



No. PRINC-67-003

November 12, 2024

Subject: Management Discussion and Analysis of the consolidated financial statements for the third quarter (“Q3/2024”) for three-month and nine-month period ended September 30, 2024

To: President

The Stock Exchange of Thailand

Principal Capital Public Company Limited and its subsidiaries (“PRINC”) would like to clarify operating results for the third quarter of 2024, ended September 30, 2024, compared with the same period of 2023.

Operation Results and Major Developments in Q3/2024

In Q3/2024, PRINC’s consolidated revenues were THB 1,618.7 million, a 9.6% increase year-over-year, whereas in the first three quarters of 2024, the consolidated revenues were THB 4,306 million, a 16.6% increase year-over-year. This was mainly due to the continuing growth in hospital and healthcare-related businesses through our four-pillar strategic approaches including; **1. business growth, 2. technology development, 3. medical service advancement, and 4. ESG development.** The highlight activities in Q3/2024 are as follows.



Business Growth

On September 1, 2024, Princ Suvarnabhumi Hospital continued to enhance its service standards by opening 2 new wards, VIP & Elite Premium, a total of additional 37 beds for inpatient care.

Technology Development

On October 1, 2024, the e-commerce platform was launched to market and sell PRINC hospitals' products and services. This helps PRINC hospitals lower their marketing costs and make it more convenient for customers to access PRINC's products and services.

On October 1, 2024, The CMMS (Computerized Maintenance Management System) was first deployed at Princ Hospital Paknampo and Princ Hospital Uthai Thani, with a plan to expand to other PRINC hospitals within next year. This CMMS implementation will help reduce outsourcing costs for medical equipment maintenance.

Medical Service Advancement

To enhance clinical capability of treating cardiology patients, Princ Hospital Paknampo prepares to launch Cardiac Catheterization Lab (Cath Lab) by this December.

Princ Hospital Suvarnabhumi plans to install Biplane DSA (Biplane Digital Subtraction Angiography) to expand scope of its interventional cardiology services, expected to be launched by early of 2025.

ESG Development

On July 17, 2024, PRINC achieved the 2nd renewal of CAC certification from the Private Sector Collective Action Coalition Against Corruption (CAC).



On August 1, 2024, Dr. Sawet Srisiri, Princ Hospital Ubonratchathani's hospital director, received "2024 Man of the Year" Award in Medical and Public Health from the For Thai Social Foundation, being recognized as the person who contributed positively to the society and the nation.

On August 6, 2024, PRINC participated in a panel discussion in Malaysia on the topic of "Breaking Barriers: Achieving Gender Equality through Women's Representation in Senior Management", hosted by the United Nations Global Compact. PRINC upholds human rights policies to ensure gender equality and non-discrimination.

Considered the first in Thailand, high-quality PVC floor tiles were developed by recycling used dialysis solution bags. This development is a collaboration between PRINC and partners, SCG Chemicals Public Company Limited, Baxter Healthcare (Thailand) Co., Ltd., and Dynoflex. On September 11, 2024, Princ Hospital Suvarnabhumi opened its new VIP & Elite Premium wards, with such recycled floor tiles. PRINC plans to install such recycled floor tiles in Princ Mukdahan Hospital as well.

On October 18, 2024, Pitsanuvej Hospital was awarded a National Level Distinguished Model Business Establishment for Safety, Occupational Health, and Workplace Environment for the year 2024 (Diamond level) in the 9th year.

On October 24, 2024, Pitsanuvej Uttaradit Hospital received 2 awards from the Department of Labor Protection and Welfare, which are Outstanding Establishment Award for Labor Relations and Labor Welfare and Outstanding Establishment Award for Safety, Occupational Health and Environment.

Since mid of August, PRINC has successfully sold three property projects,

comprising Bangkok Business Center, Somerset Ekamai and Marriott Vista Sathorn, with total value of approximately THB 5,900 million. A part of the proceeds was used to repay bank debts, resulting in our stronger financial position, while the remaining portion will be used for working capital and for new investment projects, enhancing the future growth in hospital and healthcare-related businesses.

Economic and industry conditions affecting operations, policies, strategies, and business decisions

From the economic and inflation forecasts by the Bank of Thailand (“BOT”), the Thai economy could maintain a predicted GDP growth rate of 2.7% in 2024 and 2.9% in 2025 year-over-year. Such a growth is driven by continued recovery in the tourism sector, continued growth in private consumption that is further supported by government stimulus measures, and improvement in exports, especially from higher demand for electronic products.

Whereas, the headline inflation was projected to gradually increase towards the target range from the fourth quarter of 2024 onwards due to an increase in energy prices and raw foods. Compared with the forecast done from the last assessment, headline inflation remains unchanged at 0.5% in 2024 and 1.2% in 2025, while the forecast of core inflation is projected to be 0.5% in 2024 and 0.9% in 2025.

For the monetary policy decisions at the meeting on October 16, 2024, the committee voted to cut the policy rate by 0.25%, from 2.50% to 2.25%. A majority of committee members deemed that a neutral stance of policy rate remains appropriate and consistent with the economic growth and inflation outlook, while fostering long-term macro-financial stability.



PRINC is still continuously focusing on healthcare service business expansions, with key strategies as follows:

1. Expanding hospital networks to serve unmet demand in many areas/provinces e.g. setup new hospitals in smaller cities.
2. Enhancing sophisticated healthcare services with more specialized treatments such as development of radiation oncology centers and expansion of heart (cardiology) centers.
3. Investing in healthcare related businesses such as elderly care centers and nursing home.

Table 1 Comparison the operating performance results between Q3/2024 and Q3/2023

	For 3-Month Period		Change		For 9-Month Period		Change	
	Q2/2024	Q2/2023	Amount	% YOY	9M/2024	9M/2023	Amount	% YOY
Consolidated Profit and Loss								
Unit : Million Baht								
Revenues from healthcare services	1,617.1	1,476.5	140.5	+9.5	4,303.1	3,689.6	613.6	+16.6
Revenues from sales and services	1.6	0.8	0.8	+95.9	2.9	2.5	0.4	+16.2
Costs of healthcare services	(1,217.4)	(1,123.4)	(94.0)	+8.4	(3,393.2)	(3,048.6)	(344.6)	+11.3
Costs of sales and services	(1.2)	(0.5)	(0.7)	+156.7	(2.5)	(1.6)	(0.9)	+53.9
Gross profit (loss)	400.1	353.5	46.6	+13.2	910.3	641.8	268.5	+41.8
Other income	18.9	16.8	2.0	+12.0	62.3	54.6	7.8	+14.2
Selling and Administrative expenses	(339.7)	(338.9)	(0.8)	+0.2	(1,020.6)	(944.3)	(76.3)	+8.1
Other expenses	(5.9)	(6.6)	0.7	-10.4	(22.0)	(17.5)	(4.5)	+25.5
Reversal of expected credit losses	5.2	26.7	(21.5)	-80.6	17.9	(177.0)	194.9	n.m.
Share of profit (loss) from an associate and joint ventures using equity method	(2.3)	0.0	(2.3)	-13,429.2	(14.3)	(0.1)	(14.2)	n.m.
Finance costs	(43.8)	(46.6)	2.8	-6.0	(168.0)	(132.1)	(35.9)	+27.2
Profit (loss) before income tax expense	32.5	4.9	27.5	+556.5	(234.4)	(574.7)	340.3	n.m.

	For 3-Month Period		Change		For 9-Month Period		Change	
	Q2/2024	Q2/2023	Amount	% YOY	9M/2024	9M/2023	Amount	% YOY
Consolidated Profit and Loss								
Unit : Million Baht								
Tax (Expenses) Income	(24.3)	(16.4)	(7.8)	+47.6	(32.7)	(24.7)	(7.9)	+32.1
Profit (Loss) for the period from continuing operations	8.2	(11.5)	19.7	n.m.	(267.1)	(599.4)	332.3	+32.1
*Profit for the period from discontinued operations	739.8	49.9	689.8	+1,382.2	824.6	95.3	729.3	+765.3
Profit (loss) before non-controlling interests	748.0	38.4	709.5	+1,847.2	557.5	(504.1)	1,061.6	n.m.
Non-controlling interests	6.7	6.5	0.2	+3.1	(5.7)	(21.2)	15.5	n.m.
Profit (loss) attributable to owner of the parent	741.3	32.0	709.3	+2,220.1	563.2	(483.0)	1,046.2	n.m.
**Earnings before interest, taxes, depreciation, and amortization (EBITDA)	266.0	274.5	(8.5)	-3.1	558.8	207.0	351.8	+170.0

Remark

*Profit for the period from discontinued operation : Property business's net value of revenues and expenses were reclassified into this item, including gain on disposal of discontinued operations - net of tax.

**Earnings before interest, taxes, depreciation, and amortization (EBITDA): This included property business's EBITDA, but excluded gain on disposal of discontinued operations - net of tax.

Q3/2024 Compared to Q3/2023

- Revenue from healthcare services was THB 1,617.2 million, an increase by THB 140.7 million or 9.5% growth.
- Gross profit equaled THB 400 million, an increase by THB 46.5 million or 13.2% growth, resulting from improvement of revenue generation and direct cost containment.
- Profit (loss) for the period from continuing operations equaled THB 8.2 million, an increase by THB 19.7 million, resulting from improvement of revenue generation, direct and SG&A cost containment and reduction of finance cost.
- EBITDA equaled THB 266 million, a decrease by THB 29.8 million or 13.2% or 3% decrease which excluded gain on disposal of discontinued operations - net of tax at THB 700.85 million.
- Profits attributable to the owner of the parent equaled THB 741.3 million, an increase by THB 709 million, which included gain on disposal of discontinued operations - net of tax at THB 700.85 million.

9M/2024 Compared to 9M/2023

- Revenue from healthcare services was THB 4,303.3 million, an increase by THB 613.6 million or 16.6% growth.
- Gross profit equaled THB 910.3 million, an increase by THB 268.5 million or 41.8% growth, resulting from improvement of revenue generation and direct cost containment.

- Profit (loss) for the period from continuing operations equaled THB 267.1 million, an increase by THB 332.3 million, resulting from improvement of revenue generation, direct and SG&A cost containment.

- EBITDA equaled THB 558.8 million, an increase by THB 351.8 million or 170% growth, which excluded gain on disposal of discontinued operations - net of tax at THB 700.85 million.

- Reversal of expected credit losses was THB 17.9 million. This was due to additional collection from NHSO doubtful debts set in Q2/2023.

- Gains attributable to owner of the parent equaled THB 563.2 million, an increase from loss at THB 483 million, This is mainly attributable to gains from divestments with the value of THB 700.85 million.

Revenue increase in Q3/2024 and in the first nine-months of 2024 compared to the same period of 2023 were primarily attributable to growth in hospital and healthcare businesses. Tables below contain revenue breakdown and revenue growth by key payor type.

Table 2: Revenue Breakdown by Key Payor Type

Proportion to Revenue	Q3	Q3	9-Month	9-Month
	2024	2023	2024	2023
Contract	18.93%	18.09%	19.06%	19.82%
Government	5.85%	4.84%	4.69%	6.01%
Insurance	38.84%	37.88%	35.90%	37.04%
General Patients (Self-Pay)	36.37%	39.19%	40.35%	37.13%
Total	100.00%	100.00%	100.00%	100.00%

Table 3: Revenue Growth comparing 9M/2024 and 9M/2023

% of Revenue Growth of Each Payor	Q3/2024 VS Q3/2023	9M/2024 VS 9M/2023
Contract	14.60%	21.30%
Government	32.38%	49.41%
Insurance	12.32%	20.34%
Selfpay	1.64%	7.31%
Total Growth of Hospital Revenues	9.52%	16.63%

Table 4: Financial Positions

Consolidated Financial Position Unit : Million Baht	As of September 30, 2024	As of December 31, 2023	Change (Amount)	% YOY
Total Assets	15,499.7	17,883.5	(2,383.9)	-13.3
Total Liabilities	5,402.5	8,315.9	(2,913.4)	-35.0
Shareholder's Equity	9,348.1	8,790.0	558.1	6.3
Debt to Equity Ratio (Unit:Time)	0.54	0.87	-0.37	-38.4
Interest Bearing Debt to Equity (Unit:Time)	0.37	0.71	-0.34	-47.9

Total assets as of September 30, 2024 were THB 15,499.7 million, a decrease of THB 2,383.9 million from the end of 2023. These significant changes were due to divestment of property businesses. Property, plant and equipment was decreased by

THB 2,900 million, while short-term fixed deposits were increased at THB 844 million due to increased liquidity from property divestment.

Total liabilities at the end of Q3/2024 were THB 5,402.5 million, a decrease by THB 2,913.4 million from the end of 2023. These significant changes resulted from a THB 3,122.5 million decrease in loans from financial institutions, both short-term and long-term. These loan repayments help reduce the ratios of debt to equity and interest bearing debt to equity to 0.54x and 0.37x, respectively.

Table 5: Financial Ratio Analysis

Highlight Financial Ratios	Unit	As of September 30, 2024	As of September 30, 2023	Change
Liquidity Ratio				
Current Ratio	Time	1.54	0.49	+1.06
Quick Ratio	Time	0.67	0.40	+0.27

		For 9-month Period		
Highlight Financial Ratios	Unit	9M/2024	9M/2023	Change
Leverage Ratios				
Interest coverage Ratio	Time	-0.40	-3.35	2.95
Profitability Ratios				
Gross Profit Margin	%	21.14	17.38	+3.76
EBITDA Margin	%	12.68	5.52	+7.15
Net Profit Margin	%	12.76	-13.46	+26.22

Analysis of Liquidity Ratios

At the end of Q3/2024, current ratio was 1.54x, increasing from 0.49x (value from end of Q3/2023). This resulted from divestment of property businesses which increased cash and cash equivalent, while reduced short-term loans.

1. The value of short-term fixed deposits and financial assets in current assets were increased by THB 900 million.

2. Short-term borrowings from financial institutions decreased by THB 1,446 million.

Analysis of Leverage ratios

Interest coverage ratio improved from -2.78x in Q3/2023 to -0.40x in Q3/2024. This was attributed to the continuous improvement in revenue generation and cost containment.

Analysis of Profitability Ratios

- Gross profit margin in 9M/2024 was at 21.14%, an increase by 3.76% from the same period of last year.
- Net profit margin in 9M/2024 was at 12.76%, an increase by 26.22% from the same period of last year.



Continuous business expansion at a rapid pace, plus ability to achieve economies of scale played an important role in profitability ratio improvement. The divestment of property businesses would enhance healthcare business prospects in terms of business growth and expansion of specialized medical care, which will further strengthen our profitability.

For your kind acknowledgement.

Yours respectfully,

- Signature -

(Krittavith Lertutsahakul, M.D.)

Managing Director