

Date February 25, 2022

Subject Management's Discussion and Analysis of financial statements for the year ended December 31, 2021

To President of 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 December 31, 2021 as follows:

STATEMENT OF INCOME	FOR THE YEAR ENDED					
	31 December 2020		31 December 2021		Changes	
	(MB)	(%)	(MB)	(%)	(MB)	(%)
Revenue from sales	1,064.09	98.52	1,198.76	98.55	134.67	12.66
Interest income	0.11	0.01	0.04	0.00	(0.07)	(61.55)
Other income	15.91	1.47	17.62	1.45	1.71	10.75
Total revenues	1,080.11	100.00	1,216.41	100.00	136.31	12.62
Expenses						
Cost of sales	831.18	76.95	922.42	75.83	91.24	10.98
Selling expenses	123.58	11.44	124.04	10.20	0.46	0.37
Administrative expenses	51.82	4.80	67.27	5.53	15.45	29.82
Finance costs	6.99	0.65	5.34	0.44	(1.65)	(23.62)
Total expenses	1,013.57	93.84	1,119.07	92.00	105.50	10.41
Profit (loss) before income tax	66.54	6.16	97.35	8.00	30.81	46.31
Income tax	14.46	1.34	17.68	1.45	3.22	22.28
Net profit (loss) for the period	52.08	4.82	79.66	6.55	27.59	52.98

	31 December 2020	31 December 2021
Gross margin (%)	21.89	23.05
Net margin (%)	4.82	6.55
EPS (Baht)	0.32	0.39

Revenue

In 2021, the Group reported a total of 1,198.76 MB revenue from sales, increased 12.66% YoY. Majority of revenue from sales were from medicine and dietary supplement products (Professional Healthcare) 68.66%, followed by medical equipment and home healthcare products (Home Healthcare) 17.97%. The highest revenue growth was from medical equipment and home healthcare is 27.26% YoY and medical food 21.62% YoY. This was mainly due to Covid-19, together with a higher demand of Medical food, Medical equipment, and home healthcare as Thailand is gradually entering aging society whilst family-oriented culture makes elderly in Thailand preferably be taken care at home.

The Group has opened 3 new branches in 2021 including Pharmax Market Place Krung thep Kreetha, Pharmax Robinson Lad Krabang, and iCare Talad Thanommit and has closed 2 branches – Vitaminclub Central Rama 9 and iCare Ekamai. As a result, the Group had an outstanding of 26 branches at the end of 2021.

REVENUE BREAKDOWN	2020		2021		Changes
	(MB)	(%)	(MB)	(%)	(%)
Medicine and dietary supplement	753.18	70.78	823.00	68.66	9.27
Medical equipment and home healthcare	169.27	15.91	215.41	17.97	27.26
Personal healthcare	95.79	9.00	104.57	8.72	9.17
Medical food	45.85	4.31	55.77	4.65	21.62
Total revenue from sales	1,064.09	100.00	1,198.76	100.00	12.66

Gross margin

The Group had a total of 276.34 MB gross profit in 2021, gross margin of 23.05% which was higher than 21.89% as of 2020. The increase of gross margin was mainly due to an increase of medical and dietary supplement gross margin and the outstanding performance of Healthiness Co., Ltd., its subsidiary. Healthiness's revenue from sales jumped to 88.65% YoY in 2021 and its gross margin rose from 31.60% in 2020 to 39.34% in 2021. Total revenue of 48.52 MB of Healthiness's products was sold via Icare Health's drug stores which was accounted for 4.05% of consolidated revenue from sales in 2021.

Selling expenses

Selling expenses were accounted for 10.35% of revenue from sales and 10.20% of total revenue in 2021. Selling expenses mainly comprised of staff related expenses and rental fees. The Group's staff related expenses were accounted for 56.61% of total selling expenses in 2020 and dropped to 51.31% in 2021 as staff related expenses declined 9.15% YoY in 2021 because the Group have moved a group of management in sales department to head quarter.

In addition, to comply with the accounting policy regarding depreciation method of building improvement under lease or rental contract, the depreciation method uses the shorter method of useful-life or lease term. As a result, the Group has recognized a total of 6.79 MB depreciation adjustment as an expense in 2021.

Administrative expenses

The Group had a total of 67.27 MB of administrative expenses in 2021, an increase of 29.82% YoY. Staff related expenses were accounted for 48.67% of administrative expenses in 2020 and 54.36% in 2021. Since the Group has moved a group of management from sales department to head quarter, staff related expenses in administrative expenses rose 45.01% YoY in 2021. Additionally, the Group had booked a total of 6.14 MB as an Initial Public Offering (IPO) related expenses in 2021.

Finance costs

Most of our finance costs were from the right-of-use interest. In 2021, finance costs were 5.34 MB, a 23.62% YoY decrease, as the Group has continually paid its long-term debt. After it has received cash from the IPO in late November 2021, the Group had a total of 4.24 MB outstanding loans from financial institutions as of December 31, 2021.

Net profit

The Group reported net profit of 52.08 MB in 2020 and 79.66 MB in 2021, net margin of 4.82% and 6.55% respectively. Increased net margin was owing largely to an increase of gross margin and lower growth rate of selling and administrative expenses as compared to revenue growth since most of them were fixed cost.

STATEMENT OF FINANCIAL POSITION

	As of 31 December,					
	2020		2021		Changes	
	(MB)	(%)	(MB)	(%)	(MB)	(%)
Total assets	413.81	100.00	1,118.30	100.00	704.49	170.24
Total liabilities	273.23	66.03	252.41	22.57	(20.81)	(7.62)
Total shareholder's equity	140.59	33.97	865.89	77.43	725.30	515.91
Financial ratios		2020		2021		
Current ratio (X)		1.11		6.14		
ROE (%)		39.41		15.83		
ROA (%)		14.35		10.40		
Debt to equity ratio (X)		1.94		0.29		

Total assets

Total assets increased by 170.24% YoY from 413.81 MB as of December 31, 2020 to 1,118.30 MB as of December 31, 2021. This is due to cash and cash equivalent increased from 34.85 MB as of 2020 to 705.01 MB as of 2021 as the Group has offered an Initial Public Offering (IPO) of 72 million shares, par value Baht 0.50 per share, at Baht 9.80 per share in November 2021. In addition to a significantly increase of cash and cash equivalent, inventory rose 21.58% YoY from 130.96 MB as of 2020 to 159.22 MB as of 2021. However, the Group's days inventory turnover has continually declined from 59 days in 2020 to 57 days in 2021.

Total liabilities

Total liabilities decreased by 7.62% YoY from 273.23 MB as of 2020 to 252.41 MB as of 2021. Trade and other account payable - Others were the largest proportion of current liabilities, accounted for 39.37% and 46.54% of total liabilities in 2020 and 2021 respectively. Liabilities under financial lease agreement was the largest proportion in non-current liabilities, accounted for 35.79% in 2020 and 40.18% of total liabilities in 2021. As of December 31, 2021, the Group had total borrowings from financial institution outstanding 4.24 MB, decreased 87.26% YoY from 33.30 MB as of December 31, 2020.

Total shareholder's equity

The Group's total shareholder's equity was 865.89 MB as of 2021, an increase of 515.91% YoY from 140.59 MB as of 2020 since the Group has issued 72 million new ordinary shares for an IPO, par value Baht 0.50 per share, at Baht 9.30 per share in late November 2021. Consequently, the company's issued and fully paid-up capital increased from 100.00 MB to 136.00 MB and premium on ordinary shares of 647.64 MB as of December 31, 2021. On February 25, 2022, the board of directors committee have approved legal reserve of 3.98 MB. As a result, the company has legal reserve of 7.94 MB and unappropriated retain earnings of 45.66 MB as of December 31, 2021.

Please be informed accordingly.

Yours sincerely,

Araya Tantanasi

(Araya Tantanasin)

Chief Finance Officer

Healthlead Public Company Limited