

Thonburi Healthcare Group PLC.

3Q23 Management Discussion and Analysis

Overview of 3Q23

THG emphasizes quality development to elevate the quality of 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, Thonburi Burana Hospital, and Thonburi Thung Song Hospital have been certified by the American Accreditation Commission International (AACI), confirming the quality standards in patient care and safety that are globally equivalent. This is attributed to the increase of patients entering the highest season of the business during the third quarter. The key driver stems from influenza, dengue fever, and young children's diseases (Hand, Foot and Mouth Disease and RSV Infection), particularly secondary care both in Bangkok and other provinces. Moreover, this year THG maintains continuous growth through market expansion with Digital Health Tech and accelerating the creation of synergy with network hospitals and startups, to meet the rapidly changing needs of customers.

For the three-months operating results of 3Q23, the total revenue decreased by 7.8%, amounting to THB 2,725 mn. from THB 2,954mn. The normalized revenue from the medical service business continue to grow steadily, representing an increase of 28.6%, excluding revenue related to COVID-19 (hospital, field hospitals, and covid-19 vaccination). Combined with efficient cost management, resulting in higher gross profit margins compared to the same period of the previous year. Part of the increased expenditure is attributed to expenses for service quality enhancement and investments in technology. 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. This resulted in net profit of 3Q23 at amount of THB 356mn. (with net profit margin of 13.1%), a decrease of 21.4 % from THB 453mn. (with net profit margin of 15.3%), compared to the same period of the last year.

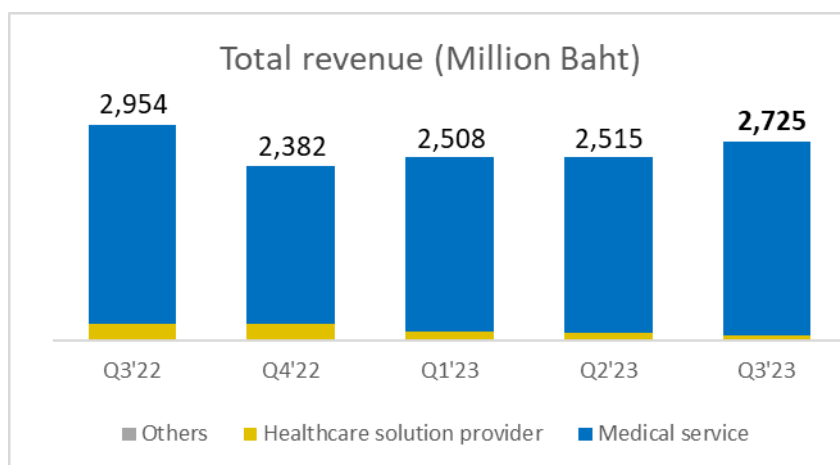
As the THG 9-month operating results of 2023, THG's operational performance followed a similar trajectory as 3Q23, with adjustments leading to a decrease compared to the same period of the last year due to the absence of COVID-19 and Moderna vaccine revenue. This resulted in THG's total revenue for 9M23 amounting to THB 7,748mn, a decrease of 15.4% from THB 9,158mn. The net profit for 9M23 was THB 757mn. (with net profit margin of 9.8%), a decrease of 46.6% from 9M22, which had a net profit of THB 1,417mn. (with net profit margin of 15.5%). Despite this, the operational results for 9M23 remain within the targets. THG continue to follow up account receivable related to COVID-19 vaccination service with government.

Ar Yu International Hospital, Republic of the Union of Myanmar, was consistently profitable performance which the operating results of this quarter achieved a new all-time high since it was operated. Together with risk management from currency fluctuations, as a result, the effect of the exchange rate on the financial statements was insignificant, causing THG recognized share profit from investment in joint venture for the 3-month and 9-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 third-quarter transfer target was not met. In 9M23, there were 14 rooms transferred, a

decrease from the same period of the previous year where 63 rooms were transferred. In 4Q23, there will be an increase of transferred room expected to be gradually transferred to customers during the last quarter. Meanwhile, hospital care for the elderly and Thonburi Health village - Pracha Uthit, an Elderly Care Center have more continuous growth.

THG’s growth tends to accelerate consistently to enhance the quality of services and accessibility in healthcare for patients. This includes investing in new buildings to increase the capacity of the existing hospitals within the group. It is expected to gradually operate 1Q24 onwards, along with the introduction of new technologies to enhance healthcare capabilities and improve patient treatment efficiency. Meanwhile, Thonburi Sermrath (formerly known as Thonburi Heart Center Hospital) has expanded the business to provide specialized medical services in other areas by entering into new agreement with public sector to provide specialized medical services in 4Q23. Additionally, they have collaborated with partners to establish Thonburi Rangsit Hospital, a 250-beds 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 complete and operate by the end of 2026. Besides, the Company sees a growth opportunity in the pharmaceutical market. It started to operate the first pharmacy at Sirivej Chanthaburi Hospital in the beginning of November. It is named “THHealth Pharma”, serving pharmacy, consultation, and distribution of medicine products, vitamin, dietary supplements, medical supplies, cosmeceutical products, and medical equipment. It also provides procurement of medicines and medical supplies to promote network hospital operations as well as plans to expand the customer base to private hospitals in the future. 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 2Q24. THG continues to explore investment opportunities for further expanding the healthcare business and strengthening the Company’s core business. THG remains committed to its sustainable growth and always considers the maximized benefits of all stakeholders.



Summary of 3Q2023 performance compared to 3Q2022

Revenue

Total revenue was THB 2,725mn, a 7.8% decrease from THB 2,954mn. The decrease was from the following factors.

Medical Service Business had revenue of THB 2,661mn, a 2.8% decrease from THB 2,738mn. This was mostly due to in 3Q2022, THG had realized the revenue from releasing all remaining COVID-19 vaccines which resulting in significant amount of revenue from COVID-19 vaccines. Despite this, the medical service business continues to experience consistent growth, a 28.6% increase of normalized revenue compared to the same period of the previous year. This is attributed to the revenue from Thonburi Trang Hospital (which became a subsidiary in November 2022) and the high season of the business during the third quarter, driven by seasonal diseases especially pediatric patients.

Healthcare Solutions Provider had revenue of THB 59mn, a 72.2% decrease from THB 212mn, mainly due to in 3Q2023, one residential unit was transferred compared twenty-nine units in 3Q2022.

Financial statements of the third quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	3Q23	3Q22	YoY change	3Q23	3Q22	YoY change
Revenue from medical service	2,661	2,738	-2.8%	1,486	1,985	-25.1%
Revenue from healthcare solution provider	59	212	-72.2%	-	-	-
Revenue from other businesses	5	4	25.0%	-	-	-
Total revenue	2,725	2,954	-7.8%	1,486	1,985	-25.1%

Financial statements of nine-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	9M23	9M22	YoY change	9M23	9M22	YoY change
Revenue from medical service	7,480	8,606	-13.1%	4,296	5,584	-23.1%
Revenue from healthcare solution provider	257	538	-52.2%	-	-	-
Revenue from other businesses	11	14	-21.4%	-	-	-
Total revenue	7,748	9,158	-15.4%	4,296	5,584	-23.1%

Costs

Total cost was THB 1,863mn, decreasing by 10.4% from THB 2,079mn, with main factors as follows;

Cost of medical service was THB 1,811mn, decreasing by 6.3% from THB 1,932mn. The overall cost decreases due to the absence of cost in relation to COVID-19 vaccination services. In terms of normalized cost of medical service, the overall cost increased by 13.1% which in line with increasing in medical service revenue. However, management has effectively controlled the initial profit margins within the defined parameters by improving adjustments compared to the period before the COVID-19 pandemic.

Cost of healthcare solution provider was THB 48mn, decreasing by 66.7% from THB 144mn. This was mostly due to 3Q23 transfers less than 3Q22 at 28 units.

Selling, general and administrative expenses

SG&A was THB 440mn, decreasing by 4.1% from THB 459mn, expenses were decreased mainly due to in 3Q2022 THG donated Moderna vaccines to government agencies for injecting to Thai citizens.

Finance cost

The finance costs amounted to THB 115mn, representing an increase of 55.4% from THB 74mn. The primary reason for this increase is due to the continuing interest adjustments by the Bank of Thailand, which have risen consistently. The MLR interest rate as of September 30, 2023, was 6.8% compared to 5.25% on the same period of previous year. Additionally, THG has made investments to expand its businesses both internally and externally. This includes constructing new buildings within existing hospitals and business acquisitions, which has led to a slight increase in THG's debt from loans acquired from financial institutions.

Financial statements of the third quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	3Q23	3Q22	YoY change	3Q23	3Q22	YoY change
Cost from medical service	(1,811)	(1,932)	-6.3%	(1,058)	(1,370)	-22.8%
Cost from healthcare solution provider	(48)	(144)	-66.7%	-	-	-
Cost from other businesses	(4)	(3)	33.3%	-	-	-
Total cost	(1,863)	(2,079)	-10.4%	(1,058)	(1,370)	-22.8%
Selling, general and admin expenses	(440)	(459)	-4.1%	(197)	(253)	-22.1%
Finance cost	(115)	(74)	55.4%	(91)	(61)	49.2%

Financial statements of nine-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	9M23	9M22	YoY change	9M23	9M22	YoY change
Cost from medical service	(5,239)	(5,919)	-11.5%	(3,066)	(3,961)	-22.6%
Cost from healthcare solution provider	(189)	(370)	-48.9%	-	-	-
Cost from other businesses	(11)	(10)	10.0%	-	-	-
Total cost	(5,439)	(6,299)	-13.7%	(3,066)	(3,961)	-22.6%
Selling, general and admin expenses	(1,323)	(1,301)	1.7%	(588)	(633)	-7.1%
Finance cost	(326)	(222)	46.8%	(248)	(186)	33.3%

Profit

THG's profit for this quarter has decreased compared to the same period of the previous year. The main reasons for the decrease come from a decrease in dividend income and extraordinary gain resulting from disposal of land. Despite this, normalized net profit has increased due to growth in the medical service business.

Financial statements of the third quarter

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	3Q23	3Q22	YoY change	3Q23	3Q22	YoY change
Gross profit	862	875	-1.5%	428	615	-30.4%
EBITDA	841	910	-7.6%	418	560	-25.4%
Normalized EBITDA	841	829	1.4%	418	575	-25.4%
Net profit	356	453	-21.4%	177	296	-40.2%
Normalized net profit	356	388	-8.2%	177	311	-43.1%
Net profit - parent	310	438	-29.2%	177	296	-40.2%
Normalized net profit - parent	310	373	-16.9%	177	311	-43.1%

<i>Key financial ratios</i>	Consolidated financial statements		Separate financial statements	
	3Q23	3Q22	3Q23	3Q22
Gross profit margin	31.6%	29.6%	28.8%	31.0%
EBITDA margin	30.9%	30.8%	28.1%	28.2%
Normalized EBITDA margin	30.9%	28.1%	28.1%	29.0%
Net profit margin - parent	11.4%	14.8%	11.9%	14.9%
Normalized net profit margin - parent	11.4%	12.6%	11.9%	15.7%

Note: normalized values exclude

1) In 3Q22, the consolidated financial statements showed a net gain after tax from disposal of land amounting to THB 65 mn.

Financial statements of nine-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	9M23	9M22	YoY change	9M23	9M22	YoY change
Gross profit	2,309	2,859	-19.2%	1,230	1,623	-24.2%
EBITDA	2,100	2,737	-23.3%	1,239	1,598	-22.5%
Normalized EBITDA	2,100	2,638	-20.4%	1,239	1,600	-22.6%
Net profit	757	1,417	-46.6%	560	897	-37.6%
Normalized net profit	757	1,334	-43.3%	560	899	-37.7%
Net profit - parent	649	1,363	-52.4%	560	897	-37.6%
Normalized net profit - parent	649	1,280	-49.3%	560	899	-37.7%

<i>Key financial ratios</i>	Consolidated financial statements		Separate financial statements	
	9M23	9M22	9M23	9M22
Gross profit margin	29.8%	31.2%	28.6%	29.1%
EBITDA margin	27.1%	29.9%	28.8%	28.6%
Normalized EBITDA margin	27.1%	28.8%	28.8%	28.7%
Net profit margin - parent	8.4%	14.9%	13.0%	16.1%
Normalized net profit margin - parent	8.4%	14.0%	13.0%	16.1%

Note: normalized values exclude

1) In 1Q22, the consolidated financial statements showed a gain from disposal of investment in Thonburi Canabiz PCL. amounting to THB 5 mn.

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

3) In 3Q22, the consolidated financial statements showed a net gain after tax from disposal of land amounting to THB 65 mn.

Financial status

As of 30 September 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, 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 September 2023	31 December 2022	Change	30 September 2023	31 December 2022	Change
Current assets	5,569	7,008	-20.5%	5,538	6,652	-16.7%
Non-current assets	18,419	18,073	1.9%	15,347	15,080	1.8%
Total assets	23,988	25,081	-4.4%	20,885	21,732	-3.9%
Current liabilities	8,161	7,921	3.0%	6,671	6,407	4.1%
Non-current liabilities	4,716	5,984	-21.2%	3,111	4,004	-22.3%
Total liabilities	12,877	13,905	-7.4%	9,782	10,411	-6.0%
Total equity	11,111	11,176	-0.6%	11,103	11,321	-1.9%

<i>Key financial ratios</i>	Consolidated financial statements		Separate financial statements	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Current ratio (times)	0.7	0.9	0.8	1.0
Return on assets (%)	6.9	9.6	5.3	6.9
Assets turnover (times)	0.4	0.5	0.3	0.3
Return on equity (%)	8.9	16.6	6.3	9.3
Debt/ equity (times)	1.2	1.2	0.9	0.9
Interest bearing debt/ EBITDA (times)	3.9	3.4	5.5	4.2
Debt service coverage ratio (DSCR) (times)	1.2	1.9	0.9	1.6
Interest coverage ratios (times)	3.9	7.7	3.7	5.9

** Calculate using the past 12 months' data

Liquidity and Capital management in 3Q23 compared to 3Q22

- **Net cash generated from operating activities** was THB 448mn (compared to net generated of THB 533mn in 3Q22), decreasing by 15.6% because THG experienced a decrease in cash flow from operational activities.

- **Net cash used in investing activities** was THB 277mn (compared to net use of THB 99mn in 3Q22), changing by greater than 100%. This was due to THG had proceeds from disposal of land amounting to THB 189 mn. in 3Q22, while in this period, THG having proceeds from disposal of land amounting to THB 92 mn offsetting an increase in net cash used in payment of construction payables compared to the same period of the previous year.

- **Net cash used from financing activities** was THB 225mn (compared to net use of THB 59mn in 3Q22), changing by greater than 100%. The variance was mostly due to an increase in repayment loans to financial institutions.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	3Q23	3Q22	3Q23	3Q22
Net cash generated from operating activities	448	533	271	248
Net cash used in investing activities	(277)	(99)	(206)	149
Net cash generated from (used in) financing activities	(225)	(59)	(33)	(55)
Net (decrease) increase in cash and cash equivalents	(54)	375	32	342
Cash and cash equivalents at the beginning of period	1,153	1,040	810	765
Unrealized exchange gain in cash and cash equivalents	2	1	2	1
Cash and cash equivalents at the end of period	1,101	1,416	844	1,108
