

23 February 2022

Subject: Management Discussion and Analysis for the fourth quarter of 2021 and 2021 results

To: President
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for Consolidated 4Q21 and 2021 results
23 February 2022

Summary

As a result of Thailand's reopening on 1 November 2021 by allowing fully vaccinated visitors from low-risk countries to enter the kingdom without quarantine, together with the continued growth of the Thai and expat business, the Company reported Total revenues in 4Q21 of Baht 3,924 million. This amount represented a 33.1% increase from 4Q20 total revenues of Baht 2,947 million. Net profit for 4Q21 increased by 253.8% to Baht 612 million from Baht 173 million in 4Q20, with Net profit margin at 15.6% in 4Q21, compared to 5.9% in 4Q20.

4Q21 performance improved from 3Q21. 4Q21 Total revenues and Net profit increased by 31.3% and 106.8%, respectively, from 3Q21. Net profit margin rose to 15.6% in 4Q21, compared to 9.9% in 3Q21.

Total revenues for 2021 increased to Baht 12,605 million, or 1.3% increase from Baht 12,445 million in 2020. Net profit for 2021 increased by 1.0% to Baht 1,216 million from Baht 1,204 million in 2020, with Net profit margin at 9.6% in 2021 compared to 9.7% in 2020.

Net profit for 4Q21 and 2021 included an extraordinary item related to the loss on sale of all investment in IDoctor Pte. Ltd. (held by Bumrungrad Services Co., Ltd.) of Baht 56 million. The detail of this adjustment is presented in the Extraordinary Item section of this document.

Excluding the above extraordinary item, Adjusted Net profit would total Baht 668 million in 4Q21, producing adjusted year-over-year growth of 286.5%, and improvement in Adjusted Net profit margin to 17.0%. Adjusted Net profit in 2021 would be Baht 1,272 million, producing adjusted year-over-year growth of 5.6%. Adjusted Net profit margin would improve to 10.1% in 2021.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

4Q21 vs 4Q20 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 3,882 million, a 33.1% increase year-over-year from Baht 2,916 million in 4Q20. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 50.2% and 19.7%, respectively. As a result, the revenue contribution from Thai patients was 50.4%, whereas revenue from non-Thai patients was 49.6% for 4Q21 compared with 56.1% and 43.9%, respectively, for 4Q20.

Operating Expenses and EBITDA			
(Unit: Baht million)	4Q21	4Q20	Change
Cost of hospital operations	2,264	1,880	-20.4%
Selling expenses	113	93	-21.6%
Administrative expenses	723	765	5.5%
EBITDA	1,116	505	121.1%
EBITDA Margin	28.4%	17.1%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,264 million for 4Q21, resulting in a 20.4% increase year-over-year from Baht 1,880 million in 4Q20. The variance was mostly due to Baht 191 million increase in physicians' fees and Baht 141 million increase in supply costs. This represented a favorable change when compared to the 33.1% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 58.3% in 4Q21 compared with 64.5% in 4Q20.

Selling expenses (including Depreciation and amortization) were Baht 113 million in 4Q21, or 21.6% increase year-over-year from Baht 93 million in 4Q20. The variance was mostly due to Baht 7 million increase in marketing expenses; and Baht 7 million in personnel cost.

Administrative expenses (including Depreciation and amortization) were Baht 723 million in 4Q21, or 5.5% decrease year-over-year from Baht 765 million in 4Q20. The variance was mostly due to Baht 24 million decrease in bad debt expenses; and Baht 19 million decrease in software support and maintenance.

EBITDA increased by 121.1% year-over-year to Baht 1,116 million in 4Q21 from Baht 505 million in 4Q20, with an EBITDA margin of 28.4% in 4Q21 compared to 17.1% in 4Q20.

Depreciation and amortization were Baht 292 million in 4Q21, compared to Baht 303 million in 4Q20.

Corporate income tax expense was Baht 127 million in 4Q21 compared to Baht 17 million in 4Q20. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 0.77 in 4Q21, compared to Baht 0.22 in 4Q20, while 4Q21 Diluted EPS was Baht 0.71, compared to Baht 0.20 in 4Q20. Excluding the above noted extraordinary item of Baht 56 million, 4Q21 Adjusted Basic EPS and Adjusted Diluted EPS would be Baht 0.84 and Baht 0.77, respectively.

4Q21 vs 3Q21 (QoQ Comparison)

4Q21 Revenues from hospital operations increased by 33.8% from 3Q21. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 57.6% and 16.6%, respectively. As a result, the revenue contribution from Thai patients was 50.4%, whereas revenue from non-Thai patients was 49.6% for 4Q21 compared with 57.9% and 42.1%, respectively, for 3Q21.

As a result of the increase in revenues and the continued cost containment programs, 4Q21 EBITDA increase by 70.7% from 3Q21, with an EBITDA margin of 28.4% in 4Q21 compared to 21.9% in 3Q21.

Income statements					
(Unit: Baht million)	4Q21	4Q20	Change	3Q21	Change
<u>Including the above noted extraordinary item of Baht 56 million</u>					
Revenues from hospital operations	3,882	2,916	33.1%	2,900	33.8%
Total revenues	3,924	2,947	33.1%	2,989	31.3%
EBITDA	1,116	505	121.1%	654	70.7%
Net profit	612	173	253.8%	296	106.8%
<i>EBITDA margin</i>	28.4%	17.1%		21.9%	
<i>Net profit margin</i>	15.6%	5.9%		9.9%	
<u>Excluding the above noted extraordinary item of Baht 56 million</u>					
Net profit	668	173	286.5%	296	125.9%
<i>Net profit margin</i>	17.0%	5.9%		9.9%	
EPS					
(Unit: Baht)	4Q21	4Q20	Change	3Q21	Change
<u>Including the above noted extraordinary item of Baht 56 million</u>					
EPS – Basic	0.77	0.22	253.8%	0.37	106.8%
EPS – Fully Diluted	0.71	0.20	253.8%	0.34	106.8%
<u>Excluding the above noted extraordinary item of Baht 56 million</u>					
EPS – Basic	0.84	0.22	286.5%	0.37	125.9%
EPS – Fully Diluted	0.77	0.20	286.5%	0.34	125.9%

2021 Operational Performance

2021 vs 2020 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 12,404 million, a 0.7% increase year-over-year from Baht 12,315 million in 2020. This was mostly due to a 12.3% increase in revenues from Thai patients, offset with a 10.1% decrease in revenues from non-Thai patients. As a result, the revenue contribution from Thai patients was 53.7%, whereas revenue from non-Thai patients was 46.3% for 2021 compared with 48.1% and 51.9%, respectively, for 2020.

Operating Expenses and EBITDA			
(Unit: Baht million)	2021	2020	Change
Cost of hospital operations	7,731	7,677	-0.7%
Selling expenses	358	328	-9.3%
Administrative expenses	2,937	3,066	4.2%
EBITDA	2,756	2,593	6.3%
EBITDA Margin	21.9%	20.8%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 7,731 million for 2021, resulting in a 0.7% increase year-over-year from Baht 7,677 million in 2020. The variance was mostly due to Baht 94 million increase in supply costs; offset with Baht 37 million decrease in depreciation and amortization. This contributed to the percentage of cost to Revenues from hospital operations of 62.3% in both 2021 and 2020.

Selling expenses (including Depreciation and amortization) were Baht 358 million in 2021, or 9.3% increase year-over-year from Baht 328 million in 2020. The variance was mostly due to Baht 14 million increase in personnel cost; and Baht 9 million increase in various maintenance service contracts.

Administrative expenses (including Depreciation and amortization) were Baht 2,937 million in 2021, or 4.2% decrease year-over-year from Baht 3,066 million in 2020. The variance was mostly due to Baht 75 million decrease in software support and maintenance; Baht 26 decrease in various maintenance service contracts; and Baht 20 million decrease in consulting fee.

EBITDA increased by 6.3% year-over-year to Baht 2,756 million in 2021 from Baht 2,593 million in 2020, with an EBITDA margin of 21.9% in 2021 compared to 20.8% in 2020.

Depreciation and amortization were Baht 1,180 million in 2021, compared to Baht 1,220 million in 2020.

Corporate income tax was Baht 216 million in 2021 compared to Baht 150 million in 2020. The variance was mostly due to the increase in taxable operating profit and the expiration of tax benefit for the purchase of new machines in 2021.

Basic EPS was Baht 1.53 in 2021, compared to Baht 1.54 in 2020, while 2021 Diluted EPS was Baht 1.40, compared to Baht 1.39 in 2020. Excluding the above noted extraordinary item of Baht 56 million, Adjusted Basic EPS and Adjusted Diluted EPS would be Baht 1.60 and Baht 1.47, respectively.

Income statements			
(Unit: Baht million)	2021	2020	Change
<u>Including the above noted extraordinary item of Baht 56 million</u>			
Revenues from hospital operations	12,404	12,315	0.7%
Total revenues	12,605	12,445	1.3%
EBITDA	2,756	2,593	6.3%
Net profit	1,216	1,204	1.0%
<i>EBITDA margin</i>	21.9%	20.8%	
<i>Net profit margin</i>	9.6%	9.7%	
<u>Excluding the above noted extraordinary item of Baht 56 million</u>			
Net profit	1,272	1,204	5.6%
<i>Net profit margin</i>	10.1%	9.7%	

EPS			
(Unit: Baht)	2021	2020	Change
<u>Including the above noted extraordinary item of Baht 56 million</u>			
EPS – Basic	1.53	1.54	-0.7%
EPS – Fully Diluted	1.40	1.39	1.0%
<u>Excluding the above noted extraordinary item of Baht 56 million</u>			
EPS – Basic	1.60	1.54	3.9%
EPS – Fully Diluted	1.47	1.39	5.6%

Statements of financial position

As at 31 December 2021, the Company reported Total current assets of Baht 8,062 million, a decrease from Baht 10,801 million as at 31 December 2020. The variance was mostly due to a decrease of Baht 2,203 million in Cash and cash equivalents and Other current financial assets, mainly as a result of Baht 2,545 Dividend payment, Baht 2,624 million repayment of the Series 3 debenture in December 2021 and its interest paid, offset with Baht 3,556 million increase in cash from operating activities. The collection period was 58.9 days as at 31 December 2021 compared to 78.8 days as at 31 December 2020, mostly due to shorter collection periods associated with certain Middle East accounts. The collection period remains under the Company's overall credit term policy of 30-90 days.

Total non-current assets decreased to Baht 12,795 million as at 31 December 2021 from Baht 13,421 million as at 31 December 2020, mostly due to Baht 356 million net reclassification of Other non-current financial assets to Other current financial assets; Baht 193 million decrease in Property, plant and equipment; Baht 74 million in decrease in investment in associates due to the sale of all investment in IDoctor Pte. Ltd. (held by Bumrungrad Services Co., Ltd.)

Total current liabilities were Baht 2,284 million as at 31 December 2021, a decrease from Baht 4,418 million as at 31 December 2020. This was primarily due to a decrease of Baht 2,497 million in Current portion of long-term debenture associated with the Baht 2,500 million repayment of the Series 3 debenture in December 2021.

Non-current liabilities decreased to Baht 955 million as at 31 December 2021 from Baht 967 million as at 31 December 2020, mostly due to Baht 22 million decrease in Liabilities under finance lease agreements - net of current portion, offset with Baht 7 million additional Provision for long-term employee benefits.

The Company's Interest coverage ratio was 21.6x in 2021 compared to 19.7x in 2020, due to the increase in EBITDA.

Total shareholders' equity was Baht 17,618 million as at 31 December 2021, compared to Baht 18,837 million as at 31 December 2020. This variance was mostly from dividend distribution of Baht 2,546 million, offset with the Company's 2021 Net profit of Baht 1,216 million. Average return on assets (ROA) was 5.4% in 2021, compared to 4.8% in 2020. Average return on equity (ROE) was 6.7% in 2021, compared to 6.2% in 2020. Excluding the above noted extraordinary item of Baht 56 million, 2021 Adjusted ROA and Adjusted ROE would be 5.6% and 7.0%, respectively.

Unit: Baht million	31-Dec-21	31-Dec-20	Change
Total assets	20,857	24,222	-13.9%
Total liabilities	3,239	5,385	-39.9%
Total shareholders' equity	17,618	18,837	-6.5%

	2021	2020
Interest coverage ratio (x)	21.6*	19.7*

* After adding back the 2021 and 2020 capitalized interest expenses related to the campus expansion.

	2021	2020
<u>Including the above noted extraordinary item of Baht 56 million</u>		
Average collection period (days)	58.9	78.8
Average inventory period (days)	16.2	16.5
Average payables period (days)	30.9	32.7
Net debt to equity (x)	(0.1)	0.1
Net debt to EBITDA (x)	(0.6)	0.5
Average return on assets (%)	5.4%	4.8%
Average return on equity (%)	6.7%	6.2%
<u>Excluding the above noted extraordinary item of Baht 56 million</u>		
Net debt to equity (x)	(0.1)	0.1
Average return on assets (%)	5.6%	4.8%
Average return on equity (%)	7.0%	6.2%

Cash flow statements

The Company's Net cash flows from operating activities in 2021 were Baht 3,556 million, compared to Baht 2,261 million in 2020. This increase was mainly due to Baht 460 million decrease in cash paid for corporate income tax, and Baht 343 million decrease in cash paid for Trade and other payables. Net cash flows from investment activities were Baht 2,252 million in 2021, compared to Baht 364 million net cash flow used in investment activities in 2020. This variance was mainly due to Baht 2,670 million net decrease in investments in fixed deposit and debt securities. The Company reported Net cash flows used in financing activities of Baht 5,255 million in 2021, compared to Baht 2,737 million in 2020. This variance was mostly due to the repayment of Baht 2,500 million Series 3 debentures in December 2021. As a result of the above, Cash and cash equivalents was Baht 1,802 million as at 31 December 2021, compared to Baht 1,229 million as at 31 December 2020.

The Company's Liquidity ratio as at 31 December 2021 was 3.5x compared to 2.4x as at 31 December 2020, and the Company's Quick ratio was 1.4x as at 31 December 2021 compared to 0.8x as at 31 December 2020.

Unit: Baht million	2021	2020
Net cash flows from operating activities	3,556	2,261
Net cash flows from (used in) investing activities	2,252	(364)
Net cash flows used in financing activities	(5,255)	(2,737)
Net increase/(decrease) in cash and cash equivalents	573	(851)
Cash and cash equivalents at end of period	1,802	1,229

	31-Dec-20	31-Dec-20
Liquidity ratio (x)	3.5	2.4
Quick ratio (x)	1.4	0.8

Extraordinary Item

On 8 November 2021, the meeting of the Board of Directors of Bumrungrad Services Co., Ltd., the Company's subsidiary, passed a resolution to dispose of all equity investment in IDoctor Pte. Ltd. The subsidiary disposed of all investments held in the associate, totaling approximately Baht 80 million, and the Company recognized loss from the sale of this investment amounting to Baht 56 million in the consolidated income statement.

Other matter

On September 29, 2021, TRIS Rating affirmed the Company's rating and the rating on BH's senior unsecured debentures at "A+", with a "stable" outlook. The ratings reflect the Company's leading position in the premium private healthcare service market in Thailand and its well-recognized brand among local and international patients. The ratings also take into consideration its strong balance sheet with low debt burden and ample liquidity.

Please be informed accordingly.

Yours faithfully,

(Mrs. Linda Lisahapanya)
Managing Director