

Thonburi Healthcare Group PLC.

3Q22 Management Discussion and Analysis

Overview of 3Q22

The fatality rate and infection rate from COVID-19 has continuously decreased as of the third quarter of 2022. Thai government has loosened the state of emergency protocol as well as allowed foreign visitors to enter the country. Moreover, COVID-19 has been declared endemic in October 1st 2022 resulting in Thailand returning into normal state. Thonburi Healthcare Group PLC. (THG) and hospitals in the network has adopted the same policy and dismiss the temporary COVID-19 services including home isolation, hospitelts and field hospitals. Albeit having lower revenue stream from COVID related treatment, THG managed to substitute the loss revenue from servicing normal disease, in which, compared to last year, the number of hospital visits has increased due to the long rainy season. Climate factor influences seasonal influenza and diseases mostly found in children (Hand Foot and Mouth Disease and Respiratory Syncytial Virus) causing the hospital visits rate to grow significantly in this quarter, including the increase in the number of CLMV patients due to easing some travel restriction. Furthermore, THG has released all the remaining COVID vaccines and making adequate income towards the end of the quarter.

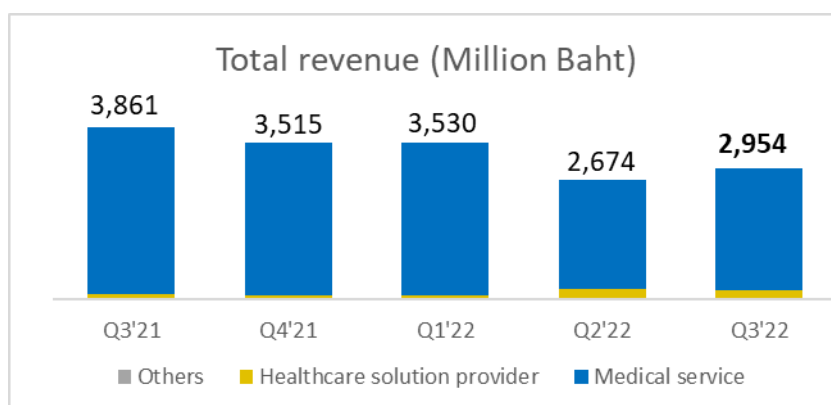
For the three-month operating results of 3Q2022, THG growth has decreased compared to the result from 3Q2021 as COVID-19 infection was at its peak. THG's performance in 3Q2022 shows total revenue of THB 2,954mn., a 23% decrease from THB 3,861mn. Net profit in this quarter shows a 46% decrease, THB 453mn. from THB 833mn. in 3Q2021 with net profit margin of 15.3% and 21.6 % respectively. Lower revenue stream in this quarter was the result of lower rate of COVID cases and the dismissal of COVID related services. Despite lower visit from COVID19, THG has welcomed more hospital visitors due to normal diseases compared to 3Q2021. By maintaining cost control strategy, THG has reached the targeted profit rate. In this quarter, THG has also realized the revenue from releasing all remaining COVID vaccines which is 19% of total revenue as well as profiting THB 65mn. from selling vacant lots.

The THG nine-month operating results of 2022 show an overall decent growth compared to the same period of 2021. THG has revenue a total of THB 9,158mn., an increase of 25% from THB 7,333mn. the 9-month net profit shows THB 1,417mn (net profit margin of 15.5%) a huge increase of more than 100% from 2021 which was THB 683mn (net profit margin of 9.3%) By adapting to the current standard of care, prioritizing patient's condition and strict cost control strategy has resulted in a huge leap in net profit compared to 3Q2021.

With regards to Ar Yu International in Myanmar, although, the operating results shows continuous profit, the hospital was affected greatly from the exchange rate fluctuations as Myanmar kyat depreciates and US dollar appreciates. THG has managed an exchange reserve to facilitate settlements in foreign currency to reduce the risk from exchange rate fluctuation and converting foreign loan in to kyat (ks). Despite having a strategy to cope with fluctuation, THG realized net loss in 3Q2022 and realized net profit in the 9-month operating result in 2022.

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

With respect to our tendency in the last quarter of 2022, THG is committed to continuous growth by implementing latest technology to expand our capability to serve and facilitate all hospital visitors as our aim is to increase access to urgent treatment with affordable price by operating a business that provides quality and comprehensive health service and also expanding the customer target. In Q4'22, THG will soon be acquiring one hospital to expand our network as it is in our efforts to foster sustainable growth of our business and its shareholders. In addition, Thonburi Hospital is organizing a mini-marathon "Thonburi Run #1" on January 8, 2023 with the aim of promoting Thai people's awareness of good health through exercise and to promote society and a better quality of life. To make merit the income including donations (after deducting expenses), will be donated to "Siriraj Foundation" to help underprivileged patients who do not have access to treatment.



Key development in 3Q22

1. The land disposal of a subsidiary

On 15 July 2022, the Board of Directors approved the land disposal of a subsidiary - Thonbui Realty Development Co., Ltd. amounting to Baht 200 mn. to a related company. THG recognized net gain after tax from disposal amount Baht 65 mn.

2. The Venture Capital

In July 2022, THG, related companies and other company jointly established Thonburi Hospital Rangsit Company Limited with registered share capital of Baht 1,000,000 (10,000 ordinary shares at par value Baht 100 per share). The Company held 30% of shareholding interest.

Summary of 3Q2022 performance compared to 3Q2021

Revenue

Total revenue was THB 2,954mn, a 23.5% decreasing from THB 3,861mn. The decrease was from the following factors.

Medical Service Business had revenue of THB 2,738mn, a 26.8% decreasing from THB 3,741mn. This was mostly due to the result of lower rate of COVID-19 cases. However, THG has also realized the revenue from releasing all remaining COVID-19 vaccines amounting to THB 524mn which is 19% of total revenue. Including, patients' admission number has increased 18% in 3Q2022 compared to 3Q2021.

Healthcare Solutions Provider had revenue of THB 212mn, a 91.0% increasing from THB 111mn, mainly due to in 3Q2022, twenty-nine residential units were transferred compared three units in 3Q2021.

Financial statements of the third quarter

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	3Q22	3Q21	YoY change	3Q22	3Q21	YoY change
Revenue from medical service	2,738	3,741	-26.8%	1,983	1,777	11.6%
Revenue from healthcare solution provider	212	111	91.0%	-	-	-
Revenue from other businesses	4	9	-55.6%	-	-	-
Total revenue	2,954	3,861	-23.5%	1,983	1,777	11.6%

Financial statements of nine-month period

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	9M22	9M21	YoY change	9M22	9M21	YoY change
Revenue from medical service	8,606	7,002	22.9%	5,577	4,140	34.7%
Revenue from healthcare solution provider	538	312	72.4%	-	-	-
Revenue from other businesses	14	19	-26.3%	-	-	-
Total revenue	9,158	7,333	24.9%	5,577	4,140	34.7%

Costs

Total cost was THB 2,079mn, decreasing by 14.2% from THB 2,424mn, with main factors as follows;

Cost of medical service was THB 1,932mn, decreasing by 17.3% from THB 2,337mn. Main costs of THG were 1) Medicine, medical supplies, and laboratory, 2) Doctor fees and staff cost, and 3) Depreciation. All costs decreased in line with COVID-19 revenue decrement. However, THG all realized inventory devaluation and advance payment for vaccine in this quarter.

Cost of healthcare solution provider was THB 144mn, increasing by 73.5% from THB 83mn. This was mostly due to 3Q22 transfers higher than 3Q21 at 26 units.

Selling, general and administrative expenses

SG&A was THB 459mn, increasing by 6.7% from THB 430mn, expenses were increased from donations of Moderna vaccines to government agencies for injecting to Thai citizens.

Financial statements of the third quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	3Q22	3Q21	YoY change	3Q22	3Q21	YoY change
Cost from medical service	(1,932)	(2,337)	-17.3%	(1,370)	(1,061)	29.1%
Cost from healthcare solution provider	(144)	(83)	73.5%	-	-	-
Cost from other businesses	(3)	(4)	-25.0%	-	-	-
Total cost	(2,079)	(2,424)	-14.2%	(1,370)	(1,061)	29.1%
Selling, general and admin expenses	(459)	(430)	6.7%	(253)	(243)	4.1%
Finance cost	(74)	(78)	-5.1%	(61)	(68)	-10.3%

Financial statements of nine-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	9M22	9M21	YoY change	9M22	9M21	YoY change
Cost from medical service	(5,919)	(4,933)	20.0%	(3,961)	(2,838)	39.6%
Cost from healthcare solution provider	(370)	(230)	60.9%	-	-	-
Cost from other businesses	(10)	(10)	-	-	-	-
Total cost	(6,299)	(5,173)	21.8%	(3,961)	(2,838)	39.6%
Selling, general and admin expenses	(1,301)	(1,132)	14.9%	(633)	(564)	12.2%
Finance cost	(222)	(221)	0.5%	(186)	(191)	-2.6%

Profit

THG's profit of this quarter has decreased compared to the result from 3Q2021 as COVID-19's patient. If considering the result from normal disease service, THG's profit growth compared to 3Q2019 which was before the COVID-19 pandemic, resulting in normalized net profit – parent to THB 381mn. in 3Q22, increasing by more than 100% from net profit in 3Q2019 (3Q2019: THB 148mn). The increased caused from the return of normal disease patient's admission and the effectiveness of cost control strategy.

Financial statements of the third quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	3Q22	3Q21	YoY change	3Q22	3Q21	YoY change
Gross profit	875	1,437	-39.1%	613	716	-14.4%
EBITDA	910	1,248	-27.1%	560	633	-11.5%
Normalized EBITDA	829	1,248	-33.6%	575	670	-14.2%
Net profit	453	834	-45.7%	296	373	-20.6%
Normalized net profit	388	834	-53.5%	311	410	-24.1%
Net profit - parent	438	833	-47.4%	296	373	-20.6%
Normalized net profit - parent	381	833	-54.3%	311	410	-24.1%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	3Q22	3Q21	3Q22	3Q21
Gross profit margin	29.6%	37.2%	30.9%	40.3%
EBITDA margin	30.8%	32.3%	28.2%	35.6%
Normalized EBITDA margin	28.1%	32.3%	29.0%	37.7%
Net profit margin - parent	14.8%	21.6%	14.9%	21.0%
Normalized net profit margin - parent	12.9%	21.6%	15.7%	23.1%

Note: normalized values exclude

1) In 3Q22, the consolidated financial statements showed a net gain after tax from disposal land THB 65 mn.

Financial statements of nine-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	9M22	9M21	YoY change	9M22	9M21	YoY change
Gross profit	2,859	2,160	32.4%	1,616	1,302	24.1%
EBITDA	2,737	1,734	57.8%	1,598	1,254	27.4%
Normalized EBITDA	2,638	1,769	49.1%	1,600	1,326	20.7%
Net profit	1,417	683	107.5%	897	646	38.9%
Normalized net profit	1,334	711	87.6%	899	711	26.4%
Net profit - parent	1,363	702	94.2%	897	646	38.9%
Normalized net profit - parent	1,280	730	75.3%	899	711	26.4%

Margin	Consolidated financial statements		Separate financial statements	
	9M22	9M21	9M22	9M21
Gross profit margin	31.2%	29.5%	29.0%	31.4%
EBITDA margin	29.9%	23.6%	28.7%	30.3%
Normalized EBITDA margin	28.8%	24.1%	28.7%	32.0%
Net profit margin - parent	14.9%	9.6%	16.1%	15.6%
Normalized net profit margin - parent	14.0%	10.0%	16.1%	17.2%

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.
- 4) In 3Q22, the consolidated financial statements showed a net gain after tax from disposal land THB 65 mn.

Financial status

As of 30 September 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 September 2022	31 December 2021	Change	30 September 2022	31 December 2021	Change
Current assets	5,966	7,019	-15.0%	7,029	8,321	-15.5%
Non-current assets	16,880	16,780	0.6%	14,343	14,055	2.0%
Total assets	22,846	23,799	-4.0%	21,372	22,376	-4.5%
Current liabilities	7,482	8,734	-14.3%	6,182	6,854	-9.8%
Non-current liabilities	4,926	5,447	-9.6%	3,966	4,638	-14.5%
Total liabilities	12,408	14,181	-12.5%	10,148	11,492	-11.7%
Total equity	10,438	9,618	8.5%	11,224	10,884	3.1%

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Current ratio (times)	0.8	0.8	1.1	1.2
Return on assets (%)	12.7	9.2	8.0	6.7
Assets turnover (times)	0.5	0.5	0.3	0.3
Return on equity (%)	21.7	15.7	10.9	8.9
Debt/ equity (times)	1.2	1.5	0.9	1.1
Interest bearing debt/ EBITDA (times)	2.5	3.5	4.0	5.0
Debt service coverage ratio (DSCR) (times)	2.4	2.4	2.1	2.3
Interest coverage ratios (times)	8.9	6.8	7.0	5.5

Liquidity and Capital management in 3Q22 compared to 3Q21

- **Net cash generated from operating activities** was THB 533mn (compared to net generated of THB 416mn in 3Q21), increasing by 32.9% because THG had a better operational performance.

- **Net cash used in investing activities** was THB 99mn (compared to net use of THB189mn in 3Q21), decreasing by 47.6%. This was due to an increase investing in associated company and others.

- **Net cash used from financing activities** was THB 59mn (compared to net generated of THB 29mn in 3Q21), decreasing by more than 100%. The variance was mostly increase in repayment loan to financial institutions.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	3Q22	3Q21	3Q22	3Q21
Net cash generated from operating activities	533	416	248	406
Net cash used in investing activities	(99)	(189)	149	(404)
Net cash generated from (used in) financing activities	(59)	29	(55)	120
Net (decrease) increase in cash and cash equivalents	375	256	342	122
Cash and cash equivalents at the beginning of period	1,040	926	765	775
Unrealized exchange gain in cash and cash equivalents	1	2	1	2
Cash and cash equivalents at the end of period	1,416	1,184	1,108	899