

No. BCH. 111/2021

14 May 2021

Subject : Management Discussion and Analysis for the quarter 1 ended 31 March 2021

To : The President  
The Stock Exchange of Thailand

Bangkok Chain Hospital Public Company Limited (the “Company”) would like to report the operating results for the first quarter ended 31 March 2021 which had been reviewed by the independent auditor as follows:

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

#### **Summary of the Company's operating results**

As a result of the new wave of coronavirus (COVID-19) outbreak, the cumulative and new cases of infection have continued to increase and spread rapidly across the country. Consequently, the recovery of economic activities was slowdown since the public anxiety has exposed to the new wave of COVID-19 after the government re-announced the pandemic control measures. In terms of medical services, although the normalized utilization rate has not returned to normal, the number of medical services related to COVID-19 has increased significantly, especially screening, isolation, quarantine and treatment services for COVID-19 patients. In the first quarter, the affiliated hospitals had been collaborating with the government to continuously provide services in accordance with the prescribed pandemic control measures and be prepared to cope with the pandemic situation which is likely to be increasingly severe in the future.

In the first quarter of 2021, the Company reported total revenue of 2,383.36 million baht, an increase comparing to the same period of last year in the amount of 186.79 million baht or 8.50 percent. Meanwhile, the Company has continued its cost effective policies which resulted in a gross profit of 697.53 million baht, an increase of 34.59 million baht or 5.22 percent. Profit before finance costs, tax expense, depreciation and amortization was 690.24 million baht, an increase of 125.38 million baht or 22.20 percent. For the profit attributable to owners of the Company amounted to 323.77 million, an increase of 64.63 million baht or 24.94 percent.



**Analysis of the consolidated financial performance**

<i>Statement of Comprehensive Income</i> <i>(Unit : Million Baht)</i>	For the quarter ended 31 March		% Change
	2021	2020	YoY
Revenue from hospital operations	2,316.48	2,178.04	6.36%
Other income	66.88	18.54	260.73%
<b>Total Revenue</b>	<b>2,383.36</b>	<b>2,196.58</b>	<b>8.50%</b>
Cost of hospital operations	1,618.95	1,515.10	6.85%
Distribution and Administrative expenses	290.74	293.33	(0.88%)
<b>Total Cost</b>	<b>1,909.69</b>	<b>1,808.43</b>	<b>5.60%</b>
<b>Operating Profit</b>	<b>473.67</b>	<b>388.15</b>	<b>22.03%</b>
Interest income	0.73	0.38	93.92%
Finance costs	27.58	29.99	(8.03%)
Share of profit of investment in associate	0.70	0.88	(20.43%)
Tax expense	83.92	63.40	32.37%
<b>Profit for the year</b>	<b>363.60</b>	<b>296.02</b>	<b>22.83%</b>
Owners of the Company	323.77	259.14	24.94%
Non-controlling interests	39.83	36.88	7.99%
<i>Gross Profit Margin</i>	<i>30.11%</i>	<i>30.44%</i>	
<i>Operating Profit Margin</i>	<i>19.87%</i>	<i>17.67%</i>	
<i>Profit before Finance costs, Tax expense, Depreciation and Amortization margin</i>	<i>28.96%</i>	<i>25.72%</i>	
<i>Profit attributable to owners of The Company</i>	<i>13.58%</i>	<i>11.80%</i>	

<i>Revenue Composition</i> <i>by Type (Unit : Million Baht)</i>	1Q2021		1Q2020		% Change
	Revenue	Proportion	Revenue	Proportion	YoY
General patients	1,517.16	63.66%	1,385.99	63.10%	9.46%
Social security patients	799.32	33.54%	792.05	36.06%	0.92%
Other revenue	66.88	2.80%	18.54	0.84%	260.73%
<b>Total Revenue</b>	<b>2,383.36</b>	<b>100%</b>	<b>2,196.58</b>	<b>100%</b>	<b>8.50%</b>

The Company's total revenue for the quarter ended 31 March 2021 was 2,383.36 million baht, an increase of 186.79 million baht or 8.50 percent comparing to last year, with the proportion of general patient revenue accounting of 63.66 percent, 33.54 percent from the Social Security patients, and 2.80 percent from other revenue. The details are as follows:

General patients' revenue for the quarter ended 31 March 2021 was 1,517.16 million baht, an increase of 131.17 million baht or 9.46 percent, mainly due to the new wave of COVID-19 pandemic which has resulted in a tremendous number of people receiving medical services related to COVID-19, especially screening and alternative quarantine services (ASQ).

Social Security Patients' revenue for the quarter ended 31 March 2021 was 799.32 million baht, an increase of 7.27 million baht or 0.92 percent from last year. In 1Q2021, the Company had an averaged number of 888,250 insurers, an increase of 3,480 insurers or 0.39 percent which was increased at the lower rate due to a slowdown in economic activity causing by COVID-19 pandemic, resulting in a decrease in the overall number of insured person under Section 33 and Section 39. However, other social security revenues, such as revenue from one-day surgical medical services and influenza vaccination for insured persons aged 50 and above, were factors supporting the increase in the Company's social security revenue.

Other revenue such as rental income and other income for the quarter ended 31 March 2021 was 66.88 million baht, an increase of 48.34 million baht or 260.73 percent. The significant increase in other income was due to the reversal of the expenditures in the foreign patient agency fee causing by the change in terms of the new agreement with the agent in which the Company offers a discount when receiving payments from the debtor instead.

Operating expenses (including depreciation and amortization) for the quarter ended 31 March 2021 was 1,909.69 million baht, an increase of 101.26 million baht or 5.60 percent from the previous year, mainly due to an increase in inventory costs, especially items that vary according to services related to COVID-19 and an increase in depreciation and amortization from the opening of two new hospitals. However, the Company continues to effectively manage variable costs and fixed costs.

As the result, the Company's gross profit margin decreased from 30.44 percent to 30.11 percent, the operating profit margin increased from 17.67 percent to 19.87 percent, profit before interest, taxes, depreciation and amortization margin increased from 25.72 percent to 28.96 percent, and profit margin attributable to shareholders of the Company increased from 11.80 percent to 13.58 percent accordingly.

#### **Analysis of the consolidated financial position**

<i>Statement of Financial Position</i>	for the period ended 31 March		% Change
	2021	2020	YoY
<i>(Unit : Million Baht)</i>			
<b>Total assets</b>	<b>16,736.37</b>	<b>16,527.30</b>	<b>1.26%</b>
- Current assets	3,745.56	3,538.41	5.85%
- Non-current assets	12,990.81	12,988.88	0.01%
<b>Total liabilities</b>	<b>8,734.05</b>	<b>8,900.99</b>	<b>(1.88%)</b>
- Current liabilities	3,125.70	5,667.40	(44.85%)
- Non-current liabilities	5,608.35	3,233.59	73.44%
<b>Equity</b>	<b>8,002.32</b>	<b>7,626.31</b>	<b>4.93%</b>
Equity attributable to the Company	7,217.65	6,884.50	4.84%
Non-controlling interests	784.67	741.81	5.78%

Financial Ratio	For the quarter ended 31 March	
	2021	2020
Current Ratio (times)	1.20	0.76
Average Collection Period (days)	73.94	75.61
Average Inventory Period (days)	14.23	14.21
Average Payables Period (days)	30.33	28.10
Debt to Equity (times)	1.09	1.04
Return on Assets (%)	12.10	12.39
Return on Equity (%)	18.83	18.39

As of 31 March 2021, the Company had total assets of 16,736.37 million baht, an increase of 209.07 million baht or 1.26 percent increased from 31 December 2020, mainly due to an increase in cash and cash equivalents of 769.02 million baht, while accounts receivable decreased by 497.35 million baht, mainly from corporate contract group and accrued income of 67.05 million baht which decreased from social security scheme patients.

The Company had total liabilities of 8,734.05 million baht, a decrease of 166.94 million baht or 1.88 percent from 31 December 2020, mainly due to a decrease in short-term loans from financial institutions and account payables.

The Company had total shareholders' equity of 8,002.32 million baht, an increase of 376.01 million baht or 4.93 percent from 31 December 2020 due to the increase in retained earnings of the Company.

#### **Analysis of the consolidated cash flow statement**

Cash flow Statement (Unit : Million Baht)	For the quarter ended 31 March	
	2021	2020
Cash flow from operating activities	1,132.70	352.82
Cash flow from (used in) investing activities	(174.15)	(672.97)
Cash flow from (used in) financing activities	(189.53)	288.26
<b>Net increase in cash and cash equivalents</b>	<b>769.02</b>	<b>(31.89)</b>
Cash and cash equivalents at 1 January	943.81	792.42
Cash and cash equivalents at 31 December	1,712.83	760.53

At the end of 31 March 2021, the Company recorded cash and cash equivalents of 1,712.83 million baht, an increase of 769.02 million baht comparing to 1 January 2021 at 943.81 million baht. Details of cash flows for each activity are as follows:

The Company reported cash flow from operating activities of 1,132.70 million baht which were contributed from incremental profit generated by operations, depreciation and amortization, and a decrease in accounts receivable and accrued income. The cash flow used in investing activities was 174.15 million baht, mainly from the cost of construction of Kasemrad International Hospital Vientiane. The Company recorded cash flow used in financing activities of 189.53 million baht due to the management of loans from financial institutions.

### **Future operating trends**

Since the situation of COVID-19 outbreak still exists, it tends to exacerbate and spread across the country. The Company and its affiliated hospitals remain committed to providing regular medical services along with co-operating with the government to provide screening, isolation, and quarantine services to comply with COVID-19 prevention and control measures in order to alleviate the spreading and mortality rates. The operating trends of the Company in 2021 are as follows:

#### **1) Medical Services Related to COVID-19**

Due to the new wave of COVID-19 outbreak, the number of daily infections and deaths have been significantly increasing. As a result, the availability of both public and private hospital service beds becomes insufficient to support the continually increasing number of infected. The Company and its affiliated hospitals have been collaborating with hotel operators to provide the hospital services, a certified hotel from the Department of Health Service Support, in accordance with the government measures to resolve bed shortages and serve COVID-19 infected patients with none or mild symptoms. As of May 2021, the Company has joined with over 14 hotel operators with 3,300 beds capacity to accommodate infected patients. In addition, the Company has increased the number of hospital beds more than 900 beds to accommodate COVID-19 infected in the third wave which is a highly contagious strain with more severe illnesses.

In terms of medical service related to COVID-19, patients who are under Patient under Investigation (PUI) criteria announced by the government, are able to receive a free COVID-19 screening, and in the event that patients do not meet the above criteria and desire to have a screening, they will be responsible for the expenses. In addition, in the treatment of COVID-19, infectious patient can receive medical treatment according to their rights for free. If the patient has personal insurance, the hospital will disburse the medical fee from insurance company first based on the coverage in the insurance policy and the rest will be disbursed from the National Health Security Office (NHSO) which the hospital can reimburse according to the criteria, methods and conditions of the expenses for the management of emergency patients with dangerous communicable diseases regards the Communicable Disease Act in case of COVID-19 infection.

**2) Provision of COVID-19 Vaccination Service**

During the widespread of COVID-19, the provision and distribution of vaccines to build herd immunity is an important factor in reducing public anxiety and restoring economic activity. For the supply of vaccine, the government has announced plans to procure vaccines and is taking more concrete action in terms of the supply of vaccines by governments and the alternative vaccine from the private sector in which the current available vaccines are still under an emergency use (Phase 3), therefore those vaccines need to be approved and strictly follow the government procedures. Recently, private hospitals have cooperated with the government to provide vaccination services to the specific target groups and are preparing to continuously support the distribution of vaccines according to government procurement plans in order to resolve the pandemic situation.

**3) Care Units and Treatment Services**

With regard to the hospital expansion plan, the Company postponed the opening of Kasemrad International Hospital Vientiane to 3Q2021 due to the announcement of a lock-down in the Lao PDR. However, the postponement of the opening of the new hospital does not has a material impact to the Company.

In addition, the Company continues to study the feasibilities of new potential areas to promote access to medical services to cover the needs of local patients, hospitals image enhancement, increase the potential of the existing hospital branches, and building alliances with other business groups such as insurance companies and hotel groups in order to offer different service models, channels, and variety of products.

Please be informed accordingly

Your sincerely,

(Prof.Dr.Chalerm Harnphanich)

Chief Executive Officer