

Thonburi Healthcare Group PLC.

1Q2023 Management Discussion and Analysis

Overview of 1Q2023

Thonburi Healthcare Group Public Company Limited (THG) continues to grow steadily with its core business, the hospital industry, returning to normal and growing from its pre-COVID-19 pandemic operation results due to investment in strengthening its hospital business. Currently, the registered beds for THG's subsidiaries and associates in Thailand are 1,520 beds. In addition, THG recognizes the importance of technology and has established a subsidiary company called Telehealthcare Co., Ltd. to support its core business with innovative technology, making it easier and more cost-effective for customers to access healthcare services. THG also emphasizes service quality, and in January 2023, Thonburi Burana Hospital was accredited by the American Accreditation Commission International (AACI) with the highest score in the elderly hospital category in Thailand. To enhance the quality of care and safety of service according to THG's operating guidelines THG aims to continuously improve service standards, expertise, and professionalism among its employees for the benefit of all stakeholders.

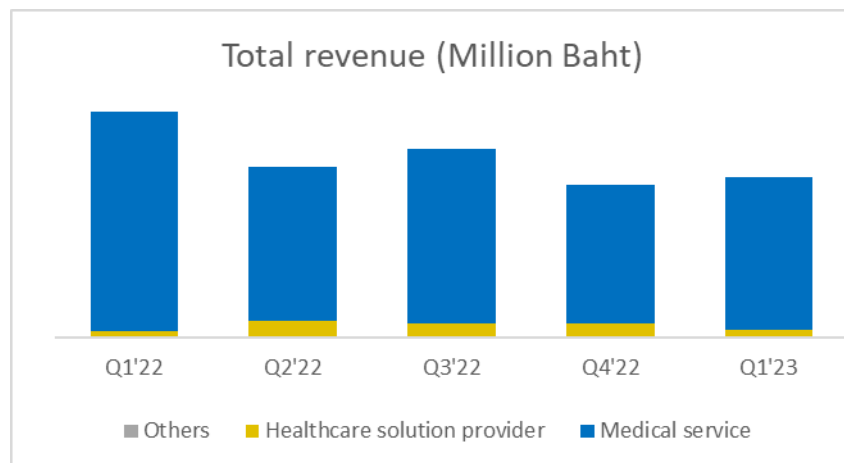
For the three-month operating results of 1Q2023, the total revenue decreased by 29.0% compared to the same period last year. The total revenue was THB 2,508mn, a decrease from THB 3,530mn. Although the number of patients receiving medical services increased, the results were affected by the revenue from COVID-19 patient services at hospital and field hospitals, as well as vaccine services in the previous year. If excluding the above-mentioned COVID-19-related items, THG's revenue would have grown by 20.9% from the total revenue, and Thonburi Bamrungmuang hospital's service format changes to accommodate COVID-19 patients. As for the net profit in the first quarter of 2023, it showed a profit of THB 250mn (a net profit margin of 9.9%), a decrease of 54.8% from the same period last year, which had a profit of THB 552mn (a net profit margin of 15.6%). THG continues to control costs and expenses to achieve the targeted profit margin.

Regarding Ar Yu International Hospital in Myanmar, the main operating results show consecutive profits from the previous year. In addition, THG's management efforts to reduce the impact of currency fluctuations by reserving foreign currency to support the repayment of foreign currency loans, as well as converting some foreign currency debt into Kyat. This, combined with the alleviation of currency fluctuations, has made the exchange rate impact insignificant.

For the elderly care business, there is the Jin Wellbeing County project which provides comprehensive housing for the elderly with medical services. Despite delays in room transfers in this quarter, there has been a continuous transfer rate. THG is supporting the project to be more complete by co-investing with partners to build the Thonburi Rangsit Hospital, a 250-bed hospital on the project site to accommodate the growth of the project and the surrounding area. The hospital is currently in the design and environmental impact assessment (EIA) stage.

For the trend of the year 2023, THG has prepared to sustainably grow its business and meet the rapidly changing customer demands by being ready to cope with changes in all aspects of the economy and society, especially in the field of technology. THG focuses on integrating innovation and technology with medicine to maximize long-term benefits. In addition, THG also sees an opportunity to collaborate with partners to expand its healthcare business in Vietnam. This involves working with leading hospitals in Vietnam, which is a good opportunity for THG to bring its knowledge, technology, and medical services to create a strong healthcare partnership network in the region. This is also another way to make THG more internationally recognized as a brand. In the second quarter, THG signed a

memorandum agreement (MOU) to provide management consulting for In-vitro Fertilization (IVF) centers. Each area still emphasizes quality standards of care that are affordable. THG continues to expand its network, with the possibility of acquiring hospital businesses to continue its business model that the company has been firmly adhering to since its founding. The founder's vision focuses on making the company strong, growing sustainably, and consistently benefiting all stakeholders.



Key development in 1Q2023

1. The investments in a subsidiary

The Board of Directors meeting No.2/2023 held on 31 January 2023, the Board of Directors has resolved to approve the establishment of a subsidiary company - Telehealth Care Company Limited with the objective of providing remote healthcare and medical services by leveraging technology to support the company's business. The subsidiary company was registered in Thailand with the Ministry of Commerce in January 2023, with a registered capital of THB 200mn (20,000,000 common shares with a par value of THB 10 per share). The parent company holds 85% of the shares in the subsidiary, the subsidiary called for 25.0% of the registered capital for their shares. The company has already paid for these shares, in the amount of THB 43mn.

Summary of 1Q2023 performance compared to 1Q2022.

Revenue

THG total revenue of THB 2,508mn a decrease of 29.0% from THB 3,530 mn, the decrease was from the following factors.

Medical Service Business had revenue of THB 2,398mn, a 30.4% decrease from THB 3,444mn. The main reason for the decrease in revenue related to COVID-19 is due to COVID-19 related and vaccination services. However, revenue not related to COVID-19 patient care (excluded Hospitel and field hospitals and vaccination services) has also increased by 20.6% compared to revenue from medical service business.

Healthcare Solutions Provider had revenue of THB 107mn, a 28.9% increase from THB 83mn, mainly due to in 1Q2023, 9 residential units were transferred compared 2 units in 1Q2022.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q23	1Q22	YoY change	1Q23	1Q22	YoY change
Revenue from medical service	2,398	3,444	-30.4%	1,379	2,054	-32.9%
Revenue from healthcare solution provider	107	83	28.9%	-	-	-
Revenue from other businesses	3	3	-	-	-	-
Total revenue	2,508	3,530	-29.0%	1,379	2,054	-32.9%

Costs

Total cost was THB 1,740mn, decreasing by 25.6% from THB 2,340mn, with main factors as follows.

Cost of medical service was THB 1,658mn, decreasing by 26.8% from THB 2,265mn. Overview of cost reduction from COVID-19 related services, in Q1/2023, THG's the proportion of costs increased due to depreciation from upgrading patient service facilities and adding medical personnel to support future services.

Selling, general and administrative expenses

SG&A, as well as the executive compensation, remained unchanged from the previous period.

Financial costs

Financial costs increased by 32.0% from THB 75mn to THB 99mn. The main reason was due to THG's investments to expand its business both internally and externally in the past year. These investments included constructing new buildings in existing hospitals and consolidating operations, resulting in a slight increase in THG's debt from loans taken from financial institutions. Additionally, the interest rate also increased due to the continuous increase in the Bank of Thailand's interest rates.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q23	1Q22	YoY change	1Q23	1Q22	YoY change
Cost from medical service	(1,658)	(2,265)	-26.8%	(988)	(1,453)	-32.0%
Cost from healthcare solution provider	(79)	(72)	9.7%	-	-	-
Cost from other businesses	(3)	(3)	-	-	-	-
Total cost	(1,740)	(2,340)	-25.6%	(988)	(1,453)	-32.0%
Selling, general and admin expenses	(440)	(440)	-	(193)	(200)	-3.5%
Financial cost	(99)	(75)	32.0%	(74)	(62)	19.4%

Profit

THG's profit from 1Q2023 operations decreased from 1Q2022 due to a decline in revenue related to COVID-19. However, if the results from COVID-19 related operations are excluded, there was a growth of more than 100%, indicating that THG's performance has improved compared to the period before the COVID-19 outbreak.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q23	1Q22	YoY change	1Q23	1Q22	YoY change
Gross profit	768	1,190	-35.5%	391	601	-34.9%
EBITDA	674	1,026	-34.3%	380	553	-31.3%
Profit for the period	250	552	-54.7%	168	317	-47.0%
Net profit - parent	211	527	-60.0%	168	317	-47.0%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	1Q23	1Q22	1Q23	1Q22
Gross profit margin	30.6%	33.7%	28.4%	29.3%
EBITDA margin	26.9%	29.1%	27.6%	26.9%
Net profit margin - parent	8.4%	14.9%	12.2%	15.4%

Financial status

THG's financial position as at 31 March 2023 has changed as of December 31, 2022 due to using cash flow to repay loans to financial institutions, paying off trade payables, paying dividends to shareholders, and investing in assets for business operations.

<i>Statements of financial position (million baht)</i>	Consolidated financial statements			Separate financial statements		
	31 March 2023	31 December 2022	Change	31 March 2023	31 December 2022	Change
Current assets	5,935	7,008	-15.3%	5,536	6,652	-16.8%
Non-current assets	18,118	18,073	0.2%	15,175	15,080	0.6%
Total assets	24,053	25,081	-4.1%	20,711	21,732	-4.7%
Current liabilities	7,456	7,921	-5.9%	5,800	6,407	-9.5%
Non-current liabilities	5,435	5,984	-9.2%	3,695	4,004	-7.7%
Total liabilities	12,891	13,905	-7.3%	9,495	10,411	-8.8%
Total equity	11,162	11,176	-0.1%	11,216	11,321	-0.9%

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Current ratio (times)	0.8	0.9	1.0	1.0
Return on assets (%)	8.2	9.6	6.2	7.9
Assets turnover (times)	0.4	0.5	0.3	0.3
Return on equity (%)	13.4	16.6	8.0	9.3
Debt/ equity (times)	1.2	1.2	0.8	0.9
Interest bearing debt/ EBITDA (times)	3.5	3.4	4.8	4.2
Debt service coverage ratio (DSCR) (times)	1.2	1.9	1.0	1.6
Interest coverage ratios (times)	4.1	7.7	3.7	5.9

Capital management in 1Q2023 compared to 1Q2022

- **Net cash generated from operating activities** was THB402mn (compared to net generated of THB657mn in 1Q2022), decreasing by 38.8% because decrease in cash flow from operations.

- **Net cash used in investing activities** was THB382mn (compared to net use of THB299mn in 1Q2022), increasing by 27.8%. This was due to an increase in medical tools purchasing and construction cost.

- **Net cash used in financing activities** was THB1,094mn (compared to net generated of THB623mn in 1Q2022), increasing by 75.6%. The variance was mostly due to repayment loan to financial institutions.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	1Q23	1Q22	1Q23	1Q22
Net cash generated from operating activities	402	657	56	248
Net cash generated from (used in) investing activities	(382)	(299)	(43)	169
Net cash used in financing activities	(1,094)	(623)	(1,041)	(588)
Net decrease in cash and cash equivalents	(1,074)	(265)	(1,028)	(171)
Cash and cash equivalents at the beginning of period	2,586	1,482	2,139	1,171
Cash and cash equivalents at the end of period	1,512	1,217	1,111	1,000