



Management Discussion & Analysis

As of FY 2022



Key Performance for FY2022

- Revenue from sales and services was 932.3 million baht, an increase of 20.7% YoY
- EBITDA was 194.3 million baht, an increase of 18.3% YoY
- Net Profit was recorded at 147.9 million baht, an increase of 24.7% YoY and net profit margin of 15.9%

| Key Financial Performance (Million Baht) | 2023 | % | 2022 | % | %YoY |
|---|---------|--------|---------|--------|------|
| Revenue from sales and services | 932.3 | 100.0 | 772.3 | 100.0 | 20.7 |
| Cost of goods sold | (447.8) | (48.0) | (358.6) | (46.5) | 24.9 |
| Gross profit | 484.5 | 52.0 | 413.7 | 53.6 | 17.1 |
| EBITDA | 194.3 | 20.8 | 164.3 | 21.3 | 18.3 |
| Net Profit | 147.9 | 15.9 | 118.6 | 15.4 | 24.7 |
| Earnings per share (Baht) | 0.21 | | 0.20 | | |

Executive Summary

- **In FY 2022, The revenue from sales and services was 932.3 million baht, an increase of 20.7% YoY** mainly from;
 - Revenue from the Company's core product lines posts strong growth, led by Rojukiss skincare which recorded a strong growth rate of 12% YoY while Sis2Sis cosmetic, increased by 26% YoY due to the relaxation of COVID-19 control measures since the beginning of the year and Thailand's fully reopened materially in line with the consumption of personal care and beauty care products improvement. Moreover, KISS has also been accelerated by introducing new product launches of more than 40 SKUs as well as an increase in marketing investment through digital and out-of-home media channels in order to create brand awareness with consumers and generate sales growth in the long term.
 - Higher revenue from health segment, "VAILL COVITRAP™ Anti-CoV Nasal Spray, a Human Monoclonal Antibody Technology nasal spray, which offers a physical protective shield against COVID-19 specifically for the first time in Thailand and in the World, under a subsidiary company named Hibiocy Company Limited ("HIB") by started recognizing revenue since Q4/2022 onwards.
- **EBITDA was 194.3 million baht, an increase of 18.3% YoY, while Net Profit was 147.9 million baht, an increase of 24.7% YoY.** The net profit margin was 15.9% (2021: 15.4%), with a significant increase in sales from both existing products and new products launch, and expansion of distribution coverage to cover and reach more consumers as well as proper marketing investment, and efficient in cost, selling and administrative expense management.

The Company's business outlook in 2023

- **Accelerate and strengthen the growth in skincare and color cosmetics categories by introducing new product (NPDs) and investing in brand building, target to be Top of Mind brand for consumers.** KISS will focus on high performance innovative products for skincare category which have been tested for proven results to ensure that consumer will see the real results after use. Secondly, for color cosmetic category, KISS plans to introduce new products to help expand its distribution channels into Non-CVS and Online channels.
- **Expanding its distribution channels both Offline and Online.** Especially in online channel that have plan to expand into social commerce additionally to the current Market place.
- **Opportunities for growth in the international markets** through collaboration with strong partners to expand the growth from both Indonesia and CLMV, including the possibility of expanding into other countries.
- **Continuous expansion of distribution channel for products under the brand "VAILL COVITRAP™ Anti-CoV Nasal Spray"** to serve the demand of both domestic and tourist consumers due to the reopening of the country.

Financial Performance

Table 1 : Statement of Comprehensive Income

(Unit: Million Baht)

| Consolidated Financial Statement | 2022 | % | 2021 | % | %YoY |
|--|----------------|---------------|----------------|---------------|-------------|
| Revenue from sales and services | 932.3 | 100.0 | 772.3 | 100.0 | 20.7 |
| Cost of sales and services | (447.8) | (48.0) | (358.6) | (46.4) | 24.9 |
| Gross Profit | 484.5 | 52.0 | 413.7 | 53.6 | 17.1 |
| Other Income | 7.7 | 0.8 | 3.8 | 0.5 | 104.5 |
| Selling expenses | (158.0) | (16.9) | (135.9) | (17.6) | 16.3 |
| Administrative expenses | (159.1) | (17.1) | (135.4) | (17.5) | 17.5 |
| Gain (loss) from foreign exchange rate | 3.9 | 0.4 | 10.8 | 1.4 | (63.9) |
| Loss sharing from Joint Venture | (5.1) | (0.6) | (5.5) | (0.7) | (6.4) |
| Net profit sharing from acquisition of additional shareholders | 9.1 | 1.0 | | | N/A |
| Total expenses and other income | (310.6) | (33.3) | (262.1) | (33.9) | 18.5 |
| Profit before finance costs | 183.1 | 19.6 | 151.6 | 19.6 | 20.8 |
| Finance costs | (2.0) | (-0.2) | (5.1) | (0.7) | (61.2) |
| Profit before income tax expenses | 181.1 | 19.4 | 146.5 | 19.0 | 23.6 |
| Income tax expense | (33.2) | (3.6) | (27.9) | (3.6) | 18.8 |
| Profit for the year | 147.9 | 15.9 | 118.6 | 15.4 | 24.7 |

Overall

With the recovery of the market and the overall economy in 2022, the Company has adjusted its operational strategies by focusing its competitive advantage in the research and development of new products (NPDs). KISS introduced new products more than 40 SKUs mostly under Rojukiss and Sis2Sis brands in the second half of 2022. Rojukiss brand is not only focusing on launching new products in the skincare range but also extending serum expertise into another products portfolio. Furthermore, the company has returned to invest in advertising activities to increase Rojukiss Skincare brand awareness through digital media, focusing on YouTube and TikTok channels, as well as promoting in out-of-home media in many areas of Bangkok.

In addition, Hibiocy Company Limited ("HIB"), a subsidiary of the Company has officially launched a nasal spray as a physical protective shield against COVID-19 specifically for the first time in Thailand and in the world under the brand "VAILL COVITRAP™ Anti-CoV Nasal Spray," which has been distributed through various channels since Q4/2022 onwards.

Revenue from sales and services

Table 2: Revenue from sales and services by category

(Unit: Million Baht)

| Revenue by category | 2022 | % | 2021 | % | %YoY |
|--|--------------|--------------|--------------|--------------|-------------|
| Revenue from sales | | | | | |
| Skin Care | 692.9 | 69.6 | 670.6 | 81.1 | 3.3 |
| Color Cosmetics | 130.0 | 13.1 | 102.6 | 12.4 | 26.7 |
| Hair Color | 25.6 | 2.6 | 30.9 | 3.8 | (17.0) |
| Health | 146.4 | 14.7 | 22.5 | 2.7 | 550.6 |
| Total revenue from sales and services | 995.0 | 100.0 | 826.6 | 100.0 | 20.4 |

Table 3: Revenue from sales and services by distribution channel

(Unit: Million Baht)

| Revenues by distribution channel | 2022 | % | 2021 | % | %YoY |
|--|--------------|--------------|--------------|--------------|-------------|
| Revenue from sales | | | | | |
| Modern Trade | 568.7 | 57.2 | 559.9 | 60.8 | 1.6 |
| General Trade | 94.6 | 9.5 | 104.0 | 11.6 | (9.0) |
| E-Commerce | 20.9 | 2.1 | 25.5 | 2.3 | (18.2) |
| Export through Cross Border | 53.6 | 5.4 | 28.2 | 7.2 | 90.4 |
| Export through Foreign Distributors | 107.8 | 10.8 | 95.5 | 6.7 | 13.0 |
| Joint Venture and Subsidiary | 149.3 | 15.0 | 13.5 | 11.4 | 1003.8 |
| Total revenue from sales and services | 995.0 | 100.0 | 826.6 | 100.0 | 20.4 |

Remark:

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

¹ Health products are including food supplements and nasal spray products

² O2KISS Company Limited has changed its status from a joint venture to a subsidiary since 30 June, 2022

In FY2022, Total Gross Revenue (before deduction of rebate and discount and accounting provision) was 995.0 million baht, increased by 20.4% YoY. In terms of revenue by product category, the growth was mainly from Rojukiss skincare, growing 12% YoY due to new products variety and increased marketing investments, as previously mentioned. Not only launching new products in skincare category, but the company also added new products into other categories, such as Rojukiss Serum Cleanser and Rojukiss 5X Lip Serum Treatment, which well received a great response from consumers. Furthermore, Sis2Sis color cosmetics increased by 26% YoY from the relaxation of various control measures, which caused fewer worries of the consumers who promoted outdoor activities. The highest growth of the company's cosmetic category came from eye and eyebrow products, which grew 2X compared to the previous year.

In terms of revenue by distribution channel, the Modern trade channel grew by 2% YoY. While sales from CVS channel was not well performed due to slow recovery in the second half of the year, as well as sales from General Trade channel. However, Health & Beauty channel showed impressive growth as the consumers have high purchasing power. On the other hands, international markets are performing well both cross border export to CLMV and export to Indonesia, with total growth of 31% YoY.

Cost of Sales and Gross Profit

In FY 2022, the gross profit margin was 52.0%, a slightly decrease from 53.6% in the previous year, due to impact from fluctuation of foreign exchange rate. However, the company has used forward contracts to reduce impact to net profit, by end of 2022, the company realized gain on exchange rate totaling to 4 million baht.

Selling expenses

In FY 2022, total selling expenses were 158.0 million baht, increasing by 16.3% YoY due to the strategy to return to the marketing investment to create brand awareness and promote various products, mainly digital media such as YouTube and TikTok, and advertising in out-of-home media channels, both in digital and static media as well as pedestrian panel billboards (MUPI) which is covering the strategic area that can reach the target audience.

Administrative Expenses

In FY 2022, total administrative expenses were 159.1 million baht, an increase of 17.5% YoY, mainly from the recorded allowance for doubtful accounts for advisory service fees for Sis2Sis brand in Indonesia of 22 million baht, 100% full provisioned already. However, the company has continued our best effort to collect debts from partners.

Net Profit

In FY 2022, total net profit was 147.9 million baht, increased by 24.7% YoY, resulting in higher sales growth and gross profit margin improvement. In addition, the Company recognized a net gain of 9.1 million baht from the acquisition of an increased shareholding proportion in O2 Kiss Company Limited (“O2KISS”). While net profit margin stood at 15.9% up from 15.4% last year from the cost control and effective selling and administrative expenses.

Statement of Financial Position

Total Assets

As of 31 December 2022, the Company had total assets of 1,297.1 million baht, increased by 248.4 million baht compared to the last year with the detail as below:

- Investments in debt and equity securities increased by 100.0 million baht from investment in 100% principal protection for 6 months term
- Inventories increased by 58.6 million baht from more inventory to support sales momentum and raw materials of subsidiaries.
- Trade & other receivables, and Contract assets increased by 207.9 million baht from increased in sales.
- Intangible assets increased by 11.6 million baht from royalty fees and R&D expenditure of Subsidiary.
- Cash and cash equivalents decreased by 115.1 million baht due to investments in financial assets of 100.0 million baht and dividend payments to shareholders of 96 million baht. The increase in cash was mainly from operating cashflow.

Total Liabilities

As of 31 December 2022, the Company has total liabilities of 278.5 million baht, increased by 159.7 million baht comparing to the last year same period with the detail as below:

- Trade and other payables increased by 101.7 million baht due to higher purchase orders to support sales recovery, and new products launches as well as advertising costs.
- 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.
- Other current liabilities increased by 20.9 million baht.

Shareholder’s Equity

As of 31 December 2022, shareholder’s equity increased by 88.6 million baht as a result of the higher retained earnings.