

9 August 2023

Subject: Management Discussion and Analysis for the second quarter of 2023 and the first half 2023 results

To: President  
The Stock Exchange of Thailand

## Bumrungrad Hospital PCL. Management Discussion and Analysis for Consolidated 2Q23 and 1H23 results

### Summary

The Company reported Total revenues in 2Q23 of Baht 6,147 million, a 24.1% increase from Baht 4,954 million in 2Q22. Net profit for 2Q23 increased by 49.9% to Baht 1,748 million from Baht 1,166 million in 2Q22, with Net profit margin at 28.4% in 2Q23, compared to 23.5% in 2Q22.

Comparing with 2Q19, in order to gauge the performance of the current quarter to pre-covid levels, 2Q23 Total revenues and Net profit increased by 42.7% and 141.1%, respectively, from 2Q19. Net profit margin rose to 28.4% in 2Q23, compared to 16.8% in 2Q19.

Total revenues for 1H23 increased to Baht 12,235 million, or 34.4% increase from Baht 9,106 million in 1H22. Net profit for 1H23 increased by 76.2% to Baht 3,331 million from Baht 1,891 million in 1H22, with Net profit margin at 27.2% in 1H23 compared to 20.8% in 1H22.

Comparing with 1H19, in order to gauge the performance of the current year to pre-covid levels, 1H23 Total revenues and Net profit increased by 35.8% and 84.4%, respectively, from 1H19. Net profit margin rose to 27.2% in 1H23, compared to 20.1% in 1H19.

Details of the management discussion and analysis follow:

### Income statements

#### Quarterly Operational Performance

##### 2Q23 vs 2Q22 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 6,029 million in 2Q23, a 23.0% increase year-over-year from Baht 4,903 million in 2Q22. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 28.6% and 13.7%, respectively. As a result, the revenue contribution from Thai patients was 34.8%, whereas revenue from non-Thai patients was 65.2% for 2Q23 compared with 37.7% and 62.3%, respectively, for 2Q22.

Operating Expenses and EBITDA			
(Unit: Baht million)	2Q23	2Q22	Change
Cost of hospital operations	3,041	2,640	-15.2%
Selling expenses	163	135	-20.0%
Administrative expenses	824	752	-9.6%
EBITDA	2,394	1,706	40.3%
<i>EBITDA Margin</i>	<i>38.9%</i>	<i>34.4%</i>	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 3,041 million for 2Q23, a 15.2% increase year-over-year from Baht 2,640 million in 2Q22. The variance was mostly due to Baht 165 million increase in physicians' fees, Baht 115 million increase in supply costs and Baht 84 million increase in personnel cost. This represented a favorable change when compared to the 23.0% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 50.4% in 2Q23 compared with 53.8% in 2Q22.

Selling expenses (including Depreciation and amortization) were Baht 163 million in 2Q23, or 20.0% increase year-over-year from Baht 135 million in 2Q22. The variance was mostly due to Baht 27 million increase in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 824 million in 2Q23, or 9.6% increase year-over-year from Baht 752 million in 2Q22. The variance was mostly due to Baht 46 million increase in personnel cost.

EBITDA increased by 40.3% year-over-year to Baht 2,394 million in 2Q23 from Baht 1,706 million in 2Q22, with an EBITDA margin of 38.9% in 2Q23 compared to 34.4% in 2Q22.

Depreciation and amortization expenses were Baht 275 million in 2Q23, compared to Baht 278 million in 2Q22.

Corporate income tax expense was Baht 382 million in 2Q23 compared to Baht 254 million in 2Q22. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 2.20 in 2Q23, compared to Baht 1.47 in 2Q22, while 2Q23 Diluted EPS was Baht 2.01, compared to Baht 1.34 in 2Q22.

## 2Q23 vs 2Q19 (Pre-Covid Comparison)

2Q23 Revenues from hospital operations increased by 40.9% from 2Q19. This was mostly due to an increase in revenues from Thai patients and non-Thai patients by 45.2% and 38.7%, respectively. As a result, the revenue contribution from Thai patients was 34.8%, whereas revenue from non-Thai patients was 65.2% for 2Q23 compared with 33.8% and 66.2%, respectively, for 2Q19.

As a result of the increase in revenues and the continued cost containment programs, 2Q23 EBITDA increased by 105.2% from 2Q19, with an EBITDA margin of 38.9% in 2Q23 compared to 27.1% in 2Q19.

Income statements					
(Unit: Baht million)	2Q23	2Q22	Change	2Q19	Change
Revenues from hospital operations	6,029	4,903	23.0%	4,279	40.9%
Total revenues	6,147	4,954	24.1%	4,306	42.7%
EBITDA	2,394	1,706	40.3%	1,167	105.2%
Net profit	1,748	1,166	49.9%	725	141.1%
<i>EBITDA margin (%)</i>	38.9%	34.4%		27.1%	
<i>Net profit margin (%)</i>	28.4%	23.5%		16.8%	

EPS					
(Unit: Baht)	2Q23	2Q22	Change	2Q19	Change
EPS – Basis	2.20	1.47	49.9%	1.00	121.1%
EPS – Fully Diluted	2.01	1.34	49.9%	0.83	141.1%

## First Half Operational Performance

### 1H23 vs 1H22 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 12,079 million in 1H23, a 34.1% increase year-over-year from Baht 9,005 million in 1H22. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 49.7% and 11.6%, respectively. As a result, the revenue contribution from Thai patients was 33.9%, whereas revenue from non-Thai patients was 66.1% for 1H23 compared with 40.8% and 59.2%, respectively, for 1H22.

Operating Expenses and EBITDA			
(Unit: Baht million)	1H23	1H22	Change
Cost of hospital operations	6,191	5,033	-23.0%
Selling expenses	322	252	-27.4%
Administrative expenses	1,678	1,500	-11.9%
EBITDA	4,594	2,876	59.7%
<i>EBITDA Margin</i>	37.5%	31.6%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 6,191 million for 1H23, a 23.0% increase year-over-year from Baht 5,033 million in 1H22. The variance was mostly due to Baht 533 million increase in physicians' fees, Baht 270 million increase in supply costs and Baht 267 million in personnel cost. This represented a favorable change when compared to the 34.1% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 51.3% in 1H23 compared with 55.9% in 1H22.

Selling expenses (including Depreciation and amortization) were Baht 322 million in 1H23, or 27.4% increase year-over-year from Baht 252 million in 1H22. The variance was mostly due to Baht 64 million increase in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 1,678 million in 1H23, or 11.9% increase year-over-year from Baht 1,500 million in 1H22. The variance was mostly due to Baht 126 million in personnel cost.

EBITDA increased by 59.7% year-over-year to Baht 4,594 million in 1H23 from Baht 2,876 million in 1H22, with an EBITDA margin of 37.5% in 1H23 compared to 31.6% in 1H22.

Depreciation and amortization expenses were Baht 550 million in 1H23, compared to Baht 555 million in 1H22.

Corporate income tax expense was Baht 737 million in 1H23 compared to Baht 421 million in 1H22. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 4.19 in 1H23, compared to Baht 2.38 in 1H22, while 1H23 Diluted EPS was Baht 3.84, compared to Baht 2.18 in 1H22.

### 1H23 vs 1H19 (Pre-covid Comparison)

1H23 Revenues from hospital operations increased by 35.3% from 1H19. This was mostly due to an increase in revenues from Thai patients and non-Thai patients by 41.3% and 32.4%, respectively. As a result, the revenue contribution from Thai patients was 33.9%, whereas revenue from non-Thai patients was 66.1% for 1H23 compared with 32.5% and 67.5%, respectively, for 1H19.

As a result of the increase in revenues and the continued cost containment programs, 1H23 EBITDA increased by 64.8% from 1H19, with an EBITDA margin of 37.5% in 1H23 compared to 30.9% in 1H19.

Income statements					
(Unit: Baht million)	1H23	1H22	Change	1H19	Change
Revenues from hospital operations	12,079	9,005	34.1%	8,929	35.3%
Total revenues	12,235	9,106	34.4%	9,007	35.8%
EBITDA	4,594	2,876	59.7%	2,788	64.8%
Net profit	3,331	1,891	76.2%	1,806	84.4%
<i>EBITDA margin</i>	37.5%	31.6%		30.9%	
<i>Net profit margin</i>	27.2%	20.8%		20.1%	

  

EPS					
(Unit: Baht)	1H23	1H22	Change	1H19	Change
EPS – Basic	4.19	2.38	76.1%	2.48	69.1%
EPS – Fully Diluted	3.84	2.18	76.2%	2.08	84.4%

## Statements of financial position

As at 30 June 2023, the Company reported Total current assets of Baht 12,674 million, an increase from Baht 11,419 million as at 31 December 2022. The variance was mostly due to Baht 637 million increase in Cash and cash equivalents and Other current financial assets, and Baht 589 million increase in Trade and Other receivables. The increase in Cash and cash equivalents and Other current financial assets was mainly from Baht 3,341 million net cash from operating activities, offset with Baht 1,866 million dividend paid and Baht 831 million acquisition of property, plant and equipment and computer software. The collection period was 46.8 days as at 30 June 2023 compared to 39.4 days as at 31 December 2022, mostly due to revenues and the collection periods associated with certain Middle East accounts. The collection period remains under the Company's overall credit term policy of 30-90 days.

Total non-current assets increased to Baht 13,228 million as at 30 June 2023 from Baht 12,840 million as at 31 December 2022. This was primarily due to an increase of Baht 319 million in Property, plant and equipment.

Total current liabilities were Baht 3,506 million as at 30 June 2023, an increase from Baht 3,415 million as at 31 December 2022. This was primarily due to an increase of Baht 107 million in Corporate income tax payable.

Non-current liabilities increased to Baht 890 million as at 30 June 2023 from Baht 839 million as at 31 December 2022, mostly due to Baht 53 million increase in Provision for long-term employee benefits.

Total shareholders' equity was Baht 21,505 million as at 30 June 2023, compared to Baht 20,005 million as at 31 December 2022. This variance was mostly from the Company's 1H23 Net profit of Baht 3,331 million offset with dividend paid by Baht 1,868 million. Average return on assets (ROA) was 26.6% in 1H23, compared to 21.9% in 2022. Average return on equity (ROE) was 32.1% in 1H23, compared to 26.3% in 2022.

Unit: Baht million	30-Jun-23	31-Dec-22	Change
Total assets	25,901	24,259	6.8%
Total liabilities	4,396	4,253	3.4%
Total shareholders' equity	21,505	20,005	7.5%
	1H23	2022	
Average collection period (days)	46.8	39.4	
Average inventory period (days)	10.1	11.2	
Average payables period (days)	27.4	26.7	
Net debt to equity (x)	(0.2)	(0.1)	
Net debt to EBITDA (x)	(0.4)	(0.3)	
Average return on assets (%)	26.6%	21.9%	
Average return on equity (%)	32.1%	26.3%	

## Cash flow statements

The Company's Net cash flows from operating activities in 1H23 were Baht 3,341 million, compared to Baht 2,522 million in 1H22. This increase was mainly due to more income from operating activities before changes in operating assets and liabilities. Net cash flows used in investment activities were Baht 52 million in 1H23, compared to Baht 732 million in 1H22. This variance was mainly due to Baht 1,035 million net decrease in investments in fixed deposits and debt instruments, offset with Baht 376 million net increase in acquisition of property, plant and equipment, and computer software. The Company reported Net cash flows used in financing activities of Baht 1,906 million in 1H23, compared to Baht 1,685 million in 1H22. As a result of the above, Cash and cash equivalents was Baht 3,500 million as at 30 June 2023, compared to Baht 1,895 million as at 30 June 2022.

The Company's Liquidity ratio as at 30 June 2023 was 3.6x compared to 3.3x as at 31 December 2022, and the Company's Quick ratio was 1.9x as at 30 June 2023 compared to 1.4x as at 31 December 2022.

Unit: Baht million	1H23	1H22
Net cash flows from operating activities	3,341	2,522
Net cash flows used in investing activities	(52)	(732)
Net cash flows used in financing activities	(1,906)	(1,685)
Net increase in cash and cash equivalents	1,408	93
Cash and cash equivalents at end of period	3,500	1,895

  

	30-Jun-23	31-Dec-22
Liquidity ratio (x)	3.6	3.3
Quick ratio (x)	1.9	1.4

## Extraordinary Item

On 31 May 2023, Vitallife Alliance Co., Ltd., a subsidiary of the Company, sold all its assets and changed to provide management services to RAKxa Wellness. The Company recognized a gain on sale of assets of Baht 60 million as part of Other income in the consolidated income statement.

Please be informed accordingly.

Yours faithfully,

(Mrs. Linda Lisahapanya)  
Managing Director