

10 November 2023

Subject Management's Discussion and Analysis of Financial Performance and Results of Operations For the three-month and nine-month periods ended 30 September 2023

To The President
The Stock Exchange of Thailand

Praram 9 Hospital Public Company Limited (the "Company") would like to report management's discussion and analysis of financial performance and results of operations for three-month and nine-month periods ended 30 September 2023 as follows:

Summary

In the Thai economy during the third quarter of 2023, it entered the rainy season, which typically sees the outbreak of various diseases. This year, there was a severe outbreak of influenza, particularly among vulnerable groups, such as children under the age of 5, the elderly aged over 65, and individuals with compromised immune systems. This led to an increase in hospital visits, effectively providing a boost to the healthcare sector as it coped with the aftermath of the COVID-19 situation. As a result, private hospital businesses returned to a pre-COVID-19 level of operation, although it was anticipated that the business environment would gradually improve. However, the profitability of private hospital businesses remained under pressure due to the high operating costs and intense competition.

In the third quarter of 2023, the Company reported total revenues of Baht 1,078.2 million, increased of 0.3% as compared to the third quarter of 2022, which reported total revenues of Baht 1,074.9 million and reported profit for the period in the third quarter of 2023 was Baht 140.1 million, a decrease of 4.8% as compared to the third quarter of 2022, which reported profit for the period of Baht 147.0 million.

For nine-month period ended 30 September 2023, the Company reported total revenues of Baht 3,061.7 million, increased of 0.9% as compared to the same period of last year, which reported total revenues of Baht 3,034.1 million. The reported profit for the nine-month period ended 30 September 2023 was Baht 369.8 million, decreased of 13.8% as compared to the same period of last year, which reported profit of Baht 428.9 million.

Statement of comprehensive income

1. Quarterly Operational results

Revenues (Million Baht)	Three-month period ended 30 Sep		Change (%)
	2023	2022	
Medical revenues from Out-Patient (OPD)	631.9	606.1	+4.3
Medical revenues from In-Patient (IPD)	433.9	457.8	-5.2
Total Medical revenues	1,065.8	1,063.9	+0.2
Rental and other income	12.4	11.1	+12.3
Total Revenues	1,078.2	1,074.9	+0.3

Medical revenues by Type

(Million Baht)	Three-month period ended 30 Sep		Change (%)	Proportion	
	2023	2022		2023	2022
Medical revenues by Nationality					
Thai	913.6	903.8	+1.0	86%	84%
International	152.2	160.1	-5.0	14%	16%
Total Medical revenues	1,065.8	1,063.9	+0.2	100%	100%
Medical revenues by Payment method					
Self-Pay	702.5	785.6	-10.6	66%	74%
Insurance	294.8	229.6	+28.4	28%	21%
Corporate Contract	68.5	48.7	+40.7	6%	5%
Total Medical revenues	1,065.8	1,063.9	+0.2	100%	100%

In the third quarter of 2023, the Company reported total medical revenues of Baht 1,065.8 million, increased of 0.2% from the third quarter of 2022, which reported medical revenues of Baht 1,063.9 million.

The out-patient department (OPD) revenues increased 4.3% as compared to the same period last year. In line with the improved situation of COVID-19. Regarding COVID-19, Medical revenues from Out-Patient (OPD) grew 11.7% from the same period last year.

The in-patient department (IPD) revenues decreased 5.2% compared to the same period last year, Although the number of patients has increased, the reduction in the Length of Stay has led to a decrease in the Patient Days compared to the same period in the previous year. Meanwhile, the IPD revenue per Patient Day, especially for the treatment of complex conditions that involve surgeries or plastic surgeries, has increased. Regarding COVID-19, Medical revenues from In-Patient (IPD) grew 5.4% from the same period last year.

For the third quarter of 2023, revenues from Thai patients increased by 1.0% compared to the same period last year. Meanwhile, revenues from international patients decreased 4.3% from the same period last year. This resulted in the proportion of revenue from international patients to medical revenues for the third quarter of 2023 being 14% compared to 16% for the third quarter of 2022, with the primary sources of revenue coming from patients from Myanmar, China, and Cambodia, in that order.

Revenues breakdown by payment method, revenues from Self-Pay decreased 10.6% compared to the same period last year from the decrease in COVID-19 patients. Revenues from insurance increased 28.4%, Due to the Company's strategy shift in the past year, which emphasized expanding its customer base within the health insurance segment through collaborations with various insurance partners. The Corporate contract group increased by 40.7% from continuously increasing the customer base of contracting companies. This resulted in the proportion of revenue breakdown by payment, with Self-Pay at 66% , Insurance at 28% , and Corporate contract at 6% respectively.

Cost of Hospital Operations and Expenses (Million Baht)	Three-month period ended 30 Sep		Change (%)
	2023	2022	
Cost of hospital operations	714.4	702.0	+1.8
As % of medical revenues	67.0	66.0	
Selling and administrative expenses	197.6	194.6	+1.5
As % of total revenues	18.3	18.1	

For the third quarter of 2023, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 714.4 million or equal to 67.0% of total medical revenues, compared to the third quarter of 2022, which amount Baht 702.0 million or equal to 66.0% of total medical revenues. Although primarily stemming from increased expenses related to medical personnel and support staff, as well as higher healthcare costs for treating complex conditions, the proportion of cost to revenue from hospital operations has increased due to the treatment of COVID-19 patients.

For the third quarter of 2023, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 197.6 million or equal to 18.3% of total revenues. Comparing to the third quarter of 2022, which amount Baht 194.6 million or equal to 18.1% of total revenues. The reduction of those proportion reflected excellent management efficiency although there were some higher expenses including the higher, such as utilities, employee expenses, selling and advertising expenses, but the Company still has a resource optimization.

(Million Baht)	Three-month period ended 30 Sep		Change (%)
	2023	2022	
Operating profit	166.2	178.3	-6.8
Depreciation and amortization	75.9	76.0	-0.1
EBITDA	248.9	256.5	-3.0
<i>EBITDA Margin (%)</i>	<i>23.1</i>	<i>23.9</i>	
Finance income	7.0	2.3	+198.0
Finance cost	(0.2)	(0.1)	+39.5
Income tax expenses	(32.9)	(33.5)	-1.7
Profit for the period	140.1	147.0	-4.8
<i>Net profit margin (%)</i>	<i>13.0</i>	<i>13.7</i>	
Total comprehensive income for the period	140.1	147.0	
Weighted average number of ordinary shares (Share)	786,300,000	786,300,000	
Basic earnings per share (Baht)	0.18	0.19	

For the third quarter of 2023, the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 248.9 million, the EBITDA margin at 23.1%, decreased of 3.0% from the third quarter of 2022 that the Company reported amount Bath 256.5 million, with the EBITDA margin at 23.9%.

For the third quarter of 2023, the Company reported depreciation and amortization of Baht 75.9 million, compared to the third quarter of 2022 of Baht 76.0 million. Depreciation and amortization decrease slightly due to the equipment reaching the end of useful life.

For the third quarter of 2023, the Company reported finance cost of Baht 0.2 million compared to the third quarter of 2022 of Baht 0.1 million. The Company reported income tax expenses for the third quarter of 2023 of Baht 32.9 million, while the third quarter of 2022, the Company reported income tax expenses of Baht 33.5 million

For the third quarter of 2023, the Company reported profit for the period of Baht 140.1 million, representing the Net profit margin for the year of 13.0%. While the Company reported profit for the third quarter of 2022 of Baht 147.0 million, representing the Net profit margin for the period of 13.7%. Basic earnings per share of 0.18 Baht per share and 0.19 Baht per share in the third quarter of 2023 and the third quarter of 2022, respectively.

2. Nine-month Operational results

Revenues (Million Baht)	Nine-month period ended 30 Sep		Change (%)
	2023	2022	
Medical revenues from Out-Patient (OPD)	1,791.1	1,703.2	+5.2
Medical revenues from In-Patient (IPD)	1,236.2	1,300.8	-5.0
Total Medical revenues	3,027.3	3,004.0	+0.8
Rental and other income	34.4	30.1	+14.3
Total revenues	3,061.7	3,034.1	+0.9

Medical revenues by Type

(Million Baht)	Nine-month period ended 30 Sep		Change (%)	Proportion	
	2023	2022		2023	2022
Medical revenues by Nationality					
Thai	2,613.0	2,613.2	-0.0	86%	87%
International	413.9	390.8	+5.9	14%	13%
Total Medical revenues	3,027.3	3,004.0	+0.8	100%	100%
Medical revenues by Payment method					
Self-Pay	2,089.9	2,162.5	-3.4	69%	72%
Insurance	763.5	664.4	+14.9	25%	22%
Corporate Contract	174.0	177.1	-1.7	6%	6%
Total Medical revenues	3,027.3	3,004.0	+0.8	100%	100%

For the nine-month period ended 30 September 2023, the Company reported total medical revenues of Baht 3,027.3 million, increased of 0.8% from the same period of last year which reported total medical revenues of Baht 3,004.0 million.

The out-patient department (OPD) revenues increased 5.2% as compared to the same period of last year. In line with the improved situation of COVID-19. Regarding COVID-19, Medical revenues from Out-Patient (OPD) grew 14.0% from the same period last year.

Meanwhile, revenues from the in-patient department (IPD) revenues decreased by 5.0% compared to the same period last year. Although the number of patients has increased, the reduction in the Length of Stay has led to a decrease in the Patient Days compared to the same period in the previous year. Meanwhile, the average revenue per Patient Day, especially for the treatment of complex conditions that involve surgeries or plastic surgeries, has increased. Regarding COVID-19, Medical revenues from In-Patient (IPD) grew 13.3% from the same period last year.

For the nine-month period of 2023, revenues from Thai patients decreased from COVID-19 patients compared to the same period last year. Meanwhile, revenues from international patients increased 5.9% from the same period last year. This resulted in the proportion of revenue from international patients to medical revenues for the nine-month period of 2023 being 14% compared to 13% for the nine-month period of 2022, with the primary sources of revenue coming from patients from Myanmar, China, and Cambodia, in that order.

Revenues breakdown by payment method, revenues from Self-Pay decreased 3.4% compared to the same period last year. Revenues from insurance increased 14.9%. The Corporate contract group decreased by 1.7% due to COVID-19 patients who exercised UCEP (Universal Coverage for Emergency Patients) right to treatment according to the government policy. This resulted in the proportion of revenue breakdown by payment, with Self-Pay at 69% , Insurance at 25% , and Corporate contract at 6% respectively.

Cost of Hospital Operations and Expenses (Million Baht)	Nine-month period ended 30 Sep		Change (%)
	2023	2022	
Cost of Hospital Operations	2,059.3	1,993.2	+3.3
As % of medical revenues	68.0	66.4	
Selling and Administrative Expenses	564.7	517.2	+9.2
As % of total revenues	18.4	17.1	

For the nine-month period in 2023, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 2,059.3 million or equal to 68.0% of total medical revenues, comparing to the nine-month period in 2022, the Company reported which amount Baht 1,993.2 million or equal to 66.4% of total medical revenues. Although primarily stemming from increased expenses related to medical personnel and support staff, as well as higher healthcare costs for treating complex conditions, the proportion of cost to revenue from hospital operations has increased due to the treatment of COVID-19 patients.

For the nine-month period in 2023, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 564.7 million or equal to 18.4% of total revenues. Comparing to the same period of 2022, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 517.2 million or equal to 17.1% of total revenues. The reduction of those proportion reflected excellent management efficiency although there were some higher expenses such as utilities expenses. However, the Company could save many expense items, especially in terms of personnel expenses which were improved by managing working hours and human resource allocations.

(Million Baht)	Nine-month period ended 30 Sep		Change
	2023	2022	(%)
Operating profit	437.7	523.7	-16.4
Depreciation and amortization	223.8	225.3	-0.7
EBITDA	679.4	753.5	-9.8
<i>EBITDA Margin (%)</i>	22.2	24.8	
Finance income	18.5	4.9	+280.5
Finance cost	(0.5)	(0.4)	+31.9
Income tax expenses	(85.9)	(99.3)	-13.5
Profit for the period	369.8	428.9	-13.8
<i>Net profit margin (%)</i>	12.1	14.1	
Total comprehensive income for the period	369.8	428.9	
Weighted average number of ordinary shares (Share)	786,300,000	786,300,000	
Basic earnings per share (Baht)	0.47	0.55	

For the nine-month period of 2023, the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 679.4 million, the EBITDA margin at 22.2%, an decrease of 9.8% from the same period of 2022 that the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 753.5 million, with the EBITDA margin at 24.8%.

For the nine-month period of 2023, the Company reported depreciation and amortization of Baht 223.8 million, compared to the same period of 2022 of Baht 225.3 million. Depreciation and amortization decrease slightly due to the equipment reaching the end of useful life.

For the nine-month period of 2023, the Company reported finance cost of Baht 0.5 million almost the same as the same period of 2022 of Baht 0.4 million and reported income tax expenses for the nine-month period of 2023 of Baht 85.9 million, increased from the same period of 2022 which reported income tax expenses of Baht 99.3 million.

For the nine-month period of 2023, the Company reported profit for the period of Baht 369.8 million, representing the Net profit margin of 12.1%. While the Company reported profit for the nine-month period of 2022 of Baht 428.9 million, representing the Net profit margin of 14.1%. Basic earnings per share of 0.47 Baht per share and 0.55 Baht per share for the nine-month period of 2023 and the nine-month period of 2022, respectively.

Statement of Financial Position

Statement of Financial Position (Million Baht)	As of 30 Sep 2023	As of 31 Dec 2022	Change (%)
Current assets	2,074.5	2,023.4	+2.5
Non-current assets	3,664.5	3,534.4	+3.7
Total assets	5,739.0	5,557.8	+3.3
Current liabilities	634.5	609.5	+4.1
Non-current liabilities	227.2	212.9	+6.7
Total liabilities	861.7	822.4	+4.8
Total shareholders' equity	4,877.3	4,735.4	+3.0
Total liabilities and shareholders' equity	5,739.0	5,557.8	+3.3

1. Assets

As of 30 September 2023, the Company reported current assets of Baht 2,074.5 million, slightly increase by 2.5% as compared to Baht 2,023.4 million as of 31 December 2022. From cash and cash equivalents increased Baht 18.4 million.

As of 30 September 2023, the Company reported non-current assets of Baht 3,664.5 million, increased by 3.7% as compared to Baht 3,534.4 million as of 31 December 2022. From the depreciation and amortization offset with the purchase of assets.

2. Liabilities

As of 30 September 2023, the Company reported current liabilities of Baht 634.5 million, increased by 4.1% as compared to Baht 609.5 million as of 31 December 2022. This was due to increased revenue from the sale of prepaid health check-up vouchers, including the sale of special price health check-up vouchers offered on the hospital's anniversary day, which customers had not yet used.

As of 30 September 2023, the Company reported non-current liabilities of Baht 227.2 million, increased by 6.7% as compared to Baht 212.9 million as of 31 December 2022.

3. Shareholders' equity

As of 30 September 2023, the Company reported shareholders' equity of Baht 4,877.3 million, increased by 3.0% as compared to Baht 4,735.4 million as of 31 December 2022. This was due mainly to total comprehensive income for the nine-month period ended 30 September of 2023 of Baht 369.8 million net with dividend payment of Baht 228.0 million.

Cash flow statement

Cash flow statement (Million Baht)	Nine-month period ended 30 Sep	
	2023	2022
Cash flows from operating activities	617.5	682.4
Cash flows used in investing activities	(368.0)	(199.9)
Cash flows used in financing activities	(231.1)	(113.9)
Net increase in cash and cash equivalents	18.4	368.6

For nine-month period ended 30 September 2023, the Company reported cash flows from operating activities of Baht 617.5 million, decreased of Baht 64.9 million as compared to the same period of 2022 of Baht 682.4 million. This was mainly due to the decrease in net profit from operating results before depreciation and amortization.

For nine-month period ended 30 September 2023, the Company reported cash flows used in investing activities of Baht 368.0 million, arising from Acquisition of debt instruments net Proceed from sales of equity and debt instruments Baht 132.6 million, Acquisition of fixed assets and Acquisition of intangible assets Baht 235.4 million. For nine-month period ended 30 September 2022, the Company reported cash flows used in investing activities of Baht 199.9 million, arising from Acquisition of debt instruments net Proceed from sales of equity and debt instruments Baht 95.7 million, Acquisition of fixed assets and Acquisition of intangible assets Baht 104.2 million.

For nine-month period ended 30 September 2023, the Company reported cash flows used in financing activities of Baht 231.1 million from the dividend payment and payment of principal portion of lease liabilities, compared to the same period of 2022 which reported cash flows used in financing activities of Baht 113.9 million.

Key Financial Ratio	Nine-month period ended 30 Sep	
	2023	2022
Liquidity Ratio		
Current ratio (Time)	3.3	3.1
Average collection period (Day)	23.8	21.8
Average days sales of inventory (Day)	6.4	7.3
Average account payables days (Day)	20.8	19.0
Cash cycle (Day)	9.5	10.2
Profitability Ratio		
Gross profit margin (%)	32.0	33.6
Net profit margin (%)	12.1	14.1
Return on average shareholders' equity * (%)	10.7	12.4
Return on average assets* (%)	9.1	10.5
Financial Policy Ratio		
Debt to equity ratio (Time)	0.2	0.2
Interest bearing debt to equity ratio (Time)	-	-

Remark * The information from financial statements adjusted to fully annualized numbers by using the numbers in the current quarter plus the previous 3 quarter financial information.

Please be informed accordingly,

Yours sincerely,

Praram 9 Hospital Public Company Limited

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Satian Pooprasert, M.D.
Chief Executive Officer