

Thonburi Healthcare Group PLC.

1Q2024 Management Discussion and Analysis

Overview of 1Q2024

The hospital business, which is the main business of Thonburi Healthcare Group Public Company Limited (THG), is continuously expanding its service areas to support future growth while focusing on the quality of its services. The company aims to elevate its services to international standards and is committed to sustainability in social and environmental aspects. Emphasizing a network approach to strengthen patient referrals and enhance medical sophisticated, the company is also investing in advanced medical equipment. It is expected that additional treatment areas will begin to open gradually in the second and third quarters of 2024, including Thonburi Hospital and Thonburi Thawiwatthana Hospital, as well as hospitals in other provinces. Alongside this, cost control will be maintained at an appropriate level, and staff development will be pursued to grow together with the company. In terms of investment in Vietnam, the BeWell Wellness Clinic, a comprehensive health check-up service center in Ho Chi Minh City, is expected to be operational by early 3Q2024.

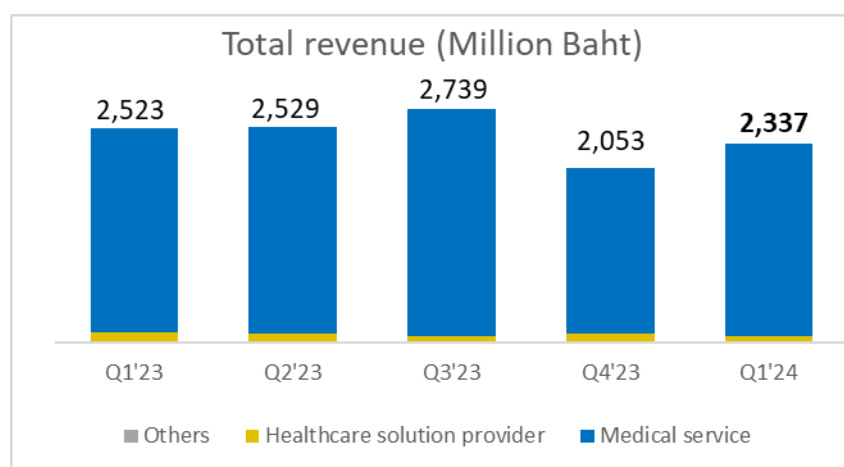
For the three-month operating results of 1Q2024, total revenue decreased by 7.4% to THB 2,337mn from THB 2,523mn. The main reasons for the decline were decreased revenues from Thonburi Bamrungmuang Hospital and fewer room transfers at the Jin Wellbeing County project. Excluding these, total revenue increased by 4.1%, driven by growth in medical services, particularly from secondary hospitals and those in border-adjacent provinces. This growth was supported by an increasing number of patients from neighboring CLMV countries (Cambodia, Laos, Myanmar, Vietnam) seeking treatment in Thailand, as well as continuous growth in revenue from Thonburi Sermrath Co.,Ltd which collaborates with public hospitals in operating heart centers. However, revenue from Thonburi Bamrungmuang Hospital was below expectations due to the slower-than-expected return of patients from the Middle East and China. Additionally, room transfers at Jin Wellbeing County were below target despite an increase in revenue from patient care services within the project. To support growth and improve service quality to international standards, THG invested in technology and expanded service areas, leading to higher medical staff costs and depreciation expenses. Coupled with lower-than-expected revenue, this resulted in a decline in the gross profit margin compared to the same period last year. Financial costs also increased by 26.9% from the same period last year due to rising market interest rates. Consequently, in 1Q2024, THG reported a profit of THB 22mn (net profit margin of 0.9%), a 91.2% decrease from the same period last year when the profit was THB 250mn (net profit margin of 9.9%). However, in 2Q2024, THG restructured the management of Thonburi Bamrungmuang Hospital into a centralized system to reduce administrative costs and increase operational efficiency. Simultaneously, they prepared a marketing plan to expand the customer base, aiming for growth and achieving the profit targets.

In operating the hospital business amidst the political changes in the Republic of the Union of Myanmar, THG's management has closely monitored the situation to effectively adjust their management strategies. THG and its partners have jointly developed services and treatments to international standards, leading to Ar Yu International Hospital gaining recognition and trust among the Myanmar people. As a result, the number of patients using the hospital's services has increased, leading to continuous profitability. In 1Q2024, THG recognized a 41.2% growth in profit share from its investment in the joint venture.

Healthcare solution provider and medical equipment business has not yet achieved its set targets, primarily due to the Jin Wellbeing County project, a comprehensive residential facility for the elderly and family with integrated medical services. In 1Q2024, only 3 rooms were transferred, a decrease from 9 rooms in the previous year. However,

there are still 11 rooms reserved but not yet transferred and another 3 rooms are in the process of installment payments. For the 2Q2024, the marketing plan has been adjusted, and collaborations with partners have been established to expedite room sales. To ensure the project's sustainability, management is studying the feasibility of partnering with other entities to develop the back area of the project, enhancing its completeness.

For the outlook in 2024, THG focuses on developing new healthcare services to enhance service quality in response to the changing needs of clients. This includes addressing long-term health issues sustainably and meeting the growing demand for preventive healthcare both in Thailand and internationally. The company aims to maximize the benefits for all stakeholders and emphasizes social responsibility to ensure the sustainable growth of the company.



Key development in 1Q2024

1. The investments in Subsidiaries and Associates

- TH Health Co., Ltd.

From the Extraordinary General Meeting of Shareholders of the subsidiary no. 1/2024 held on January 16, 2024, the meeting resolved to approve the increase in the registered capital of the company from THB 21mn (210,000 ordinary shares with a par value of 100 baht per share) to THB 41mn (410,000 ordinary shares with a par value of 100 baht per share) by issuing an additional 200,000 ordinary shares with a par value of 100 baht each. All additional ordinary shares were sold to other individuals. The company received the payment for the newly issued shares and registered the capital increase with the Ministry of Commerce in January 2024. As a result of this capital increase, the shareholding proportion decreased from 100% to 51.22%.

- **Lanta Medical Trading Co., Ltd. (a subsidiary of Trang Medical Trading Co., Ltd.)**

From the Extraordinary General Meeting of Shareholders of Lanta Medical Trading Co., Ltd. No.1/2024 held on January 27, 2024, the shareholders resolved to approve the increase in registered capital from THB 45mn (4,500,000 ordinary shares with a par value of 10 baht per share) to THB 100mn (10,000,000 ordinary shares with a par value of 10 baht per share). The subsidiary received the payment for the additional THB 55mn in shares and registered the capital increase with the Ministry of Commerce in January 2024.

- **Thonburi Rangsit Hospital Co., Ltd.**

From the Extraordinary General Meeting of Shareholders of Thonburi Rangsit Hospital Co.,Ltd. no. 1/2024 held on February 23, 2024, the shareholders resolved to approve the increase in registered capital from THB 1mn (10,000 ordinary shares with a par value of 100 baht per share) to THB 10mn (100,000 ordinary shares with a par value of 100 baht per share). However, other shareholders waived their rights to subscribe to a portion of the new shares. Consequently, the company paid for THB 5.2mn of the newly issued shares, resulting in a total investment of THB 5.5mn, representing a 55% shareholding. Therefore, this investment was reclassified from an investment in an associate to an investment in a subsidiary.

[Summary of 1Q2024 performance compared to 1Q2023.](#)

Revenue

THG total revenue of THB 2,337mn a decrease of 7.4% from THB 2,523mn, the decrease was from the following factors.

Medical Service Business had revenue of THB 2,264mn, a 6.2% decrease from THB 2,413mn. The main reason is that Thonburi Bamrungmuang Hospital has seen fewer international patients returning than expected. However, other hospitals within the group have continued to grow compared to the same period last year. Excluding the revenue from Thonburi Bamrungmuang Hospital, the medical services business grew by 4.1% compared to the same period last year.

Healthcare Solutions Provider had revenue of THB 65mn, a 39.3% decrease from THB 107mn, mainly due to in 1Q2024, 3 residential units were transferred compared 9 units in 1Q2023.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q24	1Q23	YoY change	1Q24	1Q23	YoY change
Revenue from medical service	2,264	2,413	-6.2%	1,421	1,379	3.0%
Revenue from healthcare solution provider	65	107	-39.3%	-	-	-
Revenue from other businesses	8	3	166.7%	-	-	-
Total revenue	2,337	2,523	-7.4%	1,421	1,379	3.0%

Costs

Total cost was THB 1,847mn, increasing by 5.2% from THB 1,755mn, with main factors as follows.

Cost of medical service was THB 1,789mn, increasing by 6.9% from THB 1,673mn. This increase was due to higher costs for medical staff cost, depreciation, and repair and maintenance expenses resulting from service area improvements and the purchase of medical equipment.

Selling, general and administrative expenses

Selling and administrative expenses amounted to THB 409mn, a decrease of 7.0% from THB 440mn. This reduction was due to THG's control over selling and administrative expenses.

Financial costs

Financial costs amounted to THB 126mn, increasing by 27.3% from THB 99mn. The main reason for this increase was the market interest rate adjustment of approximately 1% compared to March 31, 2023. However, THG is currently in the process of restructuring its financial structure and monitoring payments from government debtors to enhance financial stability and future profit opportunities.

Profit and loss statements (million baht)	Consolidated financial statements			Separate financial statements		
	1Q24	1Q23	YoY change	1Q24	1Q23	YoY change
Cost from medical service	(1,789)	(1,673)	6.9%	(1,027)	(988)	3.9%
Cost from healthcare solution provider	(54)	(79)	-31.6%	-	-	-
Cost from other businesses	(4)	(3)	33.3%	-	-	-
Total cost	(1,847)	(1,755)	5.2%	(1,017)	(988)	2.9%
Selling, general and admin expenses	(409)	(440)	-7.0%	(175)	(193)	-9.3%
Financial cost	(126)	(99)	27.3%	(97)	(74)	31.1%

Profit

THG's profit from 1Q2024 operations decreased from 1Q2023, the main reason was the reduction in revenue and increased costs due to the renovation of in-hospital service centers and the leasing of external space to open health care service centers. These renovations were completed in 4Q2024, resulting in increased related costs, including increased financial costs.

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	1Q24	1Q23	YoY change	1Q24	1Q23	YoY change
Gross profit	490	768	-36.2%	404	391	3.3%
EBITDA	457	674	-32.2%	427	380	12.4%
Profit for the period	22	250	-91.2%	184	168	9.5%
Net profit - parent	6	211	-97.2%	184	168	9.5%

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	1Q24	1Q23	1Q24	1Q23
Gross profit margin	21.0%	30.4%	28.4%	28.4%
EBITDA margin	19.6%	26.7%	30.0%	27.6%
Net profit margin - parent	0.3%	8.4%	12.9%	12.2%

Financial status

As of March 31, 2024, THG's financial position remained materially unchanged from December 31, 2023. However, there was a reclassification of items between current and non-current portions of long-term borrowings. As of December 31, 2024, these were classified as current liabilities, but as of March 31, 2024, they were reclassified as non-current liabilities.

<i>Statements of financial position (million baht)</i>	Consolidated financial statements			Separate financial statements		
	31 March 2024	31 December 2023	Change	31 March 2024	31 December 2023	Change
Current assets	4,895	4,873	0.5%	5,744	5,475	4.9%
Non-current assets	18,757	18,677	0.4%	15,508	15,435	0.5%
Total assets	23,652	23,550	0.4%	21,252	20,910	1.6%
Current liabilities	8,275	9,699	-14.7%	6,560	7,062	-7.1%
Non-current liabilities	4,597	3,075	49.5%	3,289	2,595	26.7%
Total liabilities	12,872	12,774	0.8%	9,849	9,657	2.0%
Total equity	10,780	10,776	0.0%	11,403	11,253	1.3%

<i>Financial ratios</i>	Consolidated financial statements		Separate financial statements	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Current ratio (times)	0.6	0.5	0.9	0.8
Return on assets (%)	2.9	3.9	5.9	5.6
Assets turnover (times)	0.4	0.4	0.3	0.3
Return on equity (%)	0.9	3.0	6.5	6.4
Debt/ equity (times)	1.2	1.2	0.9	0.9
Interest bearing debt/ EBITDA (times)	5.7	4.9	5.2	5.1
Debt service coverage ratio (DSCR) (times)	0.7	0.8	0.9	0.8
Interest coverage ratios (times)	1.3	2.1	3.2	3.5

Capital management in 1Q2024 compared to 1Q2023

- **Net cash generated from operating activities** was THB84mn (compared to net generated of THB402mn in 1Q2023), which represents a change of more than 100%. This significant change is due to THG experiencing a decrease in cash flow from operations.

- **Net cash used in investing activities** was THB382mn (compared to net use of THB382mn in 1Q2023), remaining unchanged from the previous period. The majority of this expenditure was allocated to investments in purchasing medical equipment and construction projects for both Thonburi Hospital and Thonburi Thawiwatthana Hospital.

- **Net cash from received from (used in) financing activities** was THB290mn (compared to net use of THB1,094mn in 1Q2023), which represents a change of more than 100% because in 1Q2023, THG made significant payments towards short-term loans from financial institutions to adjust its financial structure.

Statement of cashflow (million baht)	Consolidated financial statements		Separate financial statements	
	1Q24	1Q23	1Q24	1Q23
Net cash generated from operating activities	84	402	62	56
Net cash used in investing activities	(382)	(382)	(377)	(43)
Net cash received from (used in) financing activities	290	(1,094)	370	(1,041)
Net increase (decrease) in cash and cash equivalents	(8)	(1,074)	55	(1,028)
Cash and cash equivalents at the beginning of period	940	2,586	646	2,139
Cash and cash equivalents at the end of period	932	1,512	701	1,111