

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

3Q22 & 9M22 Performance

	3Q22		9M22	
	THB mm	% Chg (YoY)	THB mm	% Chg (YoY)
Operating Income	23,985	19%	69,125	28%
EBITDA	5,999	17%	17,293	40%
Net Profit	3,386	35%	9,493	79%

Remark: YoY means changes comparing to 3Q21 and 9M21

3Q22 Performance

Bangkok Dusit Medical Services Public Company Limited (“Company”) and subsidiaries reported consolidated operating income for the third quarter of 2022 (“3Q22”) of Baht 23,985 million, an increase of 19% from 3Q21. Key drivers were from higher hospital revenues of 10% YoY from Thai patients and 74% YoY from international patients. The key growth drivers were from recovery of fly-in patients together with return of Thai non COVID-19 patients. These supporting factors helped increase the overall occupancy rate from 71% in 3Q21 to 76% in 3Q22.

The Company and its subsidiaries reported EBITDA of Baht 5,999 million, increased by 17% YoY. EBITDA margin in 3Q22 was similar to 3Q21 at 25.0%. Net profit were Baht 3,386 million, increased by 35% YoY as a result of good revenues growth and high occupancy rate to achieve economy of scale.

9M22 Performance

For nine-month period ended 30 September 2022 (“9M22”), the consolidated operating income were Baht 69,125 million, increased by 28% YoY. In 9M22, there were good growth from COVID-19 related revenues and non COVID-19 revenues which were driven from both Thai and international patients. As a result, overall occupancy rate increased from 57% in 9M21 to 75% in 9M22.

The Company and its subsidiaries reported EBITDA of Baht 17,293 million, increased by 40% YoY resulting in an increase in EBITDA margin from 22.9% in 9M21 to 25.0% in 9M22.

Net profit was Baht 9,493 million, increased by 79% YoY.

Major Development in 3Q22

1) TRIS Rating upgraded the company rating on BDMS to “AA+” with a “stable” outlook

TRIS Rating upgraded BDMS and its senior unsecured debentures rating to “AA+” from “AA”, with a “stable” outlook. The upgrades reflect BDMS’s better-than-expected operating performance, supported by strong recovery of international patients, its improving efficiency, and enhanced asset utilization. In addition, the ratings reflect BDMS very strong balance sheet and abundant liquidity profile.

2) Grand opening of N Health Novogene Genomic (NNG)

NNG, the private leading next generation sequencing center in Thailand, had a grand

opening on 2 September 2022. The company was established by National Healthcare System (N Health), a leading laboratory company in ASEAN region under BDMS group, and Novogene AIT Genomics Singapore Pte. Ltd, the leading commercial provider of genomic services and solutions. NNG will provide comprehensive genomic services covering all applications under collaboration with world class institutes. Its wide ranges of genetic services including prevention, diagnostic and personalized treatment. This aims to enhance the capability of genomic medicine in Thailand for serving Thai and international customers with lower turnaround times and less expenses.

3Q22 Consolidated Financial Summary

Operating Income				
(THB mm)	3Q22	3Q21	YoY	QoQ
Hospital operations	22,825	18,873	21%	9%
Sales of goods	875	791	11%	10%
Other income	285	493	(42)%	37%
Total Operating Income	23,985	20,158	19%	9%

Remark: QoQ means changes comparing to 2Q22.

Operating Income Comparing to 3Q21 (YoY)

In 3Q22, total operating income was Baht 23,985 million, an increase of Baht 3,827 million or 19% YoY, primarily due to

- Revenues from hospital operations were Baht 22,825 million, an increase of Baht 3,952 million or 21% YoY mainly from an increase in Thai patient revenues of 10% YoY and 74% YoY from international patients. As a result, revenue proportion between Thai and international patients changed from 83%:17% in 3Q21 to 76%:24% in 3Q22.

- Thai patient revenues:** Key growth were from patients with non COVID-19 and seasonal communicable disease resulting in 47% YoY increase in overall non COVID-19 patient revenues offsetting with the decline of COVID-19 related revenues of 58% YoY, which was in line with the improving of COVID-19 situation in Thailand. Consequently, the portion of COVID-19 related revenue to revenue from hospital operations decreased from 25% in 3Q21 to 9% in 3Q22.
- International patient revenues:** Key growth was from a recovery of fly-in patients mainly from CLMV (Cambodia, Laos, Myanmar and Vietnam) patients, Middle East patients and Bangladesh patients especially at our Center of Excellence (CoE).

In addition, outpatient revenues increased 40% YoY due to higher volumes from both Thai and international patients. For inpatient revenues, it increased slightly by 5% YoY due to declining admission of Thai COVID-19 patients despite strong admission growth from international patients during the quarter.

Overall occupancy rate increased from 71% in 3Q21 to 76% in 3Q22 partly from our bed utilization management as COVID-19 situation in Thailand has improved.

Revenues from hospital operations in 3Q22	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	21%	100%
Breakdown by nationality		
Thai	10%	76%
International	74%	24%
Breakdown by location		
Bangkok & Vicinity	20%	56%
Outside Bangkok	22%	44%

Revenues from hospital operations in 3Q22	Chg. (YoY)	% of revenues
Breakdown by type of patients		
Outpatients	40%	47%
Inpatients	5%	53%

- Revenues from sales of goods were Baht 875 million, increased by 11% YoY.
- Other incomes were Baht 285 million, decreased by 42% YoY as Mövenpick BDMS Wellness Resort Bangkok temporary closed for renovation since January 2022.

Operating Income Comparing to 2Q22 (QoQ)

In 3Q22, total operating income increased Baht 2,004 million or increased by 9% QoQ. This was due to a good recovery of 14% QoQ from non COVID-19 revenues while a decline of 26% QoQ from COVID-19 related revenues. The portion of COVID-19 related revenues to revenues from hospital operations declined from 13% in 2Q22 to 9% in 3Q22.

Operating Expenses				
(THB mm)	3Q22	3Q21	YoY	QoQ
Cost of Hospital operations and others	14,979	13,125	14%	6%
Administrative expenses	4,496	3,514	28%	7%
Total Operating Expenses (Including depreciation)	19,475	16,639	17%	6%

Total Operating Expenses Comparing to 3Q21 (YoY)

In 3Q22, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 19,475 million, increase of Baht 2,836 million or 17% YoY mainly due to higher doctor fees given the growth in revenue from hospital operations and higher clinical & non clinical staff expenses

together with an increase in marketing, utility and other administration expenses.

Total Operating Expenses Comparing to 2Q22 (QoQ)

In 3Q22, the Company and its subsidiaries reported total operating expenses & depreciation increased by 6% QoQ mainly because of higher staff expenses.

Other Major Items

- **Finance expenses** decreased to Baht 154 million in 3Q22 or decreased by 11% YoY due to redemption of debentures totaling of Baht 3,100 million.
- **Corporate income tax** in 3Q22 were Baht 824 million, increased from Baht 645 million in 3Q21 due to higher earnings before taxes.

Profitability Analysis			
(THB mm)	3Q22	3Q21	%Chg
EBITDA	5,999	5,118	17%
EBITDA margin	25.0%	25.4%	
EBIT	4,545	3,535	29%
EBIT margin	18.9%	17.5%	
Net profit	3,386	2,509	35%
Net profit margin	14.1%	12.4%	
EPS (THB)	0.21	0.16	35%
<i>Weighted average number of ordinary shares</i>			
(mm shares)	15,892	15,892	

Remarks
 EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)
 Profitability margin calculated based on operating income

The Company and its subsidiaries recorded EBITDA of Baht 5,999 million in 3Q22, increased by 17% YoY. However, EBITDA margin decreased slightly from 25.4% in 3Q21 to 25.0% in 3Q22 mainly due to increasing expenses as a result of rising inflation.

Net profit of Baht 3,386 million increased by 35% YoY due to higher operating income together with high occupancy rate to achieve the economy of scale resulting in an increase in net profit margin from 12.4% in 3Q21 to 14.1% in 3Q22.

9M22 Consolidated Financial Summary

Operating Income			
(THB mm)	9M22	9M21	%Chg
Revenues from hospital operations	65,966	50,628	30%
Revenue from sales of goods	2,492	2,227	12%
Other income	667	981	(32)%
Total Operating Income	69,125	53,836	28%

In 9M22, total operating income were Baht 69,125 million, an increase of Baht 15,289 million or increased by 28% YoY, primarily due to

- Revenues from hospital operations were Baht 65,966 million, an increase of Baht 15,339 million or increased by 30% YoY. Such increase was mainly from increase in Thai patient revenues of 22% YoY from both COVID-19 related revenues and recovery of non COVID-19 patient revenues. Meanwhile International patient revenues increased 71% YoY mainly from increase of CLMV and Middle East patients. Consequently, revenue proportion between Thai and international patients changed from 82%:18% in 9M21 to 77%:23% in 9M22.

The COVID-19 related revenues grew 22% YoY while non COVID-19 patient revenues grew faster at 32% YoY in 9M22. Thus, the portion of COVID-19 related revenue to revenue from hospital operations decreased slightly from 14% in 9M21 to 13% in 9M22.

Both hospitals in Bangkok & vicinity and hospitals outside Bangkok & vicinity increased 31% and 30% YoY, respectively.

The occupancy rate increased from 57% in 9M21 to 75% in 9M22.

Revenues from hospital operations in 9M22	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	30%	100%
Breakdown by nationality		
Thai	22%	77%
International	71%	23%
Breakdown by location		
Bangkok & Vicinity	31%	57%
Outside Bangkok	30%	43%
Breakdown by type of patients		
Outpatients	34%	47%
Inpatients	24%	53%

- Revenues from sales of goods were Baht 2,492 million, increased by 12% YoY.
- Other income was Baht 667 million, decreased by 32% YoY as Mövenpick BDMS Wellness Resort Bangkok was temporary closed for renovation since January 2022.

Operating Expenses			
(THB mm)	9M22	9M21	%Chg
Cost of hospital operations and others	43,577	35,937	21%
Administrative expenses	12,721	10,337	23%
Total Operating Expenses (Including depreciation)	56,298	46,274	22%

In 9M22, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 56,298 million. An increase of Baht 10,024 million or increased by 22% YoY was mainly due to higher doctor fees, drug and medical supply as a result of the growth of revenue from hospital operations together with an increase in staff expenses.

Other Major Items

- **Finance expenses** decreased to Baht 463 million in 9M22 or decreased by 17% YoY due to redemption of debentures during 9M22.
- **Corporate income tax** in 9M22 were Baht 2,422 million, increased from Baht 1,358 million in 9M21, due mainly to increase in pre-tax profit in 9M22.

Profitability Analysis			
(THB mm)	9M22	9M21	%Chg
EBITDA	17,293	12,327	40%
EBITDA margin	25.0%	22.9%	
EBIT	12,914	7,637	69%
EBIT margin	18.7%	14.2%	
Net profit	9,493	5,300	79%
Net profit margin	13.7%	9.8%	
EPS (THB)	0.60	0.33	79%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,892	15,892	
Remarks			
EBITDA	= Total operating income – Total operating expenses (Excluding depreciation and amortization)		
Profitability margin calculated based on operating income			

The Company and its subsidiaries recorded EBITDA of Baht 17,293 million in 9M22, increased by 40% YoY resulting in an increase in EBITDA margin from 22.9% in 9M21 to 25.0% in 9M22.

Net profit was Baht 9,493 million, increased by 79% YoY resulting in an increase in net profit margin to 13.7% in 9M22. EPS was Baht 0.60 per share in 9M22.

Assets			
(THB mm)	Sep 22	Dec 21	%Chg
Cash & cash equivalents	10,593	10,934	(3)%
Trade & other receivables	11,062	9,131	21%
Inventories	2,048	2,005	2%
Property, premises & equipment	79,490	79,689	(0)%
Goodwill	17,539	17,539	0%
Right-of-use assets	2,673	2,862	(7)%
Other assets	10,469	6,294	66%
Total assets	133,875	128,454	4%

As of 30 September 2022, the Company and its subsidiaries reported total assets of Baht 133,875 million, increased by 4% from 31 December 2021. Such increases were mainly from trade & other receivables and other non-current assets.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2021. Goodwill were mainly from acquisitions. Such goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. However, the Company has considered that this goodwill is not impaired.

Other assets of Baht 10,469 million mainly consisted of (1) other current financial assets which were investment in fixed deposits and mutual funds of Baht 3,214 million, (2) other non-current assets of Baht 3,093 million which mainly were prepayment of long-term land lease for the BDMS Silver Wellness & Residence project of Baht 2,503 million and (3) intangible assets which mainly were computer software of Baht 1,566 million.

Liabilities and Equity

(THB mm)	Sep 22	Dec 21	%Chg
Short-term loans from financial institutions	2,500	-	n.a.
Trade & Other payables	5,323	5,035	6%
Accrued expenses	7,006	4,627	51%
Debentures *	11,497	14,596	(21)%
Long-term loans *	2,000	1,000	100%
Liabilities under lease agreements *	3,046	3,157	(4)%
Other liabilities	12,213	12,274	(0)%
Total liabilities	43,586	40,689	7%
Equity attributable to equity holder of the Company	86,040	83,845	3%
Non-controlling interests	4,249	3,920	8%
Total equity	90,289	87,765	3%

* Including current portion

Total consolidated liabilities as of 30 September 2022 were Baht 43,586 million, increased by 7% from 31 December 2021 due mainly to an increase in short-term loans from financial institutions of Baht 2,500 million, accrued expenses of Baht 2,379 million and long-term loans from financial institutions of Baht 1,000 million netted with decrease in debenture of Baht 3,099 million.

Total consolidated shareholders' equity as of 30 September 2022 was Baht 90,289 million, increased by 3% from 31 December 2021.

Liquidity and Capital Management

Cash Flow

(THB mm)	9M22
Net cash from operating activities	13,189
Net cash used in investing activities	(5,367)
Net cash used in financing activities	(8,163)
Net decrease in cash and cash equivalents	(340)
Beginning cash and cash equivalents	10,934
Ending cash and cash equivalents	10,593

For the nine-month period ended 30 September 2022, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 340 million from the beginning balance of Baht 10,934 million. As a result, cash and cash equivalents at the end of period was Baht 10,593 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 13,189 million, mainly from profit in 9M22.

Net cash used in investing activities were Baht 5,367 million comprising mainly from purchase of property, premises and equipment of Baht 3,108 million from hospital network renovation and expansion and increase in other current financial assets of Baht 1,506 million.

Net cash used in financing activities were Baht 8,163 million due mainly to dividend payment of Baht 7,944 million and debentures redemption of Baht 3,100 million netted with an increase of short-term loans and long-term loans from financial institutions of Baht 2,500 million and Baht 1,000 million, respectively.

Ratios Analysis

Returns (%)	9M22	9M21
Return on Asset	9.2	5.9
Return on Equity	14.5	9.4
Liquidity (x)		
Current ratio	1.2	1.3
Quick ratio	0.9	1.1
Assets & Liabilities Management (Days)		
Average Collection Period	41.1	41.8
Average Inventory Period	12.2	13.2
Average Payable Period	31.2	32.1

Remarks

- Assets & Liabilities Management based on 360 days

Ratios Analysis

Leverage Ratios (x)	9M22	9M21
Interest coverage	35.4	20.6
Debt service coverage ratio	2.7	4.7
Current portion of IBD to IBD (%)	44.0	17.7
Loan from financial institutions to IBD (%)	23.5	5.3
Total IBD to EBITDA	0.8	1.2
Net IBD to EBITDA	0.4	0.5
Debt to Equity Ratio (x)	Sep 22	Dec 21
Total liabilities to equity	0.5	0.5
Total IBD to equity	0.2	0.2
Net IBD to equity	0.1	0.1

Remarks

- IBD means interest bearing debt

ROA and ROE increased from 9M21 as a result of an increase in profit from operations in 9M22.

Current ratio and quick ratio slightly decreased from 9M21 as current liabilities increased at the higher pace than current assets. An increase in current liabilities was mainly from an increase in short-term loan from financial institutions, accrued expenses and current portion of debentures.

Average collection period decreased slightly from 41.8 days in 9M21 to 41.1 days in 9M22. The Company and subsidiaries have credit policies and assess credit limit base on customer creditworthiness. Average credit term for domestic payers are approximately 30-60 days while international payers are approximately 30-90 days. The credit terms are reviewed annually to monitor and control credit risk.

Average inventory period decreased from 13.2 days in 9M21 to 12.2 days in 9M22. The inventories were mostly medicines and medical supplies. The Company and its subsidiaries have appropriate inventory management plan with internal control. The Company and its subsidiaries perform physical inventory count at least once a year and record allowance for the expired, slow-

moving and deteriorated inventories to reduce its cost to net realizable value.

Average payable period also decreased from 32.1 days in 9M21 to 31.2 days in 9M22 as a result of debt management.

For leverage ratios analysis, interest coverage ratio increased from 20.6x in 9M21 to 35.4x in 9M22 mainly from good performance in 9M22. However, debt service coverage ratio (DSCR) decreased from 4.7x in 9M21 to 2.7x in 9M22 due to higher current portion of interest bearing debt.

Net interest bearing debt to EBITDA slightly decreased from 0.5x in 9M21 to 0.4x in 9M22

For debt to equity ratio analysis, total interest bearing debt to equity and net interest bearing debt to equity as of 30 September 2022 and 31 December 2021 remained unchanged at 0.2x and 0.1x, respectively.

The Company and its subsidiaries strongly believes that it has sufficient liquidity to repay its debt within the covenants and will continue to be able to successfully adapt as the situation evolves.
