

No. 003/2024

28 February 2024

RE: Management Discussion and Analysis for Year 2023

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited ("Company") and its subsidiaries would like to submit the following Management Discussion and Analysis on the Company and Consolidated Financial Statements for Year 2023, ended 31 Dec 2023, compare with Year 2022 as follows:

### **Major developments in 2023**

In 2023, Principal Capital Public Company Limited and its affiliates aiming to developing medical service by investing and opening specialized medical services and complicated diseases treatment. In terms of cancer treatment, Princ Hospital Sisaket has begun construction of a cancer and radiotherapy center in November 2023, which is the first and only private cancer center in Sisaket Province. It is expected to operate within the 4<sup>th</sup> quarter of 2024. In January 2024, the Company signed the MOU with Siemens Healthineers Company Limited according to the investment expansion plan in cancer treatment centers in the potential affiliated hospitals.

In terms of heart disease treatment, Pitsanuvej Hospital, which is a tertiary hospital. has signed a cooperation agreement with Somdej Phrachao Taksin Maharat Hospital to be the referrals for the clients in Cardiac Catheterization, Balloon Angioplasty Treatment and Coronary Stent Implantation in collaboration with the government sector to serve the patients with complicated diseases. In addition, Princ Hospital Suvarnabhumi has opened a Heart Center to provide a specialized service in heart disease as well.

As for providing other specialized medical services, Pitsanuvej Hospital has opened a specialized treatment for obesity with minimally invasive gastric bypass surgery (Laparoscopic Sleeve Gastrectomy). In addition, the company opened the plastic and cosmetic surgery centers at Princ Hospital Suvarnabhumi and Ruamphat Phitsanulok Hospital to support the growth of cosmetic surgery services.

As for investment expansion, in the 4<sup>th</sup> quarter of 2023, Principal Next Company Limited ('PNXT'), the Company's subsidiary established to invest in healthcare related businesses. By invested in 2 elderly care businesses (1) Baan Lalisa Services Group Company Limited (Baan Lalisa) holding 45 percent shares and (2) Health at Home Company Limited (Health At Home) holding 39.5 percent shares. The Company has a plan to connect and complete the treatment and rehabilitation for patients and the elderly together with the potential affiliated hospitals as the increasing in demand.

As for conducting business according to sustainability guidelines (ESG), the Company received an assessment of corporate governance of Thai listed companies, or CG, for the year 2023 at the level of 5 stars or "Excellent" (Excellent CG Scoring) for the first year from the Thai Institute of Directors Association (IOD) which supporting by the Stock Exchange of Thailand and the Office of the SEC, and the Company passed the international standard assessment of ethics for healthcare providers or EPIHC, which is the second hospital in Thailand that received such an assessment. The Company also supports the United Nations Global Compact in Thailand and driving the organization in accordance with the Company vision towards carbon neutrality and net zero carbon emissions (Net Zero) by 2049, in terms of management to achieve efficiency in energy use, the Company is moving forward to using solar energy as well. Two solar rooftops projects are operated at Princ Hospital Ubon Ratchathani and Princ Hospital Uthai Thani, making a total of 5 hospitals in operation according to the sustainability plan.

#### The economic and industrial situations affecting the operation and business policies, strategies and decisions

The Company's revenues from hospital business are continuingly growth in 2023. Driven by growth in both inpatients (IPD) and outpatients (OPD) due to demand for medical services and complicated disease treatment in regional areas. Increasing in epidemics in adults, such as influenza A and B, increasing in respiratory infections in children, such as RSV, along with the trend of elderly population rising and also the urbanization in less visited area, the Company therefore focuses on expanding investments in specialized medical care, difficult and complicated diseases in areas that are lacking according to the medical treatment needs in each area

As the Company focusing on continuingly expanding our investment in the potential less visited areas, the Company is seeking for the local partners to expand the hospitals in line with our plan and partnering



with healthcare and rehabilitation providers to connect the patient base with our hospital business for standardized and continuous services. In addition, the Company is also expanding our high-growth businesses, such as aesthetic clinics and cosmetic surgery services. This will help to diversify revenue recognition in both the hospital business and the healthcare-related business. The above factors are the significant factors that will drive our company's continued growth over the next 3-5 years.

In the real estate business, particularly our hotels and rental building business, also continued to grow in 2023. This was driven by the recovery of the tourism industry and the implementation of the visa-free policy. The Company have been focusing on increasing occupancy rates and adjusting room rates to meet the needs of both wholesale and corporate customers and to increase profitability. The Company is also emphasizing the unique selling points of each hotel and focusing on organizing more events, conferences, and functions.

However, The Company aware of the challenges in 2023 and 2024, such as the slow recovery of domestic purchasing power, the uncertain global economic recovery, high energy costs, fluctuating in Baht exchange rate, and tensions in the Middle East and the South China Sea. These factors had impact on the overall performance of the healthcare business.

Furthermore, in response to the continuous growth in the number of foreign patients from neighboring countries, the Company has adjusted its business strategy to focus on increasing the number and revenue per foreign patient, especially Cambodians and Laotians who are seeking private medical treatment and particularly focused on the northeastern region where the Company has four hospitals and plans to further expand its services for complicated diseases to foreign patients.

## Year 2023 operating results

Consolidated	Year2023	Year2022	Change
Unit : THB Million			%
Revenues from healthcare services	5,077.7	6,211.4	-18.3
Revenues from sales and services	562.0	473.1	18.8
Costs of healthcare services	(4,208.7)	(4,436.4)	5.1
Costs of sales and services	(295.0)	(284.8)	-3.6
<b>Gross profit</b>	<b>1,135.9</b>	<b>1,963.4</b>	<b>-42.1</b>
Other income	99.9	120.2	-16.9
Selling expenses	(117.7)	(86.0)	-36.9
Administrative expenses	(1,303.4)	(1,395.8)	6.6
Expected credit losses	(133.7)	(20.6)	-549.0
Other expenses	(133.1)	(19.7)	-575.5
Finance costs	(234.4)	(162.5)	-44.3
Share of Profit(loss) from associates and joint ventures	0.5	(0.1)	474.5
<b>Profit (loss) before income tax expense</b>	<b>(686.0)</b>	<b>398.9</b>	<b>-272.0</b>
Income tax (expense) income	(44.3)	(92.6)	52.2
<b>Profit (loss) for the year</b>	<b>(730.3)</b>	<b>306.3</b>	<b>-338.4</b>
Other comprehensive income (expense)	9.1	7.2	25.7
<b>Total comprehensive income (expense) for the year</b>	<b>(721.2)</b>	<b>313.5</b>	<b>-330.0</b>
<b>Profit (loss) attributable to:</b>			
Owner of the parent	(690.3)	240.0	-387.6
<b>Total comprehensive income (expense)</b>			
Owner of the parent	(681.6)	246.8	-376.2

In 2023, the Company and its subsidiaries had total revenue THB 5,639.6 million from the following;

- Considering only non - COVID-19 related, Revenue in 2023 is 36.1% greater than in 2022 due to the performance of all hospitals improving. However, because to the impact of COVID-19-related revenue, which was high in all hospitals over the previous year, revenue decreased by 18.3 % this year compared to previous year's revenue.

- In 2023, operating results increased because;
  - OPD and IPD are seeing an increase in patient numbers as a result of complex disease and epidemics in children, like respiratory infections, RSV, and influenza; and epidemics in adults, like influenza A and B, dengue fever also, health checkup of the group of companies. Including adults and children of neighboring countries, etc., causing the number of Campus visits per day to be 14.0% higher, OPD Revenue per visit to be 8.1% higher, and Admission rate to be 3.4% higher than last year.
  - The expansion of medical services in hospitals, such as the dental clinic at Princ Hospital Suvarnabhumi and the medical referral service unit Under the Monsoon Wind Farm project, Dak Chung City, Lao PDR, of Princ Hospital Ubon Ratchathani and growing the possibility of treating patient groups with complex diseases in many network hospitals. In addition, hospitals in the northeastern area treat patients from neighboring countries such as Laos and Cambodia returning for treatment.
- Revenues from Property development and rental business were THB 562.0 million, an increase of 18.8% from;
  - The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increased by THB 58.9 million (32.7%). From the occupancy rate, which was increase from 74.6% in 2023 to 84.3% and from the average daily rate (ADR) from THB 3,693 to THB 4,359 from the increase of wholesales and corporate customers also, the country won't be completely accessible to travelers in the first half of 2022.
  - The Somerset Ekamai Bangkok, had a revenue increased by THB 28.1 million (15.3%) from the occupancy rate, which was increase from 77.5% in 2023 to 82.0% and from the average daily rate (ADR) from THB 2,298 to THB 2,509 because of a growth in both long-term customer (Service Apartment) and short stay customers.
  - Bangkok Business Center Building, had a revenue increased by THB 2.7 million (2.6 ). The revenue was higher than the previous quarter from the rental rate of space increasing from 71.2% to 73.3% this year, as the Company's management has changed the policy and improving various building systems to accommodate the needs of tenants such as changing the parking system, etc., thus, bringing in more new tenants.

**Gross profit** from the Company and its subsidiaries were THB 1,135.9 million, a decrease of 42.1% from COVID-19 related revenue dropped by THB 2,307 million, but expenses for medical staff rose.

**Selling and administrative expenses** were THB 1,421.2 million, a decrease of THB 60.6 million ( 4.1%). Because in 2022, the Company and its subsidiaries had one-time expenses from items related to COVID-19. Both in the deterioration of deteriorated products - COVID - 19 vaccine and donation of vaccines to various organizations totaling THB 219.2 million. If the aforementioned items are not included, in 2023 there will be a 12.5% increase in sales and administrative expenses from employee expenses, marketing expenses, utilities costs and operating expenses of both businesses.

**Expected credit losses** mostly were THB 133.7 million occurred from the recognition of an allowance for expected credit losses for trade receivables from the National Health Security Office that occurred in the third quarter of this year in the amount of THB 197.8 million, due to Management considers that the debtor has a significant increase in credit risk. However, during the fourth quarter, payment was received from debtors in the amount of THB 74.7 million, therefore this loss allowance was reversed.

**Other expenses** mostly were THB 133.1 million occurred from the recognition of an allowance for impairment of goodwill totaling THB 107.0 million.

**Financial costs** were THB 234.4 million, an increase of 44.3% from increased loans from financial institutions. In addition, the loan interest rate (MLR) of financial institutions has increased significantly from the previous year.

From the results of the various items mentioned above. As a result, in 2023, the Company and its subsidiaries had a loss for the year of THB 730.3 million, of which the loss attributable to owners of the Company was THB 690.3 million baht.

## EBITDA:

Consolidated Unit : THB Million	Year2023	Year2022	Year2019 (before Covid-19)
<b>EBITDA</b>	<b>316.5</b>	<b>1,218.3</b>	<b>472.4</b>
<b>Extra items in the year:</b>			
- Allowance for goodwill impairment	(107.0)		
- Allowance for expected credit losses for trade receivables from the National Health Security Office	(123.1)		
- Gain on consolidation	23.2		
- written-off of obsolete COVID-19 vaccine and donating vaccines to various organizations		(219.2)	
- Gain on disposal of investment in subsidiaries			240.4
<b>EBITDA excluded extra items in the year</b>	<b>523.4</b>	<b>1,437.5</b>	<b>232.0</b>
<b>% EBITDA to revenues</b>	<b>9.3%</b>	<b>21.5%</b>	<b>8.1%</b>

In 2023, if excluding extra items that occurred in the year, The Company and its subsidiaries had EBITDA of THB 523.4 million (9.3% per revenue), compared to 2022 as a result of revenue from COVID-19. EBITDA will decrease, but if compared to 2019, which was before to COVID-19 It can be seen that the Company's EBITDA is increasing and that its EBITDA to revenue ratio is rising from higher revenue and more effective management.

## Statement of Financial Position

Consolidated	31	31	Increase	Change
Unit: THB million	December	December	(decrease)	%
	2023	2022		
Total assets	17,883.5	17,777.4	106.1	0.6
Total liabilities	8,315.9	7,456.4	859.5	11.5
Equity attributable to owners of the parent	8,790.0	9,505.1	(715.1)	-7.5
Debt to Equity Ratio (times)	0.95	0.78		

As of 31 December 2023, the Company and its subsidiaries had Total assets of THB 17,883.5 million an increase of THB 106.1 million from 31 December 2022 resulting from;

- **Investment in associates and joint ventures** increased by THB 685.4 million from investments in AES Class Clinic Company Limited of THB 474.3 million, and investments in 2 other Joint Ventures of the subsidiaries.
- **Property, plant and equipment** increased by THB 367.7 million, From Princ hospital Sakon Nakhon, which began operating on January 23, 2023, from the entire business of Phsanulok Ruamphat Hospital Company Limited, and from the renovation of the existing hospital. in while
- **Financial assets measured at fair value through profit or loss** decrease by THB 582.0 million, from the sale of short-term investments in mutual funds to be used in business operations and business expansion
- **Trade and other receivables** decrease by THB 412.3 million, due to the decrease of trade receivables by THB 274.7 million and from the recognition of allowance for expected credit losses for trade receivables of the National Health Security Office due to COVID-19 in the amount of THB 123.1 million.

As of 31 December 2023, the Company and its subsidiaries had Total liabilities THB 8,315.9 million, an increase of THB 859.5 million from 31 December 2022, from the Borrowings from financial institutions increased by THB 966.4 million due to the increase in loans of the Company and increased loan drawdowns of subsidiaries for investment.

The debt-to-equity (D/E) ratio stood at 0.95 an increase from 0.78 as of 31 December 2022, due to the borrowings from financial institutions. While the shareholders' equity decreased from the losses incurred during the year.

For your kind acknowledgement.

Yours respectfully.

- *Signature* -

(Krittavith Lertutsahakul, M.D.)

Managing Director