

IP_AC004/2565

November 10th, 2022

Subject Management Discussion and Analysis of the 3rd Quarter in 2022

To Directors & Managers
The Stock Exchange of Thailand

Inter Pharma Public Co., Ltd. (“the Company”) hereby submitting management discussion and analysis for 3-month period and 9-month period ended September 30th, 2022 as per here below:

	Q3'22		Q3'21		Change		9MO'22		9MO'21		Change	
	mio THB	mio THB	mio THB	%	mio THB	%	mio THB	%	mio THB	%	mio THB	%
Revenue from Sales	402.3	240.4	161.9	67.4	1,082.2	615.2	467.0	75.9				
Gross Profit	158.4	94.2	64.2	68.1	428.5	274.1	154.4	56.3				
<i>Gross Profit Margin</i>	39.4%	39.2%		0.2%	39.6%	44.6%		-5.0%				
Selling Expenses	76.5	36.3	40.3	111.0	197.5	120.2	77.3	64.3				
Administrative expenses	40.0	28.7	11.3	39.3	114.9	68.6	46.3	67.4				
Total SG&A	116.5	65.0	51.5	79.4	312.4	188.8	123.6	65.4				
<i>%SG&A</i>	29.0%	27.0%		1.9%	28.9%	30.7%		-1.8%				
Net profit	31.1	25.1	6.0	24.1	95.5	68.1	27.3	40.1				
<i>Net Profit Margin</i>	7.7%	10.4%		-2.7%	8.8%	11.1%		-2.3%				

Overview

Operating results for the three-month period ended September 30th, 2022, the Company had revenue from sales of THB 402.3 million, increased by THB 161.9 million or 67.4% compared to same period last year. The growth was from Human healthcare at 114.2%, driven by Pharmaceutical Products and Wellness & Anti-Aging Nutraceuticals. However, Animal healthcare segment decreased by 7.6% compared to same period last year from Livestock Animal Healthcare.

Operating results for the nine-month period ended September 30th, 2022, the Company had revenue from sales of THB 1,082.2 million, increased by THB 467.0 million or 75.9% compared to same period last year. This was contributed by Human healthcare segment THB 809.7 million, 114.5% growth compared to same period last year and revenue from animal healthcare segment was THB 272.5 million, increased by 14.7%. The proportion of revenue between Human healthcare and Animal healthcare was 75: 25 compared to 61: 39 for nine months of 2021.

Revenue by Segment	Q3'2022		Q3'2021		Change		9MO 2022		9MO 2021		Change	
	MB	%	MB	%	MB	%	MB	%	MB	%	MB	%
1. Pharmaceutical Products	98.1	24.4	78.4	32.6	19.8	25.3	290.0	26.8	147.0	23.9	143.0	97.3
2. Wellness & Anti-Aging Nutraceuticals	83.5	20.8	66.5	27.7	17.0	25.6	255.8	23.6	222.2	36.1	33.7	15.1
3. Cosmeceuticals & Aesthetic Innovation	2.5	0.6	2.8	1.1	(0.3)	-9.5	6.7	0.6	8.4	1.4	(1.7)	-20.0
4. Companion Animal Healthcare	72.7	18.1	63.0	26.2	9.7	15.4	215.8	19.9	170.6	27.7	45.1	26.5
5. Livestock Animal Healthcare	13.3	3.3	29.8	12.4	(16.5)	-55.4	56.7	5.2	67.0	10.9	(10.3)	-15.3
6. Pharmacy stores	132.1	32.8	0.0	0.0	132.1	0.0	257.2	23.8	0.0	0.0	257.2	0.0
Total Revenue from Sales	402.3	100.0	240.4	100.0	161.9	67.4	1,082.2	100.0	615.2	100.0	467.0	75.9

* Revised grouping

Revenue by Segment

Operating results for the three-month period ended September 30th 2022, Growth was 67.4% compared to same period last year as following;

- Revenue of Pharmaceutical Products accounted for THB 98.1 million, increased by 25.3%, represented as 24.4% of revenue from sales, contributed by growth of Pharmaceutical Products of Ayutthaya Plant. The proportion of revenue between Ayutthaya Plant and Modern Pharma was 44:56 (vs 28:72 compare to same period last year).
- Wellness & Anti-aging Nutraceutical was 25.6% growth and highest revenue contribution was from Probac 7, Probac 10 and TS6 Probiotics.
- Companion Animal Healthcare delivered growth at 15.4%, driven by pet food (MARIA, CHOO CHOO) and medicated shampoo for pets (MALASEP, PYOHEX)
- Revenue from livestock animal healthcare decreased by 55.4% from carob feed, poultry meal and porcine meal. Due to natural disaster, customers concerned about cost of raw material and less priority of high valued products. However, we expect sales will be recovered in the 4th quarter of this year.
- Revenue from pharmacy stores was THB 132.1 million, represented as 32.8% of revenue from sales. Currently, there are 21 branches and 1 online platform.

Operating result for the nine-month period ended September 30th 2022, revenue from sales was 1,082.2 million, +75.9% growth YoY, as following;

- Pharmaceutical Products posted THB 290.0 million, or 97.3% growth YoY, higher proportion of revenue from sales to 26.8% from 23.9% compared to same period last year, the growth was driven by both owned products & marketed by IP and contract manufacturing products.
- Revenue from Wellness and Anti-Aging nutraceuticals was THB 255.8 million, delivered 15.1% growth driven by Synbiotics (Probac 7, Probac 10 Plus, TS6, Probac Ultra Collagen, Probiota BL Probac FIT) with 48.7% growth YoY.
- Companion Animal Healthcare delivered 26.5% growth, contributed by Pet Food (MARIA, CHOO CHOO) and Pharmaceuticals for pets (MOXCLAVET, ENROPHAR, MARBOFLOX, FENAMAX TABLET).
- Revenue from pharmacy stores was THB 257.2 million, represented as 23.8% of revenue from sales. Currently, we opened 21 branches. The 21st branch is at Vela Langsuan, worked with partner “Villa market”.

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	ล้านบาท	%	ล้านบาท	%	ล้านบาท	%	ล้านบาท	%	ล้านบาท	%	ล้านบาท	%
ต้นทุนขาย	243.9	60.6	146.1	60.8	97.7	66.9	653.8	60.4	341.1	55.4	312.7	91.7
ค่าใช้จ่ายในการขาย	76.5	19.0	36.3	15.1	40.3	111.0	197.5	18.2	120.2	19.5	77.3	64.3
ค่าใช้จ่ายในการบริหาร	40.0	9.9	28.7	11.9	11.3	39.3	114.9	10.6	68.6	11.2	46.3	67.4
ต้นทุนทางการเงิน	5.9	1.5	2.3	1.0	3.6	155.9	14.8	1.4	4.9	0.8	9.8	199.2
รวมค่าใช้จ่าย	366.3	91.1	213.4	88.8	152.9	71.6	980.9	90.6	534.8	86.9	446.1	83.4
รายได้จากการขาย	402.3	100.0	240.4	100.0	161.9	67.4	1,082.2	100.0	615.2	100.0	467.0	75.9

Cost of Goods sold and Gross Profit

For the three-month and nine-month period ended September 30th 2022, Cost of goods sold stood at THB 243.9 million and THB 653.8 million respectively, increased from same period last year. The cost of goods sold was 60.6% and 60.4% respectively due to higher proportion of revenue from Pharmaceutical Products and Pharmacy stores which contributed lower gross margin compared to Wellness & Anti-aging Nutraceutical and also increasing in cost of raw material and packaging for Pharmaceutical Products.

Selling Expenses

Selling expenses for the three-month and nine-month period ended September 30th 2022 was THB 76.5 million and THB 197.5 million, respectively, increased from same period last year. Most selling expenses varied with revenue from sales i.e. commission for sales team, distribution fee paid to Zuellig Pharma under distribution agreement. Major selling expenses included employee expenses, pharmacist, store rental expense, and related expense mainly from consolidation of Drug Care. Marketing expense increased from customer relationship management (CRM), strengthen Branding LAB Pharmacy, increase marketing campaign for online channel, co-promotion with partner. However, selling expenses to revenue from sales ratio was lower than same period last year.

Administrative Expenses

Administrative Expenses for the three-month and nine-month period ended September 30th 2022 was THB 40.0 million and THB 114.9 million, respectively, increased compare to same period last year, mainly from employee expense, including the consolidation of Drug Care's administrative expenses. However, administrative expense to revenue from sales was lower than same period last, reflecting effective expense management.

Net Profit

Net Profit for the three-month and nine-month period ended September 30th 2022 posted THB 31.1 million and THB 95.5 million, equivalent to an increased of 24.1% and 40.1% respectively. The net profit margin decreased compared to same period last year due mainly to lower gross profit margin from increase revenue proportion of Pharmaceutical Products and Pharmacy store, also higher cost of raw material and packaging.

Financial Position

	As of	As of	Change	
	Sep 30th, 2022	Dec 31st, 2021	mio THB	%
Total Asset	2,866.7	1,327.0	1,539.6	116.0
Total Liabilities	939.7	543.5	396.2	72.9
Shareholders' Equity	1,926.9	783.5	1,143.4	145.9

Total Assets

The total assets of the Company and its subsidiaries as of September 30th, 2022 reported THB 2,866.7 million, an increase of THB 1,539.6 million or +116% compared to as at December 31st, 2021 which was mainly from higher current asset THB 1,199 million. The majority consists of cash and cash equivalent THB +1,015 million from the allocation of the additional ordinary shares for offering to Innobic LL Holding Company Limited. Trade account receivables THB +72.9 million, inventory THB +137.9 million due to Drug store's consolidation. And non-current asset increased by THB 340 million, mainly from goodwill THB+273.3 million, right-of-use assets THB +71.7 million.

Total Liabilities

The total liabilities of the Company and its subsidiaries as of September 30th, 2022 amounted to THB 939.7 million, an increase of THB 396.2million or +72.9% compared to as at December 31st, 2021. This was due to increase in current liability THB 210 million from trade account payable, short-term loan from bank. Non-current liability increased by THB 209.0 million from long-term loan and lease liability.

Shareholders' Equity

The shareholders' equity of the Company and its subsidiaries as of September 30th, 2022 amounted to THB 1,926.9 million, an increase of THB 1,143.4 million or +145.9% compared of as at December 31st, 2021 due to increase in its registered share capital and the net profit for nine-month of 2022 at THB 95.5 million.

Yours sincerely,

Nattarin Polpuech
Chief Finance Officer

