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18 February 2020

Subject Management's Discussion and Analysis of Financial Performance and Results of Operations for the year 2019

To The President  
The Stock Exchange of Thailand

Praram 9 Hospital Public Company Limited (the "**Company**") would like to report Management's Discussion and Analysis of Financial Performance and Results of Operations for the year 2019 as follows:

### Summary

The Thai economy in this year was clearly in a slow growth period, due mainly to the effects of the global economic slowdown that has been stronger than expectation. Moreover, the international trade-war in many regions and the rapid appreciation of the Thai-Baht is affecting a lot of export-industries and tourism service sectors, which are important engines for driving the Thai economy. A lot of these negative factors inevitably have an adverse impact on the healthcare industry. Therefore, the company has adjusted its strategy more aggressively, in order to continuously improve on both the quantity and quality aspects.

For 2019, the Company reported total revenue of Baht 2,889.7 million, an increase of 5.7% as compared to the last year which reported total revenue of Baht 2,733.5 million. Net profit for 2019 was Baht 284.5 million, an increase of 80.9% as compared to the same period of last year which reported net profit of Baht 157.2 million.

### Income Statement

#### 1. Yearly Operational Results

Revenue (Millions of Baht)	For year ended 31 December		Change (%)
	2019	2018	
Medical Revenue from Out-Patient (OPD)	1,584.2	1,494.3	6.0
Medical Revenue from In-Patient (IPD)	1,264.3	1,206.8	4.8
<b>Total Medical Revenue</b>	<b>2,848.5</b>	<b>2,701.1</b>	<b>5.5</b>
Other Revenue	41.2	32.4	26.9
<b>Total Revenue</b>	<b>2,889.7</b>	<b>2,733.5</b>	<b>5.7</b>

**Medical Revenue by Type**

	For year ended 31 December		Change	Proportion	
(Millions of Baht)	2019	2018		(%)	2019
Medical Revenue by Nationality					
Thai	2,404.1	2,306.2	4.2	84%	85%
International	444.4	395.0	12.5	16%	15%
Total Medical Revenue	2,848.5	2,701.1	5.5	100%	100%

**Medical Revenue by Payment Method**

Self-Pay	2,105.1	2,046.3	2.9	74%	76%
Insurance	581.2	505.7	14.9	20%	19%
Corporate Contract	162.2	149.2	8.7	6%	5%
<b>Total Medical Revenue</b>	<b>2,848.5</b>	<b>2,701.1</b>	<b>5.5</b>	<b>100%</b>	<b>100%</b>

The Company reported total medical revenue in 2019 of Baht 2,848.5 million, an increase of 5.5% from 2018 which reported total revenue of Baht 2,701.1 million.

The out-patient department (OPD) revenue increased 6.0% as compared to the last year, from the higher of the OPD patient volume and the revenue per visit (revenue intensity). While the in-patient department (IPD) volume (Admission Volume) decreased compared to the last year but the revenue per admission continues to increase from the higher of medical complexity and intensity need, especially the patient from intensive-care unit (ICU) department, reflecting in the very high occupancy rate of ICU beds. As a result, total IPD revenue in 2019 increased from the last year at 4.8%.

Medical revenue from Thai patients and international patients grew 4.2% and 12.5% from the same period of last year respectively. The revenue proportion from international patients increased from 15% of total medical revenue in 2018 to 16% of total medical revenue in 2019, due partly to the medical network cooperation and the marketing campaign via the agent partners in those countries. The top 3 of international revenue still came from Myanmar, China and Cambodia respectively.

The self-pay payment method still be the majority proportion; however, the proportion of insurance payment method and corporate contract payment methods keep growing at the higher rate as a result of marketing campaigns and marketing activities.

Cost of Hospital Operations and Expenses (Millions of Baht)	For year ended 31 December		Change (%)
	2019	2018	
Cost of Hospital Operations	1,972.3	1,864.2	5.8
As % of medical revenue	69.2	69.0	
Selling and Administrative Expenses	569.8	541.8	5.2
As % of total revenue	19.7	19.8	
Share-based Payment	-	111.9	-
As % of total revenue	-	4.1	

For 2019, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 1,972.3 million or equal to 69.2% of total medical revenue, increased by 5.8% from Baht 1,864.2 million or equal to 69.0% of total medical revenue from the same period of last year. This was mainly from the Labor Protection Act (No.7) B.E.2019

that stipulated the additional legal severance pay rates for employees who have worked for an uninterrupted period of 20 years or more<sup>1</sup>. Thus, the company had recorded the non-recurring cost of hospital operation as Baht 15.5 million in 2019.

Without the above non-recurring items, the Company would report the cost of hospital operations (including depreciation and amortization) Baht 1,956.8 million, an increase of 5.0% from the same period of last year, which was lower than an increase of total medical revenue at 5.5%, and equal to 68.7% of total medical revenue.

For 2019, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 569.8 million or equal to 19.7% of total revenue, increased by 5.2% from Baht 541.8 million or equal to 19.8% of total revenue in 2018.

However, for 2018, there were non-recurring items<sup>2</sup> amounting Baht 30.9 million such as recording the first employee welfare obligations related to medical welfare for directors and / or founders based on the estimation of actuarial principles, consulting fees, preparation expenses due to listing a company on the Stock Exchange of Thailand and etc. While in 2019 there was one-time extra-item amounting of Baht 12.1 million from the stipulated of the Labor Protection Act (No.7) B.E.2019.

Without the above non-recurring items, the Company would report the adjusted selling and administrative expenses (including depreciation and amortization) amounting of Baht 557.7 million in 2019, or equal to 19.3% of total revenue, compared to the adjusted selling and administrative expenses (including depreciation and amortization) amounting of Baht 510.9 million or equal to 18.7% of total revenue, in 2018.

(Millions of Baht)	For Year Ended 31 December		Change
	2019	2018	(%)
Earnings before interest and tax	347.6	215.7	61.1
Depreciation and Amortization	163.6	155.8	5.0
<b>EBITDA</b>	<b>511.2</b>	<b>371.5</b>	<b>37.6</b>
<i>EBITDA Margin (as % of total revenue)</i>	<i>17.7</i>	<i>13.6</i>	
Income Tax Expenses	63.2	58.5	8.0
<b>Net Profit for the year</b>	<b>284.5</b>	<b>157.2</b>	<b>80.9</b>
<i>Net Profit Margin (as % of total revenue)</i>	<i>9.8</i>	<i>5.8</i>	
Total Comprehensive Income for the year	275.7	172.0	60.3
No. of ordinary shares (share)	786,300,000	634,733,973	
Basic earnings per share (Baht per share)	<b>0.36</b>	<b>0.25</b>	

For 2019, the company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 511.2 million, increased 37.6% from Baht 371.5 million in 2018, while the EBITDA margin was improved from 13.6% in 2018 to 17.7% in 2019.

<sup>1</sup> The Labor Protection Act (No.7) B.E.2019 was stipulated additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5<sup>th</sup> May 2019. This change is considered a post-employment benefits plan amendment and the company has additional long-term employee benefit liabilities and recognition of past service costs as expenses in the statement of comprehensive income.

<sup>2</sup> The Non-recurring items in 2018 consist of,

(1) Non-tax-deductible expenses: Share -Based Payment of Baht 111.9 million, Allowance for doubtful account of Baht 5.6 million and initial financial reporting of founders' benefits which calculated based on actuarial calculation of Baht 8.5 million.

(2) Tax deductible expenses: initial public offering advisory expenses of Baht 3.8 million, other advisory expenses of Baht 6.4 million, other IPO expenses 4.6 million, front-end fee on loan from financial institution of Baht 2.1 million.

The adjustment before tax amount for the year 2018 was Baht 142.8 million and after-tax Baht 139.5 million.

Without the above non-recurring items, the Company would report earnings before interest, tax, depreciation and amortization (EBITDA) in the amount of Baht 538.8 million and Baht 514.3 million, or equal to EBITDA margin of 18.6% and 18.8% for the year 2019 and 2018 respectively.

For 2019, the company reported income tax expenses of Baht 63.2 million, an increase of 8.0% from Baht 58.5 million in 2018.

For 2019, the company reported net profit for the period Baht 284.5 million, an increase of 80.9% from Baht 157.2 million in 2018, representing the net profit margin for the period of 9.8% and 5.8% respectively. Basic earnings per share of Baht 0.36 per share and Baht 0.25 per share in the year 2019 and 2018, calculated from the number of ordinary shares at 786,300,000 shares for the year 2019 and 634,733,973 shares for the year 2018 respectively.

Without the non-recurring item, the stipulated of the Labor Protection Act (No.7) B.E.2019, the Company would report the adjusted net profit for the period (net-off with the corporate tax rate) amounting of Baht 306.6 million in 2019 or representing 10.6% of total revenue. Compared to the adjusted net profit for the period (net-off with the corporate tax rate) amounting of Baht 296.7 million in 2018 or representing 10.9% of total revenue.

#### Statement of Financial Position

Statement of financial position (Millions of Baht)	As of 31 Dec 2019	As of 31 Dec 2018	Change (%)
Current assets	1,643.1	2,048.9	-19.8
Non-current assets	3,073.5	2,375.4	29.4
<b>Total assets</b>	<b>4,716.6</b>	<b>4,424.4</b>	<b>6.6</b>
Current liabilities	523.0	448.8	16.5
Non-current liabilities	154.6	102.2	51.3
Total liabilities	677.6	551.0	23.0
Total shareholders' equity	4,039.0	3,873.3	4.3
<b>Total liabilities and shareholders' equity</b>	<b>4,716.6</b>	<b>4,424.4</b>	<b>6.6</b>

#### 1. Assets

As of 31 December 2019, the Company reported current assets of Baht 1,643.1 million, decreased by 19.8% as compared to Baht 2,048.9 million as of 31 December 2018. This was due mainly to the reduction of temporary investment at Baht 837.4 million (or decreased by 51.2%) from the selling of financial investment for the building expansion project, nursing dormitory and home office payments and dividends payment. Including the reclassification of bank deposit from long term to short term also impacted to an increase of Baht 408.3 million in the company's cash and cash equivalents.

As of 31 December 2019, the Company reported non-current assets of Baht 3,073.5 million, increased by 29.4% as compared to Baht 2,375.4 million as of 31 December 2018. Mainly came from the increase of property, plant and equipment of Baht 726.3 million (increased 34.0%) as a result of an increase of assets in building expansion project, nursing dormitory and home office.

#### 2. Liabilities

As of 31 December 2019, the Company reported current liabilities of Baht 523.0 million, increased by 16.5% as compared to Baht 448.8 million as of 31 December 2018. This was due mainly to an increase of accounts payable due to building construction project, nursing dormitory and home office including retention and accrued income tax.

As of 31 December 2019, the Company reported non-current liabilities of Baht 154.6 million, increased by 51.3% as compared to Baht 102.2 million as of 31 December 2018. This was mainly because of an increase in provision for employee benefits by the stipulated of the Labor Protection Act (No.7) B.E.2019 amounting of Baht 52.4 million.

### 3. Shareholders' equity

As of 31 December 2019, the Company reported shareholders' equity of Baht 4,039.0 million, increased by 4.3% as compared to Baht 3,873.3 million as of 31 December 2018. This was mainly because of an increase in net profit for the period and offset with dividends payment and the accounting adjustment of long-term employee benefits.

#### Cash flow statement

Cash flow statement (Millions of Baht)	For Year Ended 31 December	
	2019	2018
Cash flows from (used in) operating activities	490.0	479.6
Cash flows from (used in) investing activities	29.8	(1,988.1)
Cash flows from (used in) financing activities	(111.6)	1,494.2
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>408.3</b>	<b>(14.3)</b>

For 2019, the Company reported cash flows from operating activities of Baht 490.0 million, an increase of Baht 10.4 million as compared to the same period of last year which generated cash flows from operating activities of Baht 479.6 million, mainly came from the increase in hospital operational results.

For 2019, the Company reported cash flows from investing activities of Baht 29.8 million, increased by Baht 2,017.9 million as compared to the same period of last year which reported cash flows used in investing activities of Baht 1,988.1 million. This was due mainly to the selling of financial investment, the spending on building improvements, equipment and other projects plus advance cash payment used in purchase assets and payments for construction costs.

For 2019, the Company reported cash flows used in financing activities of Baht 111.6 million which was dividend payment, compared to the same period of 2018 which reported cash flows from financing activities of Baht 1,494.2 million mainly from the cash receive from IPO activities net with the IPO-related expenses and dividend payment.

Key Financial Ratio	For Year Ended 31 December	
	2019	2018
<b>Liquidity Ratio</b>		
Current ratio	3.1	4.6
Average collection period	21.1	19.9
Average days sales of inventory	8.4	8.0
Average account payables days	23.1	22.4
Cash cycle	6.4	5.4
<b>Profitability Ratio</b>		
Gross profit margin	30.8	31.0
Net profit margin	9.8	5.8
Return on average shareholders' equity	7.2	5.3
Return on average assets	6.2	4.3
<b>Financial Policy Ratio</b>		
Debt to equity ratio	0.17	0.14
Interest bearing debt to equity ratio	-	-

Please be informed accordingly,

Yours sincerely,

**Praram 9 Hospital Public Company Limited**

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Chief Executive Officer