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May 10, 2024

Subject: Management Discussion and Analysis for Q1/2024

To: President

The Stock Exchange of Thailand

Principal Capital Public Company Limited ( "PRINC" ) and its subsidiaries would like to clarify operating results for the first quarter of 2024, as at March 31, 2024, compared with the same quarter of 2023.

### **Major Developments in Q1/2024**

In the first quarter of 2024, PRINC's consolidated revenue was THB 1,372 million, increased by 26.4% year-over-year mainly due to the continuing growth in hospital and healthcare-related businesses. During the quarter, the major developments are as follows:

#### **I. Business Expansions**

January 11, 2024, Principal Next Company Limited ( "PNEXT" ), put additional investment in Health at Home Company Limited ( "HEALTH AT HOME" ) to expand its senior care business. Total investment in HEALTH AT HOME is THB 96 million, equaling 39.5% of its share capital.

March 14, 2024, PNEXT bought 19% shares of Backyard Company Limited ( "BY" ), for THB 91 million. BY develops advanced information technology for hospital management, including hospital information system, smart enterprise resources planning, telemedicine platform, and enterprise intelligence platform, to help enhance hospital productivity and efficiency.

## II. Technology Development

February 2, 2024, Princ Hospital Suvarnabhumi has been certified HIMSS Analytics EMRAM Stage 7, which is the highest level, by HIMSS (Healthcare Information and Management Systems Society), a global organization that establishes standards for hospital information technology.

March 27, 2024, Princ Hospital Suvarnabhumi has been awarded 'Smart Hospital Initiative of the Year – Thailand' by Healthcare Asia Awards 2024 in Singapore.

## III. Medical Service Advancement

January 23, 2024, PRINC and Siemens Healthineers signed an MoU to develop a leading state-of-the-art Cancer Care Center in Southeast Asia to leverage quality of cancer treatment throughout the region.

February 21, 2024, PRINC arranged a groundbreaking ceremony for Princ Hospital Mukdahan. The new hospital is aimed to provide such specialized medical services as eye center, heart center, and minimally invasive surgery (MIS), in addition to general services, and aimed to serve local demand including patients in Mukdahan and nearby provinces, as well as in Savannakhet from Republic of Laos.

The new hospital at Mukdahan province is a part of PRINC hospital network development to create synergy among PRINC hospitals in North-Eastern Thailand, including of Princ Hospital Sakonnakorn, Princ Hospital Srisaket, and Princ Hospital Ubon Ratchathani.

## IV. ESG Development

February 1, 2024, PRINC together with 20 organizations selected as pilot organizations, signed a cooperation project to promote the setting of greenhouse gas emissions targets for the industrial sector in order to move towards Net Zero using the Science-Based Target method, organized by the Greenhouse Gas Management Organization (Public Organization) in collaboration with the Center of Excellence in Eco-Energy Department of Chemical Engineering Faculty of Engineering Thammasat University Research and Consulting Center Office.

## Economic and industry conditions affecting operations, policies, strategies, and business decisions

From the economic outlook by the Bank of Thailand (“BOT”), Thai economy in 2024 is expected to grow relative to the previous year. Such a growth is stimulated by increase in private consumption, as well as recovery in tourism and government spending. BOT also forecasted Thai economic growth rate to be 2.6% and 3.0% in 2024 and in 2025 respectively, while inflation rate remains low at 0.6% and 1.3% respectively.

However, the overall growth rate of the Thai economy after the COVID crisis is expected to be lower than that before COVID. This reflects structural problems that put pressure on the economic growth potential, especially on the export and production sectors. Consequently, the opportunity for the Thai economy to gain benefit from global economic recovery is limited.

The overall picture of the hospital industry tends to change more rapidly due to new challenging factors such as technological advancements, the aging society trend, changes in consumer behavior and in demand for medical services including new medical treatments for emerging diseases. The rapid changes become both a crisis and an opportunity for healthcare-service providers, which need to adapt quickly in response to the rapid changing situations.

PRINC continuously focuses on healthcare service business expansions. The key strategies are as follows:

1. Expanding hospital networks in new areas/provinces e.g. new hospital development in smaller cities.
2. Increasing sophisticated healthcare services with more specialized treatments such as development of cancer centers and expansion of heart centers.
3. Investing in healthcare related businesses such as elderly care and nursing home.



Due to constraints of inflation and the poor conditions of the Thai economy, it is difficult to increase service prices as a key strategy for revenue growth.

For our real estate business, the divestment for all of the three projects including of Bangkok Business Center, Somerset Ekamai and Marriott Vista Sathorn is expected to complete within Q3/2024 as per approval by the shareholder meeting on April 25, 2024. Divestment of property portfolio shall enhance PRINC's capacity to continue the growth in the medical service business and also strengthen our financial position.

### Summary of the operating performance results for Q1/2024

| Consolidated Profit and Loss<br>Unit : Million Baht                          | Q1<br>2024    | Q1<br>2023     | Increase<br>(Decrease) | Change<br>(%) |
|--|---------------|----------------|------------------------|---------------|
| Revenues from healthcare services  | 1,372.3       | 1,069.2        | 303.1                  | +28.4         |
| Revenues from sales and services   | 158.0         | 141.1          | 16.9                   | +12.0         |
| Costs of healthcare services   | 1,091.2       | 916.1          | 175.0                  | +19.1         |
| Costs of sales and services  | 79.9          | 82.3           | (2.5)                  | -3.0          |
| <b>Gross profit (loss)</b>   | <b>359.2</b>  | <b>211.8</b>   | <b>147.4</b>           | <b>+69.6</b>  |
| Other income   | 23.5          | 17.6           | 5.9                    | +33.7         |
| Selling and Administrative expenses  | 354.3         | 334.6          | 19.7                   | +5.9          |
| Finance costs  | 68.4          | 47.9           | 20.5                   | +42.8         |
| <b>Profit (loss) before income tax expense</b>                               | <b>(39.9)</b> | <b>(153.1)</b> | <b>113.2</b>           | <b>n.m.</b>   |
| Tax (Expenses) Income  | 1.6           | (3.8)          | 5.3                    | n.m.          |
| <b>Profit (loss) before non-controlling interests</b>                        | <b>(38.3)</b> | <b>(156.9)</b> | <b>118.5</b>           | <b>n.m.</b>   |
| Non-controlling interests  | (0.6)         | (16.4)         | 15.8                   | n.m.          |
| <b>Profit (loss) attributable to owner of the parent</b>                     | <b>(37.8)</b> | <b>(140.5)</b> | <b>102.7</b>           | <b>n.m.</b>   |
| Earnings before interest, taxes, depreciation, and<br>amortization ( EBITDA) | 212.3         | 80.9           | 131.4                  | +162.5        |

### Q1/2024 Compared to Q1/2023

- Revenue from healthcare services was THB 1,372 million in Q1/2024, increased by approximately THB 303.1 million or 28.4%, compared to Q1/2023

- Revenue from sales and services was THB 158 million in Q1/2024, increased by approximately THB 16.9 million or 12% compared to Q1/2023
- Gross profit was Baht 359.2 million in Q1/2024, increased by THB 147.4 million or 69.6% compared to Q1/2023.
- EBITDA was THB 212.3 million in Q1/2024, increased by THB 131.4 million compared to Q1/2023.
- Net loss decreased from THB 156.9 million in Q1/2023 to THB 38.3 million in Q1/2024. Net loss attributable to the owner of the parent was THB 37.8 million.

The increase in profitability in Q1/2024 was primarily attributable to our healthcare segments, in line with our expected growth from our business expansions, healthcare quality, relationship managements and strategic partners

Real Estate Businesses have been continuously recovering after Covid-19 pandemics during a negative trend of economic and industry along with the volatility of inflation and inflation.

**Financial Positions:**

| Consolidated Financial Position<br>Unit : Million Baht | Q1<br>2024 | Q1<br>2023 | Increase<br>(Decrease) | Change<br>(%) |
|--|------------|------------|------------------------|---------------|
| Total Assets   | 18,661.3   | 17,883.5   | 777.8                  | +4.3          |
| Total Liabilities                                      | 9,120.1    | 8,315.9    | 804.1                  | +9.7          |
| Shareholder's Equity                                   | 8,752.2    | 8,790.0    | (37.8)                 | -0.4          |
| Debt to Equity Ratio (Unit : Time)                     | 1.04       | 0.95       | 0.10                   | +10.1         |

Total assets of the Company as at March 31, 2024 were THB 18,661.3 million, representing a THB 777.8 million increase from THB 17,883.5 million as at December 31, 2023. The change related primarily to cash and investments. The details are as follows:

1. 'Cash and cash equivalents' and 'investment in short-term fund' totally increased by THB 661 million, due to working capital management and business expansion
2. 'Investment in an associate and joint ventures' increased by THB 106 million from an increase of ownership shares of 'Health at Home company', an elderly healthcare service provider as well as an investment in Backyard Company Limited, a service provider of digital transformation, digital enterprise solution and artificial intelligence (AI).

Total liabilities of PRINC and subsidiaries at the end of Q1/2024 were THB 9,102 million, representing a THB 804.1 million increase from the liabilities at the end of Q1/2023. The increase related primarily to the increase of short-term loans from financial institutions.

However, actions to reduce loan exposure are in process as mentioned above.

### Financial Ratio Analysis

| Highlight Financial Ratio   | Unit | Q1<br>2024 | Q1<br>2023 | Increase<br>(Decrease) |
|-----------------------------|------|------------|------------|------------------------|
| <b>Liquidity Ratio</b>      |      |            |            |                        |
| Current Ratio               | Time | 0.40       | 0.87       | -0.47                  |
| Quick Ratio                 | Time | 0.28       | 0.68       | -0.40                  |
| <b>Efficiency Ratios</b>    |      |            |            |                        |
| Total Asset Turnover        | Time | 0.33       | 0.32       | +0.01                  |
| Fixed Asset Turnover        | Time | 0.50       | 0.50       | -0.00                  |
| Account Receivable Turnover | Time | 7.52       | 3.99       | +3.53                  |
| Average Collection Period   | Time | 49         | 91         | -42.93                 |

| Highlight Financial Ratio        | Unit | Q1<br>2024 | Q1<br>2023 | Increase<br>(Decrease) |
|----------------------------------|------|------------|------------|------------------------|
| Inventory Turnover               | Time | 35.16      | 27.65      | +7.51                  |
| Average Sale (Inventory) Period) | Day  | 10         | 13         | -2.82                  |
| Account Payable Turnover         | Time | 6.33       | 5.90       | +0.43                  |
| Average Payment Period           | Day  | 58         | 62         | -4.18                  |
| Cash Cycle                       | Day  | 1          | 43         | -41.57                 |
| <b>Leverage Ratios</b>           |      |            |            |                        |
| Debt /Equity Ratio               | Time | 0.96       | 0.74       | +0.21                  |
| Interest coverage Ratio          | Time | 0.42       | -2.20      | +2.61                  |
| <b>Profitability Ratios</b>      |      |            |            |                        |
| Gross Profit Margin              | %    | 23.48      | 17.50      | +5.97                  |
| EBITDA Margin                    | %    | 13.87      | 6.68       | +7.19                  |
| Net Profit Margin                | %    | -2.47      | -12.78     | +10.31                 |
| Return on Assets                 | %    | -1.75      | -0.68      | -1.07                  |
| Return on Equity                 | %    | -1.62      | -3.28      | +1.66                  |

### Liquidity Ratios

Current Ratio was 0.4 as at the end of Q1/2024, an decrease from 0.87 as at the end of Q1 of the previous year. It was mainly due to higher short term loans offsetting by lower account receivable.

Details are as follows:

1. Net account receivable decreased by THB 344,8 million, from THB 964.6 million at the end of Q1 of the previous year to THB 619.7 million at the end of Q1/2024. It is primarily due to the delayed payment of the National Health Security Office during Covid-19 pandemic. At this



result, during the second quarter of 2023, the expected credit loss was realized as an expense according to the accounting standard policy.

2. Short-term loans from financial institutions increased from THB 1,025.1 million at the end of Q1/2023 to THB 2,056.5 million at the end of Q1/2024. It is mainly due to the business expansions.
3. Current portion of long-term borrowings from financial institutions increased by THB 352 million at the end of the previous year to THB 1,846.8 million at the end of Q1/2024. This is an obligation attached to the property.

After the completion of divestment, Current ratio is expected to improve significantly. The value is approximately THB 5,942 million and the execution is to be completed by 90 days after the approval date on April 25, 2024.

### **Efficiency Ratios**

Total asset turnover increased from 0.32 at the end of Q1/2023 to 0.33 at the end of Q1/2024. The increases were attributable to the increase in revenues from healthcare services as we mentioned above. Moreover, after the divestment completes, total asset turnover is expected to improve relatively because our real estate segment generates revenue from rental not from selling.

Cash cycle day as at Q1/2024 decreased by 41 days, representing an increase of liquidity. The change was mainly due to a decrease of account receivable, National Health Security Office, which incurred during Covid-19 pandemic. During that period, the need for working capital was raised to support the Thai Government's policy. As well as the average collection period in Q1/2024, it reduced to 49 days from 91 days as at the same period of the previous year.

### **Leverage Ratios**

As at March 31, 2024, Debt to Equity Ratio (D/E ratio) was 0.96, an increase from 0.74 as at March 31, 2023. It was mainly due to an increase in financial loans from financial institutions which was for

business expansions. However, the number of debts is expected to reduce significantly from our real estate divestment. Loan repayment, interest payment and financial structure change will take place to improve our leverage ratios significantly.

Interest coverage ratio in Q1/2024 was 0.42, an increase from negative 2.20 times from Q1/2023. Not only the above-mentioned plan to reduce loans from financial institutions, we also focus on capability to generate cash from operations to enhance our liquidity, instead of funding from financial institutions. Management team have conducted forecasting to mitigate this exposure

### **Profitability Ratios**

In Q1/2024, profitability ratios increased, compared with Q1/2023. Gross profit margin was 23.48%, a 5.97% increase from Q1/2023. Net profit margin was negative 2.47%, representing a 10.31 % outperform compared to negative 12.78% in Q1/2023.

Return on assets in Q1/2024 was negative 1.75%, increased from negative 0.68% compared to negative 0.58% in Q1/2023.

Return on equity in Q1/2024 was negative 1.62%, decreased from negative 3.28% in Q1/2023.

For your kind acknowledgement.

Yours respectfully,

- Signature -

(Krittavith Lertutsahakul, M.D.)

Managing Director