

## MANAGEMENT DISCUSSION AND ANALYSIS

### Executive Summary

#### 4Q23 & 2023 Performance

	4Q23		2023	
	THB mm	% Chg (YoY)	THB mm	% Chg (YoY)
Operating Income	26,726	12%	102,110	10%
EBITDA	6,649	18%	24,740	8%
Net Profit	3,952	27%	14,375	14%

*Remark: YoY means changes comparing to 4Q22 and 2022*

#### 4Q23 Performance

In the fourth quarter of 2023 (“4Q23”), Bangkok Dusit Medical Services Public Company Limited (“The Company”) and subsidiaries reported consolidated operating income of Baht 26,726 million, an increase of 12% from 4Q22. The growth was attributable to an increase in revenue from hospital operations of 12% YoY which was driven by international patient revenues growth of 18% YoY and Thai patient revenues growth of 10% YoY.

The Company and its subsidiaries reported EBITDA of Baht 6,649 million, increased by 18% YoY and net profit of Baht 3,952 million, increased by 27% YoY due to recovery of Thai and international patients, together with good financial management resulting in an increase in interest income and a decrease in interest expense.

#### 2023 Performance

For the year ended 31 December 2023 (“2023”), the consolidated operating income were Baht 102,110 million, increased by 10% YoY, which was driven by growth of Center of Excellence (COE) together with strong growth of 23% YoY from international patient revenues and 6% YoY from Thai patient revenues (Noted that Thai-non COVID-19 revenues increased 22% YoY in 2023).

The Company and its subsidiaries reported EBITDA of Baht 24,740 million, increased by 8% YoY and net profit of 14,375 million, increased by 14% YoY

#### Major Development in 2023

1. BDMS ranked first in Dow Jones Sustainability Indices (DJSI) in healthcare providers and services sector

In 2023, BDMS has been ranked first in DJSI in healthcare providers and services sector for DJSI World and DJSI Emerging Markets and received the highest score in the social dimension in the S&P Global Corporate Sustainability Assessment. BDMS has also been recognized as the first organization in healthcare providers and services in Thailand and Asia which was selected to become a member DJSI.

BDMS commits to drive sustainability culture into every business activity and value chain taking into consideration environmental, social and governance. BDMS conducts transparent and ethical business operations under corporate governance principle. We aim to deliver excellent

medical services to enhance good patient experience with products and services innovation.

2. TRIS Rating affirms BDMS and debentures rating at “AA+”, with a “stable” rating outlook  
 TRIS Rating affirms BDMS for the company rating and senior unsecured debentures rating at “AA+”, with a “stable” rating outlook. The ratings reflect BDMS’s market position as the largest private hospital provider in Thailand, its extensive network of hospitals, and its strong franchise of hospital brands. The ratings factor in the company’s improved operating performance post-pandemic and its strong balance sheet.

3. New network hospitals

During 2023, BDMS opened 2 new network hospitals. Details are as follows:

- 1) **Bangkok Rayong Cancer Hospital** has been opened since February 2023. It offers holistic cancer care such as radiotherapy, chemotherapy, referral cancer patient, palliative care and cancer screening with advanced medical technologies that help uplift our cancer care capabilities and aim to be the referral center for cancer patients in Eastern part of Thailand.
- 2) **Bangkok Hospital Pluak Daeng** has been opened since June 2023 with 1<sup>st</sup> phase of 59 beds (from 180 structured beds). It is located at Pluak Daeng, Rayong province and offered tertiary care services. Bangkok Hospital Pluak Daeng has collaborated with Bangkok Hospital Rayong, a Center of Excellence in BDMS network. This helps increase medical treatment capability and refer patients in Eastern part of Thailand given strong demand from increasing population in Eastern Economic Corridor (“EEC”) area.

## 4Q23 Consolidated Financial Summary

Operating Income				
(THB mm)	4Q23	4Q22	YoY	QoQ
Hospital operations	25,379	22,568	12%	0%
Sales of goods	966	907	6%	2%
Other income	381	367	4%	35%
<b>Total Operating Income</b>	<b>26,726</b>	<b>23,842</b>	<b>12%</b>	<b>0%</b>

*Remark: QoQ means changes comparing to 3Q23.*

### Operating Income Comparing to 4Q22 (YoY)

In 4Q23, total operating income was Baht 26,726 million, an increase of Baht 2,883 million or 12% YoY, primarily due to

- Revenues from hospital operations were Baht 25,379 million, an increase of Baht 2,811 million or 12% YoY as a result of returning of international and Thai patients for medical treatment. Overall international patient revenues increased by 18% YoY from a recovery of fly-in patients mainly from Qatar 92% YoY, China 36% YoY and France 36% YoY. Moreover, Thai patient revenues increased by 10% YoY in 4Q23. If excluding COVID-19 revenue, which accounted 2% of hospital revenues in 4Q22, Thai-non COVID-19 revenues would increase 14% YoY.

Revenue proportion between Thai and international patients change from 73%:27% in 4Q22 to 72%:28% in 4Q23.

Overall, revenues from hospital operations in 4Q23 showed good growth both in Bangkok & Vicinity and outside Bangkok at 12% and 13% YoY, respectively.

Outpatient revenues growth was 11% YoY while inpatient revenues showed better growth of 14% YoY due to increasing in international patients.

Although there was new bed addition in 4Q23, occupancy rate in 4Q23 remain unchanged from 4Q22 at 69%.

Revenues from hospital operations in 4Q23	Chg. (YoY)	% of revenues
<b>Revenues growth from hospital operations</b>	<b>12%</b>	
<b>Breakdown by nationality</b>		
Thai	10%	72%
<i>Thai- Non COVID-19</i>	<i>14%</i>	
International	18%	28%
<b>Breakdown by location</b>		
Bangkok & Vicinity	12%	56%
Outside Bangkok	13%	44%
<b>Breakdown by type of patients</b>		
Outpatients	11%	48%
Inpatients	14%	52%

- Revenues from sales of goods were Baht 966 million, increased by 6% YoY due mainly to an increase in sales of the A.N.B. Laboratories Co., Ltd. ("ANB") and Medicpharma Co., Ltd. ("MP").

### Operating Income Comparing to 3Q23 (QoQ)

The operating income in 4<sup>th</sup> quarter is normally lower than 3<sup>rd</sup> quarter. However, this year, total operating income in 4Q23 was similar to 3Q23, given positive factors from good international patient growth of 6% QoQ. Moreover, Thai patient revenues decreased by 3% QoQ, which was at the slower rate than in the past.

<b>Operating Expenses</b>				
<i>(THB mm)</i>	<b>4Q23</b>	<b>4Q22</b>	<b>YoY</b>	<b>QoQ</b>
Cost of hospital operations and others	16,389	14,752	11%	0%
Administrative expenses	5,191	4,933	5%	2%
<b>Total Operating Expenses (Including depreciation)</b>	<b>21,580</b>	<b>19,686</b>	<b>10%</b>	<b>0%</b>

### Total Operating Expenses Comparing to 4Q22 (YoY)

In 4Q23, the Company and its subsidiaries reported total operating expenses (including depreciation) of Baht 21,580 million, an increase of Baht 1,894 million or 10% YoY. The total operating expenses & depreciation increased mainly from higher doctor fees given the growth in revenue from hospital operations and higher clinical & non-clinical staff expenses together with an increase in marketing and other administrative expenses.

### Other Major Items

- **Finance expense** were Baht 126 million, decreased by Baht 42 million in 4Q23 or decreased by 25% YoY from debentures redemption.
- **Corporate income tax** in 4Q23 were Baht 1,038 million, increased by 29% YoY due mainly to increase in pre-tax profit.

### Profitability Analysis

<i>(THB mm)</i>	<b>4Q23</b>	<b>4Q22</b>	<b>%Chg</b>
EBITDA	6,649	5,641	18%
EBITDA margin	24.9%	23.7%	
EBIT	5,238	4,199	25%
EBIT margin	19.6%	17.6%	
Net profit	3,952	3,113	27%
Net profit margin	14.8%	13.1%	
EPS <i>(THB)</i>	0.25	0.20	27%
<i>Weighted average number of ordinary shares</i>			
<i>(mm shares)</i>	15,892	15,892	

#### Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

Profitability margin calculated based on operating income

The Company and its subsidiaries recorded 4Q23 EBITDA of Baht 6,649 million, increased by 18% from 4Q22 resulting an increase in EBITDA margin from 23.7% in 4Q22 to 24.9% in 4Q23.

Net profit of Baht 3,952 million, increased by 27% YoY due to recovery of Thai and international patients, together with good financial management resulting in an increase in interest income and a decrease in interest expense.

## 2023 Consolidated Financial Summary

Operating Income			
(THB mm)	2023	2022	%Chg
Revenues from hospital operations	97,077	88,535	10%
Revenue from sales of goods	3,776	3,399	11%
Other income	1,258	1,034	22%
<b>Total Operating Income</b>	<b>102,110</b>	<b>92,968</b>	<b>10%</b>

In 2023, total operating income were Baht 102,110 million, an increase of Baht 9,143 million or increased by 10% YoY, primarily due to

- Revenues from hospital operations were Baht 97,077 million, an increase of Baht 8,542 million or increased by 10% YoY mainly from growth of COE of 11% YoY together with an increase in international patient revenues of 23% YoY, driven mainly by an increase of patients from Qatar 85% YoY, China 45% YoY and UAE 43% YoY. Moreover, Thai patient revenues grew 6% YoY despite additional revenues related to COVID-19 last year. If excluding COVID-19 revenue, which contributed 10% of hospital revenues in 2022, Thai-non COVID-19 revenues would increase 22% YoY in 2023.

Revenue proportion between Thai and international patients changed from 76%:24% in 2022 to 73%:27% in 2023.

Both hospital in Bangkok & vicinity and hospital outside Bangkok increased 8% and 12% YoY, respectively. Hospital operations outside Bangkok provided higher growth due to medical tourists rebound in Pattaya and Phuket together with seasonal epidemics.

The occupancy rate decreased from 73% in 2022 to 69% in 2023 due to sharp decline in admission of COVID-19 patients.

Revenues from hospital operations in 2023	Chg. (YoY)	% of revenues
<b>Revenues growth from hospital operations</b>	<b>10%</b>	
<b>Breakdown by nationality</b>		
Thai	6%	73%
<i>Thai-Non COVID-19</i>	<i>22%</i>	
International	23%	27%
<b>Breakdown by location</b>		
Bangkok & Vicinity	8%	56%
Outside Bangkok	12%	44%
<b>Breakdown by type of patients</b>		
Outpatients	11%	48%
Inpatients	9%	52%

- Revenues from sales of goods were Baht 3,776 million, increased by 11% YoY due to increase in sales of the A.N.B. and MP.
- Other income was Baht 1,258 million, increased by 22% YoY due to reopening of Mövenpick BDMS Wellness Resort Bangkok in Jan 2023 after temporary closed for renovation.

Operating Expenses			
(THB mm)	2023	2022	%Chg
Cost of hospital operations and others	63,412	58,329	9%
Administrative expenses	19,806	17,655	12%
<b>Total Operating Expenses (Including depreciation)</b>	<b>83,218</b>	<b>75,984</b>	<b>10%</b>

In 2023, the Company and its subsidiaries reported operating expenses (including depreciation) of Baht

83,218 million, an increase of Baht 7,234 million or 10% YoY mainly from higher doctor fees, clinical & non-clinical staff expenses together with an increase in marketing, utility and other administrative expenses.

### Other Major Items

- **Finance expense** decreased to Baht 547 million in 2023 or decreased by 14% YoY from debentures redemption.
- **Corporate income tax** in 2023 were Baht 3,755 million, increased by 16% YoY due mainly to increase in pre-tax profit in 2023.

Profitability Analysis			
(THB mm)	2023	2022	%Chg
EBITDA	24,740	22,933	8%
EBITDA margin	24.2%	24.7%	
EBIT	19,199	17,113	12%
EBIT margin	18.8%	18.4%	
Net profit	14,375	12,606	14%
Net profit margin	14.1%	13.6%	
EPS (THB)	0.90	0.79	14%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,892	15,892	
<b>Remarks</b>			
EBITDA	= Total operating income – Total operating expenses (Excluding depreciation and amortization)		
Profitability margin calculated based on operating income			

The Company and its subsidiaries recorded EBITDA of Baht 24,740 million in 2023, increased by 8% YoY. However, EBITDA margin decreased from 24.7% in 2022 to 24.2% in 2023 due to record high occupancy rate from COVID-19 resulting in better economies of scale. However, EBITDA margin of 24.2% in 2023 was higher than EBITDA margin of 21.3% in 2019 (Pre-COVID).

Net profit in 2023 was Baht 14,375 million, increased by 14% YoY due to recovery of Thai and international patients, lower depreciation together with good financial management and positive impact from additional stake in Samitivej Public Company Limited (“SVH”) resulting in decrease in non-controlling interests in subsidiaries.

Assets			
(THB mm)	Dec 23	Dec 22	%Chg
Cash & cash equivalents	7,795	12,668	(38)%
Trade & other receivables	11,558	10,484	10%
Inventories	2,420	2,211	9%
Property, premises & equipment	87,025	81,860	6%
Goodwill	17,539	17,539	0%
Right-of-use assets	10,277	9,668	6%
Other assets	6,982	7,112	(2)%
<b>Total assets</b>	<b>143,596</b>	<b>141,453</b>	<b>1%</b>

As of 31 December 2023, the Company and its subsidiaries reported total assets of Baht 143,596 million, slightly increased by 1% from 31 December 2022.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2022. Goodwill were mainly from acquisitions of (1) Phythai and Paolo Hospital Group of Baht 9,310 million (2) Bangkok Sanamchan Hospital, Thephakorn Hospital, Bangkok Muangraj Hospital and Bangkok Phetchaburi Hospital of Baht 3,285 million and (3) Bangkok Siroj of Baht 2,702 million. Such goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. However, the Company has considered that this goodwill is not impaired.

Other assets of Baht 6,982 million mainly consisted of (1) intangible assets which mainly were computer software of Baht 1,837 million (2) other current

financial assets which were investment in fixed deposits and mutual funds of Baht 1,672 million, and (3) other non-current financial assets which were investment in equity and debt instruments of Baht 1,070 million.

### Liabilities and Equity

(THB mm)	Dec 23	Dec 22	%Chg
Short-term loan from financial institutions	-	500	n.a.
Trade & Other payables	6,901	6,176	12%
Accrued expenses	5,875	5,426	8%
Debentures *	6,499	11,498	(43)%
Long-term loans *	4,000	4,000	0%
Liabilities under lease agreements *	7,635	7,564	1%
Other liabilities	13,814	12,667	9%
<b>Total liabilities</b>	<b>44,723</b>	<b>47,830</b>	<b>(6)%</b>
Equity attributable to equity holder of the Company	95,242	89,879	6%
Non-controlling interests	3,630	3,834	(5)%
<b>Total equity</b>	<b>98,872</b>	<b>93,713</b>	<b>6%</b>

\* Including current portion

Total consolidated liabilities as of 31 December 2023 were Baht 44,723 million, decreased by 6% from 31 December 2022 due mainly to a decrease in debentures of Baht 5,000 million.

Total consolidated shareholders' equity as of 31 December 2023 was Baht 98,872 million, increased by 6% from 31 December 2022 due mainly from net profit during the year.

### Liquidity and Capital Management

#### Cash Flow

(THB mm)	2023
Net cash from operating activities	20,778
Net cash used in investing activities	(7,754)
Net cash used in financing activities	(17,897)
Net decrease in cash and cash equivalents	(4,873)
Beginning cash and cash equivalents	12,668
Ending cash and cash equivalents	7,795

For the year ended 31 December 2023, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 4,873 million from the beginning balance of Baht 12,668 million. As a result, cash and cash equivalents at the end of 2023 was Baht 7,795 million. Details of cash flow by activities during the year are as follows: -

Net cash flows from operating activities were Baht 20,778 million, mainly from profit in 2023.

Net cash used in investing activities were Baht 7,754 million comprising mainly from purchase of property, premises and equipment for hospital network renovation and expansion.

Net cash used in financing activities were Baht 17,897 million due mainly to dividend payment of Baht 10,343 million and debentures redemption of Baht 5,000 million.



## Ratios Analysis

	2023	2022
<b>Returns (%)</b>		
Return on Asset	10.1	9.3
Return on Equity	15.5	14.5
<b>Liquidity (x)</b>		
Current ratio	1.3	1.3
Quick ratio	1.0	1.1
<b>Assets &amp; Liabilities Management (Days)</b>		
Average Collection Period	40.3	39.5
Average Inventory Period	13.1	13.0
Average Payable Period	37.1	34.6
<b>Leverage Ratios (x)</b>		
Interest coverage	45.3	36.3
Debt service coverage ratio	8.8	3.6
Current portion of IBD to IBD (%)	15.5	27.2
Loan from financial institutions to IBD (%)	22.1	19.1
Total IBD to EBITDA	0.7	1.0
Net IBD to EBITDA	0.4	0.5
<b>Debt to Equity Ratio (x)</b>		
Total liabilities to equity	0.5	0.5
Total IBD to equity	0.2	0.3
Net IBD to equity	0.1	0.1

### Remarks

- Assets & Liabilities Management based on 360 days
- IBD means interest bearing debt

ROA and ROE in 2023 increased from 2022 as a result of an increase in profit from operations.

Current ratio was unchanged while quick ratio slightly changed from 2022.

Average collection period increased from 39.5 days in 2022 to 40.3 days in 2023 as a result of an increase in international patients. The Company and subsidiaries have credit policies and assess credit limit base on customer creditworthiness. Average credit term for domestic payers are approximately 30-60 days while international payers are approximately 30-90 days. The credit terms are reviewed annually to monitor and control credit risk.

Average inventory period was 13.1 days in 2023, slightly increased from 2022. The inventories were mostly medicines and medical supplies. The Company and its subsidiaries have appropriate inventory management plan with internal control. The Company and its subsidiaries perform physical inventory count at least once a year and record allowance for the expired, slow-moving and deteriorated inventories to reduce its cost to net realizable value.

Average payable period also increased from 34.6 days in 2022 to 37.1 days in 2023 due to an increase in trade and other payables.

**For leverage ratios analysis,** interest coverage ratio increased from 36.3x in 2022 to 45.3x in 2023 mainly from good performance in 2023. Debt service coverage ratio (DSCR) also increased from 3.6x in 2022 to 8.8x in 2023 due to lower current portion of interest bearing debt.

Net interest bearing debt to EBITDA slightly decreased from 0.5x in 2022 to 0.4x in 2023.

**For debt to equity ratio analysis,** total interest bearing debt to equity slightly decreased from 0.3x as of 31 December 2022 to 0.2x as of 31 December 2023 while net interest bearing debt to equity as of 31 December 2022 and 31 December 2023 remained unchanged at 0.1x.

The Company and its subsidiaries strongly believe that it has sufficient liquidity to repay its debt within the covenants and will continue to be able to successfully adapt as the situation evolves.

## Management's Outlook

In 2024, the Company and its subsidiaries expects healthcare business to grow continuously from the aging population, rising income per capita, especially those in the rural area, increasing health and wellness trend where people pay more attention to

their health wishing to live longer with a better quality of life together with growth of digital health and private health insurance in Thailand. Moreover, Thailand is one of the world's most attractive medical tourism destinations for our quality of care, international accredited hospitals, Thai hospitality and value for money. These are key reasons medical tourists seeking more medical treatments in Thailand.

### **Key strategic priorities in 2024**

BDMS's diverse portfolio of network hospitals with diversified market segments, capable physicians and nurses and strong franchise of our hospital brands together with customer service experience enhancement through innovation would play a crucial role in sustainable growth of healthcare business serving rising healthcare demand in the future. In 2024, we would focus on the following strategic priorities:

#### **1) *Expand Healthcare Journey***

Beyond curative care, we plan to broaden and enhance our services in preventive care and promote longevity with good quality of life. We focus on holistic care emphasizing on the integration of preventive care to normal clinical practice. BDMS aims to be business leader in wellness by collaborate with our partners and a wide range of medical professional together with state-of-the-art medical equipment.

#### **2) *Healthcare Excellence***

BDMS determine to be the best in class for our Center of Excellence (COE) offering comprehensive care for complex medical conditions to achieve the best possible outcomes in the key focus areas of Cancer, Heart, Neurology, Trauma-Orthopedics in order to align with the trend of an aging society. With rising demand for cancer treatment in the upcountry, we opened our cancer hospital in Rayong,

namely Bangkok Rayong Cancer Hospital, last year and plan to expand cancer treatment services in Phuket this year. This aims to increase accessibility to patients in every segments i.e. social security, NHSO, health insurance and self-pay.

For sustainable growth going forward, BDMS would continue to deploy value-based care to improve patient outcomes with cost efficiency and enhance the patient experience.

#### **3) *High Performance & Sustainable Healthcare***

To deliver high performance and sustainable growth going forward, BDMS has continued to adopted the concept of smart healthcare to leverage advanced digital technologies aiming to improve healthcare delivery, patient outcomes, and operational efficiencies. We would continue to develop customer-centric health ecosystem using health application to serve the need of the customers while making healthcare services more accessible as well as broadening our customer base and increasing our hospital network asset utilization.

We continue to manage centralize procurement, inventory and supply chain to increase operational efficiency as one of the cost saving strategies.

Moreover, we have recognized the critical role of doctors, clinical, and non-clinical staff in driving corporate strategy as one of main strategic priorities in people management. This focus includes talent acquisition, training and development, performance management, and strategies for engagement and retention.

Regarding the sustainable healthcare, BDMS has emphasized on the development of innovation by considering human rights principle and every stakeholder group while taking part in maintaining and handling environmental impact as well as promoting health and well-being of every personnel of the organization and the



community, coupled with the development and elevation of the quality of life of the society at large.

**4) *Boost Non-Hospital Business***

BDMS's non-hospital business mainly are medical lab, manufacturers and distributors of sterile pharmaceutical products, generic drug and supplement as well as drug store. We plan to expand more of our products and services to the public. Embracing smart technologies to increase operational efficiencies, we would aim towards smart laboratory and smart pharmaceutical manufacturer.

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