



## Management Discussion and Analysis

### For the year ended 31 December 2020

JSP Pharmaceutical Manufacturing (Thailand) Public Company Limited (the “Company” or “JP”) would like to inform operating result, financial position and cash flows for the year ended 31 December 2020 as follow:

#### Operating result for the year ended 31 December 2020

Unit: Thousand Baht	Explanations	For the year ended		Change	
		31 Dec 20 ("FY20")	31 Dec 19 ("FY19")	Amount	%
	1	455,644	360,691	94,953	26.3%
Revenue from sales					
Cost of sales		(310,016)	(249,251)	(60,765)	24.4%
<b>Gross profit</b>	<b>2</b>	<b>145,628</b>	<b>111,440</b>	<b>34,188</b>	<b>30.7%</b>
Other income		7,099	4,836	2,263	46.8%
Distribution costs	3	(48,123)	(23,682)	(24,441)	103.2%
Administrative expenses	4	(49,364)	(53,465)	4,101	(7.7%)
Impairment loss from non-financial assets	5	(2,000)	-	(2,000)	(100.0%)
<b>Profit before interest and taxes</b>		<b>53,240</b>	<b>39,129</b>	<b>14,111</b>	<b>36.1%</b>
Impairment loss determined in accordance with TFRS9	6	(2,123)	3,924	(6,047)	(154.1%)
Finance costs		(11,441)	(12,965)	1,524	(11.8%)
<b>Profit before taxes</b>		<b>39,676</b>	<b>30,088</b>	<b>9,588</b>	<b>31.9%</b>
Income tax expense	7	(8,593)	(6,523)	(2,070)	31.7%
<b>Net profit</b>		<b>31,083</b>	<b>23,565</b>	<b>7,518</b>	<b>31.9%</b>
<b>Earnings per share (Baht per share)</b>		<b>0.09</b>	<b>0.08</b>		

Source: Annual financial statements FY20 (Audited)

#### Explanations

- Revenue from sales FY20 increased from FY19 by 26.3% because the Company had higher revenue from sales of Owned Brand products through television channel, especially 4 Mix Oil. Since COVID-19 outbreak alerted consumers to prevent infection by using alcohol products, the Company then had revenue from selling alcohol products. Furthermore, the Company had more orders of conventional medicine. Segment revenue from OEM, Owned Brand and others for FY19 and FY20 are presented in the table below. Revenue from Owned Brand products rose up as explained in the previous paragraph. However, revenue from OEM products in FY20 fell down from FY19 because COVID-19 outbreak pressured consumers' spending.

Unit: Percentage	FY20	FY19
OEM	54.6%	74.1%
Owned Brand	40.1%	22.8%
Others	5.3%	3.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Annual financial statements FY20 (Audited)



2. The Company had 32.0% gross profit margin for FY20. While, gross profit margin for FY19 was 30.9%. This change derived from the Company managed product portfolio by focusing on Owned Brand products; which could generate higher gross profit margin than OEM products, for strengthen the Company's operating result.
3. Distribution costs for FY20 was accounted for 10.6% of revenue from sales, which increased from 6.6% of revenue from sales in FY19. This was because (a) the Company had higher advertising expenses for Owned Brand products, (b) during COVID-19 outbreak, there were freight out for alcohol products, (c) additional staff costs for new sales team focus on medicine shops and hospitals and (d) agent fees.
4. The Company has already fully paid professional fees in relation to financial advisory since FY19. In addition, the Company has received a grant from National Innovation Agency (“NIA”) for professional services in FY20. Accordingly, administrative expenses for FY20 decreased from FY19.
5. In FY20, the management assessed adequacy of provision for impairment of property, plant and equipment; which located at Lamphun province, and concluded that additional provision should be made amounting to Baht 2.0 million in the financial statements for FY20. The key assumptions included COVID-19 outbreak and future business plan.
6. In FY20, the Company has separately presented impairment loss determined in accordance with TFRS9 for the first time. The Company exposed for credit risk on trade receivables. In FY20, the Company recorded additional impairment loss due to COVID-19 outbreak have impact to certain customers to delay payment.
7. In FY19 and FY20, the Company reported effective tax rate at 21.7%.



**Financial position as of 31 December 2020**

Unit: Thousand Baht	Explanations	As of		Change	
		31 Dec 20	31 Dec 19	Amount	%
Total current assets	1	129,987	107,229	22,758	21.2%
Total non-current assets	2	354,100	334,678	19,422	5.8%
<b>Total assets</b>		<b>484,087</b>	<b>441,907</b>	<b>42,180</b>	<b>9.5%</b>
Total current liabilities	3	181,037	203,116	(22,079)	(10.9%)
Total non-current liabilities	4	107,136	73,868	33,268	45.0%
<b>Total liabilities</b>		<b>288,173</b>	<b>276,984</b>	<b>11,189</b>	<b>4.0%</b>
Total shareholders' equity	5	195,914	164,923	30,991	18.8%
<b>Total shareholders' equity</b>		<b>484,087</b>	<b>441,907</b>	<b>42,180</b>	<b>9.5%</b>

Source: Annual financial statements FY20 (Audited)

**Explanations**

1. Current assets as of 31 December 2020 and 2019 mainly comprised trade receivables and inventories, which totalled 93.6% and 88.6% of total current assets, respectively. Current assets as of 31 December 2020 increased from 31 December 2019 because inventories value increased by double to support future sales plan.
2. As of 31 December 2020, non-current assets increased from 31 December 2019 amounting to Baht 19.4 million. On 1 January 2020, the Company recognised right-of-use assets amounting to Baht 43.8 million in accordance with Thai Financial Reporting Standard 16 *Leases* ("TFRS16"). However, the Company recorded depreciation, amortisation and impairment loss totalled Baht 24.1 million in FY20.
3. The Company's current liabilities as of 31 December 2020 decreased by Baht 22.1 million, comparing with 31 December 2019. The Company used a partial of cash received from shares issued to settle interest-bearing current liabilities totalled Baht 20.6 million.
4. Non-current liabilities as of 31 December 2020 principally consisted of long-term loans from financial institutions amounting to Baht 61.5 million and lease liabilities amounting to Baht 35.8 million. The balance as of 31 December 2020 increased from 31 December 2019 since the Company reported additional lease liabilities resulted from adoption of TFRS16. However, during FY20, the Company has been approved long-term loans from financial institutions for operating purposes totalled Baht 25.0 million.
5. Shareholders' equity as of 31 December 2020 changed from 31 December 2019 by increasing of paid-up ordinary share capital and share premium totalled Baht 32.1 million (net from share issuance costs of Baht 0.1 million) and net profit for FY20 amounting to Baht 31.1 million. However, the Company declared and paid dividend amounting to Baht 32.2 million.



**Cash flows for the year ended 31 December 2020**

	Explanations	For the year ended		Change	
		31 Dec 20 ("FY20")	31 Dec 19 ("FY19")	Amount	%
<i>Unit: Thousand Baht</i>					
Cash flows from operating activities	1	45,987	54,879	(8,892)	(16.2%)
Cash flows from investing activities	2	(1,533)	(24,579)	23,046	(93.8%)
Cash flows from financing activities	3	(44,099)	(30,383)	(13,716)	45.1%
<b>Net cash flows</b>		<b>355</b>	<b>(83)</b>	<b>438</b>	<b>(527.7%)</b>
Opening cash and cash equivalents		137	220	(83)	(37.7%)
<b>Closing cash and cash equivalents</b>		<b>492</b>	<b>137</b>	<b>355</b>	<b>259.1%</b>

Source: Annual financial statements FY20 (Audited)

**Explanations**

1. Operating cash flows for FY20 decreased from FY19 amounting to Baht 8.9 million due to higher level of inventories.
2. In FY20, the Company postponed several projects due to COVID-19 outbreak. Then cash paid for plant and equipment decreased by Baht 9.8 million. In addition, the Company received cash from a long-term loan to a related party amounting to Baht 5.8 million fully.
3. Although the Company received cash from long-term loans from financial institutions and ordinary shares issued, the Company repaid loans from financial institutions and paid dividend to shareholders in the aggregate more than what received. Financing cash flows for FY20 was then reported in negative value.