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016/2023

9 November 2023

**Subject:** Management Discussion and Analysis for Q3/2023

**To:** President  
The Stock Exchange of Thailand

Principal Capital Public Company Limited ("the Company") and its subsidiaries would like to report the operating results for the third quarter of 2023, which ended on 30 September 2023 in comparison to the corresponding quarter of 2022, as follows:

**Major Development in Q3/2023**

In Q3/2023, the Company continues to expand hospital and healthcare related businesses as per our strategic plans. Currently, the Company operates 14 hospitals across 11 provinces, and intends to establish a 59-bed hospital in Mukdahan Province, with investment size of THB 726.5 million to serve both local patients and patients from the neighboring country. This helps strengthen our network of existing hospitals in Northeastern region in the provinces of Ubonratchathani, Srisaket, and Sakonnakorn. It is expected that operation commencement will start in Q4/2024.

On 24<sup>th</sup> July 2023, in collaboration with TDH Dental, Princ Hospital Suvarnabhumi opened a comprehensive dental center for both Thai and foreign customers, with plan to extend this collaboration to other PRINC's hospitals in the near future. Moreover, Princ Hospital Ubon Ratchathani has signed a memorandum of understanding (MOU) to establish a healthcare service referral unit for the Monsoon Wind Farm project in Dakjeung District, Sekong Province. This project covers an area of approximately 400,000 rai and serves a population of around 600 families and over 2,000 employees during the construction phase. This allows Princ Hospital Ubon Ratchathani to connect healthcare services in the hospital with its network facility in Sekong Province, particularly in cases requiring emergency medical treatment. Participating in this project provide contribution to the community and society, thus aligning with our organization's purpose.

For expansion in our healthcare related business, on 25<sup>th</sup> October 2023, the Company has announced a merger between Pewdee Clinic Esthetics Co., Ltd. and Pongsak Clinic Medicine Co., Ltd. to enhance the growth of skin & aesthetic business while reducing operating cost and other expenditures. Once the merger completes, the merged company will operate 21 branches nationwide from Q4/2023. In addition, the Company has found Principal Next Co., Ltd. ("PRINC NEXT"), with THB 200 million registered capital. PRINC NEXT aims to invest in healthcare related businesses other than hospitals, strengthening PRINC's healthcare business ecosystem in order to achieve sustainable growth.

In terms of driving the health tourism strategy, on 4<sup>th</sup> – 5<sup>th</sup> July 2023, Princ Hospital Suvarnabhumi hosted the regional Asia-Pacific conference "HospitalLog Asia 2023". The event brought together over 100 leading experts from the medical

and logistics industries across Asia-Pacific. This emphasized Thailand's potential to be a hub for medical tourism and align with the strategies to develop hospitals in the health tourism sector and accommodate international visitors. In Q3/2023, Pitsanuvej Hospital continued to strive for excellence, as it received the CSSA Awards 2023 Center of Excellence (COE) Gold "Excellence" in the Gold Award category with a score of 98.88% at the 25<sup>th</sup> CSSA NATIONAL SEMINAR.

In terms of sustainability, in Q3/2023, our environmental initiatives focused on reducing greenhouse gas emissions. As a carbon-neutral organization for two consecutive year, the Company was honored with the LESS recognition from the Thai Carbon Management Organization (Public Organization) and received an honorary award from the Stock Exchange of Thailand. With regards to renewable energy, solar panels were installed in three hospitals: Princ Hospital Lamphun, Princ Hospital Sisaket, and Princ Hospital Sakon Nakhon. These solar panels can generate approximately 20% of the daily energy consumption. Several other hospitals within the group are also in the process of installing solar panels. Additionally, hospitals within the group, such as Princ Hospital Suvarnabhumi, Pitsanuvej Hospital, and Pitsanuvej Hospital Uttaradit, have achieved the Green & Clean Hospital standard from the Ministry of Public Health.

Investing in future generations, the company collaborated with the Pongsakviddayakorn Foundation and partners to launch the "Teens Next Gen" project, to initiative foster networking opportunities for students in seven provinces and inspire them to pursue careers in healthcare.

Overall, in Q3/2023 the Company could achieve strong growth and continued expansion, demonstrating the Company's ongoing dedication to providing exceptional healthcare services, embracing sustainable practices, and investing in the industry's future.

#### **Economic and Industrial Conditions Affecting Operations, Policies, Strategies, and Business Decisions**

Seasonal flu outbreaks and further epidemics affecting both children and adults in Q3/2023, included the respiratory syncytial virus (RSV), influenza, influenza A and B strains, and dengue fever. As a result, hospitals in the group had to manage internal personnel more efficiently in order to meet the rising demand for healthcare services. Concurrently, changes in organization structure and policies enabled improvement in efficiency and cost control, resulting in revenue increase exceeding cost increase.

Observing the overall economic landscape during Q3/2023, the Thai economy witnessed expansion compared to the previous quarter due to increase in local consumptions and increase in Thai and foreign tourists. Notably, the number of foreign patients seeking healthcare services in Thailand continues to rise, demonstrating confidence in the quality of care, lower healthcare expenditures, and lower cost of living, compared to those of competitors in this region.

Domestic demand for healthcare services also continued to increase as a result of factors such as an aging population, pandemic outbreaks, lower cost of living as a result of energy price reduction, and marketing campaigns offering discounts on medicine and hospital room charges in accordance with the Ministry of Commerce's Internal Trade Department's policy. In response to rising demand, the group's hospitals have put some efforts to expand our services, opening specialized medical centers across various fields. For instance, Princ Hospital Suvarnabhumi has launched a

cardiovascular center and a cosmetic surgery center, to serve customers with moderate to high purchasing power who want excellent and standardized healthcare at reasonable prices.

Q3/2023 was considered a high season for property development and rental businesses. There has been a continued trend of recovery in line with the increase in the number of foreign tourists, partly attributed to the free entry fee visa policy for visitors from China, Taiwan, and India. However, the overall hotel business faces challenges from uncertainties in the tourist market arising from economic recession, inflation, high interest rate trends, climate change related issues such as floods and droughts, and conflicts in the Middle East. These factors affect costs in terms of the prices of various products and energy prices. To solve these issues and boost occupancy rates, hotels have adjusted room prices to cater to the demands of tourists while increasing the frequency of events, and activities so that income in 2023 could resume to a level similar to that in 2019 (pre-COVID-19).

### Summary of the operating performance results for Q3/2023 and nine-month period ended Q3/2023

Consolidated Unit: THB million	Q3		Change	For the nine-month period ended Q3		Change
	2023	2022	%	2023	2022	%
Revenues from healthcare services	1,479.6	1,366.6	8.3	3,695.5	4,999.9	-26.1
Revenues from sales and services	142.1	129.7	9.6	421.6	332.9	26.6
Costs of healthcare services	(1,123.4)	(1,044.8)	-7.5	(3,048.6)	(3,411.5)	10.6
Costs of sales and services	(54.5)	(72.0)	24.2	(221.2)	(199.4)	-10.9
<b>Gross profit</b>	<b>443.9</b>	<b>379.5</b>	<b>17.0</b>	<b>847.3</b>	<b>1,721.9</b>	<b>-50.8</b>
Other income	17.5	11.6	51.6	57.6	94.1	-38.8
Selling expenses	(30.1)	(20.4)	-47.5	(88.6)	(53.9)	-64.3
Administrative expenses	(315.2)	(442.0)	28.7	(1,122.0)	(1,009.6)	-11.1
Other expenses	(6.6)	(4.6)	-42.8	(17.5)	(11.9)	-47.4
Finance costs	(55.9)	(39.9)	-40.1	(159.8)	(117.2)	-36.3
Share of loss of an associate	0.0	0.0	-24.2	(0.1)	(0.1)	-28.2
<b>Profit (loss) before income tax expense</b>	<b>53.6</b>	<b>(115.9)</b>	<b>-146.3</b>	<b>(483.2)</b>	<b>623.2</b>	<b>-177.5</b>
Income tax expense	(15.2)	26.1	-158.2	(21.0)	(90.8)	76.9
<b>Profit (loss) for the period</b>	<b>38.4</b>	<b>(89.8)</b>	<b>142.8</b>	<b>(504.1)</b>	<b>532.3</b>	<b>-194.7</b>
Other comprehensive income for the period, net of tax	-	-	-	2.6	-	n/a
<b>Total comprehensive income (expense) for the period</b>	<b>38.4</b>	<b>(89.8)</b>	<b>142.8</b>	<b>(501.6)</b>	<b>532.3</b>	<b>-194.2</b>
<b>Profit (loss) attributable to:</b>						
Owner of the parent	32.0	(103.8)	130.8	(483.0)	451.9	-206.9
<b>Total comprehensive income (expense) attributable to:</b>						
Owner of the parent	32.0	(103.8)	130.8	(480.5)	451.9	-206.3

In Q3/2023, this was the best quarter operating performance for the Company and its subsidiaries since the first quarter of the past. This caused a turnaround that resulted in a THB 38.4 million profit for the period and also have higher operating performance than the same quarter of the previous year. The main reasons are;

- Total revenues were THB 1,621.8 million, an increase of 8.4% from the healthcare services business with revenues of THB 1,479.6 million, an increase of 8.3%, this was revenue unrelated to COVID-19 increased by roughly 38.9% from all hospitals from
  - OPD and IPD are seeing an increase in patient numbers as a result of the increased ability to care for difficult and complex disease groups and epidemics in children, like respiratory infections, RSV, and influenza; and epidemics in adults, like influenza A and B and dengue fever, which led to an 18.1% increase in the number of OPD visits per day. OPD Revenue per visit was higher 8.6% and Admission rate increased 2.7% from the same quarter of the previous year.
  - Increased revenue from the expansion of medical services in hospitals, such as the dental clinic at Princ Hospital Suvarnabhumi and the medical referral service unit Under the Monsoon Wind Farm project, Dak Chung City, Lao PDR, of Princ Hospital Ubon Ratchathani and developing the potential to treat groups of patients with complex diseases in many hospitals in the group.
  - Hospitals in the Northeast saw an increase of 315.1% of patients from neighboring countries such as Laos and Cambodia returning for treatment.
- Revenues from Property development and rental business were THB 142.1 million, an increase of 9.6% from;
  - The Somerset Ekamai Bangkok, had a revenue increased by THB 6.2 million (13.1%). From the average daily rate (ADR) from THB 2,238 to THB 2,510, because of a growth in both long-term customer (Service Apartment) and short stay customers.
  - The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increased by THB 5.0 million (9.2%). From the occupancy rate, which was increase from 82.5 in Q3/2022 to 83.2% and from the average daily rate (ADR) from THB 4,045 to THB 4,400 from wholesales customers which revenue increased by 49.8% and corporate customers which revenue increased by 24.2%.
  - Bangkok Business Center Building, had a revenue increased by THB 1.4 million (5.5 %). The revenue was higher than the previous quarter from the occupancy rate. That increased from 70.3% to 76.0% in this quarter as the Company's management have changed the policy and improving various building systems to accommodate the needs of tenants such as changing the parking system, etc., thus, bringing in more new tenants.

Gross profit from the Company and its subsidiaries were THB 443.9 million, an increase of 17.0% as a result of both businesses having higher revenues and greater cost control.

Selling and administrative expenses were THB 345.3 million, a decrease of THB 117.1 million (25.3%) from the same quarter last year. From the Q3/2022, the Company and its subsidiaries had expenses related to COVID-19. Both in the part of allowance for inventories obsolescence- vaccines and donating vaccines to organizations totaling THB 151.0 million, which if excluding the aforementioned items in this quarter, sales and administrative expenses increased 10.9% from personnel expenses. Marketing expenses Utilities costs and various operating expenses of both businesses increased from higher income.

Financial costs were THB 55.9 million, increased by THB 16.0 million (40.1%) from increased borrowings from financial institutions. In addition, the borrowings interest rate of financial institutions has increased significantly from the same quarter of last year.

From the results of the various items mentioned above. As a result, in Q3/2023, the Company and its subsidiaries had a profit for the period of THB 38.4 million, of which the profit attributable to owners of the parent company was 32.0 million baht.

From the foregoing it can be seen that, the nine-month period ended 30 September 2023, Total revenues from the Company and its subsidiaries were THB 4,117.1 million, a decrease of 22.8% over the same period of 2022, mainly due to the drop-in revenues related to COVID-19. However, if only considering income unrelated to COVID-19, Total income increased by 34.2%, gross profit of THB 847.3 million, sales and administrative expenses of THB 1,210.6 million, financial costs of THB 159.8 million, resulting in a loss for the nine-month period of THB 504.1 million (if not Includes items that occur only once, will have a loss for the period of THB 309.4 million)

The Company expects that operating results for the final quarter of 2023 would improve. From the addition of specialized medical centers in various hospitals, business expansion in both hospitals and those related to the healthcare business, such as merging Pewdee Clinic Esthetics Co., Ltd., with Pongsak Clinic Medicine Co., Ltd., which will result in the ability to develop and expand the growth of the skin and aesthetics. In addition, the Company still intends to implement cost control. and different expenses to be consistently and seriously in the proper proportions

#### Statement of Financial Position

Consolidated	30 September	31 December	Increase	Change
Unit: THB million	2023	2022	(decrease)	%
Total assets	17,658.5	17,777.4	(118.9)	-0.7
Total liabilities	7,826.5	7,456.4	370.1	5.0
Equity attributable to owners of the parent	9,024.6	9,505.1	(480.5)	-5.1
Debt to Equity Ratio (times)	0.87	0.78		

As of 30 September 2023, the Company and its subsidiaries had Total assets of THB 17,658.5 million a decrease of THB 118.9 million from 31 December 2022 resulting from;

- Financial assets measured at fair value through profit or loss decrease by THB 481.5 million from selling short-term investments in mutual funds that waiting to be paid for business operations and expand the business.
- Trade receivables and other receivables decrease by THB 422.2 million due to the decrease of trade receivables by THB 430.3 million and the recognized loss from allowance for expected credit loss for trade receivables from the National Health Security Office of COVID-19 in the amount of THB 168.8 million.
- While, non-current assets increased by THB 527.0 million from assets received from acquisition of a subsidiary on purchase price allocation process of Ruamphat Phitsanulok Hospital in the amounting of THB 504.7 million.

As of 30 September 2023, the Company and its subsidiaries had Total liabilities THB 7,826.5 million, an increase of THB 370.1 million from 31 December 2022 resulting from;

- Borrowings from financial institutions increased by THB 407.1 million due to the increase in loans of the Company and increased loan drawdowns of subsidiaries for investment.

The debt-to-equity (D/E) ratio stood at 0.87 an increase from 0.78 as of 31 December 2022, due to the increasing in borrowings from financial institutions. While the shareholders' equity decreased from the losses incurred during the period.

For your kind acknowledgement.

Yours respectfully.

- Signature -

(Krittavith Lertutsahakul, M.D.)

Managing Director