

Date 22 February 2564

Subject Management's Discussion and Analysis of financial statements for the year ended 30 December 2020

To President  
The Stock Exchange of Thailand

Healthlead Public Company Limited and its subsidiaries ("the Group") would like to submit the discussion and analysis of significant changes of financial statements for the year ended 30 December 2020 as follows:

### Statements of Income

|  | For the Fiscal Year Ended |               |                  |               |               |               |
|--|---------------------------|---------------|------------------|---------------|---------------|---------------|
|  | 31 December 2019          |               | 31 December 2020 |               | Change        |               |
|  | (MB)                      | (%)           | (MB)             | (%)           | (MB)          | (%)           |
| Revenue                                  | 906.22                    | 98.99         | 1,064.09         | 98.52         | 157.87        | 17.42         |
| Interest Income                          | 0.22                      | 0.02          | 0.11             | 0.01          | (0.11)        | (50.00)       |
| Other Income                             | 9.06                      | 0.99          | 15.91            | 1.47          | 6.85          | 75.61         |
| <b>Total Revenue</b>                     | <b>915.51</b>             | <b>100.00</b> | <b>1,080.11</b>  | <b>100.00</b> | <b>164.60</b> | <b>17.98</b>  |
| <b>Cost of Sales and Services</b>        |                           |               |                  |               |               |               |
| Cost of goods sold                       | 724.17                    | 79.10         | 831.18           | 76.95         | 107.01        | 14.78         |
| Selling expenses                         | 113.17                    | 12.36         | 123.58           | 11.44         | 10.41         | 9.20          |
| Administrative Expense                   | 45.64                     | 4.99          | 51.82            | 4.80          | 6.18          | 13.54         |
| Financial Cost                           | 3.79                      | 0.41          | 6.99             | 0.65          | 3.20          | 84.43         |
| <b>Total Expenses</b>                    | <b>886.78</b>             | <b>96.86</b>  | <b>1,013.57</b>  | <b>93.84</b>  | <b>126.79</b> | <b>14.30</b>  |
| Profit (loss) before income tax expenses | 28.73                     | 3.14          | 66.54            | 6.16          | 37.81         | 131.6         |
| Income tax expenses                      | 6.96                      | 0.76          | 14.46            | 1.34          | 7.50          | 107.76        |
| <b>Profit (loss) for the period</b>      | <b>21.77</b>              | <b>2.38</b>   | <b>52.08</b>     | <b>4.82</b>   | <b>30.31</b>  | <b>139.23</b> |

|                          | 31 December 2019 | 31 December 2020 |
|--------------------------|------------------|------------------|
| Gross Profit Margin (%)  | 20.09            | 21.89            |
| Net Profit Margin (%)    | 2.38             | 4.82             |
| Earnings per share (THB) | 2.72             | 0.32             |

### Revenues

Majority of the Group's revenue came from sales of medical and health related products. Its revenue from sales in 2020 rose 17.42% as compared to 2019. Revenue from sales largely came from sales of medicine and dietary supplement products (Professional Healthcare) and sales of medical equipment and home healthcare products (Home Healthcare) which accounted for 70.78% and 15.91% of total revenue from sales, respectively. Revenue from sales of Home Healthcare contributed the highest growth rate since the Group had implement policy to increase sales of this segment. In addition, the epidemic of COVID-19 virus had also raised demand for this product segment.

| Revenue Structure                            | Year 2019     |               | Year 2020       |               | Change        |              |
|--|---------------|---------------|-----------------|---------------|---------------|--------------|
|  | (MB)          | (%)           | (MB)            | (%)           | (MB)          | (%)          |
| Revenue from sale of Professional Healthcare | 659.46        | 72.77         | 753.19          | 70.78         | 93.73         | 14.21        |
| Revenue from sale of Home Healthcare         | 129.11        | 14.25         | 169.27          | 15.91         | 40.16         | 31.11        |
| Revenue from sale of Personal Healthcare     | 73.28         | 8.09          | 95.79           | 9.00          | 22.51         | 30.72        |
| Revenue from sale of Deli Healthcare         | 44.37         | 4.89          | 45.84           | 4.31          | 1.47          | 3.31         |
| <b>Total Sales</b>                           | <b>906.22</b> | <b>100.00</b> | <b>1,064.09</b> | <b>100.00</b> | <b>157.87</b> | <b>17.42</b> |

### Gross Profit

Gross profit for 2019 and 2020 was 182.05 MB and 232.91 MB, consecutively, representing gross profit margin of 20.09% and 21.89% respectively.

In 2020, gross profit increased 50.86 MB from 2019, a 27.94% YoY increase, owing to the synergy from business combination between Icare Health and Healthiness which has resulted in higher bargaining power over its suppliers and, at the same time, improve efficiency in inventory management, logistic, and branch operation and management.

### **Selling expenses**

The Group had selling expenses of 113.17 MB in 2019 and 123.58 MB in 2020, accounted for 12.49% and 11.61% of revenue respectively. The selling expenses were mainly consisted of employee expenses such as salary, wage and overtime, and rental fees. In 2019 and 2020, the employee expenses accounted for 46.80% and 56.69% of total selling expenses and rental fees accounts for 32.34% and 12.84% of total selling expenses, respectively. Selling expenses increased 9.20% in 2020 mainly due to the impact of first-time adoption of TFRS 16 Leases and the increase of number of employees and pharmacists in sales department which was in line with continuous growth of revenue.

### **Administrative expenses**

The Group has administrative expenses of 45.64 in 2019 and 51.82 in 2020, accounted for 4.99% and 4.80% of total revenues, respectively. Administrative expenses were mainly employee expenses including salary, bonus and employee benefits which was accounted for 50.27% of total administrative expenses in 2019 and 48.58% in 2020. In 2020, the administrative expenses increased by 13.53% largely due to the increase in employee expenses and advisory fees such as computer program, legal, financial and marketing advisory fees.

### **Financial Costs**

The group had financial costs of 3.79 MB and 6.99 MB in 2019 and 2020 respectively. In 2020, the financial costs increased 84.20% YoY because of the impact of Adoption of TFRS 16 Leases which resulted in increase of interest cost of lease liabilities.

### **Net profit**

According to the performance mentioned above, in 2019-2020 the group had net profit of 21.77 MB and 52.08 MB, accounted for net margin of 2.38% and 4.82%, respectively. The Group has higher net margin because it had higher gross margin every year owing to the synergy developed from the business combination of Icare Health and Healthiness. In addition, the Group was positively impacted by the spread of Covid-19 virus starting from around the end of 2019 to the beginning of 2020 that increased sales of some products such as medical masks and various types of alcohol products.

### Statement of Financial Position

|                                | Statement of Financial Position as at |        |               |        |        |       |
|--------------------------------|---------------------------------------|--------|---------------|--------|--------|-------|
|                                | December 2019                         |        | December 2020 |        | Change |       |
|                                | MB                                    | %      | MB            | %      | MB     | %     |
| Total Assets                   | 312.22                                | 100.00 | 413.81        | 100.00 | 101.60 | 32.54 |
| Total Liabilities              | 188.50                                | 60.37  | 273.23        | 66.03  | 84.73  | 44.95 |
| Total Shareholders' Equities   | 123.71                                | 39.62  | 140.59        | 33.97  | 16.88  | 13.64 |
|                                | December 2019                         |        | December 2020 |        |        |       |
| Liquidity Ratio (X)            |                                       | 1.12   |               | 1.11   |        |       |
| Return On Equity (ROE) (%)     |                                       | 20.11  |               | 39.41  |        |       |
| Return On Assets (ROA) (%)     |                                       | 7.75   |               | 14.35  |        |       |
| Debt To Equity Ratio (D/E) (X) |                                       | 1.52   |               | 1.94   |        |       |

#### Total Assets

As at December 31, 2019, the group had total assets of 312.22 MB and was increased to 413.81 MB as at December 31, 2020 due to the impact of TFRS 16 adoption. Majority of the Group's assets were inventories, property plant and equipment and Right- of-use assets which all together were accounted for 66.75% of total assets at the end of 2019 and 78.22% at the end of 2020.

#### Total Liabilities

The Group's total liabilities were 188.50 MB at the end of 2019 and 273.23 MB at the end of 2020. Most of the group's liabilities were current liabilities representing 89.23% and 61.06% of total liabilities at the end of 2019- 2020, respectively. Majority of current liabilities were trade and other payables and bank overdrafts and short-term loans from financial institutions accounting for 64.01% and 14.40% of total liabilities at the end of 2019, 39.44% and 8.78% of total liabilities at the end of 2020, respectively.

#### Shareholders' equity

The Group's shareholders' equity was 123.71 MB at the end of 2019 and 140.59 MB at the end of 2020, accounting for 39.62% and 33.97% of total liabilities and shareholders' equity, respectively. At the end of 2019, shareholders' equities increased from the previous year by 21.77 MB or 25.21% mainly due to the increase

in retained earnings. The group has net profit of 21.77 in 2019. Despite the dividend payment of 55.20 MB for the shareholders of the Company in 2020, the group had the net profit of 52.08 MB and issued new ordinary shares to existing shareholders based on the proportions of share holding (Right Offering) of 20.00 MB, resulted in shareholders' equity increase by 16.88 MB or 13.64% from the end of 2019.

Please be informed accordingly.

Yours sincerely,

(Mr. Thatchaphon Chonwattanasaku)

Chief Executive Officer

Healthlead Public Company Limited