

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

2Q22 & 6M22 Performance

	2Q22		6M22	
	THB mm	% Chg (YoY)	THB mm	% Chg (YoY)
Operating Income	21,981	26%	45,140	34%
EBITDA	5,120	39%	11,293	57%
Net Profit	2,664	83%	6,107	119%

Remark: YoY means changes comparing to 2Q21 and 6M21

2Q22 Performance

Bangkok Dusit Medical Services Public Company Limited (“Company”) and subsidiaries reported consolidated operating income for the second quarter of 2022 (“2Q22”) of Baht 21,981 million, an increase of 26% from 2Q21. Key drivers were from higher hospital revenues of 18% yoy from Thai patients and 69% yoy from international patients. The key growth drivers for Thai patient revenues were from a return of non COVID-19 patients. In terms of international patient revenues, the strong growth was from a recovery of fly-in patients. These supporting factors helped increase the overall occupancy rate from 60% in 2Q21 to 69% in 2Q22.

The Company and its subsidiaries reported EBITDA of Baht 5,120 million, increased by 39% yoy. EBITDA margin increased from 21.2% in 2Q21 to 23.3% in 2Q22. Net profit were Baht 2,664 million, increased by 83% yoy due to higher operating income and continued cost saving program.

6M22 Performance

For six-month period ended 30 June 2022 (“6M22”), the consolidated operating income were Baht 45,140 million, increased by 34% yoy. There were good growth from COVID-19 related revenues and non COVID-19 revenues from both Thai and international patients in 6M22. As a result, overall occupancy rate increased from 53% in 6M21 to 75% in 6M22.

The Company and its subsidiaries reported EBITDA of Baht 11,293 million, increased by 57% yoy resulting in an increase in EBITDA margin from 21.4% in 6M21 to 25.0% in 6M22.

Net profit was 6,107 million, increased by 119% yoy.

Major Development in 2Q22

1) BDMS Silver Wellness & Residence Project

On 25 May 2022, the Board of Directors approved the Company entering into the transaction to lease the land (13-0-60.18 rais) located on the corner of Sarasin Road and Lang Suan Road, Lumpini, Bangkok from Crown Property Bureau in order to develop the BDMS Silver Wellness & Residence. This project comprised of Silver Residence (property development) and Silver Wellness (wellness center) and the construction period is expected to be 6.5 years. Total investment cost of the land leasehold and construction is around Baht 23,545 million with land leasehold period of 30 years and renewable of another 30 years. The sources of funds would be from the Company’s

cash flow, borrowing from financial institutions, and/or the issuance of debentures.

2) Plan to make a tender offer for the delisting of Samitivej Public Company Limited (“SVH”) from being securities listed on the Stock Exchange of Thailand (“SET”)

On 29 June 2022 the Board of Directors approved the Company which holds 95.76% of total issued shares of SVH to make a tender offer for the remaining shares of SVH at the offering price of Baht 480 per share, totaling approximately Baht 2,033.26 million in order to delist SVH from the SET. This is due to non-compliance of the free float requirement under the rules on qualifications on maintaining the status as a listed company on the SET.

2Q22 Consolidated Financial Summary

Operating Income				
(THB mm)	2Q22	2Q21	YoY	QoQ
Hospital operations	20,976	16,443	28%	(5)%
Sales of goods	796	720	11%	(3)%
Other income	209	234	(11)%	21%
Total Operating Income	21,981	17,397	26%	(5)%

Remark: QoQ means changes comparing to 1Q22.

Operating Income Comparing to 2Q21 (YoY)

In 2Q22, total operating income was Baht 21,981 million, an increase of Baht 4,584 million or 26% yoy, primarily due to

- Revenues from hospital operations were Baht 20,976 million, an increase of Baht 4,533 million or 28% yoy mainly from an increase in Thai patient revenues of 18% yoy from recovery of non COVID-19 patient revenues and increase of COVID-19 related revenues. Meanwhile International patient revenues increased 69% yoy mainly from recovery of fly-in patients i.e.

Middle East patients +388%, Australian patients +175% and CLMV patients (Cambodia, Laos, Myanmar and Vietnam) +120% yoy. As a result, revenue proportion between Thai and international patients changed from 81%:19% in 2Q21 to 76%:24% in 2Q22.

The COVID-19 related revenue slightly increased from 11% in 2Q21 to 12% of revenues from hospital operations in 2Q22. If excluding this item, revenue from non COVID-19 would increase 25% from 2Q21

In addition, outpatient revenues increased 34% yoy while inpatient revenues increased 22% yoy resulting in an increase in occupancy rate from 60% in 2Q21 to 69% in 2Q22 (excluding hospital and field hospital). Occupancy rate of non COVID-19 patients was 71% and occupancy rate of COVID-19 patients was 64%.

Revenues from hospital operations in 2Q22	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	28%	100%
Breakdown by nationality		
Thai	18%	76%
International	69%	24%
Breakdown by location		
Bangkok & Vicinity	29%	58%
Outside Bangkok	26%	42%
Breakdown by type of patients		
Outpatients	34%	48%
Inpatients	22%	52%

- Revenues from sales of goods were Baht 796 million, increased by 11% yoy.
- Other incomes were Baht 209 million, decreased by 11% yoy due to Mövenpick BDMS Wellness Resort Bangkok temporary closed for renovation since January 2022.

Operating Income Comparing to 1Q21 (QoQ)

In 2Q22, total operating income decreased Baht 1,178 million or decreased by 5% qoq. This was due mainly to a decline of COVID-19 related revenue of 36% qoq resulting in a decrease of revenue portion from 18% in 1Q22 to 12% of revenues from hospital operations in 2Q22.

Operating Expenses

(THB mm)	2Q22	2Q21	YoY	QoQ
Hospital operations and others	14,147	11,762	20%	(2)%
Administrative expenses	4,200	3,539	19%	4%
Total Operating Expenses (Including depreciation)	18,347	15,301	20%	(1)%

Total Operating Expenses Comparing to 2Q21 (YoY)

In 2Q22, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 18,347 million, increase of Baht 3,046 million or 20% yoy which increased at the slower pace than total operating income due to continued cost control program.

Total Operating Expenses Comparing to 1Q21 (QoQ)

In 2Q22, the Company and its subsidiaries reported total operating expenses & depreciation decreased by 1% qoq which decreased at the slower pace than total operating income. This was mainly to increase of administrative expenses by 4% qoq given higher marketing, repair & maintenance and utilities expenses.

Other Major Items

- **Finance expenses** decreased to Baht 151 million in 2Q22 or decreased by 20% yoy due to redemption of debentures at amount of Baht 2,500 million in 1Q22.
- **Corporate income tax** in 2Q22 were Baht 695 million, increased from Baht 383 million in 2Q21 due to higher earnings before taxes.

Profitability Analysis

(Baht mm)	2Q22	2Q21	%Chg
EBITDA	5,120	3,681	39%
EBITDA margin	23.3%	21.2%	
EBIT	3,665	2,139	71%
EBIT margin	16.7%	12.3%	
Net profit	2,664	1,452	83%
Net profit margin	12.1%	8.3%	
EPS (Baht)	0.17	0.09	83%
<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 5,120 million in 2Q22, increased by 39% yoy resulting in an increase in EBITDA margin from 21.2% in 2Q21 to 23.3% in 2Q22. This was due to higher operating income and continued cost saving program together with higher occupancy rate to achieve economy of scale.

Net profit was Baht 2,664 million, increased by 83% yoy, resulting in net profit margin to increase to 12.1% and EPS was Baht 0.17 per share in 2Q22.

6M22 Consolidated Financial Summary

Operating Income			
(THB mm)	6M22	6M21	%Chg
Revenues from hospital operations	43,141	31,754	36%
Revenue from sales of goods	1,617	1,436	13%
Other income	382	488	(22)%
Total Operating Income	45,140	33,678	34%

In 6M22, total operating income were Baht 45,140 million, an increase of Baht 11,462 million or increased by 34% yoy, primarily due to

- Revenues from hospital operations were Baht 43,141 million, an increase of Baht 11,387 million or increased by 36% yoy. Such increase was mainly from increase in Thai patient revenues of 28% yoy from both COVID-19 related revenues and recovery of non COVID-19 patient revenues. Meanwhile International patient revenues increased 69% yoy mainly from increase of Middle East patients 326% yoy, and CLMV patient 91% yoy. Consequently, revenue proportion between Thai and international patients changed from 82%:18% in 6M21 to 77%:23% in 6M22.

The COVID-19 related revenue increased from 7% in 6M21 to 15% of revenues from hospital operations in 6M22. If excluding this item, revenue from non COVID-19 would increase 24% from 6M21

Both hospital in Bangkok & vicinity and hospital outside Bangkok & vicinity increased 37% and 35% yoy, respectively.

The occupancy rate increased from 53% in 6M21 to 75% in 6M22.

Revenues from hospital operations in 6M22	Chg. (YoY)	% of revenues
Revenues growth from hospital operations	34%	100%
Breakdown by nationality		
Thai	28%	77%
International	69%	23%
Breakdown by location		
Bangkok & Vicinity	37%	58%
Outside Bangkok	35%	42%
Breakdown by type of patients		
Outpatients	32%	46%
Inpatients	37%	54%

- Revenues from sales of goods were Baht 1,617 million, increased by 13% yoy.
- Other income was Baht 382 million, decreased by 22% yoy due to Mövenpick BDMS Wellness Resort Bangkok temporary closed for renovation since January 2022.

Operating Expenses			
(THB mm)	6M22	6M21	%Chg
Cost of hospital operations and others	28,598	22,812	25%
Administrative expenses	8,225	6,823	21%
Total Operating Expenses (Including depreciation)	36,823	29,635	24%

In 6M22, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 36,823 million, increase of Baht 7,188 million or increased by 24% yoy which increased at the slower pace than total operating income due to continued cost control program.

Other Major Items

- **Finance expenses** decreased to Baht 309 million in 6M22 or decreased by 19% yoy due to redemption of debentures during 1Q22.
- **Corporate income tax** in 6M22 were Baht 1,598 million, increased from Baht 713 million in

6M21, due mainly to increase in pre-tax profit in 6M22.

Profitability Analysis			
<i>(THB mm)</i>	6M22	6M21	%Chg
EBITDA	11,293	7,208	57%
EBITDA margin	25.0%	21.4%	
EBIT	8,370	4,102	104%
EBIT margin	18.5%	12.2%	
Net profit	6,107	2,791	119%
Net profit margin	13.5%	8.3%	
EPS (THB)	0.38	0.18	119%
<i>Weighted average number of ordinary shares (mm shares)</i>			
	<i>15,892</i>	<i>15,892</i>	
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 11,293 million in 6M22, increased by 57% yoy resulting in an increase in EBITDA margin from 21.4% in 6M21 to 25.0% in 6M22.

Net profit was Baht 6,107 million, increased by 119% yoy resulting in an increase in net profit margin to 13.5% in 6M22. EPS was Baht 0.38 per share in 6M22.

Assets			
<i>(Baht mm)</i>	Jun 22	Dec 21	%Chg
Cash & cash equivalents	13,879	10,934	27%
Trade & other receivables	11,453	9,131	25%
Inventories	1,931	2,005	(4)%
Property, premises & equipment	79,190	79,689	(1)%
Goodwill	17,539	17,539	0%
Right-of-use assets	2,745	2,862	(4)%
Other assets	7,044	6,294	12%
Total assets	133,780	128,454	4%

As of 30 June 2022, the Company and its subsidiaries reported total assets of Baht 133,780 million, increased by 4% from 31 December 2021. Such increases were mainly from cash & cash equivalents and Trade & other receivables.

The Company carried goodwill of Baht 17,539 million, which remain unchanged from 31 December 2021. 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 7,044 million mainly consisted of other current financial assets which are investment in fixed deposits and mutual funds of Baht 2,752 million, intangible assets which are computer software of Baht 1,446 million together with investment in associated companies of Baht 937 million.

Liabilities and Equity			
<i>(Baht mm)</i>	Jun 22	Dec 21	%Chg
Short-term loans from financial institutions	3,000	-	n.a.
Trade & Other payables	4,869	5,035	(3)%
Accrued expenses	6,648	4,627	44%
Debentures *	12,097	14,596	(17)%
Long-term loans *	1,000	1,000	0%
Liabilities under lease agreements *	3,087	3,157	(2)%
Other liabilities	12,117	12,274	(1)%
Total liabilities	42,817	40,689	5%
Equity attributable to equity holder of the Company	86,909	83,845	4%
Non-controlling interests	4,053	3,920	3%
Total equity	90,962	87,765	4%

* Including current portion

Total consolidated liabilities as of 30 June 2022 were Baht 42,817 million, increased by 5% from 31 December 2021 due mainly to an increase in short-term loan from financial institutions of Baht 3,000 million.

Total consolidated shareholders' equity as of 30 June 2022 was Baht 90,962 million, increased by 4% from 31 December 2021.

Liquidity and Capital Management

Cash Flow	
<i>(Baht mm)</i>	6M22
Net cash from operating activities	9,529
Net cash used in investing activities	(3,401)
Net cash used in financing activities	(3,183)
Net increase in cash and cash equivalents	2,945
Beginning cash and cash equivalents	10,934
Ending cash and cash equivalents	13,879

For the six-month period ended 30 June 2022, the Company and its subsidiaries had net increase in cash and cash equivalent of Baht 2,945 million from the beginning balance of Baht 10,934 million. As a result, cash and cash equivalents at the end of period was Baht 13,879 million. Details of cash flow by activities during the quarter are as follows:-

Net cash flows from operating activities were Baht 9,529 million, mainly from profit in 6M22.

Net cash used in investing activities were Baht 3,401 million comprising mainly from purchase of property, premises and equipment of Baht 2,113 million from hospital network renovation and expansion and increase in other current financial assets of Baht 1,044 million.

Net cash used in financing activities were Baht 3,183 million due mainly to dividend payment of Baht 3,177 million and debentures redemption of Baht 2,500 million netted with an increase of short-

term loan from financial institutions of Baht 3,000 million.

Ratios Analysis		
Returns (%)	6M22	6M21
Return on Asset	8.7	5.4
Return on Equity	13.3	8.6
Liquidity (x)		
Current ratio	1.3	1.5
Quick ratio	1.1	1.3
Assets & Liabilities Management (Days)		
Average Collection Period	39.4	38.1
Average Inventory Period	11.8	13.9
Average Payable Period	29.6	30.7
Leverage Ratios (x)		
Interest coverage	33.0	18.3
Debt service coverage ratio	2.4	5.3
Current portion of IBD to IBD (%)	46.4	14.6
Loan from financial institutions to IBD (%)	20.8	5.3
Total IBD to EBITDA	0.9	1.3
Net IBD to EBITDA	0.2	0.6
Debt to Equity Ratio (x)	Jun 22	Dec 21
Total liabilities to equity	0.5	0.5
Total IBD to equity	0.2	0.2
Net IBD to equity	0.1	0.1

Remarks

- Assets & Liabilities Management based on 360 days
- IBD means interest bearing debt

ROA and ROE increased from 6M21 as a result of an increase in profit from operations in 6M22.

Current ratio and quick ratio decreased from 6M21 as current liabilities increased at the higher pace than current assets. An increase of current liabilities was mainly from an increase of short-term loan from financial institutions, accrued expenses and current portion of debentures.

Average collection period increased from 38.1 days in 6M21 to 39.4 days in 6M22. 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 13.9 days in 6M21 to 11.8 days in 6M22. 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 30.7 days in 6M21 to 29.6 days in 6M22 as a result of debt management.

For leverage ratios analysis, interest coverage ratio increased from 18.3x in 6M21 to 33.0x in 6M22 mainly from good performance in 6M22. However, debt service coverage ratio (DSCR) decreased from 5.3x in 6M21 to 3.6x in 6M22 due to higher current portion of interest bearing debt.

Net interest bearing debt to EBITDA decreased from 0.6x in 6M21 to 0.2x in 6M22 due to decrease in net interest bearing debt (from higher cash & cash equivalents) together with increase in EBITDA in 6M22.

For debt to equity ratio analysis, total interest bearing debt to equity and net interest bearing debt to equity as of 30 June 2022 and 31 December 2021 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.
