

Thonburi Healthcare Group PLC.

FY2022 Management Discussion and Analysis

Overview of FY2022

As the pandemic situation in Thailand has completely unfold, Thai government restrictions, including traveling restriction has been lifted in the latter half of 2022. Coronavirus is no longer a “dangerous communicable disease” but a “communicable disease under surveillance” as announced by the Thai government on 1 October 2022. Thai business industries have been recovering from damages as well as the healthcare industry. THG has been maintaining a continuous growth as our general medical service is able to generate income which make up the amount of income loss from covid related service. In the year 2022, THG aims to strengthen healthcare business by investing in one subsidiary hospital and one associate hospital which are Phatara Thonburi hospital in Pathumthani during 2Q2022 (112 beds) and TRPH hospital in Trang during 4Q2022 (200 beds) resulting in an increased to 1,520 hospital beds within THG Thailand capacity. Furthermore, THG also focuses on digital healthcare by implementing THG CARE, GUDI GOOD or THF METAPARK for an increased accessibility of healthcare service for all as well as advertising THG name into various target groups.

In regard to the overall operating result of 2022, THG has maintained continuous growth from the previous year. In 2022, THG shows a total revenue of 6.4% increased, from THB 10,847mn in 2021 to THB 11,540mn in 2022. The increase in revenue was the result of management strategies adapted to the situation and the acquisition of the TRPH hospital in December 2022. The growth in revenue was accounted for 17.1% compared to 2021 from general medical services, omitting revenue from M&A, hospital, field hospitals and covid-19 vaccine. THG shows net profit of THB 1,677mn, an increase of 23.6% from THB 1,357mn in 2021 with net profit margin of 14.5% and 23.6% respectively. THG remained in control of cost and expenses to reach for the targeted profit.

As for Ar Yu International hospital in Myanmar, despite being heavily affected by the fluctuating exchange rate, operating result of Ar Yu International hospital shows constant profits year-round. In order to reduce the damages of exchange rate fluctuations, THG has managed the exchange reserve to facilitate settlements of foreign currency loan and converting foreign loan into Kyat (Ks). THG has realized the share of net profit from the operating result of Q42022 and 2022.

With regards to the elderly care business, Jin Wellbeing County, an integrated nursing home with medical care has secured continuous transfer in Q42022. In 2022, Jin Wellbeing County has reached its annual target. THG also aim to enrich the business by placing Thonburi Rangsit Hospital, a 250 hospital beds size in the frontal area of the project. We believe doing so will help facilitate the growth of the project and the area around. We are currently in designing and environmental assessment phase (EIA)

With respect to 2023 tendencies, THG is well prepared for unpredictable changes in economy, society, and technology, THG aims for constant growth by implementing various medical health technologies to produce heighten long-term benefits. Moreover, THG also places its focus on human resource development to expand the capacity and enrich the quality of available medical services to match the ever-changing customer needs at affordable cost. In January 2023, Thonburi Burana Hospital has been certified by American Accreditation Commission International (AACI) with the highest score in elderly hospital category to enhance the quality of care and safety of service according to THG’s operating guidelines. In the next 3 years, THG group plans to increase 195 OPD rooms and 419 beds to accommodate the increasing number of patients. THG remains open for an opportunity to strengthen the business for sustainable growth to all shareholders.

Key development in 2022

1. The disposal of investments in a subsidiary

The Board of Directors meeting No.4/2022 held on 8 March 2022, the Board of Directors has resolved to approve the disposal of investments in ordinary shares of Thonburi Canabiz Public Company Limited (“THC”) for 610,000 shares at a par value of 100 Baht per share, totaling THB 61 mn. This disposal of investment resulted in a decrease in the shares held by THG from 75.0% to 14.0%. In addition, the disposal of THC's ordinary shares makes THC no longer the subsidiary of THG. THG recorded the remaining value of investment as financial assets measured at fair value (par value).

2. The investments in subsidiaries, associates, and related companies

2.1 The investments in associates

At the Executive committee's Meeting of the Company No. 3/2022 on 3 May 2022, the Excom approved the addition investment in the ordinary shares of Phatara Hospital Co., Ltd of 720,000 ordinary shares, resulting in the Company's shareholding interest increased from 16.67% to 21.47% the payment has been made in May 2022 which made the reclassified investment in Phatara Hospital from financial assets measured at fair value through other comprehensive income to investments in associated. THG recognized gain from reclassification of investment in financial statement amounting Baht 13mn.

In July 2022, THG, related companies and other companies 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% shareholding interest, the payment has been made in November 2022.

2.2 The investments in subsidiaries

The Board of Directors' meeting No.5/2022 held on 21 July 2022, the Board of Directors has resolved to approve the addition investment in Rajyindee Hospital Pcl. from an individual amounting to 2,148,914 shares, total THB 12.90mn. Shares had been successfully paid for in October 2022 resulting in an increased in total company owned from 56.91% to 57.41%

The Board of Directors' meeting No.3/2022 of a subsidiary – Thanarad Thung Song Co.,Ltd held on 22 September 2022, the Board of Directors of that subsidiary approved the establishment of a subsidiary with the objective of production and sale of electricity to the hospital. The subsidiary registered the establishment of Thung Song 888 Co.,Ltd in Thailand with the Ministry of Commerce on 12 October 2022 with the registered share capital of THB 1mn (100,000 ordinary shares at par value THB 10 per share). The company held 99.99% of shareholding interest and paid for all shares in November 2022.

The Board of Directors' meeting No.11/2022 held on 11 November 2022, the Board of Directors approved the investment in a subsidiary – Trang Medical Trading Co., Ltd (TRPH Hospital) by purchasing 16,170,000 ordinary shares, total THB 658.53mn. The company held 55.00% shareholding interest. The company paid for all shares in December 2022.

3. The additional investments in subsidiary

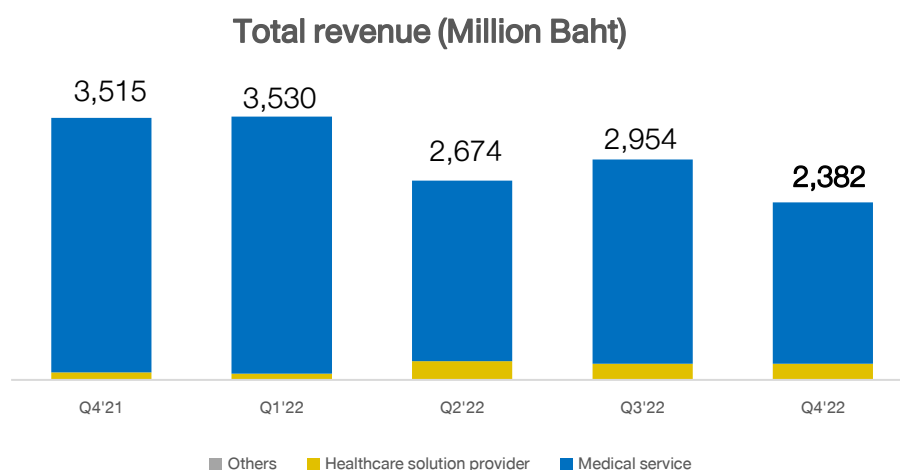
At the Extra Ordinary Shareholders' Meeting No. 1/2022 of a subsidiary - Thonburi Bamrungmuang Hospital Co., Ltd. on 23 December 2022, the shareholders approved the par split from 48,927,068 ordinary shares at par value THB 25 to 244,635,340 ordinary shares at par value THB 5 and approved the increase in registered share capital from Baht 1,223.18mn (244,635,340 ordinary shares at par value THB 5.00 per share) to THB 1,473.18mn (294,635,340 ordinary shares at par value THB 5.00 per share) by issuing 50,000,000 ordinary shares at par value THB 5.00 per share. The subsidiary called for 25% of the 50,000,000 ordinary shares totalling THB 62.50 mn. The subsidiary registered the share capital increase with the Ministry of Commerce on 29 December 2022, resulting in the paid-up share capital of THB 1,285.68mn at 31 December 2022.

At the Board of Directors' Meeting No.13/2022 of the Company on 23 December 2022, the Board of Directors approved the abstention of share increase in a subsidiary - Thonburi Bamrungmuang Hospital Co., Ltd., resulting in the decrease in shareholding interest from 99.99% to 95.14%

4. The land disposal of subsidiary

As of July 15th 2022, and November 11th 2022, The directors has agreed upon putting the land up for sales for THB 200mn and THB 68mn resulting in total net profit from land sales of THB 87mn.

[Summary of FY2022 performance compared to FY2021.](#)



Revenue

THG total revenue of THB 11,540mn an increase of 6.4% from THB 10,848 mn, the increase was from the following factors.

Medical Service Business had revenue of THB 10,769mn, a 3.4% increase from THB 10,415mn. This was mostly due to the result of in 2022, THG generates income from Covid-19 vaccination services, accounted to 11.2% of

total revenue. In addition, as the situation returned to normal there were more general patients returning to hospital. Moreover, THG has expanded its investment strategy and acquisition Trang Medical Trading Co., Ltd (TRPH Hospital). Total revenue from general medical services has increased by 17.1%. The growth in OPD and IPD patients also show an increase of 26.4% and 49.0% respectively.

Proportion of revenue from general patients and revenue related to Covid-19 in FY2022 and FY2021 as follows.

<i>Medical service revenue</i>	FY2022	FY2021
Revenue from general patients	76.0%	66.0%
Revenue related to Covid-19	24.0%	34.0%
Total	100.0%	100.0%

From investment in Trang Medical Trading Co., Ltd (TRPH Hospital) in December 2022, THG has realized the revenue of THB 69mn.

Healthcare Solutions Provider had revenue of THB 748mn, a 82.4% increase from THB 411mn, mainly due to in FY2022, Eighty-seven residential units were transferred compared eighteen units in FY2021.

Financial statement 4Q

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	4Q22	4Q21	YoY change	4Q22	4Q21	YoY change
Revenue from medical service	2,163	3,413	-36.6%	1,456	1,896	-23.2%
Revenue from healthcare solution provider	210	98	114.3%	-	-	-
Revenue from other businesses	9	4	125.0%	-	-	-
Total revenue	2,382	3,515	-32.2%	1,456	1,896	-23.2%

Financial statement for the year ended

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	FY2022	FY2021	YoY change	FY2022	FY2021	YoY change
Revenue from medical service	10,769	10,415	3.4%	7,033	6,036	16.5%
Revenue from healthcare solution provider	748	410	82.4%	-	-	-
Revenue from other businesses	23	23	-	-	-	-
Total revenue	11,540	10,848	6.4%	7,033	6,036	16.5%

Costs

Total cost was THB 8,054mn, increasing by 8.7% from THB 7,406mn, with main factors as follows.

Cost of medical service was THB 7,522mn, increasing by 6.2% from THB 7,083mn. The increase in variable costs in line with the increase in number of general patients with complexity of the disease such as cost of medicines, medical supplies, lab, doctor fee, and medical staff cost. The main cost structure of THG for FY2022 and FY2021 is as follows.

<i>Cost of medical service</i>	Cost structure	
	FY2022	FY2021
Cost of medicines, medical supplies, lab,	28.0%	24.1%
Doctor fee, and medical staff cost	47.4%	46.2%
Depreciation and amortization	10.3%	10.4%
Rental fee	2.6%	10.4%
Other expense	11.7%	8.9%
Total	100.0%	100.0%

Cost of healthcare solution provider was THB 519mn, increasing by 67.6% from THB 309mn. This was mostly due to FY2022 transfers higher than FY2021 at 69 units.

Selling, general and administrative expenses

SG&A was THB 1,720mn, increasing by 9.8% from THB 1,566mn. The mainly increased are 3% from vaccines donation to public sectors, expense related to staff is accounted for 1.9% and lastly, marketing expense is accounted for 1.5%.

Financial statement 4Q

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	4Q22	4Q21	YoY change	4Q22	4Q21	YoY change
Cost from medical service	(1,603)	(2,150)	-25.4%	(1,030)	(1,293)	-20.3%
Cost from healthcare solution provider	(148)	(79)	87.3%	-	-	-
Cost from other businesses	(4)	(4)	-	-	-	-
Total cost	(1,755)	(2,233)	-21.4%	(1,030)	(1,293)	-20.3%
Selling, general and admin expenses	(419)	(434)	-3.5%	(191)	(202)	-5.4%
Financial cost	(83)	(78)	6.4%	(72)	(67)	7.5%

Financial statement for the year ended.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	FY2022	FY2021	YoY change	FY2022	FY2021	YoY change
Cost from medical service	(7,522)	(7,083)	6.2%	(4,991)	(4,131)	20.8%
Cost from healthcare solution provider	(518)	(309)	67.6%	-	-	-
Cost from other businesses	(14)	(14)	-	-	-	-
Total cost	(8,054)	(7,406)	8.7%	(4,991)	(4,131)	20.8%
Selling, general and admin expenses	(1,720)	(1,566)	9.8%	(824)	(766)	7.6%
Financial cost	(305)	(299)	2.0%	(258)	(258)	-

Profit

THG's profit of this year has increased compared to the result from FY2021, the normalized net profit – parent to THB 1,497mn increasing by 9.0% from THB 1,373mn in FY2021. The increase caused from the return of normal disease patient's admission, increase in transfer of rooms, and the effectiveness of cost control strategy.

Financial statement 4Q

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	4Q22	4Q21	YoY change	4Q22	4Q21	YoY change
Gross profit	627	1,282	-51.1%	426	603	-29.4%
EBITDA	605	1,243	-51.3%	316	528	-40.2%
Normalized EBITDA	577	1,249	-53.8%	387	577	-32.9%
Net profit	260	674	-61.4%	140	285	-50.9%
Normalized net profit	238	682	-65.1%	211	335	-37.0%
Net profit – parent	239	635	-62.4%	140	285	-50.9%
Normalized net profit – parent	217	643	-66.3%	211	335	-37.0%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	4Q22	4Q21	4Q22	4Q21
Gross profit margin	26.3%	36.5%	29.3%	31.8%
EBITDA margin	25.4%	35.4%	21.7%	27.8%
Normalized EBITDA margin	24.2%	35.5%	26.6%	30.4%
Net profit margin – parent	10.0%	18.1%	9.6%	15.0%
Normalized net profit margin – parent	9.1%	18.3%	14.5%	17.7%

Note: normalized values exclude

1) Net expense after tax from the end of the management service agreement with a government hospital amount THB8mn in 4Q21.

2) In 4Q22, the consolidated financial statements showed a net gain after tax from disposal land THB 22 mn.

Financial statement for the year ended

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	FY2022	FY2021	YoY change	FY2022	FY2021	YoY change
Gross profit	3,486	3,442	1.3%	2,042	1,905	7.2%
EBITDA	3,342	2,977	12.3%	1,914	1,782	7.4%
Normalized EBITDA	3,215	3,019	6.5%	1,987	1,903	4.4%
Net profit	1,677	1,357	23.6%	1,037	931	11.4%
Normalized net profit	1,572	1,393	12.8%	1,110	1,046	6.1%
Net profit - parent	1,602	1,337	19.8%	1,037	931	11.4%
Normalized net profit - parent	1,497	1,373	9.0%	1,110	1,046	6.1%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	FY2022	FY2021	FY2022	FY2021
Gross profit margin	30.2%	31.7%	29.0%	31.6%
EBITDA margin	29.0%	27.4%	27.2%	29.5%
Normalized EBITDA margin	27.9%	27.8%	28.3%	31.5%
Net profit margin - parent	13.9%	12.3%	14.7%	15.4%
Normalized net profit margin - parent	13.0%	12.7%	15.8%	17.3%

Note: normalized values exclude

- 1) Net expense after tax from the end of the management service agreement with a government hospital amount THB 36 mn, comprising of THB21mn in 1Q21, THB7mn in 2Q21 and THB8mn in 4Q21.
- 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) The consolidated financial statements showed a net gain after tax from disposal land THB 65 mn in 3Q22 and THB 22mn in 4Q22 .

Financial status

As of 31 December 2022, THG's financial position has significant change from as of 31 December 2022 as follows.

Assets

Cash and cash equivalents were THB 2,586mn, an increase of 74.5% from THB 1,482mn was due to cash in from account receivable collection. By 2023, THG plans to use the cash flow for financial restructuring, investment in the construction of OPD and IPD building of Thonburi Hospital and Thonburi2 Hospital, and reserve for interim dividend payment to shareholders in January 2023.

Trade and other account receivable, including an advance payment for Moderna vaccine decreased by 29.4% from THB 3,183mn in 2021 to THB 2,245mn in 2022, mainly relating to THG received payment from trade accounts receivable and the decrease in advance for Moderna vaccine due to COVID-19 vaccination service has been completed in 3Q22.

Property, plant and equipment including advance payment for purchasing for fixed assets were THB 10,908mn, an increase of 11.4% from THB 9,792mn. Main reasons were 1) THG has invested in a subsidiary-Trang Medical Trading Co., Ltd (Key development no2.2), resulting in the recognition of operating assets of TRPH hospital, Trang, including the assets under construction of the hospital at Koh Lanta, Krabi, total amount THB 907mn. 2) Renovation of the service area of Thonburi hospital which is expected to be open for service in the first quarter of 2024.

Liabilities

As of 31 December 2022, trade and other accounts payable were THB 1,498mn decrease by 46.7% from THB 2,813mn due to 1) Fixed assets payable decreased THB 181mn 2) Deposit received for vaccines decreased by THB 1,150mn since THG has provided vaccination services to customers.

Loans from financial institutions amounted to THB 11,073mn, an increase of 10% from THB 10,066mn due to borrowing for investment in a subsidiary and investment in fixed assets.

Statements of financial position (million baht)	Consolidated financial statements			Separate financial statements		
	31 December 2022	31 December 2021	Change	31 December 2022	31 December 2021	Change
Current assets	7,008	7,019	-0.2%	6,652	8,321	-20.1%
Non-current assets	18,073	16,780	7.7%	15,080	14,055	7.3%
Total assets	25,081	23,799	5.4%	21,732	22,376	-2.9%
Current liabilities	7,921	8,734	-9.3%	6,407	6,854	-6.5%
Non-current liabilities	5,984	5,447	9.9%	4,004	4,638	-13.7%
Total liabilities	13,905	14,181	-1.9%	10,411	11,492	-9.4%
Total equity	11,176	9,618	16.2%	11,321	10,884	4.0%

Financial ratios	Consolidated financial statements		Separate financial statements	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Current ratio (times)	0.9	0.8	1.0	1.2
Return on assets (%)	9.6	9.2	7.9	6.7
Assets turnover (times)	0.5	0.5	0.3	0.3
Return on equity (%)	16.6	15.7	10.0	8.9
Debt/ equity (times)	1.2	1.5	0.9	1.1
Interest bearing debt/ EBITDA (times)	3.4	3.5	4.2	5.0
Debt service coverage ratio (DSCR) (times)	1.9	2.4	1.6	2.3
Interest coverage ratios (times)	7.7	6.8	6.2	5.5

Capital management in 2022 compared to 2021

- **Net cash generated from operating activities** was THB2,495mn (compared to net generated of THB 2,034mn in 2021), increasing by 22.7% because THG had a better operational performance.

- **Net cash used in investing activities** was THB1,624mn (compared to net use of THB 1,079mn in 2021), increasing by 50.5%. In 2021, THG uses its cash to invest in a subsidiary – Trang Medical Trading Co., Ltd (TRPH Hospital), see more details in key development no.2.2

- **Net cash generated from financing activities** was THB 243mn (compared to net generated of THB 28mn in 2021), increasing by more than 100% since THG received money from share capital increased in a subsidiary (Key development in no.3) and THG had increase in loan from financial institutions.

<i>Statement of cashflow (million baht)</i>	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Net cash generated in operating activities	2,495	2,034	1,123	1,667
Net cash generated/(used) in investing activities	(1,624)	(1,079)	475	(984)
Net cash generated/(used) in financing activities	234	28	(629)	180
Net increase in cash and cash equivalents	1,105	983	969	863
Cash and cash equivalents at the beginning of period	1,482	495	1,171	304
Unrealized exchange gain (loss) in cash and cash equivalents	(1)	4	(1)	4
Cash and cash equivalents at the end of period	2,586	1,482	2,139	1,171

