

No. 001/2023

24 February 2023

RE: Management Discussion and Analysis for Year 2022

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited (the “Company”) and its subsidiaries would like to submit the following Management Discussion and Analysis for Year 2022, ended 31 December 2022, compare with Year 2021 as follows:

### **Major developments in 2022**

In 2022, Principal Healthcare Company Limited (the Company’s subsidiary) aim to develop the potential in Procedures and Complex Disease Treatment to supporting the growing demand for medical services in provincial areas in brain diseases, bones, cancer, heart, etc., such as Electrophysiology Study at Pitsanuvej Hospital, Breast Clinic at PRINC Hospital Paknampo, and Gynecologic Oncology at PRINC Hospital Suvarnabhumi, also Small Incision Surgery, Hip & Joint Replacement and Cataract Surgery at PRINC Hospital Lamphun, and an Emergency Center at PRINC Hospital Sisaket, etc. In addition, planning to develop the hospital network’s potential in referring and treating patients more comprehensively, especially for patients with complex diseases and emergency patients by piloting the use of 5G Ambulance in PRINC Hospital Suvarnabhumi and increasing the potential of the ICU. Moreover, focusing on Laboratory Development, opening Lab IUI (Intra-Uterine Insemination) services and providing IUI services to treat infertility at PRINC Hospital Uthai - Thani Hospital, laboratory development for chemotherapy at PRINC Hospital Paknampo.

Along with preparing for the opening of the country in 2022, the PRINC International Office has been opened to facilitate customers from Laos, Cambodia, Myanmar, India and China for PRINC Hospital Ubonratchathani, PRINC Hospital Sisaket, PRINC Hospital Lamphun and PRINC Hospital Suvarnabhumi. In addition, 2022 is the year of expanding the health care business covering Esthetics and Wellness business. On 14 March 2022, Principal Healthcare Company Limited (the Company’s subsidiary) acquired ordinary shares of Pewdee Clinic Esthetics Company Limited. Total investment value THB 302.5 million by acquiring the ordinary shares from Sellers in the total amount of THB 252.5 million and subscribe for new ordinary shares of Pewdee Clinic in the total amount of THB 50 million to expand business to providing Skin, Surgery and Wellness. On 15 July 2022, there was an opening ceremony for Pewdee Clinic the 11<sup>th</sup> branch located on the 2nd floor at PRINC Hospital Suvarnabhumi. There is also a planning to expanding more branches both in the hospital

network and in potential areas. This is an important step in business development towards a comprehensive Esthetic & Wellness business.

Moreover, Principal Healthcare Company Limited has increased its shareholding in a subsidiary on 21 September 2022, by acquiring the ordinary shares of Pitsanuloke Medical Company Limited of 125,000 shares at THB 8,200 per share, amounting to THB 1,025 million from the group of existing shareholders. As a result, the shareholding in the said company increased from 60% to 85%. Including an increase in the same proportion of equity of the other 2 subsidiaries (Union Pichit Doctors Company Limited and Pitsanuvej Uttaradit Hospital Pitsanuloke Medical Company) in which Pitsanuloke Medical Company holds 100% of the shares, aiming to expand the business. both the construction of the patient building Investing in medical services specialized for complex diseases to accommodate the number of patients that are likely to increase.

For the Property Business, on 28 February 2022, the Company and V Residence Company Limited. (Ownership interests of SEB and the Company's subsidiary) participated in the Asset Warehousing program with Bank of Ayudhya Public Company Limited ("transferee"), the measures to support the entrepreneurs affected by COVID - 19, to improve the debt structuring of the Company, by transferring the ownership interests in 4 buildings of SEB to transferee for debt payment according to the Program, and transferee have an option for the company and owner to buy back the assets in 3 years. The total value of consideration is amounting to THB 1,500 million.

#### **The economic and industrial situations affecting the operation and business policies, strategies and decisions**

During the first 3 quarters of 2022, the overall revenue of the Hospital business continued to grow from 2021 as a result of the treatment of patients infected with COVID - 19. In addition, the number of inpatients and outpatients from general diseases gradually returned to hospitals after the COVID - 19 situation eased, including the country's full opening to foreign tourists resulting in more foreign patients returning to use the service for patients who had previously postponed treatment during COVID - 19 and medical tourists. While in the last quarter of the year, revenue from COVID - 19 treatment drops, but general disease revenue increases from the gradual economic recovery from the announcement of COVID - 19 is a contagious disease (Since 1 October 2022), it has resulted in people gradually back to normal life. As a result, the total revenue of all affiliated hospitals higher than the previous year THB 1,271.6 million (27.2%), while revenue from Clinics and other healthcare related businesses increased by THB 197.2 million (272.6%).

In 2023, for the Hospital Business, revenue is expected to continue to improve from the factor that the demand for services tends to increase from the aging population of Thailand that continues to increase

Therefore, the need for medical services is increasing and complex. Including the return of domestic patients and foreign patients returning to economic and social activities. Also from the recovery of medical tourists, especially foreign patients from ASEAN, China, Russia, Japan and the Middle East. Which large private hospitals must continually prepare to accommodate patients and providing services in highly specialized fields. In addition, a network of branches and business alliances will help to expand the scope of services to more specific customers, broaden the income base. For the Hospital Business in 2023, there will be openings for Specialist Clinics, including a Comprehensive Heart Center, Surgical Oncology Center, Neurological and Brain Center, Minimal Invasive Surgery center. and Senior Medical Care. To support the treatment of elderly people who tend to grow according to the aging society in Thailand and renovating the premium patient rooms to accommodate the group of patients with high purchasing power

In 2022, the Hotel Business has continued to recover from 2021, with the main contributing factor from the opening of the country on 1 July 2022, causing more foreign tourists to travel to Thailand. In addition, countries Relaxation of strict travel regulations as the vaccination rate is more comprehensive, resulting in the confidence of tourists. Moreover, the last quarter of the year is the high season of tourism, causing the increase of foreign tourists to be much higher. As a result, the total revenue of the Hotel business increased to THB 165.9 million or 84.0% compared to the previous year. But overall in 2022, the business has not fully recovered. This is because foreign tourists, especially from China, still face obstacles from the Zero - Covid policy, together with the global economic slowdown caused by the Russo-Ukrainian War.

The trend of Hotel Business in 2023 tends to improve. The number of foreign tourists is expected to grow at an accelerated rate and will recover back to a level close to that of before COVID - 19. Especially from China's tourists, which is the most important tourism market in Thailand, have begun to travel normally in the first quarter of 2023. The Hotel Business in all areas is still highly competitive due to the oversupply situation. Both from the same business and other accommodation business. For the Hotel Business, it is expected that the revenue in 2023 will be able to return to income similar to the year 2019 (before COVID - 19), with the focusing on increasing the occupancy rate and adjust room rates in line with the needs of tourists to increase the ability to make more profits by emphasizing the strengths of each hotel, and also focuses on organizing activities, seminars and other events.

However, the company remains aware of the risks from various factors that will have a negative impact on both businesses such as the persistent risks of COVID - 19 are travel restrictions for some tourists, the risk

of a recession in the world's major economies, rising inflation, volatile and rising energy costs, rising interest rates, etc. Therefore, the company tries to control spending, adjust business strategies as well as various investments of all subsidiaries.

Operating results for Year 2022:

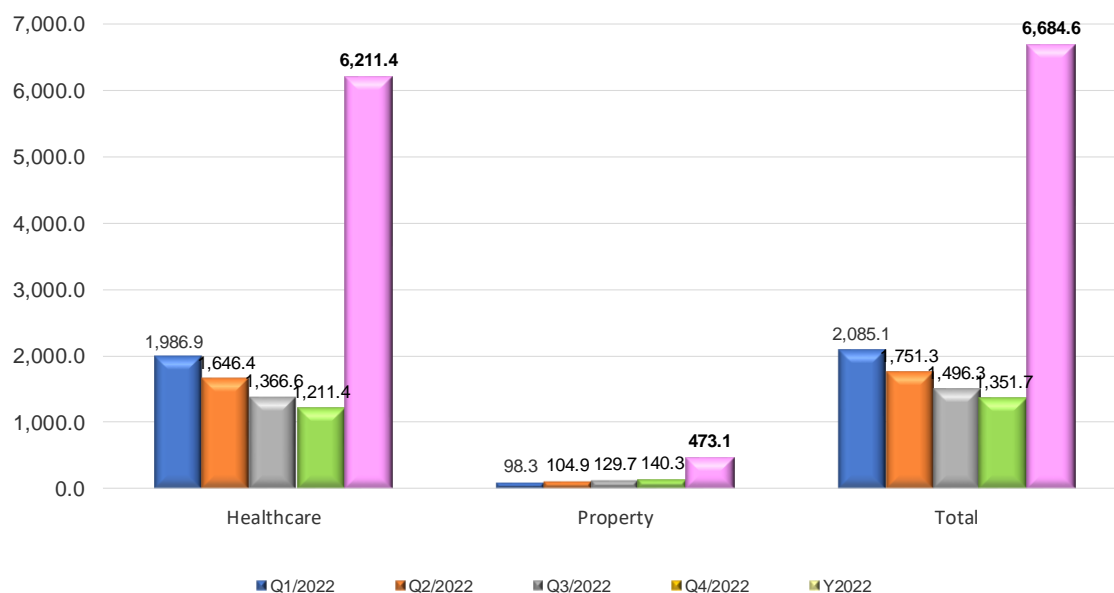
<u>Consolidated</u>	Year 2022	Year 2021	Increase (decrease)	Change
Unit: THB million				
Revenues from healthcare services	6,211.4	4,742.7	1,468.7	31.0%
Revenues from sales and services	473.1	316.1	157.0	49.7%
Costs of healthcare services	4,398.9	3,389.3	1,009.6	29.8%
Costs of sales and services	<u>284.8</u>	<u>254.9</u>	<u>30.0</u>	<u>11.8%</u>
<b>Gross Profit</b>	<b>2,000.8</b>	<b>1,414.6</b>	<b>586.2</b>	<b>41.4%</b>
Other income	120.2	61.9	58.3	94.2%
Selling and Administrative expenses	1,559.6	1,121.4	438.2	39.1%
Finance costs	<u>162.5</u>	<u>146.6</u>	<u>15.8</u>	<u>10.8%</u>
<b>Profit before income tax expense</b>	<b>398.9</b>	<b>208.6</b>	<b>190.3</b>	<b>91.2%</b>
Income tax expense	<u>92.6</u>	<u>115.7</u>	<u>(23.2)</u>	<u>-20.0%</u>
<b>Profit for the year</b>	<b>306.3</b>	<b>92.9</b>	<b>213.4</b>	<b>229.8%</b>
Other comprehensive income	<u>7.2</u>	<u>10.6</u>	<u>(3.3)</u>	<u>-31.5%</u>
<b>Total comprehensive income for the year</b>	<b><u>313.5</u></b>	<b><u>103.4</u></b>	<b><u>210.1</u></b>	<b><u>203.1%</u></b>
<b>Profit attributable to owner of the parent</b>	<b>240.0</b>	<b>81.2</b>	<b>158.8</b>	<b>195.5%</b>

In 2022, in line with the increasing of revenue, cost of sales including additional expenses increased in a lower proportion. As a result, Profit for the year was THB 306.3 million that was THB 213.4 million or 229.8 % higher than the previous year. The Company had other comprehensive income from remeasurements of employee benefit obligations at THB 7.2 million, from the decrease of remeasurements of employee benefit obligations in some subsidiaries, based on actuarial calculations. As a result, in 2022, total comprehensive income was THB 313.5 million, was THB 210.1 million or 203.1 % higher than in the previous (In 2021, total comprehensive income was THB 103.4 million).

For profit attributable to owner of the parent was THB 240.0 million that was higher from prior year by THB 158.8 million (195.5%)

**Total Revenues:**

Unit: THB million



In 2022, the Company had total revenue at THB 6,684.6 million. For the healthcare services, it can be seen that revenue in the first half of the year was high due to the outbreak of COVID-19, causing high revenue related to providing COVID-19 services. During the second half of the year, the outbreak declined. Although the number of patients who came for regular treatment increased, it can't compensate for the declining income of COVID-19 related services. For the Property business, the revenue will continue to grow from the first quarter due to government measures that have resulted in increased tourist arrivals both in the part of customers who travel for business and others purposes.

Operating results by business group for Year 2022 are as follows:

<u>Consolidated</u>	Year 2022	Year 2021	Increase (decrease)	Change
Unit: THB million				
<b>Hospital business</b>				
- Existing Hospitals	5,754.4	4,546.6	1,207.8	26.6%
- New Hospitals	187.5	123.7	63.8	51.6%
<u>Clinics and other healthcare related businesses</u>	269.5	72.3	197.2	272.6%
<u>Property business</u>	473.1	316.1	157.0	49.7%
<b>Total Revenues</b>	<b>6,684.6</b>	<b>5,058.8</b>	<b>1,625.8</b>	<b>32.1%</b>

The Company and its subsidiaries had Total Revenues of THB 6,684.6 million, which was an increase of THB 1,625.8 million or 32.1 % resulted from the following;

- Hospital Business had total revenue THB 5,941.9 million, consists of 61.2% of non-COVID-19 related service revenue, 27.2% of COVID-19 related service revenue, 10.4% of COVID-19 vaccine revenue, and 1.2% of other revenues as following;
  - Existing Hospitals: Revenue increased by THB 1,207.8 million (26.6%) from all Hospitals especially for Pitsanuvej Hospital which was increase THB 344.7 million (29.4%), PRINC Hospital Suvarnabhumi which was increase THB 210.3 million (15.4%), and PRINC Hospital Lamphun which was increase THB 201.4 million (81.1%). The main revenue increase came from customers who visited for testing and treatment for COVID-19 both in Hospitals and Hospitels, and income from sales and vaccination services
  - New Hospitals: PRINC Hospital Sisaket had income from the sale of vaccination services and non-COVID-19 related income.
- Clinics and other healthcare related businesses: Klai Baan Klai Jai Clinic had revenue of THB 148.7 million, was THB 76.8 million or 106.8 % higher than the previous year, from COVID-19 related service. Pewdee Clinic, which began to recognize revenue on April 1, 2022 onwards, had an income of THB 116.8 million.
- Property business: had higher revenue by THB 157.0 million (49.7 %) as follows;
  - The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increasing THB 103.7 million ( 136.0%) from the occupancy Rate, which was increase from 41.4 % in 2021 to 74.6 %. In December 2022, the occupancy rate was as high as 93.1%. And average revenue per room (ADR) was also higher from THB 2,775 to THB 3,693. In December 2022, the average revenue per room (ADR) was peak as THB 4,748.
  - The Somerset Ekamai Bangkok, had increasing revenue of THB 62.2 million (51.3%) from the occupancy Rate, which was increase from 49.9% in 2021 to 77.5% because of higher long-term customers (Service Apartment) and also more short stay customers in tower A, while
  - Bangkok Business Center office building, had decreasing revenue by THB 7.8 million (6.9 %) from the occupancy rate decreased from 80.4% to 71.1% according to the change in trend of working of various companies that still have policies for their employees to work from any location (Remote Working), both WFH and Hybrid working. As a result, the demand for office rentals slowed down. causing some requests to continuously reduce or return rental spaces.

Gross Profit:

<u>Consolidated</u>	Year 2022	Year 2021	Increase (decrease)	Change
Unit: THB million				
<b><u>Hospital business</u></b>				
- Existing Hospitals	1,681.4	1,303.5	377.9	29.0%
- New Hospitals	40.6	31.8	8.8	27.7%
<b><u>Clinics and other healthcare related businesses</u></b>	90.6	18.1	72.5	400.2%
<b><u>Property business</u></b>	<u>188.3</u>	<u>61.2</u>	<u>127.1</u>	<u>207.4%</u>
<b>Total Gross Profit</b>	<b><u>2,000.8</u></b>	<b><u>1,414.6</u></b>	<b><u>586.2</u></b>	<b><u>41.4%</u></b>
<b>Gross Profit Margin</b>	<b>29.9%</b>	<b>28.0%</b>		

The Company and its subsidiaries had gross profit of THB 2,000.8 million, increasing THB 586.2 million or 41.4 % from prior year as follows;

- The Hospital business:
  - Existing Hospitals: The gross profit increased by THB 377.9 million (29.0%) from all hospitals, except for, PRINC Hospital Suvarnabhumi has gross profit decreasing by THB 62.4 million (11.0 %) and Virajsilp Hospital that has gross profit decreasing of THB 12.9 million (6.4%) from discontinuation of treatment at Hospitels and Field Hospitals. In addition, income from providing treatment services for COVID-19 decreased in the second half of the year.
  - New Hospitals: The gross profit increased as well.
- Clinics and other healthcare related businesses: The gross profit was THB 90.6 million, higher than the previous year by THB 72.5 million, from Klai Baan Klai Jai Clinic THB 43.1 million and Pewdee Clinic of THB 28.2 million.
- Property business has increasing gross profit of THB 127.1 million (207.4%) due to the higher revenues of The Marriott Executive Apartment Sathorn Vista – Bangkok and Somerset Ekamai Bangkok.

Gross profit margin of the Company was 29.9 %, higher than the previous year of 28.0 % as a result of the increase in the ratio of revenue from all businesses higher than the increase in cost ratio. Except for the newly opened hospital business, the income is still unable to cover the costs incurred.

**Other income:** In 2022, the Company had other income increased by THB 58.3 million from the gain from adjustment for changes of net book value of loan which modified the terms of loan agreement condition by THB 56.1 million (from the Asset Warehousing transaction), as one-time item.

Selling and administrative expenses:

<u>Consolidated</u>	Year 2022	Year 2021	Increase (decrease)	Change
Unit: THB million				
<b><u>Hospital business</u></b>				
- Existing Hospitals	1,268.8	890.9	377.9	42.4%
- New Hospitals	51.6	23.1	28.5	123.7%
<b><u>Clinics and other healthcare related businesses</u></b>	40.8	11.8	29.0	245.4%
<b><u>Property business</u></b>	<u>198.4</u>	<u>195.6</u>	<u>2.8</u>	<u>1.5%</u>
Total Selling and administrative expenses	<u>1,559.6</u>	<u>1,121.4</u>	<u>438.2</u>	<u>39.1%</u>
<b><u>% Total Selling and administrative expenses</u></b>	<b>23.3%</b>	<b>22.2%</b>		

Total Selling and administrative expenses was THB 1,559.6 million, increased by THB 438.2 million (39.1%) from existing hospitals with higher staff expenses, marketing expenses, utility expenses and various costs of operation as well as the written-off of obsolete COVID-19 vaccine and donating vaccines to various organizations totaling THB 219.2 million, which is an one-time transaction. The new hospital (PRINC Hospital Sakon Nakhon) had operating expenses at THB 4.8 million. Klai Baan Klai Jai Clinic and Pewdee Clinic had selling and administrative expenses increased by THB 27.3 million. The Property business expenses increased THB 2.8 million from the previous year because the subsidiary had a write-off assets transaction by THB 43.3 million. (as one-time item). While in 2022. The expenses increased THB 46.1 million from the increase of revenues.

Selling and administrative expenses ratio to revenues was 23.3%, increased from 22.2%. as a result of written-off of obsolete COVID-19 vaccine and one-time donation of vaccines to various organizations, which if excluding one-time transaction, the ratio of selling and administrative expenses for the year 2022 will be 20.1%, which is lower than the previous year.



**EBITDA:**

<u>Consolidated</u>	Year 2022	Year 2021	Increase	Change
Unit: THB million			(decrease)	
<b>EBITDA</b>	1,218.2	954.8	263.4	27.6
Finance costs	162.5	146.6	15.8	10.8
Depreciation and amortization	656.8	599.5	57.3	9.6
Income tax expense	<u>92.6</u>	<u>115.7</u>	<u>(23.2)</u>	<u>-20.0</u>
<b>Profit for the year</b>	<u>306.3</u>	<u>92.9</u>	<u>213.4</u>	<u>229.8</u>
Other comprehensive income	<u>7.2</u>	<u>10.6</u>	<u>(3.3)</u>	<u>-31.5</u>
<b>Total comprehensive income for the year</b>	<u>313.5</u>	<u>103.5</u>	<u>210.1</u>	<u>203.1</u>
<b>EBITDA Margin</b>	17.9%	18.6%		
<b>Net Profit Margin</b>	4.5%	1.8%		

EBITDA for 2022 was THB 1,218.2 million, THB 263.4 million higher than the previous year (the previous year EBITDA was THB 954.8 million) or 27.6 % from the revenue increasing in the existing and new hospitals. Finance costs were THB 162.5 million, increasing THB 15.8 million (10.8 %) due to an increase in short-term and long-term borrowing from financial institutions. Depreciation was THB 656.8 million, increasing THB 57.3 million from Pewdee Clinic that was added in the year in the amount of THB 14.9 million. And from the purchase of Pewdee Clinic caused an addition of intangible assets and amortization of THB 7.8 million. Subsequently, the Company Profit for the year was THB 306.3 million.

EBITDA Margin was 17.9%, slightly lower than previous year. Excluding one - time items, the company's EBITDA margin was 20.3%, higher than previous year. While the Net Profit Margin was 4.5% higher than previous year (In 2021 was 1.8 %) Excluding one-time items, Net Profit Margin of the Company was 6.9 %.

**Total comprehensive income for the year:** The Company and its subsidiaries had a total comprehensive income of THB 313.5 million, higher than the previous year by THB 210.1 million. Excluding the one-time items mentioned above, the Company and its subsidiaries' total comprehensive income for the year will be THB 476.6 million.

Financial Position:

<u>Consolidated</u>	31 December	31 December	Increase	Change
Unit: THB million	2022	2021	(decrease)	
Total assets	17,777.4	17,415.3	362.0	2.1%
Total liabilities	7,456.4	6,554.9	901.6	13.8%
Total equity	10,320.9	10,860.5	(539.5)	-5.0%

As of 31 December 2022, the Company and its subsidiaries had total assets of THB 17,777.4 million, increasing THB 362.0 million, compared to total assets as at 31 December 2021, resulting from;

- Property, plant and equipment increased by THB 353.9 million from PRINC Hospital Sakon Nakhon (new hospital) by THB 435.0 million, the purchase of new assets in various hospitals and from the calculation of depreciation incurred during the year.
- Goodwill increased by THB 185.0 from the acquired of subsidiary company (Pewdee Clinic Esthetics Company Limited)
- Financial assets measured at Fair Value through Profit or Loss increased by THB 181.5 million from short-term investments in mutual funds that the Company used to hold excess cash.
- Other non-current assets increased by THB 130.1 million from corporate income tax receivables from the Revenue Department, while
- Trade receivables and other receivables decreased by THB 642.3 million from the advances for goods and service-vaccine of THB 631.7 million.

As of 31 December 2022, the Company and its subsidiaries had total liabilities of THB 7,456.4. million, increasing THB 901.6 million, compared to total liabilities as at 31 December 2021, resulting from;

- Short-term borrowings from financial institutions increased by THB 1,024.6 million from borrowing to buy increased shares for investment in Pitsanuvej Hospital in Q3.
- Long-term borrowings from financial institutions increased by THB 601.6 million resulting from increase in loan drawdown of the subsidiary to be used for investment in various projects
- Advances received from customers decreased by THB 581.7 million from the advances received for vaccine THB 614.4 million.
- Short-term borrowings from related parties decreased by THB 287.3 million from repayment of subsidiaries in Q4.

Financial Ratio	Year 2022	Year 2021
Average collection period (days)	51	42
Average inventory period (days)	10	10
Average payables period (days)	17	18
Debt to equity (x)	0.78	0.67
Return on assets (%)	3.19	2.16
Return on equity (%)	2.49	0.90

Average collection period of 51 days, increased from 2021 that was 42 days due to government debtors delayed in payment. It can be seen from the age of trade accounts receivable shown in the financial statements for 6-12 months and more than 12 months. As of December 31, 2022, the total amount was THB 536.7 million, which was THB 321.4 million higher than the amount of receivables as of December 31, 2021 of the same aging. Most of them are government debtors. As a result, the average collection period increased. As for the average inventory period of 10 days was the same as that of 2021, and the average payables period of 17 days, slightly increased from 2021.

The debt-to-equity (D/E) ratio stood at 0.78 on 31 December 2021, increase from 0.67 on 31 December 2021. This was due to the increase in short-term borrowing from financial institutions during the year and the shareholders' equity decreased. Return on assets and the Return on equity higher than 2021 due to higher net profit.

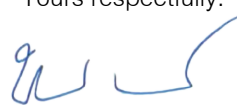
	31 December 2022	31 December 2021
Liquidity ratio (x)	0.91	1.62
Quick ratio (x)	0.86	1.12

Liquidity ratio stood at 0.91 as at 31 December 2022, decrease from 1.62 at 31 December 2021 decreasing in current assets (from the decrease in the advances for goods and service -vaccine and the reclassified non-current assets held-for-sale), also increased in current liabilities (Short-term borrowings from financial institutions). Quick ratio decreased from 1.12 on 31 December 2021 to 0.86 on 31 December 2022 from decreasing in advances for goods and service-vaccine which grouped as trade and other receivables as well.

For your kind acknowledgement.

Yours respectfully.

Signature



(Miss Preeyaporn Aphiwathwithaya)

Deputy CFAO, Finance & Accounting