

No. BCH.049/2021

24 February 2021

Subject : Management Discussion and Analysis for the year ended 31 December 2020

To : The President
The Stock Exchange of Thailand

Bangkok Chain Hospital Public Company Limited (the “Company”) would like to report the operating results for year ended 31 December 2020 which had been audited by the independent auditor. Details are as follows:

1. Main events of the Company
2. Summary of the Company’s operating results
3. Analysis of the consolidated financial performance
4. Analysis of the consolidated financial position
5. Analysis of the consolidated cash flow
6. Future operating trends

Main events of the Company

The coronavirus pandemic (COVID-19) that arose in the beginning of the year and a new wave of outbreak in late 2020 has affected the economy and financial problems of household, as well as the traffic normalized medical services as a result of patient’s anxiety in visiting the hospital. However, the Company has enhanced the pandemic preventive measures within the organization and promptly adapted to the situation by joining with the government in provision of COVID-19 related services such as screening, quarantine, and treatment to compensate the impacts on normalized medical services. In addition, the Company has initiated measures to manage costs and expenses in order to maximize the operation efficiency. The Company's milestones in 2020 are as follows:

Month	Events
January	Kasemrad Hospital Ramkhamhaeng has opened the heart center to provide comprehensive diagnosis and treatment for heart diseases.
	Kasemrad International Hospital Rattanaibeth upgraded its Ophthalmology Department to support comprehensive diagnosis and treatment for ophthalmic diseases.
March	The affiliated hospitals started installing and requesting certification of laboratories that have passed the laboratory expertise test (SARS-CoV-2) with Real-time RT-PCR method from the Department of Medical Sciences, Ministry of Public Health.
	The Company and its affiliated hospitals have started to provide COVID-19 screening services to those who wish to be screened at the rates specified by the hospital.

Month	Events
April	The Company and its affiliated hospitals have joined with the National Health Security Office (NHSO) in providing free COVID-19 screening services to Thai citizens who are under PUI criteria.
May	The affiliated hospitals offered new way of medical services by providing home healthcare, medicine postal service, and telemedicine consultation services. Kasemrad International Hospital Aranyaprathet was officially opened for operation.
July	Kasemrad Hospital Saraburi has opened OPD Premium department to enhance the capability of its medical services. World Medical Hospital has cooperated with many hotel operators in providing alternative state quarantine. The affiliated hospitals were accredited by the Public Health Emergency Operation Center to provide alternative hospital quarantine.
August	The Company continues to be ranked as one of the ESG100 with an outstanding business practices in terms of environment, society, and good governance from the assessment by Thaipat Institute.
September	The Company was cooperated with Allianz Ayudhya Assurance PCL to providing healthcare services to policy holders via online channels.
October	The Company and its affiliated hospitals have collaborated with the Social Security Office in organizing an influenza vaccination campaign for insured persons aged 50 and above without any charge. The affiliated hospitals have started providing medical services in the form of One Day Surgery (ODS).
November	Kasemrad International Hospital Rattanaibeth has been certified by Joint Commission International (JCI). The Company received a credit rating at "A-", with "positive" outlook, which reflects the expectation that the Company will continue to improve its performance and be able to maintain its strong financial position and liquidity. The Company was ranked "good" in the report on corporate governance of listed companies for the year 2020 of the Thai Institute of Directors Association. Kasemrad Hospital Prachachuen in collaboration with TangMing Green Health Company Limited have established Tangming Traditional Chinese Medical Center offering medical care by skilled and experienced Chinese doctors.
December	The Company has been awarded certificate for excellence in investor relations at IR Magazine Awards South East Asia 2020 held by IR magazine. The affiliated hospitals have cooperated with the government to provide proactive COVID-19 screening in precarious community in order to prevent and control the outbreak to be limited.

Summary of the company's operating results

For overall performance of the year 2020, the Company reported total revenue of 9,014.36 million baht, an increase of 22.78 million baht or 0.25 percent, a gross profit of 2,953.38 million baht, an increase 125.08 million baht or 4.42 percent. Profit before finance costs, tax expense, depreciation and amortization was 2,609.03 million baht, an increase of 236.61 million baht or 9.97 percent. For the profit attributable to owners of the Company amounted to 1,229.40 million baht, an increase of 94.50 million baht or 8.33 percent.

Analysis of the consolidated financial performance

<i>Statement of Comprehensive Income</i> <i>(Unit : Million Baht)</i>	For the year ended 31 December		% Change
	2020	2019	YoY
Revenue from hospital operations	8,927.91	8,880.47	0.53%
Other income	86.45	111.11	-22.19%
Total Revenue	9,014.36	8,991.58	0.25%
Cost of hospital operations	(5,974.53)	(6,052.17)	-1.28%
Distribution and Administrative expenses	(1,212.81)	(1,231.69)	-1.53%
Total Cost	(7,187.34)	(7,283.86)	-1.33%
Operating Profit	1,827.02	1,707.72	6.99%
Interest income	7.00	4.70	48.86%
Finance costs	(132.13)	(130.74)	1.06%
Share of profit of investment in associate	2.99	2.36	26.55%
Tax expense	(312.83)	(285.99)	9.38%
Profit for the year	1,392.05	1,298.04	7.24%
Owners of the Company	1,229.40	1,134.91	8.33%
Non-controlling interests	162.65	163.13	-0.30%
<i>Gross Profit Margin</i>	<i>33.08%</i>	<i>31.85%</i>	
<i>Operating Profit Margin</i>	<i>20.27%</i>	<i>18.99%</i>	
<i>Profit before Finance costs, Tax expense, Depreciation and Amortization margin</i>	<i>28.94%</i>	<i>26.38%</i>	
<i>Profit attributable to owners of The Company</i>	<i>13.64%</i>	<i>12.62%</i>	

Revenue Composition by Type (Unit : Million Baht)	2020		2019		% Change
	Revenue	Proportion	Revenue	Proportion	YoY
General patients	5,688.13	63.10%	5,791.07	64.41%	-1.78%
Social security patients	3,239.78	35.94%	3,089.40	34.36%	4.87%
Other revenue	86.45	0.96%	111.11	1.23%	-22.19%
Total Revenue	9,014.36	100.00%	8,991.58	100.00%	0.25%

The Company's total revenue for the year ended 31 December 2020 was 9,014.36 million baht, an increase of 22.78 million baht or 0.25 percent from the previous year, with the proportion of general patient revenue accounting for 63.10 percent, 35.94 percent from the Social Security patients, and 0.96 percent from other revenue. The details are as follows:

General patients revenue for the year ended 31 December 2020 was 5,688.13 million baht, an decrease of 102.94 million baht or 1.78 percent, mainly due to the situation of the COVID-19 pandemic which affected the utilization rate of normalized medical service of Thai and foreign patients. Nevertheless, such impact has already passed its bottom in the second quarter of 2020, despite a new wave of the outbreak in the fourth quarter. The affiliated hospitals have measures to control and prevent the spread of disease and be able to provide normal medical services. Besides, the Company has recognized the revenue from the reimbursement for COVID-19 screening service from NHSO as well as additional income from participating in alternative state quarantine and alternative hospital quarantine.

Social Security patients revenue for the year ended 31 December 2020 was 3,239.78 million baht, an increase of 150.38 million baht or 4.87 percent from last year. The increase in revenue was mainly due to the Social Security Office has adjusted the rate of medical service rate up by 7.25 percent which effective from January 1, 2020. Additionally, insured persons increased from 861,504 persons to 884,214 persons or 2.60 percent, and the Company recognized additional income for medical services based on risk-adjusted capitation in the third quarter which was accrued income from the disbursement for the remainder of the year 2019. The said additional income stimulated the compensation of the impact of the income from high-cost care ($Adj.RW \geq 2$), dental, and health check-up, which are a group that can be reimbursed based on actual service usage and has been mostly impacted by the COVID-19 situation.

Other revenue such as rental income for the year ended 31 December 2020 was 86.45 million baht, a decrease of 24.66 million baht or 22.19 percent as a result of measures to help tenants in the affiliated hospitals.

Operating expenses (including depreciation and amortization) for the year ended 31 December 2020 was 7,187.34 million baht, a decrease of 96.53 million baht or 1.33 percent thanks to the decrease in doctor fees, personnel expenses, and utilities expenses, as a result of cost management measures.

For financial costs, the Company's debt has increased significantly due to the expansion of hospital branches, however the Company was still able to well manage its financial costs in consequence of financial management in the downtrend interest rate.

To sum up, the overall profitability of the Company has expanded, gross margin increased from 31.85 to 33.08 percent, operating profit margin increased from 18.99 to 20.27 percent, profit before finance costs, tax expense, depreciation and amortization margin increased from 26.38 to 28.94 percent, and net profit margin attributable to the Company's shareholders increased from 12.62 to 13.64 percent, respectively.

Analysis of the consolidated financial position

<i>Statement of Financial Position</i> <i>(Unit : Million Baht)</i>	for the period ended 31 December		% Change
	2020	2019	YoY
Total assets	16,527.29	14,115.63	17.09%
- Current assets	3,538.41	2,966.94	19.26%
- Non-current assets	12,988.88	11,148.69	16.51%
Total liabilities	8,900.98	7,137.36	24.71%
- Current liabilities	5,667.39	2,185.81	159.28%
- Non-current liabilities	3,233.59	4,951.54	-34.70%
Equity	7,626.31	6,978.27	9.29%
Equity attributable to the Company	6,884.50	6,247.99	10.19%
Non-controlling interests	741.81	730.28	1.58%

Financial Ratio	for the period ended 31 December	
	2020	2019
Current Ratio (times)	0.62	1.36
Average Collection Period (days)	84.23	68.40
Average Inventory Period (days)	14.68	14.15
Average Payables Period (days)	32.34	30.03
Debt to Equity (times)	1.17	1.02
Return on Assets (%)	11.92	12.77
Return on Equity (%)	18.72	19.00

Remark: * Decrease in Current Ratio was due to an increase in short-term loan (Bridging Loan) which will be repaid by long-term loan in the future and an increase in current portions of debenture and long-term loan.

As of 31 December 2020, the Company had total assets of 16,527.29 million baht, an increase of 2,411.67 million baht or 17.09 percent from 31 December 2019, mainly due to the following activities:

- An increase in trade accounts receivable of 511.92 million baht from the government contracted institution (UCEP COVID-19) and embassy customers.
- An increase in rights of use of 74.45 million baht from applying TFRS 16 which effective from January 1, 2020, however there was no significant impact on the average return on assets.
- An increase in property, plant and equipment amounted to 1,748.42 million baht were also contributed to the total asset, most of which were an increase in investment of new hospital namely Kasemrad International Hospital Aranyaprathet, Kasemrad Hospital Prachinburi and Kasemrad International Hospital Vientiane, and assets purchased by a subsidiary.

The Company had total liabilities of 8,900.98 million baht, an increase of 1,763.63 million baht or 24.71 percent from 31 December 2019, mainly due to an increase in short-term loans from financial for using as a bridge to manage liquidity and finance costs of projects under construction before converting to long-term loan in the future.

The Company had total shareholders' equity of 7,626.31 million baht, an increase of 648.04 million baht or 9.29 percent from 31 December 2019 due to an increase in the Company's retained earnings.

Analysis of the consolidated financial position

<i>Cash flow Statement (Unit : Million Baht)</i>	for the period ended 31 December	
	2020	2019
Cash flow from operating activities	1,863.16	1,902.47
Cash flow from (used in) investing activities	(2,597.35)	(1,729.24)
Cash flow from (used in) financing activities	885.57	(26.51)
Net increase in cash and cash equivalents	151.38	146.72
Cash and cash equivalents at 1 January	792.42	645.70
Cash and cash equivalents at 31 December	943.80	792.42

At the end of 31 December 2020, the Company had a net increase in cash and cash equivalents of 151.38 million baht, with the Company's net cash at the beginning of the period as of 1 January 2020 in the amount of 792.42 million baht, resulting in the net cash at the end of the period ended 31 December 2020 remained at 943.80 million baht. Details of cash flows for each activity are as follows:

The Company reported cash flow from operating activities of 1,863.16 million baht which were contributed from net profit, depreciation and amortization. The cash flow used in investing activities was 2,597.35 million baht, mainly from the investment in 1 newly opened hospital and incremental assets under construction of two new hospitals and asset purchased by a subsidiary. The Company had net cash flow from financing activities in the amount of 885.57 million baht, mainly due to an increase in short-term loan from financial institutions, as well as 2019 annual dividend payment and 2020 interim dividend payment.

Future operating trends

For the year 2021, the company remains committed to providing regular medical services as well as offering medical services in accordance with patient behavior under the pandemic situation along with co-operating with the government in the screening, quarantine, and prevention and control of the spread of COVID-19. In addition, to maintain profitability, the company has still been implementing cost and expense management measures in consideration to the importance of service efficiency and variety. The factors supporting the Company's performance in 2021 are as follows:

1. Provision of medical services in accordance with the Control and Prevention of COVID-19

According to the situation of the COVID-19 pandemic new wave in Thailand which spread more widely and faster than the first wave, this time it was evidenced that patients' anxiety of accessing medical services in hospitals was less as a result of the readiness of national disease control and prevention measures. In 2021, the Company and its affiliated hospitals continue to work with the government to provide screening, quarantine, pastoral and treatment services in accordance with the COVID-19 Control and prevention measures until the pandemic situation returns to normal.

2. Situation after vaccination against COVID-19 in Thailand

Currently, the situation of the procurement and distribution of the COVID-19 vaccine by the government to people, and permission the Private Sector to participate in the Provision of the COVID-19 Vaccine in Thailand started to materialize, this will greatly support measures to prevent the pandemic. The company and its affiliated hospitals have been closely monitoring the situation and carrying out preparations to join the government in the prevention of the spread of COVID-19 with vaccines to build immunity among large groups of people. However, if the vaccination plan is as scheduled, it will reduce the spread of the COVID-19 pandemic which will lead to the recovery of the economy, especially the tourism and services sector.

The company expects that the situation following the vaccination against COVID-19 in Thailand will continue to improve which will lead to a significant increase in number of foreign medical tourists and the utilization rate of medical services of Thai patients, in particular, the utilization rate of alternative medical centers, namely, Aesthetic Center, Regenerative Medical Center, IVF Center, and Dental Center.

3. Business Expansion

After the opening of Kasemrad Hospital Prachinburi on January 1, 2021, the Company aims to open Kasemrad International Hospital Vientiane in 2Q2021 to serve local patient, expatriate, and foreign tourists in the Lao PDR. In addition, the company also plans to improve and increase the capacity of the existing hospital branches as well as studying the feasibility of expanding service territories to new potential areas to promote access to medical services to cover the needs of local patients.

Please be informed accordingly

Your sincerely,

(Prof.Dr.Chalerm Harnphanich)

Chief Executive Officer