

11 May 2022

Bangkok Dusit Medical Services Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary 1Q22 Performance

1Q22	THB mm	% Chg (YoY)	% Chg (QoQ)
Operating Income	23,159	42%	6%
EBITDA	6,173	75%	18%
Net Profit	3,443	157%	31%

Remarks

YoY means changes comparing to 1Q21.

QoQ means changes comparing to 4Q21.

Bangkok Dusit Medical Services Public Company Limited (“Company”) and subsidiaries reported consolidated operating income for the first quarter of 2022 (“1Q22”) of Baht 23,159 million, an increase of 42% from 1Q21. Key drivers were from higher hospital revenues of 38% yoy from Thai patients and 72% yoy from international patients. The key growth drivers for Thai patient revenue were from a surge of COVID-19 patients since April 2021 and a return of non COVID-19 patients. In terms of international patient revenues, the strong growth was from a recovery of both fly-in patients and expatriate patients. These supporting factors helped increase the overall occupancy rate from 46% in 1Q21 to 80% in 1Q22.

The COVID-19 related revenues accounted for 17% of revenues from hospital operations in 1Q22. If excluding this item, revenues from non COVID-19 would increase 24% from 1Q21

The Company and its subsidiaries reported EBITDA of Baht 6,173 million, increased by 75% yoy. EBITDA margin increased from 21.7% in 1Q21 to 26.7% in 1Q22. Net profit were Baht 3,443 million, increased by 157% yoy due mainly to higher

operating income and continued cost saving program.

Comparing with 4Q21 (QoQ)

Total operating income in 1Q22 increased 6% from 4Q20 due to a higher number of COVID-19 cases from Omicron variant together with continued recovery of international patients. Moreover, continued cost reduction program helped lifted EBITDA by 18% and net profit by 31% from 4Q21.

Major Development in 1Q22

1) COVID-19 pandemic

BDMS, as a leading private hospital group in Thailand, has continued to fully cooperate and support the government measures in order to prevent, control and treat COVID-19 patients. We have provided COVID-19 related services including COVID-19 vaccination, COVID-19 testing by our certified laboratory, home isolation, hospitel and cohort wards.

2) Joint venture with subsidiary of COM7 Public Company Limited (“COM7”)

The Company will establish a new subsidiary with registered capital of Baht 200 million. A 100% subsidiary of the Company holds 60% of shares amounting to Baht 120 million while a subsidiary of COM7 holds 40% of shares amounting to Baht 80 million. This new Joint venture will operate large drugstore in a form of standalone and drugstores in department stores which are expected to be opened within 4Q22.

1Q22 Consolidated Financial Summary

Operating Income

(THB mm)	1Q22	1Q21	%YoY	%QoQ
Hospital operations	22,165	15,311	45%	6%
Sales of goods	821	716	15%	20%
Other income	173	253	(32)%	(39)%
Total Operating Income	23,159	16,281	42%	6%

Operating Income Comparing to 1Q21 (YoY)

In 1Q22, total operating income was Baht 23,159 million, an increase of Baht 6,878 million or 42% yoy, primarily due to

- Revenues from hospital operations were Baht 22,165 million, an increase of Baht 6,854 million or 45% yoy mainly from an increase in Thai patient revenues of 38% yoy from both COVID-19 and recovery of non COVID-19 patients. Meanwhile International patient revenues increased 72% yoy as results of Test and Go Program, no mandatory quarantine for the fully vaccinated travelers traveling by air, since November 2021. Growth of international patients was mainly from fly-in patients i.e. Middle East patients +256% yoy, CLMV patients (Cambodia, Laos, Myanmar and Vietnam) +58% yoy. Moreover, expatriate patients from Germany, UK and Japan grew by 112% yoy, 62% yoy and 28% yoy respectively, supporting strong growth in international patient revenues. As the result, revenue proportion between Thai and international patients changed from 81%:19% in 1Q21 to 78%:22% in 1Q22.

The COVID-19 related revenue increased from 4% in 1Q21 to 17% of revenues from hospital operations in 1Q22. If excluding this item, revenue from non COVID-19 would increase 24% from 1Q21

In addition, inpatient revenues grew significantly at 54% yoy resulting in an increase in occupancy rate from 46% in 1Q21 to 80% in 1Q22 (excluding hospitel and field hospital). Occupancy rate of COVID-19 patients was 87% and occupancy rate of non COVID-19 patients was 76%.

Revenues from hospital operations in 1Q22	Chg. (yoy)	% of revenues
Revenues growth from hospital operations	45%	100%
Breakdown by nationality		
Thai	38%	78%
International	72%	22%
Breakdown by location		
Bangkok & Vicinity	45%	57%
Outside Bangkok	44%	43%
Breakdown by type of patients		
Outpatients	30%	45%
Inpatients	54%	55%

- Revenues from sales of goods were Baht 821 million, increased by 15% yoy.
- Other incomes were Baht 173 million, decreased by 32% yoy due to Mövenpick BDMS Wellness Resort Bangkok temporary closed for renovation.

Operating Income Comparing to 4Q21 (QoQ)

In 1Q22, total operating income increased Baht 1,282 million or increased by 6% qoq. This was due mainly to (1) an increase of COVID-19 related revenues, given rising of COVID-19 infections driven by spread of the Omicron variant. This resulted in the COVID-19 related revenue to increase from 15% in 4Q21 to 17% of revenues from hospital operations in 1Q22. And (2) continued recovery of international patients. These factors helped support inpatient and outpatient revenues to grow 5% qoq and 1% qoq, respectively.

Operating Expenses				
(THB mm)	1Q22	1Q21	%YoY	%QoQ
Hospital operations and others	14,451	11,051	31%	7%
Administrative expenses	4,025	3,284	23%	(14)%
Total Operating Expenses (Including depreciation)	18,476	14,334	29%	1%

Total Operating Expenses Comparing to 1Q21 (YoY)

In 1Q22, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 18,476 million, increase of Baht 4,142 million or 29% yoy which increased at the slower pace than total operating income due to continued cost control program.

Total Operating Expenses Comparing to 4Q21 (QoQ)

In 1Q22, the Company and its subsidiaries reported total operating expenses & depreciation increased by Baht 259 million or 1% from 4Q21 which increased at the slower pace than total operating income due to lower administration expenses such as marketing expense and repair & maintenance expense.

Other Major Items

- **Share of profit from investments in associates** decreased from Baht 3 million in 1Q21 to Baht 9 million in 1Q22 or increased by 207% yoy because of better performance of associate companies.
- **Finance expenses** decreased to Baht 158 million in 1Q22 or decreased by 19% yoy due to redemption of debentures at amount of Baht 2,500 million
- **Corporate income tax** in 1Q22 were Baht 903 million, increased from Baht 330 million in 1Q21 due to higher earnings before taxes.

Profitability Analysis			
(Baht mm)	1Q22	1Q21	%Chg
EBITDA	6,173	3,527	75%
EBITDA margin	26.7%	21.7%	
EBIT	4,705	1,963	140%
EBIT margin	20.3%	12.1%	
Net profit	3,443	1,339	157%
Net profit margin	14.9%	8.2%	
EPS (Baht)	0.22	0.08	157%
<i>Weighted average number of ordinary shares</i>			
(mm shares)	15,892	15,892	

Remarks

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

Profitability margin calculated based on operating income

The Company and its subsidiaries recorded EBITDA of Baht 6,173 million in 1Q22, increased by 75% yoy resulting in an increase in EBITDA margin from 21.7% in 1Q21 to 26.7% in 1Q22 due to higher operating income and continued cost saving program.

Net profit was Baht 3,443 million, increased by 157% yoy, resulting in net profit margin to increase to 14.9% and EPS was Baht 0.22 per share in 1Q22.

Assets			
(Baht mm)	Mar 22	Dec 21	%Chg
Cash & cash equivalents	11,299	10,934	3%
Trade & other receivables	11,026	9,131	21%
Inventories	1,939	2,005	(3)%
Property, premises & equipment	79,506	79,689	(0)%
Goodwill	17,539	17,539	0%
Right-of-use assets	2,809	2,862	(2)%
Other assets	6,980	6,294	11%
Total assets	131,098	128,454	2%

As of 31 March 2022, the Company and its subsidiaries reported total assets of Baht 131,098 million, increased by 2% from 31 December 2021.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2020. Goodwill were mainly from acquisitions. Such goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. However, the Company has considered that this goodwill is not impaired.

Other assets of Baht 6,980 million mainly consisted of other current financial assets which are investment in fixed deposits and mutual funds of Baht 2,587 million, intangible assets which are computer software of Baht 1,405 million together with investment in associated companies of Baht 930 million.

Liabilities and Equity

(Baht mm)	Mar 22	Dec 21	%Chg
Trade & Other payables	5,074	5,035	1%
Accrued expenses	5,757	4,627	24%
Debentures *	12,096	14,596	(17)%
Long-term loans *	1,000	1,000	0%
Liabilities under lease agreements *	3,140	3,157	(1)%
Other liabilities	12,735	12,274	4%
Total liabilities	39,802	40,689	(2)%
Equity attributable to equity holder of the			
Company	87,318	83,845	4%
Non-controlling interests	3,978	3,920	1%
Total equity	91,296	87,765	4%

* Including current portion

Total consolidated liabilities as of 31 March 2022 were Baht 39,802 million, decreased by 2% from 31 December 2021 due mainly to redemption of debentures at amount of Baht 2,500 million.

Total consolidated shareholders' equity as of 31 March 2022 was Baht 91,296 million, increased by 4% from 31 December 2021.

Liquidity and Capital Management

Cash Flow

(Baht mm)	1Q22
Net cash from operating activities	5,147
Net cash used in investing activities	(2,145)
Net cash used in financing activities	(2,636)
Net increase in cash and cashequivalents	366
Beginning cash and cashequivalents	10,934
Ending cash and cash equivalents	11,299

For the three-month period ended 31 March 2022, the Company and its subsidiaries had net increase in cash and cash equivalent of Baht 366 million from the beginning balance of Baht 10,934 million. As a result, cash and cash equivalents at the end of period was Baht 11,299 million. Details of cash flow by activities during the quarter are as follows:-

Net cash flows from operating activities were Baht 5,147 million, mainly from profit in 1Q22.

Net cash used in investing activities were Baht 2,145 million comprising mainly from purchase of property, premises and equipment of Baht 1,124 million from hospital network renovation and expansion and increase in other current financial assets of Baht 879 million.

Net cash used in financing activities were Baht 2,636 million due mainly to debentures redemption of Baht 2,500 million.

Ratios Analysis		
Returns (%)	1Q22	1Q21
Return on Asset	7.5	4.3
Return on Equity	11.4	7.0
Liquidity (x)		
Current ratio	1.4	2.4
Quick ratio	1.2	2.1
Assets & Liabilities Management (Days)		
Average Collection Period	39.2	42.3
Average Inventory Period	12.2	15.4
Average Payable Period	30.7	37.5
Leverage Ratios (x)		
Interest coverage	29.2	16.3
Debt service coverage ratio	4.1	4.8
Current portion of IBD to IBD (%)	30.4	11.8
Loan from financial institutions to IBD (%)	6.1	25.0
Total IBD to EBITDA	0.8	1.8
Net IBD to EBITDA	0.2	0.1
Debt to Equity Ratio (x)	Mar 22	Dec 21
Total liabilities to equity	0.4	0.5
Total IBD to equity	0.2	0.2
Net IBD to equity	0.1	0.1
Remarks		
<ul style="list-style-type: none"> - Assets & Liabilities Management based on 360 days - IBD means interest bearing debt 		

ROA and ROE increased from 1Q21 as a result of an increase in profit from operations in 1Q22.

Current ratio and quick ratio decreased from 1Q21 due to a decrease in cash & cash equivalents.

Average collection period decreased from 42.3 days in 1Q21 to 39.2 days in 1Q22. The Company and subsidiaries have credit policies and assess credit limit base on customer creditworthiness. Average credit term for domestic payers are approximately 30-60 days while international payers are approximately 30-90 days. The credit terms are reviewed annually to monitor and control credit risk.

Average inventory period decreased from 15.4 days in 1Q21 to 12.2 days in 1Q22. The inventories were mostly medicines and medical supplies. The Company and its subsidiaries have appropriate inventory management plan with internal control. The Company and its subsidiaries perform physical inventory count at least once a year and record allowance for the expired, slow-moving and deteriorated inventories to reduce its cost to net realizable value.

Average payable period also decreased from 37.5 days in 1Q21 to 30.7 days in 1Q22 as a result of debt management.

For leverage ratios analysis, interest coverage ratio increased from 16.3x in 1Q21 to 29.2x in 1Q22 mainly from good performance in 1Q22. However, debt service coverage ratio (DSCR) decreased from 4.8x in 1Q21 to 4.1x in 1Q22 due to higher current portion of interest bearing debt.

Net interest bearing debt to EBITDA slightly increased from 0.1x in 1Q21 to 0.2x in 1Q22 due to increase in net interest bearing debt.

For debt to equity ratio analysis, total interest bearing debt to equity and net interest bearing debt to equity as of 31 December 2021 and 31 March 2022 remained unchanged at 0.2x and 0.1x, respectively.

The Company and its subsidiaries strongly believes that it has sufficient liquidity to repay its debt within the covenants and will continue to be able to successfully adapt as the situation evolves.
