

## Thonburi Healthcare Group PLC.

### 2Q23 Management Discussion and Analysis

#### Overview of 2Q23

The main business of Thonburi Healthcare Group (THG) continues to grow consistently through market expansion with Digital Health Tech and accelerating the creation of synergy with network hospitals and startups, in order to meet the rapidly changing customer needs. This is especially crucial for the hospital business, which has grown since before the COVID-19 pandemic, especially in secondary care hospitals at both Bangkok and provincial levels. This growth was affected by seasonal diseases in the late quarter. This year THG emphasizes quality development to elevate service standards and enhance the expertise of its personnel. The plan includes obtaining international certification for the group's hospitals from reputable accrediting bodies. Currently, Thonburi Hospital, Thonburi Thawiwatthana Hospital, and Thonburi Burana Hospital have been accredited by the American Accreditation Commission International (AACI), confirming the quality standards in patient care and safety that are globally equivalent. This aligns with THG's operational approach.

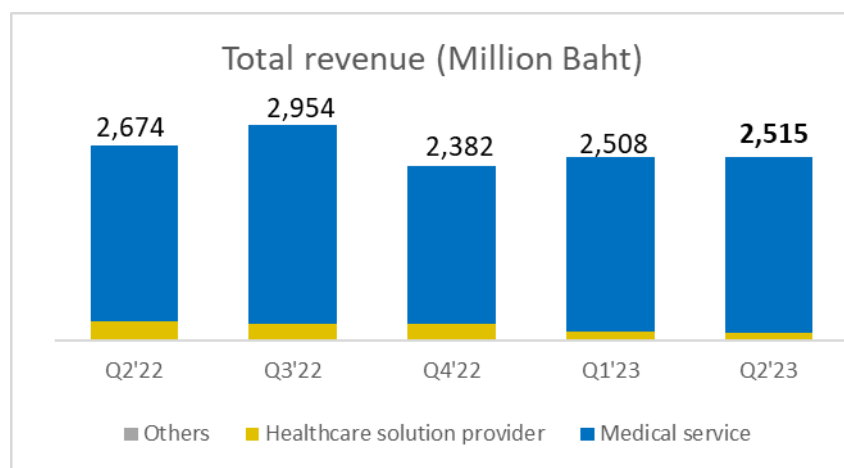
For the three-months operating results of 2Q23, following the adjustment back to normalcy before the outbreak, the total revenue for the second quarter of 2023 decreased by 5.9%, amounting to THB 2,515mn. from THB 2,674mn. This decline can be attributed to the revenue from medical services and revenue from Thonburi Trang Hospitals. However, the growth of these sectors helps to compensate for the reduced revenue related to COVID-19. Combined with efficient cost management, resulting in higher gross profit margins compared to the pre-pandemic baseline. Part of the increased expenditure is attributed to expenses for service quality enhancement and investments in technology. For instance, the application "Prompt Care" under Telehealth Care Company Limited provides comprehensive healthcare services. These services encompass appointment scheduling and specialized medical consultation by over 20 branches, guidance on medication and medical supplies, along with delivery, insurance claims, and the secure storage of personal health data, among other features. THG is also expanding its health clinic services into PTTC (PTT Oil and Retail Business Public Company Limited) stations under the name "Premier Health Clinic." This initiative is managed by Thonburi Bamrungmuang Hospital and will begin generating revenue in the third quarter. In 2023, the company experienced higher financial costs compared to the corresponding period of the previous year. This increase was primarily due to the upward adjustment of market interest rates. THG continues to maintain cost control and expense management to achieve the targeted profit rates. For the net profit in the second quarter of 2023, it recorded a profit of THB 152mn. With net profit margin of 6.0%, representing a decrease of 63.1% compared to the same period of the previous year, where there was a profit of THB 412mn. with net profit margin of 11.7%

As the THG 6-month operating results of 2023, THG's operational performance followed a similar trajectory as 2Q23, with adjustments leading to a decrease compared to the same period of the previous year. This resulted in THG's total revenue for 1H23 amounting to THB 5,023mn., a decrease of 19.0% from THB 6,204mn. The net profit for 1H23 was THB 402mn. with net profit margin of 8.0%, a decrease of 58.3% from 1H22, which had a net profit of THB 964mn. with net profit margin of 15.5%. Despite this, the operational results for 1H23 remain within the targets.

Ar Yu International Hospital, Republic of the Union of Myanmar, consistently profitable performance together with risk management from currency fluctuations As a result, the effect of the exchange rate on the financial statements was insignificant, causing THG recognised share profit from investment in joint venture for the 3-month and 6-month periods for the year 2023.

As for elderly care business, Jin Wellbeing County, a comprehensive residential facility for the elderly with integrated medical services, the second-quarter transfer target was not met. In 1H23, there were 13 room transfers, a decrease from the same period of the previous year when 34 rooms were transferred. The management has adjusted the business plan by expanding the customer base internationally. Additionally, they have entered partnerships to establish Thonburi Rangsit Hospital, a 250-bed hospital, on the project site. This aims to provide comprehensive medical services within the project and its surrounding area. Currently, it is in the design phase and undergoing Environmental Impact Assessment (EIA) reporting. It is expected to be completed and operational by the end of 2026, which is anticipated to contribute to achieving the room transfer goals set for the year 2023.

For 2H23, the revenue of the hospital business has shown consistent and strong growth. This is attributed to the anticipation of entering the high season of the business during the third quarter, driven by seasonal diseases such as influenza, dengue fever, and respiratory tract infections in young children, like RSV virus. Meanwhile, Thonburi Sermrath (formerly known as Thonburi Heart Center Hospital) has expanded the number of cardiac patient beds in collaboration with government hospitals during the second quarter. It is also preparing to provide specialized medical services in other areas, in support of the needs of state hospitals, aiming to enhance access to healthcare for all citizens. Apart from the elderly care project, Thonburi Health Village Pracha Uthit has also signed a health insurance agreement for the elderly with Muang Thai Life Assurance Public Company Limited. This expansion of the customer base aims to support THG's efforts. Additionally, THG continues to collaborate with partners both domestically and internationally to explore investment possibilities for further expanding the healthcare business, strengthening both the Health Care and Hospital segments. The investment plan is expected to be announced with an outline within the 4Q23. As for the investment in Vietnam, there has been progress with the establishment of the BeWell Wellness Clinic, a comprehensive health screening center in Ho Chi Minh City. It is projected to commence operations in 2024. THG remains committed to its core principles of operation, always considering the maximum benefits of all stakeholders.



## Summary of 2Q23 performance compared to 2Q22

### Revenue

Total revenue was THB 2,515mn, a 5.9% decrease from THB 2,674mn. The increase was from the following factors.

**Medical Service Business** had revenue of THB 2,421mn, a 0.1% decrease from THB 2,424mn. The medical service business continues to experience consistent growth in revenue. Additionally, the revenue from Thonburi Trang Hospital, (which became a subsidiary in November 2022), has been able to compensate with declined revenue from COVID-19 patient care and Moderna vaccinations.

**Healthcare Solutions Provider** had revenue of THB 91mn compared to 62.6% decrease from THB 243mn, mainly due to in 2Q23, four residential units were transferred compared thirty-two units in 2Q22.

### Financial statements of the second quarter

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	2Q23	2Q22	YoY change	2Q23	2Q22	YoY change
Revenue from medical service	2,421	2,424	-0.1%	1,431	1,545	-7.4%
Revenue from healthcare solution provider	91	243	-62.6%	-	-	-
Revenue from other businesses	3	7	-57.1%	-	-	-
<b>Total revenue</b>	<b>2,515</b>	<b>2,674</b>	<b>-5.9%</b>	<b>1,431</b>	<b>1,545</b>	<b>-7.4%</b>

### Financial statements of six-month period

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	6M23	6M22	YoY change	6M23	6M22	YoY change
Revenue from medical service	4,819	5,868	-17.9%	2,810	3,599	-21.8%
Revenue from healthcare solution provider	198	326	-39.3%	-	-	-
Revenue from other businesses	6	10	-40.0%	-	-	-
<b>Total revenue</b>	<b>5,023</b>	<b>6,204</b>	<b>-19.0%</b>	<b>2,810</b>	<b>3,599</b>	<b>-21.8%</b>

### Costs

Total cost was THB 1,836mn, decreasing by 2.3% from THB 1,880mn, with factors as follows;

**Cost of medical service** was THB 1,757mn, increasing by 2.0% from THB 1,722mn. The overall cost increase represents a return to the baseline operational state. However, the management has effectively controlled the initial profit margins within the defined parameters by improving adjustments compared to the period before the COVID-19 outbreak.

**Cost of healthcare solution provider** was THB 76mn, decreasing by 50.6% from THB 154mn. This was mostly due to 2Q23 transfers less than 2Q22 at 28 units.

## Selling, general and administrative expenses

SG&A and director's remuneration was THB 443mn, increasing by 10.2% from THB 402mn, expenses were increased from 1) expenses related to Thonburi Trang Hospital, , which involved the acquisition of business operations in the November 2022. 2) higher sales and marketing expenses resulting from production and dissemination of information across various media channels, including agent fees, particularly from international customer groups. 3) expenditures related to the development of information technology systems. 4) investment feasibility study costs.

## Finance cost

The financial costs amounted to THB 112 mn, representing an increase of 53.4% from THB 73mn. The primary reason for this increase is due to the interest rate adjustments, which have risen consistently over the past year. The MLR interest rate as of June 30, 2023, was 6.8%, compared to 5.25% on June 30, 2022, due to the ongoing adjustments by the Bank of Thailand. Additionally, THG has made investments to expand its businesses both internally and externally. This includes constructing new buildings within existing hospitals and business consolidations, which has led to a slight increase in THG's debt from loans acquired from financial institutions.

### Financial statements of the second quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	2Q23	2Q22	YoY change	2Q23	2Q22	YoY change
Cost from medical service	(1,757)	(1,722)	2.0%	(1,020)	(1,138)	-10.4%
Cost from healthcare solution provider	(75)	(154)	-51.3%	-	-	-
Cost from other businesses	(4)	(4)	-	-	-	-
<b>Total cost</b>	<b>(1,836)</b>	<b>(1,880)</b>	<b>-2.3%</b>	<b>(1,020)</b>	<b>(1,138)</b>	<b>-10.4%</b>
<b>Selling, general and admin expenses</b>	<b>(443)</b>	<b>(402)</b>	<b>10.2%</b>	<b>(201)</b>	<b>(180)</b>	<b>11.7%</b>
<b>Finance cost</b>	<b>(112)</b>	<b>(73)</b>	<b>53.4%</b>	<b>(83)</b>	<b>(63)</b>	<b>31.7%</b>

### Financial statements of six-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	6M23	6M22	YoY change	6M23	6M22	YoY change
Cost from medical service	(3,415)	(3,987)	-14.3%	(2,008)	(2,591)	-22.5%
Cost from healthcare solution provider	(154)	(226)	-31.9%	-	-	-
Cost from other businesses	(7)	(7)	-	-	-	-
<b>Total cost</b>	<b>(3,576)</b>	<b>(4,220)</b>	<b>-15.3%</b>	<b>(2,008)</b>	<b>(2,591)</b>	<b>-22.5%</b>
<b>Selling, general and admin expenses</b>	<b>(883)</b>	<b>(842)</b>	<b>4.9%</b>	<b>(394)</b>	<b>(380)</b>	<b>3.7%</b>
<b>Finance cost</b>	<b>(211)</b>	<b>(148)</b>	<b>42.6%</b>	<b>(157)</b>	<b>(125)</b>	<b>25.6%</b>

## Profit

THG experienced a decrease in profit from the operations of the 2Q23 compared to the same period in the previous year. The main reasons for this decrease are as follows: 1) decreased revenue from COVID-19 related operations that had higher profit margins than the normal baseline. 2) reduction in the number of rooms transfers in the Jin Wellbeing Country. 3) expenses incurred in investment feasibility studies. 4) expenditure related to technological investments, which are expected to generate revenue in the latter half of the year. Despite this, the profit remains within the targeted range set by the management.

### Financial statements of the second quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	2Q23	2Q22	YoY change	2Q23	2Q22	YoY change
<b>Gross profit</b>	<b>679</b>	<b>794</b>	<b>-14.5%</b>	<b>410</b>	<b>406</b>	<b>1.0%</b>
EBITDA	585	801	-27.0%	441	485	-9.1%
Normalized EBITDA	585	788	-25.8%	441	472	-6.6%
Net profit	152	412	-63.1%	215	284	-24.3%
Normalized net profit	152	399	-61.9%	215	271	-20.7%
<b>Net profit - parent</b>	<b>128</b>	<b>398</b>	<b>-67.8%</b>	<b>215</b>	<b>284</b>	<b>-24.3%</b>
<b>Normalized net profit - parent</b>	<b>128</b>	<b>385</b>	<b>-66.8%</b>	<b>215</b>	<b>271</b>	<b>-20.7%</b>

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	2Q23	2Q22	2Q23	2Q22
Gross profit margin	27.0%	29.7%	28.7%	26.3%
EBITDA margin	23.3%	30.0%	30.8%	31.4%
Normalized EBITDA margin	23.3%	29.5%	30.8%	30.6%
Net profit margin - parent	5.1%	14.9%	15.0%	18.4%
Normalized net profit margin - parent	5.1%	14.4%	15.0%	17.6%

Note: normalized values exclude

1) In 2Q22, profit from reclassified investment in Phatara Hospital amount THB 13 mn.

## Financial statements of six-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	6M23	6M22	YoY change	6M23	6M22	YoY change
Gross profit	1,447	1,984	-27.1%	801	1,008	-20.5%
EBITDA	1,259	1,827	-31.1%	821	1,038	-20.9%
Normalized EBITDA	1,259	1,809	-30.4%	821	1,025	-19.9%
Net profit	402	964	-58.3%	383	601	-36.3%
Normalized net profit	402	946	-57.5%	383	588	-34.9%
<b>Net profit - parent</b>	<b>339</b>	<b>925</b>	<b>-63.4%</b>	<b>383</b>	<b>601</b>	<b>-36.3%</b>
<b>Normalized net profit - parent</b>	<b>339</b>	<b>907</b>	<b>-62.6%</b>	<b>383</b>	<b>588</b>	<b>-34.9%</b>

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	6M23	6M22	6M23	6M22
Gross profit margin	28.8%	32.0%	28.5%	28.0%
EBITDA margin	25.1%	29.4%	29.2%	28.8%
Normalized EBITDA margin	25.1%	29.2%	29.2%	28.5%
Net profit margin - parent	6.7%	14.9%	13.6%	16.7%
Normalized net profit margin - parent	6.7%	14.6%	13.6%	16.4%

Note: normalized values exclude

- 1) In 1Q22, the consolidated financial statements showed a gain from disposal investment in Thonburi Canabiz Pcl. THB 5 mn.
- 2) In 2Q22, profit from reclassified investment in Phatara Hospital amount THB 13mn.

## Financial status

As of 30 June 2023, THG's financial position has undergone changes compared to December 31, 2022. These changes include using cash flows to repay loans that have reached their maturity to financial institutions, settling trade payables to creditors, distributing dividends to shareholders, and investing in assets to support business operations.

<i>Statements of financial position (million baht)</i>	Consolidated financial statements			Separate financial statements		
	30 June 2023	31 December 2022	Change	30 June 2023	31 December 2022	Change
Current assets	5,488	7,008	-21.7%	5,452	6,652	-18.0%
Non-current assets	18,219	18,073	0.8%	15,217	15,080	0.9%
<b>Total assets</b>	<b>23,707</b>	<b>25,081</b>	<b>-5.5%</b>	<b>20,669</b>	<b>21,732</b>	<b>-4.9%</b>
Current liabilities	7,960	7,921	0.5%	6,406	6,407	0.0%
Non-current liabilities	4,989	5,984	-16.6%	3,350	4,004	-16.3%
<b>Total liabilities</b>	<b>12,949</b>	<b>13,905</b>	<b>-6.9%</b>	<b>9,756</b>	<b>10,411</b>	<b>-6.3%</b>
<b>Total equity</b>	<b>10,758</b>	<b>11,176</b>	<b>-3.7%</b>	<b>10,913</b>	<b>11,321</b>	<b>-3.6%</b>

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Current ratio (times)	0.7	0.9	0.9	1.0
Return on assets (%)	7.3	9.6	6.0	7.9
Assets turnover (times)	0.4	0.5	0.3	0.3
Return on equity (%)	10.5	16.6	7.5	9.3
Debt/ equity (times)	1.2	1.2	0.9	0.9
Interest bearing debt/ EBITDA (times)	3.8	3.4	5.1	4.2
Debt service coverage ratio (DSCR) (times)	1.3	1.9	1.2	1.6
Interest coverage ratios (times)	3.4	7.7	3.8	5.9

\*\* Calculate using the past 12 months' data.

### Liquidity and Capital management in 2Q23 compared to 2Q22

- **Net cash generated from operating activities** was THB 291mn (compared to net generated of THB 418mn in 2Q22), decreasing by 30.4% because THG experienced a decrease in cash flow from operational activities.
- **Net cash used in investing activities** was THB 150mn (compared to net use of THB 203mn in 2Q22), decreasing by 26.0%. THG had cash inflow from the sale of investments in mutual funds of amounting to THB 67mn, while the payment of construction payables decreased from the previous period.
- **Net cash used from financing activities** was THB 499mn (compared to net generated of THB 393mn in 2Q22), increasing by 27.0%. The variance was mostly due to a dividend payment.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	2Q23	2Q22	2Q23	2Q22
Net cash generated from operating activities	291	418	181	239
Net cash used in investing activities	(150)	(203)	(274)	(184)
Net cash used in financing activities	(499)	(393)	(206)	(291)
Net decrease in cash and cash equivalents	(358)	(178)	(299)	(236)
Cash and cash equivalents at the beginning of period	1,512	1,217	1,111	1,000
Unrealized exchange gain (loss) in cash and cash equivalents	(1)	1	(1)	1
Cash and cash equivalents at the end of period	1,153	1,040	811	765

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