

No. BCH 056/2022

13 May 2022

Subject: Management Discussion and Analysis for the first quarter ended 31 March 2022

To : The President

The Stock Exchange of Thailand

Bangkok Chain Hospital Public Company Limited (the “**Company**”) would like to report the operating results for the first quarter ended 31 March 2022, which has been reviewed by the independent auditor, as follows:

1. Summary of the Company’s operating results
2. Analysis of the consolidated financial performance
3. Analysis of the consolidated financial position
4. Analysis of the consolidated cash flow statement
5. Future operating trends

Summary of the Company’s operating results

In 1Q2022, Thailand faced with the new wave of COVID-19 (Omicron BA.1 and BA.2) that was highly spread and rarely show symptoms of infection. Moreover, people became less cautious of COVID-19 due to the long-standing pandemic, which led to a significant increase in number of infectious. The Company and its affiliated hospitals continued to cooperate with the government to provide screening, quarantine and treatment services for COVID-19 patients. Until March 2022, the government has started implementing a transitioning policy in preparing for the declaration of COVID-19 as an endemic. According to the policy, the government continued to support public health according to the rights of patients, however for mild or asymptomatic patients, they will receive care in the form of 1) Self Isolation (patients will receive medication and tele-monitoring for 48 hours) 2) Home Isolation, and 3) Hotel Isolation. The Company and its affiliated hospitals strived to adapt to the ever-changing governmental policies, resulting in a dramatic increase in number of COVID-19 screenings and patients who underwent treatment in the form of Home Isolation and Hotel Isolation. In 1Q2022, the Company and its affiliated hospitals continued to provide COVID-19 related services as well as regular medical services to meet the pent-up demand of patients deferring their treatments during the COVID-19 situation. As a result, the Company's operating results increased significantly as detailed below.

In 1Q2022, the Company reported a total revenue of 7,118.62 million baht, an increase of 4,735.26 million baht or 198.68 percent from 1Q2021 along with maintaining an efficient cost and expense management policy resulting in a gross profit of 3,197.40 million baht, an increase of 2,499.86 million baht or 358.39 percent. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 2,971.45 million baht, an increase of 2,281.21 million baht or 330.49 percent. Net profit attributable to the Company amounted to 2,028.33 million baht, an increase of 1,704.56 million baht or 526.47 percent.

Analysis of the consolidated financial performance

Consolidated Statement of Comprehensive Income (Unit : Million Baht)	For the period ended 31 March		% Change
	2022	2021	
Revenue from hospital operations	7,087.26	2,316.48	205.95
Other income	31.36	66.88	(53.11)
Total Revenue	7,118.62	2,383.36	198.68
Cost of hospital operations	3,889.86	1,618.95	140.27
Distribution and Administrative expenses	491.13	290.74	68.92
Total Cost	4,380.99	1,909.69	129.41
Operating Profit	2,737.63	473.67	477.96
Interest income	0.20	0.73	(72.17)
Finance costs	48.02	27.58	74.09
Share of profit of associate	0.66	0.70	(6.25)
Tax expense	542.23	83.92	546.10
Profit for the period	2,148.24	363.60	490.82
Owners of the Company	2,028.33	323.77	526.47
Non-controlling interests	119.91	39.83	201.07
<i>Gross Profit Margin</i>	<i>45.11%</i>	<i>30.11%</i>	
<i>Operating Profit Margin</i>	<i>38.46%</i>	<i>19.87%</i>	
<i>EBITDA Margin</i>	<i>41.74%</i>	<i>28.96%</i>	
<i>Net Profit Margin</i>	<i>28.49%</i>	<i>13.58%</i>	

Revenue Breakdown by Type (Unit : Million Baht)	1Q2022		1Q2021		% Change
	Revenue	Proportion (%)	Revenue	Proportion (%)	
General patients	5,639.48	79.22	1,517.16	63.66	271.71
Social security patients	1,447.78	20.34	799.32	33.54	81.13
Other revenue	31.36	0.44	66.88	2.80	(53.11)
Total Revenue	7,118.62	100.00	2,383.36	100.00	198.68

The Company's total revenue for 1Q2022 was 7,118.62 million baht, an increase of 4,735.26 million baht or 198.68 percent comparing to 1Q2021, with the proportion of general patient revenue of 79.22 percent, 20.34 percent from social security patients, and 0.44 percent from other revenue. Details are as follows:

General patient revenue for 1Q2022 was 5,639.48 million baht, an increase of 4,122.32 million baht or 271.71 percent compared to 1Q2021. The significant increase in revenue was due to the recovery of non-COVID-19 patients, the new wave of COVID-19 (Omicron) outbreaks that led to a large number of infectious underwent medical services with affiliated hospitals, and the provision of alternative Moderna vaccination services in the amount of 384,500 doses.

Social security patient revenue for 1Q2022 was 1,477.78 million baht, an increase of 684.46 million baht or 81.13 percent comparing to 1Q2021. In 1Q2022, the Company had an average of 935,824 insurers, an increase of 47,575 insurers or 5.36 percent increased year-over-year. The increase in the number of insurers due to the increase in quota for hospital branches where the insurers is fully registered and the first year participation into the scheme of Kasemrad Hospital Prachinburi, has resulted in more insurers registered with affiliated hospitals. In addition, in March 2022, the government has started implementing a transitioning policy in preparing for the declaration of COVID-19 as an endemic, requiring mild or asymptomatic COVID-19 patients to seek treatment under their own public health welfare. As a result, medical services fee related to COVID-19, for those insured under the Social Security Scheme, must be reimbursed directly with the Social Security Office. Medical service fee related to COVID-19 that reimbursed directly with the Social Security Office in 1Q2022, totaling 565.46 million baht.

Other revenue for the 1Q2022 amounted to 31.36 million baht, a decrease of 35.52 million baht or a 53.11 percent decrease. The decrease in other revenue was due to the change in terms of the foreign patient referral service contract in 1Q/2021, thus reversing the previously recorded expenses and recording as other revenues instead. By reversing the said transaction as a one off item, if there is any recurrence, the Company expects that it will not have a material impact on its operating results.

Cost of hospital operations and operating expenses for 1Q2022 was 4,380.99 million baht, an increase of 2,471.30 million baht or 129.41 percent from 1Q2021, mainly due to the increase in inventory and service costs that varied according to the provision of services related to COVID-19, especially the cost of services arising from the operation of Hospital and Home Isolation. However, the Company was able to effectively manage variable costs and other fixed costs.

For the finance cost in 1Q2022 amounted to 48.02 million baht, an increase of 20.44 million baht or an increase of 74.09 percent from 1Q2021. This was because in 1Q2021 interest expense on long-term loans for the construction of Kasemrad International Hospital Vientiane was the finance cost directly related to the construction project, the Company therefore included those interest expense into construction costs and recorded in property, plant and equipment. However, the construction of the aforementioned hospital has been completed and officially operated since 19 August 2021. Therefore, interest expense on long-term loans for the project was recorded as a finance cost, resulting in an increase of finance costs in the 1Q2022.

In summary, all profitability margin of the Company for 1Q2022 increased significantly in which gross profit margin increased from 30.11 percent to 45.11 percent, the operating profit margin increased from 19.87 percent to 38.46 percent, EBITDA margin increased from 28.96 percent to 41.74 percent, and profit margin attributable to shareholders of the Company increased from 13.58 percent to 28.49 percent.

Analysis of the consolidated financial position

Consolidated Statement of Financial Position (Unit : Million Baht)	As of		% Change
	31 March 2022	31 December 2021	
Total assets	28,688.09	26,383.76	8.73
Current assets	15,697.01	13,541.27	15.92
Non-current assets	12,991.08	12,842.49	1.16
Total liabilities	12,255.48	12,078.12	1.47
Current liabilities	9,164.22	7,847.51	16.78
Non-current liabilities	3,091.26	4,230.61	(26.93)
Total Shareholders' Equity	16,432.61	14,305.64	14.87
Equity attributable to the Company	14,993.53	12,979.73	15.51
Non-controlling interests	1,439.08	1,325.91	8.54

Financial Ratio	For the period ended	
	31 March 2022	31 December 2021
Current Ratio (times)	1.71	1.70
Average Collection Period (days)	61.57	67.97
Average Inventory Period (days)	9.23	11.86
Average Payables Period (days)	29.58	25.20
Debt to Equity (times)	0.82	0.93
Return on Assets (%)	51.79	44.27
Return on Equity (%)	76.99	68.93

As of 31 March 2022, the Company had total assets of 28,688.09 million baht, an increase of 2,304.33 million baht or 8.73 percent from 31 December 2021, mainly due to an increase in accrued income, current financial assets, and property, plant and equipment.

The Company had total liabilities as of 31 March 2022 amounting to 12,255.48 million baht, an increase of 177.36 million baht or 1.47 percent from 31 December 2021, mainly due to an increase in trade accounts payable and corporate tax payable.

The Company had total shareholders' equity of as of 31 March 2022 amounting to 16,432.61 million baht, an increase of 2,126.97 million baht or 14.87 percent from 31 December 2021, due to the increase in retained earnings of the Company.

Analysis of the consolidated cash flow statement

Consolidated Cash flow Statement (Unit : Million Baht)	For the period ended 31 March	
	2022	2021
Cash flow from operating activities	2,102.64	1,132.70
Cash flow used in investing activities	(1,911.50)	(174.15)
Cash flow used in financing activities	(538.66)	(189.53)
Net increase (decrease) in cash and cash equivalents	(347.52)	769.02
Cash and cash equivalents at 1 January	4,520.06	943.81
Cash and cash equivalents at 31 March	4,172.54	1,712.83

As of 31 March 2022, the Company had a net decrease in cash and cash equivalents in the amount of (347.52) million baht. The Company had cash and cash equivalents at the beginning of the period as of 1 January 2022 amounted to 4,520.06 million baht, resulting in net cash at the end of the period as of 31 March 2022 is equal to 4,172.54 million baht. Details of cash flows for each activity are as follows:

The Company's cash flow from operating activities amounted to 2,102.64 million baht, mainly due to an increase in net income. The cash flow used in investing activities amounted to 1,911.50 million baht, mainly due to investment in debt instruments and cash paid for purchases of property, plant and equipment. Cash flow used in financing activities amounted to 538.66 million baht, mainly due to repayment of loans from financial institutions and finance costs.

Future Operating Trends

According to the report of COVID-19 cases by the Department of Disease Control, Ministry of Public Health, as of 13 May 2022, the number of new cases and the average detection rate tended to decline while the mortality rate remained stable. Recently, the government has implemented a transitioning policy in preparing for the declaration of COVID-19 as an endemic. The affiliated hospitals are still committed to providing medical services related to COVID-19 and promptly adjust the services according to the government's policy and in accordance with the current situation. Beside the provision of COVID-19 related services, the Company is still committed to providing regular medical services to meet the pent-up demand from both domestic and international patients. The future trends of the Company's operations are as follows:

1. Launching of a Diabetic Treatment Center

On 10 May 2022, Kasemrad Hospital Ramkhamhaeng has launched the Diabetic Treatment Center. There are the team of specialized doctors with modern medical equipment to serve both Thai and foreign patients especially patients from the Middle East countries, which are the main target group. The Company expects that the opening of the Diabetic Treatment Center at Kasemrad Hospital Ramkhamhaeng will immediately attract new patient groups and help support the income from Middle East patients.

2. Relaxation of Government Measures and Opening up the Country

On 1 May 2022, the government announced measures to relax and open up the country for those who have met the required vaccination criteria without having to undergo screening for COVID-19, resulting in a large number of travelers entering into Thailand. The government expects the number of foreign tourists to enter the country at an average of 300,000 tourists/month and during the month of October - December, which is the high season, it is expected that there will be at least 1,000,000 tourists/month. The Company expects the number of foreign medical tourists to increase due to pent-up demand from specialized medical centers and alternative medical centers. In addition, the announcement of the opening of border checkpoint will be another driving factor for the affiliated hospitals located nearby the border checkpoints, such as Kasemrad International Hospital Aranyaprathet, located nearby the Thai-Cambodian border checkpoint, and Kasemrad Hospital Mae Sai, located nearby the Thai-Myanmar border checkpoint. In addition, the announcement of the opening of Lao PDR on 9 May 2022 will allow free flow of workers and tourists in and out of the country. This will be a supporting factor for Kasemrad International Hospital Vientiane, located in Vientiane Capital, Lao PDR.

3. Trend of Alternative Moderna Vaccination

According to the announcement of the opening up the country and the announcement of the on-site semester opening, these will be the driving factors for both Thai and foreign tourists, including students aged 12 years old and over to have a COVID-19 vaccination, especially for whom received the primary dose of Moderna vaccination. In 4Q2021 - 1Q2022, the affiliated hospitals have administered more than 735,500 doses of Moderna and those who received it are likely to resume their Moderna booster doses. In the meantime, the Company has begun offering walk-in vaccination and adjusting fees to facilitate future prospects for Moderna vaccination.

4. An Increase in the Number of Insurer under the Social Security Scheme

In 2022, the Company and affiliated hospitals received quotas to serve registered insurers under the Social Security Scheme in the amount of 1,501,900 insurers. The Social Security Office allows insurers to change their registered hospitals since 16 December 2021 until 31 March 2022. Since 16 December 2021, more than 73,000 people have transferred their rights to register with affiliated hospitals, resulting in, as of 1 May 2022, the Company had 974,800 registered insurers, which reflected the insurer's confidence in the potential of the affiliated hospitals. The Company remains committed to providing services to insurers and aims to increase the number of registered insurers especially during the months of August - October period when new workers enter the employment system.

The Company and its affiliated hospitals continue to monitor the situation of the COVID-19 outbreak and the announcement of changes in government measures as well as stand ready to adjust business operations in accordance with the changing situation in order to provide medical services to the public health of Thailand.

Please be informed accordingly

Your sincerely,

(Prof.Dr. Chalerm Harnphanich, M.D.)

Chief Executive Officer