

No. 009/2023

10 May 2023

RE: Management Discussion and Analysis for Q1/2023

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 Q1/2023, ended 31 March 2023, compare with same quarter of the Year 2022 as follows:

#### Major developments in Q1/2023

The operating results of the first quarter of 2023 continued to expand the hospital business and healthcare business. On 23 January 2023 Princ Hospital Sakon Nakhon, a hospital within the company's network, start operating. Princ Hospital Sakon Nakhon is the 13<sup>th</sup> hospital and the third hospital in the Northeastern region of Thailand to be part of the network. Its strengths include a new hospital, efficient healthcare and modern equipment to cater to the lifestyles of the people of Sakon Nakhon. The hospital has 59 beds and provides comprehensive medical service in Advanced Secondary care level, with strong support from partner organizations. It serves not only Sakon Nakhon province, but also nearby provinces such as Nakhon Phanom, Mukdahan, Kalasin, Udon Thani, Bueng Kan, and Nong Khai.

On 1 April 2023, Pitsanuloke Medical Company Limited (a subsidiary of which shares are held indirectly by the Company), purchased and consolidated all the business operations (entire business transfer) of Phitsanulok Ruamphat Limited ("RP"), a private hospital company under the name "Ruamphat Phitsanulok Hospital" located in Mueang district, Phitsanulok province, the total value of the entire business transfer not exceeding of THB 570.0 million. The RP has a registered capacity of 100 beds and its location is close to Pitsanuvej Hospital, which will expand the hospital's network business, especially in terms of service capacity and immediate income recognition in the second quarter of 2023. Entering into this transaction will enhance growth and competitiveness, including revenue and increasing profitability for the group of Company in the future.

While expanding specialized medical centers and treating complex diseases in the first quarter of 2023 according to the plan, Princ Hospital Lamphun provided arteriovenous fistula (AVF) surgery for kidney dialysis, Princ Hospital Sisaket expanded services to include geriatric clinics, medical diagnostic tests such as sleep

tests, Platelet Rich Plasma (PRP) therapy, and Virajsilp Hospital in Chumphon provided plastic surgery and wellness services, while Princ Hospital Suvarnabhumi provided eye, ear, nose, and throat clinics (EENT).

For other health care related businesses, including the universal coverage clinic network ( Klai Baan Klai jai clinic) under the National Health Security Office, have expanded their branches up to 15 more, totaling to 37 branches, and plan to expand further in the Bangkok Metropolitan area and its suburbs to provide treatment for social security patients in the second quarter of 2023, the Skin & Aesthetic Clinic business of the Pewdee Clinic Esthetics Co., Ltd., named “Pewdee Clinic,” opened its 12<sup>th</sup> branch on 24 February 2023, located on the third floor of the Anekvanich Building in the heart of the important economy area of Thonglor. Currently, Pewdee Clinic has branches in mall areas and standalone units in Bangkok and its suburbs include in Princ Hospital Suvarnabhumi.

Regarding sustainability operations in the first quarter of 2023, the company began calculating its carbon footprint in accordance with the guidelines of the Carbon Disclosure Project, aiming to achieve carbon neutrality by 2050 and net zero greenhouse gas emissions by 2065. At the same time, the PRINC PSAN project continued for its second year with the selection and support of local entrepreneurs in establishing new hospitals, such as Princ Hospital Sakon Nakhon, and hospitals within the company network have started to gradually replace employee uniforms with those made from plastic bottles in line with its sustainable development policy and human rights policy to align with SDGs implementation.

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

For the first quarter of 2023, due to the outbreak of COVID-19 which nearing up for a return to normalcy, causing the Hospital Business related to COVID-19 revenues greatly reduced. So conversely non-COVID revenues increased by THB 209.0 million (25.1%) from the same period last year. The normal disease tends to improve from the easing travel restriction, that generates income from revenues from the international patients particularly from ASEAN, China and Middle East which believe in the quality of treatment, medical expenses, and cost of living are not very high compared to competitors in the same region. In addition, the demand for medical treatment increases according to the number of patients and the higher morbidity rate. Also, from lifestyles that are at risk of disease, aging society, and the epidemic of emerging diseases. Therefore, revenues are expected to continue to grow in 2023. For the Company's hospitals, there are preparations to open specialized medical centers such as Princ Hospital Suvarnabhumi, which plans to step into Tertiary Care, prepares to open a Comprehensive Heart Center, Cancer Surgery and Treatment Center, Brain and Nervous System Center, Minimally Invasive Surgery Center and Chronic Disease Center for Elderly Care to support the

treatment of elderly who tend to grow according to the aging society in Thailand. Simultaneously, it continues to improve the premium patient rooms to accommodate groups of patients with high purchasing power.

For the Hotel Business in the first quarter of 2023, has continued to recover from the second half of 2022, especially in the last quarter of the year which is the high season of tourism, causing in the high number of foreign tourists. As a result, the revenue of the Hotel Business in the first quarter of 2023 increased by THB 44.8 million (64.0 %) compared to the same quarter of the previous year. For business operations in 2023, although the recovery of the Hotel business tends to be more obvious also the positive factor, earlier than expected arrival of Chinese tourists. Including the Middle East travelers to come for medical treatment purposes, the travelers from India, Europe and the United States that travel to Thailand more conveniently. But this year's hotel business still encounters challenges from the uncertain tourist market due to the global economic recession, inflation and the persistent spread of COVID-19, as well as the stressful situations from geopolitical problems. This will affect costs in terms of product prices, energy, and there is also a tendency to adjust interest rates of commercial banks, which requires constant monitoring. The company expects that the revenue in 2023 will be able to return to income similar to the year 2019 (before COVID-19), with the company 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 also focusing on organizing more activities, conferences, seminars and events.

### Operating results for Q1/2023

<b>Consolidated</b>	<b>Q1/2023</b>	<b>Q1/2022</b>	<b>Increase (decrease)</b>	<b>Change %</b>
Unit: THB million				
Revenues from healthcare services	1,069.2	1,986.9	(917.7)	-46.2
Revenues from sales and services	141.1	98.3	42.9	43.6
Costs of healthcare services	916.1	1,233.1	(316.9)	-25.7
Costs of sales and services	<u>82.3</u>	<u>62.5</u>	<u>19.8</u>	<u>31.7</u>
<b>Gross Profit</b>	<b>211.8</b>	<b>789.5</b>	<b>(577.7)</b>	<b>-73.2</b>
Other income	17.6	69.9	(52.3)	-74.8
Selling and Administrative expenses	334.6	280.1	54.5	19.5
Finance costs	<u>47.9</u>	<u>37.5</u>	<u>10.4</u>	<u>27.8</u>
<b>Profit (loss) before income tax expense</b>	<b>(153.1)</b>	<b>541.8</b>	<b>(694.9)</b>	<b>-128.3</b>
Income tax expense	<u>(3.8)</u>	<u>(85.2)</u>	<u>81.5</u>	<u>95.6</u>
<b>Profit (loss) for the period</b>	<b>(156.9)</b>	<b>456.6</b>	<b>(613.4)</b>	<b>-134.4</b>

<u>Consolidated</u>	Q1/2023	Q1/2022	Increase (decrease)	Change %
Unit: THB million				
Other comprehensive income	<u>2.6</u>	-	<u>2.6</u>	<u>n/a</u>
Total comprehensive income (expense) for the period	<u>(154.3)</u>	<u>456.6</u>	<u>(610.9)</u>	<u>-133.8</u>
Profit (loss) attributable to owner of the parent	(140.5)	420.9		
Total comprehensive income (expense) attributable to owner of the parent	(138.0)	420.9		

Compared to the first quarter of 2022, there are revenues related to COVID-19 services, whether it is revenue from treatment, income from screening, including income from the sale and service of the COVID-19 vaccine with a lot. It can be seen that in the first quarter of 2023, the revenue from Healthcare Services Business decreased by THB 917.7 million (46.2%). If excluding these COVID-19 related revenues, in this quarter the non COVID-19 related revenues increased by THB 209.0 million (25.1%). While the Property Business increased by THB 42.9 million (43.6 %). From cost reduction rate is less than the revenue reduction rate in the Healthcare Services Business, causing the gross profit decreased by THB 577.7 million (73.2 %). After deducting various expenses incurred, resulting in the Company's total loss for this period was THB 156.9 million. For Other comprehensive income was THB 2.6 million from measurement of employee benefit obligation. As a result, the Company's total comprehensive expense was THB 154.3 million, lower than the same quarter last year that had a profit of THB 456.6 million or a change of 133.8%.

#### Total Revenues

<u>Consolidated</u>	Q1/2023	Q1/2022	Increase (decrease)	Change %
Unit: THB million				
<u>Healthcare services business</u>				
<u>Hospital business</u>				
- Existing Hospitals	999.0	1,949.9	(950.9)	-48.8
- New Hospitals	10.9	-	10.9	n/a
<u>Clinics and other healthcare related businesses</u>	59.2	37.0	22.2	60.1
<u>Property business</u>	<u>141.1</u>	<u>98.3</u>	<u>42.9</u>	<u>43.6</u>
<b>Total Revenues</b>	<b><u>1,210.2</u></b>	<b><u>2,085.1</u></b>	<b><u>(874.9)</u></b>	<b><u>-42.0</u></b>

The Company and the subsidiaries generated revenues THB 1,210.2 million, which was a decrease of THB 874.9 million or 42.0 resulted from the following;

- Hospital business:
  - Existing Hospitals: A revenue decreased by THB 950.9 million (48.8%) from all hospitals, due to the drop-in revenues related to COVID-19 decreased, while revenues not related to COVID-19 higher from all hospitals as well
  - New Hospitals: Princ Hospital Sakon Nakhon, which opened in January 2023, had revenue of THB 10.9 million.
- Clinics and other healthcare related businesses: Klai Baan Klai Jai Clinic had revenue of THB 20.3 million, was THB 15.6 million (43.5%) lower than the same quarter last year from revenue related to COVID-19 services and from Home Isolation. Pewdee Clinic, which began to recognize revenue on April 1, 2022 onwards, had an income of THB 38.1 million
- Property business: A revenue increased by THB 42.9 million (43.6%) from the easing travel restriction and from the relief of the COVID-19 situation as following;
  - The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increased by THB 31.1 million ( 103.8%). From the occupancy rate, which was increase from 64.5% in Q1/2022 to 85.3% and from the increase in average daily rate (ADR) from THB 2,869 to THB 4,466, which is a very high ADR compared to the past figures.
  - The Somerset Ekamai Bangkok, had a revenue increased by THB 13.7 million ( 34.2%). From the occupancy Rate, which was increase from 67.2% in Q1/2022 to 84.2%. From long-term customer (Service Apartment) and short stay customers in tower A, while
  - Bangkok Business Center office building, had a revenue decreased by THB 1.4 million (5.1%). Due to changing work trends of many companies, the demand for office rental slowed down resulting in requests to reduce rental space or return rental space continuously.

## Gross Profit

<u>Consolidated</u>	Q1/2023	Q1/2022	Increase (decrease)	Change %
Unit: THB million				
<b>Healthcare services business</b>				
<u>Hospital business</u>				
- Existing Hospitals	159.5	739.7	(580.2)	-78.4
- New Hospitals	(9.1)	-	(9.1)	n/a
<u>Clinics and other healthcare related businesses</u>	2.6	14.1	(11.5)	-81.6
<u>Property business</u>	<u>58.8</u>	<u>35.7</u>	<u>23.1</u>	<u>64.6</u>
<b>Total Gross Profit</b>	<b><u>211.8</u></b>	<b><u>789.5</u></b>	<b><u>(577.7)</u></b>	<b><u>-73.2</u></b>
<b>%Gross Profit Margin</b>	<b>17.5</b>	<b>37.9</b>		

The Company and its subsidiaries had gross profit THB 211.8 million, decreased by THB 577.7 million (73.2%) This was a result of the Healthcare Services Business with decreased revenue while some fixed costs remain high (employee cost and the cost of doctor's fees) together with the cost of energy which has increased considerably. While the Property Business has higher gross profit from higher revenue this quarter and able to control costs better as.

**Other Income:** Other income shown after gross profit, the Company had other income decreased THB by 52.3 million from that in the first quarter of 2022, there was the gain from adjustment for changes of net book value of loan which modified the terms of loan agreement of THB 56.1 million (from the Asset Warehousing transaction), as one-time item.

## Selling and administrative expenses

<u>Consolidated</u>	Q1/2023	Q1/2022	Increase (decrease)	Change %
Unit: THB million				
<b>Healthcare services business</b>				
<u>Hospital business</u>				
- Existing Hospitals	260.4	243.5	16.9	6.9
- New Hospitals	9.1	0.8	8.3	1014.4
<u>Clinics and other healthcare related businesses</u>	13.4	4.6	8.8	191.2
<u>Property business</u>	<u>51.6</u>	<u>31.1</u>	<u>20.5</u>	<u>66.0</u>
<b>Total Selling and administrative expenses</b>	<b><u>334.6</u></b>	<b><u>280.1</u></b>	<b><u>54.5</u></b>	<b><u>19.5</u></b>
<b>%Total Selling and administrative expenses</b>	<b>27.6</b>	<b>13.4</b>		

Selling and administrative expenses was THB 334.6 million, increased by THB 54.5 million (19.5%) from personnel expenses, marketing expenses, utility bills and operating expenses of the hospital business. Klai Baan Klai Jai Clinic and Pewdee Clinic had selling and administrative expenses increased due to more branch openings. The Property business expenses increased due to the personnel expenses, marketing expenses, operating expenses as well.

#### EBITDA

Consolidated	Q1/2023	Q1/2022	Increase (decrease)	Change %
Unit: THB million				
<b>EBITDA</b>	<b>80.9</b>	<b>727.0</b>	<b>(646.1)</b>	<b>-88.9</b>
Finance costs	47.9	37.5	10.4	27.8
Depreciation and amortization	186.1	147.8	38.3	25.9
Income tax expense	(3.8)	(85.2)	81.5	95.6
<b>Profit (loss) for the period</b>	<b>(156.9)</b>	<b>456.6</b>	<b>(613.4)</b>	<b>-134.4</b>
<b>%EBITDA Margin</b>	<b>6.7</b>	<b>34.9</b>		
<b>%Net Profit (loss) Margin</b>	<b>-13.0</b>	<b>21.9</b>		

EBITDA for Q1/2023 was THB 80.9 million, lower than the same quarter last year, from the decreasing of revenues in COVID-19 related services and the COVID-19 vaccine while costs and expenses have not been sufficiently reduced. Finance costs increased by THB 10.4 million due to an increase in loans from financial institutions. In addition, the loan interest rates of financial institutions increased from the same quarter last year. Depreciation increased by THB 38.3 million from Pewdee Clinic, which was added in the amount of THB 5.8 million. The acquisition of Pewdee Clinic creates intangible assets and amortization of THB 2.6 million also, from Princ Hospital Sakon Nakhon which increase during the period of THB 5.3 million. There was a loss for the period of THB 156.9 million.

#### Statement of Financial Position

Consolidated	31 March	31 December	Increase (decrease)	Change %
Unit: THB million	2023	2022		
<b>Total assets</b>	<b>17,710.3</b>	<b>17,777.4</b>	<b>(67.1)</b>	<b>-0.4</b>
Total liabilities	7,543.7	7,456.4	87.2	1.2
Equity attributable to owners of the parent	9,367.1	9,505.1	(138.0)	-1.5
<b>Debt to Equity Ratio (times)</b>	<b>0.81</b>	<b>0.78</b>		

As of 31 March 2023, the Company and its subsidiaries had total assets of THB 17,710.3 million, decreasing THB 67.1 million, compared to total assets as at 31 December 2022, resulting from;

- Financial assets measured at fair value through profit or loss decreasing THB 262.3 million from selling short-term investments in mutual funds that waiting to be paid for business operations.
- Trade receivables and other receivables decreased THB 157.7 million. While there was an increase in the deposit for hospital acquisition of THB 84.2 million.

As of 31 March 2023, the Company and its subsidiaries had total Liabilities of THB 7,543.7 million, increasing THB 87.2 million, compares to total liabilities as at 31 December 2022, resulting from;

- Long-term borrowings from financial institutions increased by THB 133.3 million resulting from increase in loan drawdown of the subsidiary to be used for investment in various projects
- Lease liabilities increased by THB 38.2 million from the purchase of medical equipment and tools

The debt-to-equity (D/E) ratio stood at 0.81, increase from 31 December 2022 at 0.78, due to long-term loans from financial institutions and increased lease liabilities. While the shareholders' equity decreased from the losses incurred during the period.

For your kind acknowledgement.

Yours respectfully.

Signature



(Miss Preeyaporn Aphiwathwithaya)

Division Director, Corporate Accounting