

November 11, 2022

Subject Management Discussion and Analysis (MD&amp;A) Q3/2022

 To Directors and Managers  
 The Stock Exchange of Thailand

Bioscience Animal Health Plc. ("Company") would like to submit herewith the explanation and analysis about our financial performance for the third quarter and 9-month Period Ended 30 September 2022 as followings;

**Statement of Income**

Items	For the 9-month Period Ended					
	September 30, 2022		September 30, 2021		Change Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Total Revenues</b>	<b>1,637.09</b>	<b>100.00%</b>	<b>1,416.58</b>	<b>100.00%</b>	<b>220.51</b>	<b>15.57%</b>
<i>Sales</i>	1,611.42	98.43%	1,404.06	99.12%	207.36	14.77%
<i>Interest revenue from financial lease</i>	0.07	0.00%	0.27	0.02%	(0.20)	(74.07%)
<i>Other income</i>	25.60	1.56%	12.25	0.86%	13.35	108.98%
<b>Total Expenses</b>	<b>1,573.78</b>	<b>96.13%</b>	<b>1,340.30</b>	<b>94.62%</b>	<b>233.48</b>	<b>17.42%</b>
<i>Cost of goods sold</i>	1,375.01	83.99%	1,154.52	81.50%	<b>220.49</b>	19.10%
<i>Cost of sales and distribution</i>	127.05	7.76%	111.21	7.85%	<b>15.84</b>	14.24%
<i>Administrative expense</i>	71.72	4.38%	74.57	5.26%	<b>(2.85)</b>	(3.82%)
<b>Operating Profit</b>	<b>63.31</b>	<b>3.87%</b>	<b>76.28</b>	<b>5.38%</b>	<b>(12.97)</b>	<b>(17.00%)</b>
Profit from investments in associates or joint ventures using the equity method	0.00	0.00%	0.30	0.02%	<b>(0.30)</b>	(100.00%)
Financing cost	(5.86)	(0.36%)	(7.62)	(0.54%)	(1.76)	(23.10%)
Corporate income tax	(12.70)	(0.78%)	(16.21)	(1.14%)	(3.51)	(21.65%)
<b>Net profit for the year</b>	<b>44.75</b>	<b>2.73%</b>	<b>52.75</b>	<b>3.72%</b>	<b>(8.00)</b>	<b>15.17%</b>

Items	Unit	For the 9-month	For the 9-month	
		Period Ended September 30, 2022	Period Ended September 30, 2021	
Gross profit margin	%	14.67	17.77	
Net profit margin	%	2.78	3.76	
EPS	THB/Share	0.16	0.25	

Note: 1. Determined using profit belonging to owners of the parent divided by weighted average number of shares.

Items	For the 3-month Period Ended					
	September 30, 2022		September 30, 2021		Change Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Total Revenues</b>	<b>595.04</b>	<b>100.00%</b>	<b>495.19</b>	<b>100.00%</b>	<b>99.85</b>	<b>20.16%</b>
<i>Sales</i>	581.20	97.67%	488.17	98.58%	93.03	19.06%
<i>Interest revenue from financial lease</i>	0.02	0.00%	0.07	0.01%	(0.05)	(71.43%)
<i>Other income</i>	13.82	2.32%	6.95	1.40%	6.87	98.85%
<b>Total Expenses</b>	<b>575.50</b>	<b>96.72%</b>	<b>466.69</b>	<b>94.24%</b>	<b>108.81</b>	<b>23.32%</b>
<i>Cost of goods sold</i>	505.49	84.95%	400.78	80.93%	104.71	26.13%
<i>Cost of sales and distribution</i>	44.63	7.50%	38.72	7.82%	5.91	15.26%
<i>Administrative expense</i>	25.38	4.27%	27.19	5.49%	(1.81)	(6.66%)
<b>Operating Profit</b>	<b>19.54</b>	<b>3.28%</b>	<b>28.50</b>	<b>5.76%</b>	<b>(8.96)</b>	<b>(31.44%)</b>
Profit from investments in associates or joint ventures using the equity method	0.00	0.00%	0.00	0.00%	0.00	0.00%
Financing cost	(0.64)	(0.11%)	(2.90)	(0.59%)	2.26	(77.93%)
Corporate income tax	(4.27)	(0.71%)	(5.92)	(1.20%)	1.65	(27.87%)
<b>Net profit for the year</b>	<b>14.63</b>	<b>2.46%</b>	<b>19.68</b>	<b>3.97%</b>	<b>(5.05)</b>	<b>(25.66%)</b>

Items	Unit	For the 3-month	For the 3-month	
		Period Ended September 30, 2022	Period Ended September 30, 2021	
Gross profit margin	%	13.03	17.9	
Net profit margin	%	2.46	3.98	
EPS	THB/Share	0.04	0.09	

Note: 1. Determined using profit belonging to owners of the parent divided by weighted average number of shares.

## Revenue

For the 9-month Period of 2022 and 2021, the Company and subsidiaries has a sales revenue of THB 1,611.42 million and THB 1,404.06 million, respectively. The sales revenue of the Company can be categorized into groups as follows:

Items	For the 9-month Period Ended September 30,			
	2022		2021	
	Million Baht	%	Million Baht	%
Revenue from Animal Health Products	339.84	21.09	419.19	29.86
Revenue from Nutrition Products	297.00	18.43	230.26	16.40
Revenue from Diagnostic Products	346.09	21.48	293.20	20.88
Revenue from Ingredient Products	373.23	23.16	186.31	13.27
Revenue from Complete Feed Products	239.78	14.88	264.13	18.81
Revenue from Other Product <sup>1</sup>	15.48	0.96	10.97	0.78
<b>Total Sales</b>	<b>1,611.42</b>	<b>100.00</b>	<b>1,404.06</b>	<b>100.00</b>

Items	For the 3-month Period Ended September 30,			
	2022		2021	
	Million Baht	%	Million Baht	%
Revenue from Animal Health Products	119.87	20.62	144.22	29.54
Revenue from Nutrition Products	78.99	13.59	75.44	15.45
Revenue from Diagnostic Products	117.10	20.15	116.79	23.92
Revenue from Ingredient Products	185.02	31.83	65.72	13.46
Revenue from Complete Feed Products	78.39	13.49	85.39	17.49
Revenue from Other Product <sup>1</sup>	1.83	0.31	0.61	0.13
<b>Total Sales</b>	<b>581.20</b>	<b>100.00</b>	<b>488.17</b>	<b>100.00</b>

**Note:** 1. Other product is the products which cannot categorized in other 5 main groups composes of animal incinerator etc.

Sales revenue for the 9-month Period 2022, increased by THB 207.36 million or 14.77% from the 9-month Period of previous year. The increasing came from 3 main product groups, Diagnostic, Nutrition, and Ingredients products. Diagnostic products group still has the highest sales revenue which is mainly due to 1) the high demand of high-quality African Swine Fever (ASF) test kit in order to screen the new breeders or nursery piglet before starting the new herd and 2) the rising of the pet diagnostic products as the growing of pets market and the evaluated pet's well-being result in the strong and long term growth in pet segment. For

Nutrition products, the Company had increased sales revenue from high potential customers. Ingredient products has been increased by the Company is able to reach medium and large-sized customers of livestock feed mills who have more demands on feed ingredients.

However, the ASF pandemic situation is ongoing recovery, the total swine population is still less than before ASF pandemic which results in lower demand level and purchasing power of customer to Animal Health and Complete Feed products.

### **Gross Profit**

Gross profit of the 9-month period ended September 2022 and 2021 was THB 236.41 million and THB 249.54 million respectively, representing a respective gross profit margin of 14.67% and 17.77%.

In the 9-month period of 2022, the gross profit decreased by THB 13.13 million or 5.26% from the previous year. The gross profit margin fell to 14.67%. It is caused by the Company had increased revenue in the Ingredient products group which has quite low profit margin. Moreover, the overall decline in the swine population from ASF pandemic and the rising cost of feedstuffs generate the high-raising competition in the industrial sector and the decreased purchasing power of the livestock farm situation. All these factors have negative effect to the gross profit margin in some group of products such as Nutrition products. However, the gross profit margin of Nutrition products in the third quarter of 2022 compared to previous quarter is slightly increase.

### **Other Revenue**

Other revenue for the 9-month period of 2022 increased by THB 13.35 million or 108.98% from the previous year as the result the Company got reverse bad debts and gain on sale of assets. The selling non-related to operation asset align with the Company policy in order to increase cash flow and efficiency of asset management.

### **Cost of Sales and Distribution**

Cost of sales and distribution for the 9-month period of 2022 increased by THB 15.84 million or 14.24% from the previous year. Most of the Cost of sales and distribution vary according to sales revenue. The major cost of sales and distribution are salary, bonus, sales staff's commission, travel and vehicle expense. The increment of the cost of sales and distribution due to the addition of a sales team to marketing the new products from major suppliers to the Vet channel; Vet Hospitals and Vet clinics, in the pet business segment. Furthermore, as Due Covid-19 pandemic situation is getting better, the sales team is able to travel to meet customers as usual. This is another main factor of the cost of sales and distribution increasing.

## Administrative Expense

Administrative expense for the 9-month period of 2022 decreased by THB 2.85 million or 3.82% from the previous year. As the Company has good performance in managing the administrative expense although there has been an increase in the public relations costs associated with listing on the stock exchange.

## Net Profit

Net profit for the 9-month period of 2021 and 2022 was THB 52.76 million and THB 44.76 million respectively, representing a respective net profit margin of 3.76% and 2.78%. Net profit margin for the first 9-month period of 2022 decreased from the previous year due mainly to decreasing in Gross profit margin and increasing in the Cost of sales and distribution as a result, the decreasing of net profit of the Company.

## Statement of Financial Position

Statement of Financial Position		Statement of Financial Position as of:					
		September 30, 2022		December 31, 2021		Change Increase / (Decrease)	
		Million Baht	%	Million Baht	%	Million Baht	%
Total Assets		1,154.16	100.00	919.11	100.00	235.05	25.57
Total Liabilities		400.61	34.71	652.29	70.97	(251.68)	(38.58)
Total Shareholders' Equity		753.55	65.29	266.82	29.03	486.73	182.42
Items	Unit	June 30, 2022		December 31, 2021			
Current Ratio	X	2.39		1.19			
ROE	%	11.88		28.61			
Debt-to-Equity	X	0.53		2.44			

## Financial Position

### Total Assets

Total assets as of September 30, 2022 rose by THB 235.05 million or 25.57% from the end of 2021. The major assets are such as Cash and cash equivalents, Short-term investments in unit trusts, Trade and other current receivables and inventories. The significant changes were such as:

- Cash and cash equivalents increased by THB 44.53 million or 61.45%, during the period the Company proceeds from the Initial Public Offering (IPO).

- Short-term investments in unit trusts increased by THB 119.93 million, from using the proceeds from the Initial Public Offering (IPO) to invest in open funds risk level 1 – 4 for short-term returns and high liquidity.
- Trade accounts receivable and other receivables decreased by THB 14.05 million or accounted for 3.63% due to the company had better performance on debt collection.
- Inventories increased by THB 57.26 million or 25.28% from a list of stock products for sale, raw materials for the factory and the products for new partners that begin to be distributed this year.

### **Total Liabilities**

Total liabilities as of September 30, 2022 decreased by THB 251.68 million or 38.58% from the end of 2021. The major liabilities are Short-term borrowings from financial institutions, Trade and other current payables, Long-term borrowing from financial institution. The significant changes were such as:

- Short-term borrowings from financial institutions decreased by THB 199.9 million due to the repayment of loans from financial institutions by the money that received from fundraising were used according to the money utilization plan.
- Trade and other current payables decreased by THB 15.11 million from the products that are due in a regular cycle.
- Long-term borrowing from financial institution decreased by THB 43.91 million because the company repays the long-term loan by the money received from fundraising according to the money use plan.

### **Shareholders' Equity**

Shareholders' equity as of September 30, 2022 increased by THB 486.73 million or 182.42% from the end of 2021. It is because the Company had a net profit for the 9-month period ended 30 September 2022 amount of THB 44.76 million. In addition, the company paid a dividend of THB 109.04 million and increase ordinary share capital of THB 47 million and have a premium on ordinary shares from initial public offering (IPO) of THB 501.62 million, also including the performance from the past period.

Please be informed accordingly.

Yours sincerely,

- *Dhanawat Khongjaroensombat* -

**(Mr. Dhanawat Khongjaroensombat)**

**Chief Executive Officer**