

9 November 2022

Subject: Management Discussion and Analysis for the third quarter and nine-month period of 2022 results

To: President
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for Consolidated 3Q22 and 9M22 results
9 November 2022

Summary

The Company reported Total revenues in 3Q22 of Baht 5,740 million, a 92.1% increase from Baht 2,989 million in 3Q21. Net profit for 3Q22 increased by 407.2% to Baht 1,501 million from Baht 296 million in 3Q21, with Net profit margin at 26.2% in 3Q22, compared to 9.9% in 3Q21.

Comparing with the previous quarter, 3Q22 Total revenues and Net profit increased by 15.9% and 28.8%, respectively, from 2Q22. Net profit margin rose to 26.2% in 3Q22, compared to 23.5% in 2Q22.

Comparing with 3Q19, in order to gauge the performance of the current quarter to pre-covid levels, 3Q22 Total revenues and Net profit increased by 20.6% and 42.2%, respectively, from 3Q19. Net profit margin rose to 26.2% in 3Q22, compared to 22.2% in 3Q19.

Total revenues for 9M22 increased to Baht 14,847 million, or 71.0% increase from Baht 8,683 million in 9M21. Net profit for 9M22 increased by 462.0% to Baht 3,392 million from Baht 604 million in 9M21, with Net profit margin at 22.8% in 9M22 compared to 7.0% in 9M21.

Comparing with 9M19, in order to gauge the performance of the 9M to pre-covid levels, 9M22 Total revenues and Net profit increased by 7.9% and 18.5%, respectively, from 9M19. Net profit margin rose to 22.8% in 9M22, compared to 20.8% in 9M19.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

3Q22 vs 3Q21 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 5,673 million, a 95.6% increase year-over-year from Baht 2,900 million in 3Q21. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 213.2% and 10.1%, respectively. As a result, the revenue contribution from Thai

patients was 32.6%, whereas revenue from non-Thai patients was 67.4% for 3Q22 compared with 57.9% and 42.1%, respectively, for 3Q21.

Operating Expenses and EBITDA			
(Unit: Baht million)	3Q22	3Q21	Change
Cost of hospital operations	2,930	1,814	-61.5%
Selling expenses	155	73	-112.5%
Administrative expenses	844	740	-14.1%
EBITDA	2,090	654	219.8%
EBITDA Margin	36.4%	21.9%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,930 million for 3Q22, resulting in a 61.5% increase year-over-year from Baht 1,814 million in 3Q21. The variance was mostly due to Baht 618 million increase in physicians' fees and Baht 310 million increase in supply costs. This represented a favorable change when compared to the 95.6% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 51.6% in 3Q22 compared with 62.5% in 3Q21.

Selling expenses (including Depreciation and amortization) were Baht 155 million in 3Q22, or 112.5% increase year-over-year from Baht 73 million in 3Q21. The variance was mostly due to Baht 69 million increase in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 844 million in 3Q22, or 14.1% increase year-over-year from Baht 740 million in 3Q21. The variance was mostly due to Baht 59 million donation of Moderna vaccine to government hospitals.

EBITDA increased by 219.8% year-over-year to Baht 2,090 million in 3Q22 from Baht 654 million in 3Q21, with an EBITDA margin of 36.4% in 3Q22 compared to 21.9% in 3Q21.

Depreciation and amortization expenses were Baht 278 million in 3Q22, compared to Baht 294 million in 3Q21.

Finance cost decreased by 97.9% year-over-year to Baht 0.7 million in 3Q22 from Baht 31 million in 3Q21. This was mainly due to no long-term debenture interest expenses as the long-term debentures were fully repaid in 4Q21.

Corporate income tax expense was Baht 316 million in 3Q22 compared to Baht 39 million in 3Q21. The variance was mostly due to the increase in taxable operating profit, offset with additional tax benefit related to donation of Moderna vaccine to government hospitals and the increase in tax benefit related to training expenses.

Basic EPS was Baht 1.89 in 3Q22, compared to Baht 0.37 in 3Q21, while 3Q22 Diluted EPS was Baht 1.73, compared to Baht 0.34 in 3Q21.

3Q22 vs 2Q22 (QoQ Comparison)

3Q22 Revenues from hospital operations increased by 15.7% from 2Q22. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 25.2% and 0.1%, respectively. As a result, the revenue contribution from Thai patients was 32.6%, whereas revenue from non-Thai patients was 67.4% for 3Q22 compared with 37.7% and 62.3%, respectively, for 2Q22.

As a result of the increase in revenues and the continued cost containment programs, 3Q22 EBITDA increased by 22.5% from 2Q22, with an EBITDA margin of 36.4% in 3Q22 compared to 34.4% in 2Q22.

3Q22 vs 3Q19 (Pre-Covid Comparison)

3Q22 Revenues from hospital operations increased by 20.1% from 3Q19. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 21.0% and 18.1%, respectively. As a result, the revenue contribution from Thai patients was 32.6%, whereas revenue from non-Thai patients was 67.4% for 3Q22 compared with 33.1% and 66.9%, respectively, for 3Q19.

As a result of the increase in revenues and the continued cost containment programs, 3Q22 EBITDA increased by 32.8% from 3Q19, with an EBITDA margin of 36.4% in 3Q22 compared to 33.1% in 3Q19.

Income statements							
(Unit: Baht million)	3Q22	3Q21	Change	2Q22	Change	3Q19	Change
Revenues from hospital operations	5,673	2,900	95.6%	4,903	15.7%	4,725	20.1%
Total revenues	5,740	2,989	92.1%	4,954	15.9%	4,758	20.6%
EBITDA	2,090	654	219.8%	1,706	22.5%	1,574	32.8%
Net profit	1,501	296	407.2%	1,166	28.8%	1,055	42.2%
EBITDA margin	36.4%	21.9%		34.4%		33.1%	
Net profit margin	26.2%	9.9%		23.5%		22.2%	
EPS							
(Unit: Baht)	3Q22	3Q21	Change	2Q22	Change	3Q19	Change
EPS – Basic	1.89	0.37	407.0%	1.47	28.8%	1.45	30.4%
EPS – Fully Diluted	1.73	0.34	407.2%	1.34	28.8%	1.22	42.2%

Nine Months Operational Performance

9M22 vs 9M21 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 14,678 million, a 72.2% increase year-over-year from Baht 8,522 million in 9M21. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 139.5% and 17.5%, respectively. As a result, the revenue contribution from Thai patients was 37.6%, whereas revenue from non-Thai patients was 62.4% for 9M22 compared with 55.1% and 44.9%, respectively, for 9M21.

Operating Expenses and EBITDA			
(Unit: Baht million)	9M22	9M21	Change
Cost of hospital operations	7,963	5,467	-45.7%
Selling expenses	408	245	-66.2%
Administrative expenses	2,344	2,215	-5.8%
EBITDA	4,966	1,640	202.8%
EBITDA Margin	33.4%	18.9%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 7,963 million for 9M22, resulting in a 45.7% increase year-over-year from Baht 5,467 million in 9M21. The variance was mostly due to Baht 1,337 million increase in physicians' fees and Baht 734 million increase in supply costs. This represented a favorable change when compared to the 72.2% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 54.3% in 9M22 compared with 64.1% in 9M21.

Selling expenses (including Depreciation and amortization) were Baht 408 million in 9M22, or 66.2% increase year-over-year from Baht 245 million in 9M21. The variance was mostly due to Baht 120 million increase in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 2,344 million in 9M22, or 5.8% increase year-over-year from Baht 2,215 million in 9M21. The variance was mostly due to Baht 59 million donation of Moderna vaccine to government hospitals.

EBITDA increased by 202.8% year-over-year to Baht 4,966 million in 9M22 from Baht 1,640 million in 9M21, with an EBITDA margin of 33.4% in 9M22 compared to 18.9% in 9M21.

Depreciation and amortization expenses were Baht 833 million in 9M22, compared to Baht 888 million in 9M21.

Finance cost decreased by 96.8% year-over-year to Baht 3 million in 9M22 from Baht 94 million in 9M21. This was mainly due to no long-term debenture interest expenses as the long-term debentures were fully repaid in 4Q21.

Corporate income tax expense was Baht 737 million in 9M22 compared to Baht 89 million in 9M21. The variance was mostly due to the increase in taxable operating profit, offset with additional tax benefit related to donation of Moderna vaccine to government hospitals and the increase in tax benefit related to training expenses.

Basic EPS was Baht 4.27 in 9M22, compared to Baht 0.76 in 9M21, while 9M22 Diluted EPS was Baht 3.91, compared to Baht 0.70 in 9M21.

9M22 vs 9M19 (Pre-covid Comparison)

9M22 Revenues from hospital operations increased by 7.5% from 9M19. This was mostly due to an increase in revenues from Thai patients by 23.6% while revenues from non-Thai patients recovered to nearly 100% of 9M19 levels. As a result, the revenue contribution from Thai patients was 37.6%, whereas revenue from non-Thai patients was 62.4% for 9M22 compared with 32.7% and 67.3%, respectively, for 9M19.

As a result of the increase in revenues and the continued cost containment programs, 9M22 EBITDA increased by 13.9% from 9M19, with an EBITDA margin of 33.4% in 9M22 compared to 31.7% in 9M19.

Income statements					
(Unit: Baht million)	9M22	9M21	Change	9M19	Change
Revenues from hospital operations	14,678	8,522	72.2%	13,654	7.5%
Total revenues	14,847	8,683	71.0%	13,765	7.9%
EBITDA	4,966	1,640	202.8%	4,361	13.9%
Net profit	3,392	604	462.0%	2,862	18.5%
EBITDA margin	33.4%	18.9%		31.7%	
Net profit margin	22.8%	7.0%		20.8%	

EPS					
(Unit: Baht)	9M22	9M21	Change	9M19	Change
EPS – Basic	4.27	0.76	461.9%	3.93	8.7%
EPS – Fully Diluted	3.91	0.70	462.0%	3.30	18.5%

Statements of financial position

As at 30 September 2022, the Company reported Total current assets of Baht 9,426 million, an increase from Baht 8,062 million as at 31 December 2021. The variance was mostly due to Baht 763 million increase in Trade and Other receivables and Baht 727 million increase in Cash and cash equivalents and Other current financial assets. The increase in Cash and cash equivalents and Other current financial assets was mainly from Baht 4,353 million net cash from operating activities, offset with dividend paid of Baht 2,542 million and Baht 1,008 million acquisition of property, plant and equipment and computer software. The collection period was 37.7 days as at 30 September 2022 compared to 58.9 days as at 31 December 2021, 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 increased to Baht 12,934 million as at 30 September 2022 from Baht 12,795 million as at 31 December 2021, mostly due to Baht 219 million increase in Property, plant and equipment.

Total current liabilities were Baht 2,925 million as at 30 September 2022, an increase from Baht 2,284 million as at 31 December 2021. This was primarily due to an increase of Baht 232 million in Accrued physician fee, Baht 185 million in Trade and Other payables, and Baht 167 million in Corporate income tax payable.

Non-current liabilities increased to Baht 1,033 million as at 30 September 2022 from Baht 955 million as at 31 December 2021, mostly due to Baht 87 million increase in Provision for long-term employee benefits.

Total shareholders' equity was Baht 18,402 million as at 30 September 2022, compared to Baht 17,618 million as at 31 December 2021. This variance was mostly from the Company's 9M22 Net profit of Baht 3,392 million, offset with dividend distribution of Baht 2,545 million. Average return on assets (ROA) was 20.9% in 9M22, compared to 5.4% in 2021. Average return on equity (ROE) was 25.1% in 9M22, compared to 6.7% in 2021.

Unit: Baht million	30-Sep-22	31-Dec-21	Change
Total assets	22,360	20,857	7.2%
Total liabilities	3,958	3,239	22.2%
Total shareholders' equity	18,402	17,618	4.4%

	9M22	2021
Average collection period (days)	37.7	58.9
Average inventory period (days)	11.4	16.2
Average payables period (days)	27.8	30.9
Net debt to equity (x)	(0.1)	(0.1)
Net debt to EBITDA (x)	(0.3)	(0.6)
Average return on assets (%)	20.9%	5.4%
Average return on equity (%)	25.1%	6.7%

Cash flow statements

The Company's Net cash flows from operating activities in 9M22 were Baht 4,353 million, compared to Baht 2,680 million in 9M21. This increase was mainly due to more income from operating activities before changes in operating assets and liabilities being slightly offset by mostly higher trade and other receivables. Net cash flows used in investment activities were Baht 1,659 million in 9M22, compared to net cash flow from investing activities of Baht 771 million in 9M21. This variance was mainly due to Baht 2,043 million net increase in investments in fixed deposits and debt instruments, and net increase in acquisition of property, plant and equipment, and computer software of Baht 360 million. The Company reported Net cash flows used in financing activities of Baht 2,635 million in 9M22, compared to Baht 2,681 million in 9M21. This decrease was mainly due to no payment of long-term debenture interest expenses as the long-term debentures were fully repaid in 4Q21. As a result of the above, Cash and cash equivalents was Baht 1,845 million as at 30 September 2022, compared to Baht 2,023 million as at 30 September 2021.

The Company's Liquidity ratio as at 30 September 2022 was 3.2x compared to 3.5x as at 31 December 2021, and the Company's Quick ratio was 1.4x as at 30 September 2022 and 31 December 2021.

Unit: Baht million	9M22	9M21
Net cash flows from operating activities	4,353	2,680
Net cash flows (used in) from investing activities	(1,659)	771
Net cash flows used in financing activities	(2,635)	(2,681)
Net increase in cash and cash equivalents	43	794
Cash and cash equivalents at end of period	1,845	2,023
	30-Sep-22	31-Dec-21
Liquidity ratio (x)	3.2	3.5
Quick ratio (x)	1.4	1.4

Please be informed accordingly.

Yours faithfully,

(Mrs. Linda Lisahapanya)
Managing Director