

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

4Q21 and 2021 Performance

	4Q21		2021	
	THB mm	% Chg (YoY)	THB mm	% Chg (YoY)
Operating Income	21,878	21%	75,714	10%
Core Profit	2,636	115%	7,936	31%
Net Profit	2,636	10%	7,936	10%

4Q21 Performance

Bangkok Dusit Medical Services Public Company Limited (“Company”) and subsidiaries reported consolidated operating income for fourth quarter of 2021 (“4Q21”) of Baht 21,878 million, an increase of 21% yoy. Key drivers included a higher number of COVID-19 patients due to the adverse impact of COVID-19 pandemic this year together with a return of non COVID-19 Thai patients. In addition, with Thailand reopening in November 2021, there was a recovery of fly-in patients. These supporting factors helped increase the overall occupancy rate from 57% in 4Q20 to 70% in 4Q21.

The Company and its subsidiaries had core profit of Baht 2,636 million, increased by 115% yoy, due to higher operating income and continued cost saving program.

In 4Q20, the Company and its subsidiaries recorded gain on divestment of all investment in Bumrungrad Hospital Public Co., Ltd. (“BH”) of Baht 1,164 million. If including this extra gain, net profit would increase 10% yoy.

2021 Performance

For the year ended 31 December 2021 (“2021”), the consolidated operating income was Baht 75,714 million, increased by 10% yoy mainly from growth of revenue from Thai patients as a result of higher COVID-19 patient volume since 2Q21. However, revenue from international patients decreased due to global travel restrictions even though there was a positive trend of fly-in patients during 4Q21.

The Company and its subsidiaries had core profit of Baht 7,936 million, increased by 31% yoy, due to higher operating income and continued cost saving program and lower finance costs.

In 2020, the Company and its subsidiaries had gain on divestment of all investment in BH of Baht 1,169 million. Therefore, net profit increased by 10% yoy in 2021.

Major Development in 2021

During 2021, Thailand was hit by new wave of COVID-19 pandemic resulting in a sharp rise in daily COVID-19 cases. BDMS, as a leading private hospital group in Thailand, has continued to fully cooperate and support the government measures in order to prevent, control and treat COVID-19 patients. We would like to update on our increasing effort in providing COVID-19 related services as follow: -

- 1) COVID-19 vaccination: BDMS, in collaboration with several parties, has dedicated clinical staffs and resources to help roll out COVID-19 vaccination for the



public of more than 4 million doses at our network hospitals and alternative venues such as shopping mall and office buildings.

- 2) COVID-19 testing: BDMS offers COVID-19 testing from our certified laboratories which we increased capacity to more than 10,000 RT-PCR tests per day.
- 3) Hospitel: BDMS cooperated with hotels to set up Hospitels by transforming hotel rooms to be quarantine facilities for COVID-19 patients with mild symptoms. Our maximum Hospitel capacity had reached around 6,000 beds.
- 4) Field hospital: BDMS teamed up with the Royal Thai Air Force to set up 100-bed field hospital for COVID-19 patients with moderate symptoms at Thupatemi Stadium in July 2021. However, due to decreasing new cases of COVID-19, BDMS handed over this field hospital including medical system and equipment to Royal Thai Air Force for future uses.
- 5) Cohort wards: BDMS set up cohort wards for COVID-19 patients at our network hospitals with maximum capacity of more than 3,000 beds.

4Q21 Consolidated Financial Summary

Operating Income				
(THB mm)	4Q21	4Q20	%YoY	%QoQ
Hospital operations	20,914	17,134	22%	11%
Sales of goods	683	694	(2)%	(14)%
Other income	282	273	3%	(43)%
Total Operating Income	21,878	18,101	21%	9%

Remarks

YoY means changes comparing to 4Q20.
QoQ means changes comparing to 3Q21.

Operating Income Comparing to 4Q20 (YoY)

In 4Q21, total operating income was Baht 21,878 million, an increase of Baht 3,777 million or 21% yoy, primarily due to

- Revenues from hospital operations were Baht 20,914 million, an increase of Baht 3,780 million or 22% yoy mainly from an increase in Thai patient revenue of 21% yoy from both COVID-19 and recovery of non COVID-19 patients. Meanwhile International patient revenue increased 27% yoy as results of Test and Go Program, no mandatory quarantine for the fully vaccinated travelers traveling by air, since November 2021. Growth of international patients was mainly from fly-in patients i.e. Middle East patients +148% yoy, Chinese patients +52% yoy and CLMV patients (Cambodia, Laos, Myanmar and Vietnam) +34% yoy. The revenue proportion between Thai and international patients changed from 83%:17% in 4Q20 to 82%:18% in 4Q21.

The COVID-19 related revenue accounted for 15% of total revenue from hospital operations in 4Q21. If excluding this item, revenue from non COVID-19 would increase 4% yoy

In addition, inpatients grew significantly at 29% yoy resulting in an increase in occupancy rate

from 57% in 4Q20 to 70% in 4Q21 (excluding hospital and field hospital). Occupancy rate of COVID-19 patients was 73% and occupancy rate of non COVID-19 patients was 69%.

Revenues from hospital operations in 4Q21	Chg. (yoy)	% of revenues
Revenues growth from hospital operations	22%	
Breakdown by nationality		
Thai	21%	82%
International	27%	18%
Breakdown by location		
Bangkok & Vicinity	21%	57%
Outside Bangkok	22%	43%
Breakdown by type of patients		
Outpatients	16%	46%
Inpatients	29%	54%

- Revenues from sales of goods were Baht 683 million, slightly decreased by 2% yoy.
- Other incomes were Baht 343 million, increased by 3% yoy.

Operating Income Comparing to 3Q21 (QoQ)

In 4Q21, total operating income increased Baht 1,720 million or increased by 9% qoq due mainly to an increase of non COVID-19 revenue, given recovery of Thai patients after the easing of some COVID-19 restrictions in Thailand since September 2021 and increase in fly-in patients after Thailand reopening in November 2021. Meanwhile, the COVID-19 related revenue decreased from 25% in 3Q21 to 15% of total revenue from hospital operations in 4Q21 because of an improvement in the COVID-19 situation in Thailand during the quarter.

Revenue from Thai and international patients increased approximately 9% and 17% qoq, respectively. Moreover, there was an improvement of outpatient revenue which grew approximately 28% qoq.

Operating Expenses

(THB mm)	4Q21	4Q20	%YoY	%QoQ
Hospital operations and others	13,525	12,401	9%	3%
Administrative expenses	4,691	3,899	20%	33%
Total Operating Expenses (Including depreciation)	18,216	16,299	12%	9%

Total Operating Expenses Comparing to 4Q20 (YoY)

In 4Q21, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 18,216 million, increase of Baht 1,917 million or 12% yoy which increased at the slower pace than total operating income due to continued cost control program. Moreover, in 4Q20, the Company and its subsidiaries recorded special funds paid to clinical and non-clinical personnel of Baht 850 million.

Total Operating Expenses Comparing to 3Q21 (QoQ)

In 4Q21, the Company and its subsidiaries reported total operating expenses & depreciation increased by Baht 1,577 million or 9% from 3Q21. Cost of hospital operations and others grew 3% qoq while administrative expenses grew 33% qoq, mainly from marketing expenses, repair & maintenance expenses and other administration expenses.

Other Major Items

- **Share of profit from investments in associates** decreased from Baht 26 million in 4Q20 to Baht 10 million in 4Q21 or decreased by 62% yoy as the performance of associate companies was impacted by COVID-19 pandemic.
- **Finance expenses** decreased to Baht 173 million in 4Q21 or decreased by 18% yoy due to decrease of long-term loans from financial institutions

- **Corporate income tax** in 4Q21 were Baht 746 million, decreased 52% yoy as the Company recognized corporate income tax of Baht 1,252 million from divestment of all investment in BH in 4Q20.

Profitability Analysis			
<i>(Baht mm)</i>	4Q21	4Q20	%Chg
EBITDA	5,218	3,412	53%
EBITDA margin	23.8%	18.8%	
EBIT	3,685	1,839	100%
EBIT margin	16.8%	10.2%	
Core profit	2,636	1,224	115%
Core profit margin	12.0%	6.8%	
Non-recurring item	-	1,164	n.a.
Net profit	2,636	2,388	10%
Net profit margin	12.0%	13.2%	
EPS <i>(Baht)</i>	0.17	0.15	10%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,892	15,892	

Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

Profitability margin calculated based on operating income

The Company and its subsidiaries recorded EBITDA was Baht 5,218 million in 4Q21, increased by 53% yoy resulting in an increase in EBITDA margin from 18.8% in 4Q20 to 23.8% in 4Q21.

Core profit was Baht 2,636 million, increased by 115% yoy due to higher operating income and continued cost saving program.

If including gain on divestment of all investment in BH of Baht 1,164 million (net of income tax) in 4Q20, net profit would increase 10% yoy in 4Q21. Net profit margin was 12% and EPS was Baht 0.17 per share in 4Q21.

2021 Consolidated Financial Summary

Operating Income			
<i>(Baht mm)</i>	2021	2020	%Chg
Revenues from hospital operations	71,541	65,166	10%
Revenue from sales of goods	2,910	2,908	0%
Other income	1,263	983	28%
Total Operating Income	75,714	69,057	10%

In 2021, total operating income were Baht 75,714 million, increase of Baht 6,657 million or 10% yoy, primarily due to

- Revenues from hospital operations were Baht 71,541 million, increase of Baht 6,375 million or 10% yoy. This was mainly from COVID-19 related revenue (accounted for 14% of total revenue from hospital operations in 2021). If excluding this item, revenue from non COVID-19 would decrease 6% yoy due to lower fly-in patients.

In 2021, Thai patient revenues increased 14% yoy as a result of higher COVID-19 patient volume since 2Q21. However, international patient revenues declined 6% yoy due to lower fly-in patients mainly from Middle East of 30% yoy. Meanwhile, expatriate patients from Japan and USA grew by 7% and 4% yoy respectively resulting in the revenue proportion between Thai and international patients to change from 79%:21% in 2020 to 82%:18% in 2021.

Inpatients grew significantly at 17% yoy resulting in an increase in occupancy rate from 52% in 2020 to 60% in 2021 (excluding hospital and field hospital). Occupancy rate of COVID-19 patients was 86% and occupancy rate of non COVID-19 patients was 49%.

Revenues from hospital operations in 2021	Chg. (yoy)	% to revenues
Revenues growth from hospital operations	10%	
Breakdown by nationality		
Thai	14%	82%
International	(6)%	18%
Breakdown by location		
Bangkok & Vicinity	10%	57%
Outside Bangkok	9%	43%
Breakdown by type of patients		
Outpatients	4%	45%
Inpatients	17%	55%

- Revenues from sales of goods were Baht 2,910 million similar to 2020.
- Other income were Baht 1,263 million, increased by 28% yoy mainly from one-time compensation that our network hospital received for damages incurred at the amount of Baht 200 million.

Operating Expenses			
(Baht mm)	2021	2020	%Chg
Cost of hospital operations and others	49,462	46,371	7%
Administrative expenses	15,029	14,161	6%
Total Operating Expenses (Including depreciation)	64,491	60,532	7%

In 2021, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 64,491 million, increase of Baht 3,959 million or 7% yoy which increased at the slower pace than total operating income due to continued cost containment program.

Other Major Items

- **Share of profit from investments in associates** were Baht 21 million in 2021, decreased by 92% yoy due mainly to no share of profit from divestment of all investment in BH during 4Q20.

- **Finance expenses** decreased to Baht 728 million or decreased by 16% yoy due to decrease of long-term loans from financial institutions.
- **Corporate income tax** in 2021 were Baht 2,103 million, decreased by 24% from 2020, as the Company recorded corporate income tax from non-recurring item in 2020 totaling of Baht 1,260 million.

Profitability Analysis			
(Baht mm)	2021	2020	%Chg
EBITDA	17,545	14,938	17%
EBITDA margin	23.2%	21.6%	
Share of profit from associates			
	21	273	(92)%
EBIT	11,322	8,843	28%
EBIT margin	15.0%	12.8%	
Core profit	7,936	6,045	31%
Core profit margin	10.5%	8.8%	
Non-recurring item	-	1,169	n.a.
Net profit	7,936	7,214	10%
Net profit margin	10.5%	10.4%	
EPS (Baht)	0.50	0.45	10%
<i>Weighted average number of ordinary shares</i>			
(mm shares)	15,892	15,892	

Remarks
 EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)
 Profitability margin calculated based on operating income

The Company and its subsidiaries recorded EBITDA was Baht 17,545 million in 2021 or increased by 17% yoy resulting in an increase in EBITDA margin from 21.6% in 2020 to 23.2% in 2021.

Core profit was Baht 7,936 million in 2021, increased by 31% yoy due to higher operating income and continued cost saving program and lower finance costs.

In 2020, the Company and its subsidiaries had gain on divestment of all investment in BH of Baht 1,169 million (net of income tax). Therefore, net profit increased by 10% yoy in 2021. Net profit margin was 10.5% and EPS was Baht 0.50 per share in 2021

Assets			
<i>(Baht mm)</i>	Dec 21	Dec 20	%Chg
Cash & cash equivalents	10,934	19,666	(44)%
Trade & other receivables	9,131	7,192	27%
Inventories	2,005	1,855	8%
Property, premises & equipment	79,689	81,313	(2)%
Goodwill	17,539	17,539	0%
Right-of-use asset	2,862	3,315	(14)%
Other assets	6,294	5,170	21%
Total assets	128,454	136,050	(6)%

As of 31 December 2021, the Company and its subsidiaries reported total assets of Baht 128,454 million, decreased by 6% from 31 December 2020, due mainly to a decrease in cash & cash equivalents of Baht 8,733 million from dividend payment and repayment of long-term loans from financial institutions.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2020. Goodwill were mainly from acquisitions of (1) Phyathai and Paolo Hospital Group of Baht 9,310 million (2) Bangkok Sanamchan Hospital, Thephakorn Hospital, Bangkok Muangraj Hospital and Bangkok Phetchaburi Hospital of Baht 3,285 million and (3) Bangkok Siriroj of Baht 2,702 million. Such goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. However, the Company has considered that this goodwill is not impaired.

Other assets of Baht 6,294 million mainly consisted of other current financial assets which are investment in mutual funds, fixed deposit and treasury bill of Baht 1,708 million together with intangible assets which are computer software of Baht 1,289 million.

Liabilities and Equity			
<i>(Baht mm)</i>	Dec 21	Dec 20	%Chg
Trade & Other payables	5,035	4,450	13%
Accrued expenses	4,627	3,710	25%
Debentures *	14,596	14,594	0%
Long-term loans *	1,000	6,107	(84)%
Liabilities under lease agreements *	3,157	3,462	(9)%
Other liabilities	12,274	12,265	0%
Total liabilities	40,689	44,588	(9)%
Equity attributable to equity holder of the Company	83,845	87,910	(5)%
Non-controlling interests	3,920	3,553	10%
Total equity	87,765	91,463	(4)%

* Including current portion

Total consolidated liabilities as of 31 December 2021 were Baht 40,689 million, decreased by 9% from 31 December 2020 due mainly decrease long-term loans from financial institutions.

Total consolidated shareholders' equity as of 31 December 2021 was Baht 87,765 million, decreased by 4% from 31 December 2020.

Liquidity and Capital Management

Cash Flow	
(Baht mm)	2021
Net cash from operating activities	14,561
Net cash used in investing activities	(4,763)
Net cash used in financing activities	(18,531)
Net decrease in cash and cash equivalents	(8,733)
Beginning cash and cash equivalents	19,666
Ending cash and cash equivalents	10,934

For the year ended 31 December 2021, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 8,733 million from the beginning balance of Baht 19,666 million. As a result, cash and cash equivalents at the end of period was Baht 10,934 million. Details of cash flow by activities during the year are as follows:-

Net cash flows from operating activities were Baht 14,561 million, resulting mainly from profit in 2021.

Net cash used in investing activities were Baht 4,763 million comprising mainly from purchase of premises and equipment of Baht 3,975 million from hospital network renovation and expansion.

Net cash used in financing activities were Baht 18,531 million comprising mainly from dividend payment of Baht 12,738 million and repayment of long-term loans from financial institutions of Baht 5,107 million.

Ratios Analysis		
	2021	2020
Returns (%)		
Return on Asset	6.0	5.3
Return on Equity	9.2	8.4
Liquidity (x)		
Current ratio	1.5	2.7
Quick ratio	1.3	2.4
Assets & Liabilities Management (Days)		
Average Collection Period	40.7	43.8
Average Inventory Period	14.0	14.4
Average Payable Period	34.5	40.5
Leverage Ratios (x)		
Interest coverage	24.1	17.2
Debt service coverage ratio	5.1	29.3
Current portion of IBD to IBD (%)	18.3	2.1
Loan from financial institutions to IBD (%)	5.3	25.2
Total IBD to EBITDA	1.1	1.6
Net IBD to EBITDA	0.5	0.3
Debt to Equity Ratio (x)		
Total liabilities to equity	0.5	0.5
Total IBD to equity	0.2	0.3
Net IBD to equity	0.1	0.1

Remarks

- Assets & Liabilities Management based on 360 days
- IBD means interest bearing debt

ROA and ROE increased from 2020 as a result of an increase in profit from operations in 2021.

Current ratio and quick ratio decreased from 2020 due to a decrease in cash & cash equivalents from dividend payment and repayment of long-term loans from financial institutions during 2021.

Average collection period decreased from 43.8 days in 2020 to 40.7 days in 2021. The Company and subsidiaries have credit policies and assess credit limit base on customer creditworthiness. Average credit term for domestic payers are approximately 30-60 days while international payers are approximately 30-90 days. The credit

terms are reviewed annually to monitor and control credit risk.

Average inventory period slightly decreased from 14.4 days in 2020 to 14.0 days in 2021. The inventories were mostly medicines and medical supplies. The Company and its subsidiaries have appropriate inventory management plan with internal control. The Company and its subsidiaries perform physical inventory count at least once a year and record allowance for the expired, slow-moving and deteriorated inventories to reduce its cost to net realizable value.

Average payable period also decreased from 40.5 days in 2020 to 34.5 days in 2021 as a result of debt management.

For leverage ratios analysis, interest coverage ratio increased from 17.2x in 2020 to 24.1x in 2021 mainly from good performance in 2021. However, debt service coverage ratio (DSCR) significantly decreased from 29.3x in 2020 to 5.1x in 2021 due to higher current portion of interest bearing debt.

Net interest bearing debt to EBITDA slightly increased from 0.3x in 2020 to 0.5x in 2021 due to increase in net interest bearing debt.

For debt to equity ratio analysis, total interest bearing debt to equity slightly decreased from 0.3x as of 31 December 2020 to 0.2x as of 31 December 2021 while net interest bearing debt to equity remained unchanged at 0.1x as of 31 December 2020 and as of 31 December 2021.

The Company and its subsidiaries strongly believes that it has sufficient liquidity to repay its debt within the covenants and will continue to be able to successfully adapt as the situation evolves.

Management's Outlook

Looking ahead into 2022, the Company expect healthcare business to be an uptrend given returning of non COVID-19 and fly-in patients. Given higher portion of people vaccinated in Thailand and around the world, we hope that this would lead to more travelling activities nearly back to normal level.

We are confident that the long-term prospect of healthcare sector is still intact from the aging population, rising income per capita, especially those in the rural area, rising health and wellness trend where people pay more attention to their health wishing to live longer with a better quality of life together with growth of digital health and private health insurance in Thailand.

Key strategic priorities

The Company's diverse portfolio of network hospitals with diversified market segments, capable physicians and nurses and strong franchise of our hospital brands together with customer service experience enhancement through innovation would play a crucial role in continuous growth in healthcare business serving rising healthcare demand in the future. The company would focus on the following strategic priorities:

- **Expansion of patient base through value-based pricing**
For revenue enhancement and sustainable growth going forward, the Company would focus on a value-based pricing approach to healthcare to deliver the most effective, efficient and sustainable outcomes to our patients and enhance our patient's referral.
- **Leading into Smart healthcare**
With the advancement of technology and innovation, the Company has been adopting the

concept of smart healthcare to provide a valuable service to achieve better patient care, experience and operational efficiency. The Company started using Artificial Intelligent(AI) assisted diagnosis to help revolutionize healthcare by providing more precise diagnoses. In addition, we are developing Thailand’s first digitally enabled health ecosystem with patient at the center offering not only the tele-consultations but also tele-pharmacy, health mall, health content, patient’s health records and health-related products. This digitally health ecosystem would help expand new patient base from mid-high end market to mass market; from big cities to small cities; from traditional patients to digital generation.

- ***Strengthening relationship with third party payors to increase assets utilization***

The Company would continue to strengthen our relationship with third party payors including private health insurance, Social Security Office, Universal Coverage for Emergency Patients (UCEP) and corporates partners.

With rising healthcare inflations and health insurance awareness, we expect higher penetration for private health insurance in Thailand. We are working closely insurance companies to develop exclusive insurance policies and also e-claims and e- billing system that will be more convenient for both insurance companies and patients. In addition, we plan to apply more of our network hospitals to service the Social Security’s patients. These initiatives would help diversify our payor base by growing third parties payors and increase our bed utilization unlocking the true potential of our hospital network growth prospects.

- ***Other strategic healthcare services and products***

Center of Excellence (CoE): With the determination for continuous development of CoE to be in accordance with the Joint Commission International (JCI), we would continue to collaborate with world leading institutions to uplift our Thai standard of care effectively to be equivalent to the international standard.

Health and Wellness: The Company would focus on preventive healthcare services helping to prevent or detect disease beforehand. Services also include comprehensive checkup with personalized program.

Genomics Center: The Company, through our subsidiary, had invested into genomics center business. We believe that the genomic information would help advanced personalized medicine capability and elevate people's quality of life.

Procurement transformation: In order to increase operational efficiency and returns, the company plans to improve the procurement of medicine, medical supply, medical equipment as well as other non-clinical procurement. We would find alternative suppliers and improve usage of generic drugs while consolidating specification for medical supply, medical equipment and other indirect spending across the network. Consequently, we aim to build a sustainable procurement to support sustainable growth in healthcare.

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