TECHNO MEDICAL

บริษัท เทคโนเมดิคัล จำกัด (มหาชน)

Techno Medical Public Company Limited

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No. TM01/2021

February 24, 2021

Subject: Management Discussion and Analysis for the year ended December 31, 2020

To: The President
The Stock Exchange of Thailand

Techno Medical Public Company Limited ("The Company") would like to submit this Management Discussion and Analysis for the year ended December 31, 2020, with detail as follows

Statement of Comprehensive Income for the year ended December 31, 2020 and 2019

Statement of Comprehensive Income	Consolidated FS	Separated FS		Change (Separated FS)	
	FY2020	FY2020	FY2019		
	Million Baht	Million Baht	Million Baht	Million Baht	%
Revenue from Sales – net	630.87	630.87	685.98	- 55.11	-8.0%
Gain (Loss) on Exchange Rate	-5.04	- 5.04	7.17	- 12.21	-170.3%
Other Income	0.75	0.46	3.70	- 3.24	-87.6%
Total Income	**626.58**	**626.29**	**696.85**	**- 70.56**	**-10.1%**
Cost of Sales	383.78	383.78	416.13	- 32.35	-7.8%
Gross Profit (Exclude Other Income)	**247.09**	**247.09**	**269.85**	**- 22.76**	**-8.4%**
Gross Profit%	**39.2%**	**39.2%**	**39.3%**		
Distribution Costs	93.13	93.13	107.41	- 14.28	-13.3%
Administrative Expenses	96.97	95.91	88.31	7.60	8.6%
Profit from operating activities	**52.7**	**53.47**	**85.00**	**- 31.53**	**-37.1%**
Finance Costs	7.62	7.62	6.24	1.38	22.1%
Loss (reversal of loss) on impairment of financial assets	-6.94	- 6.94	2.87	- 9.81	-341.8%
Profit before Income Tax	**52.02**	**52.79**	**75.89**	**- 23.10**	**-30.4%**
Income Tax Expense	11.10	11.10	14.96	- 3.86	-25.8%
Net Profit	**40.92**	**41.69**	**60.93**	**- 19.24**	**-31.6%**
Net Profit%	**6.5%**	**6.6%**	**8.9%**		
Profit (Loss) attributable to:					
Owners of the parent	41.07				
Non-controlling interest	-0.15				

On January 16, 2020, the Company registered the establishment of TM Nursing Care Company Limited, the subsidiary of which shares are held by the Company at 80%, with authorized share of Baht 125 million, in order to engage in business relating to small geriatric hospital and nursing care facility. The project is currently under construction design. There is no operating income yet.

Revenue from sales - net

Revenue from sales for the year ended December 31, 2020 amounted to Baht 630.87 million, decreased by Baht 55.11 million (-8 % YoY) compared to the same period of last year, contributing to decreasing sales from Disposable Equipment and Supplies category, from Baht 630.86 million in 2019 to Baht 573.31 million in 2020 (-9.1 % YoY). And sales from Medical Equipment and Instrument category slightly increased from Baht 55.12 million in 2019 to Baht 57.56 million (+4.4% YoY) due to cancellation of sales of some products of Medical Equipment and Instrument specialized for heart surgery.

Moreover, the Company has non-recurring item in the first quarter of 2019; selling certain inventories of Medical Equipment and Instrument specialized for heart surgery amounting to Baht 65 million to a foreign supplier, since the Company canceled the distributorship with the supplier.

Gain (Loss) on exchange rate

Loss on exchange rate for the year ended December 31, 2020 amounted to Baht 5.04 million, decreased by Baht 12.21 million or -170.3% compared with the same period of last year, contributing to depreciation of Thai Baht against foreign exchange rate such as US dollar and Euro especially during the first quarter of 2020. Resulting in realized loss from exchange rate increased when payments to overseas vendors were made comparing to the same period of prior year.

Other income

Other income for the year ended December 31, 2020 amounted to Baht 0.46 million, decreased by Baht 3.24 million or -87.6% compared with the same period of last year because the Company has gain from sales of vehicles and investment in 2019, whereas there were no such transaction during this period. Other income in the consolidated financial statements consists of interest income from the subsidiary's fixed deposit.

Cost of goods sold and gross profit margin

Cost of goods sold for the year ended December 31, 2020 amounted to Baht 383.78 million, decreased by Baht 32.35 million or -7.8% compared with the same period of last year, relatively to the sales decrease. The Company has gross profit amounted to Baht 247.09 million which decreased by Baht 22.76 million or -8.4% compared with the same period of last year.

Gross profit margin slightly decreased from 39.3% in 2019 to 39.2% in 2020 due to the fact that in 2020 the Company had a very competitive auction, resulting in lower gross profit margin.

Distribution costs

Distribution costs for the year ended December 31, 2020 amounted to Baht 93.13 million, decreased by Baht 14.28 million or -13.3% compared with the same period of the prior year due to the fact that sales decreased, thus, variable expenses also decreased such as commissions, promotional expenses, distribution expenses, product samples. In addition, exhibition booth could not be held in 2020 due to COVID-19. Thus, expenses related to booth exhibition significantly decreased.

Administrative expenses

Administrative expenses for the year ended December 31, 2020 amounted to Baht 95.91 million, increased by Baht 7.60 million or +8.6% compared with the same period of the prior year. Because employee expenses increased such as salary and trainings, and depreciation increased because the company has a new office building, which was completed in the 1st quarter of year 2020.

Consolidated FS, administrative expenses for the year ended December 31, 2020 amounted to Baht 96.97 million, increased comparing to separated FS due to expenses for operating activities of the subsidiary such as employees' expenses, depreciation and project consultant fee.

Finance costs

Finance cost for the year ended December 31, 2020 amounted to Baht 7.62 million, increased by Baht 1.38 million or +22.1% compared with the same period of the prior year because the Company had short-term loan to buy product (Trust Receipt) more than the same period of prior year. Because the company needs more working capital to buy products for sale during the COVID outbreak. While in 2019, the company needs less working capital because the Company has sold back products from the heart surgery group that is not distributor. As a result, the year 2019 has lower financial costs than the year 2020.

Loss (reversal of loss) on impairment of financial assets

Reversal of loss on impairment of financial assets for the year ended December 31, 2020 amounted to Baht 6.94 million since the Company has received payment from trade receivables overdue more than 12 months, resulting in decreased of allowance for doubtful accounts and profit increased. But in 2019 the Company had loss on impairment of financial assets amounted to Baht 2.87 million due to the fact that the Company had trade receivables overdue more than 12 months increased in such period.

Income tax expense

Income tax expense for the year ended December 31, 2020 amounted to Baht 11.10 million, decreased by Baht 3.86 million or -25.8% compared with the same period of the prior year, relating to the decrease of net profit before income tax expenses decreased by Baht 23.10 million or -30.4%.

Net profit and net profit margin

Net profit for the year ended December 31, 2020 amounted to Baht 41.69 million, decreased by Baht 19.24 million or -31.6% compared with the same period of the prior year, which net profit Baht 60.93 million. The main cause is decremental of sales, loss from exchange rate, incremental of administrative expenses and finance cost as above mention. The consolidated financial statements had a net profit for the year of Bhat 40.92 million, as the subsidiary had a loss in 2020 of Baht 0.77 million.

Please be informed accordingly.

Yours sincerely,

Mrs. Soonthree Chanlongbutra,
Chief Executive Officer
Techno Medical Public Company Limited