

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Executive Summary**

**4Q22 & 2022 Performance**

	4Q22		2022	
	THB mm	% Chg (YoY)	THB mm	% Chg (YoY)
Operating Income	23,842	9%	92,968	23%
EBITDA	5,641	8%	22,933	31%
Net Profit	3,113	18%	12,606	59%

*Remark: YoY means changes comparing to 4Q21 and 2021*

**4Q22 Performance**

Bangkok Dusit Medical Services Public Company Limited (“The Company”) and subsidiaries reported consolidated operating income for the fourth quarter of 2022 (“4Q22”) of Baht 23,842 million, an increase of 9% from 4Q21. Key drivers were from international patient revenues which grew 61% YoY. On the other hand, Thai patient revenues in this quarter decreased 4% YoY due to a decrease of COVID-19 related revenues, in line with improving COVID-19 situation in Thailand. If excluding these COVID-19 related revenues, Thai patient revenues in 4Q22 would increase 13% YoY.

The Company and its subsidiaries reported EBITDA of Baht 5,641 million, increased by 8% YoY with EBITDA margin of 23.7% in 4Q22, similar to 4Q21. Net profit was Baht 3,113 million, increased by 18% YoY.

**2022 Performance**

For the year ended 31 December 2022 (“2022”), the consolidated operating income were Baht 92,968 million, increased by 23% YoY. Key drivers were from good revenues growth of 14% YoY from

Thai patients and 69% YoY from international patients. The key growth drivers for Thai patient revenues were from returning of Thai non COVID-19 revenues, offsetting the decline of COVID-19 related revenues since 2Q22. In terms of international patient revenues, the strong growth was from recovery of both fly-in and expatriate patients, given many countries easing travel restriction related to COVID-19 during 2022. These supporting factors help increase the overall occupancy rate from 60% in 2021 to 73% in 2022.

The Company and its subsidiaries reported EBITDA of Baht 22,933 million, increased by 31% YoY resulting in an increase in EBITDA margin from 23.2% in 2021 to 24.7% in 2022.

Net profit was Baht 12,606 million, increased by 59% YoY, as a result of good revenues growth, continued cost saving program and higher occupancy rate resulting in better economies of scale.

**Major Development in 2022**

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

On 12 October 2022, 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) BDMS Silver Wellness & Residence Project

On 25 May 2022, the Board of Directors approved the Company entering into the transaction to lease the land (13-0-60.18 rais) located on the corner of Sarasin Road and Lang Suan Road, Lumpini, Bangkok from Crown Property Bureau in order to develop the BDMS Silver Wellness & Residence. This project comprised of Silver Residence (property development) and Silver Wellness (wellness center) and the construction period is expected to be 6.5 years. Total investment cost of the land leasehold and construction is around Baht 23,545 million with land leasehold period of 30 years and renewable of another 30 years. The sources of funds would be from the Company's cash flow, borrowing from financial institutions, and/or the issuance of debentures.

3) Tender Offer and delisting the securities of Samitivej Public Company Limited ("SVH") from the Stock Exchange of Thailand ("SET")

BDMS made a tender offer for the remaining shares of SVH at the offering price of Baht 480 per share in order to delist SVH from the SET. After the transaction, the Company acquired 3,088,337 tendered shares, totaling Baht 1,482 million. As a result, the Company's shareholding in SVH increased from 95.76% to 98.85% of total number of outstanding shares. SVH was delisted from SET from 8 December 2022 onwards.

4) Joint venture with subsidiary of COM7 Public Company Limited ("COM7")

Subsidiary of BDMS together with subsidiary of COM7 had set up a new company, namely DrPharma Health Technology Co., Ltd. with registered capital of Baht 200 million and investment portion of 60:40. This joint venture will operate drugstores under the brand of "DR. PHARMA", which 2 branches already opened in December 2022.

5) Grand opening of N Health Novogene Genomic ("NNG")

NNG, the private leading next generation sequencing center in Thailand, had been opened since 2 September 2022. It offers comprehensive genetic services including prevention, diagnostic and personalized treatment, aiming to enhance the capability of genomic medicine for all customers with lower turnaround times and less expenses. NNG is a JV company between National Healthcare System, a BDMS subsidiary and Novogene AIT Genomics Singapore Pte. Ltd with investment portion of 74:26

**4Q22 Consolidated Financial Summary**

<b>Operating Income</b>				
<i>(THB mm)</i>	<b>4Q22</b>	<b>4Q21</b>	<b>YoY</b>	<b>QoQ</b>
Hospital operations	22,568	20,914	8%	(1)%
Sales of goods	907	683	33%	4%
Other income	367	282	30%	29%
<b>Total Operating Income</b>	<b>23,842</b>	<b>21,878</b>	<b>9%</b>	<b>(1)%</b>

*Remark: QoQ means changes comparing to 3Q22.*

**Operating Income Comparing to 4Q21 (YoY)**

In 4Q22, total operating income was Baht 23,842 million, an increase of Baht 1,964 million or 9% YoY, primarily due to

- Revenues from hospital operations were Baht 22,568 million, an increase of Baht 1,655 million or 8% YoY mainly from an increase in international patient revenues of 61% YoY from recovery of fly-in patients mainly from Middle East, Australia and CLMV (Cambodia, Laos, Myanmar and Vietnam). While Thai patient revenues decreased 4% YoY mainly from a decrease in COVID-19 related revenues. The portion of COVID-19 related revenues to

revenue from hospital operations decreased from 15% in 4Q21 to 2% in 4Q22 in line with the improving of COVID-19 situation in Thailand.

However, if excluding these COVID-19 related revenues, Thai non COVID-19 patient revenues would increase 13% YoY.

Revenue proportion between Thai and international patients changed from 82%:18% in 4Q21 to 73%:27% in 4Q22.

Overall, revenues from hospital operations in 4Q22 showed good growth both in Bangkok & Vicinity and Outside Bangkok at 7% YoY and 9% YoY, respectively.

In addition, outpatient revenues increased 17% YoY due to higher volumes from both Thai and international patients. For inpatient revenues, they increased slightly by 2% YoY due to declining admission of Thai COVID-19 patients. With the lower COVID-19 patients in 4Q22, overall occupancy rate slightly decreased from 70% in 4Q21 to 69% in 4Q22.

Revenues from hospital operations in 4Q22	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	8%	100%
<b>Breakdown by nationality</b>		
Thai	(4)%	73%
International	61%	27%
<b>Breakdown by location</b>		
Bangkok & Vicinity	7%	56%
Outside Bangkok	9%	44%
<b>Breakdown by type of patients</b>		
Outpatients	17%	49%
Inpatients	2%	51%

- Revenues from sales of goods were Baht 907 million, increased by 33% YoY due mainly to an increase in sales of the A.N.B. Laboratories Co., Ltd. and Medicpharma Co., Ltd.

- Other incomes were Baht 367 million, increased by 30% YoY mainly from revenue of unused COVID-19 vaccine doses.

### Operating Income Comparing to 3Q22 (QoQ)

Total operating income in 4Q22 was similar to that of 3Q22. There were growth from international patient revenues of 9% QoQ while Thai patients revenues decreased by 4% QoQ from a decrease in COVID-19 related revenues which accounted for 9% of operating income in 3Q22 to only 2% in 4Q22.

<b>Operating Expenses</b>				
(THB mm)	4Q22	4Q21	YoY	QoQ
Cost of Hospital operations and others	14,752	13,560	9%	(2)%
Administrative expenses	4,933	4,656	6%	10%
<b>Total Operating Expenses (Including depreciation)</b>	<b>19,686</b>	<b>18,216</b>	<b>8%</b>	<b>1%</b>

### Total Operating Expenses Comparing to 4Q21 (YoY)

In 4Q22, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 19,686 million, increase of Baht 1,469 million or 8% YoY which increase at the lower pace that the increase in total operating income. The total operating expenses & depreciation increased mainly from 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 3Q22 (QoQ)

In 4Q22, the Company and its subsidiaries reported total operating expenses & depreciation slightly increased from 3Q22.

### Other Major Items

- **Finance expenses** decreased to Baht 169 million in 4Q22 or decreased by 3% YoY.
- **Corporate income tax** in 4Q22 were Baht 806 million, increased from Baht 746 million in 4Q21 due to higher earnings before taxes.

### Profitability Analysis

(THB mm)	4Q22	4Q21	%Chg
EBITDA	5,641	5,218	8%
EBITDA margin	23.7%	23.8%	
EBIT	4,199	3,685	14%
EBIT margin	17.6%	16.8%	
Net profit	3,113	2,636	18%
Net profit margin	13.1%	12.0%	
EPS (THB)	0.20	0.17	18%
<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 5,641 million in 4Q22, increased by 8% YoY, with EBITDA margin of 23.7% similar to 4Q21.

Net profit of Baht 3,113 million increased by 18% YoY resulting in an increase in net profit margin from 12.0% in 4Q21 to 13.1% in 4Q22.

## 2022 Consolidated Financial Summary

### Operating Income

(THB mm)	2022	2021	%Chg
Revenues from hospital operations	88,535	71,541	24%
Revenue from sales of goods	3,399	2,910	17%
Other income	1,034	1,263	(18)%
<b>Total Operating Income</b>	<b>92,968</b>	<b>75,714</b>	<b>23%</b>

In 2022, total operating income were Baht 92,968 million, an increase of Baht 17,254 million or increased by 23% YoY, primarily due to

- Revenues from hospital operations were Baht 88,535 million, an increase of Baht 16,993 million or increased by 24% YoY. Key drivers were from good revenues growth of 14% YoY from Thai patients and 69% YoY from international patients. Consequently, revenue proportion between Thai and international patients changed from 82%:18% in 2021 to 76%:24% in 2022.

Thai patient revenue growth of 14% YoY was driven from returning of Thai non COVID-19 revenues, offsetting the decline of COVID-19 related revenues since 2Q22. The portion of COVID-19 related revenues to revenues from hospital operations decreased from 14% in 2021 to 10% in 2022, in line with improving COVID-19 situation in Thailand.

On the other hand, international patient revenues showed strong growth of 69% YoY in 2022 given patients returning for medical treatment after many countries easing travel restriction related to COVID-19. Fly-in patients grew mainly from Middle East and CLMV while expatriate patients grew mainly from UK, Germany and Japan.

Both hospitals in Bangkok & vicinity and hospitals outside Bangkok & vicinity increased 24% and 23% YoY, respectively.

In addition, outpatient revenues increased 28% YoY while inpatient revenues increased 18% YoY resulting in an increase in occupancy rate from 60% in 2021 to 73% in 2022.

Revenues from hospital operations in 2022	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	24%	100%
<b>Breakdown by nationality</b>		
Thai	14%	76%
International	69%	24%
<b>Breakdown by location</b>		
Bangkok & Vicinity	24%	57%
Outside Bangkok	23%	43%
<b>Breakdown by type of patients</b>		
Outpatients	28%	47%
Inpatients	18%	53%

- Revenues from sales of goods were Baht 3,399 million, increased by 17% YoY due mainly to an increase in local and export sales of the A.N.B. Laboratories Co., Ltd. together with an increase in sales in drugstores and new products of Medicpharma Co., Ltd.
- Other income was Baht 1,034 million, decreased by 18% YoY as, in 2021, there was one-time compensation that our network hospital received for damages incurred at the amount of Baht 200 million.

Operating Expenses			
(THB mm)	2022	2021	%Chg
Cost of hospital operations and others	58,329	49,497	18%
Administrative expenses	17,655	14,994	18%
<b>Total Operating Expenses (Including depreciation)</b>	<b>75,984</b>	<b>64,491</b>	<b>18%</b>

In 2022, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 75,984 million, an increase of Baht 11,493 million or increased by 18% YoY which increase at the lower pace that the increase in total operating income. Such increase 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 632 million in 2022 or decreased by 13% YoY as a result of financial management to decrease finance expenses during the year.
- Corporate income tax** in 2022 were Baht 3,227 million, increased from Baht 2,103 million in 2021, due mainly to increase in pre-tax profit in 2022.

Profitability Analysis			
(THB mm)	2022	2021	%Chg
EBITDA	22,933	17,545	31%
EBITDA margin	24.7%	23.2%	
EBIT	17,113	11,322	51%
EBIT margin	18.4%	15.0%	
Net profit	12,606	7,936	59%
Net profit margin	13.6%	10.5%	
EPS (THB)	0.79	0.50	59%
<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 22,933 million in 2022, increased by 31%

YoY resulting in an increase in EBITDA margin from 23.2% in 2021 to 24.7% in 2022.

Net profit was Baht 12,606 million, increased by 59% YoY resulting in an increase in net profit margin to 13.6% in 2022. EPS was Baht 0.79 per share in 2022.

<b>Assets</b>			
<i>(THB mm)</i>	<b>Dec 22</b>	<b>Dec 21</b>	<b>%Chg</b>
Cash & cash equivalents	12,668	10,934	16%
Trade & other receivables	10,484	9,131	15%
Inventories	2,211	2,005	10%
Property, premises & equipment	81,860	79,689	3%
Goodwill	17,539	17,539	0%
Right-of-use assets	9,668	2,862	238%
Other assets	7,112	6,294	13%
<b>Total assets</b>	<b>141,543</b>	<b>128,454</b>	<b>10%</b>

As of 31 December 2022, the Company and its subsidiaries reported total assets of Baht 141,543 million, increased by 10% from 31 December 2021 due mainly to an increase in right-of-use assets of Baht 6,806 million particularly from long-term land lease of the BDMS Silver Wellness & Residence project. Moreover, there were an increase in property, premises and equipment of Baht 2,171 million for investment in hospital network expansion together with an increase in cash & cash equivalents of Baht 1,734 million and trade & other receivables of Baht 1,354 million.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2021. Goodwill were mainly from acquisitions of (1) Phyathai and Paolo Hospital Group of Baht 9,310 million (2) Bangkok Sanamchan Hospital, Thephakorn Hospital, Bangkok Muangraj Hospital and Bangkok Phetchaburi Hospital of Baht 3,285 million and (3)

Bangkok Siriroj of Baht 2,702 million. 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 7,112 million mainly consisted of (1) other current financial assets which were investment in fixed deposits and mutual funds of Baht 2,320 million, (2) intangible assets which mainly were computer software of Baht 1,621 million and (3) other non-current financial assets which were investment in equity and debt instruments of Baht 1,034 million.

<b>Liabilities and Equity</b>			
<i>(THB mm)</i>	<b>Dec 22</b>	<b>Dec 21</b>	<b>%Chg</b>
Short-term loans from financial institutions	500	-	n.a.
Trade & Other payables	6,176	5,035	23%
Accrued expenses	5,426	4,627	17%
Debentures *	11,498	14,596	(21)%
Long-term loans *	4,000	1,000	300%
Liabilities under lease agreements *	7,564	3,157	140%
Other liabilities	12,667	12,274	3%
<b>Total liabilities</b>	<b>47,830</b>	<b>40,689</b>	<b>18%</b>
Equity attributable to equity holder of the Company	89,879	83,845	7%
Non-controlling interests	3,834	3,920	(2)%
<b>Total equity</b>	<b>93,713</b>	<b>87,765</b>	<b>7%</b>

\* Including current portion

Total consolidated liabilities as of 31 December 2022 were Baht 47,830 million, increased by 18% from 31 December 2021 due mainly to an increase in liabilities under lease agreements of Baht 4,407 million from long-term land lease of the BDMS Silver Wellness & Residence project together with an increase of long-term loans from financial institutions of Baht 3,000 million and trade & other



payables of Baht 1,141 million netted with decrease in debenture of Baht 3,098 million.

Total consolidated shareholders' equity as of 31 December 2022 was Baht 93,713 million, increased by 7% from 31 December 2021 due mainly from net profit during the year.

## Liquidity and Capital Management

### Cash Flow

(THB mm)	2022
Net cash from operating activities	20,266
Net cash used in investing activities	(5,901)
Net cash used in financing activities	(12,631)
Net increase in cash and cash equivalents	1,734
Beginning cash and cash equivalents	10,934
Ending cash and cash equivalents	12,668

For the year ended 31 December 2022, the Company and its subsidiaries had net increase in cash and cash equivalent of Baht 1,734 million from the beginning balance of Baht 10,934 million. As a result, cash and cash equivalents at the end of period was Baht 12,668 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 20,266 million, mainly from profit in 2022.

Net cash used in investing activities were Baht 5,901 million comprising mainly from purchase of property, premises and equipment of Baht 4,406 million for hospital network renovation and expansion together with cash paid for purchase of intangible assets of Baht 667 million and increase in other current financial assets of Baht 594 million.

Net cash used in financing activities were Baht 12,631 million due mainly to dividend payment of Baht 7,943 million, debentures redemption of Baht 3,100 million and repayment of liabilities under

lease agreements of Baht 3,006 million mainly from long-term land lease of the BDMS Silver Wellness & Residence project netted with an increase of long-term loans from financial institutions of Baht 3,000 million.

### Ratios Analysis

	2022	2021
<b>Returns (%)</b>		
Return on Asset	9.3	6.0
Return on Equity	14.5	9.2
<b>Liquidity (x)</b>		
Current ratio	1.3	1.5
Quick ratio	1.1	1.3
<b>Assets &amp; Liabilities Management (Days)</b>		
Average Collection Period	39.5	40.7
Average Inventory Period	13.0	14.0
Average Payable Period	34.6	34.5
<b>Leverage Ratios (x)</b>		
Interest coverage	36.3	24.1
Debt service coverage ratio	3.6	5.1
Current portion of IBD to IBD (%)	27.2	18.3
Loan from financial institutions to IBD (%)	19.1	5.3
Total IBD to EBITDA	1.0	1.1
Net IBD to EBITDA	0.5	0.5
<b>Debt to Equity Ratio (x)</b>		
Total liabilities to equity	0.5	0.5
Total IBD to equity	0.3	0.2
Net IBD to equity	0.1	0.1

#### Remarks

- Assets & Liabilities Management based on 360 days
- IBD means interest bearing debt

ROA and ROE in 2022 increased from 2021 as a result of an increase in profit from operations in 2022.

Current ratio and quick ratio slightly decreased from 2021 as current liabilities increased at the higher pace than current assets. An increase in current liabilities was mainly from an increase in

current portion of debentures and trade and other payables.

Average collection period decreased from 40.7 days in 2021 to 39.5 days in 2022. 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 14.0 days in 2021 to 13.0 days in 2022. 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 slightly increased from 34.5 days in 2021 to 34.6 days in 2022.

**For leverage ratios analysis**, interest coverage ratio increased from 24.1x in 2021 to 36.3x in 2022 mainly from good performance in 2022. However, debt service coverage ratio (DSCR) decreased from 5.1x in 2021 to 3.6x in 2022 due to higher current portion of interest bearing debt.

Net interest bearing debt to EBITDA remained unchanged at 0.5x in 2021 and in 2022.

**For debt to equity ratio analysis**, total interest bearing debt to equity slightly increased from 0.2x as of 31 December 2021 to 0.3x as of 31 December 2022 while net interest bearing debt to equity as of 31 December 2022 and 31 December 2021 remained unchanged at 0.1x.

The Company and its subsidiaries strongly believe 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.

## Management's Outlook

In 2023, the Company and its subsidiaries expects healthcare business to grow mainly from strong recovery of international patients given the termination of travel restrictions in many countries as a result of improving COVID-19 situation globally.

Thailand remains one of the world's most attractive medical tourism destinations for our quality of care, international accredited hospitals, Thai hospitality and value for money.

In the long-term, we are confident that positive healthcare sector prospect is still intact from the aging population, rising income per capita, especially those in the rural area, rising health and wellness trend where people pay more attention to their health wishing to live longer with a better quality of life together with growth of digital health and private health insurance in Thailand.

## Key strategic priorities

BDMS's diverse portfolio of network hospitals with diversified market segments, capable physicians and nurses and strong franchise of our hospital brands together with customer service experience enhancement through innovation would play a crucial role in continuous growth in healthcare business serving rising healthcare demand in the future. In 2023, we would focus on the following strategic priorities:

### 1) Expansion of customer's base

BDMS continues to put efforts to enhance revenue in all segments. Our key focuses, this year, are to (1) increase number of fly-in



patients particularly from Middle East, CLMV and China (2) strengthen relationship with third party payors including private health insurance and corporates partners (3) increase number of social security's members while expanding services to accommodate more social security patients and (4) expand and engage more of the silver age group by developing services around the need of aging population. These initiatives would help broaden our customer base and increase our hospital network asset utilization.

**2) Product & services development**

BDMS determine to strengthen and broaden our services at Center of Excellence (CoE) offering comprehensive treatment for complex medical conditions to achieve the best possible outcomes. Beyond curative care, we would promote wellness and preventive care aiming to prevent or detect disease beforehand coupled with rehabilitative services to help patients to return to daily lives.

For sustainable growth going forward, BDMS would deploy value-based care to deliver the most effective, efficient and sustainable outcomes to our patients. We also develop pricing strategy that is suitable for segmented customers and market condition to enhance our competitiveness. On the other hand, we continue to transform our network procurement to increase operational efficiency as one of the cost saving initiatives.

**3) Digital Healthcare and Innovation**

With the advancement of technology and innovation, BDMS has adopted the concept of smart healthcare to provide a valuable service to achieve better customer experience. We continue to develop customer-centric health ecosystem using telehealth and our BeDee

mobile application offering teleconsultation, tele-pharmacy and healthmall serving the need of the customers while making healthcare services more accessible. We also plan to scale up all these platforms to be more convenient for insurance, corporate and patients. Alongside our development, we also support and invest in healthtech and startups to improve patient care and promote sustainable quality of life.

**4) Healthcare sustainability**

**People strategy**

Doctors, clinical and non-clinical staffs are valuable assets of BDMS to drive our corporate strategy. We have realized the importance of talent management starting from talent acquisition, engagement, development and retention.

**Collaboration with healthcare partners**

We continue to collaborate with world leading institutions for training, research and innovation to uplift our standard of care.

**BDMS Green healthcare**

To recognize the importance of climate change, we promote green hospital that aims to, for example, utilize renewable resources, reduce waste. These environmental friendly practices will lead to sustainable healthcare.

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