

Management Discussion and Analysis

For the operating results of Q1
ended 31 March 2023



Your Family Your Hospital

Overview of the situation in Q1/2023

Business operations and daily life activities returned to normal situation since the recovery of COVID-19 pandemic. The reopening for cross-border activities and traveling aboard especially China reopening and Myanmar border gate reopening including with Visa criteria adjustments for foreigners for example, 30 days free Visa for Saudi Arabia, the improvement of the Long-Term Resident Visa for foreign talents, including the approval of principle and fee rate for Medical Treatment Visa, are the important factor driving upward trend of medical tourism in Thailand. However, the first quarter was low season for medical treatment since low rate of seasonal infection diseases and many holidays which resulted in the low number of patients and the lower growth rate of revenue compare with other period. The Company and affiliated hospitals have shifted strategic plan to facilitate patients in accordance with COVID-19 situation by preparing to provide medical services and support number of patients which increased from pent-up demand since the COVID-19 pandemic as well as facilitate increased international patients since the reopening. The Company has also renovated service area both interior and exterior to attract patients, increase specialized medical center to support increased demand related to preventive care and aesthetics surgery, and also prepare capacity and medical personnel to be prepared for the re-emerging of COVID-19 situation in Thailand after Songkran festival.

Analysis of the Consolidated Financial Performance

In Q1/2023, total revenue reported of 2,696.1 million baht which declined (62.1) percent yoy, however such revenue still increased compared with pre COVID-19 level.

The Company had total revenue of 2,696.1 million baht, a decrease of (62.1) percent yoy because of the revenue related to COVID-19 treatment which has been significantly declined in accordance with the recovery of COVID-19 situation and returning to normal base. Moreover, total revenue decreased by (3.6) percent qoq due to low season of medical treatment compared with Q4/2022. The Company reported profit from operating activities of 362.4 million baht, a decrease of (86.8) percent yoy and Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 600.3 million baht, a decrease of (79.8) percent yoy. Net profit attributable to owners of the Company amounted to 253.9 million baht which declined by (87.5) percent yoy. The decreased of profit was in line with the easing of COVID-19 situation and gradually turn to normal performance base. However, Net profit attributable to owners of the Company of Q1/2023 declined (5.9) percent qoq due to the increased cost of hospital operations (COGS) for example, referral

Analysis of the Consolidated Financial Performance

cost, utilities, and personnel expenses, including with the decreased financial performance of new hospitals because of none COVID-19 revenue. The Company also continually launches marketing campaigns to attract customers both general and social security patients.

Consolidated statements of comprehensive income of Q1/2023

Consolidated Statements of Comprehensive Income (Unit : Million Baht)	Q1/2023	Q1/2022	Change (%)
Revenue from hospital operations	2,673.9	7,087.3	(62.3%)
Other income	22.2	31.3	(29.2%)
Total Revenue	2,696.1	7,118.6	(62.1%)
Cost of hospital operations	(1,935.8)	(3,889.9)	(50.2%)
Distribution costs and Administrative expenses	(397.9)	(491.1)	(19.0%)
Total Expenses	(2,333.7)	(4,381.0)	(46.7%)
Profit from operating activities	362.4	2,737.6	(86.8%)
Interest income	2.5	0.2	1,139.7%
Finance costs	(27.6)	(48.0)	(42.5%)
Share of profit (loss) of associate	(1.2)	0.6	(285.4%)
Tax expense	(69.9)	(542.2)	(87.1%)
Profit for the period	266.2	2,148.2	(87.6%)
Owners of the Company	253.9	2,028.3	(87.5%)
Non-controlling interests	12.3	119.9	(89.7%)
<i>Gross Profit Margin</i>	<i>27.6%</i>	<i>45.1%</i>	
<i>Operating Profit Margin</i>	<i>13.4%</i>	<i>38.5%</i>	
<i>EBITDA Margin</i>	<i>22.3%</i>	<i>41.7%</i>	
<i>Net Profit Margin</i>	<i>9.4%</i>	<i>28.5%</i>	

Analysis of the Consolidated Financial Performance

Revenue Breakdown by patient type of Q1/2023

Revenue Breakdown by patient type (Unit : Million Baht)	Q1/2023		Q1/2022		Change (%)
	Revenue	Proportion	Revenue	Proportion	
From general patients	1,766.5	66.1%	2,895.4	40.9%	(39.0%)
General OPD patients	896.3	33.5%	1,814.6	25.6%	(50.6%)
General IPD patients	870.2	32.6%	1,080.8	15.3%	(19.5%)
From social security patients	896.9	33.5%	787.8	11.1%	13.8%
From the government related to COVID-19	10.5	0.4%	3,404.1	48.0%	(99.7%)
Revenue from hospital operations	2,673.9	100.0%	7,087.3	100.0%	(62.3%)

The revenue breakdown by patient type are as follows:

Revenue from general patients for Q1/2023 amounted to 1,766.5 million baht, a decrease of (39.0) percent yoy from high base COVID-19 revenue.

The revenue from general OPD patients amounted 896.3 million baht, a decrease of (50.6) percent yoy due to the high base of revenue in Q1/2022 that affiliated hospitals provided the Moderna alternative vaccine and COVID-19 screening for patients. For the revenue of general IPD patients amounted 870.2 million baht, a decrease of (19.5) percent yoy due to the high volume of revenue from COVID-19 patients in Q1/2022 that using self-paid or the reimbursement from private insurance.

Revenue from social security patients for Q1/2023 amounted to 896.9 million baht, an increase of 13.8 percent yoy.

In Q1/2023, affiliated hospitals have average number of registered insurers increased 8.3 percent yoy, amounted to 1,013,146 persons, represented insurers confidence and trustworthiness in medical services of affiliated hospitals which resulted in the increase of basic capitation revenue under the Social Security Scheme. Moreover, the increased revenue was influenced by pent-up demand for high cost care ($RW \geq 2$) from social security patients who have postponed their treatment during the pandemic.

Analysis of the Consolidated Financial Performance

Revenue from the government related to COVID-19 treatment for Q1/2023 amounted to 10.5 million baht, a decrease of (99.7) percent yoy.

In late 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. However, in 2023, this revenue occurred from difference of receiving payment.

Total Cost and Expenses for Q1/2023 amounted to 2,333.7 million baht, a decrease of (46.7) percent yoy

The main reason were from the decrease of cost of hospital operations (COGS) of (50.2) percent yoy, for example, service cost related to COVID-19 and inventory cost from the Moderna alternative vaccine. Meanwhile, the distribution costs and administrative expenses (SG&A) declined by (19.0) percent yoy from the decreased of the bad debt and expected credit loss and foreign exchange loss. However, the Company continually managed and controlled costs and expenses at appropriate level.

Analysis of the Consolidated Statements of Financial Position

Consolidated Statements of Financial Position (Unit : Million Baht)	As of		Change (%)
	31 March 2023	31 December 2022	
Total Assets	18,803.1	19,796.5	(5.0%)
Current assets	5,875.5	6,834.7	(14.0%)
Non-current assets	12,927.6	12,961.8	(0.3%)
Total Liabilities	4,995.8	6,286.7	(20.5%)
Current liabilities	3,278.6	3,510.2	(6.6%)
Non-current liabilities	1,717.2	2,776.5	(38.2%)
Total Shareholders' Equity	13,807.3	13,509.8	2.2%
Equity attributable to the Company	12,699.4	12,444.9	2.0%
Non-controlling interests	1,107.9	1,064.9	4.0%

Analysis of the Consolidated Statements of Financial Position

Total Assets as of Q1/2023 totaled 18,803.1 million baht, a decrease of (5.0) percent comparing to the end of previous year. Mainly from the decrease of trade accounts receivable and accrued income from payment received from the government related to COVID-19, and the decrease of cash and cash equivalents from the repayment of debentures and loans from financial institutions.

Total Liabilities as of Q1/2023 totaled 4,995.8 million baht, a decrease of (20.5) percent comparing to the end of previous year. Mainly due to the repayment of debentures and loans from financial institutions, the reduction from accounts payable and the accrued expenses related to COVID-19 service.

Total Shareholders' Equity as of Q1/2023 totaled 13,807.3 million baht, an increase of 2.2 percent comparing to the end of previous year due to an increase in the Company's retained earnings.

Financial Ratio Highlights	For the year ended	
	31 March 2023	31 December 2022
Current Ratio (times)	1.8	1.9
Average Collection Period (days)	125.6	91.3
Average Inventory Period (days)	12.7	11.4
Average Payables Period (days)	37.8	24.2
Debt to Equity Ratio (times)	0.4	0.5
Return on Assets Ratio (%)	7.7%	18.2%
Return on Equity Ratio (%)	9.1%	23.9%

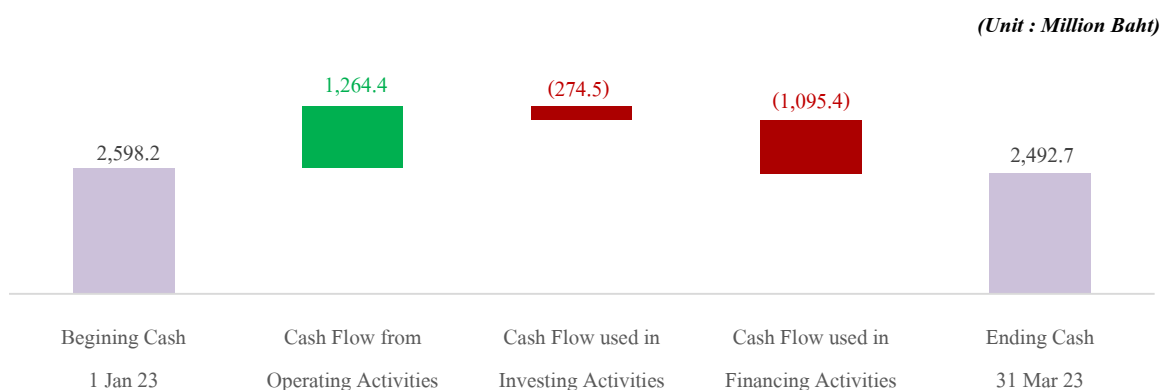
Analysis of the Consolidated Cash Flow Statements

Consolidated Cash flow Statements (Unit : Million Baht)	For the year ended 31 March	
	2023	2022
Cash flow from operating activities	1,264.4	2,102.6
Cash flow used in investing activities	(274.5)	(1,911.5)
Cash flow used in financing activities	(1,095.4)	(538.7)
Net decrease in cash and cash equivalents	(105.5)	(347.6)
Cash and cash equivalents at 1 January	2,598.2	4,520.1
Cash and cash equivalents at 31 March	2,492.7	4,172.5

Cash and cash equivalents

As of 31 March 2023 decreased (105.5) million baht.

Net cash at the beginning of the period as of 1 January 2023 amounted to 2,598.2 million baht. According to each activities, net cash at the end of the period as of 31 March 2023 equal to 2,492.7 million baht. Details of cash flows for each activity are as follows:



Net Cash flow from operating activities amounted to 1,264.4 million baht due to profit from operating activities and the payment received from the government related to COVID-19.

Net Cash flow used in investing activities amounted to (274.5) million baht due to the building renovation for example, OPD/social security patients service area at Kasemrad Hospital Prachachuen and patients ward at Kasemrad Hospital Saraburi and Kasemrad Hospital Chachoengsao.

Net Cash flow used in financing activities amounted to (1,095.4) million baht due to the repayment of debentures and loans from financial institutions, and payment of financial costs.

Forward Outlook

In 2023, the Company aims to continually provide medical services with well standard, enhance patients' satisfaction, and increase awareness and patients' base of affiliated hospitals. The Company also purposes for enhancing people quality of life along with growing company performance in the long term by following growth strategy as follows;

1. Revenue from social security patients has positive trend due to the increase of basic capitation rate and registered insurers

Affiliated hospitals have average registered insurers as of Q1/2023 amounted to 1,013,146 persons which increased by 8.3 percent yoy. In April 2023, the Social Security Office has announced the new basic capitation rate amounted to 1,808 baht per registered person, increased 10.2 percent from 1,640 baht per registered person, which will be effective since 1 May 2023 onwards. As a consequence of this adjustment, basic capitation revenue of affiliated hospitals that participated in Social Security Scheme will be increased.

The Company also aims to enhance healthcare accessible efficiency through the agreement signed by 8 affiliated hospitals, namely World Medical Hospital, Kasemrad Hospital Bangkae, Kasemrad Hospital Prachachuen, Kasemrad Hospital Chachoengsao, Kasemrad Hospital Ramkhamhaeng, Kasemrad Hospital Sriburin, Kasemrad Hospital Saraburi, and Karunvej Hospital Pathumthani, and the Social Security Office to provide medical treatment for social security patients in the scope of 5 diseases; Cardiovascular treatment, Stroke, Breast Cancer treatment, Kidney and Gall Bladder stone treatment, and Myomectomy treatment during January - June 2023. Moreover, affiliated hospitals, namely Kasemrad Hospital Rattanaibeth, Karunvej Hospital Pathumthani, and Karunvej Hospital Ayudhaya, in collaboration with the Social Security Office, provide proactive medical services and health check-up of 2023 in Nonthaburi, Pathumthani, and Ayudhaya province to raise awareness and recognition for affiliated hospitals as well as increase the Company performance. Affiliated hospitals also aim to increase medical service efficiency and patient satisfaction by providing service area called "Smile Corner" as a reception room and knowledge corner on social security benefits for insured persons.

Forward Outlook

2. The Company focuses on increasing international patients base

Several months ago, the reopening of cross-border activities resulted in large number of foreign tourists as well as Visa criteria adjustments will be the key driver to support medical tourism in Thailand. The Company and affiliated hospitals see opportunity to access and increase international patients base. Hence, in March 2023, World Medical Hospital has signed a memorandum with Lavidia Advanced Fertility and Genetics Center Company Limited to enhance improve the quality of services and enlarge Chinese's patients base especially in Anti-Aging and IVF treatment. Furthermore, affiliated hospitals also provide medical services for international for example, a memorandum with Libyan Embassy to provide civil servants with specific diseases treatment especially with a fertility center.

3. Targeting strategy move towards to preventive and aesthetic care market.

The Company and affiliated hospitals recognize the growth of medical services for preventive care and plastic surgery resulted in the opening of Regenerative and Medicine center in many affiliated hospitals to provide preventive and anti-aging treatment. In March 2023, Kasemrad International Hospital Rattanaibeth opened Kasemrad Plastic Surgery by Bujeong, which is plastic surgery specialists under safety standard and modern technology, to serve aesthetic demand and continually launch online marketing campaign through social media to increase awareness and provide special promotion which gained positive feedback from customers. Furthermore, the Company also plans to expand this plastic surgery to other affiliated hospitals to serve customers who have shown interests in health and beauty. Besides the promoting on preventive care, the Company also raises awareness in financial planning for medical treatment, through the collaboration with the Viriyah Insurance Public Company Limited by launching health insurance called “V-Delight and V-Deluxe Care by Kasemrad”, to improve the process of receiving medical treatment in affiliated hospitals for patients.

Forward Outlook

4. Expansion and renovation project still in progress and proceed in accordance with the plan

The Company targets to expand 5 hospitals in the next 5 years to improve accessible to healthcare for both Thai and international patients as well as social security patients. The ongoing projects are as follows; **(1) Kasemrad Ari Radiation Oncology Clinic, Nonthaburi Province** for OPD patients with project investment is not over 300 million baht. This center is under construction and expect to start operation in 2024, and **(2) Kasemrad Hospital Suvarnabhumi, Samut Prakan province** with 268 licensed beds and project investment is approximately 1,600 million baht, which are under architecture design process for Environmental Impact Assessment (EIA) approval in Q3/2023 and expect to start construction in 2024 and open for operation in 2025. Furthermore, the Company is studying strategic areas that have potential such as Eastern Economic Corridor (EEC) for future hospital expansion.

The exterior and interior renovating project of some affiliated hospitals has finished for example, OPD/social security patients service area at Kasemrad Hospital Prachachuen, patients ward at Kasemrad Hospital Saraburi and Kasemrad Hospital Chachoengsao. The rest of renovating projects still on progress for example, OPD/social security patients service area at Kasemrad Hospital Chachoengsao, OPD nighttime area at Kasemrad Hospital Prachachuen, changing chiller for energy saving at Kasemrad Hospital Saraburi, patients ward at Karunvej Hospital Pathumthani, and exterior renovation at Kasemrad Hospital Bangkhae.

Sustainability Development

The Company remains committed to operate business under sustainable development in accordance with Environmental, Social, and Governance (ESG) aspect with awareness on overall impacts to all stakeholders. In order to promote and explicit sustainability intention, the Company has approved an increase in the scope of duties and responsibilities of the Risk Management Committee to elevate operational procedures and corporate risk management in line with the sustainable business development guideline in terms of ESG. The Company also developed and published Sustainability Report 2022¹ to disclosure ESG performance.

This year, the Company also focus on operating business under ESG development with stakeholders covering 3 aspects for example, communicating and inviting business partners and suppliers to comply with Anti-corruption policy, monitoring the implementation of Supplier Code of Conduct, reducing energy consumption, and expanding solar cells installation on the roof of affiliated hospital buildings and car parks as well as promoting online event to reduce greenhouse gas emissions and climate change impact.



¹ For more information on Sustainability Report 2022, please visit <https://hub.optiwise.io/en/documents/71926/bch-sustainability-report-2022-en.pdf>



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