

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

3Q23 & 9M23 Performance

	3Q23		9M23	
	THB mm	% Chg (YoY)	THB mm	% Chg (YoY)
Operating Income	26,699	11%	75,385	9%
EBITDA	6,594	10%	18,092	5%
Net Profit	3,890	15%	10,424	10%

Remark: YoY means changes comparing to 3Q22 and 9M22

3Q23 Performance

In the third quarter of 2023 (“3Q23”), Bangkok Dusit Medical Services Public Company Limited (“The Company”) and subsidiaries reported highest ever quarterly consolidated operating income of Baht 26,699 million, an increase of 11% from 3Q22. The growth was attributable to an increase in revenue from hospital operations of 12% YoY which driven from international patient revenues growth of 19% YoY and Thai patient revenues growth of 9% YoY.

The Company and its subsidiaries reported EBITDA of Baht 6,594 million, increased by 10% YoY and net profit of Baht 3,890 million, increased by 15% YoY due to recovery of Thai and international patients, together with good financial management resulting in an increase in interest income and decrease in interest expense.

9M23 Performance

For nine-month period ended 30 September 2023 (“9M23”), the consolidated operating income were Baht 75,385 million, increased by 9% YoY, which driven by growth of Center of Excellence (COE) together with strong growth of 26% YoY from international patient revenues and 3% YoY from Thai patient revenues.

The Company and its subsidiaries reported EBITDA of Baht 18,092 million, increased by 5% YoY and net profit of 10,424 million, increased by 10% YoY

Major Development in 3Q23

TRIS Rating affirms BDMS and debentures rating at “AA+”, with a “stable” rating outlook.

TRIS Rating affirms BDMS for the company rating and senior unsecured debentures rating at “AA+”, with a “stable” rating outlook. The ratings reflect BDMS’s market position as the largest private hospital provider in Thailand, its extensive network of hospitals, and its strong franchise of hospital brands. The ratings factor in the company’s improved operating performance post-pandemic and its strong balance sheet.

3Q23 Consolidated Financial Summary

Operating Income				
(THB mm)	3Q23	3Q22	YoY	QoQ
Hospital operations	25,473	22,825	12%	10%
Sales of goods	944	875	8%	0%
Other income	283	285	(1%)	(3%)
Total Operating Income	26,699	23,985	11%	10%

Remark: QoQ means changes comparing to 2Q23.

Operating Income Comparing to 3Q23 (YoY)

In 3Q23, total operating income was Baht 26,699 million, an increase of Baht 2,714 million or 11% YoY, primarily due to

- Revenues from hospital operations were Baht 25,473 million, an increase of Baht 2,648 million or 12% YoY as a result of returning from international and Thai patients for medical treatment. Overall international patient revenues increased by 19% YoY from a recovery of fly-in patients mainly from Qatar 81% YoY, China 42% YoY and Cambodia 11% YoY. Moreover, Thai patient revenues increased by 9% YoY in 3Q23 due mainly to recovery of Thai patients together with seasonal epidemics i.e. Respiratory Syncytial Virus(RSV), Influenza and dengue fever. If excluding COVID-19 revenue, which accounted 9% of hospital revenues in 3Q22, Thai-non COVID-19 revenues would increase 23% YoY.

Revenue proportion between Thai and international patients changed from 76%:24% in 3Q22 to 74%:26% in 3Q23.

Overall, revenues from hospital operations in 3Q23 showed good growth in both Bangkok & Vicinity and outside Bangkok at 10% and 13% YoY, respectively. Hospital operations outside Bangkok provided higher growth due to medical

tourists rebound in Pattaya and Phuket together with seasonal epidemics.

Outpatient revenues growth was 11% YoY while inpatient revenues showed better growth of 13% YoY from increasing in pediatric patients due to respiratory diseases i.e. Respiratory Syncytial Virus (RSV) and Influenza, together with increasing in international patients.

Although seasonal epidemics and international patients was positive in 3Q23, a sharp decline in admission of COVID-19 patients together with new bed addition in 3Q23 resulted in 3Q23 occupancy rate of 76% to be unchanged from 3Q22.

Revenues from hospital operations in 3Q23	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	12%	
Breakdown by nationality		
Thai	9%	74%
<i>Thai- Non COVID</i>	<i>23%</i>	
International	19%	26%
Breakdown by location		
Bangkok & Vicinity	10%	56%
Outside Bangkok	13%	44%
Breakdown by type of patients		
Outpatients	11%	48%
Inpatients	13%	52%

- Revenues from sales of goods were Baht 944 million, increased by 8% YoY due mainly to an increase in sales of the A.N.B. Laboratories Co., Ltd. ("ANB") and Medicpharma Co., Ltd. ("MP").

Operating Income Comparing to 2Q23 (QoQ)

The Company and its subsidiaries reported total operating income growth of 10% QoQ, given positive factors from good growth of 11% QoQ of Thai patient revenues due to increasing seasonal epidemics. While international patient revenues increased 7% QoQ resulting in the operating income in 3Q23 at the all time record high.

Operating Expenses				
<i>(THB mm)</i>	3Q23	3Q22	YoY	QoQ
Cost of hospital operations and others	16,469	14,979	10%	7%
Administrative expenses	5,106	4,496	14%	5%
Total Operating Expenses (Including depreciation)	21,575	19,475	11%	6%

Total Operating Expenses Comparing to 3Q22 (YoY)

In 3Q23, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 21,575 million, an increase of Baht 2,100 million or 11% YoY. The total operating expenses & depreciation increased mainly from higher doctor fees given the growth in revenue from hospital operations and higher clinical & non-clinical staff expenses together with an increase in marketing, utility and other administration expenses.

Other Major Items

- **Finance expense** were Baht 122 million, decreased by Baht 32 million in 3Q23 or decreased by 21% YoY from debentures redemption.
- **Corporate income tax** in 3Q23 were Baht 1,025 million, increased by 24% YoY due mainly to increase in pre-tax profit.

Profitability Analysis			
<i>(THB mm)</i>	3Q23	3Q22	%Chg
EBITDA	6,594	5,999	10%
EBITDA margin	24.7%	25.0%	
EBIT	5,200	4,545	14%
EBIT margin	19.5%	18.9%	
Remarks			
EBITDA	= Total operating income – Total operating expenses (Excluding depreciation and amortization)		
Profitability margin calculated based on operating income			

Profitability Analysis			
<i>(THB mm)</i>	3Q23	3Q22	%Chg
Net profit	3,890	3,386	15%
Net profit margin	14.6%	14.1%	
EPS (THB)	0.24	0.21	15%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,892	15,892	
Remarks			
Profitability margin calculated based on operating income			

The Company and its subsidiaries recorded 3Q23 EBITDA of Baht 6,594 million, increased by 10% from 3Q22. However, EBITDA margin decreased slightly from 25.0% in 3Q22 to 24.7% in 3Q23.

Net profit of Baht 3,890 million, increased by 15% YoY due to recovery of Thai and international patients, together with good financial management resulting in an increase in interest income and decrease in interest expense.

9M23 Consolidated Financial Summary

Operating Income			
<i>(THB mm)</i>	9M23	9M22	%Chg
Revenues from hospital operations	71,698	65,966	9%
Revenue from sales of goods	2,810	2,492	13%
Other income	877	667	31%
Total Operating Income	75,385	69,125	9%

In 9M23, total operating income were Baht 75,385 million, an increase of Baht 6,259 million or increased by 9% YoY, primarily due to

- Revenues from hospital operations were Baht 71,698 million, an increase of Baht 5,731 million or increased by 9% YoY mainly from growth of COE of 12% YoY as a result of increase in international patient revenues of 26% YoY, driven by an increase of Russian patients 145% YoY, Chinese patients 49% YoY and Cambodian patients 35% YoY. Moreover, Thai patient

revenues grew 3% YoY. If excluding COVID-19 revenue, which contributed 13% of hospital revenues in 9M22, Thai-non COVID-19 revenues would increase 25% YoY in 9M23. Consequently, revenue proportion between Thai and international patients changed from 77%:23% in 9M22 to 73%:27% in 9M23.

Both hospital in Bangkok & vicinity and hospital outside Bangkok increased 6% and 12% YoY, respectively.

The occupancy rate decreased from 75% in 9M22 to 68% in 9M23 due to sharp decline in admission of COVID-19 patients.

Revenues from hospital operations in 9M23	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	9%	
Breakdown by nationality		
Thai	3%	73%
<i>Thai-Non COVID</i>	<i>25%</i>	
International	26%	27%
Breakdown by location		
Bangkok & Vicinity	6%	56%
Outside Bangkok	12%	44%
Breakdown by type of patients		
Outpatients	11%	48%
Inpatients	6%	52%

- Revenues from sales of goods were Baht 2,810 million, increased by 13% YoY due to increase in sales of the A.N.B. and MP.
- Other income was Baht 877 million, increased by 31% YoY due to reopening of Mövenpick BDMS Wellness Resort Bangkok in Jan 2023 after temporary closed for renovation.

Operating Expenses

(THB mm)	9M23	9M22	%Chg
Cost of hospital operations and others	47,023	43,577	8%
Administrative expenses	14,615	12,721	15%
Total Operating Expenses (Including depreciation)	61,638	56,298	9%

In 9M23, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 61,638 million, increase of Baht 5,340 million or 9% YoY mainly from higher doctor fees, clinical & non-clinical staff expenses together with an increase in marketing, utility and other administration expenses.

Other Major Items

- **Finance expense** decreased to Baht 420 million in 9M23 or decreased by 9% YoY from debentures redemption.
- **Corporate income tax** in 9M23 were Baht 2,717 million, increased by 12% YoY due mainly to increase in pre-tax profit in 9M23.

Profitability Analysis

(THB mm)	9M23	9M22	%Chg
EBITDA	18,092	17,293	5%
EBITDA margin	24.0%	25.0%	
EBIT	13,960	12,914	8%
EBIT margin	18.5%	18.7%	
Net profit	10,424	9,493	10%
Net profit margin	13.8%	13.7%	
EPS (THB)	0.66	0.60	10%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,892	15,892	

Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

Profitability margin calculated based on operating income

The Company and its subsidiaries recorded EBITDA of Baht 18,092 million in 9M23, increased by 5% YoY. However, EBITDA margin decreased from 25.0% in 9M22 to 24.0% in 9M23.

Net profit in 9M23 was Baht 10,424 million, increased by 10% YoY due to recovery of Thai and international patients together with lower depreciation and positive impact from additional stake in Samitivej Public Company Limited (“SVH”) resulting in decrease in non-controlling interests in subsidiaries.

Assets			
<i>(THB mm)</i>	Sep 23	Dec 22	%Chg
Cash & cash equivalents	8,216	12,668	(35)%
Trade & other receivables	11,214	10,484	7%
Inventories	2,132	2,211	(4)%
Property, premises & equipment	83,919	81,860	3%
Goodwill	17,539	17,539	0%
Right-of-use assets	10,141	9,668	5%
Other assets	6,732	7,112	(5)%
Total assets	139,893	141,453	(1)%

As of 30 September 2023, the Company and its subsidiaries reported total assets of Baht 139,893 million, slightly decreased by 1% from 31 December 2022

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2022. Goodwill were mainly from acquisitions. Such goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. However, the Company has considered that this goodwill is not impaired.

Other assets of Baht 6,732 million mainly consisted of (1) intangible assets which mainly were computer software of Baht 1,723 million (2) other current

financial assets which were investment in fixed deposits and mutual funds of Baht 1,643 million, and (3) other non-current financial assets which were investment in equity and debt instruments of Baht 1,033 million.

Liabilities and Equity			
<i>(THB mm)</i>	Sep 23	Dec 22	%Chg
Short-term loans from financial institutions	2,000	500	300%
Trade & Other payables	5,844	6,176	(5)%
Accrued expenses	7,804	5,426	44%
Debentures *	6,498	11,498	(43)%
Long-term loans *	4,000	4,000	0%
Liabilities under lease agreements *	7,382	7,564	(2)%
Other liabilities	12,750	12,667	0%
Total liabilities	46,278	47,830	(3)%
Equity attributable to equity holder of the Company	90,100	89,879	0%
Non-controlling interests	3,514	3,834	(8)%
Total equity	93,614	93,713	(0)%

* Including current portion

Total consolidated liabilities as of 30 September 2023 were Baht 46,278 million, decreased by 3% from 31 December 2022 due mainly to a decrease in debentures of Baht 5,000 million.

Total consolidated shareholders’ equity as of 30 September 2023 was Baht 93,614 million, slightly changed from 31 December 2022.

Liquidity and Capital Management

Cash Flow

(THB mm)	9M23
Net cash from operating activities	16,828
Net cash used in investing activities	(5,499)
Net cash used in financing activities	(15,781)
Net decrease in cash and cash equivalents	(4,453)
Beginning cash and cash equivalents	12,668
Ending cash and cash equivalents	8,216

For the nine-month period ended 30 September 2023, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 4,453 million from the beginning balance of Baht 12,668 million. As a result, cash and cash equivalents at the end of period was Baht 8,216 million. Details of cash flow by activities during the period are as follows: -

Net cash flows from operating activities were Baht 16,828 million, mainly from profit in 9M23.

Net cash used in investing activities were Baht 5,499 million comprising mainly from purchase of property, premises and equipment for hospital network renovation.

Net cash used in financing activities were Baht 15,781 million due mainly to dividend payment of Baht 10,345 million and debentures redemption of Baht 5,000 million.

Ratios Analysis

	9M23	9M22
Returns (%)		
Return on Asset	9.9	9.2
Return on Equity	15.4	14.5
Liquidity (x)		
Current ratio	1.1	1.2
Quick ratio	0.9	0.9
Assets & Liabilities Management (Days)		
Average Collection Period	42.1	41.1
Average Inventory Period	12.2	12.2
Average Payable Period	32.5	31.1
Leverage Ratios (x)		
Interest coverage	40.3	35.4
Debt service coverage ratio	5.0	2.7
Current portion of IBD to IBD (%)	24.1	44.0
Loan from financial institutions to IBD (%)	30.2	23.5
Total IBD to EBITDA	0.8	0.8
Net IBD to EBITDA	0.5	0.4
Debt to Equity Ratio (x)	Sep 23	Dec 22
Total liabilities to equity	0.5	0.5
Total IBD to equity	0.2	0.3
Net IBD to equity	0.1	0.1

Remarks

- Calculated by using last twelve months' performance
- Assets & Liabilities Management based on 360 days
- IBD means interest bearing debt

ROA and ROE in 9M23 increased from 9M22 as a result of an increase in profit from operations.

Current ratio were slightly changed while quick ratio were unchanged from 9M22.

Average collection period increased from 41.1 days in 9M22 to 42.1 days in 9M23 as a result of an increase in international patients. The Company and subsidiaries have credit policies and assess credit limit base on customer creditworthiness. Average credit term for domestic payers are approximately 30-60 days while international payers are approximately 30-90 days. The credit terms are reviewed annually to monitor and control credit risk.

Average inventory period was 12.2 days in 9M23, unchanged from 9M22. The inventories were mostly medicines and medical supplies. The Company and its subsidiaries have appropriate inventory management plan with internal control. The Company and its subsidiaries perform physical inventory count at least once a year and record allowance for the expired, slow-moving and deteriorated inventories to reduce its cost to net realizable value.

Average payable period also increased from 31.1 days in 9M22 to 32.5 days in 9M23.

For leverage ratios analysis, interest coverage ratio increased from 35.4x in 9M22 to 40.3x in 9M23 mainly from good performance during the last 12 months. Debt service coverage ratio (DSCR) also increased from 2.7x in 9M22 to 5.0x in 9M23 due to lower current portion of interest bearing debt.

Net interest bearing debt to EBITDA slightly increased from 0.4x in 9M22 to 0.5x in 9M23.

For debt to equity ratio analysis, total interest bearing debt to equity slightly decreased from 0.3x as of 31 December 2022 to 0.2x as of 30 September 2023 while net interest bearing debt to equity as of 31 December 2022 and 30 September 2023 remained unchanged at 0.1x.

The Company and its subsidiaries strongly believe that it has sufficient liquidity to repay its debt within the covenants and will continue to be able to successfully adapt as the situation evolves.
