

February 23, 2023

LDC Dental Public Company Limited

## Management Discussion and Analysis

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### Business Overview

#### Operating results for the year 2022 ended December 31, 2022

**Overall:** the overall operating results of LDC Dental Public Company Limited (“the Company”) for the year 2022 was improved, comparing to the prior year, by having the operating revenues at Baht 443.36 million which was growth at 19.14%, because of the cost restructuring to be more suitable with the Company’s business and disoperation the branches that got continually loss in year 2021 as well as the relaxation of Covid-19 measures and improving the dental room to be equal to operation room with LDC Next Normal Air Change, No-Touch Technology and UV-C Disinfection System for safety assurance to clients and personnel of 26 branches over Thailand, resulting more clients.

The Company had earnings before interest, tax, depreciation, and amortization (EBITDA) from operation at Baht 87.37 million, which was increased 2 times, comparing to the prior year Baht 40.62 million because the Company was able to gain more profit according to the increased revenues and had profit at 26.88 million. It was better than year 2021 which had loss at Baht 24.54 million.

The Company had net profit at Baht 20.88 million which was increased, comparing to the same quarter of prior year at 209.54% and EBITDA margin at 19.71% which means at income of Baht 1.00, the real earnings at 19.71 Satang.

#### Significant event after the financial statements date

The Company considered to temporarily close beauty clinics under LDC Esthetics Brand because the operating results of the beauty business segment has not reached the target set as well as the additional impact of the COVID-19 crisis. Therefore, the Company temporarily closed 4 branches of LDC Esthetics: Salaya Branch, Saphanmai Branch. Ram Intra KM. 10 Branch and Rangsit Branch until they are ready to re-open. The beauty clinics were operated until December 30, 2022.

The Company, consequently, has dental clinics under LDC Brand for 26 branches over Thailand.

Summary of significant financial information

Unit : Million Baht	2022		2021		Movement	
	Amount	%	Amount	%	Amount	Amount
Revenues from services	436.50	100.00	367.44	100.00	69.07	18.80
Cost of services	(347.85)	(79.69)	(323.08)	(87.93)	24.76	7.67
Gross profit (loss)	88.66	20.31	44.35	12.07	44.30	99.88
Other revenues	6.86	1.57	4.71	1.28	2.15	45.67
Total revenues	443.36		372.15		71.22	19.14
Distribution cost	(17.06)	(3.91)	(12.46)	(3.39)	4.60	36.90
Administrative expenses	(42.59)	(9.76)	(48.80)	(13.28)	(6.21)	(12.73)
EBITDA	87.37		40.62		46.75	115.09
EBITDA Margin (%)	19.71		10.91			
Financial cost	(14.40)	(3.30)	(15.55)	(4.23)	(1.14)	(7.35)
Profit (Loss) before income tax expenses	21.46	4.92	(27.75)	(7.55)	(49.21)	(177.33)
Income tax (expense) revenue	5.42	1.24	3.91	1.06	1.51	38.63
Net profit (loss) for the year	26.88	6.16	(23.84)	(6.49)	(50.72)	(212.76)
EBITDA Margin (%)	0.00	0.00	(0.70)	(0.19)	(0.70)	(100.00)
Financial cost	26.88	6.16	(24.54)	(6.68)	(51.42)	(209.54)
Profit (Loss) before income tax expenses	6.06		(6.41)			

## 1. Revenues

### 1.1 Revenues from services

The Company has revenues from services at Baht 436.50 million, which increased by Baht 69.07 million or equivalent to 18.80%, comparing to the prior year.

### 1.2 Other revenues

The Company has other revenues at Baht 6.86 million, which increased by Baht 2.15 million or equivalent to 45.67%, comparing to the prior year due to the rental and service income of Nakorn Ratchasima Branch and car parking lease contract of Chaing Mai Branch.

## 2. Cost of services

For the year 2022, the Company has cost of services at Baht 347.85 million or equivalent to 79.69% of revenues from services which increased by Baht 24.76 million or equivalent to 7.67%, comparing to the prior year which had cost of services at Baht 323.08 million or equivalent to 87.93% of revenues from services. Mainly it was from increasing doctor remuneration, medical supplies, dental laboratory which were in line with the increasing revenues from services. However, the cost restructure policy effected to gross profit increased Baht 44.30 million or equivalent to 99.88%.

## 3. Distribution cost

For the year 2022, the Company has distribution cost at Baht 17.06 million or equivalent to 3.91% of revenues from service which increased by Baht 4.60 million or equivalent to 36.90%, comparing to the prior year, mainly due to the increased advertising and sale promotion because the Company advertises about the innovation of the dental room to be equal to operation room through social media to promote and increase the clients' confidence, as well as the credit card fee from the increasing clients. .

## 4. Administrative expenses

For the year 2022, the Company has administrative expenses at Baht 42.59 million or equivalent to 9.76% of revenues from services which decreased by Baht 6.21 million or equivalent to 12.73%, comparing to the prior year, mainly due to the impairment provision of right-of-use assets (assets on leasehold land) Baht 8.84 million in year 2021. In year 2022, the Company provided the impairment provision of leasehold right at Mukdaharn Branch, Baht 1.88 million.

## 5. Financial cost

For the year 2022, the Company has financial cost at Baht 14.40 million or equivalent to 3.30% of revenues from service which decreased by Baht 1.14 million or equivalent to 7.35%, comparing to the prior year, due to the interest on leasehold right.

## 6. Performance

For the year 2022, the Company has net profit at Baht 26.88 million or net profit margin at 6.06 of total revenues, comparing to the prior year which had net loss at Baht 24.54 million. The increased profit equal to 209.54%, due to the main factor of appropriate cost restructuring and service standard enhancing.

## Analysis of financial position as at December 31, 2022.

Unit : Million Baht

	December 31, 2022	December 31, 2021	Increase (Decrease)	%
Total assets	488.22	467.92	20.30	4.34
Total liabilities	250.96	257.54	(6.58)	(2.55)
Total owner's equity	237.26	210.38	26.88	12.78

**Assets**

As at December 31, 2022, the Company had total assets at Baht 488.22 million which increased from December 31, 2021 by Baht 20.30 million or equivalent to 4.34% by having the significant movement as follows:

- Cash and cash equivalent increased by Baht 40.08 million or equivalent to 56.73% because of the Company's better operation performance.
- Inventories decreased Baht 1.15 million or equivalent to 5.43% because the Company has policy for better efficient inventory management policy.
- Other current financial assets decreased by Baht 4.94 million or equivalent to 23.83%, from selling investment units.
- Property, plant and equipment decreased by Baht 9.50 million or equivalent to 8.79%, due to the normal depreciation.
- Right-of-use assets decreased by Baht 8.15 million or equivalent to 3.82%, due to the normal depreciation and discounted rent, the impairment provision of leasehold right at Mukdaharn Branch Baht 1.88 million.
- Deferred income tax assets increased by Baht 5.42 million or equivalent to 36.78%, due to the taxation right of right-of-use assets

**Liability**

As at December 31, 2022, the Company had total liabilities at Baht 250.96 million which decreased from as at December 31, 2021 by Baht 6.58 million or equivalent to 2.55% by having the significant movement as follows:

- Account payables and other payables decreased by Baht 4.87 million or equivalent to 12.94% due to the normal payment.
- Liabilities under lease contract decreased by Baht 2.35 million or equivalent to 1.12% due to the rent payment and the discounted rent, so the liabilities were revalued, resulting decrease in liabilities under lease contract

#### Owner's equity

As at December 31, 2022, the Company had owner's equity at Baht 237.26 million which increased by Baht 26.88 million or equivalent to 12.78% because the Company's operation had comprehensive profit.

#### Future Possibilities

The Company still uses the strategy of "LDC The Next Normal", improving the safety standard and enhancing LDC brand image in order to increase the confidence of clients and the Company's personnel together with the cost management for more profitable and searching for new business opportunity.

#### Future Cash Flow Management and Financial Position

The Company still applies the policy of expense control throughout the organization and makes cost restructuring including closely monitor warehouse system to prevent over stock which may result impairment. In the past period, the Company managed various things to improve financial liquidity, resulting increased cash on hand and credit line and the working capital was better because of the cash earnings from operation. The Company believes the operation will be developing continuously. However, the Company realizes to the fluctuation which may occur due to the remaining COVID-19 pandemic.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director