

August 12, 2022

LDC Dental Public Company Limited

## Management Discussion and Analysis

---

### Business Overview

#### Operating results for the second quarter of 2022 and the first six-month period of 2022

**Overall:** the overall operating results of LDC Dental Public Company Limited (“the Company”) for the quarter 2/2022 was improved, comparing to the same period of prior year and prior quarter, by having the operating revenues at Baht 124.88 million which was significant growth at 61.45%, because of the cost restructuring to be more suitable with the Company’s business as well as the relaxation of Covid-19 measures and improving the dental room to be equal to operation room with LDC Next Normal Air Change, No-Touch Technology and UV-C Disinfection System for safety assurance to clients and personnel of 26 branches over Thailand, resulting more clients.

The Company had earnings before interest, tax, depreciation, and amortization (EBITDA) from operation at Baht 34.53 million, which was increased 6 times, comparing to the same quarter of prior year Baht 5.60 million because the Company was able to gain more profit according to the increased revenues and had profit at 18.01 million. It was better than the quarter 2/2021 which had loss at Baht 10.50 million.

For the six-month period of 2022, the Company had total revenues at Baht 240.40 million, which was increased at the rate 34.55% from to the same quarter of prior year and had EBITDA at Baht 60.76 million, which was increased 4 times or at the rate 313.75%, comparing to the same quarter of prior year because the Company gained more profit continuously since the quarter 1/2022 and increasing in EBITDA margin from 8.22% in the first six-month of year 2021 to be 25.27% in the first six-month of year 2022.

The Company had net profit at Baht 28.28 million which was increased, comparing to the same quarter of prior year at 248.95% and EBITDA margin at 25.27% which means at income of Baht 1.00, the real earnings at 25.27 Satang.

Summary of significant financial information

Unit : Million Baht	For the three-month period ended June 30				For the six-month period ended June 30			
	2022	2021	Movement		2022	2021	Movement	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
Revenues from services	111.01	76.16	34.84	45.74	218.43	175.97	42.45	24.13
Cost of services	(88.81)	(73.63)	15.18	20.61	(175.37)	(164.44)	10.92	6.64
Gross profit (loss)	22.19	2.53	19.66	776.77	43.06	11.53	31.53	273.60
Other revenues	13.87	1.18	12.69	1,073.17	21.98	2.70	19.28	713.54
Distribution cost	124.88	77.35	47.53	61.45	240.40	178.67	61.73	34.55
Administrative expenses	(3.74)	(1.97)	1.76	89.48	(9.44)	(5.20)	4.23	81.36
Revenues from services	(11.24)	(9.00)	2.23	24.81	(21.32)	(21.23)	0.09	0.43
EBITDA	34.53	5.60	28.93	516.08	60.76	14.68	46.07	313.75
EBITDA Margin (%)	27.65	7.25			25.27	8.22		
Financial cost	(3.47)	(3.80)	(0.33)	(8.71)	(7.12)	(7.94)	(0.82)	(10.36)
Profit (Loss) before income tax expenses	17.63	(11.06)	(28.69)	(259.45)	27.17	(20.14)	(47.31)	(234.89)
Income tax (expense) revenue	0.38	0.56	(0.17)	(31.39)	1.11	1.16	(0.05)	(3.97)
Net profit (loss) for the year	18.01	(10.50)	(28.51)	(271.56)	28.28	(18.99)	(47.26)	(248.95)
EBITDA Margin (%)	14.42	(13.57)			11.76	(10.63)		

## 1. Revenues

### 1.1 Revenues from services

For the quarter 2/2022, the Company has revenues from services at Baht 111.01 million, which increased by Baht 34.84 million or equivalent to 45.74%, comparing to the same quarter of prior year.

For the six-month period of 2022, the Company has revenues from services at Baht 218.43 million, which increased by Baht 42.45 million or equivalent to 24.13 %, comparing to the same quarter of prior year.

## 1.2 Other revenues

For the quarter 2/2022, the Company has other revenues at Baht 13.87 million, which increased by Baht 12.69 million or equivalent to 1,073.17%, comparing to the same quarter of prior year due to the amendment of lease contract under the cost restructure policy, resulting profit Baht 12.24 million and from the rental and service income of Nakorn Ratchsima Branch Baht 0.40 million.

For the six-month period of 2022, the Company has other revenues at Baht 21.98 million, which increased by Baht 19.28 million or equivalent to 713.54%, comparing to the same quarter of prior year due to the amendment of lease contract Baht 19.05 million and from the rental and service income Baht 0.59 million.

## 2. Cost of services

For the quarter 2/2022, the Company has cost of services at Baht 88.81 million or equivalent to 80.01% of revenues from services which increased by Baht 15.18 million or equivalent to 20.61%, comparing to the same quarter of prior year which had cost of services at Baht 73.63 million or equivalent to 96.68% of revenues from services. Mainly it was from increasing doctor remuneration, medical supplies, dental laboratory which were in line with the increasing revenues from services. However, the cost restructure policy effected to gross profit increased Baht 19.66 million or equivalent to 776.77%.

For the six-month period of 2022, the Company has cost of services at Baht 175.37 million or equivalent to 80.29% of revenues from services which increased by Baht 10.92 million or equivalent to 6.64%, due to the increased doctor remuneration, employee cost, medical supplies and dental laboratory, comparing to the same quarter of prior year which had cost of services at 93.45% of revenues from services. It showed that the proportion of current cost of services with revenues decreased at 13.16%. Therefore, the Company had gross profit increased by Baht 31.53 million or equivalent to 273.60% or the gross profit margin at 19.71%.

## 3. Distribution cost

For the quarter 2/2022, the Company has distribution cost at Baht 3.74 million or equivalent to 3.37% of revenues from service which increased by Baht 1.76 million or equivalent to 89.48%, comparing to the same quarter of prior year due to the increased advertising and sale promotion

because the Company advertises about the innovation of the dental room to be equal to operation room through social media to promote and increase the clients' confidence.

For the six-month period of 2022, the Company has distribution cost at Baht 9.44 million or equivalent to 4.32% of revenues from service which increased by Baht 4.23 million or equivalent to 81.36%, comparing to the same quarter of prior year.

#### 4. Administrative expenses

For the quarter 2/2022, the Company has administrative expenses at Baht 11.24 million or equivalent to 10.12% of revenues from services which increased by Baht 2.23 million or equivalent to 24.81%, comparing to the same quarter of prior year, due to the adjustment of employee salaries because the employee salaries were not adjusted in the last year and the increased signboard tax, and land and building tax.

For the six-month period of 2022, the Company has administrative expenses at Baht 21.32 million or equivalent to 9.76% of revenues from services which increased by Baht 0.09 million or equivalent to 0.43%, comparing to the same quarter of prior year, due to the expense to improve the clinics for more modern image.

#### 5. Financial cost

For the quarter 2/2022, the Company has financial cost at Baht 3.47 million or equivalent to 3.12% of revenues from service which decreased by Baht 0.33 million or equivalent to 8.71%, comparing to the same quarter of prior year, due to the interest on leasehold right.

For the six-month period of 2022, the Company has financial cost at Baht 7.12 million or equivalent to 3.26% of revenues from service which decreased by Baht 0.82 million or equivalent to 10.36%, comparing to the same quarter of prior year, due to the interest on leasehold right.

#### 6. Performance

For the quarter 2/2022, the Company has net profit for the period at Baht 18.01 million or net profit margin at 14.42 of total revenues, comparing to the same quarter of prior year which had net loss at Baht 10.50 million. The increased profit equal to 271.56%.

For the six-month period of 2022, the Company has net profit for the period at Baht 28.28 million or net profit margin at 11.76 of total revenues, due to the main factor of cost restructuring and service standard enhancing.

Analysis of financial position as at June 30, 2022:

Unit : Million Baht

	June 30, 2022	December 31, 2021	Increase (Decrease)	%
Total assets	485.89	467.92	17.97	3.84
Total liabilities	247.23	257.54	(10.31)	(4.00)
Total owner's equity	238.66	210.38	28.28	13.44

#### Assets

As at June 30, 2022, the Company had total assets at Baht 485.89 million which increased from December 31, 2021 by Baht 17.97 million or equivalent to 3.84% by having the significant movement as follows:

- Cash and cash equivalent increased by Baht 13.83 million or equivalent to 19.57% because of the Company's better operation performance.
- Account receivable and other receivable increased by Baht 7.43 million or equivalent to 92.71% due to the investment in funds.
- Property, plant and equipment decreased by Baht 5.67 million or equivalent to 5.25%, due to the normal depreciation.
- Right-of-use assets increased by Baht 8.17 million or equivalent to 3.83%, because of enter into hire-purchase contract of the air ventilation "LDC Next Normal Air Change", digital radiography and the electronic doors at branches at other provinces.
- Deferred income tax assets increased by Baht 1.11 million or equivalent to 7.54%, due to the taxation right of right-of-use assets.

#### Liability

As at June 30, 2022, the Company had total liabilities at Baht 247.23 million which decreased from as at December 31, 2021 by Baht 10.31 million or equivalent to 4.00% by having the significant movement as follows:

- Account payables and other payables decreased by Baht 2.24 million or equivalent to 5.95% due to the normal payment.
- Liabilities under lease contract decreased by Baht 9.89 million or equivalent to 5.29% due to the rent payment and the rent recalculation for 5 branches because the Company negotiated for the rental discount.

#### Owner's equity

As at June 30, 2022, owner's equity at Baht 238.66 million which increased by Baht 28.28 million or equivalent to 13.44% because the Company's operation had comprehensive profit.

#### Future Possibilities

The Company still uses the strategy of "LDC The Next Normal", improving the safety standard and enhancing LDC brand image in order to increase the confidence of clients and the Company's personnel together with the cost management for more profitable and searching for new business opportunity.

#### Future Cash Flow Management and Financial Position

The Company still applies the policy of expense control throughout the organization and makes cost restructuring including closely monitor warehouse system to prevent over stock which may result impairment. In the past period, the Company managed various things to improve financial liquidity, resulting increased cash on hand and credit line and the working capital was better because of the cash earnings from operation. The Company believes the operation will be developing continuously. However, the Company realizes to the fluctuation which may occur due to the remaining COVID-19 pandemic.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director