

Thonburi Healthcare Group PLC.

2Q22 Management Discussion and Analysis

Overview of 2Q22

In the second quarter of 2022, COVID-19 outbreak has significantly improved. Most infected patients have been vaccinated and does not belong in 608 group. Mass vaccination has resulted in the constant reduction of urgent care patients in April and May, whilst average patients' admission number has increased. Nevertheless, COVID-19 infection rate was rising again at the end of June due to the outbreak of Omicron BA.5 variant. THG and hospitals within our network are well-equipped and prepared for the challenges to come as we are set to provide integrated medical services to all.

For the three-months operating results of 2Q22, THG has maintained constant growth in this quarter. THG's performance shows total revenue of THB 2,674mn. in 2Q22, a 40.3% increase from THB 1,906mn. Net profit in this quarter has also increased 4.69 times to THB 412mn. from THB 72mn. in 2Q21 with net profit margin of 15.4% and 3.8% respectively. The significant increase in profit was the result of the rise in hospital visits along with cost control strategy that THG has implemented. Ultimately, THG also recognizes additional profit sharing from investments in another associated companies from increasing the proportion of its existing investment. Therefore, currently, THG has 3 associated companies.

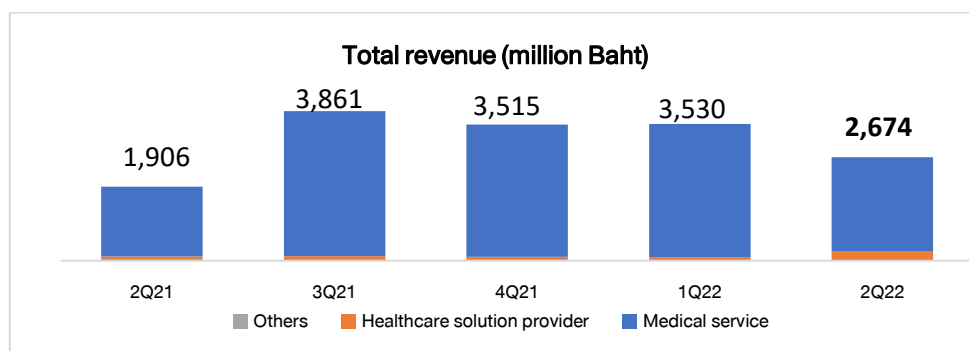
As the THG 6-month operating results of 2022 is improving, which are in the same direction as the 2Q22, resulting in 6-month revenue of THB 6,204mn, a 78.6% increase from THB3,472mn. 6-month net profit of 2022 shows profit of THB 964mn. (Net profit margin is 15.5%) by turning around from loss of THB 151mn. (Loss margin 4.3%) in 6-month 2021. The improvement in net profits was the result of accommodating to a suitable standard of care, in terms of prevention, treatment and rehabilitation. We have taken actions such as cooperating with hotel operators to set up hospitals service for mild or no symptom patients, arranging field hospitals for patients who needs urgent care and accommodating vaccination spots in 18 hospitals within THG network, we have administered more than 600,000 doses of COVID-19 vaccines as an integrated COVID-19 countermeasure. Moreover, strict cost control strategy has played a significant part in the rise of net profit.

In regards of Ar Yu International Hospital in Myanmar, we are experiencing rising in profits, including profiting in currency exchange. The 2Q22 and the 6-month operation result has turned out to be positive. Regarding exchange rate fluctuation, THG has managed the exchange reserve to facilitate settlements of foreign currency loan in order to reduce the risk from fluctuations and converting foreign loan into Kyat (Ks).

As for elderly care business, Jin Wellbeing County, an integrated nursing home with medical care has reached the target in this quarter. THG believes that we will also reach our annual target this year as Thonburi Rangsit hospital is approved to be placed in the frontal area of the project. Doing so, we believe will help improve the integrity of the community, provide a positive outlook on trust, and attract future customers.

With respect to our tendency in 2022, THG remains committed to providing an integrated and competent health services and prioritize our customer's needs. THG has implemented latest technology to expand the capacity to serve

Thai people as we aim to increase the access to urgent treatment. Finally, THG will soon be acquiring more companies into our network as it is in our efforts to foster sustainable growth of our shareholders.



Key development in 2Q22

1. The additional investments in Phatara Hospital Co., Ltd

At the Executive committee’s Meeting of the Company No. 3/2022 on 3 May 2022, the Excom approved the addition investment in the ordinary shares of Phatara Hospital Co., Ltd of 720,000 ordinary shares, resulting in the Company’s shareholding interest increased from 16.67% to 21.47% which made the reclassified investment in Phatara Hospital from financial assets measured at fair value through other comprehensive income to investments in associated. THG recognized gain from reclassification of investment in financial statement amounting Baht 13 mn.

Summary of 2Q22 performance compared to 2Q21

Revenue

Total revenue was THB 2,674mn, a 40.3% increasing from THB 1,906mn. The increase was from the following factors.

Medical Service Business had revenue of THB 2,424mn, a 34.9% increasing from THB 1,797mn. This was mostly due to the increased number of patients. THG also provides vaccination services to public (alternative vaccinations and government vaccines). In addition, at the end of June 2022, the number of covid-19 cases increased.

Healthcare Solutions Provider had revenue of THB 243mn, increasing by more than 100% from THB 102mn, mainly due to in 2Q22, thirty-two residential units were transferred compared three units in 2Q21.

Financial statements of the second quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	2Q22	2Q21	YoY change	2Q22	2Q21	YoY change
Revenue from medical service	2,424	1,797	34.9%	1,543	1,235	24.9%
Revenue from healthcare solution provider	243	102	138.2%	-	-	-
Revenue from other businesses	7	7	-	-	-	-
Total revenue	2,674	1,906	40.3%	1,543	1,235	24.9%

Financial statements of six-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	6M22	6M21	YoY change	6M22	6M21	YoY change
Revenue from medical service	5,868	3,261	79.9%	3,595	2,364	52.1%
Revenue from healthcare solution provider	326	201	62.2%	-	-	-
Revenue from other businesses	10	10	-	-	-	-
Total revenue	6,204	3,472	78.7%	3,595	2,364	52.1%

Costs

Total cost was THB 1,880mn, increasing by 33.1% from THB 1,413mn, with factors as follows;

Cost of medical service was THB 1,722mn, increasing by 29.5% from THB 1,330mn. THG effectively managed cost resulting in a ratio of cost to revenue decreased to 71.0% in 2Q22 from 74.0% in 2Q21. Main costs in this period were

- 1) Medicine, medical supplies, and lab increasing from vaccine, chest x-ray, blood examination, lab, medicine, and medical supplies
- 2) Doctor fees and staff cost because the increasing number of patients
- 3) Depreciation from investment in renovation the facility to provide service and purchase medical equipment

Cost of healthcare solution provider was THB 154mn, increasing by 94.9% from THB 79mn. This was mostly due to 2Q22 transfers higher than 2Q21 at 29 units.

Selling, general and administrative expenses

SG&A and director's remuneration was THB 402mn, increasing by 17.5% from THB 342mn, expenses were increased from staff cost and consulting fees incurred from hiring temporary staff to support the services which in the same direction as increasing revenue, amortization, and donations of Moderna vaccines to government agencies.

Financial statements of the second quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	2Q22	2Q21	YoY change	2Q22	2Q21	YoY change
Cost from medical service	(1,722)	(1,330)	29.5%	(1,138)	(902)	26.2%
Cost from healthcare solution provider	(154)	(79)	94.9%	-	-	-
Cost from other businesses	(4)	(4)	-	-	-	-
Total cost	(1,880)	(1,413)	33.1%	(1,138)	(902)	26.2%
Selling, general and admin expenses	(402)	(342)	17.5%	(180)	(158)	13.9%
Finance cost	(73)	(72)	1.4%	(63)	(62)	1.6%

Financial statements of six-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	6M22	6M21	YoY change	6M22	6M21	YoY change
Cost from medical service	(3,987)	(2,596)	53.6%	(2,591)	(1,777)	45.8%
Cost from healthcare solution provider	(226)	(147)	53.7%	-	-	-
Cost from other businesses	(7)	(6)	16.7%	-	-	-
Total cost	(4,220)	(2,749)	53.5%	(2,591)	(1,777)	45.8%
Selling, general and admin expenses	(842)	(702)	19.9%	(380)	(321)	18.4%
Finance cost	(148)	(143)	3.5%	(125)	(123)	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 THB 398mn. in 2Q22, increasing by more than 100% from net profit in Q221 amounting to THB 84mn, with net profit margin at 14.9% in 2Q22, compared to 4.4% in 2Q21.

Financial statements of the second quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	2Q22	2Q21	YoY change	2Q22	2Q21	YoY change
Gross profit	794	493	61.1%	405	333	21.6%
EBITDA	801	402	99.3%	485	385	26.0%
Normalized EBITDA	788	411	91.7%	472	394	19.8%
Net profit	412	72	472.2%	284	199	42.7%
Normalized net profit	399	79	405.1%	271	206	31.6%
Net profit - parent	398	84	373.8%	284	199	42.7%
Normalized net profit (loss) - parent	385	91	323.1%	271	206	31.6%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	2Q22	2Q21	2Q22	2Q21
Gross profit margin	29.7%	25.9%	26.2%	27.0%
EBITDA margin	30.0%	21.1%	31.4%	31.2%
Normalized EBITDA margin	29.5%	21.6%	30.6%	31.9%
Net profit margin - parent	14.9%	4.4%	18.4%	16.1%
Normalized net profit margin - parent	14.4%	4.8%	17.6%	16.7%

Note: normalized values exclude

1) Expense from the end of the management service agreement with a government hospital amount THB 7mn, in 2Q21

2) In 2Q22, profit from reclassified investment in Phatara Hospital amount THB 13 mn.

Financial statements of six-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	6M22	6M21	YoY change	6M22	6M21	YoY change
Gross profit	1,984	723	174.4%	1,003	587	70.9%
EBITDA	1,827	486	275.9%	1,038	621	67.1%
Normalized EBITDA	1,809	521	247.2%	1,025	656	56.3%
Finance cost	(148)	(143)	3.5%	(125)	(123)	1.6%
Net profit (loss)	964	(151)	738.4%	601	273	120.1%
Normalized net profit (loss)	946	(123)	869.1%	588	301	95.3%
Net profit (loss) - parent	925	(131)	806.1%	601	273	120.1%
Normalized net profit (loss) - parent	907	(103)	980.6%	588	301	95.3%

Margin	Consolidated financial statements		Separate financial statements	
	6M22	6M21	6M22	6M21
Gross profit margin	32.0%	20.8%	27.9%	24.8%
EBITDA margin	29.4%	14.0%	28.9%	26.3%
Normalized EBITDA margin	29.2%	15.0%	28.5%	27.7%
Net profit (loss) margin - parent	14.9%	-3.8%	16.7%	11.5%
Normalized net profit (loss) margin - parent	14.6%	-3.0%	16.4%	12.7%

Note: normalized values exclude

- 1) Net expense after tax from the end of the management service agreement with a government hospital amount THB 28 mn, 1Q21 and 2Q21, THB 21 mn and THB 7mn, respectively.
- 2) In 1Q22, the consolidated financial statements showed a gain from disposal investment in Thonburi Canabiz Pcl. THB 5 mn.
- 3) In 2Q22, profit from reclassified investment in Phatara Hospital amount THB 13mn.

Financial status

As of 30 June 2022, THG's financial position has no significant change from as of 31 December 2021.

Statements of financial position (million baht)	Consolidated financial statements			Separate financial statements		
	30 June 2022	31 December 2021	Change	30 June 2022	31 December 2021	Change
Current assets	6,127	7,019	-12.7%	7,380	8,321	-11.3%
Non-current assets	16,950	16,780	1.0%	14,290	14,055	1.7%
Total assets	23,077	23,799	-3.0%	21,670	22,376	-3.2%
Current liabilities	7,750	8,734	-11.3%	6,439	6,854	-6.1%
Non-current liabilities	5,299	5,447	-2.7%	4,257	4,638	-8.2%
Total liabilities	13,049	14,181	-8.0%	10,696	11,492	-6.9%
Total equity	10,028	9,618	4.3%	10,974	10,884	0.8%

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Current ratio (times)	0.8	0.8	1.1	1.2
Return on assets (%)	15.2	9.2	10.7	6.7
Assets turnover (times)	0.6	0.5	0.3	0.3
Return on equity (%)	27.7	15.7	15.8	8.9
Debt/ equity (times)	1.3	1.5	1.0	1.1
Interest bearing debt/ EBITDA (times)	2.4	3.5	3.8	5.0
Debt service coverage ratio (DSCR) (times)	2.5	2.4	3.4	2.3
Interest coverage ratios (times)	9.0	6.8	6.8	5.5

Liquidity and Capital management in 2Q22 compared to 2Q21

- **Net cash generated from operating activities** was THB 418mn (compared to net generated of THB 89mn in 2Q21), increasing by more than 100% because THG had a better operational performance.

- **Net cash used in investing activities** was THB 203mn (compared to net use of THB174mn in 2Q21), increasing by 16.7%. This was due to an increase in asset purchasing and construction cost, the total repayments for construction were THB250mn in 2Q22 compared to THB215mn in 2Q21.

- **Net cash used from financing activities** was THB 393mn (compared to net generated of THB 39mn in 2Q21), increasing by more than 100%. The variance was mostly due to an interim dividend.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	2Q22	2Q21	2Q22	2Q21
Net cash generated from operating activities	418	89	239	238
Net cash used in investing activities	(203)	(174)	(184)	(68)
Net cash generated from (used in) financing activities	(393)	39	(291)	(39)
Net (decrease) increase in cash and cash equivalents	(178)	(46)	(236)	131
Cash and cash equivalents at the beginning of period	1,217	971	1,000	643
Unrealized exchange gain in cash and cash equivalents	1	1	1	1
Cash and cash equivalents at the end of period	1,040	926	765	775