

## Thonburi Healthcare Group PLC.

### 3Q2021 Management Discussion and Analysis

#### Overview of 3Q21

The situation of COVID-19 pandemic became more severe in late 2Q21. Then in July, a lockdown measure was implemented as number of cases and death toll continues to increase. In August, COVID-19 patients were higher than 20,000 cases and deaths were higher than 300 on some days. Moreover, vaccination coverage is still underway. Number of beds and equipment for taking care of critical cases are limited, resulting in higher death toll.

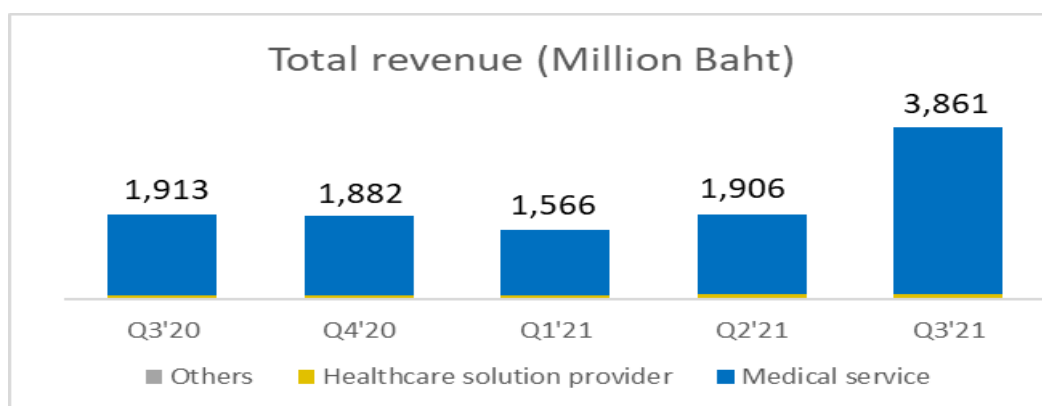
Thonburi Healthcare Group PLC. (THG) was flexible to adapt our operation to help relieve healthcare system crisis since last quarter. Services started with COVID-19 screening at our hospitals to give more access to people. At Thonburi Bamrungmuang Hospital, COVID-19 treatment was provided by turning all wards to take care of COVID-19 patients with moderate and severe symptoms. THG also worked with hotel operators by providing medical team and equipment to set up hospitels for patients with mild or no symptoms, with service beds of approx. 4,610 beds. Moreover, in July, THG joined with the government to operate three field ICU facilities to serve moderate and severe cases at MC 11 Field Hospital, Ratchaphiphat 2 Hospital and Bangkhuntian Hospital, totaling approx. 800 beds.

In 3Q21, our main hospitals were affected when some patients were concerned and avoided going to a hospital, as well as many overseas patients could not fly Thailand for treatment. However, THG saw a significant growth mainly from treatment of COVID-19 patients in hospitals, field ICUs and hospitels, especially by Thonburi Bamrungmuang Hospital. That also resulted in a significant improvement in profit.

Ar Yu International Hospital in Myanmar showed a better momentum from confidence in our standard despite domestic political situation. Its core operational performance saw profits but the currency fluctuation caused THG to share its foreign exchange loss. Nevertheless, THG aimed to balance debt structure to mitigate risks from the currency fluctuation.

As for healthcare solution provider business, Jin Wellbeing County, a mixed-use project for elderly with medical services, had revenue from unit transfer lower than our target. Customers delay their decision in booking or transferring residential units due to economic uncertainties causing a decrease in this business.

In 4Q21, THG's performance is expected to continue to rise from COVID-19 treatment. Our upcountry hospitals started to operate hospitels to serve patients with mild symptoms. It is expected that there should be 890 more hospitel beds, totaling 5,500 beds all over Thailand. Field ICUs are still necessary for patients with moderate and severe symptoms. Post COVID-19 recovery treatment and retreat are expected to launch as well. As for alternative mRNA vaccine, the operations should officially start on 11 November. Economic condition and sentiments should recover due to the reopening of borders.



## Key development in 3Q21

### 1. Increase of investment in associates and related companies

#### 1.1 Increase of investment in an associate

The Board of Directors meeting No.7/2021 held on 13 August 2021 had a resolution to approve an investment in Sirivej Chantaburi PLC. to be not less than the allocated amount. THG paid for shares in capital increase of 14,799,372 shares at THB3.50 /share, totaling THB51,797,802 in August 2021. This investment resulted in an increase of shares held by THG to be 31.92% from 31.87%.

#### 1.2 Investment in a related company

The Board of Directors meeting No.5/2021 held on 30 June 2021 had a resolution to approve an investment in common shares of Thai Medical Glove Co.Ltd. of 1,333,333 shares at THB150.00, totaling THB199,999,950. As of the investment date, THG held 7.40% of shares that the company paid for in July and August 2021.

## Summary of 3Q21 performance compared to 3Q20

### Revenue

In 3Q21, total revenue was THB3,861mn, increasing by more than 100% from THB1,913mn. The increase was from the following factors.

**Medical Service Business** had revenue of THB3,741mn, increasing by more than 100% from THB1,819mn. COVID-19-related revenue in 3Q21 was THB2,180mn, equal to 58% of revenue from medical service business. (In 2Q21, COVID-19-related revenue was THB178mn.) The increase was mainly from the third wave of COVID-19 in April 2021 which was more severe and caused a capacity crisis in healthcare system. THG adapted operation at some hospitals and joined with hotel operators to take care of COVID-19 patients with mild symptoms, as well as relieved the crisis by joining with the government to take care of patients with moderate and severe symptoms.

Since 2Q21, THG changed operations of Thonburi Bamrungmuang Hospital to fully treat COVID-19 patients since May 2021 until now. In 3Q21, Thonburi Hospital turned an IPD ward of 30 beds and two ICU beds to treat COVID-19 patients with moderate and severe symptoms, as well as turned a building for patients' relatives to facilitate treatments for mild symptom patients.

In 2Q21, THG opened hospitals with a total of 940 beds. In 3Q21, THG expanded to 4,610 beds, comprising 4,235 beds in Bangkok and vicinity, and 375 beds in Phuket. In addition, THG joined with the government to operate three field ICU facilities to serve moderate and severe cases at MC 11 Field Hospital, Ratchaphiphat 2 Hospital and Bangkhuntian Hospital, totaling approx. 800 beds.

Since 1Q21, a management contract with a public hospital ended, resulting in a revenue decrease of THB65mn or 3.6%.

**Healthcare solutions provider** had revenue of THB111mn, increasing by 19.4% from THB93mn, mainly due to sales of air flow system in dental facility. In this quarter, three residential units were transferred compared to two units in 3Q20 as COVID-19 situation caused a delay in decision making of customers. However, Thonburi Burana Hospital provided Drive-Thru COVID-19 screening service in front of Jin Wellbeing County facility, and vaccination service inside the facility since June 2021, resulting in a revenue of THB8mn.

### Costs

Total cost was THB2,424mn, increasing by 65.5% from THB1,465mn, with factors as follows.

**Cost of medical service** was THB2,337mn, increasing by 68.7% from THB1,385mn. THG effectively managed cost resulting in a ratio of cost to revenue decreased to 62.5% from 76.1%. Main costs in this quarter were

- 1) depreciation from the investment in field ICU and equipment for COVID-19 treatment. The depreciation based on the duration of the field ICU operation, expected to end at the end of 4Q21.
- 2) rental at hospitals
- 3) doctor fees and staff cost because THG sent medical staff to operate in field ICU and hospitals
- 4) lab, drugs, and supplies from services in chest x-ray, blood examination, drugs and supplies for COVID-19 screening and treatment.

However, due to the end of a management contract with a public hospital caused a cost decrease of THB61mn or 4.4%.

### Selling, general and administrative expenses

SG&A was THB430mn, increasing by 28.7% from THB334mn. The increase was mainly from staff cost that increased by 19.8% and depreciation by 1.8%. The increase caused by the operation of hospitals and field ICUs. When compared to total revenue, the SG&A decreased from 17.5% to 11.1%.

### Financial cost

It was THB78mn, increasing by 1.3% from THB77mn which was insignificant.

### Profit

Gross profit was THB1,437mn, increasing by 220.8% from THB448mn. Gross profit margin increased to 37.2% from 23.4% mainly due to the revenue increase from COVID-19 treatment. Also, costs and expenses were effectively reduced, resulting in a growth in revenue was higher than cost side. Therefore, gross profit margin improved.

Net profit - parent was THB833mn, increasing by more than 100% from THB75mn, mainly due to higher revenue and effective cost management. However, THG shared loss of THB59mn from joint venture (Ar Yu) caused by foreign exchange loss in Kyat due to uncertainties from the political unrest. THG is in process of mitigating risks from the currency fluctuation.

## Financial Highlights

### Financial statements of the third quarter

	Consolidated financial statements			Separate financial statements		
<i>Profit and loss statements (million baht)</i>	3Q21	3Q20	YoY change	3Q21	3Q20	YoY change
Revenue from medical service	3,741	1,819	105.7%	1,777	1,355	31.1%
Revenue from healthcare solution provider	111	93	19.4%	-	-	-
Revenue from other businesses	9	1	800.0%	-	-	-
<b>Total revenue</b>	<b>3,861</b>	<b>1,913</b>	<b>101.8%</b>	<b>1,777</b>	<b>1,355</b>	<b>31.1%</b>
Cost from medical service	(2,337)	(1,385)	68.7%	(1,061)	(973)	9.0%
Cost from healthcare solution provider	(83)	(77)	7.8%	-	-	-
Cost from other businesses	(4)	(3)	33.3%	-	-	-
<b>Total cost</b>	<b>(2,424)</b>	<b>(1,465)</b>	<b>65.5%</b>	<b>(1,061)</b>	<b>(973)</b>	<b>9.0%</b>
<b>Gross profit</b>	<b>1,437</b>	<b>448</b>	<b>220.8%</b>	<b>716</b>	<b>382</b>	<b>87.4%</b>
Selling, general and admin expenses	(430)	(334)	28.7%	(243)	(172)	41.3%
EBITDA	1,248	404	208.9%	633	380	66.6%
Normalized EBITDA	1,248	404	208.9%	670	380	76.3%
Financial cost	(78)	(77)	1.3%	(68)	(65)	4.6%
Net profit	834	70	1091.4%	373	191	95.3%
Normalized net profit	834	70	1091.4%	410	191	114.7%
<b>Net profit - parent</b>	<b>833</b>	<b>75</b>	<b>1010.7%</b>	<b>373</b>	<b>191</b>	<b>95.3%</b>
<b>Normalized net profit - parent</b>	<b>833</b>	<b>75</b>	<b>1010.7%</b>	<b>410</b>	<b>191</b>	<b>114.7%</b>

<i>Margin</i>	Consolidated financial statements		Separate financial statements	
	3Q21	3Q20	3Q21	3Q20
Gross profit margin	37.2%	23.4%	40.3%	28.2%
EBITDA margin	32.3%	21.1%	35.6%	28.0%
Normalized EBITDA margin	32.3%	21.1%	37.7%	28.0%
Net profit margin - parent	21.6%	3.9%	21.0%	14.1%
Normalized net profit margin - parent	21.6%	3.9%	23.1%	14.1%

### Financial statements of nine-month period

<i>Profit and loss statements (million baht)</i>	Consolidated financial statements			Separate financial statements		
	9M21	9M20	YoY change	9M21	9M20	YoY change
Revenue from medical service	7,002	5,136	36.3%	4,140	3,826	8.2%
Revenue from healthcare solution provider	312	283	10.2%	-	-	-
Revenue from other businesses	19	13	46.2%	-	-	-
<b>Total revenue</b>	<b>7,333</b>	<b>5,432</b>	<b>35.0%</b>	<b>4,140</b>	<b>3,826</b>	<b>8.2%</b>
Cost from medical service	(4,933)	(4,106)	20.1%	(2,838)	(2,891)	-1.8%
Cost from healthcare solution provider	(230)	(199)	15.6%	-	-	-
Cost from other businesses	(10)	(9)	11.1%	-	-	-
<b>Total cost</b>	<b>(5,173)</b>	<b>(4,314)</b>	<b>19.9%</b>	<b>(2,838)</b>	<b>(2,891)</b>	<b>-1.8%</b>
<b>Gross profit</b>	<b>2,160</b>	<b>1,118</b>	<b>93.2%</b>	<b>1,302</b>	<b>935</b>	<b>39.3%</b>
Selling, general and admin expenses	(1,132)	(1,058)	7.0%	(564)	(477)	18.2%
EBITDA	1,734	813	113.3%	1,254	734	70.8%
Normalized EBITDA	1,769	795	122.5%	1,326	925	43.4%
Financial cost	(221)	(206)	7.3%	(191)	(194)	-1.5%
Net profit (loss)	683	(4)	17175.0%	646	295	119.0%
Normalized net profit (loss)	711	(90)	890.0%	711	419	69.7%
<b>Net profit (loss) - parent</b>	<b>702</b>	<b>32</b>	<b>2093.8%</b>	<b>646</b>	<b>295</b>	<b>119.0%</b>
<b>Normalized net profit (loss) - parent</b>	<b>730</b>	<b>(54)</b>	<b>1451.9%</b>	<b>711</b>	<b>419</b>	<b>69.7%</b>

Margin	Consolidated financial statements		Separate financial statements	
	9M21	9M20	9M21	9M20
Gross profit margin	29.5%	20.6%	31.4%	24.4%
EBITDA margin	23.6%	15.0%	30.3%	19.2%
Normalized EBITDA margin	24.1%	14.6%	32.0%	24.2%
Net profit (loss) margin - parent	9.6%	0.6%	15.6%	7.7%
Normalized net profit (loss) margin - parent	10.0%	-1.0%	17.2%	11.0%

Note: normalized values (before tax) exclude

1) Profit from disposal of JV investment in Welly Hospital, China of THB19mn in 1Q20 for Consolidated financial statements and loss from the disposal of the investment of THB236mn for separate financial statement in 1Q20

2) Income from deferred tax from JV in Welly Hospital, China of THB67mn in 1Q20

3) Expenses from the end of a management contract with a government hospital (net corporate income tax) of THB28mn: comprising of THB21mn in 1Q21 and THB7mn in 2Q21.

### Financial status

As of 30 September 2021, THG had total assets of THB23,835mn, increasing by 17.5% from 31 December 2020.

Significant changes are as follows.

#### **Assets**

Trade and other account receivable, including an advance payment for Moderna vaccine increased by THB2,275mn, mainly relating to COVID-19 treatment.

Investment in associates increased from an additional investment in Sirivej Chantaburi PLC. of THB52mn.

Investment in a related company increased from an investment in Thai Medical Glove Co.Ltd. of THB200mn.

#### **Liabilities**

Trade and other accounts payable increased due to 1) payable to construction suppliers for filed ICUs and medical equipment for COVID-19 treatment, as well as investment in a new technology equipment in robot to assist in surgery 2) advance payment from Moderna vaccine.

	Consolidated financial statements			Separate financial statements		
<i>Statements of financial position (million baht)</i>	30 September 2021	31 December 2020	Change	30 September 2021	31 December 2020	Change
Current assets	8,016	4,892	63.9%	8,431	6,391	31.9%
Non-current assets	15,819	15,388	2.8%	13,817	13,222	4.5%
<b>Total assets</b>	<b>23,835</b>	<b>20,280</b>	<b>17.5%</b>	<b>22,248</b>	<b>19,613</b>	<b>13.4%</b>
Current liabilities	9,434	5,042	87.1%	7,009	4,068	72.3%
Non-current liabilities	5,547	6,907	-19.7%	4,700	5,467	-14.0%
<b>Total liabilities</b>	<b>14,981</b>	<b>11,949</b>	<b>25.4%</b>	<b>11,709</b>	<b>9,535</b>	<b>22.8%</b>
<b>Total equity</b>	<b>8,854</b>	<b>8,331</b>	<b>6.3%</b>	<b>10,539</b>	<b>10,078</b>	<b>4.6%</b>

	Consolidated financial statements		Separate financial statements	
<i>Financial ratios</i>	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Current ratio (times)	0.8	1.0	1.2	1.6
Return on assets (%)	5.2	1.6	5.9	3.9
Assets turnover (times)	0.4	0.4	0.3	0.3
Return on equity (%)	9.0	0.8	7.9	4.6
Debt/ equity (times)	1.7	1.5	1.1	1.0
Interest bearing debt/ EBITDA (times)	5.1	8.7	5.7	7.9
Debt service coverage ratio (DSCR) (times)	2.2	1.4	2.6	1.8
Interest coverage ratios (times)	4.7	1.2	1.0	2.9

### Capital management in 3Q21 compared to 3Q20

- **Net cash generated from operating activities** was THB416mn (compared to net generated of THB276mn in 3Q20), increasing by 50.7% because THG had a better operational performance.
- **Net cash used in investing activities** was THB189mn (compared to net use of THB210mn in 3Q20), decreasing by 10.0% because THG paid to fixed assets payable in the previous quarter higher than this quarter.
- **Net cash generated from financing activities** was THB28mn (compared to net use of THB97mn in 3Q20), changed by more than 100% because THG had more borrowing from financial institutions.

<i>Statement of cashflow (million baht)</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	3Q21	3Q20	3Q21	3Q20
Net cash generated in operating activities	416	276	406	245
Net cash used in investing activities	(189)	(210)	(404)	(156)
Net cash generated (used) in financing activities	29	(97)	120	(105)
Net (decrease)/increase in cash and cash equivalents	256	(31)	122	(16)
Cash and cash equivalents at the beginning of period	926	1,228	775	1,008
Realized exchange gain in cash and cash equivalents	-	11	-	11
Unrealized exchange gain in cash and cash equivalents	2	4	2	4
Cash and cash equivalents at the end of period	1,184	1,212	899	1,007

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