



No. 011/2022

11 May 2022

RE: Management Discussion and Analysis for Q1/2022

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited (the "Company") and its subsidiaries would like to submit the following Management Discussion and Analysis for Q1/2022, ended 31 March 2022, compare with same quarter of the Year 2021 as follows:

Major developments in Q1/2022

On 28 February 2022, the Company and V Residence Company Limited (Owner of Somerset Ekamai Bangkok (SEB) and the Company's subsidiary) participated in the Asset Warehousing program with Bank of Ayudhya Public Company Limited ("transferee"), the measures to support the entrepreneurs affected by Covid-19 of Bank of Thailand, to improve the debt structuring of the Company, by transfer the ownership interests in land and 4 buildings of SEB to transferee for debt payment according to the Program, and transferee have an option for the company and owner to buy back the assets in 3 years (and the program can be extended for 2 times, 1 year each time). The total value of consideration is amounting to THB 1,500,000,000.

On 14 March 2022, Principal Healthcare Company Limited (the Company's subsidiary) acquired ordinary shares of Pewdee Clinic Esthetics Company Limited. Total investment value THB 302,500,000 by acquiring the ordinary shares from Sellers in the total amount of 252,500,000 Baht and subscribe for new ordinary shares of Pewdee Clinic in the total amount of THB 50,000,000 to expand business to providing skin care services cosmetic surgery and holistic health care.

The economic and industrial situations affecting the operation and business policies, strategies and decisions

For Q1/2022, the hospital business continues to have a positive impact on the spread of Covid-19 and the opening of 21 specialized medical centers across the country causing the number of outpatients and inpatients to increase by providing services such as Horizon Regional Cancer Center partners with Bumrungrad Health Network, Men's Health Clinic, Bone and joint center (Orthopedics center) including providing services related to Covid-19 such as Covid-19 screening test, admission of Covid-19 patients Both the patients who received the screening from all hospitals in the group and Hospitals. The revenue stream also came from selling alternative vaccines and providing vaccination service for the public. As a result, all hospitals in the group

revenues were higher than the same quarter of the previous year by THB 1,339.1 million (206.7%), especially PRINC Hospital Suvannabhumi, which received a higher revenue of 678.4 million baht (897.1%) from the relaxation of government measures that allow economic activities, resulting the normal patients in the country tend to gradually return to use more services and relaxation for foreigners to travel in Thailand. This includes those seeking health care in Thailand, an aging society and the rise of a middle-class with more purchasing power. As well as the Company has bring the Digital Platform to serve more patients to providing new normal services such as Tele-medicine, Home delivery services, which are expected to play a role and be another revenue generating channel for the business.

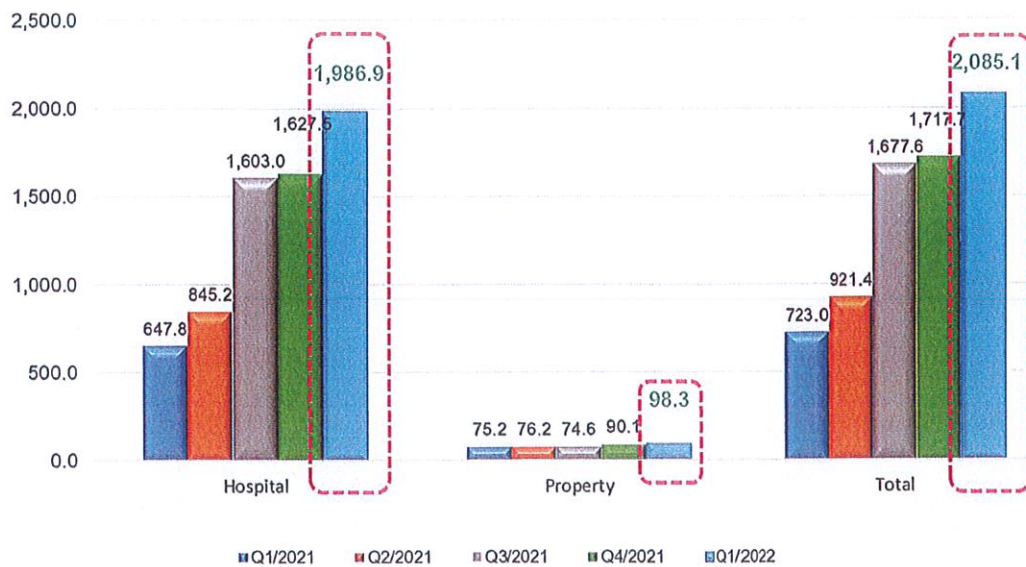
For the real estate business, after the epidemic began to subside including, the government has measures to stimulate domestic tourism and opening the country in late 2021, as well as relaxing the screening measures for travelers from abroad. As a result, hotel businesses have begun to recover more than half of the normal pre-Covid period (over 60% occupancy rate). Revenue for the three months ended 31 March 2022, increased by 26.2 million baht or 59.9% from the same period last year. It can be seen that the hotel business tends to gradually recover from the Covid-19 crisis that has been resolved after the distribution of vaccines more widely and supporting factors that the number of foreign and Thai tourists has continued to increase.

Operating results for Q1/2022

<u>Consolidated</u>	Q1/2022	Q1/2021	Increase (decrease)	Change %
Unit: THB million				
Revenues from hospital operations	1,986.9	647.8	1,339.1	206.7
Revenues from sales and services	98.3	75.2	23.1	30.7
Costs of hospital operations	1,224.3	580.8	643.5	110.8
Costs of sales and services	<u>62.5</u>	<u>70.2</u>	<u>(7.7)</u>	<u>-11.0</u>
Gross Profit	798.3	71.9	726.4	1010.2
Other income	69.9	18.1	51.8	285.5
Selling and Administrative expense	288.8	228.5	60.3	26.4
Finance costs	<u>37.5</u>	<u>33.8</u>	<u>3.7</u>	<u>11.0</u>
Profit (loss) before income tax expense	541.8	(172.2)	714.0	414.5
Income tax expense	<u>(85.2)</u>	<u>(1.0)</u>	<u>(84.2)</u>	<u>-8618.2</u>
Profit (loss) for the period	<u>456.6</u>	<u>(173.2)</u>	<u>629.8</u>	<u>363.6</u>

The Company and the subsidiaries had revenues from hospital operations of THB 1,986.9 million and costs of hospital operations was THB 1,224.3 million. Revenues from sales and services was THB 98.3 million and costs of sales and services was THB 62.5 million. Other income was THB 69.9 million. Selling and Administrative expense was THB 288.8 million. Finance costs was THB 37.5 million. As a result, Profit for this period was THB 456.6 million, increased by THB 629.8 million or 363.6 % (In Q1/2021, there was a loss of THB 173.2 million.)

Total Revenues



If considering quarterly from Q1/2021 to the present, it can be seen that in this quarter was the highest earning quarter compared with last 4 quarters. Both in the main business of the company, the Hospital business which earns from Covid-19 related services and from the existing business and the Real estate business which revenues have risen as a result of government measures that have resulted in increased tourist arrivals.

<u>Consolidated</u>	Q1/2022	Q1/2021	Increase (decrease)	Change %
Unit: THB million				
<u>Hospital business</u>				
- Existing Hospitals	1,929.6	647.8	1,281.9	197.9
- New Hospitals	57.2	-	57.2	100.0
<u>Real estate business</u>				
	<u>98.3</u>	<u>75.2</u>	<u>23.1</u>	<u>30.7</u>
Total Revenues	<u>2,085.2</u>	<u>723.0</u>	<u>1,362.2</u>	<u>188.4</u>

The Company and the subsidiaries generated revenues THB 2,085.2 million, which was an increase of THB 1,362.2 million or 188.4 resulted from the following;

- The Hospital business:
 - Existing Hospitals: A revenue was increase THB 1,281.9 million (197.9%) from all hospitals. Especially, PRINC Hospital Suvarnabhumi which was increase THB 678.4 million Baht (897.1%), PRINC Hospital Lamphun which was increase THB 106.2 million Baht (405.3%) and PRINC Hospital Ubonratchathani which was increase THB 66.3 million Baht (396.8%). The main revenue increase comes from customers who come in for testing and treatment for Covid-19 both in hospitals and Hospitels, and income from sales and vaccination services
 - New Hospitals: PRINC Hospital Sisaket, which opened on 1 April 2021, had revenue of THB 56.1 million in this quarter, from testing and treatment for Covid-19 as the Existing Hospitals.
- The Real estate business: A revenue was increase THB 23.1 million (30.7%) from measures to boost the economy and tourism by returning to open the registration site for the Test and Go tourists from all countries starting 1 February 2022 onwards due to the government's relaxation on Covid-19 measures, the number of tourists both domestically and internationally was increased as following;
 - The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increasing THB 12.1 million (68.0%). From the occupancy Rate, which was increase from 36.3% in Q1/2021 to 64.5%, from Test & Go, and from the increasing number of tourists from both business customers and customers who come to travel,
 - The Somerset Ekamai Bangkok, had a revenue increasing THB 14.0 million (54.2%). From the occupancy Rate, which was increase from 42.5% in Q1/2021 to 67.2%. From long-term customer (Service Apartment) in tower A and try to keep old customers and find new long-term customers. There are also more short stay customers in tower C, while
 - Bangkok Business Center office building, had a revenue decreasing THB 3.1 million. Both the revenue from rental fee and utility fees had reduce due to the pandemic of Covid-19 that caused the New Normal of the rental office market to decline which was caused by the decrease in the number of companies from the closure of the business while new business opening tends to decrease. In addition, many companies have a Work from Home policy, resulting in a decrease in demand for office space. Including service fees that are income, such as electricity bills, are also reduced.

Gross Profit

<u>Consolidated</u>	Q1/2022	Q1/2021	Increase	Change
Unit: THB million			(decrease)	%
<u>Hospital business</u>				
- Existing Hospitals	746.1	67.6	678.5	1003.9
- New Hospitals	16.5	(0.6)	17.1	2859.0
<u>Real estate business</u>	<u>35.7</u>	<u>4.9</u>	<u>30.8</u>	<u>626.4</u>
Total Gross Profit	<u>798.3</u>	<u>71.9</u>	<u>726.4</u>	<u>1010.2</u>

The Company and its subsidiaries had gross profit THB 798.3 million, increasing THB 726.4 million or 1010.2% as a result of both businesses.

- The Hospital business:
 - Existing Hospitals: The gross profit increasing THB 678.5 million (1003.9%) from all hospitals, especially, PRINC Hospital Suvarnabhumi has gross profit increasing THB 361.7 million or 5568.9% (Q1/2021, gross profit was THB -6.5 million), PRINC Hospital Lamphun has gross profit increasing THB 53.3 million (1266.0%), and PRINC Hospital Uthaitani has gross profit increasing THB 11.5 million (933.2%) from the revenue increasing.
 - The new opening hospitals: All hospitals have gross profit increasing
- The Real estate business has gross profit increasing THB 30.8 million (626.4%) due to the subsidiary company has reclassify investment property which will sell to third party to be non-current assets held-for-sale resulting to the non-calculated depreciation.

Other Income: In this quarter, the Company had other income increased by THB 51.8 million from gain on loan modification amounting to 56.1 million baht (from entering into the Asset Warehousing transaction).

Selling and administrative expenses

<u>Consolidated</u>	Q1/2022	Q1/2021	Increase	Change
Unit: THB million			(decrease)	%
<u>Hospital business</u>				
- Existing Hospitals	248.8	191.2	57.5	30.1
- New Hospitals	8.9	3.6	5.4	150.4
<u>Real estate business</u>	<u>31.1</u>	<u>33.7</u>	<u>(2.6)</u>	<u>-7.7</u>
Total Selling and administrative expenses	<u>288.8</u>	<u>228.5</u>	<u>60.3</u>	<u>26.4</u>

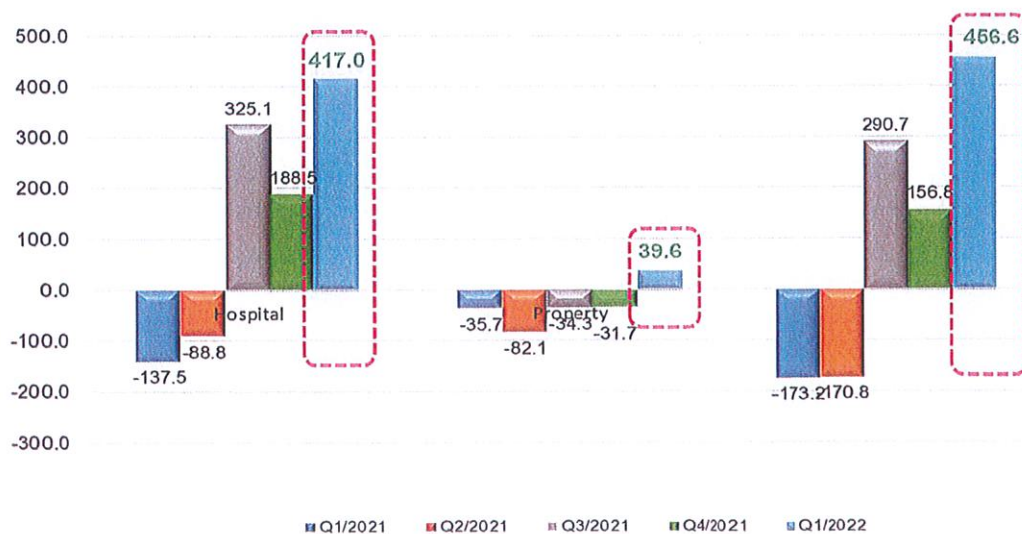
Selling and administrative expenses was THB 288.8 million, increased by THB 60.3 million (26.4%) Both the existing hospitals and new opening hospitals had expenses increasing on the part of the employee, marketing and operating due to the expanding the number of beds and resources to support the treatment of Covid-19 patients. While, the Real estate expenses decreased by 2.6 million baht due to better control of expense management.

EBITDA

Consolidated	Q1/2022	Q1/2021	Increase (decrease)	Change %
Unit: THB million				
EBITDA	727.0	11.4	715.6	6288.1
Finance costs	37.5	33.8	3.7	11.0
Depreciation and amortization	147.8	149.8	(2.1)	-1.4
Income tax expense	(85.2)	(1.0)	(84.2)	-8618.2
Profit (loss) for the period	<u>456.6</u>	<u>(173.2)</u>	<u>629.8</u>	<u>363.6</u>

EBITDA for this quarter was THB 727.0 million, higher than the previous year THB 11.4 million or 6288.1% from the revenue increasing in the both businesses also other revenues. Finance costs were THB 37.5 million, increasing THB 3.7 million or 11.0% from increasing of the short-term loans from financial institution. Depreciation and amortization was THB 147.8 million, decreasing THB 2.1 million. Income tax expense was increasing because in this quarter Performance of all hospitals, especially PRINC Hospital Suvarnabhumi, Pitsanuvej Hospital, Virajsilp Hospital and PRINC Hospital Lamphun, is growing therefore income tax in the consolidated financial statements.

Profit (loss) for the period



Profit for the period: The Company and its subsidiaries had a profit in this quarter of THB 456.6 million. When compared with last 4 quarters, seems this is the best-performing quarter of both businesses from growing income.

Statement of Financial Position

Consolidated	31 March	31 December	Increase	Change
Unit: THB million	2022	2021	(decrease)	%
Total assets	18,370.3	17,415.3	954.9	5.5
Total liabilities	7,002.9	6,554.9	448.0	6.8
Equity attributable to owners of the parent	10,229.0	9,808.2	420.9	4.3
Debt to Equity Ratio (times)	0.68	0.67		

As of 31 March 2022, the Company and its subsidiaries had total assets of THB 18,370.3 million, increasing THB 954.9 million, compared to total assets as at 31 December 2021, resulting from;

- Financial assets measured at fair value through profit or loss increasing THB 470.1 million from short-term investments in mutual funds that the Company use to hold excess cash while waiting to be paid.
- Trade receivables of the National Health Security Office (NHSO) and the Social Security Office for the treatment of UCEP Covid-19 increased THB 430.1 million.
- Other non-current assets increased THB 266.1 million from assets received from acquisition of a subsidiary (Pewdee Clinic Esthetics Company Limited), which is in the process of allocation of the purchase price of THB 237.7 million.

As of 31 March 2022, the Company and its subsidiaries had total Liabilities of THB 7,002.9 million, increasing from total liabilities as at 31 December 2021 by THB 448.0 million, for the following reasons;

- Short-term loans from financial institution, increased by THB 500.0 million, which is a loan from financial institution to use as working capital of the Company.
- Income tax payable increased by THB 67.0 million from PRINC Hospital Suvarnabhumi, Pitsanuvej Hospital, Virajsilp Hospital and PRINC Hospital Lamphun which has a high profit in this quarter that cause the Income tax payable increasing.




Shareholders' equity increased from 31 December 2021 by THB 420.9 million, resulting in profitable performance in this quarter.

The debt-to-equity (D/E) ratio stood at 0.68, close to 0.67 on 31 December 2021, resulting from the liabilities and shareholders' equity increase during the period.

For your kind acknowledgement.

Yours respectfully.

Signature _____

(Miss Preeyaporn Aphiwathwittaya)

Division Director, Accounting Services