



## Management Discussion and Analysis

For the three-month and six-month periods ended 30 June 2022

## Executive Summary

	Quarter 2	Quarter 1	Quarter 2	Change		6-month		Change
	Year 2022	Year 2022	Year 2021			Year 2022	Year 2021	
	("2Q22")	("1Q22")	("2Q21")	%QoQ	%YoY	("6m22")	("6m21")	%YoY
<i>Unit: THB000</i>								
Revenue from sales	98,932	83,403	112,552	18.6%	(12.1%)	182,335	207,364	(12.1%)
Gross profit	20,133	23,297	38,595	(13.6%)	(47.8%)	43,430	72,641	(40.2%)
EBITDA	(7,093)	(7,688)	22,945	(7.7%)	(130.9%)	(14,781)	39,917	(137.0%)
<b>Net profit (loss)</b>	<b>(11,853)</b>	<b>(11,582)</b>	<b>11,889</b>	<b>2.3%</b>	<b>(199.7%)</b>	<b>(23,435)</b>	<b>19,367</b>	<b>(221.0%)</b>
Gross profit margin	20.4%	27.9%	34.3%	(7.6%)	(13.9%)	23.8%	35.0%	(11.2%)
EBITDA margin	(6.9%)	(8.9%)	20.2%	2.0%	(27.1%)	(7.8%)	19.1%	(26.9%)
<b>Net profit (loss) margin</b>	<b>(11.5%)</b>	<b>(13.4%)</b>	<b>10.5%</b>	<b>1.9%</b>	<b>(22.0%)</b>	<b>(12.4%)</b>	<b>9.2%</b>	<b>(21.6%)</b>

Source: Interim financial information 6m22 (Reviewed), 3m22 (Reviewed) and management information

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.

**The Second Quarter QoQ (2Q22 vs 1Q22)**

- In 2Q22, JSP Pharmaceutical Manufacturing (Thailand) PCL. (the "Company" or "JP") had higher revenue from sales than 1Q22 by 18.6%. This was mainly derived from continuous increased in revenue from dietary supplements and herbal products to Own Brand and OEM customers, respectively.
- The Company's gross profit margin for 2Q22 was lower than 1Q22 by 7.6% since the Company had fixed the price of several products to secure customer's loyalty. Whilst, certain manufacturing costs increased, especially staff costs.
- In 2Q22, the Company had higher loss then 1Q22 by Baht 0.3 million. Although the Company had lower distribution costs, the increase of professional service expense resulted to higher administrative expenses.

**The Second Quarter YoY (2Q22 vs 2Q21)**

- The Company's revenue from sales for 1Q22 decreased from 2Q21 amounting to Baht 13.6 million, or 12.1%. This was mainly because economics and politics uncertainties has caused higher consumers' cost of living since the beginning of 2022. The consumers then considered dietary supplements as luxury goods so that lower their demand.
- Because the Company had lower revenue and higher cost of certain materials, gross profit margin of the Company decreased by 13.9%.
- Apart from decreasing of revenue from sales, the Company had lower net profit because of spending on advertising and promotion to promote brand awareness. The Company expects that such activities would expand customer's loyalty in long-run

**Six-month Period YoY (6m22 vs 6m21)**

- Revenue from sales for 6m22 decreased from 6m21 by 12.1%. This was primarily because consumers had to stringent their spending from uncertainties in local and global levels. Therefore, revenue from dietary supplements from both Own Brand OEM channels decreased.
- In addition to decrease of revenue from sales, the Company's gross profit margin for 6m22 decreased by 11.2% when compared to 6m21 since the Company set aside more of reserve to inventory amounting to THB 3.1 million. However, the management scrutiny oversights the situations for expansion of customer loyalty and increase inventory turnover.
- Even though the Company had more adverting and promotion expenses in 6m22, the Company had less finance costs because of repayment of loans from financial institutions.

**Six-month Period financial ratios YoY (6m22 vs FY21)**

- The Company had net loss during 6m22. As a result, return on assets and equity declined. However, the Company used IPO fund to repay loans from financial institutions and that debt-to-equity ratio has improved.

	6m22	FY21
Return on assets	(3.9%)	2.4%
Return on equity	(5.0%)	3.1%
Debt-to-equity ratio (Times)	0.28	0.30



## Significant events during 2Q22

### Establishment of a new subsidiary

On 28 June 2022, the Board of Directors' Meeting approved the Company to establish a new subsidiary i.e. Caresutic Co., Ltd. ("CST"). CST has registered capital of THB 5.0 million, which comprises 50,000 ordinary shares with par value of THB 100 per share. The Company will have 99.99% ownership interest of paid-up capital. CST will operate innovation centre and small-scaled production facilities to produce dietary supplements and cosmetics in order to expand OEM customers who have production demand in small batch.

### Repayment of loans to financial institutions

After the Company had received fund from IPO, the Company used such fund partially to repay loans from financial institutions. Currently, the Company fully disbursed such fund according to the fund usage objectives.

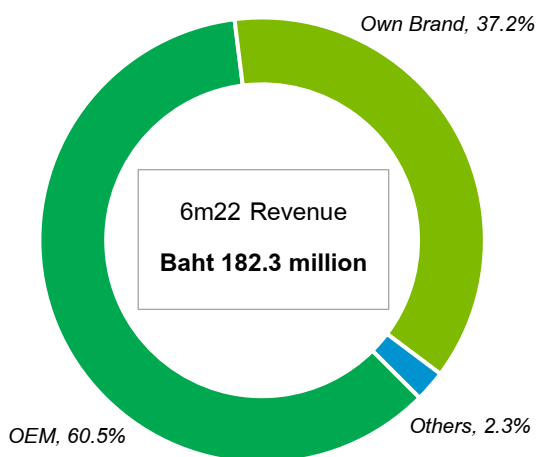
## Operating results

	Quarter 2	Quarter 1	Quarter 2	Change		6-month		Change %YoY
	Year 2022	Year 2022	Year 2021	%QoQ	%YoY	Year 2022	Year 2021	
	("2Q22")	("1Q22")	("2Q21")			("6m22")	("6m21")	
<i>Unit: THB000</i>								
Revenue from sales	98,932	83,403	112,552	18.6%	(12.1%)	182,335	207,364	(12.1%)
Cost of sales	(78,799)	(60,106)	(73,957)	31.1%	6.5%	(138,905)	(134,723)	3.1%
<b>Gross profit</b>	<b>20,133</b>	<b>23,297</b>	<b>38,595</b>	<b>(13.6%)</b>	<b>(47.8%)</b>	<b>43,430</b>	<b>72,641</b>	<b>(40.2%)</b>
Other income	3,571	2,068	1,232	72.7%	189.9%	5,639	2,175	159.3%
Distribution costs	(19,474)	(22,373)	(10,494)	(13.0%)	85.6%	(41,847)	(21,857)	91.5%
Administrative expenses	(17,369)	(15,981)	(11,920)	8.7%	45.7%	(33,350)	(23,976)	39.1%
<b>Operating profit (loss)</b>	<b>(13,139)</b>	<b>(12,989)</b>	<b>17,413</b>	<b>1.2%</b>	<b>(175.5%)</b>	<b>(26,128)</b>	<b>28,983</b>	<b>(190.1%)</b>
Finance costs	(1,843)	(1,791)	(2,318)	2.9%	(20.5%)	(3,634)	(4,776)	(23.9%)
Gain on measurement of financial assets	-	357	-	(100.0%)	-	357	-	100.0%
Reversal of impairment loss (impairment loss) in accordance with TFRS9	166	509	(239)	(67.4%)	(169.5%)	675	(65)	(1,138.5%)
<b>Profit (Loss) before taxes</b>	<b>(14,816)</b>	<b>(13,914)</b>	<b>14,856</b>	<b>6.5%</b>	<b>(199.7%)</b>	<b>(28,730)</b>	<b>24,142</b>	<b>(219.0%)</b>
Income taxes	2,963	2,332	(2,967)	27.1%	(199.9%)	5,295	(4,775)	(210.9%)
<b>Net profit (loss)</b>	<b>(11,853)</b>	<b>(11,582)</b>	<b>11,889</b>	<b>2.3%</b>	<b>(199.7%)</b>	<b>(23,435)</b>	<b>19,367</b>	<b>(221.0%)</b>
<b>Normalised net profit</b>	<b>98,932</b>	<b>83,403</b>	<b>112,552</b>	<b>18.6%</b>	<b>(12.1%)</b>	<b>182,335</b>	<b>207,364</b>	<b>(12.1%)</b>

Source: Interim financial information 6m22 (Reviewed), 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)

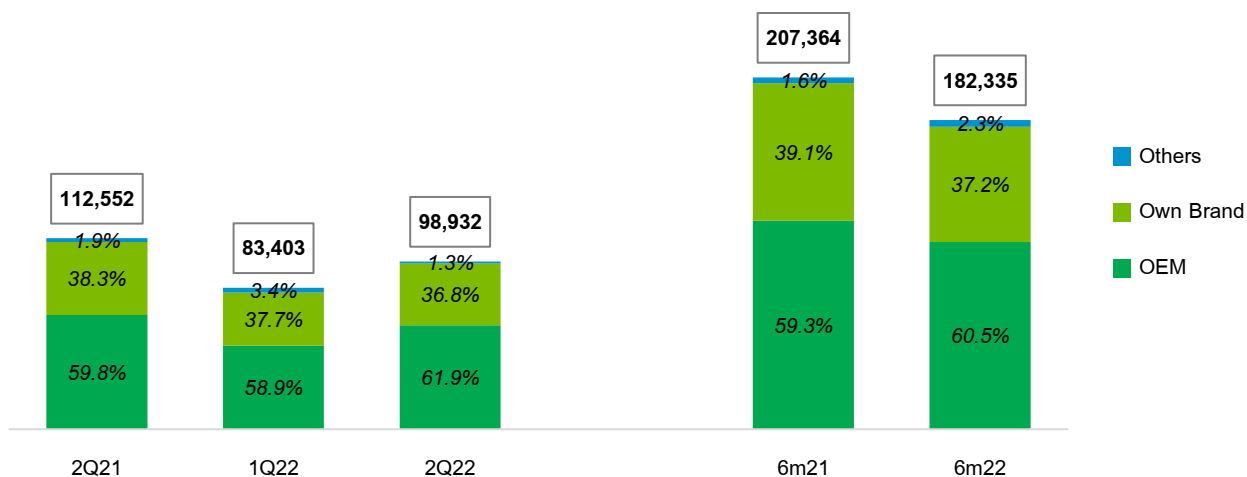
- The Company's brand consisted of COX™, JSP™, Suphap Osot™, EVITON™, which covered many channels of distribution
- The Company's had product development and marketing plans to expand revenue from Own Brand segment.

Other products (Others)

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

Unit: THB000	Quarter 2	Quarter 1	Quarter 2	Change		6-month		Change
	Year 2022	Year 2022	Year 2021	%QoQ	%YoY	Year 2022	Year 2021	%YoY
	("2Q22")	("1Q22")	("2Q21")			("6m22")	("6m21")	
OEM	61,211	49,139	67,271	24.6%	(9.0%)	110,350	123,032	(10.3%)
Own Brand	36,423	31,440	43,126	15.8%	(15.5%)	67,863	80,998	(16.2%)
Others	1,298	2,824	2,155	(54.0%)	(39.8%)	4,122	3,334	23.6%
<b>Total</b>	<b>98,932</b>	<b>83,403</b>	<b>112,552</b>	<b>18.6%</b>	<b>(12.1%)</b>	<b>182,335</b>	<b>207,364</b>	<b>(12.1%)</b>

Source: Interim financial information 6m22 (Reviewed), 3m22 (Reviewed) and management information





**The Second Quarter QoQ (2Q22 vs 1Q22)** 2Q22's revenue from sales increased from 1Q22 by 18.6% mainly because

- **OEM products:** The Company had higher revenue from customer's orders for conventional medicines and herbal products.
- **Own Brand products:** Revenue from Own Brand products increased from mass advertising and promotion campaigns.

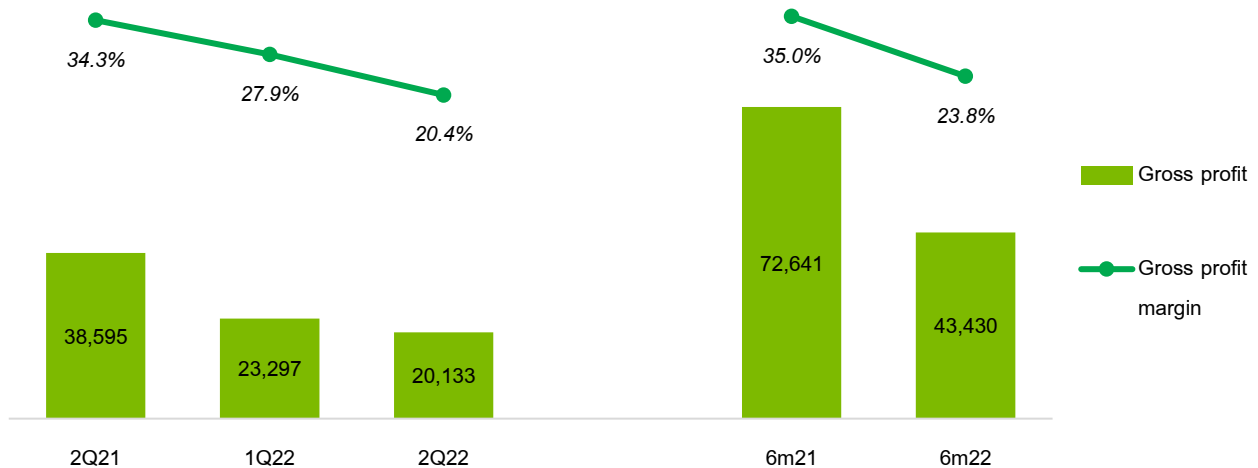
**The Second Quarter YoY (2Q22 vs 2Q21)** Revenue from sales for 2Q22 decreased from 2Q21 by 12.1% since

- **OEM and Own Brand products:** Because of uncertainties in economics and politics during 2Q22, the Company had less orders for dietary supplements since customers had stringent in spending.

**Six-month Period YoY (6m22 vs 6m21)** The Company had revenue for 6m22 lower than 6m21 by 12.1% because

- **OEM products:** The Company had higher proportion of revenue from OEM products slightly since more of customers' orders received for conventional medicines and herbal products.
- **Own Brand products:** The decrease in revenue from Own Brand products was mainly from dietary supplements. In addition, the government bodies currently had more strict control in broadcasting advertisement, the Company could not broadcast the ads on time as planned. However, the Company offered new products continuously to expand future revenue.

## 2. Gross profit and gross profit margin



**The Second Quarter QoQ (2Q22 vs 1Q22)**

- Gross profit for 2Q22 lower than 1Q22 amounting to Baht 3.2 million. Despite of the Company had higher revenue earned, the Company had to fix selling price of certain product in order to secure customer's loyalty. Also, the Company had higher cost of some raw materials.

**The Second Quarter YoY (2Q22 vs 2Q21)**

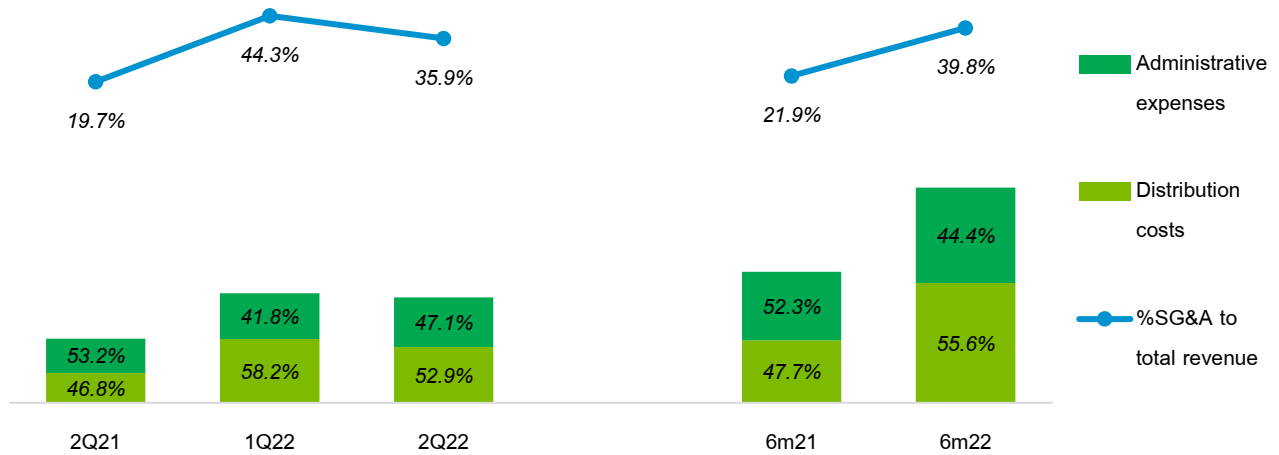
- In 2Q22, the Company had THB 20.1 million of gross profit, which in line with decrease of revenue and increase of cost of manufacturing.

**Six-month Period YoY (6m22 vs 6m21)**

- The Company had gross profit for 6m22 lower than 6m21 by THB 29.2 million since revenue from sales declined. In addition, the Company reported promotion expenses with TV Direct PCL. amounting to THB 15.7 million as a reduction of revenue in accordance with TFRS15. As a result, the Company had 29.8% of gross profit margin after excluding this effect.



## 3. Distribution costs and administrative expenses

**The Second Quarter QoQ (2Q22 vs 1Q22)**

- **Distribution costs:** The Company's distribution costs for 2Q22 and 1Q22 were THB 19.5 million and THB 22.4 million, respectively. Due to decrease of advertising and promotion expenses, distribution costs of 2Q22 decreased.
- **Administrative expenses:** The Company had administrative expenses for 2Q22 and 1Q22 amounting to THB 17.4 million and THB 16.0 million, respectively. The increase in this expense derived from professional service fees.

**The Second Quarter YoY (2Q22 vs 2Q21)**

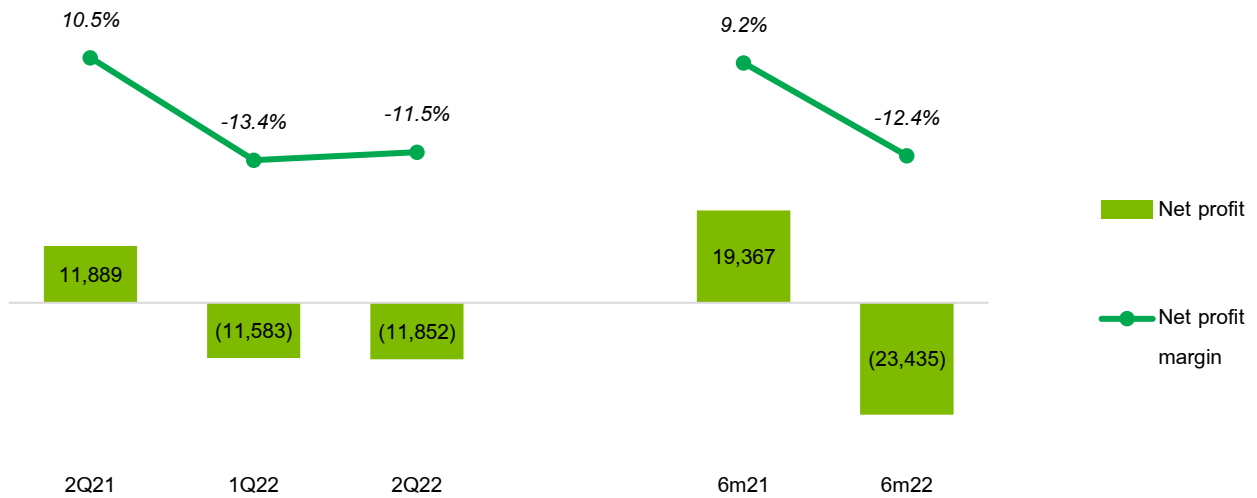
- **Distribution costs:** Distribution costs for 2Q22 increased by 85.6% comparing with 2Q21. This was because there was advertising and promotion expenses to create brand awareness. The Company expected that such activities could expand customer's loyalty in long-run.
- **Administrative expenses:** Administrative expenses for 2Q22 was higher than 2Q21 by 45.7% due to staff costs and professional service fees in relation to finance and administration.

**Six-month Period YoY (6m22 vs 6m21)**

- **Distribution costs:** Distribution costs for 6m22 increased from 6m21 by THB 20.0 million. This was because of freight-out to support sales via omni channel and advertising expense for branding.
- **Administrative expenses:** Administrative expenses for 6m22 was 39.1% higher than 6m21 because of staff costs and professional service fees in relation to finance and administration.
- **Distribution costs and administrative expenses to total revenue:** The Company had this ratio for 6m22 at 39.8% of total revenue; which higher than 6m21, because there was lower revenue and higher distribution costs and administrative expenses.



#### 4. Net profit



##### The Second Quarter QoQ (2Q22 vs 1Q22)

- Net loss for 2Q22 was 2.3% higher than 1Q22 due to lower of revenue and higher expenses to support the future businesses.

##### The Second Quarter YoY (2Q22 vs 2Q21)

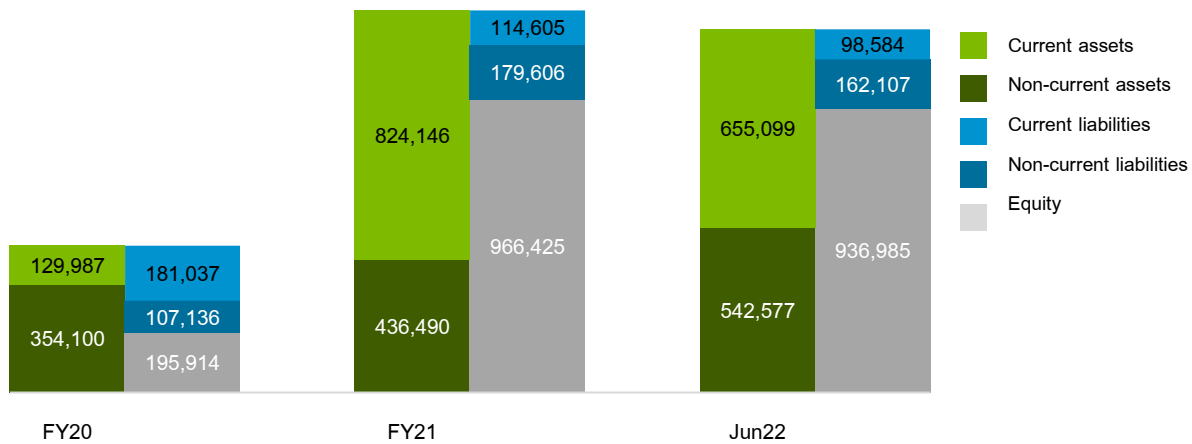
- In 2Q22, the Company had lower profit from 2Q21 amounting to Baht 23.7 million. These were because lower gross profit and higher operating expenses.

##### Six-month Period YoY (6m22 vs 6m21)

- The Company's net profit (loss) margin decreased, whereby 6m22 had at (12.4%) since lower of revenue but higher expenses to support business expansion. However, the management has monitored closely to increase revenues and decrease expenses in order to create sustainable profit.



## Financial position



## Assets

- **Current assets:** As of 30 June 2022 ("Jun22"), current assets principally comprised cash and cash equivalents, short-term investments and inventories, accounted for 89.6 of total current assets. Cash and cash equivalents as of Jun22 decreased from FY21 because the Company used cash to invest in short-run amounting to THB 350.0 million and to invest in long-term assets for business expansion purposes. In addition, inventories balance increased because the Company has plans to promote more of Own Brand products. Therefore, the Company needed to store more of inventories.
- **Non-current assets:** As of Jun22, the Company had property, plant and equipment accounted for 39.9% of total assets. The higher value of property, plant and equipment as of Jun22 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

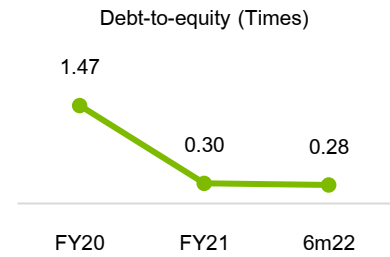
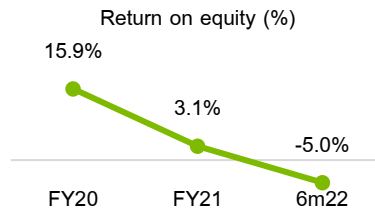
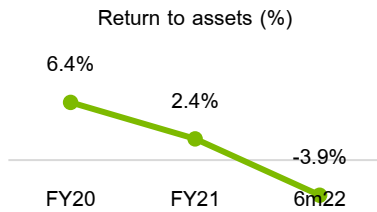
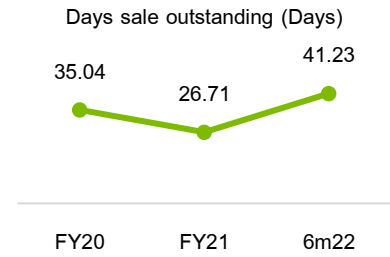
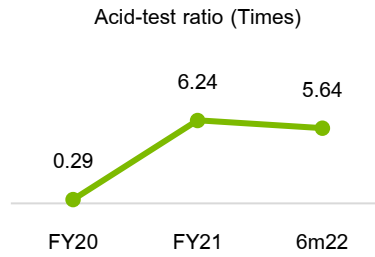
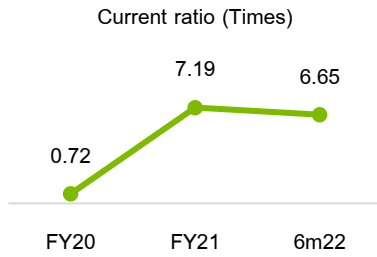
- **Current liabilities:** Current liabilities of the Company as of Jun22 was lower than FY21 by Baht 16.0 million. This was because the Company had other payables decreased by Baht 5.5 million from paying bonus to employees. Furthermore, contract liabilities (advances received from customers) decreased by Baht 8.9 million which was resulted from delivering goods to customers.
- **Non-current liabilities:** Non-current liabilities as of Jun22 decreased from FY21 by 9.7% because the Company repaid long-term loans from financial institutions during 6m22. While, the Company entered into new long-term lease agreements to rent building and equipment for operating purposes so that lease liabilities increased.

## Equity

- During 6m22, the Company's equity declined amounting to THB 23.4 million resulted from net loss. In addition, the Company declared and paid dividend for the operating performance year 2021 amounting to THB 6.0 million.



## 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 6m22 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 6m22.
- Debt-to-equity ratio decreased since IPO resulted to values of assets and equity increased.