

Management Discussion and Analysis

For the Three-month and Nine-month Periods Ended 30 September 2022

Executive Summary

Consolidated financial information <i>Unit: THB000</i>	Quarter 3	Quarter 2	Quarter 3	Change		9-month		Change %YoY
	Year 2022 ("3Q22")	Year 2022 ("2Q22")	Year 2021 ("3Q21")	%QoQ	%YoY	Year 2022 ("9m22")	Year 2021 ("9m21")	
Revenue from sales	104,834	98,932	103,556	6.0%	1.2%	287,169	310,920	(7.6%)
Gross profit	31,328	20,133	31,694	55.6%	(1.2%)	74,758	104,335	(28.3%)
EBITDA	1,923	(7,838)	16,499	(124.5%)	(88.3%)	(12,859)	56,416	(122.8%)
Net profit (loss)	(4,708)	(11,853)	6,322	(60.3%)	(174.5%)	(28,144)	25,689	(209.6%)
Gross profit margin	29.9%	20.4%	30.6%	9.5%	(0.7%)	26.0%	33.6%	(7.5%)
EBITDA margin	1.8%	(7.6%)	15.4%	9.4%	(13.6%)	(4.4%)	17.8%	(22.2%)
Net profit (loss) margin	(4.4%)	(11.5%)	5.9%	7.1%	(10.3%)	(9.6%)	8.1%	(17.7%)

Source: Interim financial information 9m22 (Reviewed), 6m22 (Reviewed) and management information

In 2022, JSP Pharmaceutical Manufacturing (Thailand) PCL. (the "Company" or "JSP" or "We") faced many situations that created uncertainty in both local and global levels. These situations had impact to the Company's operating results e.g. decrease in consumer's purchasing power, increase in materials cost. Management then performed several actions to mitigate negative impact to the Company e.g. expanding marketing channel to omni, controlling of materials and construction costs.

The Third Quarter QoQ (3Q22 vs 2Q22)

- In 3Q22, the Company had higher revenue from sales than 2Q22 by 6.0%. This was mainly derived from dietary supplements under Own Brand which had higher recognition from advertising and promotion.
- The Company's gross profit margin for 3Q22 was higher than 2Q22 by 9.5% since the Company accelerated sale of long outstanding inventory so that provision for inventory decreased.
- In 3Q22, the Company had lower loss than 2Q22 by Baht 7.1 million. This was because distribution costs decreased. However, administrative expenses increased because staff costs were higher to support business expansion. In addition, the increase of gross profit in 3Q22 resulted to higher EBITDA by Baht 9.8 million.

The Third Quarter YoY (3Q22 vs 3Q21)

- The Company's revenue from sales for 3Q22 increased from 3Q21 amounting to Baht 1.3 million, or 1.2%. This was mainly because the increase of conventional medicine capacity to support customers' demand.
- The Company had loss in 3Q22 since higher expenses for distribution goods under online channel, staff costs and professional fees.

Nine-month Period YoY (9m22 vs 9m21)

- Revenue from sales for 9m22 decreased from 9m21 by 7.6%. This was primarily because consumers had to stringent their spending from uncertainties in local and global levels. Therefore, revenue from dietary supplements decreased. However, the Company's revenue from conventional medicine increased since more of customers' orders and expansion of production capacity.
- In addition to decrease of revenue from sales, the Company's gross profit margin for 9m22 decreased by 7.5% when compared to 9m21 since the Company set aside more of reserve to inventory and utilities expenses totalled Baht 3.9 million. However, the management scrutiny oversighted the situations for expansion of customer loyalty and increase inventory turnover.
- Even though the Company had more advertising and promotion expenses in 9m22, the Company had less finance costs because of repayment of loans from financial institutions.

Nine-month Period financial ratios YoY (9m22 vs FY21)		9m22	FY21
<p>○ The Company had net loss during 9m22. As a result, return on assets and equity declined. However, the Company used IPO fund to repay loans from financial institutions and that debt-to-equity ratio has improved.</p>	<i>Return on assets</i>	(3.1%)	2.4%
	<i>Return on equity</i>	(4.0%)	3.1%
	Debt-to-equity ratio (Times)	0.28	0.30

Significant events during 3Q22

Changing of objectives of usage from IPO fundraising

On 16 August 2022, the Extraordinary Meeting of Shareholders No. 1/2022 approved the Company to change objectives of usage from fund received through initial public offering (“IPO”) totalled Baht 230.0 million. The changes of objectives were (1) business expansion by mean of acquisition of potential businesses with amount not exceeding Baht 170.0 million and (2) invest in a subsidiary as Innovation Centre and small-scaled production facilities with amount not exceeding Baht 60.0 million.

Issuing of the warrant to purchase the Company’s ordinary shares No. 1 (“JSP-W1”)

On 16 August 2022, the Extraordinary Meeting of Shareholders No. 1/2022 approved the Company to issue the warrant to purchase the Company’s ordinary shares no. 1 (the “Warrants” or “JSP-W1”) not exceed than 227.5 million units. The Warrants were allotted to existing shareholders with free of charge at the ratio of 2 existing ordinary shares to 1 unit of warrant. Additionally, the Meeting approved the Company to issue 227.5 million ordinary shares with par value of Baht 0.5 per share to support the exercise of the Warrants.

JSP-W1 has 2-year term and 1 unit of JSP-W1 is able to purchase 1 newly ordinary share at Baht 2.5 per share. JSP-W1 has been traded in the Stock Exchange of Thailand since 15 September 2022.

Establishment and increasing of capital in subsidiary

During the third quarter of 2022, the Company has established a new subsidiary i.e. Caresutic Co., Ltd. (“CST”). The Company was a major shareholder, holding 99.99% of registered and paid-up capital of CST. The Company paid cash for such capital to CST totalled Baht 30.0 million.

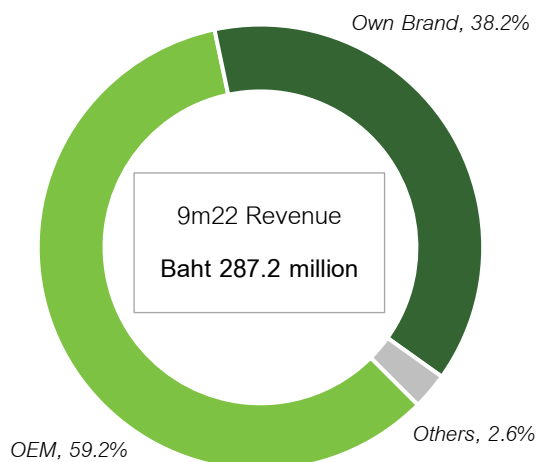
CST operates business about providing Innovation Centre to develop new products with entrepreneurs and small-scaled production facilities. Presently, CST is constructing production facilities and expect to complete in the first quarter of 2023.

Operating results

Consolidated financial information <i>Unit: THB000</i>	Quarter 3	Quarter 2	Quarter 3	Change		9-month		Change
	Year 2022 ("3Q22")	Year 2022 ("2Q22")	Year 2021 ("3Q21")	%QoQ	%YoY	Year 2022 ("9m22")	Year 2021 ("9m21")	%YoY
Revenue from sales	104,834	98,932	103,556	6.0%	1.2%	287,169	310,920	(7.6%)
Cost of sales	(73,506)	(78,799)	(71,862)	(6.7%)	2.3%	(212,411)	(206,585)	2.8%
Gross profit	31,328	20,133	31,694	55.6%	(1.2%)	74,758	104,335	(28.3%)
Other income	1,439	3,571	3,682	(59.7%)	(60.9%)	4,240	5,857	(27.6%)
Distribution costs	(16,225)	(19,474)	(11,364)	(16.7%)	42.8%	(58,073)	(33,221)	74.8%
Administrative expenses	(21,375)	(17,369)	(13,122)	23.1%	62.9%	(51,887)	(37,098)	39.9%
Operating profit (loss)	(4,833)	(13,139)	10,890	(63.2%)	(144.4%)	(30,962)	39,873	(177.7%)
Finance costs	(1,804)	(1,843)	(2,947)	(2.1%)	(38.8%)	(5,438)	(7,723)	(29.6%)
Gain on measurement of financial assets	732	-	-	100.0%	100.0%	1,089	-	100.0%
Reversal of impairment loss in accordance with TFRS9	38	166	94	(77.1%)	(59.6%)	713	29	2,358.6%
Profit (Loss) before taxes	(5,867)	(14,816)	8,037	(60.4%)	(173.0%)	(34,598)	32,179	(207.5%)
Income taxes	1,159	2,963	(1,715)	(60.9%)	(167.6%)	6,454	(6,490)	(199.4%)
Net profit (loss)	(4,708)	(11,853)	6,322	(60.3%)	(174.5%)	(28,144)	25,689	(209.6%)
Earnings per share (THB)								
Basic	(0.01)	(0.02)	0.02			(0.06)	0.08	
Diluted	(0.01)	(0.02)	0.02			(0.05)	0.08	

Source: Interim financial information 9m22 (Reviewed), 6m22 (Reviewed) and management information

1. Revenue from sales structure



Products under customer's brand (OEM)

- The Company had variety of product to support customer's demand.
- The Company's revenue principally derived from OEM customers.

Products under the Company's brand (Own Brand)

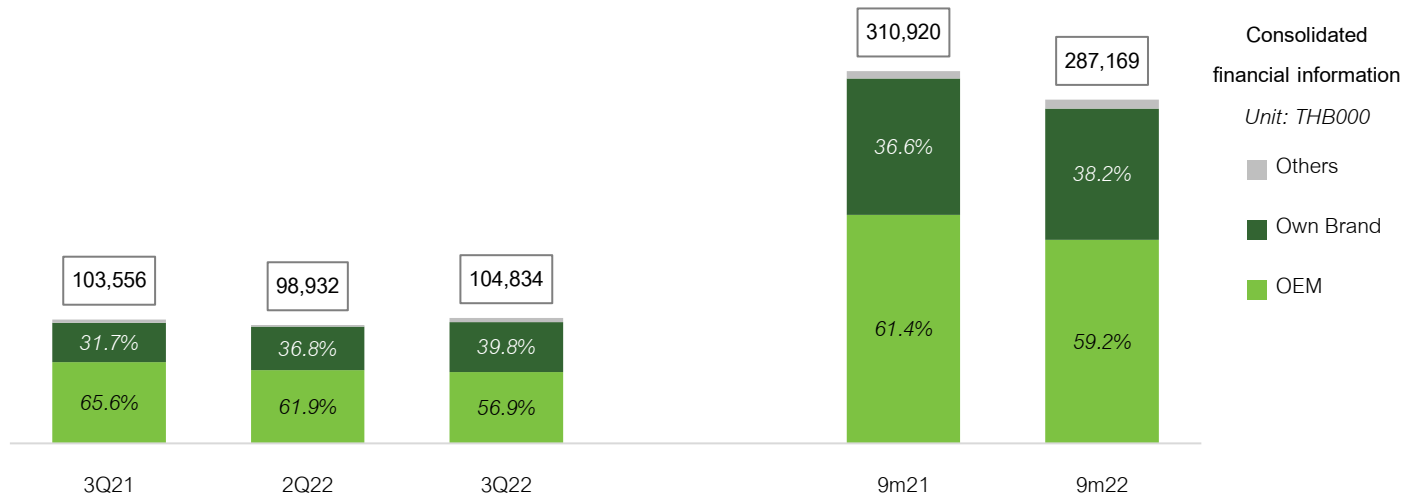
- The Company's brand consisted of COX™, JSP™, Suphap Osot™, EVITON™, which covered many channels of distribution
- The Company's had product development and marketing plans to expand revenue from Own Brand segment.

Other products (Others)

- The Company traded certain products such as COVID-19 test kits, drug test kits.

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	Year 2022	Year 2022	Year 2021	%QoQ	%YoY	Year 2022	Year 2021	
	("3Q22")	("2Q22")	("3Q21")			("9m22")	("9m21")	
OEM	59,622	61,211	67,890	(2.6%)	(12.2%)	169,972	190,922	(11.0%)
Own Brand	41,759	36,423	32,784	14.7%	27.4%	109,622	113,782	(3.7%)
Others	3,453	1,298	2,882	166.0%	19.8%	7,575	6,216	21.9%
รวม	104,834	98,932	103,556	6.0%	1.2%	287,169	310,920	(7.6%)

Source: Interim financial information 9m22 (Reviewed), 6m22 (Reviewed) and management information



The Third Quarter QoQ (3Q22 vs 2Q22) 3Q22's revenue from sales increased from 2Q22 by 6.0% mainly because

- **OEM products:** Although the Company has lower revenue from dietary supplements and herbal products, the Company had strengthened revenue from conventional medicine.
- **Own Brand products:** Revenue from Own Brand products, especially dietary supplements, increased from effectiveness of mass advertising and promotion campaigns.

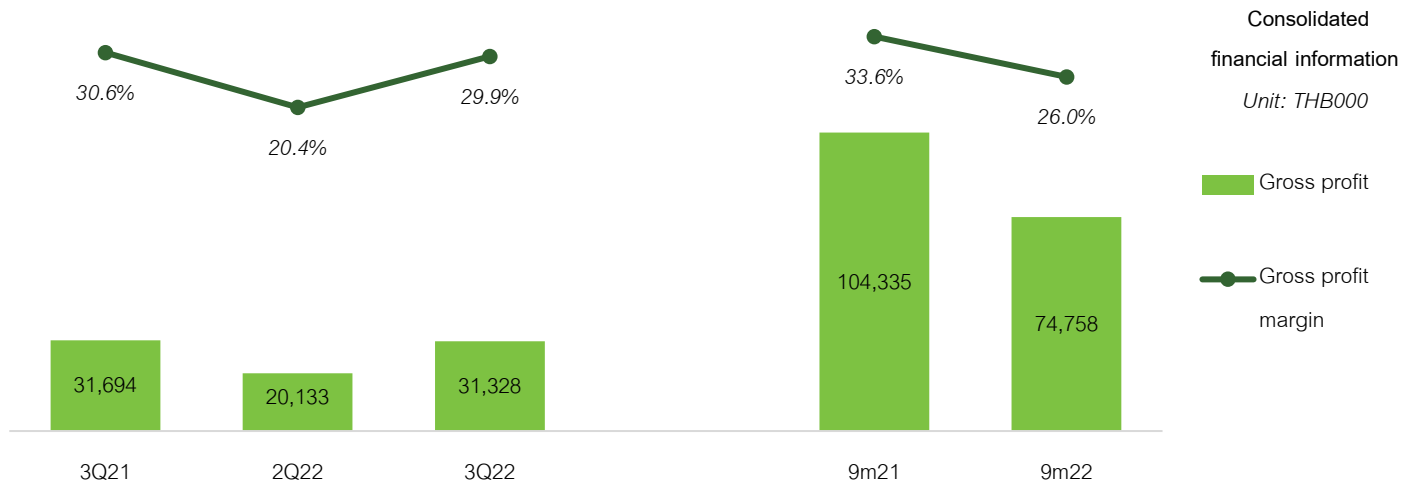
The Third Quarter YoY (3Q22 vs 3Q21) Revenue from sales for 3Q22 increased from 2Q21 by 1.2% since

- **OEM products:** Because of uncertainties in economics and politics, the Company had less orders for dietary supplements since customers had stringent in spending. However, the Company had more revenue from conventional medicine due to capacity expansion.
- **Own Brand products:** Revenue from dietary supplements rose up principally because of advertising and expanding marketing channel to online.

Nine-month Period YoY (9m22 vs 9m21) The Company had revenue for 9m22 lower than 9m21 by 7.6% because

- **OEM products:** The Company had lower proportion of revenue from OEM products slightly since less of customers' orders received for dietary supplements and herbal products. While, the Company had more orders from conventional medicine.
- **Own Brand products:** The decrease in revenue from Own Brand products was mainly from lower demand of dietary supplements. In addition, in the beginning of the year, the government bodies currently had more strict control in broadcasting advertisement, the Company could not broadcast the ads on time as planned. However, the Company offered new products continuously to expand future revenue.

2. Gross profit and gross profit margin



The Third Quarter QoQ (3Q22 vs 2Q22)

- Gross profit for 3Q22 was higher than 2Q22 amounting to Baht 11.2 million. Despite of the Company had higher revenue earned, the Company had accelerated selling of long outstanding inventory so that loss from inventory decline in value decreased.

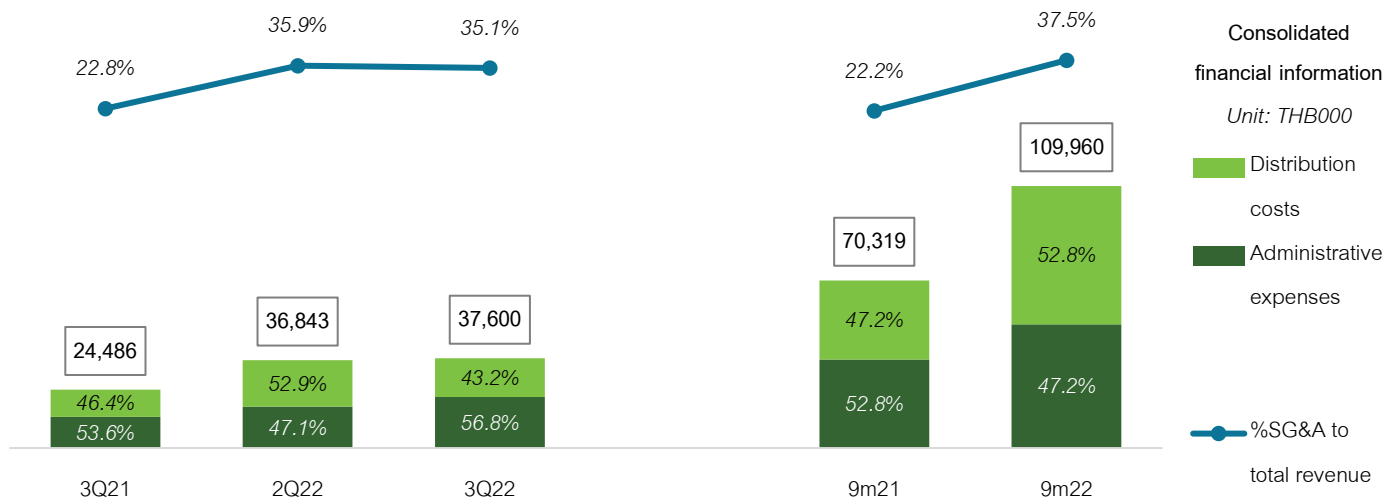
The Third Quarter YoY (3Q22 vs 3Q21)

- In 3Q22, the Company had THB 31.3 million of gross profit and had gross profit margin in line with 3Q21.

Nine-month Period YoY (9m22 vs 9m21)

- The Company had gross profit for 9m22 lower than 9m21 by THB 29.6 million since revenue from sales declined. In addition, the Company reported promotion expenses with TV Direct PCL. amounting to THB 18.8 million as a reduction of revenue in accordance with TFRS15. As a result, the Company had 30.6% of gross profit margin after excluding this effect.

3. Distribution costs and administrative expenses



The Third Quarter QoQ (3Q22 vs 2Q22)

- **Distribution costs:** The Company's distribution costs for 3Q22 and 2Q22 were Baht 16.2 million and Baht 19.5 million, respectively. The decrease in expenses for 3Q22 was mainly because the Company delivered goods to online customers by ourselves. Therefore, service fees for such activities declined.
- **Administrative expenses:** The Company had administrative expenses for 3Q22 and 2Q22 amounting to Baht 21.4 million and Baht 17.4 million, respectively. The increase in expenses derived from professional service fees.

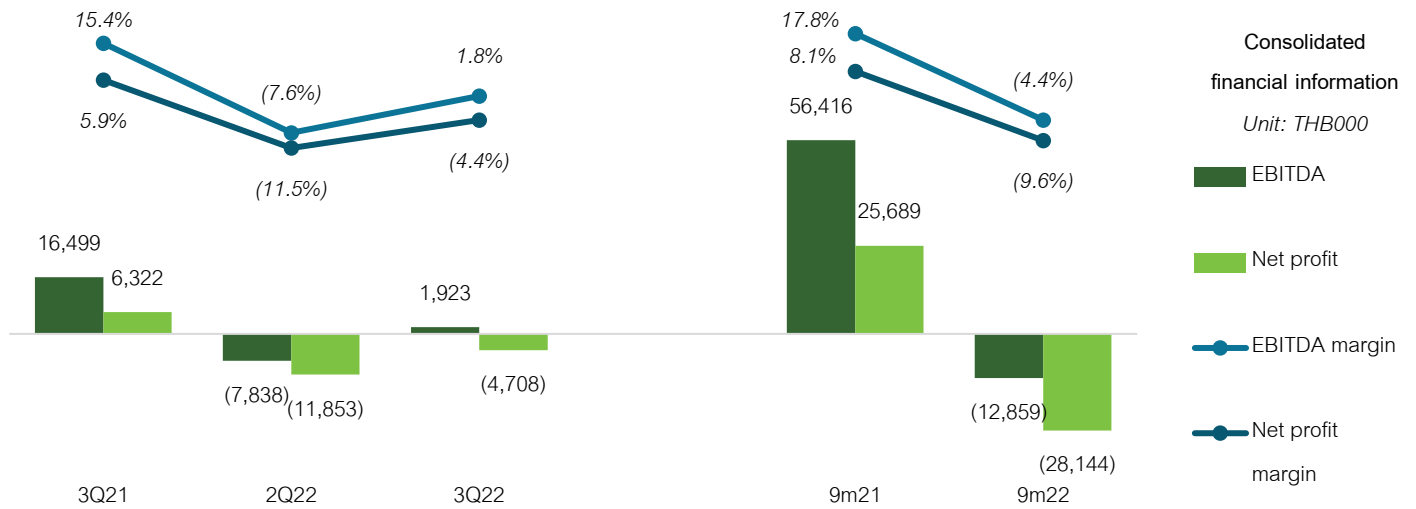
The Third Quarter YoY (3Q22 vs 3Q21)

- **Distribution costs:** Distribution costs for 3Q22 increased by 42.8%, comparing with 3Q21. This was because staff costs for supporting business expansion and service fees for distribution of goods under online channel.
- **Administrative expenses:** Administrative expenses for 3Q22 was higher than 3Q21 by 62.9% due to staff costs and professional service fees in relation to finance and administration.

Nine-month Period YoY (9m22 vs 9m21)

- **Distribution costs:** Distribution costs for 9m22 increased from 9m21 by Baht 24.9 million. This was because of freight-out and goods distribution service fees to support sales via omni channel, together with advertising expense for branding.
- **Administrative expenses:** Administrative expenses for 9m22 was 39.9% higher than 9m21 because of staff costs and professional service fees in relation to finance and administration.
- **Distribution costs and administrative expenses to total revenue:** The Company had this ratio for 9m22 at 37.5% of total revenue; which higher than 9m21, because there were lower revenue and higher distribution costs and administrative expenses.

4. EBITDA and net profit



The Third Quarter QoQ (3Q22 vs 2Q22)

- In 3Q22, the Company's EBITDA was Baht 1.9 million, which resulted from increase of revenue and gross profit.
- Net loss for 3Q22 was lower than 1Q22 amounting to Baht 7.1 million due to higher of revenue. While, the Company had higher expenses to support the future business expansion.

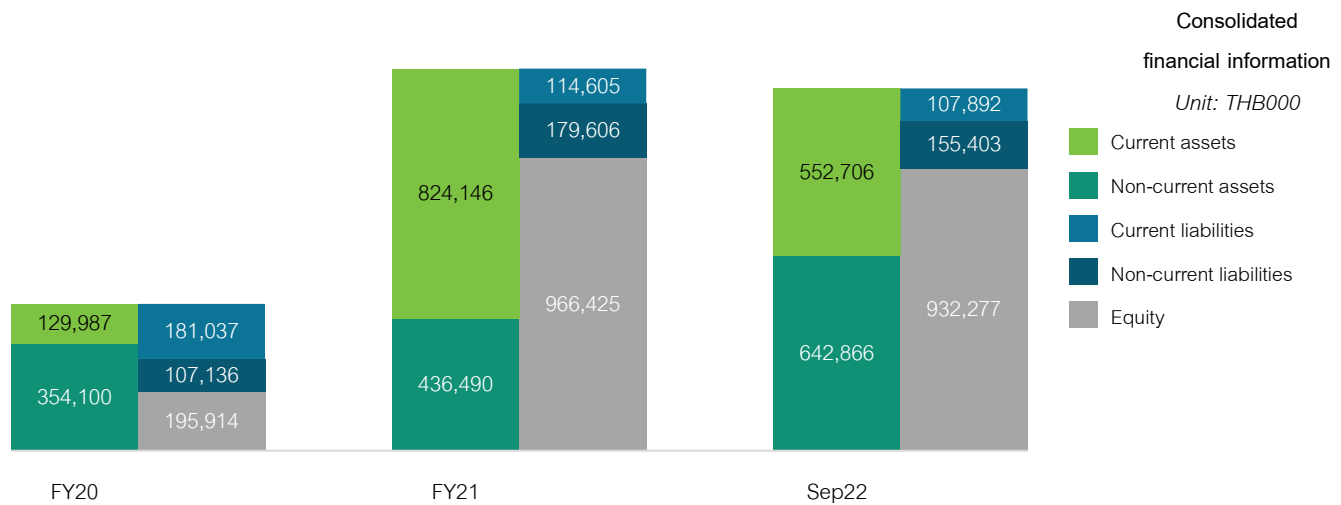
The Third Quarter YoY (3Q22 vs 3Q21)

- In 3Q22, the Company had lower profit than 3Q21 amounting to Baht 11.0 million. These were because lower gross profit and higher operating expenses.

Nine-month Period YoY (9m22 vs 9m21)

- The Company's net profit (loss) margin decreased, whereby 9m22 had at (9.6%) since lower of revenue but higher expenses to support business expansion. However, the management has monitored closely to increase revenues and decrease expenses in order to create sustainable profit.

Financial position



Assets

- **Current assets:** As of 30 September 2022 ("Sep22"), current assets primarily comprised cash and cash equivalents, short-term investments and inventories, accounted for 86.7% of total current assets. Cash and cash equivalents as of Sep22 decreased from FY21 because the Company used cash to invest in short-run amounting to Baht 320.0 million and to invest in long-lived assets for business expansion purposes. In addition, inventories balance decreased because the Company accelerated selling goods in various marketing channels and effectiveness of advertising resulted to faster sale of goods.
- **Non-current assets:** As of Sep22, the Company had property, plant and equipment accounted for 48.0% of total assets. The higher value of property, plant and equipment as of Sep22 than FY21 because renovation of production facility at Bangkok, construction of new plant at Lamphun province and constructing new production facility at Pathumthani province.

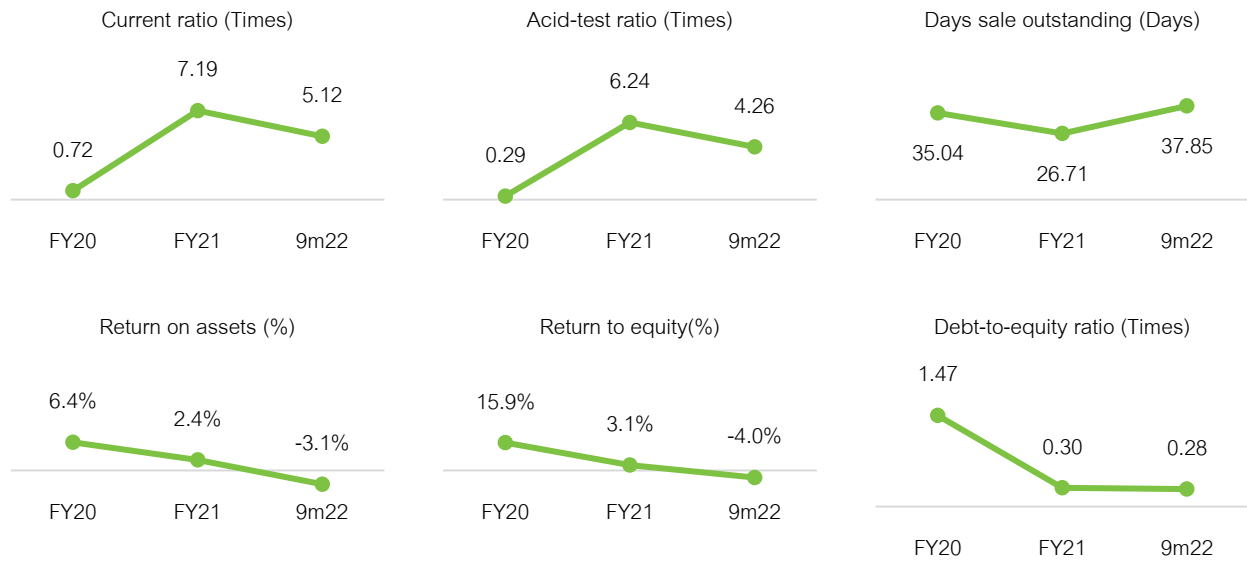
Liabilities

- **Current liabilities:** Current liabilities of the Company as of Sep22 was lower than FY21 by Baht 6.7 million. This was because the Company had lower contract liabilities (advances received from customers) by Baht 7.2 million which was resulted from delivering goods to customers.
- **Non-current liabilities:** Non-current liabilities as of Sep22 decreased from FY21 by 13.5% because the Company repaid long-term loans from financial institutions during 9m22. While, the Company entered into new long-term lease agreements to rent building and equipment for operating purposes so that lease liabilities increased.

Equity

- During 9m22, the Company's equity declined amounting to THB 27.3 million resulted from net loss. In addition, the Company declared and paid dividend for the operating performance year 2021 amounting to THB 6.0 million.

Significant financial ratios



- Due to IPO during FY21, the Company had better liquidity. Therefore, there were significant increase in current and acid-test ratios. During 9m22, the Company has used the funds partially to invest in long-lived assets.
- However, days sale outstanding of 9m22 rose up from FY21 because of lower revenue. The Company has still monitored collection from receivables closely to reduce bad debt problem.
- Return on assets, return on equity tended to decreased because of IPO in FY21 and net loss in 9m22.
- Debt-to-equity ratio decreased since IPO resulted to values of assets and equity increased.