



บริษัท บางกอก เซน ฮอสปิทอล จำกัด (มหาชน)

Bangkok Chain Hospital Public Company Limited

No. BCH. 146/2020

13 August 2020

Subject : Management Discussion and Analysis for the quarter 2 ended 30 June 2020

To : The President
The Stock Exchange of Thailand

Bangkok Chain Hospital Public Company Limited (the “Company”) would like to report the operating results for the second quarter ended 30 June 2020 which had been reviewed by the independent auditor as follows:

1. Summary of the Company’s operating results
2. Analysis of the consolidated financial performance
3. Analysis of the consolidated financial position
4. Analysis of the consolidated cash flow
5. Future operating trends

Summary of the Company's operating results

In 2Q2020, particularly in April, was the peak of the Coronavirus pandemic (COVID-19) in Thailand which affected the overall economy since the government announced various pandemic prevention measures. However, after the widespread and situation in Thailand became controllable, the government had carefully eased its measures to restore the business sector. Consequently, the business activities began to recover as well as the patients’ traffic was also gradually recovered. However, people still have anxiety about the widespread of COVID-19 which affect the decision in going to the hospital, led to a significant decrease in regular patient traffic compared to the same period of last year.

The Company and its affiliated hospitals have collaborated with the government healthcare measures in providing COVID-19 screening, quarantine, and treatment services resulted to the additional revenue that more or less fulfill the loss of regular hospital revenue. Furthermore, the Company has implemented cost saving measures to maintain its operating results for continuous growth. In 2Q2020, although the Company's revenue decreased by 63.36 million baht from 2,164.94 million baht to 2,101.58 million baht or 2.93 percent dropped, gross profit increased 37.08 million baht to an amount of 690.75 million baht or an increase of 5.67 percent (2Q2019: 653.67 million baht). The profit before finance costs, tax, depreciation and amortization of 620.54 million baht or increased by 15.56 percent (2Q2019: 537.01 million baht). Net profit attributable to the Company increased 34.71 million baht to the amount of 278.59 million baht or an increase of 14.23 percent (2Q2019: 243.88 million baht).

For the operating results of the six-month period ended June 30, 2020, the Company's revenue increased 27.68 million baht to 4,298.15 million baht or increased by 0.65 percent (6M2019: 4,270.47 million baht). Gross profit increased 65.45 million baht to 1,353.68 million baht or increased by 5.08 percent (6M2019: 1,288.24 million baht). Profit before finance costs, tax, depreciation and amortization of 1,185.41 million baht or increased by 10.57 percent (6M2019: 1,072.08 million baht). Net profit attributable to the Company increased by 45.74 million baht to 537.73 million baht or increased by 9.30 percent (6M2019: 491.99 million baht).



Analysis of the consolidated financial performance

| <i>Statement of Comprehensive Income</i> <i>(Unit : Million Baht)</i> | 2Q2020 | 2Q2019 | % Change YoY | 6M2020 | 6M2019 | % Change YoY |
|---|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| Revenue from hospital operations | 2,082.60 | 2,137.02 | -2.55% | 4,260.63 | 4,215.11 | 1.08% |
| Other income | 18.98 | 27.92 | -32.02% | 37.52 | 55.36 | -32.23% |
| Total Revenue | 2,101.58 | 2,164.94 | -2.93% | 4,298.15 | 4,270.47 | 0.65% |
| Cost of hospital operations | (1,391.85) | (1,483.35) | -6.17% | (2,906.95) | (2,926.87) | -0.68% |
| Distribution and Administrative expenses | (279.86) | (305.79) | -8.48% | (573.19) | (594.20) | -3.54% |
| Total Cost | (1,671.71) | (1,789.14) | -6.56% | (3,480.14) | (3,521.07) | -1.16% |
| Operating Profit | 429.87 | 375.81 | 14.38% | 818.01 | 749.40 | 9.16% |
| Interest income | 1.77 | 2.04 | -13.23% | 2.15 | 2.27 | -4.99% |
| Finance costs | (32.49) | (34.40) | -5.55% | (62.48) | (66.64) | -6.24% |
| Share of profit of investment in associate | 0.61 | 0.81 | -23.85% | 1.50 | 1.47 | 1.63% |
| Tax expense | (75.16) | (64.61) | 16.34% | (138.56) | (123.64) | 12.07% |
| Profit for the year | 324.60 | 279.65 | 16.07% | 620.62 | 562.86 | 10.26% |
| Owners of the Company | 278.59 | 243.88 | 14.23% | 537.73 | 491.99 | 9.30% |
| Non-controlling interests | 46.01 | 35.77 | 28.64% | 82.89 | 70.87 | 16.96% |
| <i>Gross Profit Margin</i> | <i>33.17%</i> | <i>30.59%</i> | | <i>31.77%</i> | <i>30.56%</i> | |
| <i>Operating Profit Margin</i> | <i>19.73%</i> | <i>16.28%</i> | | <i>18.32%</i> | <i>16.47%</i> | |
| <i>Profit before Finance costs, Tax expense, Depreciation and Amortization margin</i> | <i>29.53%</i> | <i>24.88%</i> | | <i>27.58%</i> | <i>25.10%</i> | |
| <i>Profit attributable to owners of The Company</i> | <i>13.26%</i> | <i>11.26%</i> | | <i>12.51%</i> | <i>11.52%</i> | |

| Revenue Structure Breakdown by Type (Unit : Million Baht) | 2Q2020 | | 2Q2019 | | % Change |
|--|-----------------|----------------|-----------------|----------------|---------------|
| | Revenue | Proportion | Revenue | Proportion | YoY |
| General patients | 1,329.86 | 63.28% | 1,329.19 | 61.40% | 0.05% |
| Social security patients | 752.73 | 35.82% | 807.83 | 37.31% | -6.82% |
| Other revenue | 18.98 | 0.90% | 27.92 | 1.29% | -32.02% |
| Total Revenue | 2,101.58 | 100.00% | 2,164.94 | 100.00% | -2.93% |

| Revenue Structure Breakdown by Type (Unit : Million Baht) | 6M2020 | | 6M2019 | | % Change |
|--|-----------------|----------------|-----------------|----------------|--------------|
| | Revenue | Proportion | Revenue | Revenue | Proportion |
| General patients | 2,715.85 | 63.19% | 2,675.81 | 62.66% | 1.50% |
| Social security patients | 1,544.78 | 35.94% | 1,539.30 | 36.05% | 0.36% |
| Other revenue | 37.52 | 0.87% | 55.36 | 1.29% | -32.23% |
| Total Revenue | 4,298.15 | 100.00% | 4,270.47 | 100.00% | 0.65% |

The Company's total revenue for the quarter ended 30 June 2020 was 2,101.58 million baht, a decrease of 63.37 million baht or 2.93 percent comparing to the same period of last year, with the proportion of general patient revenue of 63.28 percent, 35.82 percent from social security patients, and 0.90 percent from other revenue. Details are as follows:

General patients' revenue for 2Q2020 ended 30 June 2020 was 1,329.86 million baht, a slightly increase of 0.67 million baht or 0.05 percent compared to the same period of last year. Lately, general patient revenue, especially foreign patient revenue, had been greatly affected by the significant drop in service utilization rates due to the pandemic situation. However, the Company has recognized additional revenue from the disbursement of COVID-19 screening services provided by the affiliated hospitals in accordance with the disease prevention measures organized by the National Health Security Office. As the result, the Company was able to maintain general patient revenue compared to the same period of last year.

Social security patients' revenue for 2Q2020 ended 30 June 2020 was 752.73 million baht, a decrease of 55.10 million baht or 6.82 percent from last year. Although the number of registered persons still increased from the same period of last year, the overall service utilization rate dropped significantly due to the COVID-19 situation, especially in-patient service with high cost care (Adj.RW \geq 2), health checkup service, and dental service in which the reimbursement is made pursuant to the actual service usage. The Company expects that demand of the medical services will resume in the second half of the year after insurers have eased their anxiety of the COVID-19 pandemic.

Other revenue such as rental income and other income for 2Q2020 ended 30 June 2020 was 18.98 million baht, a decrease of 8.94 million baht or 32.02 percent. This was mainly due to the measures to relieve tenants who rent an area within the hospital buildings.

Operating expenses (including depreciation and amortization) for 2Q2020 ended 30 June 2020 was 1,671.71 million baht, a decrease of 117.43 million baht or 6.56 percent from the previous year, mainly due to a decrease of drug and medical supply cost since the volume of general patients and social security patients decreased. Besides, the Company has also implemented cost saving measures, such as, minimum doctor fee reduction, schedule management for the clinical staffs, and opening/closing hour management of the special clinics and specialized centers to be in line with actual traffic. As a result, the Company's gross profit margin increased from 30.59 percent to 33.17 percent, the operating profit margin increased from 16.28 percent to 19.73 percent, profit before interest, taxes, depreciation and amortization margin increased from 24.80 percent to 29.53 percent, and profit margin attributable to shareholders of the Company increased from 11.26 percent to 13.26 percent.

Analysis of the consolidated financial position

| <i>Statement of Financial Position</i> <i>(Unit : Million Baht)</i> | for the period ended 30 June | | % Change |
|--|------------------------------|------------------|---------------|
| | 2020 | 2019 | YoY |
| Total assets | 15,869.22 | 14,115.63 | 12.42% |
| Current assets | 3,198.97 | 2,966.94 | 7.82% |
| Non-current assets | 12,670.25 | 11,148.69 | 13.65% |
| Total liabilities | 8,694.04 | 7,137.36 | 21.81% |
| Current liabilities | 5,222.29 | 2,185.82 | 138.92% |
| Non-current liabilities | 3,471.75 | 4,951.54 | -29.89% |
| Equity | 7,175.18 | 6,978.27 | 2.82% |
| Equity attributable to the Company | 6,458.81 | 6,248.00 | 3.37% |
| Non-controlling interests | 716.37 | 730.27 | -1.90% |

| Financial Ratio | For the period ended 30 June | |
|----------------------------------|------------------------------|-------|
| | 2020 | 2019 |
| Current Ratio (times) | 0.61 | 1.65 |
| Average Collection Period (days) | 64.13 | 66.10 |
| Average Inventory Period (days) | 14.67 | 14.07 |
| Average Payables Period (days) | 27.50 | 28.38 |
| Debt to Equity (times) | 1.21 | 1.01 |
| Return on Assets (%) | 12.23 | 13.48 |
| Return on Equity (%) | 19.15 | 19.88 |

As of 30 June 2020, the Company had total assets of 15,869.22 million baht, an increase of 1,753.59 million baht or 12.42 percent from 31 December 2019, mainly due to the following activities:

- An increase in trade accounts receivable in the amount of 306.63 million baht from the government contracted institutions.
- An increase in property, plant and equipment amounted to 1,438.16 million baht were also contributed to the total asset, most of which were an increase in the payment of the remaining construction fee and equipment of Kasemrad International Hospital Aranyaprathet, assets under construction of Kasemrad Hospital Prachinburi and Kasemrad International Hospital Vientiane, and land purchased by the subsidiary to support the hospital capacity expansion.

The Company had total liabilities of 8,694.04 million baht, an increase of 1,556.69 million baht or 21.81 percent from 31 December 2019, mainly due to an increase in short-term loans from financial institutions in the amount of 1,500.07 million baht for using as a bridge to manage liquidity and finance costs of projects under construction before converting to long-term loans in the future.

The Company had total shareholders' equity of 7,175.18 million baht, an increase of 196.91 million baht or 2.82 percent from 31 December 2019 due to the increase in net profit of the Company.

Analysis of the consolidated cash flow statement

| <i>Cash flow Statement (Unit : Million Baht)</i> | For the period ended 30 June | |
|--|-------------------------------------|----------------|
| | 2020 | 2019 |
| Cash flow from operating activities | 761.66 | 523.28 |
| Cash flow from (used in) investing activities | (1,818.87) | (595.35) |
| Cash flow from (used in) financing activities | 1,067.86 | 48.81 |
| Net increase in cash and cash equivalents | 10.65 | (23.26) |
| Cash and cash equivalents at 1 January | 792.42 | 645.70 |
| Cash and cash equivalents at 30 June | 803.07 | 622.44 |

At the end of 30 June 2020, the Company recorded additional cash and cash equivalents of 10.65 million baht due to the following activities:

The Company reported cash flow from operating activities of 761.66 million baht which were contributed from an increase in net profit, depreciation and amortization. The cash flow used in investing activities was 1,818.87 million baht, mainly from the incremental assets under construction and land purchased by the subsidiary. The Company had net cash flow from financing activities in the amount of 1,067.86 million baht, mainly due to an increase in short-term loan from financial institutions.

Future operating trends

Third quarter is deemed to be high season of healthcare business due to the seasonal epidemics and diseases that come with the rain, lead to an increase in medical service utilizations. Moreover, the Company believes that demand for medical services that delayed from the second quarter will drive a significant increase in medical service utilizations in the second half of the year as a result of patients' anxiety relief since the situation of the COVID-19 outbreak become controllable. Besides, the Company continues to develop its potential and maintain cost and expense management measures. The Company is ready to adapts to keep up with the situation in order to drive the business to continuously grow. The factors supporting the Company's growth in the second half of the year are as follows:

1. COVID-19 Related Services in 2H2020

Continuing from 2Q2020, the Company has been providing COVID-19 screening, quarantine, and treatment services in order to collaborate with the government measures. In addition, after the government relaxed travel restriction by allowing those who meet qualification and criteria, and wish to travel into Thailand must enter into the state quarantine program or alternative state quarantine program or alternative hospital quarantine program, in which the Company and its affiliated hospitals have been participating in all three types of quarantine programs until the situation has been restored.

2. Healthcare Industry Trend in Thailand

In 2019, the Global Health Security Index ranked Thailand as the sixth of the countries with the highest public health security, with three sub-elements in the top five rank such as disease prevention, quick response, and strong public health system. Recently, the Global COVID-19 index (GCI) ranks Thailand as the second highest recovery rate of COVID-19 pandemic, and praised by WHO and international community for well coping with COVID-19 through good healthcare system and the good



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work of public health volunteers across country. The foregoing reflects a positive international view of Thailand's health system and if the COVID-19 situation remains under good management, Thailand will be one of the world's top choice in health tourism destinations. Therefore, business sector can use strengths in public health and tourism to create opportunities by building its potential in medical tourism which Thailand has advantages in terms of quality of medical organizations, treatment success rate, and reasonable costs. The Company and its affiliated hospitals strive to improve quality, product diversity, and specialized medical centers to meet both regional and international demand for medical services.

3. New Normal Medical Services

COVID-19 pandemic affects the trend of consumer behavior. Therefore, in order to keep up with the trend of medical services that require convenience, speed, and safety, the affiliated hospitals started to offer homecare services such as vaccination services at home, health checkup, H. pylori test, physiotherapy, NG tube and urinary catheter renewal, pharmacy delivery, and etc. In addition, the Company is aware of the trend of consumer behavior in the future, therefore, telemedicine service have been initiated in the affiliated hospitals to provide online consultancy between doctor and patient through platform provided by the hospitals and its networks.

4. Service Area Expansion

After the opening of Kasemrad Hospital International Aranyaprathet in May 2020, the Company continues to expand its service coverage area and extend patient-referral networks to different regions. In 4Q2020, the Company aims to open Kasemrad Hospital Prachinburi to offer medical services to local and foreign workers in the 304 Industrial Estate and nearby communities. Last but not least, Kasemrad International Hospital Vientiane is expected to open within the first quarter of 2021 to offer secondary to tertiary medical care level to local people and foreign workers and tourists in Vientiane Capital, Lao PDR.

Please be informed accordingly

Your sincerely,

(Prof.Dr.Chalerm Hamphanich, M.D.)

Chief Executive Officer

