

Thonburi Healthcare Group PLC.

FY2023 Management Discussion and Analysis

Overview of FY2023 and 4Q23

Thonburi Health Care Group (THG) continued to grow steadily in the year 2023, after the situation of the epidemic returned to normal for the first full year. The hospital business, which is the main business of THG, has grown well due to quality-focused management. It aims to achieve international service standards. Currently, Thonburi Hospital, Thonburi Thawiwattana Hospital, Thonburi Burana Hospital, Rajyindee Hospital, Thonburi Thungsong Hospital, and Thonburi Trang Hospital have been certified by the AACI (American Accreditation Commission International), and it is expected that other hospitals in the group will receive additional continuous certification. Furthermore, they are ready to enhance their capabilities in treating complicated diseases by investing in expanding facilities and acquiring modern medical equipment. It is expected that additional treatment areas will gradually be opened in 2024, including Thonburi Hospital and Thonburi Thawiwattana Hospital, as well as hospitals in other provinces.

For the three-month operating results of 4Q23, the total revenue decreased by 14.3% to THB 2,053mn from THB 2,395mn. The medical service business continued to grow steadily, particularly the secondary hospitals, with a boost from an increased number of service users from neighboring countries and China (CLMV & China) returning to use services in Thailand. Specifically, hospitals within the group located in border areas with these countries saw an increase in service utilization. Excluding revenue related to COVID-19 patient services in Hospitals and field hospitals, as well as vaccine administration services, the revenue from medical service business grew by 10.0 percent. The adjustment in estimated provision for emergency medical treatment expenses for COVID-19 patients incurred in 2022, which was received from various funds, significantly affected the profit in this quarter. Investments in technology and expansion of service areas led to increased depreciation expenses for THG, resulting in a decrease in the gross profit margin compared to the same period of the previous year. Financial costs were higher than in the same period of the previous year due to adjustments in market interest rates. Management ensured expenses were kept at an appropriate level for growth and quality service development on par with global standards. Additionally, revenue from healthcare solution providers and medical equipment decreased significantly. Despite an increase in the number of participants in Jin Wellbeing County, room sales fell short of the target, resulting in a net loss of THB 364mn (net loss margin of 17.7%) in 4Q23, a decrease of over 100.0 percent from the same period of the previous year, which had a profit of THB 260mn (net profit margin of 10.9%). Most expenses were attributed to depreciation and financial costs.

Regarding the overall operating result of 2023, THG's revenue decreased by 15.0% compared to 2022, which included revenue from COVID-19 treatment outside hospitals and vaccine revenue. Meanwhile, the net profit decreased by 76.6%, after excluding items related to COVID-19 treatment, and vaccines in 2022. THG shows revenue growth of 9.2% and a net profit decrease of 51.0% after adjusting for these items. Changes affecting profit include one-time disposal land in 2022, increased depreciation, expenses from investing in expanding service areas to accommodate patient growth, higher financial costs due to market interest rate adjustments, reduced dividend income from investment companies, and expenses related to investment studies to support THG's expansion plans in the future.

	2023 (million baht)	2022 (million baht)	Change	Change (Excluding transactions related to COVID-19 treatment, vaccine revenue, and land disposal in 2022)
Total revenue	9,844	11,582	-15.0%	+9.2%
EBITDA	2,080	3,342	-37.8%	-9.6%
Net profit	393	1,677	-76.6%	-51.0%

The business in oversea, Ar Yu International Hospital in Myanmar, has consistently generated profits. In the year 2023, THG recognized profit shares from investments in joint ventures for both the quarterly and annual periods. Ar Yu International Hospital has been internationally accredited for its standard treatment, earning the trust of the Myanmar people. Even though there have been abnormal events in the country, there has been a continuous increase in patient volume. Regarding investments in Vietnam, specifically the establishment of the BeWell Wellness Clinic in Ho Chi Minh City, it is anticipated that services will commence within 2Q24.

Healthcare solution provider and medical equipment business has not yet reached its set goals. In Jin Wellbeing County, a comprehensive residential facility for the elderly with integrated medical services, only 5 rooms could be transferred in th4Q23. In 2023, a total of 19 rooms were transferred, whereas the previous year, 87 rooms were transferred. However, there are still individuals who have paid reservation fees but have not yet transferred, with 8 rooms pending transfer and 3 rooms under installment payment. To ensure the sustainability of the project, management is studying potential collaborations with partners to develop the back area further, aiming to enhance the project's completeness. Additionally, THG has jointly invested with partners to establish Thonburi Rangsit Hospital, a 250-bed facility located on the project's land, to provide regional-level medical services. Currently, it is in the design phase, and an Environmental Impact Assessment (EIA) report is being prepared. It is expected to be completed and operational by the end of 2026, contributing to the gradual transfer of rooms according to the established plan.

For 2024, THG aims to shift its traditional medical business towards developing new healthcare services to elevate service quality in response to changing patient demands. In the upcoming year, THG will prioritize four main areas: 1) Personnel Development: enhancing both the quantity and quality of service providers. 2) Digital Health Technology: Integrating technology to enhance service delivery, combining treatment innovations and technologies to facilitate faster, more accurate access to treatment. 3) Environment: Implementing environmentally sustainable business operations, leading by Thonburi Thawiwattana Hospital to become a Zero Carbon organization, targeting Net Zero status by 2030. And 4) Wellness: Thonburi Bamrungmuang Hospital aims to lead the market in preventive healthcare services and comprehensive recovery, addressing long-term health issues and meeting increasing demands for preventive healthcare services both domestically and internationally. Furthermore, Thonburi Sermrath (formerly known as Thonburi Heart Center Hospital) provides specialized heart medical services in collaboration with state hospitals. After expanding the number of heart disease patient beds over the past year, it offers prompt treatment without additional charges, and it has established the Thonburi Sermrath State Clinic to care for emergency accident victims, the first of its kind in Phuket. Additionally, THG is working with government agencies to address personnel shortages, cost management, and enhance efficient access to healthcare services.

Furthermore, THG has collaborated with Assumption University to establish the St. Luke School of Medicine, an international medical faculty, which is expected to commence teaching in 2025. This marks the second medical faculty after the first was established at Siam University, producing multiple generations of successful medical

graduates. THG operates with the utmost consideration for the maximum benefit of all stakeholders and emphasizes participation in social services for the sustainable growth of the company.

Key development in FY2023

1. The investments in a subsidiary

The Board of Directors meeting No.2/2023 held on 31 January 2023, the Board of Directors has resolved to approve the establishment of a subsidiary company - Telehealth Care Company Limited with the objective of providing remote healthcare and medical services by leveraging technology to support the company's business. The subsidiary company was registered in Thailand with the Ministry of Commerce in January 2023, with a registered capital of THB 200mn (20,000,000 common shares with a par value of THB 10.0 per share). The parent company holds 85.0% of the shares in the subsidiary, the subsidiary called for 25.0% of the registered capital for their shares. The company has already paid for these shares, in the amount of THB 43mn.

2. Increase of investments in subsidiaries

2.1 Increase of investment in a subsidiary – TH Health Co.,Ltd

The Board of Directors meeting No.9/2023 held on 21 August 2023, the Board of Directors has resolved to approve an additional investment in TH health Co.,Ltd by THB 20mn through the issuance of ordinary shares totaling 200,000 shares, with a par value of THB 100.0 per share. The subsidiary company registered the increase in capital with the Ministry of Commerce on September 18, 2023, and the share subscription has been completed in 2023.

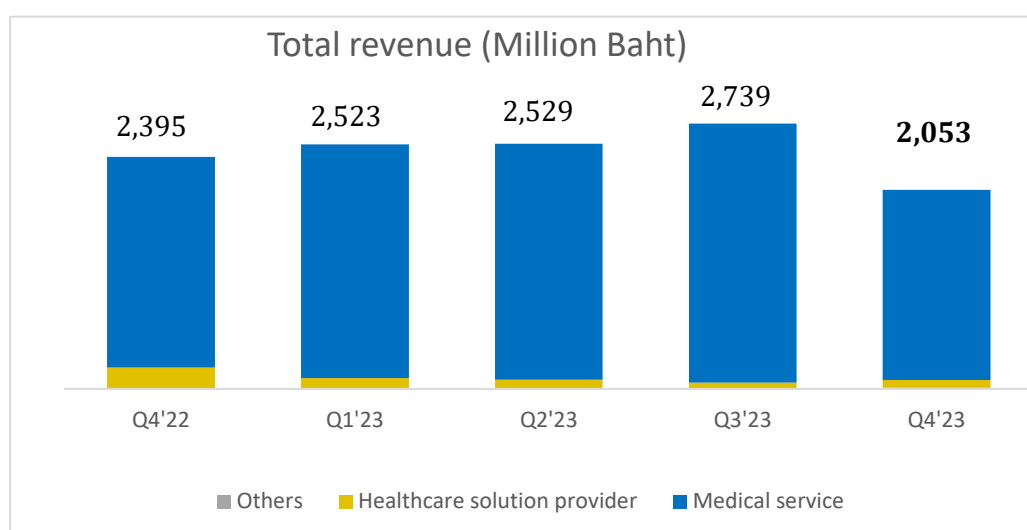
2.2 Increase of investment in a subsidiary – Thonburi Sermrath Co.,Ltd

In the ordinary shareholders' meeting of the subsidiary company No.3/2023 held on 11 July 2023, the Board of Directors has resolved to change the par value of the company's shares from the previous par value of THB 10,000.0 per share to a new par value of THB 10.0 per share. This change resulted in the ordinary shares' quantity changing from 10,000 shares to 10,000,000 shares. The subsidiary company registered the change in par value with the Ministry of Commerce on July 19, 2023.

In the ordinary shareholders' meeting of the subsidiary company No.4/2023 held on 3 October 2023, the Board of Directors has resolved to approve the registration of an increase in the company's capital from 10,000,000 ordinary shares, with a par value of THB 10.0 per share, to 11,330,000 ordinary shares, with a par value of THB 10.0 per share and share premium at THB 20.0 per share. The subsidiary company received full payment for the shares in 2023.

The Board of Directors meeting No.10/2023 held on 8 September 2023, the Board of Directors has resolved to relinquish the rights to increase the capital of the subsidiary company, Thonburi Sermrath Co.,Ltd. The relinquishment of these rights resulted in a decrease in the shareholding interest from 99.98% to 88.24%.

Summary of FY2023 performance compared to FY2022.



Revenue

THG total revenue of THB 9,844mn a decrease of 15.0% from THB 11,582mn, the decrease was from the following factors.

Medical Service Business generated revenue of THB 9,485mn, a 12.3% decrease from THB 10,811mn. This was mostly due to THG's revenue related to COVID-19 services at the Hospital field hospital and vaccine administration in 2022, accounted for 24.0% of the medical service business revenue. Upon analyzing revenue generated from hospital operations, it increased by 14.4% in 2023 compared to 2022. The main reasons for this are as follows: 1) revenue from existing hospitals grew, especially at secondary hospitals, where there was an increase in both outpatient and inpatient services. The number of patients utilizing services increased from the previous year, accounting for 6.0% and 11.5%, respectively (this proportion considers hospitals existing in the group, excluding Thonburi Trang Hospital). 2) revenue from Thonburi Trang Hospital (which became a subsidiary in November 2022).

Healthcare Solutions Provider generated revenue of THB 336mn, a 55.1% decrease from THB 748mn, mainly due to in FY2023, 19 residential units were transferred compared 87 units in FY2022.

Financial statement 4Q

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	4Q23	4Q22	YoY change	4Q23	4Q22	YoY change
Revenue from medical service	1,962	2,176	-9.8%	1,509	1,449	4.1%
Revenue from healthcare solution provider	79	210	-62.4%	-	-	-
Revenue from other businesses	12	9	33.3%	-	-	-
Total revenue	2,053	2,395	-14.3%	1,509	1,449	4.1%

Financial statement for the year ended

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	FY2023	FY2022	YoY change	FY2023	FY2022	YoY change
Revenue from medical service	9,485	10,811	-12.3%	5,805	7,033	-17.5%
Revenue from healthcare solution provider	336	748	-55.1%	-	-	-
Revenue from other businesses	23	23	-	-	-	-
Total revenue	9,844	11,582	-15.0%	5,805	7,033	-17.5%

Costs

Total cost was THB 7,439mn, decreasing by 8.1% from THB 8,096mn, with main factors as follows.

Cost of medical service was THB 7,174mn, decreasing by 5.2% from THB 7,564mn. T

Overall costs decreased from the previous year, excluding costs related to providing services for COVID-19 in the Hospital field hospital and vaccine administration. If those costs are excluded, overall costs increase by 18.7%, mirroring the increase in revenue. The increased costs include doctor fees, staff expenses, and depreciation costs, which are expenses incurred to expand service capacity and enhance service quality. Management has been able to control initial profit margins within the predefined criteria by improving efficiency by 1.7% compared to the period before the COVID-19 outbreak.

Cost of healthcare solution provider was THB 250mn, decreasing by 51.7% from THB 518mn. This was mostly due to FY2023 transfers lower than FY2022 at 68 units.

Selling, general and administrative expenses

SG&A was THB 1,811mn, increasing by 5.3% from THB 1,720mn. The increase was primarily due to expenses related to staff cost, particularly in staff development and business feasibility studies to support future growth.

Finance cost

The finance costs amounted to THB 449mn, representing an increase of 47.2% from THB 305mn. The primary reason for this increase was due to the continuing interest adjustments by the Bank of Thailand, which have risen consistently. The MLR interest rate as of December 31, 2023, was 7.05% compared to 5.75% on the same period of previous year. In addition to that, THG has adjusted its financial structure by restructuring the proportion of short-term loans into long-term loans to align and suit the project's capital repayment period.

Financial statement 4Q

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	4Q23	4Q22	YoY change	4Q23	4Q22	YoY change
Cost from medical service	(1,892)	(1,616)	17.1%	(1,077)	(1,030)	4.6%
Cost from healthcare solution provider	(61)	(148)	-58.8%	-	-	-
Cost from other businesses	(4)	(4)	-	-	-	-
Total cost	(1,957)	(1,768)	10.7%	(1,077)	(1,030)	4.6%
Selling, general and admin expenses	(488)	(419)	16.5%	(211)	(191)	10.5%
Financial cost	(123)	(83)	48.2%	(95)	(72)	31.9%

Financial statement for the year ended.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	FY2023	FY2022	YoY change	FY2023	FY2022	YoY change
Cost from medical service	(7,174)	(7,564)	-5.2%	(4,143)	(4,991)	-17.0%
Cost from healthcare solution provider	(250)	(518)	-51.7%	-	-	-
Cost from other businesses	(15)	(14)	7.1%	-	-	-
Total cost	(7,439)	(8,096)	-8.1%	(4,143)	(4,991)	-17.0%
Selling, general and admin expenses	(1,811)	(1,720)	5.3%	(799)	(824)	-3.0%
Financial cost	(449)	(305)	47.2%	(343)	(258)	32.9%

Profit

THG reported a net profit for this year of THB 393mn, a decrease of 76.6% from THB 1,677mn. The main reasons for this decrease are as follows: 1) In 2022, there was a profit from services related to COVID-19. 2) The number of transfers of rooms in the Jin Wellbeing County decreased from the previous year by 68 rooms. 3) In 4Q23, there was an adjustment to the estimated allowance for discounts for emergency COVID-19 patients' medical bills to reflect the current payment status. 4) Other incomes decreased from the previous year, including dividend income, profits from land sales, and profits from asset sales related to COVID-19 services. 5) Increased expenses incurred from investments to expand operations, such as depreciation expenses and financial costs.

Financial statement 4Q

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	4Q23	4Q22	YoY change	4Q23	4Q22	YoY change
Gross profit	96	627	-84.7%	432	419	3.1%
EBITDA	(20)	605	-103.3%	406	316	28.5%
Normalized EBITDA	(20)	577	-103.5%	406	387	4.9%
Net profit	(364)	260	-240.0%	164	140	17.1%
Normalized net profit	(364)	238	-252.9%	164	211	-22.3%
Net profit - parent	(354)	239	-248.1%	164	140	17.1%
Normalized net profit - parent	(354)	217	-263.1%	164	211	-22.3%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	4Q23	4Q22	4Q23	4Q22
Gross profit margin	4.7%	26.2%	28.6%	28.9%
EBITDA margin	-1.0%	25.3%	26.9%	21.8%
Normalized EBITDA margin	-1.0%	24.1%	26.9%	26.7%
Net profit margin - parent	-17.2%	10.0%	10.9%	9.7%
Normalized net profit margin - parent	-17.2%	9.1%	10.9%	14.6%

Note: normalized values exclude

1) In 4Q22, the consolidated financial statements showed a net gain after tax from disposal land THB 22 mn.

Financial statement for the year ended

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	FY2023	FY2022	YoY change	FY2023	FY2022	YoY change
Gross profit	2,405	3,486	-31.0%	1,662	2,042	-18.6%
EBITDA	2,080	3,342	-37.8%	1,645	1,914	-14.1%
Normalized EBITDA	2,080	3,215	-35.3%	1,645	1,987	-17.2%
Net profit	393	1,677	-76.6%	724	1,037	-30.2%
Normalized net profit	393	1,572	-75.0%	724	1,110	-34.8%
Net profit - parent	295	1,602	-81.6%	724	1,037	-30.2%
Normalized net profit - parent	295	1,497	-80.3%	724	1,110	-34.8%

Margin	Consolidated financial statements		Separate financial statements	
	FY2023	FY2022	FY2023	FY2022
Gross profit margin	24.4%	30.1%	28.6%	29.0%
EBITDA margin	21.1%	28.9%	28.3%	27.2%
Normalized EBITDA margin	21.1%	27.8%	28.3%	28.3%
Net profit margin - parent	3.0%	13.8%	12.5%	14.7%
Normalized net profit margin - parent	3.0%	12.9%	12.5%	15.8%

Note: normalized values exclude

1) In 1Q22, the consolidated financial statements showed a gain from disposal investment in Thonburi Canabiz Pcl. THB 5 mn.

2) In 2Q22, profit from reclassified investment in Phatara Hospital amount THB 13mn.

3) The consolidated financial statements showed a net gain after tax from disposal land THB 65 mn in 3Q22 and THB 22mn in 4Q22 .

Financial status

As of 31 December 2023, THG's financial position changed compared to 31 December 2022, because of cash outflows for repaying loans due to financial institutions, distributing dividends to shareholders, and investing in assets for business operations.

Total liabilities have decreased from the previous year primarily due to repayments made to financial institutions. However, current liabilities have increased from the previous year, and non-current liabilities have decreased. This is because long-term loans have been reclassified from non-revolving debt to revolving debt amounting to THB 1,421mn. In the 1Q24, the long-term loans will be reclassified to non-current liabilities.

Statements of financial position (million baht)	Consolidated financial statements			Separate financial statements		
	31 December 2023	31 December 2022	Change	31 December 2023	31 December 2022	Change
Current assets	4,873	6,989	-30.3%	5,475	6,652	-17.7%
Non-current assets	18,677	18,068	3.4%	15,435	15,080	2.4%
Total assets	23,550	25,057	-6.0%	20,910	21,732	-3.8%
Current liabilities	9,699	7,916	22.5%	7,062	6,407	10.2%
Non-current liabilities	3,075	5,982	-48.6%	2,595	4,004	-35.2%
Total liabilities	12,774	13,898	-8.1%	9,657	10,411	-7.2%
Total equity	10,776	11,159	-3.4%	11,253	11,321	-0.6%

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current ratio (times)	0.5	0.9	0.8	1.0
Return on assets (%)	3.9	9.6	5.6	7.9
Assets turnover (times)	0.4	0.5	0.3	0.3
Return on equity (%)	3.0	16.6	6.4	10.0
Debt/ equity (times)	1.2	1.2	0.9	0.9
Interest bearing debt/ EBITDA (times)	4.9	3.4	5.1	4.2
Debt service coverage ratio (DSCR) (times)	0.8	1.9	0.8	1.6
Interest coverage ratios (times)	2.1	7.7	3.5	6.2

Capital management in 2023 compared to 2022

- **Net cash generated from operating activities** was TH1,542mn (compared to net generated of THB 2,495mn in 2022), decreasing by 38.2%. This decline is attributed to THG experiencing a reduction in cash flow due to a decrease in room transfers at the Jin Welling County. In 2023, there was a decrease of 68 room transfers, and in 2022, there were service fees received for vaccine services.

- **Net cash used in investing activities** was THB1,160mn (compared to net use of THB 1,624mn in 2022), decreasing by 28.6%. The reduction was due to THG used its cash to invest in Trang Medical Trading Co., Ltd (Thonburi Trang Hospital), which became a subsidiary in November 2022. Additionally, in 2022, THG had a cash inflow from land sales of 253 million baht, while this year there was only a cash inflow of 92 million baht from land sales.

- **Net cash used in financing activities** was THB 2,028mn (compared to net generated of THB 234mn in 2022), a change of over 100%, due to THG repaying loans to financial institutions amounting to THB 2,084mn.

<i>Statement of cashflow (million baht)</i>	Consolidated financial statements		Separate financial statements	
	2023	2022	2023	2022
Net cash generated in operating activities	1,542	2,495	819	1,123
Net cash generated/(used) in investing activities	(1,160)	(1,624)	(802)	475
Net cash generated/(used) in financing activities	(2,028)	234	(1,510)	(629)
Net increase/(decrease) in cash and cash equivalents	(1,646)	1,105	(1,493)	969
Cash and cash equivalents at the beginning of period	2,586	1,482	2,139	1,171
Unrealized exchange gain (loss) in cash and cash equivalents	(1)	(1)	(1)	(1)
Cash and cash equivalents at the end of period	939	2,586	645	2,139