



บริษัท บางกอก เซน ฮอสปิเทล จำกัด (มหาชน)

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BANGKOK CHAIN HOSPITAL PUBLIC COMPANY LIMITED



Management Discussion and Analysis

Operating results for the three-month and nine-month periods

Ended 30 September 2022



Your Family Your Hospital

Since the third quarter of 2022 up to the present, the COVID-19 situation has continued to improve globally. On October 1st, 2022, the Ministry of Public Health has alleviated the infection control guidelines from dangerous communicable disease to communicable disease under surveillance. Other relevant measures were also relaxed, e.g. cancellation of COVID-19 documents and COVID-19 screening results for travelers entering Thailand. This helps stimulate the tourism sector including medical tourism as well as encourage people to resume normal daily activities. Thus, the Company and its affiliated hospitals have altered the services to respond to the evolving situation and government's measures. The services related to COVID-19 are as follows;

- 1) Launching the "Long COVID Health Wellness Center" to rehabilitate the patient's physical fitness after COVID-19 infection with personalized program;
- 2) COVID-19 screening using ATK and RT-PCR for self-paid patients;
- 3) COVID-19 care for patients with mild or asymptomatic patients (identified as green color) including;
 - 3.1 Hospital care for self-paid patients or patients with insurance coverage;
 - 3.2 Alternative home isolation for self-paid patients;
 - 3.3 Self-Isolation for patients under universal healthcare coverage and social security coverage (The program ended on September 30th, 2022);
 - 3.4 Alternative Hospital for self-paid patients (The program ended on September 30th, 2022);
- 4) COVID-19 care at the hospital for patients with serious symptoms (identified as yellow and red color);
- 5) COVID-19 immunity test and alternative vaccination (Moderna) for self-paid patients.

Nine-month operating results ended September 30th, 2022

The Company reported total revenue of 16,113.6 million baht, an increase of 9.7% comparing to the same period of last year. The Company had gross profit of 5,143.6 million baht or decreasing by (26.1%). Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 4,492.6 million baht, a decrease of (32.4%) comparing to the same period of last year. Net profit attributable to owners of the Company amounted to 2,769.2 million baht which declined by (36.6%) comparing to the same period of last year. The main reason behind a decrease of the profitability was an effect from the loss from devaluation of inventories and advance payment relating to Moderna vaccines of (1,597.6) million baht. However, excluding non-operating items, Core EBITDA would report at 5,729.6 million baht which decreased by (13.8%) and core profit attributable to owners of the Company would amount to 3,671.1 million baht or a decrease of (15.9%) comparing to the same period of last year. This is due to the decrease in medical payment budget of COVID-19 cares from the government and the fact that the COVID-19 situation has continued to improve and affiliated hospitals provided less COVID-19 services. Excluding COVID-19 patients, the number of cash patients and patients under Social Security Scheme has improved from the new patients who used our services during the pandemic.

Analysis of the Consolidated Financial Performance

3Q2022 Operating Results

Given that COVID-19 cases fell significantly, the Company's total revenue reported at 3,453.9 million baht, a decrease of (56.7%) comparing to the same period of last year. Gross loss amounted to (90.3) million baht or declining by (102.1%). Loss before interest, tax, depreciation and amortization (EBITDA) amounted to (245.2) million baht which dropped by (105.9%). Net loss attributable to the Company recorded at (403.1) million baht which decreased by (113.9%). The main reason behind an effect from the loss from devaluation of inventories and advance payment relating to Moderna vaccines of (1,597.6) million baht. However, excluding non-operating item, Core EBITDA would report at 991.8 million baht, a decrease of (76.1%) and core profit attributable to owners of the Company would amount to 498.8 million baht or decreasing by (82.8%) comparing to the same period of last year.

Non-operating items in 3Q2022 operating results

(Unit: Million Baht)

Descriptions	3Q2022		
	Total Revenue	EBITDA	Net Profit ¹
Consolidated financial information presented in financial statement	3,453.9	(245.2)	(403.1)
Effect of non- operating items excluding from normal operations			
1. Loss from devaluation of inventories and advance payment relating to Moderna vaccines	360.6	(1,237.0)	(901.9)
2. Unearned revenue relating to Moderna vaccines recorded as revenue			
Consolidated financial information from normal operations	3,093.3	991.8	498.8

Remark: ¹ Net profit attributable to owners of the Company

The Company's Credit Rating

On November 8, 2022, Tris Rating affirms the Company's and its senior unsecured bond rating at "A" with "Stable" outlook. The A rating reflects the Company's strong financial position which is a result of outstanding performance from better revenue and profitability.

Analysis of the Consolidated Financial Performance

Consolidated statements of comprehensive income of third quarter 2022 and nine-month period ended September 2022

Consolidated Statements of Comprehensive Income (Unit : Million Baht)	3Q2022		Change (%)	9M2022		Change (%)
	3Q2022	3Q2021		9M2022	9M2021	
Revenue from hospital operations	3,428.6	7,959.1	(56.9%)	16,039.0	14,588.80	9.9%
Other income	25.3	19.0	33.2%	74.7	102.4	(27.1%)
Total Revenue	3,453.9	7,978.1	(56.7%)	16,113.6	14,691.2	9.7%
Cost of hospital operations	3,518.9	3,688.6	(4.6%)	10,895.4	7,625.9	42.9%
Distribution costs and Administrative expenses	420.4	367.0	14.5%	1,435.3	1,058.4	35.6%
Total Expenses	3,939.4	4,055.6	(2.9%)	12,330.7	8,684.3	42.0%
Profit (loss) from operating activities	(485.5)	3,922.5	(112.4%)	3,782.9	6,007.0	(37.0%)
Interest income	1.7	0.1	2,157.5%	4.4	2.5	74.9%
Finance costs	(34.9)	(40.1)	(12.9%)	(121.6)	(102.9)	18.2%
Share of profit of associate	0.3	0.1	294.1%	1.4	1.5	(4.0%)
Tax income (expense)	74.2	(771.6)	(109.6%)	(787.0)	(1,167.1)	(32.6%)
Profit (loss) for the period	(444.2)	3,110.9	(114.3%)	2,880.1	4,741.0	(39.3%)
Owners of the Company	(403.0)	2,896.2	(113.9%)	2,769.2	4,365.7	(36.6%)
Non-controlling interests	(41.1)	214.7	(119.2%)	110.9	375.3	(70.5%)
<i>Gross Profit (loss) Margin</i>	(2.6%)	53.7%		32.1%	47.7%	
<i>Operating Profit (loss) Margin</i>	(14.1%)	49.2%		23.5%	40.9%	
<i>EBITDA Margin</i>	(7.1%)	51.9%		27.9%	45.3%	
<i>Net Profit (loss) Margin</i>	(11.7%)	36.3%		17.2%	29.7%	

Revenue Breakdown by type of patients of 3Q2022

Revenue Breakdown by Type (Unit : Million Baht)	3Q2022		3Q2021		Change (%)
	Revenue	Proportion	Revenue	Proportion	
General OPD patients	1,401.0	40.6%	1,553.1	19.5%	(9.8%)
General IPD patients	817.9	23.7%	5,655.7	70.9%	(85.5%)
Social security patients	1,208.7	35.0%	750.3	9.4%	61.1%
Other revenue	25.3	0.7%	19.0	0.2%	33.2%
Total	3,453.9	100.0%	7,978.1	100%	(56.7%)

Analysis of the Consolidated Financial Performance

Revenue Breakdown by type of patients of nine-month period ended September 2022

Revenue Breakdown by Type (Unit : Million Baht)	9M2022		9M2021		Change (%)
	Revenue	Proportion	Revenue	Proportion	
General OPD patients	4,719.2	29.3%	4,329.8	29.5%	9.0%
General IPD patients	5,961.8	37.0%	7,984.0	54.3%	(25.3%)
Social security patients	5,357.9	33.3%	2,275.0	15.5%	135.5%
Other revenue	74.7	0.5%	102.4	0.7%	(27.1%)
Total	16,113.6	100.0%	14,691.2	100.0%	9.7%

Total Revenue

+ Total Revenue for 3Q2022 amounted 3,453.9 million baht, a decrease of (56.7) percent.

With the proportion of general OPD patients' revenue of 40.6 percent, 23.7 percent from general IPD patients, 35.0 percent from social security patients, and 0.7 percent from other revenue.

Revenue from OPD general patients

+ Revenue from general OPD patients for 3Q2022 amounted 1,401.0 million baht, a decrease of 9.8 percent

Due to the COVID-19 situation that tended to improve resulting in the lower number of COVID-19 screening and the lower of COVID-19 revenue. However, the rainy season caused seasonal symptom of respiratory disease such as Respiratory Syncytial Virus (RSV), Influenza. As the result, the normal patient's trend began to recover.

Revenue from IPD general patients

+ Revenue from general IPD patients for 3Q2022 amounted 817.9 million baht, a decrease of 85.5 percent

Due to the COVID-19 situation that tended to improve resulting in the lower number of COVID-19 cases and the lower of COVID-19 revenue. Moreover, the recovery of normal patients resulted in an increase of IPD patients' revenue from the same period last year.

Other revenue

+ Other revenue for 3Q2022 amounted 25.3 million baht, an increase of 33.2 percent.

This was mainly due to an increase in rental income in hospital buildings.

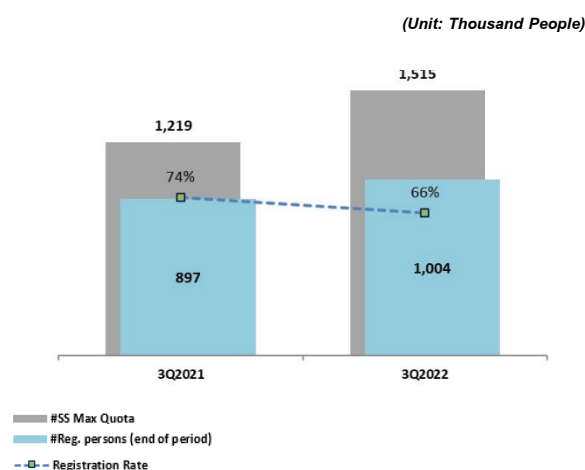
Revenue from social security patients

+ Revenue from social security patients for 3Q2022 amounted 1,208.7 million baht, an increase of 61.1 percent.

The average number of insurers in 3Q2022 was 994,287 persons, an increase of 11.2 percent from the same period of last year resulted to the revenue from normal service revenue in Social Security Scheme has improved.

The increase in revenue by Social Security Scheme compared to the same period of last year was partly from the direct reimbursement related to COVID-19 follow by patient rights.

Number of registered person as of the ended of the period



Total Cost and Expenses

🏠 **Total Cost and Expenses for 3Q2022 was 3,939.3 million baht, a decrease of 2.9 percent.**

Mainly due to a decrease by the COVID-19 related services (Hospital and Home Isolation). However, the Company recorded loss on devaluation of inventory and advance payment for Moderna vaccine resulted to high total cost and expense compared with the revenue from hospital operations.

From the 3Q2022's normal operating results, the Company's profitability margin remained strong, reflecting a solid performance.

🏠 **In summary, all profitability margin of the Company for 3Q2022 are as follows;**

- Gross loss margin was (2.7) percent.
- Operating loss margin was (14.1) percent.
- EBITDA margin was (7.1) percent.
- Loss margin attributable to shareholders of the Company was (11.7) percent.

However, excluding non-operating items. Disclosure of the Company's profitability margin for 3Q2022 are as follows;

- Core gross profit margin was 35.4 percent.
- Core operating profit margin was 24.3 percent.
- Core EBITDA margin was 32.1 percent.
- Core profit margin attributable to owners of the Company was 16.1 percent.

Analysis of the Consolidated Financial Position

Consolidated Statements of Financial Position (Unit : Million Baht)	As of		Change (%)
	30 September 2022	31 December 2021	
Total assets	22,499.8	26,383.8	(14.7%)
Current assets	9,593.0	13,541.3	(29.2%)
Non-current assets	12,906.8	12,842.5	0.5%
Total liabilities	9,246.4	12,078.1	(23.4%)
Current liabilities	6,367.7	7,847.5	(18.9%)
Non-current liabilities	2,878.7	4,230.6	(32.0%)
Total Shareholders' Equity	13,253.4	14,305.6	(7.4%)
Equity attributable to the Company	12,189.4	12,979.7	(6.1%)
Non-controlling interests	1,064.0	1,325.9	(19.8%)

The Company has consolidated financial position as of 30 September 2022 as follows:

Total assets

 The Company had total assets of 22,499.8 million baht, a decrease of 14.7 percent

Mainly from the decrease in cash and cash equivalents. The reduction such items was mainly used in the dividend payment for the year 2021, the interim dividend payment for the year 2022, the repayment of debenture and loans from financial institutions and the loss on devaluation of inventory and advance payment for Moderna vaccine.

Total liabilities

 The Company had total liabilities of 9,246.4 million baht, a decrease of 23.4 percent

Mainly due to the reduction of deferred income of the Moderna alternative vaccine, repayment of debenture and loans from financial institutions, and income tax.

Total Shareholders' Equity

 The Company had total shareholders' equity of 13,253.4 million baht, a decrease of 7.4 percent

Due to a decrease in the Company's retained earnings from the dividend payment for the year 2021, the interim dividend payment for the year 2022.

Financial Ratio Highlights	For the period ended 30 September	
	2022	2021
Current Ratio (times)	1.5	1.5
Average Collection Period (days)	120.6	97.5
Average Inventory Period (days)	10.0	10.5
Average Payables Period (days)	33.6	39.4
Debt to Equity (times)	0.7	1.1
Return on Assets (%)	22.1%	31.1%
Return on Equity (%)	40.7%	54.1%

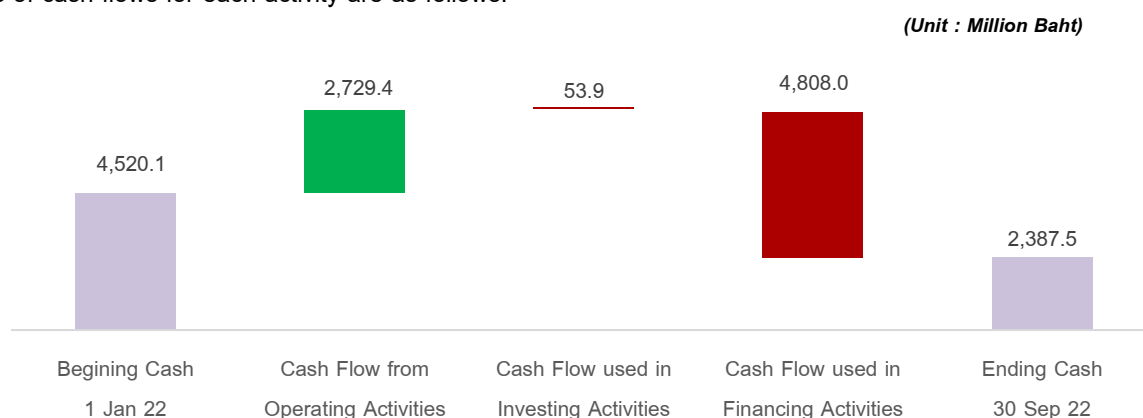
Analysis of Cash Flow Statement

Consolidated Cash flow Statements (Unit : Million Baht)	For the period ended 30 September	
	2022	2021
Cash flow from operating activities	2,729.4	2,642.1
Cash flow used in investing activities	(53.9)	(540.8)
Cash flow used in financing activities	(4,808.0)	(757.4)
Net increase (decrease) in cash and cash equivalents	(2,132.5)	1,343.8
Cash and cash equivalents at 1 January	4,520.1	943.8
Cash and cash equivalents at 30 September	2,387.5	2,287.6

Cash and cash equivalents as of 30 September 2022 decreased 2,132.5 million baht

Net cash at the beginning of the period as of 1 January 2022 amounted to 4,520.1 million baht. According to each activities, net cash at the end of the period as of 30 September 2022 equal to 2,387.5 million baht.

Details of cash flows for each activity are as follows:



Cash flow from operating activities

Net cash flow from operating activities amounted to 2,729.4 million baht due to an increase in net profit during the period.

Cash flow used in investing activities

Net cash flow used in investing activities amounted to 53.9 million baht due to the purchase of land and buildings of a subsidiary and the renovations of the affiliated hospitals.

Cash flow used in financing activities

Net cash flow used in financing activities amounted to 4,808.0 million baht due to the 2021 dividend payment, the interim dividend payment of 2022, repayment of debentures and loans from financial institutions, and payment of financial costs.

During the third quarter of 2022, the Company and affiliated hospitals have tailored their services by focusing on serving more on non-COVID-19 patients including self-paid patients, patients under social security scheme and international patients. The Company has renovated the buildings and other facilities such as allocating hospital beds which used to be for COVID-19 patients to non-COVID-19 patients instead. Moreover, the Company has elevated the quality of its service to support new customer base obtained during the pandemic along with the increasing number of patients under social security scheme and pent-up demand from both Thai and international patients who have postponed their treatment during the pandemic. The Company anticipates that factors supporting its future operations and performance are as follows:

1. Renovation of existing hospitals to serve the expansion of customer base as well as launching new specialized medical centers

Affiliated hospitals have renovated their hospital area to serve the expansion of customer base and to enhance the efficiency with more details as follows. Kasemrad Hospital Prachacuen expanded the second floor area which includes OPD area for the self-paid patients and patients under social security scheme and emergency ward as well as modernized its interior design. Also, there are plans to renovate the hospital area of Kasemrad Hospital Bangkhae and Kasemrad Hospital Chachoengsao. Karunvej Hospital Pathumthani also renovated its building to support its OPD and IPD patients. Furthermore, Kasemrad International Hospital Vientiane has introduced cardiac center and aesthetic center. Lastly, the addition of medical equipment for laboratory center was conducted in affiliated hospitals.

2. The Number of Social Security Insurers Reach 1 Million Persons

At the end of 3Q2022, affiliated hospitals had total number of registered social security insurers at 1,004,113 persons or an increase of 15% comparing to period prior to the COVID-19 outbreak in 2019. An increase of social security insurers is partly due to new customers who sought COVID-19 treatment during the pandemic. Revenue from social security insurer is considered the stable source of income for the Company which come from both basic capitation and actual service usage.

3. Expansion of New Customer Base and Building Brand Awareness of New Hospitals

During the COVID-19 pandemic, large number of patients sought medical treatment at hospitals. Thus, affiliated hospitals have equipped themselves with medical equipment and devices to support the government's COVID-19 related projects. This resulted in more patients gaining access to the services of affiliated hospitals, which includes 3 new hospital, i.e. Kasemrad International Hospital Aranyaprathet, Kasemrad Hospital Prachinburi and Kasemrad International Hospital Vientiane, and raising brand awareness among the public.

4. The Return of International Medical Tourists and Non-COVID-19 Patients in Thailand

Regarding a continued decrease of infected patients and death tolls from COVID-19 which reflect an improving situation, the relaxation of government travel control measures and the government's support to promote Thailand as a regional medical hub encouraging medical tourists to enter Thailand, affiliated hospitals have been well prepared to serve international patients, especially patients from the Middle East, ASEAN and other regions. During October 2022, World Medical Hospital has signed the MOU with the Embassy of Libya in order to provide services and further treatments to the patients.

Sustainability Performance

The Company remains committed to developing sustainable business operations in accordance with the goals setting in each operational dimension, namely environmental operations, social operations and operations in governance. The Company has applied the UN Sustainable Development Goals (SDGs) to be used as goals for each dimension and has the following results as below

Environmental Operations



- The Company has established policies and guidelines for the hospital management covering waste management.
- Campaign to conserve energy in hospitals through 4 main approaches which are inspection and care of electrical appliances, using energy from renewable energy sources, creating values and subconscious mind in saving energy and using of high-efficiency tools and equipment



Governance Operations



- Organized training regarding sustainable business operations and lectures on risk management systems to the management team and employees.
- Prepared a succession plan to ensure continuity of operations and has prepared personnel (successor) to be suitable for the position.

Social Operations



- First anniversary of Kasemrad International Vientiane organized the charity marathon – “KASEM RUN” for low income patients in Lao PDR to support better quality of life.
- Establish guidelines for improving the quality of service.
- Conducting a survey from employees to create a Safety Culture in order to be able to provide standardized customer service.



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Disclaimer

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