

No. CHG 016/2023

November 15, 2023

Subject: Management's Discussion and Analysis of the consolidated financial statements for the third quarter ("3Q23") and nine-month period ended 30 September 2023

To: Directors and Managers
The Stock Exchange of Thailand

Operating Result Overview

The Company's operating results in 3Q23 slightly increased YoY, reflecting the returning to its normal base during pre-COVID-19 period, and continue to grow steadily from service expansion at the new hospitals, including the acquisition of elderly care business by the end of 2Q23, the increasing products and services and medical treatment potential of existing hospitals. As a result, both Thai and international patients are continuously increasing.

However, the Company's overall revenue and profits for the 9M23 decreased compared to the 9M22, mainly due to a decrease in COVID-19 related revenue and the increased expenses caused by the COVID-19, as well as the investment in hospital constructions, service area expansion, medical equipment, including the increasing medical personnel for more efficient patient care.

Management's discussion and analysis of financial statement for 3Q23 ended 30 September 2023

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 3Q23 as follows:

Statement of comprehensive income	3Q23	3Q22	Increase	Change
Unit : Million Baht			(Decrease)	(%)
Revenues from hospital operations	2,092.8	2,026.3	66.5	3%
Other revenues	76.8	73.8	3.0	4%
Total revenues	2,169.6	2,100.1	69.5	3%
Cost of hospital operations	1,486.3	1,480.2	6.1	0%
Administrative expenses	245.8	252.7	(6.9)	(3%)
Net profit of the Company	325.8	258.5	67.3	26%
<i>Earnings per share (Baht/share)</i>	<i>0.0296</i>	<i>0.0235</i>		
<i>Gross Profit Margin (%)</i>	<i>28.98%</i>	<i>26.95%</i>		
<i>Net Profit Margin (%)</i>	<i>15%</i>	<i>12%</i>		

The Company's net profit was Baht 325.8 million for 3Q23, increasing by Baht 67.3 million, or 26% compared to 3Q22. Overview of operating results was discussed as below.

Revenues from hospital operations

In 3Q23, the Company has revenues from hospital operations of Baht 2,092.8 million, increasing by Baht 66.5 million, or 3% YoY.

Revenue from general patients in 3Q23 increased by 8% YoY. The revenue from outpatients (OPD) decreased by Baht 42.7 million and inpatients (IPD) increased by Baht 148.8 million mainly from a significant decreased revenue from the COVID-19 related services (Screening Service and Alternative Vaccine) and the return of general patients, both Thai and International patients.

Revenue from Social Security scheme in 3Q23 increased by 8% YoY driven by the increased number of the registered member, the increased reimbursement rate for basic payment (Capitation, effective on May 1, 2023) and the return of inpatients with High Cost care (Adj.RW_≥2).

Revenue from other governmental scheme in 3Q23 decreased by 56% YoY mainly due to a significant decreased revenue from the COVID-19 related services.

Other revenue in 3Q23 increased by Baht 3.0 million from management services providing to government hospitals.

Unit: Million Baht	3Q23	3Q22	Increase (Decrease)	Change (%)
Revenue from general patients	1,417.71	1,311.65	106.06	8%
Revenue from outpatients (OPD)	654.33	697.11	(42.78)	(6%)
Revenue from inpatients (IPD)	763.38	614.54	148.84	24%
Revenue from government welfare programs	675.13	714.66	(39.53)	(6%)
Social security schemes	609.45	565.06	44.39	8%
Other governmental schemes	65.68	149.60	(83.92)	(56%)
Total revenue from hospital operations	2,092.84	2,026.31	66.53	3%

Operation costs

In 3Q23, the Company's gross profit margin increased from 26.95% to 28.98%, resulting in net profit margin increased from 12% to 15% YoY, mainly due to the increasing medical potential and services in difficult and complex diseases (High Intensity Care), as well as the effective resource management.

The Company's net profit 3Q23 was Baht 325.8 million, increasing by Baht 67.3 million, or 26% YoY, in accordance with the increasing operating results and aforementioned reasons.

Management's discussion and analysis of financial statement for the nine-month period ended 30 September 2023

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 9M23 as follows:

Statement of comprehensive income	9M23	9M22	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	5,607.6	8,382.2	(2,774.6)	(33%)
Other revenues	219.1	208.8	10.3	5%
Total revenues	5,826.7	8,591.0	(2,764.3)	(32%)
Cost of hospital operations	4,143.0	4,679.3	(536.3)	(11%)
Administrative expenses	668.1	680.4	(12.3)	(2%)
Net profit of the Company	772.2	2,493.1	(1,720.9)	(69%)
<i>Earnings per share (Baht/share)</i>	<i>0.0702</i>	<i>0.2266</i>		
<i>Gross Profit Margin (%)</i>	<i>26.12%</i>	<i>44.18%</i>		
<i>Net Profit Margin (%)</i>	<i>13%</i>	<i>29%</i>		

The Company's net profit was Baht 772.2 million for 9M23, decreasing by Baht 1,720.9 million, or 69% compared to 9M22. Overview of operating results was discussed as below.

Revenues from hospital operations

In 9M23, the Company has revenues from hospital operations of Baht 5,607.6 million, decreasing by Baht 2,774.5 million, or 33% YoY.

Revenue from general patients in 9M23 decreased by 9% YoY. The revenue from outpatients (OPD) decreased by Baht 533.1 million and inpatients (IPD) increased by Baht 146.9 million mainly from a significant decreased revenue from the COVID-19 related services. However, the return of general patients, both Thai and International patients, continues to increase steadily.

Revenue from Social Security scheme in 9M23 increased by 16% YoY driven by the increased number of the registered member, the increased reimbursement rate for basic payment (Capitation, effective on May 1, 2023), the return of inpatients with High Cost care (Adj.RW \geq 2) and the adjustment to the accrued medical treatment income of Chronic Disease for 2023.

Revenue from other governmental scheme in 9M23 decreased by 95% YoY mainly due to a significant decreased revenue from the COVID-19 related services and a decreased COVID-19 medical treatment revenue amounting to Baht 46 million (Actual receipt was less than the accrued amount.).

Other revenue in 9M23 increased by Baht 10.3 million from management services providing to government hospitals.

Unit: Million Baht	9M23	9M22	Increase (Decrease)	Change (%)
Revenue from general patients	3,685.70	4,071.83	(386.13)	(9%)
Revenue from outpatients (OPD)	1,717.57	2,250.69	(533.12)	(24%)
Revenue from inpatients (IPD)	1,968.13	1,821.14	146.99	8%
Revenue from government welfare programs	1,921.92	4,310.36	(2,388.44)	(55%)
Social security schemes	1,769.05	1,522.64	246.41	16%
Other governmental schemes	152.87	2,787.72	(2,634.85)	(95%)
Total revenue from hospital operations	5,607.62	8,382.19	(2,774.57)	(33%)

Operation costs

In 9M23, the Company's gross profit margin decreased from 44.18% to 26.12%, resulting in net profit margin decreased from 29% to 13% YoY, mainly due to a significant decreased revenue from the COVID-19 related services and a revenue reduction of Baht 46 million from the difference of the actual and accrued revenue for COVID-19 medical treatment. During the COVID-19 period, the Company has increased its workforce and invested in various medical equipment to support COVID-19 patients. Therefore, after returning to normalcy the Company's operating expenses has increased from both the increased number of employee, the rising human resource expense, and other expenses, including the increased depreciation from investment in assets, resulting in a decreased gross profit margin and net profit margin.

The Company's net profit 9M23 was Baht 772.2 million, decreasing by Baht 1,720.9 million, or 69% YoY, in accordance with the decreasing operating results and aforementioned reasons.

Comparison of the operating performance for the 3Q23 and 3Q19 (Pre-COVID-19)

Statement of comprehensive income Unit : Million Baht	3Q23	3Q19	Increase (Decrease)	Change (%)
Revenues from hospital operations	2,092.8	1,431.0	661.8	46%
Other revenues	76.8	7.2	69.6	967%
Total revenues	2,169.8	1,438.2	731.4	51%
Cost of hospital operations	1,486.3	935.0	551.3	59%
Administrative expenses	245.8	167.0	78.8	47%
Net profit of the Company	325.8	269.0	56.8	21%

Compared to 3Q19 (Pre COVID-19), the Company's revenue from hospital operation for the 3Q23 increased by 46% (Revenue from general patients increased by 62%, revenue from Social Security Scheme increased by 32%, whereas the revenue from other governmental scheme (NHSO) decreased by 29%).

Comparison of the operating performance for the 9M23 and 9M19 (Pre-COVID-19)

Statement of comprehensive income Unit : Million Baht	9M23	9M19	Increase (Decrease)	Change (%)
Revenues from hospital operations	5,607.6	3,838.0	1,769.6	46%
Other revenues	219.1	18.1	201.0	1110%
Total revenues	5,826.7	3,856.1	1,970.6	51%
Cost of hospital operations	4,143.0	2,655.0	1,488.0	56%
Administrative expenses	668.1	486.0	182.1	37%
Net profit of the Company	772.2	571.0	201.2	35%

Compared to 9M19 (Pre COVID-19), the Company's revenue from hospital operation for the 9M23 increased by 46% (Revenue from general patients increased by 56%, revenue from Social Security Scheme increased by 45%, whereas the revenue from other governmental scheme (NHSO) decreased by 39%).

Compared to 3Q19 and 9M19, the overall revenue increases for the 3Q23 and 9M23 are mainly driven by the increasing number of patients from the service area expansion, capacity increase and the increasing medical treatment potential (by adding medical personnel with expertise in various fields and modern medical equipment). In addition, the Company has provided hospital management services and operated 3 heart centers at the public hospitals, resulting in customer base expansion and the Company's expertise and reputation.

Statement of financial position	30 September	31 December	Increase	Change
Unit : Million Baht	2023	2022	(Decrease)	(%)
Total assets	10,252	10,280	(28)	(0.3%)
Total liabilities	2,600	2,416	184	7.6%
Shareholders' equity	7,652	7,864	(212)	(2.7%)
Debt to equity ratio (x)	0.34	0.31		

As of September 30, 2023, the Company has **total assets** of Baht 10,252 million, decreased by Baht 28 million from December 31, 2022, primarily due to

- Cash and cash equivalent decreased by Baht 615 million from the Company's operation, as reported in the cash flow statement.
- Trade and other receivables increased by Baht 90 million; accrued medical treatment income decreased by Baht 603 million from the increased revenue and the payment schedule.
- Property, plant and equipment increased by Baht 835 million from the construction projects for expansion and the acquisition of medical equipment.
- Unallocated cost of business acquisition increased by Baht 70 million from the difference between costs of the business acquisition and net value assets from business acquisition.

Total liabilities amounting to Baht 2,600 million as of September 30, 2023, increasing by Baht 184 million from December 31, 2022, as described below.

- Bank overdrafts and short-term loans from financial institutions decreased by Baht 175 million.
- Trade and other payables increased by Baht 193 million.
- Income Tax Payable decreased by Baht 93 from the corporate tax payment.
- Long-term loans from financial institutions increased by Baht 230 million from affiliated companies' loans for business expansion.

Total shareholders' equity amounting to Baht 7,652 million as of September 30, 2023, decreasing by Baht 212 million from December 31, 2022 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.34, which reflects the ability to loan from financial institution for business expansion and in line with the Company's strategy.

Cash flow statement	9M23	9M22	Change
Unit : Million Baht			
Net cash from operating activities	1,677.24	1,296.62	381
Net cash used in investing activities	(1,206.11)	(485.22)	(721)
Net cash used in financing activities	(1,086.02)	(1,854.64)	769
Net decrease in cash and cash equivalents	(614.88)	(1,043.25)	428
Cash and cash equivalents at beginning of period	2,000.74	2,789.67	(789)
Cash and cash equivalents at end of period	1,385.86	1,746.42	(361)

In 9M23, the Company's Net cash from operating activities amounting to Baht 1,677.24 million, from the operating profit and the receipt of accrued medical treatment income. Net cash used in investing activities increased by Baht 721 million from the acquisition and construction of new hospitals according to the expansion plan. Net cash used in financing activities amounting to Baht 1,086.02 million YoY, from the payment of short-term and long-term loans, including the dividend payment.

Please be informed accordingly.

Yours faithfully,

(Mr.Kriengsak Plussind)
Chairman of the Board