

No. CHG 003/2024

February 23, 2024

Subject: Management's Discussion and Analysis of the consolidated financial statements for the fourth quarter ("4Q23") and year ended 31 December 2023 ("2023")

To: Directors and Managers
The Stock Exchange of Thailand

Y2023 Overview

Throughout 2023, Chularat Hospital Group has continued the operations according to the strategic plan in order to drive business towards sustainability. The Company has continued to provide quality treatment along with efficient cost management and focus on environmental care.

Management's discussion and analysis of financial statement for 4Q23 ended 31 December 2023

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 4Q23 as follows:

Statement of comprehensive income	4Q23	4Q22	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	2,122.6	1,720.9	402	23%
Other revenues	65.1	95.3	(30)	(32%)
Total revenues	2,187.7	1,816.2	371	20%
Cost of hospital operations	1,579.6	1,228.6	351	29%
Administrative expenses	242.7	254.4	(12)	(5%)
Net profit of the Company	273.8	285.3	(12)	(4%)
<i>Earnings per share (Baht/share)</i>	<i>0.0249</i>	<i>0.0259</i>		
<i>Gross Profit Margin (%)</i>	<i>25.58%</i>	<i>28.60%</i>		
<i>Net Profit Margin (%)</i>	<i>13%</i>	<i>16%</i>		

The Company's net profit was Baht 273.8 million for 4Q23, decreasing by Baht 12 million, or 4% compared to 4Q22. Overview of operating results was discussed as below.

Revenues from hospital operations

In 4Q23, the Company has revenues from hospital operations of Baht 2,122.6 million, increasing by Baht 402 million, or 23% YoY.

Revenue from general patients in 4Q23 increased by 23% YoY. The revenue from outpatients (OPD) increased by Baht 126.05 million and inpatients (IPD) increased by Baht 125.39 million mainly from the return of the existing customers, new customer groups from providing medical services for complicated diseases and expanding the customer base from the opening of new hospitals and acquisition of an elderly care center.

Revenue from Social Security scheme in 4Q23 increased by 11% YoY driven by the increased number of the registered member, the increased medical treatment income of inpatients with High Cost Care (Adj.RW \geq 2) and the additional medical treatment income of Chronic disease from the last payment of 2022, including the adjustment to the accrued medical treatment income of Chronic Disease for 2023.

Revenue from other governmental scheme in 4Q23 increased by 1,267% YoY mainly from the medical treatment for heart disease and UCEP (Universal Coverage for Emergency Patients)

Unit: Million Baht	4Q23	4Q22	Increase (Decrease)	Change (%)
Revenue from general patients	1,339.74	1,088.30	251.44	23%
Revenue from outpatients (OPD)	644.71	518.66	126.05	24%
Revenue from inpatients (IPD)	695.03	569.64	125.39	22%
Revenue from government welfare programs	782.91	632.62	150.29	24%
Social security schemes	692.18	625.98	66.19	11%
Other governmental schemes	90.74	6.64	84.10	1,267%
Total revenue from hospital operations	2,122.65	1,720.92	401.73	23%

Operation costs

In 4Q23, the Company's gross profit margin decreased from 28.60% to 25.58%, resulting in net profit margin decreased from 16% to 13% YoY, mainly due to the increasing number of personnel, higher expenses related to personnel and the recognition of expenses for the new hospitals.

The Company's net profit 4Q23 was Baht 273.8 million, decreasing by Baht 12 million, or 4% YoY, in accordance with the increasing operating results and aforementioned reasons.

Management's discussion and analysis of financial statement for year ended 31 December 2023

Chularat Hospital Public Company Limited (“the Company”) reported the operating performance for year ended 2023 as follows:

Statement of comprehensive income	2023	2022	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	7,730.2	10,103.1	(2,372.9)	(23.5%)
Other revenues	284.1	304.6	(20.5)	(6.7%)
Total revenues	8,014.4	10,407.7	(2,393.3)	(23.0%)
Cost of hospital operations	5,722.6	5,908.0	(185.4)	(3.1%)
Administrative expenses	910.8	934.9	(24.1)	(2.6%)
Net profit of the Company	1,046.0	2,778.4	(1,732.4)	(62.4%)
<i>Earnings per share (Baht/share)</i>	<i>0.0951</i>	<i>0.2526</i>		
<i>Gross Profit Margin (%)</i>	<i>25.97%</i>	<i>41.52%</i>		
<i>Net Profit Margin (%)</i>	<i>13%</i>	<i>27%</i>		

The Company's net profit was Baht 1,046.0 million for 2023, decreasing by Baht 1,732.4 million, or 62.4% compared to 2022. Overview of operating results was discussed as below.

Revenues from hospital operations

In 2023, the Company has revenues from hospital operations of Baht 7,730.2 million, decreasing by Baht 2,372.9 million, or 23.5% YoY.

Revenue from general patients in 2023 decreased by 3% YoY. The revenue from outpatients (OPD) decreased by Baht 407.07 million and inpatients (IPD) increased by Baht 272.38 million mainly from a significant decreased revenue from the COVID-19 related services. However, this year the Company has opened new hospitals and acquired an elderly care center, resulting in the customer base expansion, as well as the increasing number of customers both existing and new ones at the existing hospitals.

Revenue from Social Security scheme in 2023 increased by 15% YoY driven by the increased number of the registered member, the return of inpatients with High Cost care (Adj. RW_≥2) and the adjustment to the accrued medical treatment income of Chronic Disease for 2023.

Revenue from other governmental scheme in 2023 decreased by 91% YoY mainly due to a significant decreased revenue from the COVID-19 related services and a decreased COVID-19 medical treatment revenue (Actual receipt was less than the accrued amount.).

Unit: Million Baht	2023	2022	Increase (Decrease)	Change (%)
Revenue from general patients	5,025.44	5,160.13	(134.69)	(3%)
Revenue from outpatients (OPD)	2,362.28	2,769.35	(407.07)	(15%)
Revenue from inpatients (IPD)	2,663.16	2,390.78	272.38	11%
Revenue from government welfare programs	2,704.84	4,942.98	(2,238.14)	(45%)
Social security schemes	2,461.23	2,148.62	312.61	15%
Other governmental schemes	243.61	2,794.36	(2,550.75)	(91%)
Total revenue from hospital operations	7,730.28	10,103.11	(2,372.83)	(23%)

Operation costs

In 2023, the Company's gross profit margin decreased from 41.52% to 25.97%, resulting in net profit margin decreased from 27% to 13% YoY, mainly due to a significant decreased revenue from the COVID-19 related services and the revenue reversal for COVID-19 medical treatment (actual receipt was less than the accrued amount.) as well as the opening of new hospitals and the acquisition of an elderly care center, resulting in a decreased gross profit margin and net profit margin.

The Company's net profit for 2023 was Baht 1,046.0 million, decreasing by Baht 1,732.4 million, or 62.4% YoY, in accordance with the decreasing operating results and aforementioned reasons.

Comparison of the operating performance for 4Q23 and 4Q19 (Pre-COVID-19)

Statement of comprehensive income	4Q23	4Q19	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	2,122	1,328	794	60%
Other revenues	65	6	59	983%
Total revenues	2,187	1,334	853	64%
Cost of hospital operations	1,579	974	605	62%
Administrative expenses	242	186	56	30%
Net profit of the Company	273	134	139	104%

Compared to 4Q19 (Pre COVID-19), the Company's revenue from hospital operation for 4Q23 increased by 60% (Revenue from general patients increased by 55%, revenue from Social Security Scheme increased by 92%, whereas the revenue from other governmental scheme (NHSO) decreased by 10%).

Comparison of the operating performance for 2023 and 2019 (Pre-COVID-19)

Statement of comprehensive income	2023	2019	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	7,730	5,166	2,564	50%
Other revenues	284	25	259	1,036%
Total revenues	8,014	5,191	2,823	54%
Cost of hospital operations	5,722	3,629	2,093	58%
Administrative expenses	910	672	238	35%
Net profit of the Company	1,046	705	341	48%

Compared to 2019 (Pre COVID-19), the Company's revenue from hospital operation for 2023 increased by 50% (Revenue from general patients increased by 55%, revenue from Social Security Scheme increased by 56%, whereas the revenue from other governmental scheme (NHSO) decreased by 31%).

Compared to 2019, the overall revenue increases for 2023 are mainly driven by the increasing number of patients from the service area expansion, capacity increase and the increasing medical treatment potential (by adding medical personnel with expertise in various fields and modern medical equipment). In addition, the Company has provided hospital management services and operated 3 heart centers at the public hospitals, resulting in customer base expansion and the Company's expertise and reputation.

Statement of financial position	31 December	31 December	Increase	Change
Unit : Million Baht	2023	2022	(Decrease)	(%)
Total assets	10,264	10,280	(16)	(0.16%)
Total liabilities	2,333	2,416	(83)	(3.44%)
Shareholders' equity	7,931	7,864	67	0.85%
Debt to equity ratio (x)	0.29	0.31		

As of December 31, 2023, the Company has **total assets** of Baht 10,264 million, decreased by Baht 16 million from December 31, 2022, primarily due to

- Cash and cash equivalent decreased by Baht 602 million from the Company's operation, as reported in the cash flow statement.
- Trade and other receivables increased by Baht 117 million; accrued medical treatment income decreased by Baht 727 million from the increased revenue and the payment schedule.
- Other current financial assets increased by Baht 125 million from note receivables.
- Property, plant and equipment increased by Baht 1,027 million from the service area expansion at existing hospitals, the opening of new hospitals and the acquisition of Good Estate Company Limited.
- Goodwill increased by Baht 57 million from the acquisition of Good Estate Company Limited.

Total liabilities amounting to Baht 2,333 million as of December 31, 2023, decreasing by Baht 83 million from December 31, 2022, as described below.

- Bank overdrafts and short-term loans from financial institutions decreased by Baht 355 million.
- Trade and other payables increased by Baht 43 million.
- Income Tax Payable decreased by Baht 46 from the corporate tax payment.
- Long-term loans from financial institutions increased by Baht 238 million from affiliated companies' loans for business expansion.

Total shareholders' equity amounting to Baht 7,931 million as of December 31, 2023, increasing by Baht 67 million from December 31, 2022 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.29, which reflects the ability to loan from financial institution for business expansion and in line with the Company's strategy.

Cash flow statement	2023	2022	Change
Unit : Million Baht			
Net cash from operating activities	2,082	2,629	(547)
Net cash used in investing activities	(1,437)	(958)	(480)
Net cash used in financing activities	(1,246)	(2,460)	1,214
Net decrease in cash and cash equivalents	(601)	(789)	188
Cash and cash equivalents at beginning of period	2,001	2,790	(789)
Cash and cash equivalents at end of period	1,399	2,001	(602)

In 2023, the Company's Net cash from operating activities amounting to Baht 2,082 million, from the operating profit and the receipt of accrued medical treatment income. Net cash used in investing activities increased by Baht 480 million from the acquisition and construction of new hospitals according to the expansion plan. Net cash used in financing activities amounting to Baht 1,246 million YoY, from the payment of short-term and long-term loans, including the dividend payment.

Please be informed accordingly.

Yours faithfully,

(Mr.Kriengsak Plussind)
Chairman of the Board