

Ref. PR9-LA63-148

12 November 2020

**Subject** Management's Discussion and Analysis of Financial Performance and Results of Operations for the Third Quarter and Nine Months Period Ended 30 September 2020

**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 Third Quarter and Nine Months Period Ended 30 September 2020 as follows:-

#### Summary

The Coronavirus disease 2019 pandemic is still affecting the Thai economy and global economic, resulting in the contraction of domestic consumption, private investment and export sectors. These caused an economic slowdown and adversely impacting most businesses and industries; including affecting the company's business, regarding to revenue from hospital operations which would have a significant impact on the financial status and operating results.

However, under this crisis, the Company's management have been adjusted several company's strategies to be suit in the current situation. The performance results were satisfied and likely to be improve in the long term in order to keep the operating results, turn back both quantitative and qualitative aspects.

In addition, during the hospital's 28-year anniversary on this July 20<sup>th</sup>, the company took this opportunity to start the operation in the new building - Praram 9 Medical Center Building (New Building). The Company has gradually moved many outpatient centers from the existing building to the new building. To be able to provide more services and increase the level of customer care services.

In 3Q2020, the Company reported total revenue of Baht 701.3 million, a decrease of 6.9% as compared to 3Q2019 which reported total revenue of Baht 753.2 million. Net profit for the period in 3Q2020 was Baht 72.2 million, a decrease of 18.7% as compared to 3Q2019 which reported net profit for the period of Baht 88.8 million.

For nine months period ended 30 September 2020, the Company reported total revenue of Baht 1,891.7 million, a decrease of 11.5% as compared to the same period of last year which reported total revenue of Baht 2,137.3 million. Net profit for nine months period ended 30 September 2020 was Baht 120.9 million, a decrease of 42.6% as compared to the same period of last year which reported net profit of Baht 210.6 million.

**Income Statement**
**1. Quarterly Operational Results**

Revenue (Millions of Baht)	Three Months Period Ended 30 Sep		Change (%)
	2020	2019	
Medical Revenue from Out-Patient (OPD)	385.6	419.1	-8.0
Medical Revenue from In-Patient (IPD)	306.5	324.4	-5.5
<b>Total Medical Revenue</b>	<b>692.1</b>	<b>743.5</b>	<b>-6.9</b>
Other Revenue	9.2	9.7	-5.9
<b>Total Revenue</b>	<b>701.3</b>	<b>753.2</b>	<b>-6.9</b>

**Medical Revenue by Type**

	Three Months Period Ended 30 Sep		Change	Proportion	
(Millions of Baht)	2020	2019	(%)	2020	2019
Medical Revenue by Nationality					
Thai	644.2	622.5	+3.5	93%	84%
International	47.9	121.0	-60.4	7%	16%
Total Medical Revenue	692.1	743.5	-6.9	100%	100%

**Medical Revenue by Payment Method**

Self-Pay	486.5	544.9	-10.7	70%	73%
Insurance	159.7	153.2	+4.3	23%	21%
Corporate Contract	45.9	45.4	+1.1	7%	6%
<b>Total Medical Revenue</b>	<b>692.1</b>	<b>743.5</b>	<b>-6.9</b>	<b>100%</b>	<b>100%</b>

The Company reported total medical revenue in 3Q2020 of Baht 692.1 million, a decrease of 6.9% from 3Q2019 which reported total revenue of Baht 743.5 million.

The out-patient department (OPD) revenue decreased 8.0% as compared to the same period of last year, from the 8.1% lower of the OPD patient volume due to the COVID-19 situation while the average revenue per OPD visit was slightly growing as compared to the same period of last year. The in-patient department (IPD) group was less affected, the IPD Average Daily Census has decreased 17.0% but the average revenue intensity per patient increased from higher complex treatment cases. Resulting in the total IPD revenue decreased by 5.5% when compared to the same period of last year.

Medical revenue from Thai patients increased 3.5% as compared to the same period of last year, while the revenue from international patients dropped 60.4% from the same period of last year, as a result of the closure of the country even through the Company has been certified as the alternative hospital quarantine (AHQ), however the immigration of foreign patients were not convenient. There were only expat or foreign customers who remain resided in the country. As a result, the revenue proportion from international patients decreased to 7% of medical revenue in 3Q2020 from 16% of medical revenue in the same period of last year. Revenue from Chinese customers, mostly be the expat who live in the country, became the first rank among the international patients replacing the Myanmar patients.

The revenue breakdown by payment method represented the Coronavirus disease situations have affected self-pay segment, this caused the revenue from this group to decrease by 10.7% as compared to the same period of last year. This was partly due to the decline in international patients, mostly be the self-pay customers, that were blocked from travel

restriction measures. However, the revenue from insurance patients and corporate contract patients grew at 4.3% and 1.1%, respectively, as a result of the Company's strategy adjustment including more intense marketing strategies.

#### Cost of Hospital Operations and Expenses

(Millions of Baht)	Three Months Period Ended 30 Sep		Change
	2020	2019	(%)
Cost of Hospital Operations	485.3	505.9	-4.1
As % of medical revenue	70.1	68.0	
Selling and Administrative Expenses	132.2	138.3	-4.4
As % of total revenue	18.9	18.4	

In 3Q2020, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 485.3 million or equal to 70.1% of total medical revenue. Comparing to 3Q2019, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 505.9 million or equal to 68.0% of total medical revenue. The Company has improved the management of operating costs in many areas, especially staff expenses and maintenance expenses. However, the impact of the COVID-19 situation also caused an increase of the cost of hospital operations to medical revenue proportion that came partly from a decrease of medical revenue, while some expense items such as utilities expenses as well as depreciation and amortization expenses were increased from the opening of new building including some fixed expenses from minimum guarantee for doctor fee.

In 3Q2020, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 132.2 million or equal to 18.9% of total revenue. Comparing to 3Q2019, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 138.3 million or equal to 18.4% of total revenue. The staff expenses proportion in the selling and administrative expenses has been improved, the lower rental expenses from the relocation of the rental offices to the new building since the first quarter also helped the more efficiency of selling and administrative expenses management. However, the slightly increase of the selling and administrative expenses to total revenue proportion came partly from utilities expenses as well as depreciation and amortization expenses were increased from the opening of new building including the higher estimation of doubtful debts.

(Millions of Baht)	Three Months Period Ended 30 Sep		Change
	2020	2019	(%)
Profit from operating activities	83.7	109.0	-23.2
As % of total revenue	11.9	14.5	
Depreciation and Amortization	60.0	41.6	+44.3
<b>EBITDA</b>	143.8	150.6	-4.6
EBITDA Margin (as % of total revenue)	20.5	20.0	
Finance Cost	(0.1)	-	
Income tax expenses	(11.4)	(20.3)	-43.7
<b>Net profit for the period</b>	<b>72.2</b>	<b>88.8</b>	<b>-18.7</b>
Net Profit Margin (as % of total revenue)	10.3	11.8	
Total Comprehensive Income for the period	72.2	91.9	-21.4
Weighted average no. of ordinary shares (share)	786,300,000	786,300,000	
<b>Basic earnings per share (Baht per share)</b>	<b>0.09</b>	<b>0.11</b>	

In 3Q2020, the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 143.8 million, the EBITDA margin were 20.5%. In 3Q2019, the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 150.6 million, the EBITDA margin was 20.0%. Even though there were still consequences from Coronavirus situations but cost management strategies together with improved selling and administrative expenses that able to push the better EBITDA margin.

In 3Q2020, the Company reported depreciation and amortization of Baht 60.0 million, compared to 3Q2019 of Baht 41.6 million. The higher proportion of depreciation and amortization amount due mainly to the new building opening in July 2020 and some medical equipment related to new building.

In 3Q2020, the Company reported finance cost of Baht 0.1 million as a result of the adoption of the new financial reporting standard TFRS 16: Leases, compared to 3Q2019 the Company reported none of finance cost since the Company did not have interest bearing debts. While the Company reported income tax expenses for 3Q2020 of Baht 11.4 million.

In 3Q2020, the Company reported net profit for the period of Baht 72.2 million, representing the net profit margin for the period of 10.3%. While the Company reported net profit for the period in 3Q2019 of Baht 88.8 million, representing the net profit margin for the period of 11.8%. Basic earnings per share of Baht 0.09 per share and Baht 0.11 per share in 3Q2020 and 3Q2019 respectively.

## 2. Nine Months Operational Results

Revenue (Millions of Baht)	Nine Months Period Ended 30 Sep		Change (%)
	2020	2019	
Medical Revenue from Out-Patient (OPD)	1,029.1	1,169.4	-12.0
Medical Revenue from In-Patient (IPD)	837.4	940.0	-10.9
<b>Total Medical Revenue</b>	<b>1,866.5</b>	<b>2,109.4</b>	<b>-11.5</b>
Other Revenue	25.2	27.9	-9.5
<b>Total Revenue</b>	<b>1,891.7</b>	<b>2,137.3</b>	<b>-11.5</b>

### Medical Revenue by Type

	Nine Months Period Ended 30 Sep		Change	Proportion	
(Millions of Baht)	2020	2019	(%)	2020	2019
Medical Revenue by Nationality					
Thai	1,680.8	1,773.1	-5.2	90%	84%
International	185.7	336.3	-44.8	10%	16%
Total Medical Revenue	1,866.5	2,109.4	-11.5	100%	100%

### Medical Revenue by Payment Method

Self-Pay	1,373.5	1,580.4	-13.1	75%	74%
Insurance	401.7	423.6	-5.2	20%	21%
Corporate Contract	91.2	105.5	-13.5	5%	5%
<b>Total Medical Revenue</b>	<b>1,866.5</b>	<b>2,109.4</b>	<b>-11.5</b>	<b>100%</b>	<b>100%</b>

For the nine months period ended 30 September 2020, the Company reported total medical revenue of Baht 1,866.5 million, a decrease of 11.5% from the same period of last year which reported total medical revenue of Baht 2,109.4 million.

The out-patient department (OPD) revenue decreased 12.0% as compared to the same period of last year, from the 13.3% lower of the OPD patient volume due to the Coronavirus disease situation since the first quarter of this year while the average revenue per OPD visit was slightly growing 1.5%. The in-patient department (IPD) group also affected by the Coronavirus disease situation, the IPD Average Daily Census has decreased 18.7% but the average revenue intensity per patient increased from higher complex treatment cases. Resulting in the total IPD revenue decreased by 10.9% when compared to the same period of last year.

Medical revenue from Thai patients dropped 5.2% as compared to the same period of last year, while the revenue from international patients dropped 44.8% from the same period of last year, as a result of the closure of the country that the foreign patients not be able to travel into the country. There were only foreign customers who still residing in the country. Therefore, the revenue proportion from international patients decreased to 10% of total medical revenue in 9M2020 changed from 16% of total medical revenue in the same period of last year.

The revenue breakdown by payment method represented the Coronavirus disease situations have affected all payor segments that pulled down revenue for all segment customers, however, the insurance customer group received less impact since the high growth from the beginning and the third quarter of this year.

#### Cost of Hospital Operations and Expenses

(Millions of Baht)	Nine Months Period Ended 30 Sep		Change (%)
	2020	2019	
Cost of Hospital Operations	1,370.1	1,465.5	-6.5
<i>As % of medical revenue</i>	<i>73.4</i>	<i>69.5</i>	
Selling and Administrative Expenses	386.6	415.9	-7.0
<i>As % of total revenue</i>	<i>20.4</i>	<i>19.5</i>	

For the nine months period in 2020, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 1,370.1 million or equal to 73.4% of total medical revenue. Comparing to 9M2019, the Company reported the cost of hospital operations (including depreciation and amortization) Baht 1,465.5 million or equal to 69.5% of total medical revenue. The increase of the cost of hospital operations to medical revenue proportion in 9M2020 came partly from a decrease of medical revenue, while some expense items such as utilities expenses as well as depreciation and amortization expenses were increased from the opening of new building including some fixed expenses from minimum guarantee for doctor fee.

For the nine months period in 2020, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 386.6 million or equal to 20.4% of total revenue. Comparing to 9M2019, the Company reported the selling and administrative expenses (including depreciation and amortization) Baht 415.9 million or equal to 19.5% of total revenue. The staff expenses proportion in the selling and administrative expenses in 9M2020 has been improved, the lower rental expenses from the relocation of the rental offices to the new building since the first quarter also help the more efficiency of selling and administrative expenses management. However, the slightly increase of the selling and administrative expenses to total revenue proportion came partly from utilities expenses as well as depreciation and amortization expenses were increased from the opening of new building, the new financial reporting standards and interpretations (TFRSs related to financial instruments) that caused the Company's to record the higher estimation of doubtful debts, including record the loss from investments in debt securities in the first quarter due to the value of investment units from the sale of all debt securities

investments less than the value of investment units at the beginning of this period which has already recorded the gain from the value of investment units in the retained earnings.

(Millions of Baht)	Nine Months Period Ended 30 Sep		Change
	2020	2019	(%)
Profit from operating activities	135.0	255.9	-47.2
<i>As % of total revenue</i>	<i>7.1</i>	<i>12.0</i>	
Depreciation and Amortization	148.0	122.1	+21.2
<b>EBITDA</b>	<b>282.7</b>	<b>377.9</b>	<b>-25.2</b>
<i>EBITDA Margin (as % of total revenue)</i>	<i>14.9</i>	<i>17.7</i>	
Finance Cost	(0.3)	-	
Income tax expenses	(13.8)	(45.3)	-69.6
<b>Net profit for the period</b>	<b>120.9</b>	<b>210.6</b>	<b>-42.6</b>
<i>Net Profit Margin (as % of total revenue)</i>	<i>6.4</i>	<i>9.9</i>	
Total Comprehensive Income for the period	120.9	218.1	-44.6
Weighted average no. of ordinary shares (share)	786,300,000	786,300,000	
<b>Basic earnings per share (Baht per share)</b>	<b>0.15</b>	<b>0.27</b>	

For the nine months period in 2020, the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 282.7 million, the EBITDA margin were 14.9%. For the nine months period in 2019, the Company reported earnings before interest, tax, depreciation and amortization (EBITDA) Baht 377.9 million, the EBITDA margin was 17.7%.

For the nine months period in 2020, the Company reported depreciation and amortization of Baht 148.0 million, Comparing to depreciation and amortization in 9M2019 of Baht 122.1 million. The higher proportion of depreciation and amortization amount due mainly to the new building opening in July 2020 and some medical equipment related to new building.

For the nine months period in 2020, the Company reported finance cost of Baht 0.3 million as a result of the adoption of the new financial reporting standard TFRS 16: Leases. And for the nine months period in 2019, the Company reported none of finance cost since the Company did not have interest bearing debts. While the Company reported income tax expenses for the nine months period in 2020 of Baht 13.8 million.

For the nine months period in 2020, the Company reported net profit for the period of Baht 120.9 million, representing the net profit margin for the period of 6.4%. While the Company reported net profit for the nine months period in 2019 of Baht 210.6 million, representing the net profit margin for the period of 9.9%. Basic earnings per share of Baht 0.15 per share and Baht 0.27 per share in 9M2020 and 9M2019 respectively.

**Statement of Financial Position**

<b>Statement of financial position</b> <i>(Millions of Baht)</i>	<b>As of</b> <b>30 September 2020</b>	<b>As of</b> <b>31 December 2019</b>	<b>Change</b> <b>(%)</b>
Current assets	1,150.1	1,643.1	-30.0
Non-current assets	3,564.4	3,073.5	+16.0
<b>Total assets</b>	<b>4,714.5</b>	<b>4,716.6</b>	<b>-0.0</b>
Current liabilities	498.7	523.0	-4.6
Non-current liabilities	168.7	154.6	+9.1
Total liabilities	667.4	677.6	-1.5
Total shareholders' equity	4,047.0	4,039.0	+0.2
<b>Total liabilities and shareholders' equity</b>	<b>4,714.5</b>	<b>4,716.6</b>	<b>-0.0</b>

**1. Assets**

As of 30 September 2020, the Company reported current assets of Baht 1,150.1 million, decreased by 30.0% as compared to Baht 1,643.1 million as of 31 December 2019. The Company reported cash and cash equivalents of Baht 980.9 million as of 30 September 2020, from Baht 631.8 million as of 31 December 2019. This was mainly due to the reduction of current investments and changing into short-term deposits with special interest rate to prepare to use some of these cash in the expansion of new building, nursing dormitory and office building projects.

As of 30 September 2020, the Company reported non-current assets of Baht 3,564.4 million, increased by 16.0% as compared to Baht 3,073.5 million as of 31 December 2019. Mainly came from the increase of property, plant and equipment of Baht 524.0 million, increased by 18.3% as a result of an increase of assets in building expansion project, nursing dormitory and home office.

**2. Liabilities**

As of 30 September 2020, the Company reported current liabilities of Baht 498.7 million, decreased by 4.6% as compared to Baht 523.0 million as of 31 December 2019.

As of 30 September 2020, the Company reported non-current liabilities of Baht 168.7 million, increased by 9.1% as compared to Baht 154.6 million as of 31 December 2019. This was mainly because of an increase in provision for long-term employee benefits amounting of Baht 9.0 million. Including the new record of lease liabilities, net of current portion amounting of Baht 4.1 million from the adoption of the new financial reporting standard TFRS 16: Leases.

**3. Shareholders' equity**

As of 30 September 2020, the Company reported shareholders' equity of Baht 4,047.0 million, increased by 0.2% as compared to Baht 4,039.0 million as of 31 December 2019. This was mainly because of net profit for nine months period ended 30 September 2020 of Baht 120.9 million offset with a dividend payment of Baht 110.1 million and the net cumulative effect of changes in accounting policies regarding the investments in debt securities due to the adoption of new financial reporting standards amounting of Baht 2.7 million.

**Cash flow statement**

<b>Cash flow statement</b> <i>(Millions of Baht)</i>	<b>For Nine Months Period Ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Cash flows from (used in) operating activities	300.6	406.8
Cash flows from (used in) investing activities	160.6	(58.0)
Cash flows from (used in) financing activities	(112.1)	(111.4)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>349.1</b>	<b>237.5</b>

For nine months period ended 30 September 2020, the Company reported cash flows from operating activities of Baht 300.6 million, a decrease of Baht 106.2 million as compared to the nine months period ended 30 September 2019 which generated cash flows from operating activities of Baht 406.8 million, mainly came from the decrease in hospital operation results.

For nine months period ended 30 September 2020, the Company reported cash flows from investing activities of Baht 160.6 million, an increase of Baht 218.6 million as compared to nine months period ended 30 September 2019 which reported cash flows used in investing activities of Baht 58.0 million. This was due mainly to the cash flow from sale of investments in available-for-sale securities of Baht 995.5 million increased from Baht 200.5 million in the same period of last year, net with cash paid for the purchase of fixed assets in the amount of Baht 504.4 million, increased from Baht 435.5 million in the same period last year. Including cash paid for payable of fixed assets amount of Baht 111.4 million, increased from Baht 96.9 million in the same period last year.

For nine months period ended 30 September 2020, the Company reported cash flows used in financing activities of Baht 112.1 million, since the dividend payment of Baht 110.0 million and the repayment of lease liabilities of Baht 2.1 million which slightly changed as compared to nine months period ended 30 September 2019 which reported cash flows used in financing activities of Baht 111.4 million.

<b>Key Financial Ratio</b>	<b>Nine Month Period Ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
<b>Liquidity Ratio</b>		
Current ratio	2.3	3.2
Average collection period	50.9	52.5
Average days sales of inventory	44.1	42.0
Average account payables days	22.6	56.0
Cash cycle	72.5	38.5
<b>Profitability Ratio</b>		
Gross profit margin	28.0	30.8
Net profit margin	6.4	9.9
Return on average shareholders' equity	4.9	6.2
Return on average assets	4.2	4.8
<b>Financial Policy Ratio</b>		
Debt to equity ratio	0.16	0.17
Interest bearing debt to equity ratio	0.00	0.00

Remark: The information from financial statements adjusted to fully annualized numbers by using the numbers in the current quarter plus the previous last three quarters financial information



Please be informed accordingly,

Yours sincerely,

**Praram 9 Hospital Public Company Limited**

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Satian Pooprasert, M.D.

Chief Executive Officer