

21 February 2024

Subject: Management Discussion and Analysis for the fourth quarter of 2023 and 2023 results

To: President
The Stock Exchange of Thailand

Bumrungrad Hospital PCL. Management Discussion and Analysis for Consolidated 4Q23 and 2023 results

Summary

The Company reported Total revenues in 4Q23 of Baht 6,565 million, an 8.2% increase from Baht 6,068 million in 4Q22. Net profit for 4Q23 increased by 11.3% to Baht 1,721 million from Baht 1,546 million in 4Q22, with Net profit margin at 26.2% in 4Q23, compared to 25.5% in 4Q22.

Comparing with 4Q19, in order to gauge the performance of the current quarter to pre-covid levels, 4Q23 Total revenues and Net profit increased by 36.9% and 94.3%, respectively, from 4Q19. Net profit margin rose to 26.2% in 4Q23, compared to 18.5% in 4Q19.

Total revenues for 2023 increased to Baht 25,575 million, or 22.3% increase from Baht 20,908 million in 2022. Net profit for 2023 increased by 41.9% to Baht 7,006 million from Baht 4,938 million in 2022, with Net profit margin at 27.4% in 2023 compared to 23.6% in 2022.

Comparing with 2019, in order to gauge the performance of the current year to pre-covid levels, 2023 Total revenues and Net profit increased by 37.8% and 87.0%, respectively, from 2019. Net profit margin rose to 27.4% in 2023, compared to 20.2% in 2019.

Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

4Q23 vs 4Q22 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 6,497 million in 4Q23, a 8.9% increase year-over-year from Baht 5,968 million in 4Q22. This was mostly due to an increase in revenues from non-Thai and Thai patients by 11.9% and 2.9%, respectively. As a result, the revenue contribution from Thai patients was 32.0%, whereas revenue from non-Thai patients was 68.0% for 4Q23 compared with 33.8% and 66.2%, respectively, for 4Q22.

Operating Expenses and EBITDA			
(Unit: Baht million)	4Q23	4Q22	Change
Cost of hospital operations	3,332	3,136	-6.2%
Selling expenses	186	179	-4.1%
Administrative expenses	954	868	-10.0%
EBITDA	2,367	2,158	9.7%
<i>EBITDA Margin</i>	36.1%	35.6%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 3,332 million for 4Q23, a 6.2% increase year-over-year from Baht 3,136 million in 4Q22. The variance was mostly due to Baht 83 million increase in physicians' fees, Baht 71 million increase in personnel cost and Baht 66 million increase in supply costs. This represented a favorable change when compared to the 8.9% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 51.3% in 4Q23 compared with 52.6% in 4Q22.

Selling expenses (including Depreciation and amortization) were Baht 186 million in 4Q23, or 4.1% increase year-over-year from Baht 179 million in 4Q22. The variance was mostly due to Baht 8 million increase in personnel cost.

Administrative expenses (including Depreciation and amortization) were Baht 954 million in 4Q23, or 10.0% increase year-over-year from Baht 868 million in 4Q22. The variance was mostly due to Baht 87 million increase in personnel cost.

EBITDA increased by 9.7% year-over-year to Baht 2,367 million in 4Q23 from Baht 2,158 million in 4Q22, with an EBITDA margin of 36.1% in 4Q23 compared to 35.6% in 4Q22.

Depreciation and amortization expenses were Baht 274 million in 4Q23, compared to Baht 283 million in 4Q22.

Corporate income tax expense was Baht 408 million in 4Q23 compared to Baht 335 million in 4Q22. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 2.16 in 4Q23, compared to Baht 1.94 in 4Q22, while 4Q23 Diluted EPS was Baht 1.98, compared to Baht 1.78 in 4Q22.

4Q23 vs 4Q19 (Pre-Covid Comparison)

4Q23 Revenues from hospital operations increased by 36.6% from 4Q19. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 38.7% and 32.3%, respectively. As a result, the revenue contribution from Thai patients was 32.0%, whereas revenue from non-Thai patients was 68.0% for 4Q23 compared with 33.0% and 67.0%, respectively, for 4Q19.

As a result of the increase in revenues and the continued cost containment programs, 4Q23 EBITDA increased by 72.4% from 4Q19, with an EBITDA margin of 36.1% in 4Q23 compared to 28.6% in 4Q19.

Income statements					
(Unit: Baht million)	4Q23	4Q22	Change	4Q19	Change
Revenues from hospital operations	6,497	5,968	8.9%	4,756	36.6%
Total revenues	6,565	6,068	8.2%	4,794	36.9%
EBITDA	2,367	2,158	9.7%	1,372	72.4%
Net profit	1,721	1,546	11.3%	886	94.3%
<i>EBITDA margin (%)</i>	36.1%	35.6%		28.6%	
<i>Net profit margin (%)</i>	26.2%	25.5%		18.5%	

EPS					
(Unit: Baht)	4Q23	4Q22	Change	4Q19	Change
EPS – Basis	2.16	1.94	11.3%	1.22	78.1%
EPS – Fully Diluted	1.98	1.78	11.3%	1.02	94.3%

2023 Operational Performance

2023 vs 2022 (YoY Comparison)

The Company reported Revenues from hospital operations of Baht 25,296 million in 2023, a 22.5% increase year-over-year from Baht 20,646 million in 2022. This was mostly due to an increase in revenues from non-Thai patients and Thai patients by 28.9% and 11.4%, respectively. As a result, the revenue contribution from Thai patients was 33.2%, whereas revenue from non-Thai patients was 66.8% for 2023 compared with 36.5% and 63.5%, respectively, for 2022.

Operating Expenses and EBITDA			
(Unit: Baht million)	2023	2022	Change
Cost of hospital operations	12,895	11,099	-16.2%
Selling expenses	685	586	-16.8%
Administrative expenses	3,495	3,212	-8.8%
EBITDA	9,597	7,124	34.7%
<i>EBITDA Margin</i>	37.5%	34.1%	

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 12,895 million for 2023, a 16.2% increase year-over-year from Baht 11,099 million in 2022. The variance was mostly due to Baht 769 million increase in physicians' fees, Baht 516 million increase in personnel cost and Baht 409 million increase in supply costs. This represented a favorable change when compared to the 22.5% increase in Revenues from hospital operations, and contributed to a reduction in the percentage of cost to Revenues from hospital operations to 51.0% in 2023 compared with 53.8% in 2022.

Selling expenses (including Depreciation and amortization) were Baht 685 million in 2023, or 16.8% increase year-over-year from Baht 586 million in 2022. The variance was mostly due to Baht 80 million increase in marketing expenses and Baht 22 million increase in personnel cost.

Administrative expenses (including Depreciation and amortization) were Baht 3,495 million in 2023, or 8.8% increase year-over-year from Baht 3,212 million in 2022. The variance was mostly due to Baht 284 million increase in personnel cost.

EBITDA increased by 34.7% year-over-year to Baht 9,597 million in 2023 from Baht 7,124 million in 2022, with an EBITDA margin of 37.5% in 2023 compared to 34.1% in 2022.

Depreciation and amortization expenses were Baht 1,097 million in 2023, compared to Baht 1,117 million in 2022.

Corporate income tax expense was Baht 1,583 million in 2023 compared to Baht 1,072 million in 2022. The variance was mostly due to the increase in taxable operating profit.

Basic EPS was Baht 8.81 in 2023, compared to Baht 6.21 in 2022, while 2023 Diluted EPS was Baht 8.08, compared to Baht 5.69 in 2022.

2023 vs 2019 (Pre-covid Comparison)

2023 Revenues from hospital operations increased by 37.4% from 2019. This was mostly due to an increase in revenues from Thai patients and non-Thai patients by 39.1% and 36.6%, respectively. As a result, the revenue contribution from Thai patients was 33.2%, whereas revenue from non-Thai patients was 66.8% for 2023 compared with 32.8% and 67.2%, respectively, for 2019.

As a result of the increase in revenues and the continued cost containment programs, 2023 EBITDA increased by 67.4% from 2019, with an EBITDA margin of 37.5% in 2023 compared to 30.9% in 2019.

Income statements					
(Unit: Baht million)	2023	2022	Change	2019	Change
Revenues from hospital operations	25,296	20,646	22.5%	18,409	37.4%
Total revenues	25,575	20,908	22.3%	18,559	37.8%
EBITDA	9,597	7,124	34.7%	5,734	67.4%
Net profit	7,006	4,938	41.9%	3,748	87.0%
<i>EBITDA margin</i>	37.5%	34.1%		30.9%	
<i>Net profit margin</i>	27.4%	23.6%		20.2%	

EPS					
(Unit: Baht)	2023	2022	Change	2019	Change
EPS – Basic	8.81	6.21	41.9%	5.14	71.4%
EPS – Fully Diluted	8.08	5.69	41.9%	4.32	87.0%

Statements of financial position

As at 31 December 2023, the Company reported Total current assets of Baht 15,685 million, an increase from Baht 11,419 million as at 31 December 2022. The variance was mostly due to Baht 2,469 million increase in Cash and cash equivalents and Other current financial assets, and Baht 1,750 million increase in Trade and Other receivables. The increase in Cash and cash equivalents and Other current financial assets was mainly from Baht 7,094 million net cash from operating activities, offset with Baht 2,938 million dividend paid and Baht 1,675 million acquisition of property, plant and equipment and computer software. The collection period was 52.4 days as at 31 December 2023 compared to 39.4 days as at 31 December 2022, mostly due to revenues and the collection periods associated with certain Middle East accounts. The collection period remains under the Company's overall credit term policy of 30-90 days.

Total non-current assets increased to Baht 13,527 million as at 31 December 2023 from Baht 12,840 million as at 31 December 2022. This was primarily due to an increase of Baht 571 million in Property, plant and equipment.

Total current liabilities were Baht 4,184 million as at 31 December 2023, an increase from Baht 3,415 million as at 31 December 2022. This was primarily due to an increase of Baht 300 million in Accrued expenses and Baht 262 million in Accrued physician fee.

Non-current liabilities increased to Baht 930 million as at 31 December 2023 from Baht 839 million as at 31 December 2022, mostly due to Baht 56 million increase in Provision for long-term employee benefits.

Total shareholders' equity was Baht 24,098 million as at 31 December 2023, compared to Baht 20,005 million as at 31 December 2022. This variance was mostly from the Company's 2023 Net profit of Baht 7,006 million, offset with dividend contribution by Baht 2,941 million. Average return on assets (ROA) was 26.2% in 2023, compared to 21.9% in 2022. Average return on equity (ROE) was 31.8% in 2023, compared to 26.3% in 2022.

Unit: Baht million	31-Dec-23	31-Dec-22	Change
Total assets	29,212	24,259	20.4%
Total liabilities	5,114	4,254	20.2%
Total shareholders' equity	24,098	20,005	20.5%
	2023	2022	
Average collection period (days)	52.4	39.4	
Average inventory period (days)	10.1	11.2	
Average payables period (days)	26.4	26.7	
Net debt to equity (x)	(0.2)	(0.1)	
Net debt to EBITDA (x)	(0.4)	(0.3)	
Average return on assets (%)	26.2%	21.9%	
Average return on equity (%)	31.8%	26.3%	

Cash flow statements

The Company's Net cash flows from operating activities in 2023 were Baht 7,094 million, compared to Baht 6,213 million in 2022. This increase was mainly due to more income from operating activities before changes in operating assets and liabilities, offset with increase in Trade and other receivables and increase in cash paid for corporate income tax. Net cash flows used in investment activities were Baht 2,429 million in 2023, compared to Baht 3,223 million in 2022. This variance was mainly due to Baht 1,194 million net decrease in investments in fixed deposits and debt instruments, and Baht 455 million net increase in acquisition of property, plant and equipment, and computer software. The Company reported Net cash flows used in financing activities of Baht 3,051 million in 2023, compared to Baht 2,656 million in 2022. As a result of the above, Cash and cash equivalents was Baht 3,774 million as at 31 December 2023, compared to Baht 2,091 million as at 31 December 2022.

The Company's Liquidity ratio as at 31 December 2023 was 3.7x compared to 3.3x as at 31 December 2022, and the Company's Quick ratio was 1.9x as at 31 December 2023 compared to 1.4x as at 31 December 2022.

Unit: Baht million	2023	2022
Net cash flows from operating activities	7,094	6,213
Net cash flows used in investing activities	(2,429)	(3,223)
Net cash flows used in financing activities	(3,051)	(2,656)
Net increase in cash and cash equivalents	1,683	289
Cash and cash equivalents at end of period	3,774	2,091

	31-Dec-23	31-Dec-22
Liquidity ratio (x)	3.7	3.3
Quick ratio (x)	1.9	1.4

Please be informed accordingly.

Yours faithfully,

(Mrs. Linda Lisahapanya)
Managing Director