

## Thonburi Healthcare Group PLC.

### FY2021 Management Discussion and Analysis

#### Overview of FY2021 and 4Q21

In 2021, the ongoing COVID-19 pandemic continued to hit Thailand's economy severely after being repeatedly hit by the highly contagious variants, especially in the second half of the year when the number of COVID infections reached its peak at more than 20,000 cases a day, therefore, it raised the worries of COVID-19 and restrained people from going out, as well as many overseas patients could not fly to Thailand for treatment. Despite the worst pandemic situation in 2021, Thonburi Healthcare Group Public Company Limited (THG) remained to perform impressively. Overall, from its adaptability to respond with the situation, THG's performance shows the positive net profit which comes from both the higher revenue and improving cost efficiency.

THG continues to cooperate with the government to help the social sector fight COVID-19 crisis starting from 2Q21

- 1) Provided screening service for COVID-19 patients both on-site and off-site, therefore, people have more convenient access to RT-PCR test.
- 2) At Thonburi Bamrungmuang Hospital, COVID-19 treatment was provided by turning all wards to take care of COVID-19 patients with moderate (yellow) and severe (red) symptoms.
- 3) THG worked with hotel operators by providing more than 1,000 medical staff and equipment to set up hospitels for patients with mild or no symptoms, with service beds of approx. 5,350 beds. (Bangkok approx. 4,600 beds and upcountry approx. 750 beds) However, the number of beds in Bangkok has decreased at the end of the fourth quarter due to the DELTA strain has been unraveled and the number of infected people has decreased.
- 4) THG cooperated with the government to operate three field ICU facilities to serve moderate and severe cases at MC 11 Field Hospital, Ratchaphiphat 2 Hospital and Bangkhuntian Hospital, totaling approx. 700 beds.
- 5) Support government, vaccine importer and set up Thai PBS-Thonburi vaccination center to offer COVID-19 vaccination services for public.
- 6) Collaborate with leading technology companies in Thailand to develop an alternative COVID-19 vaccine (Moderna) booking channel through a digital platform for both the corporate sector and the individual sector. In November, started providing vaccination services through a network of 17 hospitals across Thailand.

Ar Yu International Hospital in Myanmar showed a better momentum from confidence in our standard despite domestic political situation and pandemic. Its core operational performance saw profits but the currency fluctuation caused THG to share its foreign exchange loss. Nevertheless, THG aimed to balance debt structure to mitigate risks from the currency fluctuation which started in 1Q22.

As for healthcare solution provider business, Jin Wellbeing County, a mixed-use project for elderly with medical services, had revenue from unit transfer lower than our target, although there is a continuous purchase. Customers delay their decision in booking or transferring residential units due to economic uncertainties causing a decrease in this business.

1Q22 outlook, THG continues to provide comprehensive care for COVID-19 patients, both in terms of prevention and treatment, THG offers both alternative COVID-19 vaccine (Moderna) and standard vaccines from government. In addition, THG continues to take care of patients through hospitels, approximately 2,000 beds, 3 field hospitals 700 beds.

For hospitals that THG has invested in the past few years, they started to have a better performance, especially, Thonburi Bamrungmuang Hospital, the financial gain at earnings before depreciation, amortization, interest and tax (EBITDA) level. To increase service capability, THG has opened a wellness center, including laboratory services (lab) to provide rapid and continuous service in the post COVID-19 care and plans to expand hospital for the elderly. In addition, THG also plan to attract more Thai customers by adopting advanced technology for treatment, to maintain competitiveness.

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## **Key development in 2021**

### **1. Increase of investment in subsidiaries, associates and related companies**

#### **1.1 Increase of investment in subsidiaries**

The Board of Directors meeting No.1/2021 held on 28 January 2021 had a resolution to approve an additional investment in Thonburi Wellbeing Co.,Ltd. From THB 1,300mn to THB 1,500mn. Such additional investment did not affect to the Company's shareholding interest. (THG held 99.99% of shareholding interest)

The Board of Directors meeting No.2/2021 held on 23 February 2021, the Board of Directors approved the establishment of a subsidiary with the objective of operating the central procurement and distributing medical equipment., medical products and supplies. The company registered the establishment of Med access Co., Ltd. in Thailand with the Ministry of Commerce on 29 April 2021 with registered share capital of THB 1.00 mn (10,000 ordinary shares at par value THB 100.00 per share). THG held 100% shareholding interest. As of 31 December 2021, THG paid for all shares.

At the Board of Directors' Meeting No.8/2021 held on 20 September 2021, the Board of Directors approved the establishment of a subsidiary with the objective of operating the herbal pharmacy for medical treatment. The Company registered the establishment of Thonburi Canabiz Public Company Limited in Thailand with the Ministry of Commerce on 19 November 2021 with registered share capital of THB 100.00 mn (1,000,000 ordinary shares at par value THB 100.00 per share). THG held 75% of shareholding interest. As of 31 December 2021, THG paid for all shares.

#### **1.2 Increase of investment in an associate**

The Board of Directors meeting No.7/2021 held on 13 August 2021 had a resolution to approve an investment in Sirivej Chantaburi PCL. to be not less than the allocated amount. THG paid for shares in capital increase of 14,799,372 shares at THB3.50 per share, totaling THB51,797,802 in August 2021. This investment resulted in an increase of shares held by THG to be 31.92% from 31.87%.

#### **1.3 Investment in a related company**

The Board of Directors meeting No.5/2021 held on 30 June 2021 had a resolution to approve an investment in common shares of Thai Medical Glove Co.,Ltd. of 1,333,333 shares at THB150.00, totaling THB199,999,950. As of the investment date, THG held 7.40% of shares that THG paid for in July and August 2021.

The Board of Directors meeting No.8/2021 held on 20 September 2021, the Board of Directors had a resolution to approve an additional investment in common share of Rajthanee Hospital Public Company Limited by purchasing 6,000,000 ordinary shares from related company at price of THB 26.77 per share (par value THB 1.00 per share), totaling

THB 160,620,000. THG fully paid for shares on 4 October 2021. This investment resulted in an increase of shares held by THG from 5.07% from 3.07%.

**1.4 Investment in other company**

The Board of Directors meeting No.10/2021 held on 16 December 2021, the Board of Directors acknowledge an investment in Thailand Longstay Company Limited by purchasing 151,019 ordinary shares at price of THB 28.00 per share, totaling THB

4,228,532. THG fully paid for shares in December 2021. THG held 15.10% of shareholding interest.

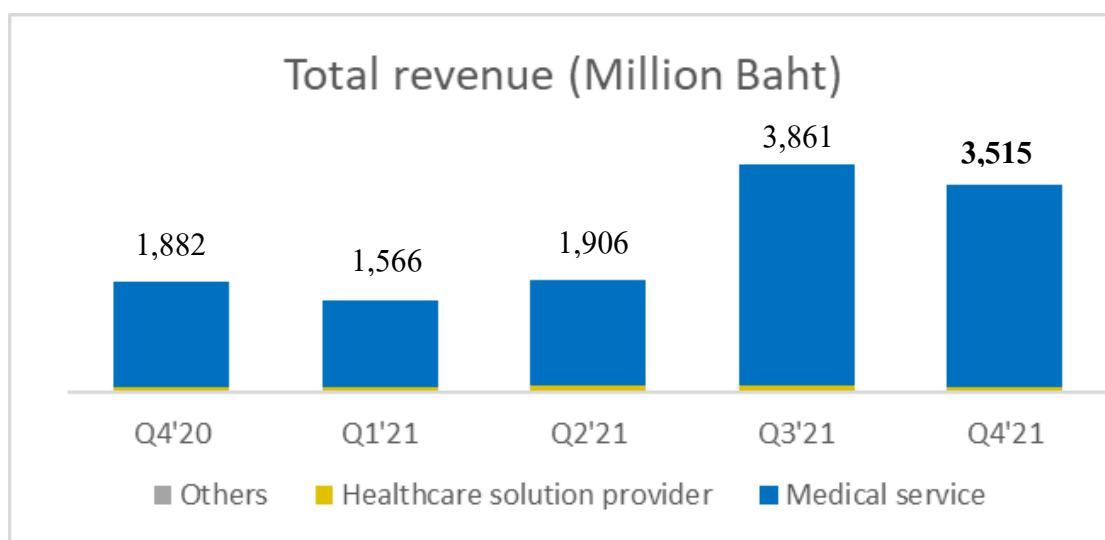
**2. Termination of a management service agreement with a state-owned enterprise**

On 15 January 2021, THG has terminated the management service agreement with a state-owned enterprise. As a result, the revenue from the medical service decreased by 3.6%.

**3. Grand opening the elderly care center at Thonburi Health Village, Pracha Uthit.**

On 22 November 2021, THG has received a license to operate elderly care center at Thonburi Health Village, Pracha Uthit. There has a specialty in taking care of patients (seniors, convalescent patients, bedridden patients, and chronic patients) by experienced medical teams and nurses with high-quality medical standards.

Summary of YE2021 performance compared to YE2020



**Revenue**

Total revenue was THB 10,848 mn, an increase of 48.3% from THB 7,315 mn. The increase was from the following factors.

**Medical Service Business** had revenue of THB 10,415mn, an increase of 50.7% from THB 6,913mn. Due to the situation of COVID-19 outbreak, THG changed operations of Thonburi Bamrungmuang Hospital to fully treat COVID-19 patients. In addition, THG also in cooperation with the government to operate field hospitals and hotel operators to operate hospitals, including vaccination services to public. Revenues related to COVID-19 accounted for 30.8% of total medical service business revenue.

**Healthcare solutions provider** had revenue of THB410mn, decreasing by 6.2% from THB386mn, mainly due to economic uncertainty which caused a delay in decision making of customers of Jin Wellbeing Country, in this year, eighteen residential units

were transferred compared nineteen units in last year. However, to adjust the operation according to the situation, Thonburi Burana Hospital provided Drive-Thru COVID-19 screening service in front of Jin Wellbeing County facility, and vaccination service inside the facility since June 2021, and also joined with hotel operators to take care of COVID-19 patients during 3Q21, resulting in a revenue of THB220mn. (the revenue generated by COVID-19 patients is included in Medical Service Business)

### Costs

Total cost was THB7,406mn, increasing by 28.8% from THB5,748mn, with factors as follows.

**Cost of medical service** was THB7,083mn, increasing by 29.7% from THB5,459mn. THG effectively managed cost resulting in a ratio of cost to revenue decreased to 68.0% from 79.0%. Main costs in this year were

- 1) Construction cost from the investment in field ICU and equipment for COVID-19 treatment. Most of them recognized as expenses in 2021.
- 2) Rental fee at hospitels
- 3) Doctor fees and staff cost because THG sent medical staff to operate in filed ICU and hospitels
- 4) Lab, medicine, and medical supplies, chest x-ray, blood examination, for COVID-19 screening and treatment.

However, due to the end of a management contract with a public hospital caused a cost decrease of THB61mn or 4.4%.

### Selling, general and administrative expenses

SG&A was THB1,566 mn, increasing by 11.5% from THB1,405mn, the increase was mainly from staff cost that increased by 6.4% and depreciation by 2.9%. The increase caused by the operation of hospitels and filed ICUs. When compared to total revenue, the SG&A decreased from 19.2% to 14.4%.

### Financial cost

It was THB299mn, increasing by 6.4% from THB281mn. In 2021, THG has invested in COVID-19 project resulting in increased loan from financial institutions, including the construction in progress has completed during 3Q21 led to increase in financial cost. However, the average cost of und remains at the same level as the previous year.

### Profit

Gross profit was THB3,442mn, increasing by more than 100% from THB1,567mn. Gross profit margin increased to 31.7% from 21.4% mainly due to the revenue increase from COVID-19 treatment. Also, costs and expenses were effectively reduced, resulting in a growth in revenue was higher than cost side. Therefore, gross profit margin improved. Looking at Gross profit excluding COVID-19 transactions, the percentage of Gross profit increased from 21.4% to 23.5% due to efficient cost management.

Net profit - parent was THB1,337mn, increasing by more than 100% from THB62mn, Net profit-parent margin increased to 12.3% from 0.9% mainly due to higher revenue and effective cost management.

## Financial Highlights

### Financial statement 4Q

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	4Q21	4Q20	YoY change	4Q21	4Q20	YoY change
Revenue from medical service	3,413	1,776	92.2%	1,884	1,303	44.6%
Revenue from healthcare solution provider	98	103	-4.9%	-	-	-
Revenue from other businesses	4	3	33.3%	-	-	-
<b>Total revenue</b>	<b>3,515</b>	<b>1,882</b>	<b>86.8%</b>	<b>1,884</b>	<b>1,303</b>	<b>44.6%</b>
Cost from medical service	(2,150)	(1,353)	58.9%	(1,293)	(957)	35.1%
Cost from healthcare solution provider	(79)	(79)	-	-	-	-
Cost from other businesses	(4)	(2)	100.0%	-	-	-
<b>Total cost</b>	<b>(2,233)</b>	<b>(1,434)</b>	<b>55.7%</b>	<b>(1,293)</b>	<b>(957)</b>	<b>35.1%</b>
<b>Gross profit</b>	<b>1,282</b>	<b>448</b>	<b>186.2%</b>	<b>591</b>	<b>346</b>	<b>70.8%</b>
Selling, general and admin expenses	(434)	(347)	25.1%	(244)	(148)	64.9%
EBITDA	1,243	344	261.3%	528	341	54.8%
Normalized EBITDA	1,249	344	263.1%	577	341	69.2%
Financial cost	(78)	(75)	4.0%	(67)	(64)	4.7%
Net profit	674	26	2492.3%	285	165	72.7%
Normalized net profit	682	26	2523.1%	335	165	103.0%
<b>Net profit - parent</b>	<b>635</b>	<b>30</b>	<b>2016.7%</b>	<b>285</b>	<b>165</b>	<b>72.7%</b>
<b>Normalized net profit - parent</b>	<b>643</b>	<b>30</b>	<b>2043.3%</b>	<b>335</b>	<b>165</b>	<b>103.0%</b>

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	4Q21	4Q20	4Q21	4Q20
Gross profit margin	36.5%	23.8%	31.4%	26.6%
EBITDA margin	35.4%	18.3%	28.0%	26.2%
Normalized EBITDA margin	35.5%	18.3%	30.6%	26.2%
Net profit margin - parent	18.1%	1.6%	15.1%	12.7%
Normalized net profit margin - parent	18.3%	1.6%	17.8%	12.7%

## Financial statement for the year ended

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	FY2021	FY2020	YoY change	FY2021	FY2020	YoY change
Revenue from medical service	10,415	6,913	50.7%	6,024	5,129	17.4%
Revenue from healthcare solution provider	410	386	6.2%	-	-	-
Revenue from other businesses	23	16	43.8%	-	-	-
<b>Total revenue</b>	<b>10,848</b>	<b>7,315</b>	<b>48.3%</b>	<b>6,024</b>	<b>5,129</b>	<b>17.4%</b>
Cost from medical service	(7,083)	(5,459)	29.7%	(4,131)	(3,847)	7.4%
Cost from healthcare solution provider	(309)	(278)	11.2%	-	-	-
Cost from other businesses	(14)	(11)	27.3%	-	-	-
<b>Total cost</b>	<b>(7,406)</b>	<b>(5,748)</b>	<b>28.8%</b>	<b>(4,131)</b>	<b>(3,847)</b>	<b>7.4%</b>
<b>Gross profit</b>	<b>3,442</b>	<b>1,567</b>	<b>119.7%</b>	<b>1,893</b>	<b>1,282</b>	<b>47.7%</b>
Selling, general and admin expenses	(1,566)	(1,405)	11.5%	(808)	(625)	29.3%
EBITDA	2,977	1,157	157.3%	1,782	1,075	65.8%
Normalized EBITDA	3,019	1,138	165.3%	1,903	1,266	50.3%
Financial cost	(299)	(281)	6.4%	(258)	(258)	-
Net profit (loss)	1,357	22	6068.2%	931	460	102.4%
Normalized net profit (loss)	1,393	(63)	2311.1%	1,046	584	79.1%
<b>Net profit (loss) - parent</b>	<b>1,337</b>	<b>62</b>	<b>2056.5%</b>	<b>931</b>	<b>460</b>	<b>102.4%</b>
<b>Normalized net profit (loss) - parent</b>	<b>1,373</b>	<b>(23)</b>	<b>6069.6%</b>	<b>1,046</b>	<b>584</b>	<b>79.1%</b>

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	FY2021	FY2020	FY2021	FY2020
Gross profit margin	31.7%	21.4%	31.4%	25.0%
EBITDA margin	27.4%	15.8%	29.6%	21.0%
Normalized EBITDA margin	27.8%	15.6%	31.6%	24.7%
Net profit (loss) margin - parent	12.3%	0.9%	15.5%	9.0%
Normalized net profit (loss) margin - parent	12.7%	-0.3%	17.4%	11.4%

Note: normalized values (before tax) exclude

- Profit from disposal of JV investment in Welly Hospital, China of THB19mn in 1Q20 for Consolidated financial statements and loss from the disposal of the investment of THB236mn for separate financial statement in 1Q20
- Income from deferred tax from JV in Welly Hospital, China of THB67mn in 1Q20
- Net expense after tax from the end of the management service agreement with a government hospital amount THB 36 mn, comprising of THB21mn in 1Q21, THB7mn in 2Q21 and THB8mn in 4Q21.

## Financial status

As of 31 December 2021, THG had total assets of THB23,799mn, increasing by 17.4% from 31 December 2020. Significant changes are as follows.

### Assets

Trade and other account receivable, including an advance payment for Moderna vaccine increased by THB1,832mn, mainly relating to COVID-19 treatment.

### Liabilities

As of 31 December 2021, THG had total liabilities of THB14,181mn, increasing by 18.7% from 31 December 2020. Significant changes are as follows.

Trade and other accounts payable increased due to 1) payable to suppliers for COVID-19 treatment such as medical supplies, doctor fee, medical equipment, etc. 2) advance payment from Moderna vaccine.

<i>Statements of financial position (million baht)</i>	Consolidated financial statements			Separate financial statements		
	31 December 2021	31 December 2020	Change	31 December 2021	31 December 2020	Change
Current assets	7,019	4,892	43.5%	8,321	6,391	30.2%
Non-current assets	16,780	15,388	9.0%	14,055	13,222	6.3%
<b>Total assets</b>	<b>23,799</b>	<b>20,280</b>	<b>17.4%</b>	<b>22,376</b>	<b>19,613</b>	<b>14.1%</b>
Current liabilities	8,734	5,043	73.2%	6,854	4,068	68.5%
Non-current liabilities	5,447	6,906	-21.1%	4,638	5,467	-15.2%
<b>Total liabilities</b>	<b>14,181</b>	<b>11,949</b>	<b>18.7%</b>	<b>11,492</b>	<b>9,535</b>	<b>20.5%</b>
<b>Total equity</b>	<b>9,618</b>	<b>8,331</b>	<b>15.4%</b>	<b>10,884</b>	<b>10,078</b>	<b>8.0%</b>

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current ratio (times)	0.8	1.0	1.2	1.6
Return on assets (%)	9.2	1.6	6.7	3.9
Assets turnover (times)	0.5	0.4	0.3	0.3
Return on equity (%)	15.7	0.8	8.9	4.6
Debt/ equity (times)	1.5	1.5	1.1	1.0
Interest bearing debt/ EBITDA (times)	3.5	8.7	5.0	7.9
Debt service coverage ratio (DSCR) (times)	2.4	1.4	2.3	1.8
Interest coverage ratios (times)	6.8	1.2	5.5	2.9

### Capital management in 2021 compared to 2020

- **Net cash generated from operating activities** was THB2,034mn (compared to net generated of THB441mn in 2020), increasing by more than 100% because THG had a better operational performance.

- **Net cash used in investing activities** was THB1,079mn (compared to net use of THB1,022mn in 2020), increasing by 5.6%. In 2021, THG uses its cash to invest in associated and related companies, while in 2020, cash used for the hospital construction and asset purchasing.

- **Net cash generated from financing activities** was THB28mn (compared to net use of THB413mn in 2020), decreasing by more than 100% because THG had repayment loan to financial institutions.

<i>Statement of cashflow (million baht)</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2021	2020	2021	2020
Net cash generated in operating activities	2,034	441	1,667	985
Net cash used in investing activities	(1,079)	(1,022)	(984)	(1,397)
Net cash generated in financing activities	28	413	180	295
Net (decrease)/increase in cash and cash equivalents	983	(168)	863	(117)
Cash and cash equivalents at the beginning of period	495	1,228	304	1,008
Unrealized exchange gain in cash and cash equivalents	4	-	4	-
Cash and cash equivalents at the end of period	1,482	495	1,171	304