



JSP Pharmaceutical Manufacturing (Thailand) PCL. and Subsidiaries

Management Discussion and Analysis

For the Nine-month Period Ended 30 September 2023

Executive Summary

Consolidated financial statements <i>Unit: THB000</i>	Quarter 3	Quarter 2	Quarter 3	Change		Nine-month Period		Change %YoY
	Year 2023 ("3Q23")	Year 2022 ("2Q23")	Year 2022 ("3Q22")	%QoQ	%YoY	Year 2023 ("9m23")	Year 2022 ("9m22")	
Revenue from sales and services	171,771	124,123	107,680	38.4%	59.5%	417,076	302,574	37.8%
Gross profit	42,029	22,239	33,554	89.0%	25.3%	98,782	88,197	12.0%
EBITDA	11,210	(2,921)	1,834	(483.8%)	511.2%	22,950	(5,438)	(522.0%)
Consolidated net profit (loss)	35,466	(10,537)	(2,788)	(436.6%)	(1,372.1%)	24,358	(19,163)	(227.1%)
Net profit (loss) to the parent company	3,526	(12,792)	(4,709)	(127.6%)	(174.9%)	(7,964)	(28,144)	(71.7%)
Gross profit margin	24.5%	17.9%	31.2%	6.6%	(6.7%)	23.7%	29.1%	(5.4%)
EBITDA margin	5.0%	(2.2%)	1.6%	7.2%	3.4%	4.8%	(1.7%)	6.5%
Net profit (loss) margin	15.8%	(8.1%)	(2.5%)	23.9%	18.3%	5.1%	(6.1%)	11.2%

Source: Interim financial information 9m23 (Reviewed), 6m23 (Reviewed) and management information

On 24 August 2023, the Group has completed the acquisition in 65.0% ordinary shares of CDIP (Thailand) PCL., which operates in the services of laboratory research, scientific test and analysis, training and seminar, and consultancy for research fund application businesses from the Group's major shareholders. The consolidated statements then presented financial performance, financial position and cash flows in accordance with business combination under common control. Hence, the Group retrospectively adjusted financial information for comparability purposes.

The Third Quarter QoQ (3Q23 vs 2Q23)

- The Group's gross profit margin for 3Q23 was higher than 2Q23 by 6.6% since the Group had higher revenue from sales and services, which resulted to better utilisation of production capacity.
- In 3Q23, the Group had EBITDA and net profit greater than 2Q23 by Baht 14.1 million and Baht 46.0 million, respectively. These were mainly because higher gross profit earned and gain on remeasurement of financial assets.

The Third Quarter YoY (3Q23 vs 3Q22)

- The Group's revenue from sales and services for 3Q23 increased from 3Q22 amounting to Baht 64.1 million, or 59.5%. This was mainly because the increase of healthcare product sales rose up by Baht 36.3 million, together with expansion of the Group's businesses into hemodialysis solution and medical supplies for dialysis treatment had revenue of Baht 28.8 million.
- The Group reported gross profit margin of 24.5% for 3Q23, which decreased from 3Q22 by 6.7%. The Group had more pressure on cost of production because depreciation on buildings and machinery which have been completely constructed and installed during 2023. Furthermore, the increase of electricity expenses resulted to the Group's gross profit margin.
- The Group had net profit in 3Q23 since realisation of gain on remeasurement of financial assets.

Nine-month Period YoY (9m23 vs 9m22)

- According to the escalation of channel of distribution on Own Brand products into TV Home Shopping and the increase of OEM customers' orders on conventional medicine products, revenue from sales and services for 9m23 increased from 9m22 by 37.8%.
- The Group's gross profit margin for 9m23 decreased by 5.4% comparing with 9m22 since the effect of higher electricity expenses and depreciation of building and machinery which have been completely constructed and installed during 9m23.
- Due to gain on remeasurement of financial assets, the Group's consolidated net profit margin for 9m23 was 5.1%.

Nine-month financial ratios YoY (9m23 vs FY22)		9m23	FY22
<ul style="list-style-type: none"> Because of short-term loans from financial institutions and liabilities acquired from the subsidiaries from business combinations, the Group had higher debt-to-equity ratio for 9m23 than FY22. 	<i>Return on assets</i>	2.4%	(0.2%)
	<i>Return on equity</i>	3.5%	(0.3%)
	Debt-to-equity ratio (Times)	0.45	0.30

Significant events during 3Q23

Acquisition of ordinary shares in relation to research in laboratory services

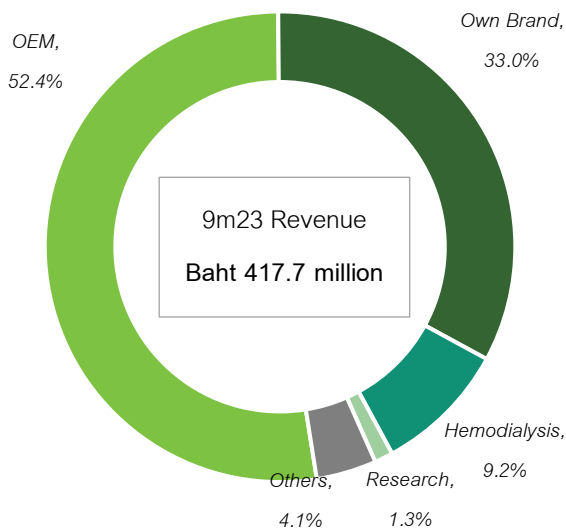
On 24 August 2023, the Group acquired 65.0% of registered and paid-up capital of CDIP (Thailand) PCL.; which operates in the services of laboratory research, scientific test and analysis, training and seminar, and consultancy for research fund application businesses, with consideration of Baht 200.0 million.

Moreover, CDIP (Thailand) PCL. has acquired 44.0% of registered and paid-up capital of Medis Corporation Company Limited; which operates in trading consumer staples and providing advertising medias through vending machine with consideration of Baht 132.1 million.

The Group expected that the investments will assist in expanding businesses in relation to trading and developing healthcare products by with innovation and in line with current consumer behaviour.

Operating results

1. Revenue from sales and services structure



Products under customer's brand (OEM)

- The Group had variety of product to support customer's demand.
- The Group's revenue principally derived from OEM customers.

Products under the Group's brand (Own Brand)

- The Group's brand consisted of COX™, JSP™, Suphap Osot™, EVITON™, which covered many channels of distribution
- The Group's had product development and marketing plans to expand revenue from Own Brand segment.

Hemodialysis solution (Hemodialysis)

- The Group manufactures and distributes dialysis solution for dialysis clinic

Product research and development, training and seminar services (Research)

- The Group provides product research and development of products, training and seminar and consultancy for research fund application

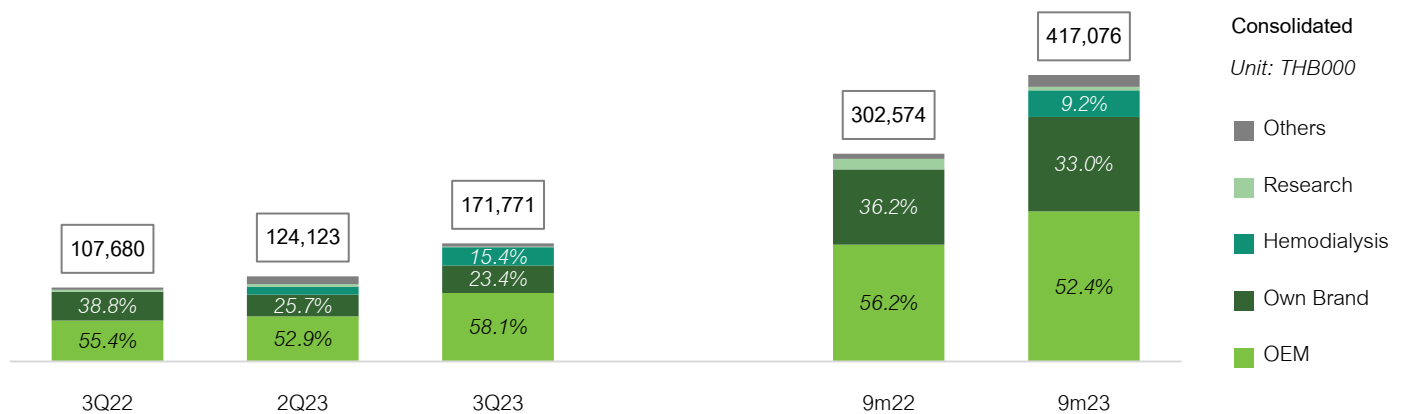
Other products (Others)

- The Group trades certain products such as COVID-19 test kits, drug test kits.
- The Group provides installation services related to purified water system for industrial purposes.

Revenue by product type

Consolidated financial statements <i>Unit: THB000</i>	Quarter 3	Quarter 2	Quarter 3	Change		Nine-month Period		Change %YoY
	Year 2023	Year 2022	Year 2022	%QoQ	%YoY	Year 2023	Year 2022	
	("3Q23")	("2Q23")	("3Q22")			("9m23")	("9m22")	
OEM	99,768	65,610	59,622	52.1%	67.3%	218,444	169,972	28.5%
Own Brand	40,142	31,843	41,759	26.1%	(3.9%)	137,831	109,622	25.7%
Hemodialysis	26,472	11,792	-	124.5%	100.0%	38,264	-	100.0%
Research	764	3,483	2,892	(78.1%)	(73.6%)	5,280	15,322	(65.5%)
Others	4,625	11,395	3,407	(59.4%)	35.7%	17,257	7,658	125.3%
Total	171,771	124,123	107,680	38.4%	59.5%	417,076	302,574	37.8%

Source: Interim financial information 9m23 (Reviewed), 6m23 (Reviewed) and management information



The Third Quarter QoQ (3Q23 vs 2Q23) 3Q23's revenue from sales and services increased from 2Q23 by 38.4% mainly because

- **OEM products:** The Group had more revenue from conventional medicine because of higher customers' orders, which align with the Group's capacity expansion of conventional medicine.
- **Own Brand products:** The Group had higher revenue from dietary supplements as a result of increasing channels of distribution, especially TV Home Shopping.
- **Hemodialysis products:** Due to revenue recognition in full period for 3Q23, the Group had higher revenue from these products by Baht 14.7 million.

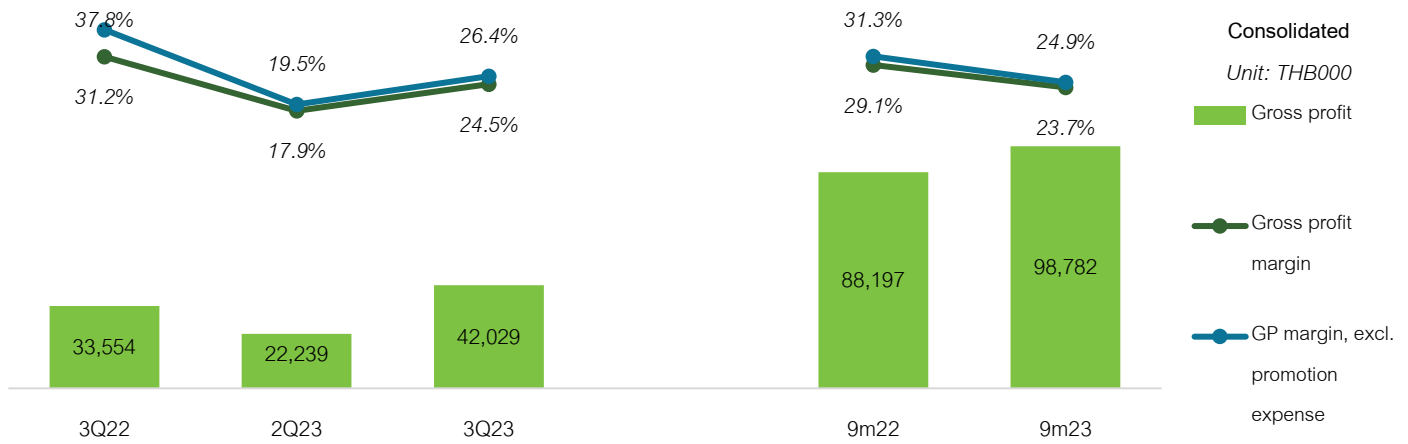
The Third Quarter YoY (3Q23 vs 3Q22) Revenue from sales and services for 3Q23 increased from 3Q22 by 59.5% since

- **OEM products:** Because of the expansion of conventional medicine production line since 2023, the Group could manufacture and distribute more of products to OEM customers.
- **Own Brand products:** Revenue from this product type decreased by 3.9% because of conventional medicine.
- **Hemodialysis products:** This product type contributed 15.4% of total revenue from sales and services.

Nine-month Period YoY (9m23 vs 9m22) The Group had revenue for 9m23 higher than 9m22 by 37.8% because

- **OEM products:** The Group had totalled 17.7% higher revenue from OEM products since more of customer orders for dietary supplements and conventional medicine.
- **Own Brand products:** The increase in revenue from Own Brand products was mainly from increasing channels of distribution to other TV Home Shopping which had good reputation.
- **Other products:** The increase of revenue from other products by Baht 9.5 million resulted from installation of purified water system.

2. Gross profit and gross profit margin



The Third Quarter QoQ (3Q23 vs 2Q23)

- Gross profit margin for 3Q23 was higher than 2Q23 by 6.6% because the Group had more customers' orders so that creating better fixed costs management.

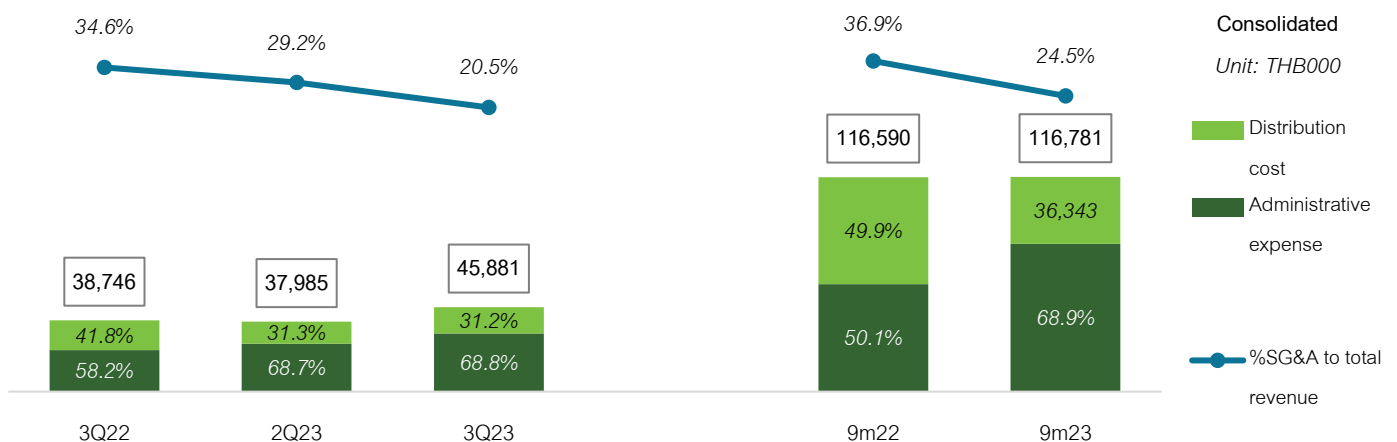
The Third Quarter YoY (3Q23 vs 3Q22)

- In 3Q23, the Group had 24.5% of gross profit margin, which lower than 3Q22 by 6.7%. The change mainly derived from higher production costs, especially depreciation of building machinery available to use in 2023 and the increase of electricity expenses.

Nine-month Period YoY (9m23 vs 9m22)

- The Group had gross profit for 9m23 higher than 9m22 by Baht 10.6 million since revenue from sales and services increased. While, gross profit margin decreased by 5.4% because depreciation and utilities expenses increased totalled Baht 15.2 million. In addition, the Group had Baht 2.4 million decrease in sales promotion with a customer, which reported as a deduction to revenue in accordance with TFRS 15. The Group should have gross profit margin for 9m23 and 9m22 at 24.9% and 31.3%, respectively, if the effect of this transaction was excluded.

3. Distribution costs and administrative expenses



The Third Quarter QoQ (3Q23 vs 2Q23)

- **Distribution costs:** The Group's distribution costs for 3Q23 and 2Q23 were Baht 14.3 million and Baht 11.9 million, respectively. The increase in expenses for 3Q23 was mainly because the Group recognised distribution costs from the subsidiaries acquired, which primarily comprised staff costs and freight-out.
- **Administrative expenses:** The Group had administrative expenses for 3Q23 and 2Q23 totalled Baht 31.6 million and Baht 26.1 million, respectively. The increase of administrative expenses was from recognition of expenses of subsidiaries.

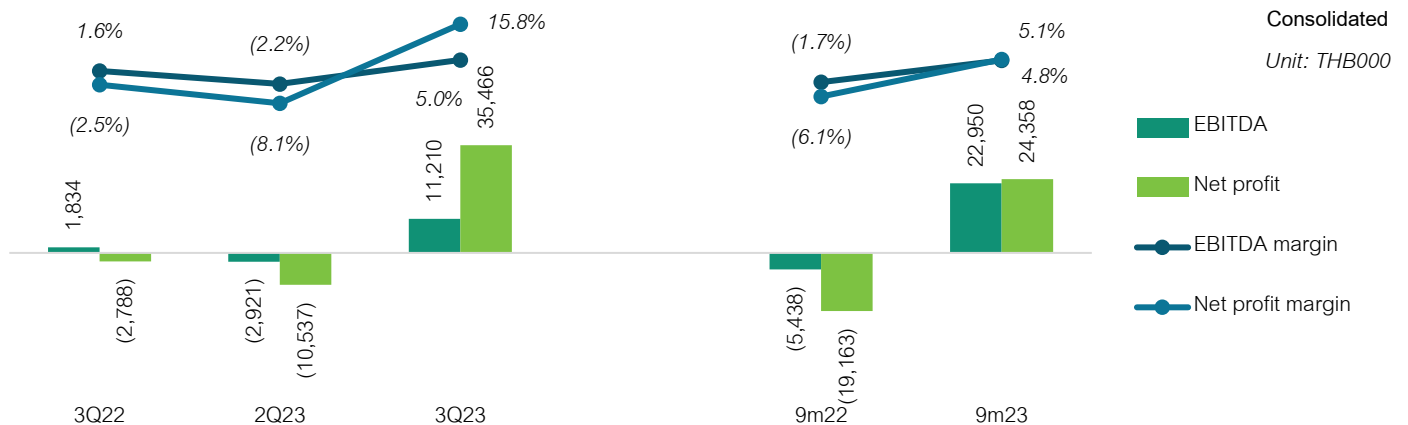
The Third Quarter YoY (3Q23 vs 3Q22)

- **Distribution costs:** Distribution costs for 3Q23 lower than 3Q22 by 11.4% because decrease in promotion and advertising expenses.
- **Administrative expenses:** Administrative expenses for 3Q23 was higher than 3Q22 by 39.8% since staff costs.

Nine-month Period YoY (9m23 vs 9m22)

- **Distribution costs:** Distribution costs for 9m23 decreased from 9m22 by Baht 21.9 million. This was because of service fees to support sales via omni channel and advertising expense for the Group's branding decreased.
- **Administrative expenses:** Administrative expenses for 9m23 was 37.8% higher than 9m22 because of staff costs and professional service fees in relation to M&A and administrative purposes.

4. EBITDA and net profit



The Third Quarter QoQ (3Q23 vs 2Q23)

- In 3Q23, the Group's EBITDA was Baht 11.2 million. The increase of EBITDA was mainly from higher of the Group's gross profit.
- In 3Q23, the Group had Baht 35.5 million net profit which mainly derived from gain on remeasurement of financial assets.

The Third Quarter YoY (3Q23 vs 3Q22)

- In 3Q23, the Group had higher profit than 3Q22 amounting to Baht 38.3 million. This was because higher gross profit earned and gain on remeasurement of financial assets.

Nine-month Period YoY (9m23 vs 9m22)

- Although the Group had lower gross profit margin, the Group reported 5.1% net profit margin.

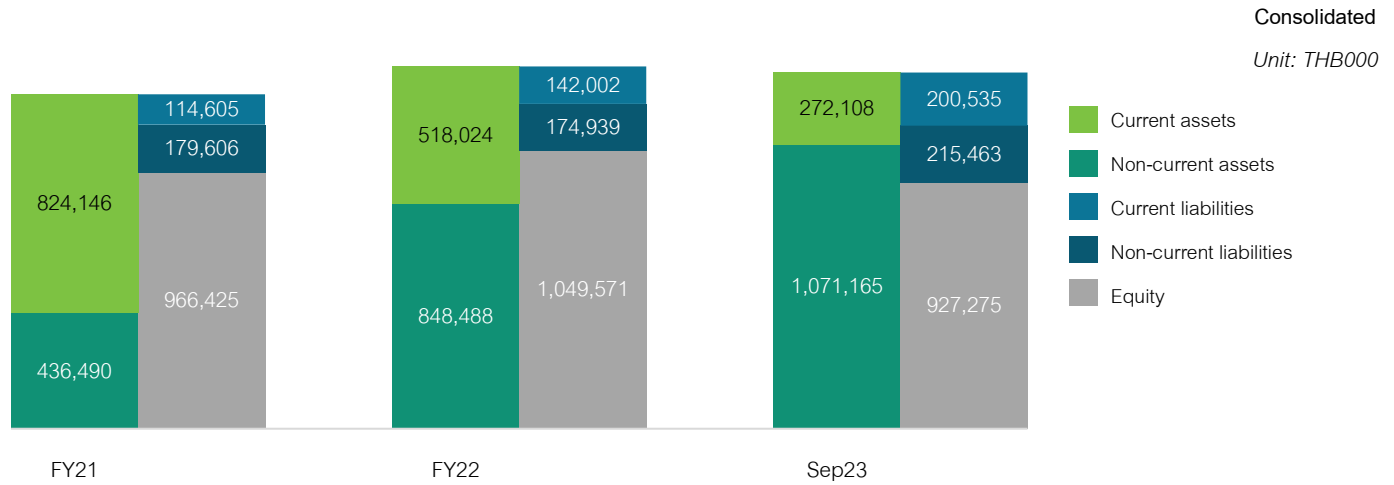


Consolidated income statement

Consolidated financial statements	Quarter 3	Quarter 2	Quarter 3	Change		Nine-month Period		Change
	Year 2023	Year 2022	Year 2022	%QoQ	%YoY	Year 2023	Year 2022	
Unit: THB000	("3Q23")	("2Q23")	("3Q22")			("9m23")	("9m22")	%YoY
Revenue from sales	167,522	111,915	104,903	49.7%	59.7%	399,586	287,252	39.1%
Revenue from services	4,249	12,208	2,777	(65.2%)	53.0%	17,490	15,322	14.1%
Cost of sales	(125,228)	(93,981)	(73,540)	33.2%	70.3%	(304,903)	(212,469)	43.5%
Cost of services	(4,514)	(7,903)	(586)	(42.9%)	670.3%	(13,391)	(1,908)	601.8%
Gross profit	42,029	22,239	33,554	89.0%	25.3%	98,782	88,197	12.0%
Other income	2,669	2,228	55	19.8%	4,752.7%	8,331	4,218	97.5%
Distribution costs	(14,330)	(11,895)	(16,178)	20.5%	(11.4%)	(36,343)	(58,209)	(37.6%)
Administrative expenses	(31,551)	(26,090)	(22,568)	20.9%	39.8%	(80,438)	(58,381)	37.8%
Operating profit (loss)	(1,183)	(13,518)	(5,137)	(91.2%)	(77.0%)	(9,668)	(24,175)	(60.0%)
Finance costs	(3,626)	(3,036)	(2,231)	19.4%	62.5%	(9,169)	(6,805)	34.7%
Gain on measurement of financial assets	40,025	2,838	4,179	1,310.3%	857.8%	39,945	8,629	362.9%
Reversal of impairment loss in accordance with TFRS9	9,754	785	38	1,142.5%	25,568.4%	10,613	713	1,388.5%
Share of profit of associates accounted for using equity method	61	-	-	100.0%	0.0%	61	-	100.0%
Profit (Loss) before taxes	45,031	(12,931)	(3,151)	(448.2%)	(1,529.1%)	31,782	(21,638)	(246.9%)
Income taxes	(9,565)	2,394	363	(499.5%)	(2,735.0%)	(7,424)	2,475	(400.0%)
Consolidated net profit (loss)	35,466	(10,537)	(2,788)	(436.6%)	(1,372.1%)	24,358	(19,163)	(227.1%)
Net profit (loss) to the parent company	3,526	(12,792)	(4,709)	(127.6%)	(174.9%)	(7,964)	(28,144)	(71.7%)
Earnings per share (Baht)								
Basic	0.01	(0.03)	(0.01)			(0.02)	(0.06)	
Diluted	0.01	(0.02)	(0.01)			(0.02)	(0.06)	

Source: Interim financial information 9m23 (Reviewed), 6m23 (Reviewed) and management information

Financial position



Assets

- **Current assets:** As of 30 September 2023 ("Sep23"), current assets primarily comprised trade accounts receivable and inventories, accounted for 71.5% of total current assets. Cash and cash equivalents and short-term investments as of Sep23 decreased from FY22 amounting to Baht 267.2 million because the Group used cash to acquired subsidiaries and additional fixed assets for business expansion purposes.
- **Non-current assets:** As of Sep23, the Group had property, plant and equipment accounted for 62.8% of total assets. The higher value of property, plant and equipment as of Sep23 than FY22 was because renovation of production facility at Bangkok and acquired from business combination.

Liabilities

- **Current liabilities:** Current liabilities of the Group as of Sep23 was higher than FY22 because short-term loans from financial institutions increased by Baht 59.7 million.
- **Non-current liabilities:** Non-current liabilities as of Sep23 increased from FY22 by 23.2% because the Group recognised long-term liabilities of subsidiaries from business combination and additional long-term loans from financial institutions totalled Baht 50.4 million.

Equity

- During 9m23, the Group's equity increased from exercise of JSP-W1 into ordinary shares amounting to Baht 48.7 million. However, the Group recognised difference arising from common control transactions amounting to Baht 118.8 million as a deduction in shareholders' equity.

Significant financial ratios

<p>Liquidity ratio</p>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Current ratio (Times)</p>  <p>FY21 FY22 9m23</p> </div> <div style="text-align: center;"> <p>Acid-test ratio (Times)</p>  <p>FY21 FY22 9m23</p> </div> <div style="text-align: center;"> <p>Days sales outstanding (Days)</p>  <p>FY21 FY22 9m23</p> </div> </div>
<p>Profitability ratio</p>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Return on assets (%)</p>  <p>FY21 FY22 9m23</p> </div> <div style="text-align: center;"> <p>Return on equity (%)</p>  <p>FY21 FY22 9m23</p> </div> </div>
<p>Financial leverage ratio</p>	<div style="text-align: center;"> <p>Debt-to-equity ratio (Times)</p>  <p>FY21 FY22 9m23</p> </div>

- During 9m23, the Group's liquidity decreased because investment in fixed assets for business expansion and business combination.
- Return on assets and equity for 9m23 turned into positive value due to the Group's net profit.
- Debt-to-equity ratio reported at 0.45 times because the Group had additional borrowings from financial institutions and recognised lease liabilities from business combination.