



Management Discussion and Analysis

For the operating results
ended 31 December 2022



Overview of the situation in 2022

The COVID-19 pandemic situation has significantly eased and recovered especially in the second half of 2022 which the government of each country have canceled the COVID-19 restriction measures, encouraged normal daily life as well as reopened for travelling aboard and cross-border business. The Company and affiliated hospitals have changed strategic plan to facilitate patients in accordance with COVID-19 situation and severity which continually decreased over the period. The Company has renovated and increased service areas, built specialized medical center, and installed medical equipment to serve patient needs especially preventive healthcare treatment which has been rising and support number of patients which increased from pent-up demand since the COVID-19 pandemic.

Analysis of the Consolidated Financial Performance

In 2022, total revenue reported of 18,910.3 million baht which declined (12.2) percent however the operating revenue excluding COVID-19 related still increased

The Company had total revenue of 18,910.3 million baht, a decrease of (12.2%) comparing to last year because of the revenue related to COVID-19 treatment which has been significantly declined in accordance with the recovery of COVID-19 situation. The Company reported profit from operating activities of 4,192.9 million baht, a decrease of (55.9%) comparing to last year and Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 5,142.4 million baht, a decrease of (50.4%) comparing to last year. Net profit attributable to owners of the Company amounted to 3,038.9 million baht which declined by (55.6%) comparing to last year. The main reasons were the decrease in medical reimbursement from the government related to COVID-19 which had been changed from actual payment to fixed rate, the changed on medical treatment guidance of COVID-19 patients, the ease of COVID-19 restriction measures and the cancellation of COVID-19 screening, as well as the loss on decline in value on inventories relating to Moderna alternative vaccines. However, the revenue of general patients, excluding the revenue related to COVID-19 from the government, still increased 25.4 percent from pent-up demand of both Thai and international patients.

The revenue breakdown by patient type are as follows:

Revenue from general patients in 2022 amounted to 9,372.0 million baht, an increase of 25.4 percent yoy

Since the COVID-19 situation has been recovered resulting in the number of patients related to COVID-19 continually declined in the second half of 2022 whereas the general patients returned to the hospital for medical treatment. The revenue from general OPD patients amounted to 5,453.9 million baht, an increase of 30.6 percent and the revenue from general IPD patients amounted to 3,918.1 million baht, an increase of 18.8 percent yoy. Such revenues were in line with the number of patients for seasonal diseases treatment and pent-up demand for specialized medical treatment for example, specialized surgery center, regenerative medicine center, and specialized pediatrics center.

Analysis of the Consolidated Financial Performance

Revenue from social security patients in 2022 amounted to 3,370.9 million baht, an increase of 16.0 percent yoy

In 2022, the quota of insured person under the Social Security Scheme of affiliated hospitals amounted to 1,514,550 persons which the average number of insurers were 979,473 persons, an increase of 9.7 percent yoy resulted in the increase of basic capitation revenue under the Social Security Scheme. Moreover, such increased revenues were influenced by pent-up demand for high cost care ($RW \geq 2$) for example, pain surgery, eye surgery as well as the opening of wide ranges specialized medical center thus, affiliated hospitals' compatibility has been increased to effectively facilitate insurers.

Revenue from the government related to COVID-19 treatment in 2022 amounted to 6,083.8 million baht, a decrease of (44.8) percent yoy

Due to the COVID-19 situation has been recovered resulting in the government announcement related to COVID-19 had been changed as well as the reduction of medical reimbursement from the government related to COVID-19 for example, the reduction of medical reimbursement rates from actual payment to fixed rate, the medical treatment guidance of COVID-19 patients with mild symptoms which changed from hospitals cares to home isolation and self-isolation as well as the cancellation of COVID-19 screening and the ease of government restriction measures since October 2022.

Total Cost and Expenses in 2022 amounted to 14,717.4 million baht, an increase of 22.3 percent yoy

Mainly from the increase of cost of hospital operations of 20.9 percent yoy for example the loss on decline in value on inventories relating to Moderna alternative vaccines, doctor fees, service cost and personal expenses. For the increased of distribution costs and administrative expenses (SG&A) of 32.4 percent yoy which were affected by the foreign exchange loss and bad debt and expected credit loss. However, the Company continually managed and controlled costs and expenses at appropriate level.

Analysis of the Consolidated Financial Performance

Consolidated statements of comprehensive income of 2022

Consolidated Statements of Comprehensive Income (Unit : Million Baht)	2022		2021		Change (%)
	Revenue	Proportion	Revenue	Proportion	
Revenue from hospital operations	18,826.7		21,404.8		(12.0%)
Other income	83.6		124.6		(32.9%)
Total Revenue	18,910.3		21,529.4		(12.2%)
Cost of hospital operations	(12,771.5)		(10,561.3)		20.9%
Distribution costs and Administrative expenses	(1,945.9)		(1,469.3)		32.4%
Total Expenses	(14,717.4)		(12,030.6)		22.3%
Profit from operating activities	4,192.9		9,498.8		(55.9%)
Interest income	8.2		4.0		103.2%
Finance costs	(155.7)		(151.2)		3.0%
Share of profit of associate	0.3		2.1		(84.0%)
Tax expense	(888.3)		(1,846.2)		(51.9%)
Profit for the year	3,157.4		7,507.5		(57.9%)
Owners of the Company	3,038.9		6,846.0		(55.6%)
Non-controlling interests	118.5		661.5		(82.1%)
<i>Gross Profit Margin</i>	<i>32.2%</i>		<i>50.7%</i>		
<i>Operating Profit Margin</i>	<i>22.2%</i>		<i>44.1%</i>		
<i>EBITDA Margin</i>	<i>27.2%</i>		<i>48.2%</i>		
<i>Net Profit Margin</i>	<i>16.1%</i>		<i>31.8%</i>		

Revenue Breakdown by patient type of 2022

Revenue Breakdown by patient type (Unit : Million Baht)	2022		2021		Change (%)
	Revenue	Proportion	Revenue	Proportion	
From general patients	9,372.0	49.8%	7,476.2	34.9%	25.4%
General OPD patients	5,453.9	29.0%	4,176.9	19.5%	30.6%
General IPD patients	3,918.1	20.8%	3,299.3	15.4%	18.8%
From social security patients	3,370.9	17.9%	2,905.4	13.6%	16.0%
From the government related to COVID-19	6,083.8	32.3%	11,023.2	51.5%	(44.8%)
Revenue from hospital operations	18,826.7	100.0%	21,404.8	100.0%	(12.0%)

Analysis of the Consolidated Financial Performance

In Q4/2022, total revenue reported of 2,796.7 million baht which declined (59.1) percent yoy

The Company had total revenue of 2,796.7 million baht, a decrease of (59.1%) yoy because of the revenue related to COVID-19 treatment which has been significantly declined in accordance with the recovery of COVID-19 situation. The Company reported profit from operating activities of 409.9 million baht, a decrease of (88.3%) yoy and Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 649.8 million baht, a decrease of (82.5%) yoy. Net profit attributable to owners of the Company amounted to 269.7 million baht which declined by (89.1%) yoy. The reason was the changes of the reimbursement requirement from the government related to COVID-19 treatment resulted to the Company's revision of those revenue amounted to (42.6) million baht and the increase in provision of accounts receivable and deferred income related to COVID-19 revenue amounted to (72.0) million baht.

The revenue breakdown by patient type are as follows:

Revenue from general patients for Q4/2022 amounted to 1,922.6 million baht, a decrease of (26.7) percent yoy from high base COVID-19 revenue

The revenue from general OPD patients amounted 993.5 million baht, an decrease of (38.1) percent yoy due to the high base of revenue in Q4/2021 that the affiliated hospital has begun to provide Moderna alternative vaccine for patients. For the revenue from general IPD patients amounted 929.1 million baht, a decrease of (8.7) percent yoy due to the high volume of revenue from COVID-19 patients in Q4/2021 that using self-paid or the reimbursement from private insurance, meanwhile the number of general patients increased from pent-up demand of both Thai and international patients.

Revenue from social security patients for Q4/2022 amounted to 907.7 million baht, an increase of 7.3 percent yoy

In Q4/2022, the average number of insurers registered with affiliated hospitals were 1,011,553 persons, an increase of 12.5 percent from the same period of last year which resulted in the increase of basic capitation revenue under the Social Security Scheme. Moreover, the increased revenue was influenced by pent-up demand from social security patients who have postponed their treatment during the pandemic.

Revenue from the government related to COVID-19 treatment for Q4/2022 amounted to (42.6) million baht, a decrease of (101.3) percent yoy

In October, 2022 the government has negated the medical treatment program related with COVID-19 and support the patient by their basic health thus there is no such revenue in Q4/2022. However, some revenues were affected from the adjustment of medical reimbursement from the government related to COVID-19 treatment.

Total Cost and Expenses for Q4/2022 amounted to 2,386.8 million baht, a decrease of (28.7) percent yoy

Mainly from the decrease of cost of hospital operations of (36.1) percent yoy, as a result of the number of COVID-19 patients which continually declined in line with the situation. Meanwhile, the distribution costs and

Analysis of the Consolidated Financial Performance

administrative expenses increased 24.3 percent yoy affected by the foreign exchange loss and bad debt and expected credit loss. However, the Company continually managed and controlled costs and expenses at appropriate level.

Consolidated statements of comprehensive income of Q4/2022

Consolidated Statements of Comprehensive Income (Unit : Million Baht)	Q4/2022		Q4/2021		Change (%)
	Revenue	Proportion	Revenue	Proportion	
Revenue from hospital operations	2,787.7		6,816.0		(59.1%)
Other income	9.0		22.1		(59.5%)
Total Revenue	2,796.7		6,838.2		(59.1%)
Cost of hospital operations	(1,876.2)		(2,935.5)		(36.1%)
Distribution costs and Administrative expenses	(510.6)		(410.9)		24.3%
Total Expenses	(2,386.8)		(3,346.4)		(28.7%)
Profit from operating activities	409.9		3,491.8		(88.3%)
Interest income	3.8		1.5		151.0%
Finance costs	(34.1)		(48.4)		(29.5%)
Share of profit of associate	(1.1)		0.7		(257.1%)
Tax expense	(101.2)		(679.1)		(85.1%)
Profit for the period	277.3		2,766.4		(90.0%)
Owners of the Company	269.7		2,480.3		(89.1%)
Non-controlling interests	7.6		286.2		(97.4%)
<i>Gross Profit Margin</i>	<i>32.7%</i>		<i>56.9%</i>		
<i>Operating Profit Margin</i>	<i>14.7%</i>		<i>51.1%</i>		
<i>EBITDA Margin</i>	<i>23.2%</i>		<i>54.5%</i>		
<i>Net Profit Margin</i>	<i>9.6%</i>		<i>36.3%</i>		

Revenue Breakdown by patient type of Q4/2022

Revenue Breakdown by patient type (Unit : Million Baht)	Q4/2022		Q4/2021		Change (%)
	Revenue	Proportion	Revenue	Proportion	
From general patients	1,922.6	69.0%	2,623.7	38.5%	(26.7%)
General OPD patients	993.5	35.7%	1,606.2	23.6%	(38.1%)
General IPD patients	929.1	33.3%	1,017.5	14.9%	(8.7%)
From social security patients	907.7	32.5%	845.9	12.4%	7.3%
From the government related to COVID-19	(42.6)	(1.5%)	3,346.3	49.1%	(101.3%)
Revenue from hospital operations	2,787.7	100.0%	6,816.0	100.0%	(59.1%)

Analysis of the Consolidated Financial Position

Consolidated Statements of Financial Position (Unit : Million Baht)	As of 31 December		Change (%)
	2022	2021	
Total assets	19,796.5	26,383.8	(25.0%)
Current assets	6,834.7	13,541.3	(49.5%)
Non-current assets	12,961.8	12,842.5	0.9%
Total liabilities	6,286.7	12,078.1	(48.0%)
Current liabilities	3,510.2	7,847.5	(55.3%)
Non-current liabilities	2,776.5	4,230.6	(34.4%)
Total Shareholders' Equity	13,509.8	14,305.6	(5.6%)
Equity attributable to the Company	12,444.9	12,979.7	(4.1%)
Non-controlling interests	1,064.9	1,325.9	(19.7%)

Total assets for 2022 totaled 19,796.5 million baht, a decrease of (25.0) percent comparing to last year

Mainly from the decrease of cash and cash equivalents from the dividend payment for the year 2021, the interim dividend payment for the year 2022, the repayment of debentures and loans from financial institutions, the purchase of land for new hospital expansion and the buildings renovation. Moreover, trade accounts receivable decreased from payment received from the government related to COVID-19 and the Company also recorded the loss on decline in value on inventory.

Total liabilities for 2022 totaled 6,286.7 million baht, a decrease of (48.0) percent comparing to last year

Mainly due to the reduction of deferred income of the Moderna alternative vaccine, accrued expenses related to COVID-19 service, repayment of debentures, the loans from financial institutions, and income tax.

Total Shareholders' Equity for 2022 totaled 13,509.8 million baht, a decrease of (5.6) percent comparing to last year

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.

Analysis of the Consolidated Financial Position

FINANCIAL RATIO HIGHLIGHTS	For the year ended 31 December	
	2022	2021
Current Ratio (times)	1.9	1.7
Average Collection Period (days)	91.3	68.0
Average Inventory Period (days)	11.4	11.9
Average Payables Period (days)	24.2	25.2
Debt to Equity (times)	0.5	0.9
Return on Assets (%)	18.2	44.3
Return on Equity (%)	23.9	68.9

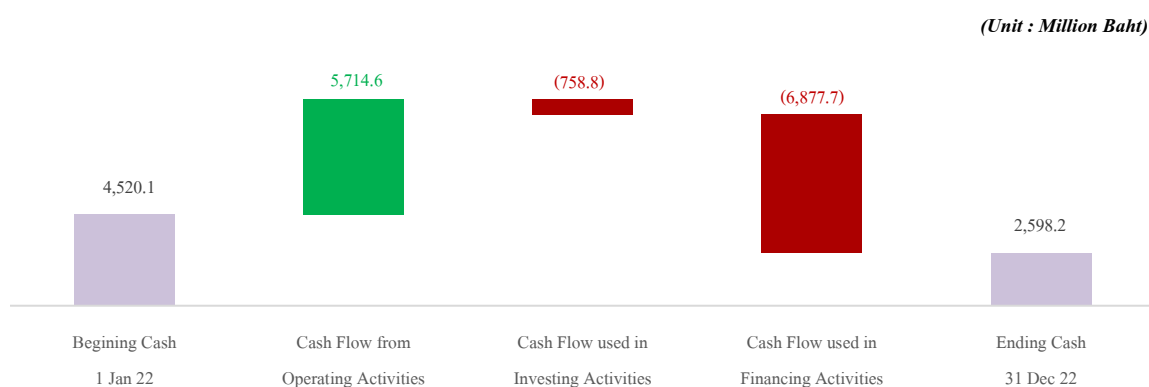


Analysis of Cash Flow Statement

Consolidated Cash flow Statements (Unit : Million Baht)	For the year ended 31 December	
	2022	2021
Cash flow from operating activities	5,714.6	6,256.4
Cash flow used in investing activities	(758.8)	(1,495.5)
Cash flow used in financing activities	(6,877.7)	(1,184.7)
Net increase (decrease) in cash and cash equivalents	(1,921.9)	3,576.3
Cash and cash equivalents at 1 January	4,520.1	943.8
Cash and cash equivalents at 31 December	2,598.2	4,520.1

Cash and cash equivalents as of 31 December 2022 decreased 1,921.9 million baht comparing to last year

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 31 December 2022 equal to 2,598.2 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 5,714.6 million baht due to profit from operating activities and the payment received from the government related to COVID-19.

Cash flow used in investing activities

Net cash flow used in investing activities amounted to (758.8) million baht due to the building renovation and new hospital expansion for example, the purchase of land and buildings at Pathumthani province and the purchase of land for the investment of new hospital at Samut Prakan province.

Cash flow used in financing activities

Net cash flow used in financing activities amounted to (6,877.7) 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.

Forward Outlook for 2023

In 2023, the Company focuses on continuously facilitating patients with high quality healthcare services and increasing customer satisfaction. The Company plans to enhance services through expanding new hospitals in many areas, increasing efficiency of existing hospitals and establishing specialized medical center, encouraging new marketing strategy to attract and improve satisfaction for each patient group, collaborating with government and private sector through medical service agreements. The Company aims to raise awareness and recognition, expand patient coverage of the affiliated hospitals, and also increase quality of life as well as enhance Company growth under good corporate governance and sustainability practices. The Company strategies are as follows:

1. Moving toward new expansion phase : 5 hospitals in 5 years

The Company plans to invest for new hospitals in 5 years to increase access of medical treatment for both Thai and foreign patients as well as patients under the Social Security Scheme in many areas. The Company also focuses on establishing comprehensive specialized medical center with specialist medical personnel and enhancing the hospital referral network which would increase Company competitiveness and generate sustainable performance for Company in long term. In 2023, there are 2 constructing projects as follows:

(1) Kasemrad Ari Cancer Rangsi Raksa Center, Nonthaburi Province: A specialized medical center for cancer treatment using radiotherapy. This collaboration between the Company, which have patient base under 15 affiliated hospitals, and Bangkok Cancer Detection and Treatment Center Company Limited, which has specialized in medical operations and treatment of cancer using radiotherapy for over 37 years, would enhance the Company's capability of cancer treatment, reduce the referral costs to non-affiliated hospitals, and promote the Company to become a referral center for both general patients and patients under the Social Security Scheme. This specialized cancer center is located nearby World Medical Hospital, Chaengwattana Road, Nonthaburi Province. This project investment is not over 300 million baht. It is expected to start operation in the first quarter of 2024.

(2) Kasemrad Hospital Suvarnabhumi, Samut Prakan province: This project aims to increase the patient's coverage both normal patients as well as patients under the Social Security Scheme. The Company plans to establish new hospital with 268 licensed beds, develop a comprehensive specialized medical center along with professional medical personnel from various fields. This would increase the efficiency of patient referral network between affiliated hospitals promoting the competitiveness of the Company in the future. This project investment is approximately 1,600 million baht and it is expected to begin the construction in 2024 and expected to open in 2026.

Furthermore, the Company is currently studying strategic areas that have potential such as Eastern Economic Corridor (EEC) for future hospital expansion in order to increase service area and expand patient coverage.

Forward Outlook for 2023

2. Enhancement of medical service and renovation plan

(1) Renovating service area to enhance medical service efficiency. The Company has renovation plan to support out-patient services area and in-patient ward, and also increase parking space to provide more convenience for patients for example, renovating building at Karunvej Hospital Pathumthani to attract more cash patients as well as to upgrade the hospital brand to be equivalent to the standard of the Kasemrad Hospital group. Renovating patient rooms at Kasemrad Hospital Bangkae and Kasemrad Hospital Prachachuen to offer a wide range of room types for cash patient needs.

(2) Building specialized medical center to provide one stop medical services, reduce the referral costs, and also promote the hospital to become a referral center in the future for example, establishing a specialized medical center for cancer treatment using radiotherapy, opening new heart center, regenerative medicine center, and MRI center.

(3) Enhancing modern technology for medical treatment to increase efficiency for example, robotic rehabilitation, MRI technology which use for disease detection, diagnosis, and treatment monitoring.

3. Specialized personal healthcare and service quality improvement

(1) General patient

The Company and affiliated hospitals emphasize on providing efficient medical treatment along with increasing customer satisfaction through specialized medical treatments for each patient needs and special services such as patient pick-up from home to hospital, fast track diagnosis. These strategies would increase customer satisfaction and positive patient experience. Moreover, the Company and affiliated hospitals also encourage marketing strategy and new communication channels such as social media such as YouTube, TikTok, and Facebook to raise awareness, offer healthcare promotion for treatment package, health check-up, as well as aesthetics treatment to attract new patients who have shown interests in health and beauty.

(2) Social security patient

The Company and affiliated hospitals aim to increase medical service efficiency and patient satisfaction in accordance with the intention and guideline of the Ministry of Labor and Social Security Office for example, providing service area called “Smile Corner” as a reception room and knowledge corner on social security benefits for insured persons, and also continuously providing training courses on medical service standard and quality for medical personnel which would improve insurer satisfaction.

Forward Outlook for 2023

4. Medical service agreements

Beside the enhancement of medical service efficiency and new attraction strategy which support continuous Company performance, the Company also focuses on signing medical service agreement with the government and private sector to raise awareness and recognition for affiliated hospitals as well as increase opportunity and positive Company performance in the future.

(1) Agreement with the government agency

- Kasemrad International Hospital Rattanatibeth provides annual health check-up services of 2023 for employee of the Company which register as a member of the Federation of Thai Industries.
- Kasemrad Hospital Rattanatibeth, Karunvej Hospital Pathumthani, and Karunvej Hospital Ayutthaya, in collaboration with the Social Security Office, provide proactive medical services and health check-up of 2023 in Nonthaburi, Pathumthani, and Ayutthaya province.
- World Medical Hospital and Kasemrad Hospital Bangkae, in collaboration with the Social Security Office, improve efficiency and accessibility for insured persons under the Social Security Scheme to cardiovascular procedures treatment. This would raise awareness and expand service coverage as well as generate more revenues from higher medical service fees.

(2) Agreement with private sector

- Affiliated hospitals in collaboration with hotels and the hospitality service providers to offer RT-PCR screening package for traveler before departure Thailand such as Chinese travelers, and also provide medical treatment for those travelers tested positive.
- Affiliated hospitals prepare to facilitate international patients with specialized medical treatment and specialist medical personal for example, diabetic wound treatment for Middle East patients, and infertility treatment.

Sustainability Development

The Company remains committed to developing sustainable business operations in accordance with the ESG guidelines for environmental, social, and governance development, with awareness on overall impacts and management to all stakeholders. In order to promote and explicit sustainability intention, the Company has communicated with all employees to raise awareness and encourage them to integrate sustainable guideline into business operations.

Moreover, the Company has joined “Care the Bear” project initiated by the Stock Exchange of Thailand to explicit Company intention that emphasizes on the climate change impact management and sustainability business through reducing global warming by lowering greenhouse gas emissions through event organization for example, online meeting, online training, and e-AGM. This project would change employee behaviors and also respond to the UN Sustainability Development Goals (SDGs), SDG 13: Climate Action.



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