

Thonburi Healthcare Group PLC.

1Q22 Management Discussion and Analysis

Overview of 1Q22

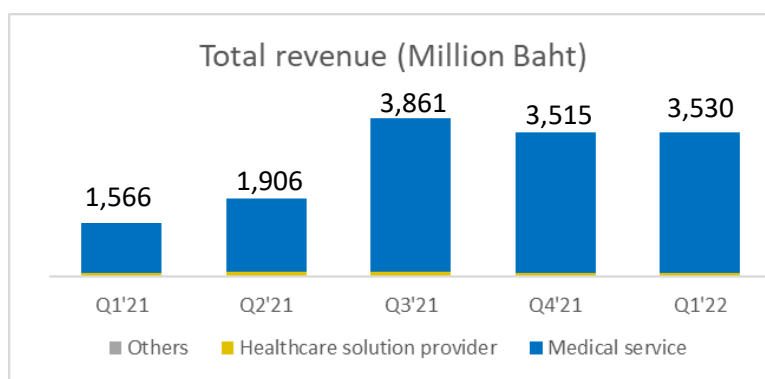
In the first quarter of 2022, the Omicron outbreak situation prolonged. As patients' lives and well-being is our priority, our key strategy is to reduce severe illness and mortality by cooperating with our network hospitals to provide comprehensive prevention, treatment, and rehabilitation services to support those affected by COVID-19. Although the current situation is challenging, THG is determined to create sustainable growth for all stakeholders.

For the three-months operation report of 1Q22, the performance of Thonburi Healthcare Group Public Company Limited (THG) remains impressive. Overall results from its adaptability to response with the situation, THG's performance shows total revenue in 1Q22 of THB3,530mn, a 125.4% increase from THB1,566mn. Net profit for 1Q22 increased by 347.5% to THB552mn, with net profit margin at 15.6% improved from net loss in Q121 amounting to THB223mn, with net loss margin at 14.2%. THG has continued to control costs and expenses, resulting in net profit increased significantly.

Additionally, Ar Yu International Hospital in Myanmar also showed a profit in operational performance, but due to the currency fluctuation, THG shares its foreign exchange loss. Nevertheless, started from this quarter, THG has managed to mitigate risks from the currency fluctuation

As for healthcare solution provider business, Jin Wellbeing County, a mixed-use project for elderly with medical services shows lower revenue than the targeted revenue despite having a continuous purchase and interest. The delay in customers purchasing decision occurs due to economic uncertainties causing a decrease in this business. To tackle the problem, THG shareholders has approved that the Thonburi Rangsit hospital is to be located within the Jin Wellbeing County premises. This will further enrich Jin Wellbeing County and help boost the activity and the interest in the nursing home. THG believes it will provide a positive outlook on trust and attract future customers.

For overall outlook of 2022, THG will continue to provide comprehensive care for COVID-19 patients, in terms of prevention, treatment, and rehabilitation, as we consider the needs of customers as most important. With the aims to expand service capability, grow Thai customer base, and increase accessibility to treatment in a timely manner, we adapt online technology to become a communication channel between doctors and patients. In addition, THG continues to provide alternative vaccinations and government-provided vaccinations through a network of over 18 hospitals, which has delivers more than 500,000 doses. This year, THG has also expanded its business into drug addiction treatment, online distribution channel for medical products and supplies, and medical business acquisition to further THG's sustainable growth and add values to our business and our customers.



Key development in 1Q22

1. The disposal of investments in a subsidiary

The Board of Directors meeting No.4/2022 held on 8 March 2022, the Board of Directors has resolved to approve the disposal of investments in ordinary shares of Thonburi Canabiz Public Company Limited (“THC”) for 610,000 shares at a par value of 100 Baht per share, totaling 61 million baht. This disposal of investment resulted in a decrease of shares held by THG from 75.0% to 14.0%. In addition, the disposal of THC's ordinary shares makes THC no longer the subsidiary of THG. THG recorded the remaining value of investment as financial assets measured at fair value.

Summary of 1Q22 performance compared to 1Q21

Revenue

Total revenue was THB3,530 mn, increasing by more than 100% from THB1,566 mn. The increase was from the following factors.

Medical Service Business had revenue of THB3,444mn, increase by more than 100% from THB1,464mn. This was mostly due to the increased number of patients due to the Omicron variant of COVID-19. THG also provides vaccination services to public (alternative vaccinations and government vaccines). Revenues related to COVID-19 accounted for 27.4% of total medical service business revenue.

Healthcare Solutions Provider had revenue of THB83mn, decreasing by 16.2% from THB99mn, mainly due to in 1Q22, two residential units were transferred compared four units in 1Q21.

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	1Q22	1Q21	YoY change	1Q22	1Q21	YoY change
Revenue from medical service	3,444	1,464	135.2%	2,053	1,129	81.8%
Revenue from healthcare solution provider	83	99	-16.2%	-	-	-
Revenue from other businesses	3	3	-	-	-	-
Total revenue	3,530	1,566	125.4%	2,053	1,129	81.8%

Costs

Total cost was THB2,340mn, increasing by 75.3% from THB1,335mn, with factors as follows;

Cost of medical service was THB2,265mn, increasing by 79.1% from THB1,265mn. Main costs in this period were

- 1) Medicine and medical supplies, chest x-ray, blood examination, lab, for COVID-19 screening and treatment
- 2) Rental fee at hospitels
- 3) Doctor fees and staff cost because THG sent medical staff to operate in filed ICU and hospitels and vaccination services.

However, THG effectively managed cost resulting in a ratio of cost to revenue decreased to 65.8% in 1Q22 from 86.4% in 1Q21

Selling, general and administrative expenses

SG&A and director's remuneration was THB440mn, increasing by 22.2% from THB360mn, the increase was mainly from staff cost, allowance for inventories, and other expenses.

Financial cost

It was THB75mn, increasing by 5.6% from THB71mn. This was mainly due to the average cost of fund is higher than the previous year. In addition, there is addition cost which record as assets in the previous year.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q22	1Q21	YoY change	1Q22	1Q21	YoY change
Cost from medical service	(2,265)	(1,265)	79.1%	(1,453)	(875)	66.1%
Cost from healthcare solution provider	(72)	(68)	5.9%	-	-	-
Cost from other businesses	(3)	(2)	50.0%	-	-	-
Total cost	(2,340)	(1,335)	75.3%	(1,453)	(875)	66.1%
Selling, general and admin expenses	(440)	(360)	22.2%	(200)	(163)	22.7%
Financial cost	(75)	(71)	5.6%	(62)	(61)	1.6%

Profit

THG's profit growth of this quarter is mainly from revenue increased. Also, costs and expenses were effectively reduced, resulting in an increase in net profit – parent to THB527mn, in 1Q22 from net loss in Q121 amounting to THB215mn, with net profit margin at 14.9% in 1Q22, compared to -13.7% in 1Q21.

However, in 1Q22 and 1Q21, THG shared loss of THB26mn and THB32mn, respectively, from joint venture (Ar Yu) caused by unrealized foreign exchange loss in Kyat amounting to THB42mn and THB31mn, respectively.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q22	1Q21	YoY change	1Q22	1Q21	YoY change
Gross profit	1,190	231	415.2%	599	254	135.8%
EBITDA	1,026	84	1121.4%	553	236	134.3%
Normalized EBITDA	1,026	111	824.3%	553	262	111.1%
Net profit (loss)	552	(223)	347.5%	317	74	328.4%
Normalized net profit (loss)	552	(202)	373.3%	317	95	233.7%
Net profit (loss) - parent	527	(215)	345.1%	317	74	328.4%
Normalized net profit (loss) - parent	527	(194)	371.6%	317	95	233.7%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	1Q22	1Q21	1Q22	1Q21
Gross profit margin	33.7%	14.8%	29.2%	22.5%
EBITDA margin	29.1%	5.4%	26.9%	20.9%
Normalized EBITDA margin	29.1%	7.1%	26.9%	23.2%
Net profit margin - parent	14.9%	-13.7%	15.4%	6.6%
Normalized net profit margin - parent	14.9%	-12.4%	15.4%	8.4%

Note: normalized values exclude

1) Net expense after tax from the end of the management service agreement with a government hospital amount THB 21 mn.

Financial status

As of 31 March 2022, THG's financial position has no significant change from as of 31 December 2021. Major part of cash flow from operation was used for debt repayment and interim dividends, resulting to the decrease in current assets and current liabilities.

<i>Statements of financial position (million baht)</i>	Consolidated financial statements			Separate financial statements		
	31 March 2022	31 December 2021	Change	31 March 2022	31 December 2021	Change
Current assets	6,585	7,019	-6.2%	7,691	8,321	-7.6%
Non-current assets	16,649	16,780	-0.8%	13,960	14,055	-0.7%
Total assets	23,234	23,799	-2.4%	21,651	22,376	-3.2%
Current liabilities	7,704	8,734	-11.8%	6,283	6,854	-8.3%
Non-current liabilities	5,601	5,447	2.8%	4,385	4,638	-5.5%
Total liabilities	13,305	14,181	-6.2%	10,668	11,492	-7.2%
Total equity	9,929	9,618	3.2%	10,983	10,884	0.9%

<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)	0.9	0.8	1.2	1.2
Return on assets (%)	13.6	9.2	8.3	6.7
Assets turnover (times)	0.5	0.5	0.3	0.3
Return on equity (%)	24.2	15.7	11.1	8.9
Debt/ equity (times)	1.3	1.5	1.0	1.1
Interest bearing debt/ EBITDA (times)	2.6	3.5	4.1	5.0
Debt service coverage ratio (DSCR) (times)	2.9	2.4	2.3	2.3
Interest coverage ratios (times)	10.4	6.8	7.3	5.5

Capital management in 1Q22 compared to 1Q21

- **Net cash generated from operating activities** was THB657mn (compared to net generated of THB425mn in 1Q21), increasing by 54.6% because THG had a better operational performance.

- **Net cash used in investing activities** was THB299mn (compared to net use of THB165mn in 1Q21), increasing by 81.2%. This was due to an increase in asset purchasing and construction cost, the total repayments for construction were THB275mn in 1Q22 compared to THB155mn in 1Q21.

- **Net cash generated from financing activities** was THB623mn (compared to net use of THB215mn in 1Q21), increasing by more than 100%. The variance was mostly due to Baht 335mn. increase in interim dividend and THB575 increase in repayment loan to financial institutions.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	1Q22	1Q21	1Q22	1Q21
Net cash generated in operating activities	657	425	248	373
Net cash generated (used) in investing activities	(299)	(165)	169	(241)
Net cash generated (used) in financing activities	(623)	215	(588)	206
Net (decrease)/increase in cash and cash equivalents	(265)	475	(171)	338
Cash and cash equivalents at the beginning of period	1,482	495	1,171	304
Unrealized exchange gain in cash and cash equivalents	-	1	-	1
Cash and cash equivalents at the end of period	1,217	971	1,000	643