

Management Discussion and Analysis

2023

February 16, 2023



ไม่ใช่แค่พัฒนาที่อยู่อาศัย  
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เพราะเรา ใส่ใจเพื่อทั้งชีวิต “อยู่ดี มีสุข”



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PSH-CS 04/2024

## 2023 Market Overview

### Real Estate Industry

- In 2023, the overall real estate sector remained sluggish, with the number of new residences in Bangkok and its surrounding areas declining by 19.8% from 2022. In terms of value of new project launch, despite growing from the pre-COVID average, fell by 6.5% from 2022 (Real Estate Information Center, 2023). This was attributed to global economic conditions impacted by geopolitical conflicts and China's softening economy, which in turn, impacted the Thai real estate market. Meanwhile, domestic purchasing power declined alongside rising interest rates and project development costs. Housing loan rejection increased by over 60%, reflecting the weak purchasing power among real demand consumers in the country.
- The townhouse market, in particular, saw sales declines at every price level, with significant reductions in the Bt3-5 million range. This market segment's primary customers were low-income earners impacted by weak purchasing power, loan rejection, household debt, and rising interest rates. As for the single house market, sales slowed slightly, especially in the under Bt5 million price range, which shares a similar customer base with the townhouse market. Additionally, there was an increase in unsold inventory in the market, up to 40% due to the significant number of high-end projects launched over the same period. Conversely, sales from the condominium market rebounded, particularly in the Bt2-3 million price range for projects located in high-potential areas such as nearby universities and in the above Bt7 million price range for popular locations like riverfront properties.

### Healthcare Industry

- In 2023, the overall revenue of private hospitals slowed down from the previous year as revenues gradually returned to pre-COVID levels due to a gradual increase in foreign patient revenue with the recovery of the tourism sector, especially from the East Asian market in the second half of the year. There was also an increase in revenue from CLMV patients (Cambodia, Laos, Myanmar, and Vietnam), as well as a rebound in Thai patient revenue, both from those claiming social security benefits and general patients. Business profits over the past year continued to face headwinds from various factors. Apart from COVID patient volumes falling from the previous year's high, private hospital profits were squeezed by high operating costs and intense competition, resulting in an overall decrease in profits year-on-year.
- Nonetheless, the hospital business remains an area of interest for all sectors. Currently, there are supportive factors, including Thailand's transition to a fully aged society by 2030, which has heightened interest in preventive health care following the spread of COVID. The risk of the population developing non-communicable diseases (NCDs) is increasing, along with government initiatives to promote medical and wellness tourism, as well as support for Thailand to become the medical hub of Southeast Asia has led to an increase in investments by companies from other industries.
- Consumer purchasing power may be affected by the still-recovering economic situation and inflationary pressures. Consumers may choose to focus their spending on necessary medical treatments rather than preventive cares. Since COVID treatments have fallen significantly, many hospital operators have chosen to expand their business by opening specialized medical centers to provide treatments for complicated cases. It is also crucial for many hospitals to enhance services to accommodate foreign patients, who are drawn by Thailand's lower treatment costs when compared internationally, along with the country's tourism destinations, culture, and cuisine.

**Company Performance Analysis**
**Table 1: Performance Comparison of the Company for Fourth Quarter and Full Year of 2023 and 2022**

Statement of income	4Q23 (Bt million)	4Q22 (Bt million)	Increase/ (Decrease) (%)	2023 (Bt million)	2022 (Bt million)	Increase/ (Decrease) (%)
Revenue from sales of real estate	5,371	9,980	(46.2)	22,357	27,191	(17.8)
Revenue from hospital operations	494	435	13.7	1,820	1,211	50.2
Other Income	366	24	1,416.5	1,956	238	720.8
<b>Total Revenues</b>	<b>6,232</b>	<b>10,439</b>	<b>(40.3)</b>	<b>26,132</b>	<b>28,640</b>	<b>(8.8)</b>
Cost of sales of real estate <sup>1)</sup>	(3,878)	(6,602)	(41.3)	(15,400)	(18,364)	(16.1)
Cost of hospital operations <sup>2)</sup>	(421)	(366)	15.1	(1,553)	(1,099)	41.3
<b>Gross profit <sup>3)</sup></b>	<b>1,566</b>	<b>3,447</b>	<b>(54.6)</b>	<b>7,223</b>	<b>8,939</b>	<b>(19.2)</b>
Selling and Administrative expenses	(1,552)	(1,814)	(14.4)	(5,612)	(5,177)	8.4
<b>Profit from operating activities</b>	<b>380</b>	<b>1,657</b>	<b>(77.0)</b>	<b>3,568</b>	<b>4,001</b>	<b>(10.8)</b>
Finance costs	(192)	(112)	71.8	(670)	(427)	57.1
Share of profit / (loss) of associate & joint ventures accounted for using equity method	(18)	(1)	2,017.4	12	29	(57.9)
<b>Profit before income tax expense</b>	<b>170</b>	<b>1,545</b>	<b>(89.0)</b>	<b>2,910</b>	<b>3,603</b>	<b>(19.2)</b>
Tax expense	(41)	(345)	(88.1)	(570)	(768)	(174.2)
<b>Profit for the period</b>	<b>129</b>	<b>1,200</b>	<b>(89.3)</b>	<b>2,339</b>	<b>2,835</b>	<b>(17.5)</b>
Non-controlling interests	6	28	(80.2)	134	63	114.6
<b>Profit attributable to owners of the parent</b>	<b>123</b>	<b>1,172</b>	<b>(89.5)</b>	<b>2,205</b>	<b>2,772</b>	<b>(20.5)</b>

Remark: Percentage in statement of income is calculated from total revenues, while 1) percentage of cost of sales of real estate, 2) cost of hospital operations is calculated from revenue from net sales of real estate and revenue from hospital operations, respectively and 3) Gross profit is calculated from revenue from net sales of real estate and revenue from hospital operations.

- Pruksa Holding Public Company Limited (the “**Company**”) earned total revenues in 4Q23 and 2023 of Bt6,232 million and Bt26,132 million, respectively. This represented a decrease of 40.3% and 8.8% YoY, respectively. This decline was attributed to a decrease in revenue from the real estate business, which was impacted by reduced purchasing power among middle to lower income groups; delays in launching low-rise and condominium projects to clear remaining inventory; and strategic adjustments to deliver products that meet real demand of customers in response to changing economic conditions. However, hospital business revenue continued to grow due to the constant growth of foreign customers and corporate clients. Other revenues were recorded, such as rental income, revenue from liquid management, profit from share swap, fair value adjustments of investments, and the transfer of business operations within the Group.
- As for the profit performance in 4Q23 and 2023, the Company reported gross profits of Bt1,566 million and Bt7,223 million, or a decrease of 54.6% and 19.2% YoY, respectively. This was mainly attributed to the decrease in revenue from the real estate business. Meanwhile, the hospital business was able to consistently generate gross profits. 4Q23 and 2023 net profits amounted to Bt123 million and Bt2,205 million, a decrease of 89.5% and 20.5% YoY, respectively. This was largely a continuation of the decrease in gross profits from the real estate business and the increase in financial costs owing higher debt burdens and higher policy interest rates.

- Based on its performance in 2023, the Company will announce a cash dividend payment of Bt0.96 per share for a total of Bt2,101 million. The Company had already distributed interim dividends on August 25, 2023 of Bt0.31 per share for a total of Bt678 million. Therefore, the Company will pay an additional cash dividend of Bt0.65 per share for a total of Bt1,432 million. The dividend payment schedule is set for May 24, 2024, subject to approval at the 2024 Annual General Meeting of Shareholders.

### Revenue from Real Estate Business

**Table 2: Revenue from Real Estate Business by Product Type for Fourth Quarter and Full Year of 2023 and 2022**

Revenue	4Q23 (Bt million)	4Q22 (Bt million)	Increase/ (Decrease) (%)	2023 (Bt million)	2022 (Bt million)	Increase/ (Decrease) (%)
Townhouse	2,351	3,017	(22.1)	8,932	10,660	(16.2)
Single-detached House	1,715	1,813	(5.4)	5,969	5,249	13.7
Condominium	1,305	5,144	(74.6)	7,325	10,538	(30.5)
Land Sale	0	6	(100.0)	131	744	(82.4)
<b>Total Revenue from Real Estate Business</b>	<b>5,371</b>	<b>9,980</b>	<b>(46.2)</b>	<b>22,357</b>	<b>27,191</b>	<b>(17.8)</b>

The Company reported 4Q23 and 2023's revenue from real estate business of Bt5,371 million and Bt22,357 million, dropped by 46.2% and 17.8% YoY respectively. Revenue from townhouse business, contributing 40% of the total revenue, decreased due to low purchasing power of vulnerable customers that were affected by the slowdown in economy and the stricter criteria for loan approval resulting in higher bank rejection. While revenue from condominium business contributed 33% of total revenue, it decreased as a result of fewer ready-to-move condominium units. The Company focused on selling existing ready-to-move units while using pricing strategy. This affected the revenue and consequently affected profit margin. Single-detached house revenue, whose contribution was 27% of total revenue and despite experiencing the delayed construction to re-design the housing model to fit the demand of customers, increased by 13.7% YoY reflecting real demand. In 2024, the Company planned to launch single-detached house projects on potential locations to respond to the demand of higher segment customers.

### Revenue from Hospital Business

**Table 3: Revenue from Hospital Business by Hospital Group for 4Q23 and 2023**

Revenue	4Q23 (Bt million)	4Q22 (Bt million)	Increase/ (Decrease) (%)	2023 (Bt million)	2022 (Bt million)	Increase/ (Decrease) (%)
Revenue from ViMUT Hospital	264	210	25.7	906	851	6.5
Revenue from Theptarin Hospital	230	225	2.4	914	361	153.3
<b>Total Revenue from Hospital Business</b>	<b>494</b>	<b>435</b>	<b>13.7</b>	<b>1,820</b>	<b>1,211</b>	<b>50.2</b>

Remark: A consolidation from Theptarin Hospital since August 2022

The Company reported revenue from hospital business for 4Q23 and 2023 of Bt494 million and Bt1,820 million, up by 13.7% and 50.2% YoY respectively. Revenue from ViMUT Hospital accounted for 53.4% and 49.8% of total revenue from hospital, growing from increasing number of out-patients especially towards year-end for

annual health check-up service from both corporate customer and general customers. ViMUT hospital continued to use online media to increase visibility of the hospital as well as marketing campaign for high earning services such as CT Scan, Brain MRI, and Lasik. In addition, the hospital continues to expand its corporate customer bases adjacent to the hospital.

### **Other Revenue**

The Company reported 4Q23 and 2023 other revenue of Bt366 million and Bt1,956 million, rising 1,416.5% and 720.8% YoY respectively. The increase mainly came the extraordinary gains including (1) profit from share swap and fair value adjustment from the spin-off of precast business unit to become a profit center and (2) the transfer of medical laboratory and diagnostic business of Lab Plus One Co., Ltd. In addition, the Company also recorded rental income and revenue for liquidity management.

### **Cost of Sales and Services**

The Company reported 4Q23 and 2023 cost of real estate sales of Bt3,878 million and Bt15,400 million, down by 41.3% and 16.1% YoY respectively. The decrease in cost of sales of real estate being less than the decrease in revenue was the result of increase in cost of the project development and pricing strategy. While, the cost of hospital business recorded at Bt421 million and Bt1,553 million, up by 15.1% and 41.3% YoY respectively. These were in line with the increasing revenue of the hospital expansion. The cost to revenue ratio from hospital business reduced following economies of scale.

### **Selling & Administrative Expenses**

4Q23 selling and administrative expenses were reported of Bt1,552 million or 24.9% of total revenue. The 14.4% decrease YoY was in proportion to the fewer transfer of housing from real estate business. However, the proportion of selling & administrative expense to revenue increased from 17.4% in 2022 to 24.9% in 2023. This was because in 4Q22, the Company recorded a large amount of condominium transfer revenue while in 2023, townhouse and condominium revenues significantly decreased.

However, for 2023, the Company reported selling and administrative expenses at Bt5,612 million or 21.5% of total revenue, an 8.4% increase YoY. This was the result of increase in advertising and sales promotion expenses, the expansion into other businesses of the Company which incurred related expenses and the change in consolidation method for Theptarin Hospital's operational performance.

### **Finance Costs**

4Q23 and 2023 finance costs reported of Bt192 million and Bt670 million, increasing by 71.8% and 57.1% YoY respectively. It was due to additional loan obtained for investment in business expansion in other countries; mainly in the same currencies for natural hedge, and the increase in policy rate.

### **Profit / (Loss)**

4Q23 and 2023 profit for the parent company posted at Bt123 million and 2,205 million or 2.0% and 8.4% of total revenue, down by 89.5% and 20.5% YoY respectively. This was mainly because of the decreasing real estate revenue impacted by weakening purchasing power of middle to lower customers who were affected by the economic situation and the inflation leading up to the increase in policy rate. The slowdown in profit also came from the increase in expenses related investments that are still in seed stage in order to support the core business of the Group.

**Table 4: Financial Position and Liquidity as of December 31, 2023 and 2022**

	December 31, December 31,		December 31, December 31,	
	2023	2022	2023	2022
	(Bt million)		(Bt million)	
<b>Assets</b>			<b>Liabilities and Equity</b>	
Cash and cash equivalents	3,970	3,877	Trade accounts payable	1,222
Real estate development for sale	41,573	48,722	Other liabilities	5,559
Other current assets	1,376	1,514	<b>Total non interest bearing debt</b>	<b>6,782</b>
<b>Total current assets</b>	<b>46,918</b>	<b>54,114</b>	Short-term loans	3,494
Property, plant and equipment	5,889	8,007	Current portion of long-term loans	657
Other non-current assets	15,741	6,535	Long-term loans	3,780
<b>Total non-current assets</b>	<b>21,629</b>	<b>14,542</b>	Current portion of long-term debentures	7,000
			Long-term debentures	1,000
			<b>Total interest bearing debt</b>	<b>15,931</b>
			<b>Total liabilities</b>	<b>22,713</b>
			<b>Equity</b>	<b>44,119</b>
			Non-controlling interests	1,716
<b>Total assets</b>	<b>68,548</b>	<b>68,656</b>	<b>Total liabilities and equity</b>	<b>68,548</b>

Remark: A summary of consolidated statement of financial position

As of December 31, 2023, the Company reported total assets of Bt68,548 million, a drop of 0.2% from December 31, 2022. It was a because of the delay of new launches and the draining of inventories to close more projects resulting in a decrease in real estate development for sale. In terms of total liabilities of Bt22,713 million, a drop of 1.6% was from the repayments of debentures maturing during the year, decrease in trade payables and other liabilities including down payment and reservation fees from the customers. The real estate business has 117 active real estate projects (excluding almost closed projects) with available-for-sale value of Bt62,156 million, comprising 67 townhouse projects with available-for-sale value of Bt26,339 million, 33 single-detached house projects with available-for-sale value of Bt19,335 million, and 17 condominium projects with available-for-sale value of Bt16,491 million.

**Table 5: Key Financial Ratio as of December 31, 2023 and 2022**

Financial Ratio	Unit	December 31, 2023	December 31, 2022
Return-on-Asset (ROA) <sup>1)</sup>	%	5.25	5.76
Return-on-Shareholder's Equity (ROE) <sup>2)</sup>	%	5.01	6.35
Debt-to-Equity (D/E) <sup>3)</sup>	Time	0.51	0.52
Net Interest-bearing Debt-to-Equity (Net IBD/E) <sup>4)</sup>	Time	0.27	0.22

Remark: 1) ROA = EBIT divided by average total asset excluding right of use asset

2) ROE = net profit divided by average total equity attributable to owners of the parent

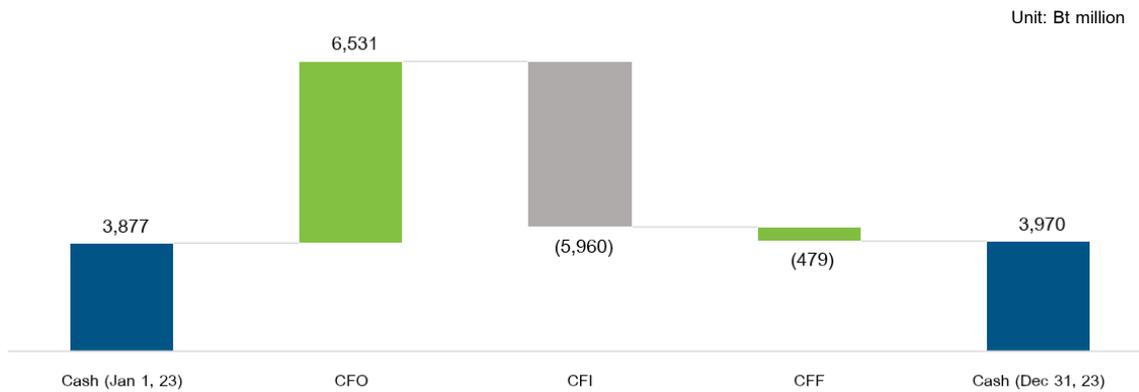
3) D/E = total debt divided by total equity attributable to owners of the parent

4) Net IBD/E = net IBD divided by total equity attributable to owners of the parent

As of December 31, 2023, the Company's return-on-asset ratio was 5.25% and return-on-equity ratio was 5.01%. Both ratios decreased from lower net profit as a result of lower real estate income.

The Company's debt to equity ratio was 0.51x and net interest-bearing debt-to-equity ratio was 0.27x. Both ratios increased from end of 2022 due to higher bank loan following the Company's strategic investment related to core businesses.

**Picture 1: Cash Flow as of December 31, 2023**



As of January 1, 2023, the Company reported cash on hand Bt3,877 million. During the year, the Company had net cash flow from operations of Bt6,531 million and cash flow used in investing activities of Bt5,960 million to invest in prop-tech, health-tech, logistics business and liquidity management. Cash flow used in financing activities reported at Bt479 million due to bank loan for natural hedging in overseas investment. As of December 31, 2023, the company reported cash on hand Bt3,970 million.

### Sustainable Development Performance

The Company remains committed to driving the business toward sustainability, setting a target of reducing carbon emissions by 30% by 2030 and aiming for carbon neutrality in the future.

In 2023, the Company embarked on initiatives to further promote environmental sustainability. This included the adoption of green technology, CarbonCure, for producing low-carbon precast panels used in the construction of low-rise projects. The Company also participated in the "Carbon Credit from Community Forests for Sustainability" project under the auspices of the Mae Fah Luang Foundation under Royal Patronage to support sustainable incomes and forest restoration in communities. The Company executives and employees collaborated with the Royal Forestry Department in the environmental restoration project to provide carbon credits by planting over 100,000 trees over a combined area of 370 rai in Huay Bong Subdistrict, Dan Khun Thot District, Nakhon Ratchasima Province. Additionally, the Company initiated the Pruksa Green Plus project with the collaboration of employees, local residents, and communities to plant trees in residential project and residential areas. Starting with Pruksa Sukhumvit Bang Pu and The Plant Sukhumvit Bang Pu, they conducted neighborhood enhancement by collecting garbage, removing weeds, collecting debris from canals, and releasing EM balls in the canal for wastewater treatment.

On the social front, the Company has been implementing the “Housing for the Disabled by PRUKSA” project for the past 5 years. This initiative originated from Pruksa's aspiration to provide homes for all Thais. This year, the project was carried out in Chiang Mai and Khon Kaen provinces, delivering homes to 10 persons with disabilities living in rural areas. The project also aims to empower persons with disabilities or their caregivers to pursue occupations according to their abilities, generating sustainable income for their families. The Company has launched the “Accelerate Impact with PRUKSA” project to support social impact businesses, providing resources in terms of financial capital, knowledge, and business consulting. Due to this initiative's positive reception, the Company has successfully commenced with its second season.

Furthermore, the Company over the past year has been included in rankings by various institutions, a testament to its commitment to environmental, social, and corporate governance. This has been the fourth year that the Company has been included in the ESG100 for 2023 by the Thaipat Institute. Additionally, the Company has received its third consecutive CAC certification renewal for its commitment to anti-corruption efforts. It was also ranked BBB in the SET ESG Ratings conducted by the Stock Exchange of Thailand.

### Company Outlook in 2024

For 2024, the Company has identified opportunities arising from positive factors in the real estate sector, including visa-free travel for tourists from China, India, Kazakhstan, and Taiwan to stimulate international tourism; extensions to transfer fee reduction for homes valued at no more than Bt3 million; and market trends signaling continued interest in single houses priced at Bt10-30 million.

Due to the aforementioned factors, the Company has supported the creation of brand champions, introducing The Connect from the townhouse business, The Palm from the single-detached house business, and Chapter from the condominium business, focusing on establishing clear positioning for future Pruksa projects to increase their value. Additionally, the Company emphasizes creating added value for its products to maximize customer benefits through business collaborations within the Group, such as partnering with ViMUT Hospital to create Wellness Residences that prioritize good health, environmental sustainability, and quality of life for its residents, aiming to differentiate its products in the market. Furthermore, the Company has collaborated with partner banks to provide Pruksa customers with home loans that have low interest rates and low monthly installments, stimulating sales and supporting the middle to lower income customer base.

Furthermore, there are plans to launch 17 townhouse projects valued at Bt11.8 billion, 10 single-detached house projects valued at Bt13.2 billion, and 3 condominium projects valued at Bt4 billion, totaling 30 projects with a combined value of Bt29 billion. These projects cover all price ranges, from townhouses priced below Bt2 million to mid-range condominiums and single-detached houses priced over Bt30 million.

In terms of the hospital business, the Company has planned to expand its services to provide better living standards, including package deals and sales promotion activities with corporate clients. Reflecting new visa-free travel policies for foreign tourists, the Company has prioritized expanding its international customer base through collaboration with international partners, including (1) investing in Naluri, a digital health service provider from Malaysia; (2) collaborating with Pathology Asia from Singapore on the medical laboratory and results analysis business; (3) investing in the CapitaLand Wellness Fund (C-Well) to support businesses focusing on health care and healthy lifestyles, such as health-oriented hotel and residential projects, specialized hospitals, and rehabilitation centers; (4) investing in Amili from Singapore to support comprehensive expertise in research

and treatments using microbiomes in the digestive system; and (5) collaborating with K.P.N. Senior Hospital Group in managing nursing homes.

(Miss Surawee Chaithumrongkool)  
Group Chief Financial Officer

Note: The data disclosed in the management discussion and analysis is consistent with the data disclosed in the financial statements for 2023, which was approved by the Board of Directors in the meeting no.2/2024 held on February 16, 2024.

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