

No. 011/2021

14 May 2021

RE: Management Discussion and Analysis for Q1/2021

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited (“Company”) would like to submit the following Management Discussion and Analysis on the Company and Consolidated Financial Statements for Q1/2021, ended 31 March 2021, compare with same quarter of the Year 2020 as follows.

Major developments in Q1/2021

On 28 March 2021, the Company has opened a new building of the PRINC Hospital Lamphun with a size of 59 beds with more specialized departments in response to the expanding city and support social security patients. PRINC Hospital Lamphun will provide comprehensive medical services which will give people access to a better public health system together with connecting to the medical network for referring specialists in the northern area.

On April 1, 2021, the Company has opened the PRINC Hospital Sisaket, the second private hospital in Sisaket province, a 59-bed hospital with more than 20 specialized medical services to provide people easy access to treatment and help alleviate the congestion of the large hospitals. It is also an alternative treatment for people in the area and nearby provinces including neighboring countries such as Cambodia, and encouraging medical personnel to work in their home provinces. Furthermore, it is providing the opportunities to the employees who working in different areas are able to earn the same income as working in a major city and return to work at their own hometown

The economic and industrial situations affecting the operation and business policies, strategies and decisions

The outbreak of COVID-19 in early 2020 has adverse effects on operating results of the Group continued to current year.

The global COVID-19 outbreak initiated government-imposed travelling restrictions and controls as well as upended the normal way of living and economic activities. As a result, hotel revenue significantly dropped by Baht 54.9 million which is 55.7% compared to prior year. This is due to temporary operational closures as well as previously suspended and currently diminished domestic and international travels. In response, the Group offered various promotions such as room and food and beverage discount to attract customers. Also, the protocol to

prevent the spread of COVID-19 enforced restriction on transportation in many areas. The management expects that both of operating results and revenue will be recover after vaccine rollout in the second half year of 2021.

While the hospital business, in particular, PRINC Hospital Suvarnabhumi has conducted a screening for COVID-19 to lighten the burden of the government in dealing with the pandemic situation. In the case of the test of COVID-19 has resulted to be positive, the hospital undertakes public health procedures including provide a bed to support from the Hospital of PRINC Hospital Network, the private hospital association network or coordinate to the field hospital to accommodate COVID-19 patients in according to the government's procedure. It also coordinates with the recruitment of medical personnel in the PRINC Hospital group from all over PRINC Hospital Network and the Klai Baan Klai Jai Clinics for 13 clinics in Bangkok to strengthen the medical personnel in providing such services.

#### Q1/2021 operating results

Consolidated	Q1/2021	Q1/2020	Increase	Change
Unit: million			(decrease)	%
Revenues from hospital operations	647.8	580.1	67.7	11.7
Revenues from sales and services	75.2	130.5	(55.3)	-42.4
Costs of hospital operations	580.8	507.8	73.0	14.4
Costs of sales and services	70.2	85.0	(14.7)	-17.3
<b>Gross Profit</b>	<b>71.9</b>	<b>117.8</b>	<b>(45.9)</b>	<b>-39.0</b>
Other income	18.1	13.7	4.4	32.6
Selling and Administrative expenses	228.5	216.1	12.4	5.8
Finance costs	33.8	32.2	1.6	4.8
<b>Loss before income tax expense</b>	<b>(172.2)</b>	<b>(116.8)</b>	<b>(55.5)</b>	<b>-47.5</b>
Income tax expense	(1.0)	(4.6)	3.7	79.0
<b>Total comprehensive expense for the period</b>	<b>(173.2)</b>	<b>(121.4)</b>	<b>(51.8)</b>	<b>-42.7</b>

In the first quarter of 2021, the Company and its subsidiaries had revenues from hospital operations of 647.8 million Baht. Costs from hospital operations of 580.8 million Baht and revenue from sales and services of 75.2 million Baht. Cost from from sales and services 70.2 million baht, selling and administrative expenses 228.5 million Baht and financial costs 33.8 million Baht. As a result, the Company was a loss for the period of 173.2 million Baht.

The following explains the operating results by business group.

#### Total Revenues

Unit: million	Q1/2021	Q1/2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	574.2	565.6	8.6	1.5
- New Hospitals	73.6	14.5	59.1	409.2
<u>Property development and rental business</u>	75.2	130.5	(55.3)	-42.4
<b>Total Revenues</b>	<b>723.0</b>	<b>710.6</b>	<b>12.4</b>	<b>1.7</b>

The Company and the subsidiaries generated total revenues totaling 723.0 million Baht, increase of 12.4 million Baht or 1.7% resulted from the following;

- The Hospital business
  - Revenues of existing hospitals : The hospital that was opened for the full quarter of the two years had an increase in revenue of 8.6 million Baht (1.5%) from PRINC Hospital Suvarnabhumi which income increased to 29.7 million Baht or 64.7% from customers who test and treat COVIC-19. Also, the revenue from PRINC Hospital Lamphun, PRINC Hospital Uthaithani and Pitsanuvej Uttaradit Hospital which income increased to 7.2 million Baht. While Pitsanuvej Hospital, PRINC Hospital Paknampo and Pitsanuvej Pichit Hospital which income increased to 28.4 million Baht
  - Revenues of new opening hospitals: The hospital that was not opened for the full quarter in 2020 which are Virajsilp Hospital and PRINC Hospital Ubonratchathani which income increased to 56.7 million Baht
- The property development, rental business had a revenue decrease of 55.3 million Baht, or 42.4%, mainly due to the pandemic of COVID-19 from the second quarter of 2020 until the present due mainly to the following;
  - The Marriott Executive Apartment Sathorn Vista - Bangkok Project, had a revenue decrease of 36.6 million Baht because the occupancy rate reduces from 84.2% in the first quarter of 2020 to 36.6% in this quarter. And, the Average Daily Revenue (ADR) was reduced from 3,946 Baht to 2,984 Baht
  - The Somerset Ekamai Bangkok Project had a revenue decrease of 18.3 million Baht because the occupancy rate reduces from 70.8% in the first quarter of 2020 to 42.5 % in this quarter. And, the Average Daily Revenue (ADR) was reduced from 2,436 Baht to 2,392 Baht

## Total Gross Profit

Unit: million	Q1/2021	Q1/2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	65.2	69.5	(4.3)	-6.2
- New Hospitals	1.8	2.8	(1.0)	-34.9
<u>Property development and rental business</u>	4.9	45.5	(40.6)	-89.2
<b>Total Gross Profit</b>	<b>71.9</b>	<b>117.8</b>	<b>(45.9)</b>	<b>-39.0</b>

The Company and its subsidiaries had gross profit of 71.9 million baht, a decrease of 45.9 million baht or 39.0 percent as a result of both businesses.

- Property development and rental business - Gross profit decreased by 40.6 million baht, or 89.2% from a significant decrease in income. Although there are about 30% long-term tenants, but the absence of tourists and international travel being locked down, making it impossible to have additional customers. Although the cost has controlled in other respects, but the cost of the reduction is less than the reduced income, therefore, reducing the gross profit.
- Hospital business
  - The existing hospitals: The gross profit decreased by 4.3 million Baht (6.2%) from all hospitals with declining revenues. Even though, there have been efforts to reduce direct costs, such as reducing the time spent working for nurses and doctors, and reducing salaries for employees and executives at all levels. However, due to the lower gross income, the gross margin decreased when compared to the same quarter of last year. Except, PRINC Hospital Suvarnabhumi, Pitsanuvej Pichit Hospital and PRINC Hospital Uthaithani with a total gross profit increased of 22.6 million Baht.
  - The new opening hospitals : Since the new opening hospitals shall have fixed costs such as depreciation, doctor fees, nursing fees, etc. that have to be prepared to open the hospital, while the incoming income is not enough to cover such costs. Resulting in decreasing of gross profit.

### Total Selling and administrative expenses

Unit: million	Q1/2021	Q1/2020	Increase (decrease)	Change %
<b>Hospital Business</b>				
- Existing Hospitals	172.4	165.8	6.6	4.0
- New Hospitals	22.4	3.6	18.8	525.9
Property development and rental business	33.7	46.7	(13.0)	-27.8
<b>Total Selling and administrative expenses</b>	<b>228.5</b>	<b>216.1</b>	<b>12.4</b>	<b>5.8</b>

In the first quarter of 2021, total sales and administrative expenses were 228.5 million Baht, an increase of 12.4 million Baht (5.8%) from new hospitals that opened in the year, namely PRINC Hospital Sisaket and PRINC Hospital Lamphun (new building) with marketing and public relations expenses and other expenses have increased. The Company and its subsidiaries have put more emphasis on cost reduction. There are various policies that have been released, such as closing some service areas or temporarily halting services to reduce operating costs. Including a reduction in temporary employment and reduce the employment of part-time employees, permanent employees who resigned. Also, the Director team and employees have all together reduced a number of salaries in order to reduce the Company's expenses. As a result, the expenses for the real estate business decreased.

### EBITDA :

Unit: million	Q1/2021	Q1/2020	Increase (decrease)	Change %
<b>EBITDA</b>	<b>11.4</b>	<b>46.0</b>	<b>(34.7)</b>	<b>75.3</b>
Finance costs	33.8	32.2	1.6	4.8
Depreciation and amortisation	149.8	130.6	19.2	14.7
Income tax expense	(1.0)	(4.6)	3.7	79.0
<b>Loss for the period</b>	<b>(173.2)</b>	<b>(121.4)</b>	<b>(51.8)</b>	<b>-42.7</b>

EBITDA for Q1 / 2021 was 11.4 million Baht, 34.7 million Baht lower than the same quarter last year due to the COVIC-19 epidemic situation. That causes the revenues of the real estate business to significant drop. While the hospital business grew slightly by the new hospital that entered while the cost and expenses can be reduced by less than the percentage of the lower income, so EBITDA was reduced.

Interest expenses were 33.8 million Baht, an increase of 1.6 million baht (4.8%) due to an increase in borrowing from financial institutions with lower interest rates.

Depreciation is 149.8 million baht, an increase of 19.2 million baht from new hospitals in 2020 and 2021, and some hospitals have completed renovations. Therefore, increased depreciation has been recorded.

**Loss for the period:** The Company and its subsidiaries had a loss in this quarter of 173.2 million Baht, which increased the loss from quarter 1/2020 by 51.8 million Baht. In addition, the decrease of revenues, the lower costs and expenses were lower than the reduced income compounded with interest, depreciation were getting higher.

#### Financial Position

Statement of Financial Position	31 March	31 December	Increase	Change
Unit: million	2021	2020	(Decrease)	%
Total assets	15,656.7	15,415.1	241.6	1.6
Total liabilities	6,535.0	6,090.2	444.9	7.3
Equity attributable to owners of the parent	8,137.6	8,297.1	(159.5)	-1.9
Debt to Equity Ratio (times)	0.80	0.73		

As of 31 March 2021, the Company and its subsidiaries had total assets of 15,656.7 million Baht, an increase of 241.6 million Baht, compared to total assets as at 31 December 2020, resulting from;

- Property, plant and equipment increased by 128.2 million Baht from the new hospitals operating this quarter.
- Financial assets measured at fair value increased by Baht 130.0 million Baht from an increase in investment in fund of the subsidiary.
- During the quarter, a subsidiary reclassified the investment property of Baht 1,010.7 million Baht to be sold to the third-parties to be non-current assets held-for-sale that are in current assets.

As of 31 March 2021, the Company and its subsidiaries had total liabilities of 6,535.0 million Baht, increasing from total liabilities as at 31 December 2020 by 444.9 million Baht, for the following reasons;

- Long-term borrowing from the financial institutions, increased by 357.7 million Baht, resulting from investment in new hospitals and renovating the existing hospitals
- Trade and other payables increased by 93.5 million Baht

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Shareholders' equity decreased by 195.5 million Baht from the losses incurred by the Company during the period.

The debt-to-equity (D/E) ratio stood at 0.80, rise from 0.73 on 31 December 2020, resulting from the long-term borrowing from the financial institutions, while the shareholders' equity decreased from the operating results during the period

For your kind acknowledgement.

Yours respectfully.

Signature



(Miss Preeyaporn Aphiwathwithaya)

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