



## Management Discussion and Analysis

For the three-month period ended 31 March 2022

## Executive Summary

	Quarter 1	Quarter 4	Quarter 1	Change	
	Year 2022	Year 2021	Year 2021	%QoQ	%YoY
Unit: THB000	("1Q22")	("4Q21")	("1Q21")		
Revenue from sales	83,403	111,422	94,812	(25.1%)	(12.0%)
Gross profit	23,297	40,034	34,046	(41.8%)	(31.6%)
EBITDA	(6,822)	13,611	39,448	(150.1%)	(117.3%)
Net profit	(11,582)	4,002	7,477	(389.4%)	(254.9%)
<b>Normalised net profit (loss)<sup>(1)</sup></b>	<b>(11,582)</b>	<b>7,582</b>	<b>7,477</b>	<b>(252.8%)</b>	<b>(254.9%)</b>
Gross profit margin	27.9%	35.9%	35.9%	(8.0%)	(8.0%)
EBITDA margin	(7.9%)	12.1%	41.2%	(20.0%)	(49.1%)
Net profit (loss) margin	(13.4%)	3.6%	7.8%	(17.0%)	(21.2%)
<b>Normalised profit margin (loss)<sup>(1)</sup></b>	<b>(13.4%)</b>	<b>6.7%</b>	<b>7.8%</b>	<b>(20.2%)</b>	<b>(21.2%)</b>

Source: Interim financial information 3m22 (Reviewed) and management information

Note: (1) Non-operating expenses were mainly comprised share issuance costs in relation to Initial Public Offering ("IPO")

In 2022, there were many situations that created uncertainty in both local and global levels. These situations had impact to the Company's operating results e.g. decrease in consumer's purchasing power, increase in materials cost. Management then performed several actions to mitigate negative impact to the Company e.g. expanding marketing channel to omni, controlling of materials and construction costs. The Company expected that such actions would maintain profitability as specified in the business plan.

**QoQ (1Q22 vs 4Q21)**

- In 1Q22, JSP Pharmaceutical Manufacturing (Thailand) PCL. (the "Company" or "JP") had lower revenue from sales than 4Q21 by 25.1%. This was mainly derived several uncertainty conditions in the market e.g. the pandemic of COVID-19, abroad political conflict. resulted to consumer's cost of living has risen up since the beginning of 2022. Then consumer's demand of dietary supplementary products decreased as consumers considered them as luxury goods.
- The Company's gross profit margin for 1Q22 decreased from 4Q21 by 8.0% since the Company had lower revenue, while the Company still had fixed cost which mainly staff costs.
- Apart from decreased in revenue from sales, the Company's normalised profit decreased because the Company had higher advertising expense for brand awareness purposes. The Company expected that such activities will expand customer base in long-run.

**YoY (1Q22 vs 1Q21)**

- Comparing with 1Q21, the Company had lower revenue from sales in 1Q22 by Baht 11.4 million, or equivalent to 12.0%. This was principally from decrease in revenue from OEM customers, especially in dietary supplement products, which in accordance with current economic situation pressured to consumer spending.
- According to uncertainty situations in 1Q22, certain cost of materials rose up. Hence, gross profit margin of the Company was 27.9%.
- Although the Company had higher advertising expense during 1Q22, comparing with 1Q21, the Company's finance costs decreased due to continually payments of loans to financial institutions.

**Financial ratios 1Q22 vs FY21**

- The Company's return on assets and equity fell down in 1Q22 due to net loss. However, debt-to-equity was better-off because the Company used cash received from IPO to repay loans to financial institutions.

	1Q22	FY21
Return on assets	(1.0%)	2.4%
Return on equity	(1.2%)	3.1%
Debt-to-equity ratio (Times)	0.26	0.30



## Significant events during 1Q22



### Collaboration with TV Direct PCL. in supporting direct marketing activities

The Company collaborated with TV Direct PCL. to support direct marketing on certain Own Brand product throughout 2022, which will drive growth in revenue.



### Granting of permission to possess and produce hemp extract

On 23 February 2022, the Company was granted Production (Excluding Planting) Narcotics Substance Type 5 License (Hemp only) no. Lor Phor 1/2565 (Mor Por) by the Food and Drug Administration. As a result, the Company is able to produce and distribute hemp extract, together with developing extraction to dietary supplement products. The Company expected that revenue from hemp extract will be recognised in 2022.

### Impact on uncertainty situations in both local and global levels

In 2022, there were a number of changes in world situations e.g. abroad political conflict, inflation and pandemic of COVID-19. These situations had impact to the Company's profitability since it pressured to consumer spending. Furthermore, prices of commodity products such as fuel, steel increased so that cost of materials and construction increased.

### Management responses

The management has monitored and evaluated those situations closely. The management performed several responses to such situations in order to create sustainable profit. The management monitored revenue by performing multi-level marketing, especially omni channel, which consistent with current consumer's behaviour. In addition, the Company created variety of products in order to expand customer base. For cost control, the Company negotiated with various suppliers to fixed material prices, store more of recurring materials to reduce cost fluctuation, as well as closely monitoring to construction costs to be aligned with business plan. For cash flows, the Company scrutinised investment plan to prevent cash flows problem and retain ability to generate long-term return.

Pursuant to the situations occurred and management responses, the Company expected that operating results for 2022 will align with business plan, whereby the Company's core products will still create the most satisfaction to customers.

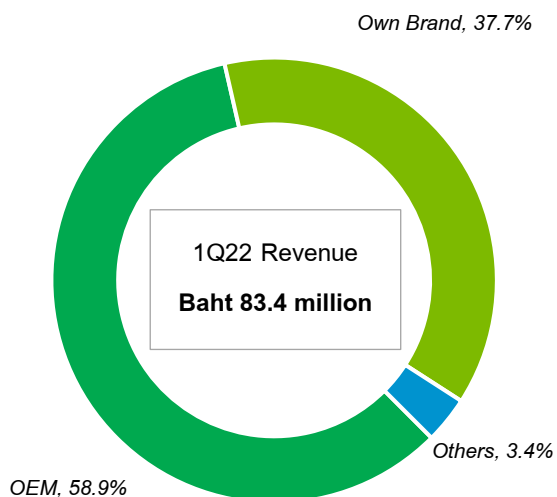


## Operating results

	Quarter 1	Quarter 4	Quarter 1	Change	
	Year 2022	Year 2021	Year 2021	%QoQ	%YoY
Unit: THB000	("1Q22")	("4Q21")	("1Q21")		
Revenue from sales	83,403	111,422	94,812	(25.1%)	(12.0%)
Cost of sales	(60,106)	(71,388)	(60,766)	(15.8%)	(1.1%)
<b>Gross profit</b>	<b>23,297</b>	<b>40,034</b>	<b>34,046</b>	<b>(41.8%)</b>	<b>(31.6%)</b>
Other income	2,068	928	943	122.8%	119.3%
Distribution costs	(22,373)	(13,191)	(11,363)	69.6%	96.9%
Administrative expenses	(15,981)	(19,346)	(12,057)	(17.4%)	32.5%
<b>Operating profit (loss)</b>	<b>(12,989)</b>	<b>8,425</b>	<b>11,569</b>	<b>(254.2%)</b>	<b>(212.3%)</b>
Finance costs	(1,791)	(2,678)	(2,458)	(33.1%)	(27.1%)
Gain on measurement of financial assets	357	-	-	100.0%	100.0%
Reversal of impairment loss (impairment loss)					
in accordance with TFRS9	509	(496)	174	(202.6%)	192.5%
<b>Profit (loss) before taxes</b>	<b>(13,914)</b>	<b>5,251</b>	<b>9,285</b>	<b>(365.0%)</b>	<b>(249.9%)</b>
Income taxes	2,332	(1,249)	(1,808)	(286.7%)	(229.0%)
<b>Net profit (loss)</b>	<b>(11,582)</b>	<b>4,002</b>	<b>7,477</b>	<b>(389.4%)</b>	<b>(254.9%)</b>
<b>Normalised net profit (loss)</b>	<b>(11,582)</b>	<b>7,582</b>	<b>7,477</b>	<b>(252.8%)</b>	<b>(254.9%)</b>

Source: Interim financial information 3m22 (Reviewed) and management information

## 1. Revenue from sales structure



## Products under customer's brand (OEM)

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

## Products under the Company's brand (Own Brand)

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

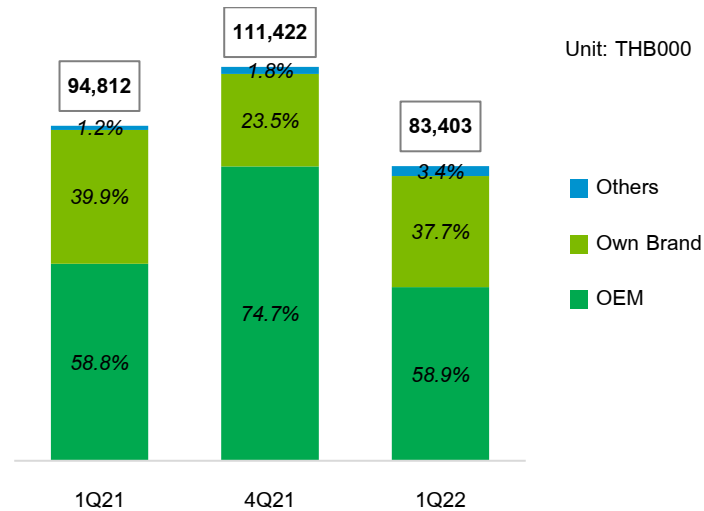
## Other products (Others)

- The Company traded certain products such as COVID-19 test kits, drug test kits.



	Quarter 1	Quarter 4	Quarter 1	Change	
	Year 2022	Year 2021	Year 2021	%QoQ	%YoY
Unit: THB000	("1Q22")	("4Q21")	("1Q21")		
OEM	49,140	83,276	55,760	(41.0%)	(11.9%)
Own Brand	31,440	26,170	37,872	20.1%	(17.0%)
Others	2,823	1,976	1,180	42.9%	139.2%
<b>Total</b>	<b>83,403</b>	<b>111,422</b>	<b>94,812</b>	<b>(25.1%)</b>	<b>(12.0%)</b>

Source: Interim financial information 3m22 (Reviewed) and management information



**QoQ (1Q22 vs 4Q21)** 1Q22's revenue from sales has dropped from 4Q21 by 25.1% mainly because

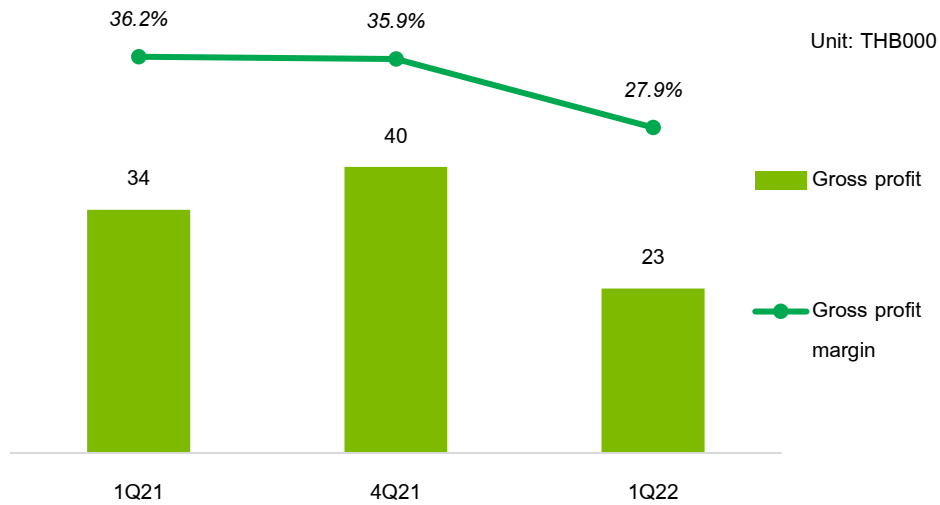
- **OEM products:** The Company had lower revenue from several uncertainty such as pandemic of COVID-19, abroad political conflict. End-user consumers have had higher cost of living since the beginning of 2022 so that the consumers had lower demand of dietary supplement products, which considered as luxury goods. Therefore, OEM customers slow down their orders.
- **Own Brand products:** The proportion of Own Brand's revenue was 37.7% and 23.5% of total revenue from sales for 1Q22 and 4Q21, respectively. This was because the Company expanded channel of distribution in omni channel which had good acceptance from customers.

**YoY (1Q22 vs 1Q21)** The Company had revenue for 1Q22 lower than 1Q21 by 12.0% because

- **OEM products:** The Company had slightly lower proportion of revenue to OEM customers in 1Q22 than 1Q21. Even though the Company's earned less of revenue from dietary supplement products, the Company had more of revenue from conventional medicine and herbal products.
- **Own Brand products:** Because the government bodies currently had more strict control in broadcasting advertisement, the Company could not broadcast the ads on time as planned and that revenue from Own Brand shrank.



## 2. Gross profit and gross profit margin



### QoQ (1Q22 vs 4Q21)

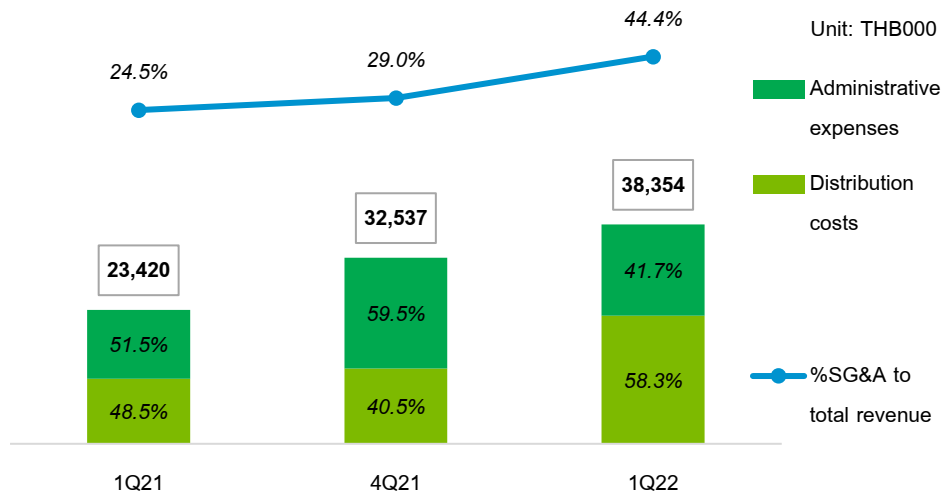
- The Company had gross profit margin for 1Q22 lower than 3Q21 amounting to Baht 1.7 million because lower revenue earned. Whilst, the Company still had fixed costs which mainly staff costs so that gross profit margin declined.

### YoY (1Q22 vs 1Q21)

- The Company's gross profit of 1Q22 had lower than 1Q21 amounting to Baht 1.1 million. Due to uncertainty in 1Q22, cost of certain materials rose up from 1Q21.



## 3. Distribution costs and administrative expenses



## QoQ (1Q22 vs 4Q21)

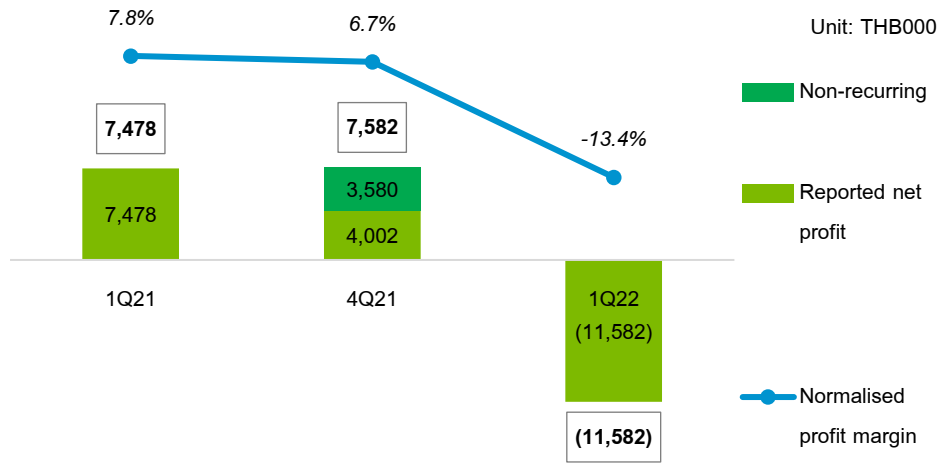
- **Distribution costs:** The Company had distribution costs for 1Q22 and 4Q21 totalled Baht 22.4 million and Baht 13.2 million, respectively. The increase in distribution costs of 1Q22 was derived from advertising expense for brand awareness purposes, whereby the Company expected that such activities will expand customer base in long-run.
- **Administrative expenses:** The Company had administrative expenses for 1Q22 and 4Q21 totalled Baht 16.0 million and Baht 19.3 million, respectively. The administrative expenses for 4Q21 were higher than 1Q22 since share issuance expenses under IPO and fees arose from on loan repayments prior to maturity.

## YoY (1Q22 vs 1Q21)

- **Distribution costs:** Distribution costs for 1Q22 increased from 1Q21 by Baht 11.0 million since advertising expense and service fees for online sale channel increased.
- **Administrative expenses:** Administrative expenses for 1Q22 was 32.5% higher than 1Q21 because of higher staff costs.
- **Distribution costs and administrative expenses to total revenue:** In 1Q22, the Company reported the ratio at 44.4%, which higher than 1Q21 because revenue decreased and advertising expense increased in this period.



#### 4. Normalised profit



##### QoQ (1Q22 vs 4Q21)

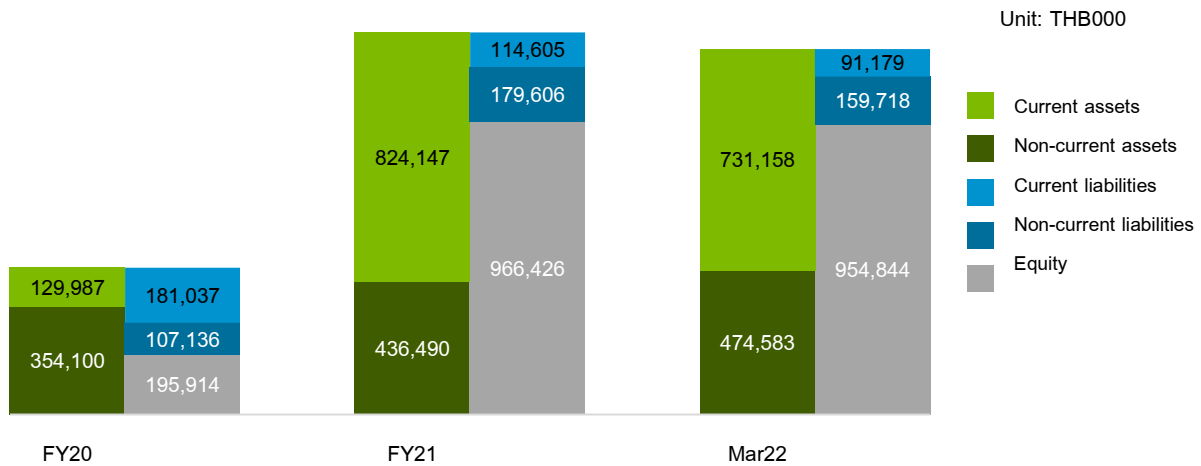
- Due to lower gross profit earned and higher distribution costs in this period, normalised net profit for 1Q22 decreased from 4Q21 by Baht 19.2 million.

##### YoY (1Q22 vs 1Q21)

- The Company had normalised profit (loss) margin at (13.4%) and 7.8% of total revenue for 1Q22 and 1Q21, respectively. This was because gross profit margin decreased by 8.3% and distribution costs as a percentage of revenue increased by 14.1%.



## Financial position



### Assets

- **Current assets:** As of 31 Mar 22 ("Mar22"), current assets principally comprised cash and cash equivalents, short-term investment and inventories, accounted for 90.9 of total current assets. Cash and cash equivalents as of Mar22 decreased from FY21 because the Company used some cash to invest in short-run amounting to Baht 190.0 million and investing in fixed assets for business expansion in accordance with business plan. In addition, inventories balance increased because the Company had plans to promote more of Own Brand products. Therefore, the Company needed to store more of inventories.
- **Non-current assets:** During 1Q22, the Company had property, plant and equipment accounted for 34.8% of total assets. The higher value of property, plant and equipment as of Mar22 was higher than FY21 because the Company had higher assets under construction and installation, which derived from renovation of production facilities at Bangkok and construction of new plant at Lamphun province.

### Liabilities

- **Current liabilities:** Current liabilities of the Company as of Mar22 was lower than FY21 by Baht 23.4 million. This was because the Company had other payables decreased by Baht 11.5 million from paying bonus to employees. Furthermore, contract liabilities (advances received from customers) decreased by Baht 7.7 million which was in the same direction as revenue.
- **Non-current liabilities:** The Company had non-current liabilities as of Mar22 lower than FY21 by 11.1% since the Company repaid loans to financial institutions prior to maturity.

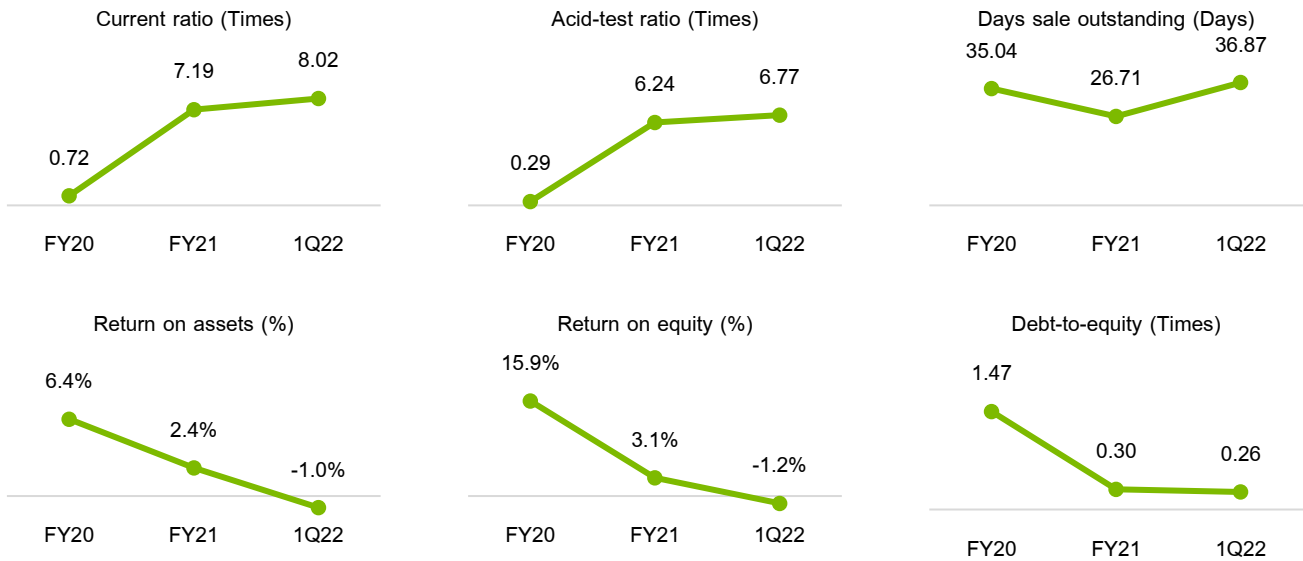
### Equity

- During 1Q22, retained earnings decreased because of net loss.





## Key financial ratios



- Due to IPO during FY21, the Company had better liquidity. Therefore, there were significant increase in current and acid-test ratios.
- However, days sale outstanding of 1Q22 rose up from FY21 because of lower revenue. The Company has still monitored collection from receivables closely to reduce bad debt problem.
- Return on assets, return on equity and debt-to-equity tended to decreased because of IPO in FY21 and net loss in 1Q22.
- Debt-to-equity ratio decreased since IPO resulted to values of assets and equity increased.