



No. PRINC-67-002

August 9, 2024

Subject: Management Discussion and Analysis of the consolidated financial statements for the second quarter (“Q2/2024”) for three-month and six-month period ended June 30, 2024

To: President

The Stock Exchange of Thailand

Principal Capital Public Company Limited and its subsidiaries (“PRINC”) would like to clarify operating results for the second quarter of 2024, ended June 30, 2024, compared with the same period of 2023.

Operation Results and Major Developments in Q2/2024

In Q2/2024, PRINC’s consolidated revenues were THB 1,308.3 million, a 14.3% increase year-over-year, whereas in the first half of 2024 the consolidated revenues were THB 2,686.1 million, a 21.4% increase year-over-year. This was mainly due to the continuing growth in hospital and healthcare-related businesses through our four-pillar strategic approach including; **1. business expansions, 2. technology development, 3. medical service advancement, and 4. ESG development.** The highlight activities in Q2/2024 are as follows.

Business Expansions

On May 10, 2024, PRINC's board of directors approved investments in three hospitals (Chiang Mai Hospital, Ratchasima Hospital, and Phitsanulok Hospital) with the investment budget of THB 700 million. After completion, PRINC will have 18 hospitals in our portfolio.

On June 30, 2024, AES CLASS Clinic, a PRINC's associate, officially opened 1 new branch at Central Hatyai Department Store, an expansion to upcountry. Currently AES CLASS Clinic operates 18 branches with main coverage in Bangkok.

Technology Development

On April 12, 2024, new features were added to PRINC Health application, in accordance with the Ministry of Public Health's Personal Health Record (PHR) development approach. These new features include radiology results, and test results in printing format. This development will support patient's right in accessing and controlling one's own personal health data.

Medical Service Advancement

On June 3, 2024, Princ Hospital Lamphun started new services in Sleeve Gastrectomy for overweight patients.

On June 17, 2024 Princ Hospital Lamphun started new services in whipple surgery (bile duct operation).

ESG Development

On May 15, 2024, Princ Hospital Sakon Nakhon received the Excellent Standard of Green and Clean Hospital Challenge.



On June 7, 2024, Pitsanuvej Hospital was awarded the first winner of disposal garbage and environment management exhibition.

On July 5, 2024, Pitsanuvej Hospital participated in Solar Cell for Life Project to provide 100 solar cell electricity poles for local community

On July 17, 2024, PRINC arranged a project to collect used blister packs and recycle them into aluminum and fuel oil.

PRINC is still in the process of divesting three property projects including of Bangkok Business Center, Somerset Ekamai and Marriott Vista Sathorn. The divestments are expected to complete within Q3/2024. Divestments of property portfolio shall enhance PRINC's capacity to continue the growth in the medical service business and also strengthen our financial position.

Currently, PRINC has exchanged a purchase agreement with the buyer and received a deposit from the buyer.

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

From the economic and inflation forecasts by the Bank of Thailand ("BOT"), the Thai economy could maintain a predicted GDP growth rate of 2.6% in 2024 and 3% in 2025 year-over-year. Such a growth is driven by (1) continued recovery in the tourism sector, (2) continued growth in private consumption although they were slightly increased in the second quarter, and (3) an acceleration in public expenditure from Q2/2024 onwards after the FY2024 Fiscal Budget came into effect.

Whereas, the headline inflation was projected to gradually increase towards the target range at 1%-3% from the fourth quarter of 2024 onwards due to (1) an increase in crude oil prices, (2) the implementation of energy price subsidies

from the government, and (3) the dissipation of supply-side factors that could maintain raw food prices. The forecast of headline inflation remains unchanged from the previous assessment at 0.6% in 2024 and 1.3% in 2025, while the forecast of core inflation is projected to be 0.5% in 2024 and 0.9% in 2025. There remains the need to monitor geopolitical risks that could cause an increase in crude oil prices, and make it difficult for the government to maintain energy price subsidies.

For the monetary policy decisions in the second quarter of 2024, at the meeting on 12 June 2024, the committee voted 6 to 1 to maintain the policy rate at 2.50%. A majority of committee members deemed that the current policy interest rate remained consistent with the improving growth and inflation outlook, while fostering long-term macro-financial stability.

PRINC is still continuously focusing 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.

Table 1 Comparison the operating performance results between Q2/2024 and Q1/2023

	For 3-Month Period		Change		For 6-Month Period		Change	
	Q2/ 2024	Q2/ 2023	Amount	% YOY	H1/2024	H1/2023	Amount	% YOY
Consolidated Profit and Loss								
Unit : Million Baht								
Revenues from healthcare services	1,308.3	1,144.9	163.4	+14.3	2,686.1	2,213.1	473.0	+21.4
Revenues from sales and services	0.6	0.8	(0.2)	-26.9	1.3	1.7	(0.4)	-23.6
Costs of healthcare services	1,084.6	1,009.1	75.5	+7.5	2,175.8	1,925.3	250.5	+13.0
Costs of sales and services	0.4	0.5	(0.0)	-9.9	1.3	1.2	0.1	+12.9
Gross profit (loss)	223.9	136.2	87.8	+64.5	510.3	288.3	222.0	+77.0
Other income	22.9	21.1	1.7	+8.3	43.5	37.7	5.7	+15.2
Selling and Administrative expenses	350.1	303.6	46.4	+15.3	681.0	605.3	75.6	+12.5
Other expenses	18.3	209.8	(191.4)	-91.3	15.5	214.8	(199.3)	-92.8
Finance costs	64.4	46.7	17.7	+37.8	124.2	85.5	38.7	+45.3
Profit (loss) before income tax expense	(186.0)	(402.8)	216.8	n.m.	(266.9)	(579.6)	312.7	n.m.

	For 3-Month Period		Change		For 6-Month Period		Change	
	Q2/ 2024	Q2/ 2023	Amount	% YOY	H1/2024	H1/2023	Amount	% YOY
Consolidated Profit and Loss								
Unit : Million Baht								
Tax (Expenses) Income	(11.2)	(3.1)	(8.0)	n.m.	(8.4)	(8.3)	(0.1)	n.m.
*Gain from discontinued operation	45.0	20.3	24.8	+122.1	84.9	45.4	39.5	+87.0
Profit (loss) before non-controlling interests	(197.2)	(405.9)	208.8	n.m.	(275.3)	(587.9)	312.6	n.m.
Non-controlling interests	(11.8)	(11.3)	(0.5)	n.m.	(12.4)	(27.6)	15.3	n.m.
Profit (loss) attributable to owner of the parent	(185.4)	(394.7)	209.3	n.m.	(262.9)	(560.3)	297.3	n.m.
**Earnings before interest, taxes, depreciation, and amortization (EBITDA)	77.8	(132.5)	210.3	n.m.	290.1	(51.6)	341.7	n.m.

Remark

*Gain from discontinued operation : Property business's net value of revenues and expenses were reclassified into this item.

**Earnings before interest, taxes, depreciation, and amortization (EBITDA): Property business's EBITDA was included.

Revenue increase in Q2/2024 and the first half of 2024 compared to the same period of 2023 were primarily attributable to growth in hospital and healthcare businesses. Such a growth was in line with our activities in business expansions, improved healthcare quality, and strategic relationship management with our partners.

Q2/2024 Compared to Q2/2023

- Revenue from healthcare services was THB 1,308.3 million, an increase by THB 163.4 million or 14.3% growth.
- due to an accounting reclassification in property business, it is difficult to analyze its revenue performance.
- Gross profit equaled THB 223.9 million, an increase by THB 87.8 million or 64.5% growth, resulting from improvement of revenue generation and direct cost containment.
- EBITDA equaled THB 77.8 million, an increase by THB 210.3 million.
- Decrease in other expenses was mainly from allowance in doubtful debts (NHSO related) incurred in Q2/2023, whereas there was no such an item in this year.
- Loss attributable to the owner of the parent equaled THB -185.4 million, an improvement from THB -394.7 million, resulting from the improved capability of revenue generation and cost containment.

H1/2024 Compared to H1/2023

- Revenue from healthcare services was THB 2,686.1 million, an increase by THB 473.0 million or 21.4% growth.
- Gross profit equaled THB 510.3 million, an increase by THB 222.0 million or 77.0% growth, resulting from improvement of revenue generation and direct cost containment.

- EBITDA equaled THB 290.1 million, an increase by THB 341.7 million.
- Decrease in other expenses was mainly from allowance in doubtful debts (NHSO related) incurred in Q2/2023, whereas there was no such an item in this year.
- Loss attributable to owner of the parent equaled THB -262.9 million, an improvement from THB -560.3 million, resulting from the improved capability of revenue generation and cost containment

Table 2: Financial Positions

Consolidated Financial Position Unit : Million Baht	As of June 30, 2024	As of December 31, 2023	Change (Amount)	% YOY
Total Assets	18,426.8	17,883.5	543.3	3.0
Total Liabilities	9,037.6	8,315.9	721.6	8.7
Shareholder's Equity	8,611.9	8,790.0	(178.1)	-2.0
Debt to Equity Ratio (Unit : Time)	1.05	0.95	0.10	10.9

Total assets as of June 30, 2024 were THB 18,426.8 million, an increase of THB 543.3 million from the end of 2023. This change was mainly from;

1. An increase in assets held for sales of THB 4,287.9 million resulted from accounting reclassification of property business. This was offsetted by a decrease in property plants and equipment of THB 4,091.9 million, resulting in a net change of THB 196.1 million.

2. An increase in short-term investment of THB 162 million.

3. Investment in associated companies increased by THB 96.0 million, resulting from acquiring 19% shares of Backyard Co., Ltd.

Total liabilities at the end of Q2/2024 were THB 9,037.6 million, an increase by THB 721.6 million from the end of 2023. This increase was primarily from:

1. Short-term loans from financial institutions were increased by THB 531 million for the business expansions and liquidity enhancement.

2. Liabilities related to assets held for sales increased by THB 1,548.4 million, while long-term loans reduced by THB 1,293.6 million, resulting in an overall increase of THB 254.6 million.

Table 3: Financial Ratio Analysis

Highlight Financial Ratio	Unit	As of June 30, 2024	As of June 30, 2023	Change
Liquidity Ratio				
Current Ratio	Time	1.16	0.43	+0.73
Quick Ratio	Time	1.10	0.37	+0.73
Leverage Ratios				
Debt /Equity Ratio	Time	0.96	0.77	+0.19

Highlight Financial Ratio	For 6-month Period			
	Unit	H1/2024	H1/2023	Change
Leverage Ratios				
Interest coverage Ratio	Time	-1.15	-5.78	+4.63
Profitability Ratios				
Gross Profit Margin	%	18.99	13.02	+5.97
EBITDA Margin	%	5.13	-7.91	+13.05
Net Profit Margin	%	-6.97	-24.09	+17.11

Analysis of Liquidity Ratios

At the end of Q2/2024, current ratio was 1.16x, increasing from 0.43x (value from end of Q2/2023). Main causes of this improvement were from;

1. An increase in assets held for sales of THB 4,287.9 million resulted from an accounting reclassification in Q2/2024.
2. An increase in short-term investments of THB 162 million.

Analysis of Leverage ratios

At the end of Q2/2024, debt/equity ratio was 0.96x, an increase from 0.77x from the end of Q2/2023. Loan amount increased for supporting investment plans. However, PRINC intends to reduce loan exposure by using proceeds from property sales to repay some parts of the current loan. After completing, this will result in significant reduction of D/E ratio.

Apart from the debt reduction plan, PRINC still emphasizes on generating more positive cash flow to boost corporate liquidity.

Interest coverage ratio in Q2/2024 was -1.15x, an improvement from -5.78x (value from end of Q2/2023). This resulted from the improved capability of revenue generation and cost containment.

Analysis of Profitability Ratio

Continuous business expansion at a rapid pace in order to achieve economies of scale has caused unfavorable results from a number of young hospitals that have not yet reached break even point. Such results could not be compensated by income generated from profitable hospitals. Although some profitability ratios are still in red in the 1st half of 2024, they exhibited a positive trend compared to the same period of last year.

- Gross profit margin stood at 18.99%, an increase by 4.63%
- Net profit margin stood at -6.97%, an increase by 17.11%

For your kind acknowledgement.

Yours respectfully,

- Signature –

(Krittavith Lertutsahakul, M.D.)

Managing Director