

No. KLINIQ-001

4 November 2022

Re: Management discussion and analysis for the year ending 31 December 2021

Attn: President, The Stock Exchange of Thailand

The Klinique Medical Clinic Public Company Limited (the "Company") would like to submit the management discussion and analysis for the year ending 31 December 2021 as follow;

Cash sales

In 2021, the Company's cash sales have decreased from 2020 by Baht 120.32 million or 11.63% due to the new wave of Covid-10 pandemic which was more severe than the previous waves leading to the government's policy of closing aesthetic clinics for a longer period than the previous year. Clients were uncertain of the service availability which resulted in lower purchases.

Revenue from service

In 2021, the Company's revenue from service has decreased from 2020 by Baht 78.05 million or 8.84% which was due to the new wave of Covid-10 pandemic which was more severe than the previous waves leading to a stricter government policy. The period where aesthetic clinics were ordered to close was longer than the previous year. The closure consists of 3 period which is 1) January, 2) April-June, and 3) July-August allowing the company to operate for an average of 272 days in 2021 which is lower than the average operating days of 296 days in 2020. This has affected the Company's revenue from service although the company is still generating an average revenue of Baht 0.10 million per branch per day.

Breakage Revenue

In 2021, the Company's breakage revenue increase from 2020 by Baht 12.14 million of 12.80% as the number of client visits decreased due to the new wave of Covid-10 pandemic which was more severe than the previous waves leading to a stricter government policy and longer closure of aesthetic clinics. As a result, the breakage ratio calculated by independent actuarial had slightly increased.

Barter Trade

In 2021, the Company's barter trade revenue was Baht 16.36 million or 1.72% of total revenue. However, the Company has cancelled the barter trade policy in 2022 and will no longer have barter trade revenue. The Company has engaged qualified advisors who can procure the service of celebrities and influencers for advertising purposes to replace direct contact with the company. Such expenses will be recorded as part of selling expenses without any revenue recognition.

Revenue from sales of cosmeceuticals

In 2021, the Company had a decrease in revenue from sales of cosmeceuticals by Baht 1.07 million or a 4.62% decrease due to the decrease in number of client visits and change in treatment course for such periods that may have different medicines and cosmeceuticals.

Other revenue

In 2021, the Company has a decrease in other revenue by Baht 6.44 million or 74.45% from the previous year due to related parties repaying loans which resulted in lower interest revenue and decrease in franchise revenue as the Company has been terminating franchise agreements since 2015 (as of December 2021 all franchise agreements have been terminated).

Cost of service, Gross Profit, and Gross Profit Margin

In 2021, the Company has decrease in cost of service by Baht 15.39 million or a 3.79% decrease from the previous year due to a decrease in revenue from service which caused the cost of medicine and doctors fee to decrease proportionately. Furthermore, there has been a decrease in lease payment from the Covid-10 pandemic which allowed the Company to attain a lower rental rate from the lessor. However, the cost of service to revenue was slightly higher than 2020 from the increase in medical equipment depreciation as the Company has purchased more medical equipment in 2021 to support the expansion of branches. Additionally, the Company recorded revenue from barter trade in 2021 for the amount of Baht 16.36 million. Since such revenue is an accounting item, removing such item will result in the gross profit margin decreasing from 59.37% in 2020 to 58.10% in 2021. Majority of cost of service in 2021 consists of doctor's fee (including salary and other benefits) for 37.81%, cost of medicine and medical supplies for 36.97%, and depreciation of right of use for 17.09%.

Selling Expenses

In 2021, the Company has a slight decrease of selling expenses by Baht 0.71 million or a 0.25% decrease from the previous year which is a result of decrease in salary and employee benefits during the Covid-19 pandemic where the government ordered a closure of aesthetic clients for an average of 93 days in Bangkok and vicinities which is longer than the average 70 days department store closure in 2020. Commission was reduced in the same direction. However; advertising, online ads, and barter trade has increased in a similar magnitude resulting in a slight change for overall selling expenses. Key components of selling expenses in 2021 consist of salary, commission and branch employee benefits for 77.00% and marketing expenses for 23.00%.

Administrative Expenses

In 2021, the Company has a decrease of administrative expenses by Baht 22.74 million or a 15.39% decrease from the previous year which is a result of decrease in salary and employee benefits during the Covid-19 pandemic where the government ordered a closure of aesthetic clients for an average of 93 days in Bangkok and vicinities which is longer than the average 70 days department store closure in 2020. Credit card fee has decreased in the same direction with revenue. Legal fees and marketing advisor fees have also decreased. There has also been an impairment of security deposit for The Mall Korat branch. Unused assets have been reduced from the previous year as well. Key components of administrative expenses in 2021 include salary headquarter employee benefits for 29.48%, depreciation for 16.88%, bank fee for 16.08%, and advisory fees and other expenses for 13.58%

Financial Expenses

In 2021, the Company has a decrease in financial expense by Baht 1.61 million of a 27.15% decrease from the previous year which is a result from the decrease in financial lease causing interest expenses on financial lease to decrease and impacting the financial expenses accordingly.

Net Income and Net Profit Margin

In 2021, the Company's net profit margin decreased from 14.34% in the previous year to 13.58% is in line with the decrease in gross profit margin. The main reason was the increase in cost of services as the depreciation for medical equipment has increased from the purchased of medical equipment to support branch expansion in 2021.

Assets

The Company's total asset as of 31 December 2021 increased by Baht 52.59 million compared to 31 December 2020 due to increase in building and equipment from the purchase of medical equipment to support branch expansion, new branches, and increase in cash from normal operations.

Liabilities

The Company's total liabilities as of 31 December 2021 increased by Baht 3.33 million compared to 31 December 2020 due to increase in financial lease from branch expansion, increase in unearned revenue which is in line with increase in customers and number of branches.

Shareholders' Equity

The Company's total equity as of 31 December 2021 increased from 31 December 2020 due to (1) 2021 net income of Baht 129.26 million, (2) annual dividend payment of 2020 which was paid during the year of Baht 48.00 million, and (3) interim dividend payment for 2021 of Baht 32.00 million.

It is informed for your kind acknowledgement.



Yours truly,

Dr. Apiruj Thongwattana

Chief Executive Officer

Authorized Persons to Disclose Information