

8 November 2023

Subject: Management Discussion and Analysis for the third quarter and the nine month period of 2023 results

To: President
The Stock Exchange of Thailand

Bumrungrad Hospital PCL. Management Discussion and Analysis for Consolidated 3Q23 and 9M23 results

Summary

The Company reported Total revenues in 3Q23 of Baht 6,775 million, an 18.0% increase from Baht 5,740 million in 3Q22. Net profit for 3Q23 increased by 30.2% to Baht 1,954 million from Baht 1,501 million in 3Q22, with Net profit margin at 28.8% in 3Q23, compared to 26.2% in 3Q22.

Comparing with 3Q19, in order to gauge the performance of the current quarter to pre-covid levels, 3Q23 Total revenues and Net profit increased by 42.4% and 85.2%, respectively, from 3Q19. Net profit margin rose to 28.8% in 3Q23, compared to 22.2% in 3Q19.

Total revenues for 9M23 increased to Baht 19,010 million, or 28.0% increase from Baht 14,847 million in 9M22. Net profit for 9M23 increased by 55.8% to Baht 5,286 million from Baht 3,392 million in 9M22, with Net profit margin at 27.8% in 9M23 compared to 22.8% in 9M22.

Comparing with 9M19, in order to gauge the performance of the current year to pre-covid levels, 9M23 Total revenues and Net profit increased by 38.1% and 84.7%, respectively, from 9M19. Net profit margin rose to 27.8% in 9M23, compared to 20.8% in 9M19.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

3Q23 vs 3Q22 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 6,720 million in 3Q23, a 18.5% increase year-over-year from Baht 5,673 million in 3Q22. This was mostly due to an increase in revenues from Thai and non-Thai patients by 20.2% and 17.6%, respectively. As a result, the revenue contribution from Thai patients was 33.1%, whereas revenue from non-Thai patients was 66.9% for 3Q23 compared with 32.6% and 67.4%, respectively, for 3Q22.

Operating Expenses and EBITDA			
(Unit: Baht million)	3Q23	3Q22	Change
Cost of hospital operations	3,371	2,930	-15.1%
Selling expenses	177	155	-14.1%
Administrative expenses	863	844	-2.2%
EBITDA	2,636	2,090	26.2%
<i>EBITDA Margin</i>	<i>38.9%</i>	<i>36.4%</i>	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 3,371 million for 3Q23, a 15.1% increase year-over-year from Baht 2,930 million in 3Q22. The variance was mostly due to Baht 175 million increase in personnel cost, Baht 153 million increase in physicians' fees and Baht 76 million increase in supply costs. This represented a favorable change when compared to the 18.5% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 50.2% in 3Q23 compared with 51.6% in 3Q22.

Selling expenses (including Depreciation and amortization) were Baht 177 million in 3Q23, or 14.1% increase year-over-year from Baht 155 million in 3Q22. The variance was mostly due to Baht 15 million increase in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 863 million in 3Q23, or 2.2% increase year-over-year from Baht 844 million in 3Q22. The variance was mostly due to Baht 71 million increase in personnel cost, offset with Baht 60 million one-time donation of Moderna vaccine to government hospitals in 3Q22.

EBITDA increased by 26.2% year-over-year to Baht 2,636 million in 3Q23 from Baht 2,090 million in 3Q22, with an EBITDA margin of 38.9% in 3Q23 compared to 36.4% in 3Q22.

Depreciation and amortization expenses were Baht 272 million in 3Q23, compared to Baht 278 million in 3Q22.

Corporate income tax expense was Baht 438 million in 3Q23 compared to Baht 316 million in 3Q22. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 2.46 in 3Q23, compared to Baht 1.89 in 3Q22, while 3Q23 Diluted EPS was Baht 2.25, compared to Baht 1.73 in 3Q22.

3Q23 vs 3Q19 (Pre-Covid Comparison)

3Q23 Revenues from hospital operations increased by 42.2% from 3Q19. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 42.3% and 42.0%, respectively. As a result, the revenue contribution from Thai patients was 33.1%, whereas revenue from non-Thai patients was 66.9% for both 3Q23 and 3Q19.

As a result of the increase in revenues and the continued cost containment programs, 3Q23 EBITDA increased by 67.5% from 3Q19, with an EBITDA margin of 38.9% in 3Q23 compared to 33.1% in 3Q19.

Income statements					
(Unit: Baht million)	3Q23	3Q22	Change	3Q19	Change
Revenues from hospital operations	6,720	5,673	18.5%	4,725	42.2%
Total revenues	6,775	5,740	18.0%	4,758	42.4%
EBITDA	2,636	2,090	26.2%	1,574	67.5%
Net profit	1,954	1,501	30.2%	1,055	85.2%
<i>EBITDA margin (%)</i>	38.9%	36.4%		33.1%	
<i>Net profit margin (%)</i>	28.8%	26.2%		22.2%	

EPS					
(Unit: Baht)	3Q23	3Q22	Change	3Q19	Change
EPS – Basis	2.46	1.89	30.2%	1.45	69.8%
EPS – Fully Diluted	2.25	1.73	30.2%	1.22	85.2%

Nine months Operational Performance

9M23 vs 9M22 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 18,799 million in 9M23, a 28.1% increase year-over-year from Baht 14,678 million in 9M22. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 36.3% and 14.5%, respectively. As a result, the revenue contribution from Thai patients was 33.6%, whereas revenue from non-Thai patients was 66.4% for 9M23 compared with 37.6% and 62.4%, respectively, for 9M22.

Operating Expenses and EBITDA			
(Unit: Baht million)	9M23	9M22	Change
Cost of hospital operations	9,563	7,963	-20.1%
Selling expenses	499	408	-22.4%
Administrative expenses	2,541	2,344	-8.4%
EBITDA	7,230	4,966	45.6%
<i>EBITDA Margin</i>	38.0%	33.4%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 9,563 million for 9M23, a 20.1% increase year-over-year from Baht 7,963 million in 9M22. The variance was mostly due to Baht 686 million increase in physicians' fees, Baht 444 million increase in personnel cost and Baht 343 million increase in supply costs. This represented a favorable change when compared to the 28.1% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 50.9% in 9M23 compared with 54.3% in 9M22.

Selling expenses (including Depreciation and amortization) were Baht 499 million in 9M23, or 22.4% increase year-over-year from Baht 408 million in 9M22. The variance was mostly due to Baht 79 million increase in marketing expenses.

Administrative expenses (including Depreciation and amortization) were Baht 2,541 million in 9M23, or 8.4% increase year-over-year from Baht 2,344 million in 9M22. The variance was mostly due to Baht 197 million in personnel cost.

EBITDA increased by 45.6% year-over-year to Baht 7,230 million in 9M23 from Baht 4,966 million in 9M22, with an EBITDA margin of 38.0% in 9M23 compared to 33.4% in 9M22.

Depreciation and amortization expenses were Baht 822 million in 9M23, compared to Baht 833 million in 9M22.

Corporate income tax expense was Baht 1,175 million in 9M23 compared to Baht 737 million in 9M22. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 6.65 in 9M23, compared to Baht 4.27 in 9M22, while 9M23 Diluted EPS was Baht 6.09, compared to Baht 3.91 in 9M22.

9M23 vs 9M19 (Pre-covid Comparison)

9M23 Revenues from hospital operations increased by 37.7% from 9M19. This was mostly due to an increase in revenues from Thai patients and non-Thai patients by 41.6% and 35.8%, respectively. As a result, the revenue contribution from Thai patients was 33.6%, whereas revenue from non-Thai patients was 66.4% for 9M23 compared with 32.7% and 67.3%, respectively, for 9M19.

As a result of the increase in revenues and the continued cost containment programs, 9M23 EBITDA increased by 65.8% from 9M19, with an EBITDA margin of 38.0% in 9M23 compared to 31.7% in 9M19.

Income statements					
(Unit: Baht million)	9M23	9M22	Change	9M19	Change
Revenues from hospital operations	18,799	14,678	28.1%	13,654	37.7%
Total revenues	19,010	14,847	28.0%	13,765	38.1%
EBITDA	7,230	4,966	45.6%	4,361	65.8%
Net profit	5,286	3,392	55.8%	2,862	84.7%
<i>EBITDA margin</i>	38.0%	33.4%		31.7%	
<i>Net profit margin</i>	27.8%	22.8%		20.8%	

EPS					
(Unit: Baht)	9M23	9M22	Change	9M19	Change
EPS – Basic	6.65	4.27	55.8%	3.93	69.3%
EPS – Fully Diluted	6.09	3.91	55.8%	3.30	84.7%

Statements of financial position

As at 30 September 2023, the Company reported Total current assets of Baht 13,457 million, an increase from Baht 11,419 million as at 31 December 2022. The variance was mostly due to Baht 1,195 million increase in Cash and cash equivalents and Other current financial assets, and Baht 822 million increase in Trade and Other receivables. The increase in Cash and cash equivalents and Other current financial assets was mainly from Baht 5,481 million net cash from operating activities, offset with Baht 2,937 million dividend paid and Baht 1,304 million acquisition of property, plant and equipment and computer software. The collection period was 46.8 days as at 30 September 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 13,443 million as at 30 September 2023 from Baht 12,840 million as at 31 December 2022. This was primarily due to an increase of Baht 513 million in Property, plant and equipment.

Total current liabilities were Baht 3,603 million as at 30 September 2023, an increase from Baht 3,415 million as at 31 December 2022. This was primarily due to an increase of Baht 179 million in Accrued physician fee.

Non-current liabilities increased to Baht 918 million as at 30 September 2023 from Baht 839 million as at 31 December 2022, mostly due to Baht 76 million increase in Provision for long-term employee benefits.

Total shareholders' equity was Baht 22,379 million as at 30 September 2023, compared to Baht 20,005 million as at 31 December 2022. This variance was mostly from the Company's 9M23 Net profit of Baht 5,286 million, offset with dividend contribution by Baht 2,941 million. Average return on assets (ROA) was 27.6% in 9M23, compared to 21.9% in 2022. Average return on equity (ROE) was 33.3% in 9M23, compared to 26.3% in 2022.

Unit: Baht million	30-Sep-23	31-Dec-22	Change
Total assets	26,900	24,259	10.9%
Total liabilities	4,521	4,253	6.3%
Total shareholders' equity	22,379	20,005	11.9%
	9M23	2022	
Average collection period (days)	46.8	39.4	
Average inventory period (days)	9.9	11.2	
Average payables period (days)	27.6	26.7	
Net debt to equity (x)	(0.1)	(0.1)	
Net debt to EBITDA (x)	(0.2)	(0.3)	
Average return on assets (%)	27.6%	21.9%	
Average return on equity (%)	33.3%	26.3%	

Cash flow statements

The Company's Net cash flows from operating activities in 9M23 were Baht 5,481 million, compared to Baht 4,353 million in 9M22. 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 2,522 million in 9M23, compared to Baht 1,659 million in 9M22. This variance was mainly due to Baht 609 million net increase in investments in fixed deposits and debt instruments, and Baht 296 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 3,015 million in 9M23, compared to Baht 2,635 million in 9M22. As a result of the above, Cash and cash equivalents was Baht 2,064 million as at 30 September 2023, compared to Baht 1,845 million as at 30 September 2022.

The Company's Liquidity ratio as at 30 September 2023 was 3.7x compared to 3.3x as at 31 December 2022, and the Company's Quick ratio was 1.5x as at 30 September 2023 compared to 1.4x as at 31 December 2022.

Unit: Baht million	9M23	9M22
Net cash flows from operating activities	5,481	4,353
Net cash flows used in investing activities	(2,522)	(1,659)
Net cash flows used in financing activities	(3,015)	(2,635)
Net (decrease) increase in cash and cash equivalents	(27)	43
Cash and cash equivalents at end of period	2,064	1,845
	30-Sep-23	31-Dec-22
Liquidity ratio (x)	3.7	3.3
Quick ratio (x)	1.5	1.4

Please be informed accordingly.

Yours faithfully,

(Mrs. Linda Lisahapanya)
Managing Director