

February 27, 2023

Subject Management Discussion and Analysis (MD&A) YE/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 Period Ended 31 December 2022 as followings;

**Statement of Income**

Items	For the Period Ended					
	December 31, 2022		December 31, 2021		Change Increase / (Decrease)	
	THB mm	%	THB mm	%	THB mm	%
<b>Total Revenues</b>	<b>2,219.68</b>	<b>100.00%</b>	<b>1,986.50</b>	<b>100.00%</b>	<b>233.18</b>	<b>11.74%</b>
<i>Sales</i>	2,194.42	98.86%	1,974.76	99.41%	219.66	11.12%
<i>Interest revenue from financial lease</i>	0.09	0.00%	0.31	0.02%	(0.22)	(70.97%)
<i>Other income</i>	25.17	1.13%	11.43	0.58%	13.74	120.21%
<b>Total Expenses</b>	<b>2,137.65</b>	<b>96.30%</b>	<b>1,890.26</b>	<b>95.16%</b>	<b>247.39</b>	<b>13.09%</b>
<i>Cost of goods sold</i>	1,877.47	84.58%	1,627.89	81.95%	<b>249.58</b>	15.33%
<i>Cost of sales and distribution</i>	163.48	7.36%	155.56	7.83%	7.92	5.09%
<i>Administrative expense</i>	96.70	4.36%	106.81	5.38%	<b>(10.11)</b>	(9.47%)
<b>Operating Profit</b>	<b>82.03</b>	<b>3.70%</b>	<b>96.24</b>	<b>4.84%</b>	<b>(14.21)</b>	<b>(14.77%)</b>
Profit from investments in associates or joint ventures using the equity method	-	0.00%	0.30	0.02%	<b>(0.30)</b>	(100.00%)
Financing cost	(6.27)	-0.28%	(9.94)	-0.50%	3.67	(36.92%)
Corporate income tax	(16.09)	-0.72%	(17.97)	-0.90%	1.88	(10.46%)
<b>Net profit for the year</b>	<b>59.67</b>	<b>2.68%</b>	<b>68.63</b>	<b>3.45%</b>	<b>(8.96)</b>	<b>(13.06%)</b>
Profit (loss) from fair value adjustment	<b>0.03</b>	<b>0.00%</b>	-	<b>0.00%</b>	<b>0.03</b>	<b>100%</b>
<b>Total Comprehensive Income for the Period</b>	<b>59.70</b>	<b>2.68%</b>	<b>68.63</b>	<b>3.45%</b>	<b>(8.93)</b>	<b>(13.01%)</b>
Profit for the year attributable to :						
Owned by the parent	55.94	2.52%	72.41	3.64%	(16.47)	(22.75%)
Non-controlling interests	3.76	0.17%	(3.78)	-0.19%	7.54	199.47%
<b>Total Comprehensive Income for the Period</b>	<b>59.70</b>	<b>2.68%</b>	<b>68.63</b>	<b>3.45%</b>	<b>(8.93)</b>	<b>(13.01%)</b>

Items	Unit	For the Period Ended December 31, 2022	For the Period Ended December 31, 2021	
Gross profit margin	%	14.44	17.57	
Net profit margin	%	2.69	3.45	
EPS	THB/Share	0.20	0.33	

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

## Management Discussion for the year ended 31 December 2022

### Revenue

For the Period of 2022 and 2021, the Company and subsidiaries has a sales revenue of THB 2,194.42 million and THB 1,974.76 million, respectively. The sales revenue of the Company can be categorized into groups as follows:

Items	For the Period Ended December 31,			
	2022		2021	
	Million Baht	%	Million Baht	%
Revenue from Animal Health Products	452.88	20.64	468.81	23.74
Revenue from Nutrition Products	378.39	17.24	381.55	19.32
Revenue from Diagnostic Products	474.40	21.62	450.21	22.80
Revenue from Ingredient Products	544.47	24.81	294.62	14.92
Revenue from Complete Feed Products	317.75	14.48	365.46	18.51
Revenue from Other Product <sup>1</sup>	26.53	1.21	14.11	0.71
<b>Total Sales</b>	<b>2,194.42</b>	<b>100.00</b>	<b>1,974.76</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 Period 2022, increased by THB 219.66 million or 11.12% from the Period of previous year. The increasing came from 2 main product groups, Diagnostic and Ingredients products. Diagnostic products group still has the highest sales revenue which is mainly due to 1) 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 and 2) 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. For ingredient products has been increased due to the Company is able to reach medium and large-sized livestock feed mills customers who have high demands on feed ingredients.

However, the ASF pandemic situation is ongoing recovery, the current total swine population is still less than the population before ASF pandemic. This results in the decrease quantity demanded and purchasing power of customer to Animal Health and Nutrition products.

### **Gross Profit**

Gross profit of the period ended December 2022 and 2021 was THB 316.95 million and THB 346.87 million respectively, representing a respective gross profit margin of 14.44% and 17.57%.

In the period of 2022, the gross profit decreased by THB 29.92 million or 8.63% from the previous year. Due to the significant increase in the distribution of animal food ingredient products, which have a relatively low profit margin, the gross profit margin has decreased to 14.44%. In addition, the outbreak of African Swine Fever (ASF) has led to a decrease in the swine population, and the overall cost of animal feed ingredients has increased, leading to increased competition in the industry and a decrease in purchasing power of livestock farms situation. These factors have contributed to a decrease in the overall profit rate of some product categories compared to the previous year, such as Animal health products and Nutrition products.

### **Other Revenue**

Other revenue for the period of 2022 increased by THB 13.74 million or 120.21% 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 period of 2022 increased by THB 7.92 million or 5.09% from the previous year. The Cost of sales and distribution are mainly dependent on sales volume, and the key factors that affect these costs include salaries, bonuses, commissions for sales staff, transportation costs, travelling costs, sale promotion costs. The increase in distribution costs was due to the expansion of the sales team to market to new customers in the pet business and to support the products of new business partners of the company, as well as the increase in travelling costs due to the improving COVID-19 situation, allowing the sales team to travel to meet customers as usual.

### **Administrative Expense**

Administrative expense for the period of 2022 decreased by THB 10.11 million or 9.47% from the previous year. As the Company has good performance in managing the administrative expense although there has been an expense on the public relations costs associated with company listing on the stock exchange around 4 million baht.

### **Net Profit**

Net profit for the period of 2022 and 2021 was THB 59.67 million and THB 68.63 million respectively, representing a respective net profit margin of 2.69% and 3.45%. Net profit margin for the 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:					
		December 31, 2022		December 31, 2021		Change Increase / (Decrease)	
		Million Baht	%	Million Baht	%	Million Baht	%
Total Assets		1,085.14	100.00	919.11	100.00	166.03	18.06
Total Liabilities		316.59	29.18	652.29	70.97	(335.70)	(51.46)
Total Shareholders' Equity		768.55	70.82	266.82	29.03	501.73	188.04
Items	Unit	December 31, 2022		December 31, 2021			
Current Ratio	X	2.79		1.19			
ROE	%	11.53		28.61			
Debt-to-Equity	X	0.41		2.44			

#### **Financial Position**

##### **Total Assets**

Total assets as of December 31, 2022 rose by THB 166.03 million or 18.06% from the end of 2021. The major assets are such as Short-term investments in unit trusts, Trade and other current receivables and inventories. The significant changes in the assets include:

- Short-term investments in unit trusts increased by THB 103.79 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 increased by THB 29.57 million or accounted for 7.64% due to the increase of the Company's revenues
- Inventories increased by THB 52.61 million or 23.23% from a list of stock products for sale and the products for new partners that begin to be distributed this year.

##### **Total Liabilities**

Total liabilities as of December 31, 2022 decreased by THB 335.69 million or 51.46% 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 include:

- Short-term borrowings from financial institutions decreased by THB 254.75 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 27.30 million from the products that are due in a regular cycle.
- Long-term borrowing from financial institution decreased by THB 48.6 million because the company repays the long-term loan by the money received from fundraising according to the money use plan.

### **Shareholders' Equity**

The shareholders' equity as of December 31, 2022 increased by THB 501.73 million or 188.04% from the end of 2021. This is mainly due to the company's profit from operations for the year ended December 31, 2022, which amounted to THB 59.67 million, resulting in an increase in accumulated profits. Additionally, the company offered an initial public offering (IPO) of common shares to the public in May 2022, which increased registered capital and the excess value of common shares total of THB 501.62 millions. However, the company paid a dividend for the year 2022 of THB 109.04 million.

Please be informed accordingly.

Yours sincerely,

*- Dhanawat Khongjaroensombat -*

**(Mr. Dhanawat Khongjaroensombat)**

**Chief Executive Officer**