

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Executive Summary  
3Q20 and 9M20 Performance**

3Q20	THB mm	% Chg (yoy)
Operating Income	16,976	(22)%
EBITDA	4,149	(18)%
Core Profit	1,787	(38)%

Bangkok Dusit Medical Services Public Company Limited (“Company”) reported consolidated operating income during third quarter of 2020 (“3Q20”) of Baht 16,976 million, a decrease of 22% yoy. This was attributable to a decrease in revenue from hospital operations of 23% yoy mainly from a decrease in international patient revenue as a result of travel restrictions from COVID-19 outbreak. Meanwhile, revenue from Thai patients increased from 2Q20 due to higher patient volume given government lifting the national lockdown after Thailand successfully control COVID-19.

The Company and its subsidiaries continued to manage the situation in all areas including pursuing cost saving initiatives while maintaining quality and standard of care. Costs saving initiatives were mainly consisted of decreasing staff expenses for both clinical and non-clinical staff, doctor related expenses and other administrative expenses. Consequently, in 3Q20, the Company and its subsidiaries reported EBITDA of Baht 4,149 million, decreased by 18% yoy. However, EBITDA margin increased from 23.3% in 3Q19 to 24.4% in 3Q20.

The Company and subsidiaries recorded extra gain of Baht 13 million in 3Q20 from partially

disposed an investment in Bumrungrad Hospital Public Co., Ltd. (“BH”)

If excluding this non-recurring item, the Company and its subsidiaries reported core profit of Baht 1,787 million, decreased by 38% yoy due mainly to unfortunate factors from COVID-19 outbreak and the decrease in share of profit from investments in BH.

If including non-recurring item, net profit was Baht 1,801 million, decreased by 38% yoy.

9M20	THB mm	% Chg (yoy)
Operating Income	50,956	(18)%
Core EBITDA	11,526	(18)%
Core Profit	4,813	(37)%

For nine-month period ended 30 September 2020 (“9M20”), the consolidated operating income were Baht 50,956 million, decrease of 18% yoy. This was attributable to a decrease in revenue from hospital operations of 19% yoy affected by negative impact from COVID-19 outbreak.

If excluding non-recurring items, the Company and its subsidiaries reported EBITDA of Baht 11,526 million, decreased by 18% yoy. However, EBITDA margin remained unchanged at 22.6% in 9M19 and 9M20. Core profit was Baht 4,813 million, decreased by 37% yoy.

If including non-recurring items, net profit was Baht 4,827 million, decreased by 63% yoy.

## Major Development

TRIS Rating affirmed the Company rating and senior unsecured debentures rating at “AA”

On 26 October 2020, TRIS Rating affirmed the Company and senior unsecured debenture ratings at “AA” with stable outlook. The ratings reflect Company’s leading market position as the largest private hospital operator in Thailand, with extensive network and strong franchise of hospital brands. The rating also take into consideration the Company’s satisfactory operating performance, moderate financial risk profile and adequate liquidity. Key consideration factors are as follow:-

- Strong market position and solid competitive edge, backed by leading market position as the largest private hospital operator in Thailand, extensive network and diverse range of healthcare services together with the largest pool of doctors and nurses in the industry.
- Signs of recovery in local patient numbers although it has not yet fully resumed. Company has a large base of Thai patients and has put more efforts to draw new local patients, by introducing promotional campaigns and collaborating with insurance companies. Moreover, with Thailand’s competitive strengths in quality healthcare services, location and lower price compared with other countries, a large number of foreigners remain keen to come to Thailand for medical treatment.
- Moderate financial leverage and adequate liquidity with ability to comply with key financial covenants.

## 3Q20 Consolidated Financial Summary

### Operating Income

(THB mm)	3Q20	3Q19	%YoY	%QoQ
Hospital operations	16,071	20,838	(23)%	23%
Sales of goods	648	787	(18)%	(8)%
Other income	257	262	(2)%	35%
<b>Total Operating Income</b>	<b>16,976</b>	<b>21,887</b>	<b>(22)%</b>	<b>21%</b>

#### Remark

YoY means changes comparing to 3Q19.

QoQ means changes comparing to 2Q20.

### Operating Income Comparing to 3Q19 (YoY)

In 3Q20, total operating income were Baht 16,976 million, a decrease of Baht 4,911 million or 22% yoy, primarily due to

- Revenues from hospital operations were Baht 16,071 million, a decrease of Baht 4,767 million or 23% yoy mainly from decrease in patient volume especially international patients volume which affected by travel restriction.

With these uncontrollable factors, revenue from international patients decreased 55% yoy, mainly from a decrease in Middle East patients 92%, Myanmar patients 84% and Australia patients 76% yoy. Revenue from Thai patients also decreased 13% yoy mainly from the decrease of respiratory and other seasonal diseases together with Thai economic slowdown especially in tourist destination. As a result, the revenue proportion between Thai and international patients changed from 72%:28% in 3Q19 to 83%:17% in 3Q20.

Revenue of Bangkok & vicinity hospitals decreased 25% yoy while revenue of outside Bangkok & vicinity hospitals decreased 18% yoy. Bangkok & vicinity hospitals have affected more than outside Bangkok & vicinity hospitals because they have higher portion of international patients.

The occupancy rate decreased from 71% in 3Q19 to 48% in 3Q20.

Revenues from hospital operations in 3Q20	Chg. (yoy)	% of revenues
Revenues growth from hospital operations	(23)%	100%
<b>Breakdown by location</b>		
Bangkok & Vicinity	(25)%	56%
Outside Bangkok	(18)%	44%
<b>Breakdown by nationality</b>		
Thai	(13)%	83%
International	(55)%	17%
<b>Breakdown by type of patients</b>		
Outpatients	(15)%	49%
Inpatients	(28)%	51%

- Revenues from sales of goods were Baht 648 million, decreased by 18% yoy.
- Other incomes were Baht 257 million, slightly decreased by 2% yoy.

#### **Operating Income Comparing to 2Q20 (QoQ)**

In 3Q20, total operating income increased Baht 2,999 million or increased by 21% from 2Q20. This was attributable to an increase in revenue from hospital operations of Baht 2,991 million or increased by 23% from 2Q20 due mainly to increase in patient volume. Revenue from Thai patients significantly increased approximately 24% while revenue from international patients increased approximately 12% from 2Q20 mainly from recovery of expatriates living in Thailand.

With improvement of patient volume, occupancy rate increased from 39% in 2Q20 to 48% in 3Q20.

#### **Operating Expenses**

(THB mm)	3Q20	3Q19	%YoY	%QoQ
Hospital operations and others	11,169	13,961	(20)%	13%
Administrative expenses	3,272	4,323	(24)%	5%
<b>Total Operating Expenses (Including depreciation)</b>	<b>14,441</b>	<b>18,284</b>	<b>(21)%</b>	<b>11%</b>

#### **Total Operating Expenses Comparing to 3Q19 (YoY)**

Since 2Q20, the Company and its subsidiaries carefully managed cost while maintaining quality and standard of care. Costs saving initiatives include decreasing staff expenses, doctor related expenses and other administrative expenses such as marketing expenses, utility expenses and repair & maintenance expenses. Hence, the Company and its subsidiaries can manage costs well in 3Q20.

In 3Q20, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 14,441 million, decrease of Baht 3,843 million or 21% yoy.

However, depreciation and amortization were Baht 1,615 million, increased by 9% yoy due mainly to TFRS 16 leases, a new financial reporting standard, which required the Company to recognize asset and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value. This resulted in additional depreciation and amortization of Baht 99 million in 3Q20.

If excluding impact from TFRS 16, depreciation and amortization will slightly increase 2% yoy.

### **Total Operating Expenses Comparing to 2Q20 (QOQ)**

In 3Q20, the Company and its subsidiaries reported total operating expenses & depreciation increased Baht 1,457 million or increased by 11% from 2Q20 which grew at slower pace than total operating income (increased 21% from 2Q20). Cost of hospital operations and others grew 13% while administrative expenses grew 5% from 2Q20 which reflected good cost containment measures and continued cost management.

#### **Other Major Items**

- Share of profit from investments in associates were Baht 66 million in 3Q20, decreased by 77% yoy mainly from weak performance of BH resulting in decrease in profit sharing from Baht 263 million in 3Q19 to Baht 51 million in 3Q20.
- Finance expenses increased to Baht 215 million in 3Q20 or increased by 24% yoy due to the reversal of convertible bonds ("CB") withholding taxes of Baht 79 million in 3Q19.
- Taxes in 3Q20 were Baht 482 million, decreased 32% yoy, due mainly to decrease in pre-tax profit.

#### **Non-recurring items**

In 3Q20, the Company and its subsidiaries disposed investment in BH totaling 1,250,100 shares, totaling amount of approximately Baht 125 million. As a result, the Company's interest in BH decreased from 22.94% to 22.78%. The Company and its subsidiaries recognized gain on disposal of investment in the associate under equity method in the consolidated financial statements amounting to Baht 13 million.

### **Profitability Analysis**

<i>(THB mm)</i>	<b>3Q20</b>	<b>3Q19</b>	<b>%Chg</b>
EBITDA	4,149	5,089	(18)%
EBITDA margin	24.4%	23.3%	
Share of profit from associates	66	291	(77)%
EBIT *	2,606	3,927	(34)%
EBIT margin *	15.3%	17.9%	
Core profit	1,787	2,890	(38)%
Core profit margin	10.5%	13.2%	
Non-recurring item	13	-	n.a.
Net profit	1,801	2,890	(38)%
Net profit margin	10.6%	13.2%	
Core EPS (THB)	0.11	0.18	(39)%
EPS (THB)	0.11	0.18	(38)%
<i>Weighted average number of ordinary shares (mm shares)</i>	<i>15,892</i>	<i>15,737</i>	

#### **Remarks**

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

Margin was calculated as a percentage of operating income.

EBITDA decreased from Baht 5,089 million in 3Q19 to Baht 4,149 million in 3Q20, decreased by 18% yoy. Thanks to our strictly cost containment measures, EBITDA margin increased from 23.3% in 3Q19 to 24.4% in 3Q20.

Core profit was Baht 1,787 million, decreased by 38% yoy. As a result, net profit margin decreased from 13.2% in 3Q19 to 10.5% in 3Q20.

Net profit was Baht 1,801 million, decreased by 38% yoy with net profit margin of 10.6% in 3Q20. EPS was Baht 0.11 per share or decreased by 38% YOY.

## 9M20 Consolidated Financial Summary

Operating Income			
(THB mm)	9M20	9M19	%Chg
Revenues from hospital operations	48,033	59,323	(19)%
Revenue from sales of goods	2,213	2,261	(2)%
Other income	710	710	0%
<b>Total Operating Income</b>	<b>50,956</b>	<b>62,293</b>	<b>(18)%</b>

In 9M20, total operating income were Baht 50,956 million, decrease of Baht 11,337 million or 18% yoy, primarily due to

- Revenues from hospital operations were Baht 48,033 million, decrease of Baht 11,290 million or 19% yoy. Such decrease was mainly from decrease in patient volume which affected by COVID-19 outbreak. Hence, revenue from international patients decreased 40% yoy mainly from a decrease in Middle East patients 74% yoy, Myanmar patients 65% and Australia patients 54% yoy. Revenue from Thai patients also decreased 10% yoy. The revenue proportion between Thai and international patients changed from 69%:31% in 9M19 to 78%:22% in 9M20.

Hospital in Bangkok & vicinity decreased 21% yoy while outside Bangkok & vicinity hospitals decreased 14% yoy.

The occupancy rate decreased from 67% in 9M19 to 49% in 9M20.

Revenues from hospital operations in 9M20	Chg. (yoy)	% of revenues
Revenues growth from hospital operations	(19)%	100%
<b>Breakdown by location</b>		
Bangkok & Vicinity	(21)%	56%
Outside Bangkok	(14)%	44%
<b>Breakdown by nationality</b>		
Thai	(10)%	78%
International	(40)%	22%

Revenues from hospital operations in 9M20	Chg. (yoy)	% of revenues
<b>Breakdown by type of patients</b>		
Outpatients	(15)%	47%
Inpatients	(21)%	53%

- Revenues from sales of goods and food were Baht 2,213 million in 9M20, slightly decreased by 2% yoy
- Other income was Baht 710 million, unchanged from 9M19.

Operating Expenses			
(THB mm)	9M20	9M19	%Chg
Cost of hospital operations and others	33,971	40,466	(16)%
Administrative expenses	10,262	12,755	(20)%
<b>Total Operating Expenses (Including depreciation)</b>	<b>44,233</b>	<b>53,222</b>	<b>(17)%</b>

In 9M20, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 44,233 million, decrease of Baht 8,989 million or 17% yoy

The depreciation and amortization were Baht 4,803 million in 9M20, increased by 13% yoy due mainly to TFRS 16 leases resulting in additional depreciation of Baht 297 million in 9M20. If excluding impact from TFRS 16, depreciation and amortization would increase 6% yoy.

### Other Major Items

- Share of profit from investments in associates were Baht 247 million in 9M20, decreased by 68% yoy. Share of profit from investments in associates were mainly from BH of Baht 184 million (decreased from Baht 712 million in 9M19).
- Finance expenses decreased to Baht 661 million or decreased by 9% yoy due mainly to decrease in liabilities from redemption of CB in September 2019.

- Taxes in 9M20 were Baht 1,214 million, decreased from Baht 3,280 million in 9M19, due mainly to decrease in pre-tax profit in 9M20 and high tax expense in 9M19, given non-recurring items of Baht 1,379 million mainly from divestment of all investment in Ramkhamhaeng Hospital Public Co., Ltd. ("RAM"). (Details are shown in non-recurring items)

#### Non-recurring items

During 9M20, the Company and its subsidiaries recognized gain on disposal an investment in associate under equity method in the consolidated financial statements amounting to Baht 13 million.

During 9M19, the Company recorded non-recurring items (net of income tax) of Baht 5,514 million. Details as follows:-

(THB mm)	Amount	Tax	Net of tax
1. Gain on sales in RAM	7,617	(1,523)	6,094
2. Provisions for employee benefits	(616)	123	(493)
3. One-time expenses in finding the land to locate electricity sub-station	(110)	22	(88)
4. Gain on sales in other long-term investment	2	(1)	1
<b>Total</b>	<b>6,893</b>	<b>(1,379)</b>	<b>5,514</b>

Profitability Analysis			
(THB mm)	9M20	9M19	%Chg
EBITDA *	11,526	14,051	(18)%
EBITDA margin *	22.6%	22.6%	
EBITDA	11,526	13,324	(13)%
EBITDA margin	22.6%	21.4%	
Share of profit from associates	247	775	(68)%
EBIT *	7,003	10,678	(34)%
EBIT margin *	13.7%	17.1%	
Core profit	4,813	7,680	(37)%
Core profit margin	9.4%	12.3%	
Non-recurring items	13	5,514	(100)%
Net profit	4,827	13,195	(63)%
Net profit margin	9.5%	21.2%	
Core EPS (THB)	0.30	0.49	(38)%
EPS (THB)	0.30	0.84	(64)%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	15,892	15,693	

\* Excluding non-recurring items

#### Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

Margin was calculated as a percentage of operating income.

If excluding non-recurring items, core EBITDA decreased from Baht 14,051 million in 9M19 to Baht 11,526 million in 9M20 or decreased by 18% yoy. However, core EBITDA margin remained unchanged at 22.6% in 9M19 and 9M20.

Core profit was Baht 4,813 million, decreased by 37% yoy resulting in decrease in core profit margin from 12.3% in 9M19 to 9.4% in 9M20.

If including non-recurring items, net profit was Baht 4,827 million, decreased by 63% yoy resulting in decrease in core profit margin from 21.2% in 9M19 to 9.5% in 9M20. EPS was Baht 0.30 per share in 9M20 or decreased by 64% yoy.

<b>Assets</b>			
<i>(THB mm)</i>	Sep 20	Dec 19	%Chg
Cash & cash equivalents	4,079	4,696	(13)%
Trade & other receivables	6,891	8,850	(22)%
Inventories	1,707	1,843	(7)%
Investment in associates	17,077	17,538	(3)%
Property, premises & equipment	78,407	78,440	(0)%
Goodwill	17,539	17,539	0%
Right-of-use assets	3,388	-	100%
Other assets	3,808	4,755	(20)%
<b>Total assets</b>	<b>132,896</b>	<b>133,662</b>	<b>(1)%</b>

As of 30 September 2020, the Company and its subsidiaries reported total assets of Baht 132,896 million, slightly decreased from 31 December 2019, due mainly to a decrease in trade and other receivables of Baht 1,959 million, netted with an increase in right-of-use assets of Baht 3,388 million from a new financial reporting standards, TFRS 16 leases.

<b>Liabilities and Equity</b>			
<i>(THB mm)</i>	Sep 20	Dec 19	%Chg
Bank overdrafts and short-term loans	1,588	90	1,668%
Trade and other payables	4,071	5,990	(32)%
Debentures *	14,593	19,591	(26)%
Long-term loans *	9,507	4,701	102%
Other liabilities	16,783	16,108	4%
<b>Total liabilities</b>	<b>46,543</b>	<b>46,480</b>	<b>0%</b>
Equity attributable to equity holder of the Company	82,988	83,813	(1)%
Non-controlling interests	3,366	3,368	(0)%
<b>Total equity</b>	<b>86,353</b>	<b>87,182</b>	<b>(1)%</b>

\* Including current portion

Total consolidated liabilities as of 30 September 2020 were Baht 46,543 million similar to 31 December 2019 due mainly to increase in net long-term loans from financial institutions of Baht 4,807 million and net liabilities under lease agreements of Baht 3,486 million from TFRS 16 leases together with an increase in bank overdrafts and short-term loans of Baht 1,476

million for liquidity reserve in response to impact of COVID-19, netted with repayment of debentures of baht 5,000 million, decrease in accrued expenses of Baht 2,758 million and trade and other payables of Baht 1,919 million.

Total consolidated shareholders' equity as of 30 September 2020 was Baht 86,353 million, slightly decreased by 1% from 31 December 2019.

### Liquidity and Capital Management

<b>Cash Flow</b>	
<i>(THB mm)</i>	9M20
Net cash from operating activities	7,738
Net cash used in investing activities	(4,267)
Net cash used in financing activities	(4,088)
<b>Net decrease in cash and cash equivalents</b>	<b>(617)</b>
Beginning cash and cash equivalents	4,696
<b>Ending cash and cash equivalents</b>	<b>4,079</b>

For the nine-month period ended 30 September 2020, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 617 million from the beginning balance of Baht 4,696 million. As a result, cash and cash equivalents at the end of period was Baht 4,079 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 7,738 million, resulting mainly from profit during the period.

Net cash flows used in investing activities were Baht 4,267 million comprising mainly from purchase of property, premises and equipment of Baht 4,880 million from hospital network expansion and renovation.

Net cash flows used in financing activities were Baht 4,088 million comprising mainly from repayment of debentures of Baht 5,000 million and dividend payment of Baht 4,755 million netted with cash received from long-term loans

and short-term loans from financial institutions for debentures redemption and for liquidity purpose of Baht 5,000 million and Baht 1,476 million, respectively.

**Ratios Analysis**

Returns (%)	9M20	9M19
Return on Asset (ROA)	4.8	7.7
Return on Equity (ROE)	7.7	13.5
<b>Liquidity (x)</b>		
Current ratio	1.0	0.8
Quick ratio	0.8	0.7
<b>Assets &amp; Liabilities Management (Days)</b>		
Average Collection Period	43.9	36.7
Average Inventory Period	14.1	11.6
Average Payable Period	40.0	34.0
<b>Leverage &amp; Coverage Ratios (x)</b>		
Interest coverage	17.4	19.4
	<b>Sep-20</b>	<b>Dec-19</b>
Total debt to equity	0.3	0.3
Net debt to equity	0.3	0.2
Net debt to EBITDA	1.6	1.1

**Remarks**

- Excluding non-recurring items
- Assets & Liabilities Management based on 360 days
- Interest coverage = EBITDA/Interest Expenses
- Debt refers to interest bearing debt

If excluding non-recurring items, ROA and ROE in 9M20 decreased from 9M19 as a result of decrease in profit from operations in 9M20.

Current ratio and quick ratio increased from 9M19 due to no convertible bonds outstanding and a decrease in current portion of long-term loans from financial institutions.

Average collection period increased from 36.7 days in 9M19 to 43.9 days in 9M20 due to COVID-19 resulting in declining operating income and some inconvenience from domestic and international account receivables collection.

Average inventory period increased from 11.6 days in 9M19 to 14.1 days in 9M20 to ensure that

inventory is adequate for the current situation. The Company's inventories were mostly medicines and medical supplies which the Company and its subsidiaries already recorded allowance for the expired medicine and medical supplies to reduce its cost to net realizable value.

Average payable period also increased from 34.0 days in 9M19 to 40.0 days in 9M20 as a result of debt management.

Interest coverage ratio decreased from 19.4 in 9M19 to 17.4 in 9M20.

Total interest bearing debt to equity remained unchanged at 0.3x as of 31 December 2019 and as of 30 September 2020. Net interest bearing debt to equity increased from 0.2x as of 31 December 2019 to 0.3x as of 30 September 2020.

Net interest bearing debt to EBITDA also increased from 1.1x as of 31 December 2019 to 1.6x as of 30 September 2020.

The impact of COVID-19 remains a great deal of uncertainty surrounding the trends and duration of the impact, requiring the company to plan for a wide range of scenarios for the remaining of the year. As a result of the operating and financial strategies the company has implemented, the company strongly believes that it has sufficient liquidity and will continue to be able to successfully adapt as the situation evolves.

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