



ROJUKISS INTERNATIONAL

Management Discussion & Analysis

As of 2Q/2022

Key Performance

- Revenue from sales and services was 191.9 million baht (+13.5% QoQ, -7.2% YoY)
- EBITDA was 40.4 million baht (+47.8% QoQ, -10.1% YoY)
- Net Profit was recorded at 30.7 million baht (+59.4% QoQ, -5.2% YoY)

Key Financial Performance (Million Baht)	2Q 2022	%	2Q 2021	%	%YoY	1Q 2022	%	%QoQ
Revenue from sales and services	191.9	100.0	206.8	100.0	(7.2)	169.0	100.0	13.5
Cost of goods sold	(86.2)	(44.9)	(92.8)	(44.8)	(7.0)	(80.4)	(47.6)	7.2
Gross profit	105.7	55.1	114.1	55.2	(7.4)	88.6	52.4	19.3
EBITDA	40.4	21.1	45.0	21.7	(10.1)	27.4	16.2	47.8
Net Profit	30.7	16.0	32.4	15.6	(5.2)	19.3	11.4	59.4
Earnings per share (Baht)	0.05		0.05			0.03		

Executive Summary

- **The revenue from sales and services in 2Q/2022 was 191.9 million baht, an increase of 13.5% QoQ but a drop of 7.2% YoY mainly from**
 - Revenue from Skin Care category from Rojukiss Skincare brand and Color Cosmetic category from Sis2Sis brand continued improving. The primary growth of overall consumption has been rebounded after the COVID-19 pandemic has been under control. As a result, the consumption of Personal Care and Beauty Care products has started recovering.
 - Revenue from Domestic began to show signs of recovery with a 18.6% growth rate from the previous quarter especially in the Modern Trade channel, which increased by 30.0% QoQ.
- **EBITDA was 40.4 million baht, an increase of 47.8% QoQ but decreased by 10.1% YoY. While Net Profit was 30.7 million baht, an increase of 59.4% QoQ but a decreased by 5.2% YoY.** If compared to the previous quarter, the drivers were mainly from the recovery of sales and gross margin improvement. In addition, the Company recognized a net gain of 9 million baht from the acquisition of increased shareholding proportion in O2 Kiss Company Limited (“O2KISS”).
- **The Company’s business outlook in 2022,** KISS expects the overall Thai economy trend continues improving due to the COVID-19 outbreak has been under control. An increase trend of private consumption as well as easing the border entry restriction are key drivers of economic recovery. However, the Inflation rate is likely to advance and remain at a high level which the trend will be gradually recovery. As a result, KISS considers both economic and consumer behavior trend to reflect in the second half of 2022 Company’s Strategy as follows:

- **Enhance company product portfolio in Innovative Healthcare Product under Hibiocy aligned with the Company's Vision and Mission** to be **"A leading company in holistic Health & Beauty of Asia"**, First product launch will be preventive COVID-19 virus nasal spray under partnership - with Chulalongkorn University, Health Systems Research Institute (HSRI), Silpakorn University, and The Government Pharmaceutical Organization (GPO). This partnership will be recognized as Thailand and the first global innovative Nasal Spray by incorporating Monoclonal Human Antibody Cocktail technology to fight with COVID-19 virus. This partnership strategy is aligned with our vision to support and promote Thai Researchers by utilizing feasible knowledge and knowhow and this effort will continue to build our future product portfolio. The Nasal Spray is under FDA 's License Registration Process and expected to be available around end of 3Q/2022 to the beginning of the 4Q/2022.
- **Strengthening Product Portfolio through technology & innovation in Health & Beauty** under our core brands (Rojukiss, Sis2Sis, Best Korea) and continue driving accessibility.
- **Focusing in the digital marketing investment strategy** by holistic investing across digital marketing channels and leveraging data analytic to enhance our engagement and reach to target consumers at the most effectiveness and efficiency.
- **Expanding current products of O2KISS (Qi, PhD K-Derma) under Direct-To-Consumer (D2C) channel to all distribution channels** in order to drive more accessibility. Moreover, continue strengthening our products portfolio through innovative science by leveraging PhD K-Derma Brand for Derma Skincare and Qi Brand for food supplement/dietary (or future brand) to meet consumer insights on holistic health concern under new normal lifestyle

Financial Performance

Table 1 : Statement of Comprehensive Income

(Unit : Million Baht)

Consolidated Financial Statement	2Q 2022	%	2Q 2021	%	%YoY	1Q 2022	%	%QoQ	6M 2022	6M 2021	%YoY
Revenue from sales and services	191.9	100.0	206.8	100.0	(7.2)	169.0	100.0	13.5	360.9	441.4	(18.2)
Cost of sales and services	(86.2)	(44.9)	(92.8)	(44.8)	(7.0)	(80.4)	(47.6)	7.2	(166.7)	(196.3)	(15.1)
Gross Profit	105.7	55.1	114.1	55.2	(7.4)	88.6	52.4	19.3	194.3	245.2	(20.8)
Other Income	0.7	0.4	0.3	0.1	132.0	3.5	2.1	(79.8)	4.3	0.4	886.3
Selling expenses	(34.4)	(18.0)	(42.8)	(20.7)	(19.6)	(32.6)	(19.3)	5.6	(67.1)	(84.8)	(20.9)
Administrative expenses	(42.0)	(21.9)	(30.4)	(14.7)	38.2	(33.0)	(19.5)	27.2	(75.0)	(68.5)	9.5
Gain (loss) from foreign exchange rate	1.5	0.8	2.6	1.2	(41.7)	0.0	0.0	N/A	1.5	6.3	(76.0)
Loss sharing from Joint Venture	(3.0)	(1.6)	(2.0)	(1.0)	50.5	(2.1)	(1.3)	40.7	(5.1)	(2.0)	156.5
Net profit sharing from acquisition of additional shareholders	9.1	4.7	-	-	N/A	-	-	N/A	9.1	-	N/A
Total expenses and other income	(68.1)	(35.5)	(72.3)	(35.0)	(5.8)	(64.2)	(38.0)	6.1	(132.4)	(148.6)	(10.9)
Profit before finance costs	37.5	19.6	41.8	20.2	(10.1)	24.4	14.4	54.1	61.9	96.6	(35.9)
Finance costs	(0.6)	(0.3)	(1.2)	(0.6)	(52.3)	(0.3)	(0.1)	124.9	(0.8)	(3.1)	(73.5)
Profit before income tax expenses	37.0	19.3	40.6	19.6	(8.9)	24.1	14.3	53.3	61.1	93.5	(34.7)
Income tax expense	(6.3)	(3.3)	(8.2)	(4.0)	(23.4)	(4.9)	(2.9)	29.3	(11.1)	(17.9)	(37.9)
Profit for the year	30.7	16.0	32.4	15.6	(5.2)	19.3	11.4	59.4	49.9	75.5	(33.9)

Overall

Thai economy in 2Q/2022: Thai economy continues recovery momentum from border relaxation, private consumption and service sector rebound after COVID-19 outbreak has been under control. However, the rise of Inflation rate which private consumption trend will be gradually recovery. Furthermore, the most people is back to new normal lifestyle and the Thai Government announced the mask relaxation, which drives the Consumption rate of Personal and Beauty Care products.

In 2Q/2022, KISS continues to invest in Digital Marketing activities aiming to constantly increase Brand Awareness to be Top of Mind of consumer by mainly focusing on the Rojukiss brand through Online media platforms such as YouTube, Facebook, Twitter, and TikTok, along with KOL Marketing (Key Opinion Leader). Moreover, KISS has also promoted Dietary Supplement products under “Qi” through Out of Home media with more than 130 screens throughout the country for domestic market. While Sales from Overseas in both Indonesia and Vietnam continued strong growth from Rojukiss serum, Mask 5X, and Serum cleanser, a recently released product during 2Q/22.

On 23rd July 2022, the Company successfully acquired additional 60% of O2KISS Share from Joint Venture Shareholder resulting to O2KISS becomes subsidiary of the Company (Fully Owned). This is a strategic action to strengthen company holistic portfolio into health and beauty segment by leveraging acquired Dietary Supplement products under “Qi” and PhD K-Derma skincare brand as well as building future innovation pipeline under this segment

Revenue from sales and services

Table 2: Revenue from sales and services by category

(Unit : Million baht)

Revenue by category	2Q 2022	%	2Q 2021	%	%YoY	1Q 2022	%	%QoQ
Revenue from sales								
Skin Care	168.1	83.3	185.6	85.3	(9.4)	148.6	84.1	13.1
Color Cosmetics	28.3	14.0	26.6	12.2	6.4	18.2	10.3	55.3
Supplement	-0.6	(0.3)	1.9	0.9	(130.1)	2.2	1.3	(125.3)
Hair Color	6.0	3.0	3.6	1.6	(67.3)	7.7	4.3	(22.0)
Total revenue from sales and services	201.8	100.0	217.6	100.0	(7.2)	176.6	100	14.3

Table 3: Revenue from sales and services by distribution channel

(Unit : Million baht)

Revenues by distribution channel	2Q 2022	%	2Q 2021	%	%YoY	1Q 2022	%	%QoQ
Revenue from sales								
Modern Trade	138.3	68.5	152.8	70.2	(9.5)	106.3	60.2	30.1
General Trade	15.4	7.6	27.6	12.7	(44.2)	22.2	12.5	(30.7)
E-Commerce	5.4	2.7	5.9	2.7	(8.0)	5.8	3.3	(6.3)
Export through Cross Border	7.3	3.6	8.6	4.0	(15.5)	6.4	3.6	13.9
Export through Foreign Distributors	34.9	17.3	18.7	8.6	87.1	31.8	18.0	9.7
Joint Venture	0.5	0.2	4.0	1.9	(88.3)	4.1	2.3	(88.5)
Total revenue from sales and services	201.8	100.0	217.6	100.0	(7.2)	176.6	100	14.3

Remark:

Table 2 and 3 are revenue before deduction of trade rebate and discount and accounting estimation.

2Q/2022 Financial Summary

In 2Q/2022, Total Gross Revenue (before deduction of rebate and discount and accounting provision) was 201.8 million baht, decreased by 7.2% YoY, but recorded an increase of 14.3% QoQ due to the positive sign of improvement in the COVID-19 epidemic situation, including the Government announced the mask relaxation, resulting to the Personal Care and Beauty Care market has started rebounding. As a result, the Company recorded net sales from Skin Care, and Cosmetic product category increased by 13.1% and 55.3%, respectively. The growth in Skin Care product category was driven by Rojukiss which increased by 2.0% YOY and 14.6% QoQ. The underlying is mainly from the domestic recovery of Supermarket/Hyper Market, Beauty Stores and the continued strong growth in international sales from Indonesia and Vietnam, Moreover, the growth is further strengthen through Cosmetic category which increased 6.4% YoY, and 55.3% QoQ due to double Sis2Sis Mascara sales from previous quarter and the launch of the new collection Sis2Sis Ultra Moist Lip Tint at the end of 2Q/22 and continues selling in 3Q/2022.

In terms of Revenue by distribution channel, the Modern Trade channel grew by 30.1% QoQ mainly from 1) continuous growth in Health & Beauty segment and Hyper Market such as Watsons, Boots, Lotus's, Big C, etc. which grew by 14.7% YoY and 4.9% QoQ and is in line with the Company's growth strategy. This channel is expected to grow due to market recovery with high consumer purchasing power. 2) Convenience stores channel has demonstrated positive recovery signs by introducing affordability solution to meet consumer insights such as Buy Serum Sachet + Free Mask, Double Size Same Price 3) Continuous overseas sales growth 4) Expanding Sales Channels and Distribution strategies together with enhancing online advertising

Cost of Sales and Gross Profit

2Q/2022, the gross profit margin was 55.1% (2Q/2021: 55.2%, Q1/2022: 52.4%); the gross profit increased from the previous quarter due to product mix and favorable margin of new product launches

Selling expenses

2Q/2022, total selling expenses were 34.4 million baht, which accounted for 18.0% of total net revenue. This is an improving expense trend comparing to 2Q/2021 (42.8 million baht, accounted for 20.7% of total net revenue) due to shifting on THB7.5M TVC investment in Hair Color Serum last year to Digital Marketing (Youtube, FB and Tiktok) in our core products/brand (Rojukiss Red Serum and Perfect Poreless Serum) which is more effective and efficient to reach target consumers and higher return on investment.

Administrative Expenses

2Q/2022, total administrative expenses were 42.0 million baht, an increase of 38.2% YoY, mainly from the recorded allowance for doubtful accounts for advisory service fees for Sis2Sis brand in Indonesia 7.6 million baht, continuing from 1Q/2022. As a result, the total first half of 2022 allowance is at THB 14.8 Million However, the Company continues our best effort to collect debts from partners.

If compared to 1Q/2022, the total administrative expense increased 27.2%, mainly from 1) Employee expenses increased by 4.1 million baht to support the company's business expansion, especially in the new business group, and 2) Costs from research and development of Nasal spray products of 1.4 million baht.

Net Profit

2Q/2022, total net profit was 30.7 million baht with a net profit margin of 16%, decreased by 5.2% YoY, but increased by 59.4% YoY due to higher Sales growth and gross margin improvement.. In addition, the Company reported a net gain from the acquisition of O2KISS at 9.1 million baht; O2KISS becomes a subsidiary of the Company (fully owned) by the end of 2Q/2022 onwards.

Statement of Financial Position

Total Assets

As of 30 June 2022, the Company had total assets of 1,197.9 million baht, increased by 149.9 million baht compared to the last year with the detail as below:

- Investments in debt and equity securities increased by 100.1 million baht from investment in 100% principal protection for 6 months term
- Inventories increased by 70.7 million baht mainly build up inventory of 26 million baht for 3Q/22 Sales Plan and raw materials and packaging of subsidiaries of 44 million baht
- Trade and other receivables increased by 42 million baht from increased in sales.
- Intangible assets increased by 16.5 million baht from royalty fees and R&D expenditure of Subsidiaries
- Cash and cash equivalents decreased by 71.3 million baht due to investments in financial assets of 100.1 million baht, dividend payments to shareholders of 60 million baht (0.10 baht per share) , and investment in subsidiaries, net of 9.2 million baht. The increase in cash was mainly from operating cashflow.

Total Liabilities

As of 30 June 2022, the Company has total liabilities of 242.7 million baht, increased by 123.9 million baht comparing to the last year same period with the detail as below:

- Trade and other payable increased by 62.2 million baht due to inventory buildup for Q3/2022 sales plan, new products launches as well as increase in advertising investment.
- Long-term loan from related parties is at 30.5 million baht which is directors 's loan of subsidiary company . The loan repayment is a first right when the subsidiary has profit and sufficient cash flow according to the agreement.

Shareholder's Equity

As of 30 June 2022, shareholder's equity increased by 25.3 million baht as a result of the higher retained earnings.