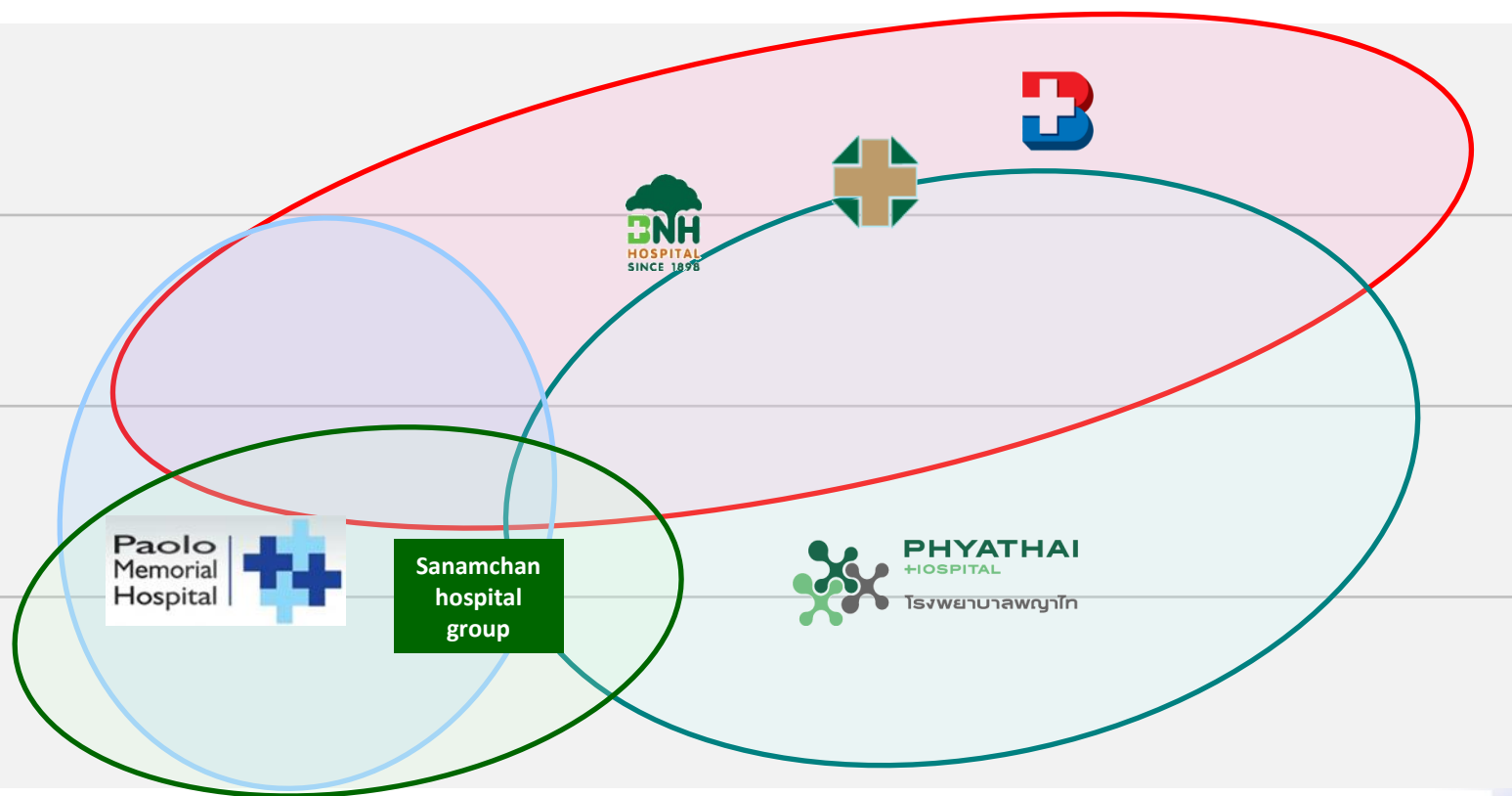
Target patients / Purchasing power

International patients

High-income patients

Middle-income patients

Social Security patients





# The Acquisition of Sanamchan Hospital

## Hospital Overview

	Sanamchan Hospital (SNC)	Thepakorn Hospital (TPK)	Muangraj Hospital (MR)	Muang Petch Thon Buri Hospital (MPT)
Structured beds	200	100	200	255
Available beds	176	60	100	n.a.
Location	Nakhonpathom	Nakhonpathom	Ratchburi	Petchburi
Medical sophistication	Basic tertiary	Secondary	Secondary	Secondary
Key assets	<ul style="list-style-type: none"> <li>Land 38 rai ( used 19 rai)</li> <li>2 hospital buildings with 10-storey and 11-storey</li> <li>2 support buildings, with 4-storey and 5-storey</li> </ul>	<ul style="list-style-type: none"> <li>Land 2 rai</li> <li>2 hospital buildings, each has 5-storey</li> </ul>	<ul style="list-style-type: none"> <li>Land 15 rai</li> <li>9-storey hospital building</li> </ul>	<ul style="list-style-type: none"> <li>Land 9 rai</li> <li>2 hospital buildings with 10-storey and 3-storey</li> </ul>
Key clinics	<ul style="list-style-type: none"> <li>Kidney center</li> <li>Heart center with doctor specialized in heart surgery</li> </ul>	<ul style="list-style-type: none"> <li>General clinic</li> </ul>	<ul style="list-style-type: none"> <li>Kidney center offering dialysis services to patients</li> </ul>	
Key Medical equipment	<ul style="list-style-type: none"> <li>CT 64 slice</li> <li>MRI 1.5 tesla</li> <li>Cath Lab</li> <li>Mammogram</li> </ul>		<ul style="list-style-type: none"> <li>4D ultrasound</li> <li>CT scan 16 slice</li> </ul>	
Participation in Social Securities Scheme	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>Yes (70% of revenue)</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>

# The Acquisition of Sanamchan Hospital

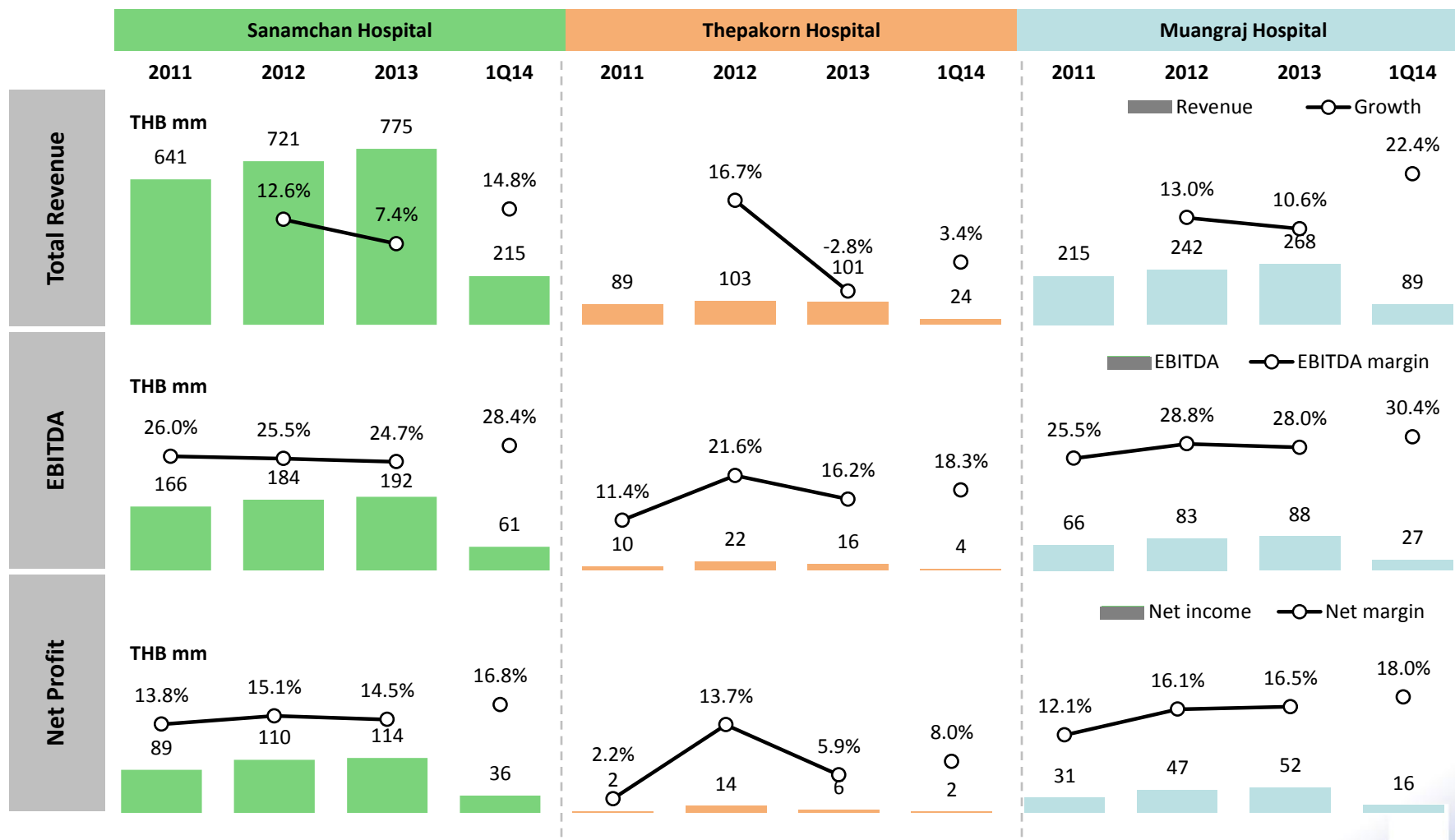
## Key Operational Statistics

Operational Statistics 1Q14	Sanamchan Hospital	Thepakorn Hospital	Muangraj Hospital
OPD visits per day (visits)	536	53 / 209	293
ADC (beds)	133	6 / 19	82
Revenue per visit (THB)	~1,800	~700	~1,500
Revenue per patient day (THB)	~11,000	~7,300	~7,400
Utilization rate (%)	75.7%	41.7%	81.8%
Number of registered SS patients (patients)		25,960	
Revenue per registered SS patient (THB)		2,476	

Remark: Thepakorn Hospital's statistics are consisted of general / social securities patients

# The Acquisition of Sanamchan Hospital

## Historical Financial Performance<sup>(1)</sup>



Remark: Financial data is adjusted to accrual basis and excluded non recurring items

# The Acquisition of Sanamchan Hospital

- On May 28, 2014, BDMS's Board of Directors approved the establishment of a new subsidiary under the name of Bangkok Hospital Sanamchan Company Limited (BSNC), and approved that BSNC acquire and receive the transfer of the entire business of Sanamchan Hospital Company Limited (SNC)
- In consideration of the entire business transfer from SNC to BSNC, BSNC will pay approximately **THB 3,555 – 3,655 mm in cash** (at 2014 P/E of 18.4 –19.0x<sup>(1)</sup> and P/BV ~2.0x<sup>(2)</sup> for their hospital business) to SNC
- However the entering into the entire business transfer of BSNC is subject to the result of the due diligence of SNC. The transaction is expected to be completed by July 2014.

Remarks (1) Multiple adjusted by unused land of SNC, investment in listed securities, and land and buildings of MPT, and others totaling THB 764 mm

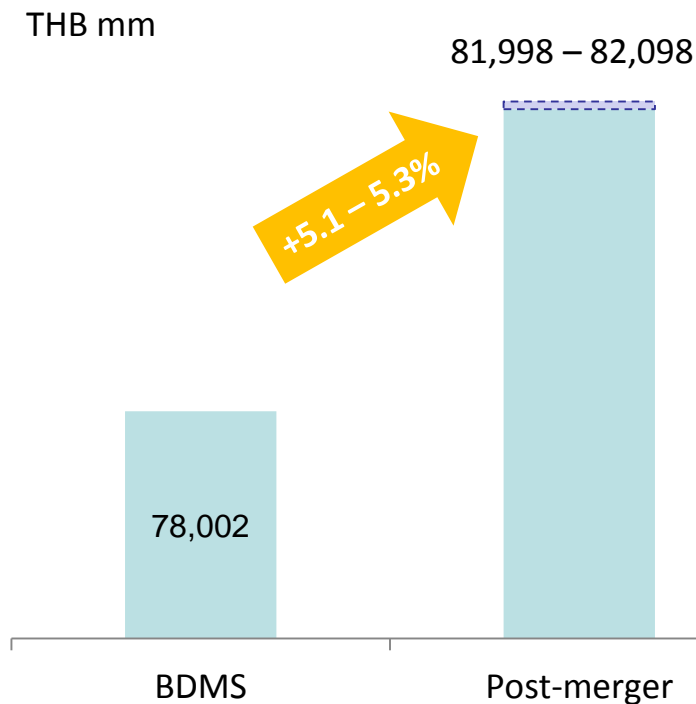
(2) Adjusted by appraisal value

# The Acquisition of Sanamchan Hospital

## Impact of the Transaction to BDMS Financial Position

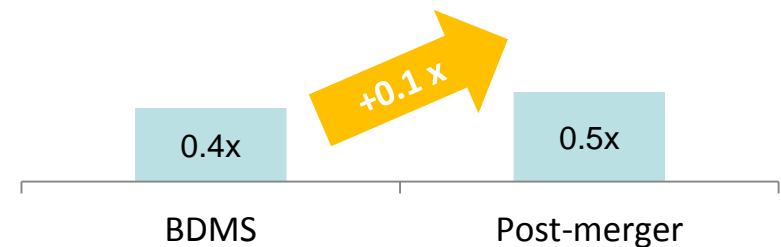
- Assume BDMS borrows debt of THB 3,555 – 3,655 mm to invest in SNC, the company assets will increase by 5.1 – 5.3% while still able to maintain its key leverage ratio at a low level

### Assets 1Q14

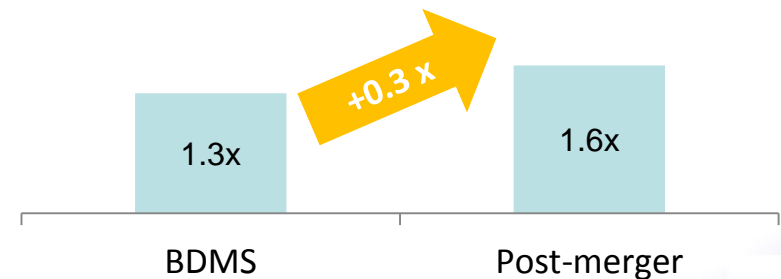


### Leverage Ratio 1Q14

Net debt / equity (covenant < 1.75x)



Net debt / EBITDA (covenant < 3.25x)



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