

IP_AC001/2023

February 28, 2023

Subject Management Discussion and Analysis for the Year Ended December 31st, 2022

To Directors & Managers
The Stock Exchange of Thailand

Inter Pharma Public Co., Ltd. (“the Company”) hereby submitting management discussion and analysis for the fiscal year ended 31 December 2022 in comparison with the corresponding period last year as follows:

	FY 2022		FY 2021		Change	
	mio THB		mio THB		mio THB %	
Revenue from Sales	1,523.3		908.6		614.7 67.7	
Cost of goods sold	904.9	59.4%	507.8	55.9%	397.0	78.2
Gross Profit	618.5 40.6%		400.8 44.1%		217.7 54.3	
Total SG&A	457.9 30.1%		267.4 29.4%		190.5 71.3	
Selling Expenses	279.3	18.3%	165.2	18.2%	114.1	69.1
Administrative expenses	178.5	11.7%	102.2	11.2%	76.4	74.8
Finance cost	23.3	1.5%	8.0	0.9%	15.3	191.3
Income Tax Expense	19.6	1.3%	27.2	3.0%	-7.6	(28.0)
Net profit	130.7 8.6%		110.0 12.1%		20.7 18.9	

Overview

Operating results for 2022, revenue from sales THB 1,523.3 million, increased by THB 614.7 million or 67.7% YoY. These was contributed by Human healthcare segment +103.6%, driven by growth from pharmaceutical Products and Lab pharmacy and also revenue from animal healthcare segment was 6.5% growth driven by companion animal healthcare. The proportion of revenue between Human healthcare and Animal healthcare was 76: 24 compared to 63: 37 in 2021.

Revenue by Segment

Revenue by Segment	FY 2022		FY 2021		Change	
	MB	%	MB	%	MB	%
1. Pharmaceutical Products	380.4	25.0	218.0	24.0	162.4	74.5
2. Wellness & Cosmeceuticals	355.2	23.3	354.5	39.0	0.8	0.2
3. Companion Animal Healthcare	290.6	19.1	238.4	26.2	52.2	21.9
4. Livestock Animal Healthcare	67.4	4.4	97.8	10.8	(30.4)	-31.1
5. Pharmacy stores	400.9	26.3		0.0	400.9	0.0
6. Hospital business	28.9	1.9		0.0	28.9	0.0
Total Revenue from Sales	1,523.3	100.0	908.6	100.0	614.7	67.7

* Revised grouping

Operating results in 2022, Revenue from sales was THB 1,523.3 million, posted 67.7% growth compared to last year as following;

- Revenue of Pharmaceutical Products accounted for THB 380.4 million, increased by 74.5%, represented as 25.0% of revenue from sales, contributed by growth of Pharmaceutical Products of Ayutthaya Plant and Modern Pharma. The key products were diabetes medicine (Meforin) Dyslipidemia Agent (Zimmex) Anti-Viral (Virogon) Anti-Allergic (Zensil) Analgesic Antipyretics (Pyrana) mucolytic (Supenac). The proportion of revenue between Ayutthaya Plant and Modern Pharma was 40:60 (vs 34:68 compared to last year).
- Revenue from Wellness & Cosmeceuticals was THB 355.2 million, represented as 23.3% of revenue from sales, slightly increased 0.2% YoY. The revenue from Wellness & Anti-Aging Nutraceuticals continued growing, driven by Probac 7, Probac Ultra Collagen, TS6 Probiotics, Probac 10 Plus, Probac Mood, PreBO. However, revenue from Cosmeceuticals & Aesthetic Innovation dropped by 50.2%, due to cancellation of distributor agreement of botulinum toxin and filler and discontinuation of hand sanitizer gel and Antigen test kit.
- Revenue from Companion Animal Healthcare was THB 290.6 million, represented as 19.1% of revenue from sales and delivered growth at 21.9%, driven by pet food (MARIA, CHOO CHOO), nutraceuticals for pets (Dr.Choice, Pet Select) and pharmaceutical for pets (Moxclavet, Fenamax tablet, Enrophar)
- Revenue from livestock animal healthcare dropped from poultry meal and porcine meal, due to natural disaster and pig plague. These impacted to lower demand of raw material and pharmaceutical products.
- Revenue from Pharmacy stores was THB 401 million (consolidated during Apr'22-Dec'22), represented as 26.3% of revenue from sales. Currently, there are 21 branches and 1 online platform.
- Revenue from Hospital was THB 29 million (consolidated during mid of Nov'22-Dec'22), represented as 1.9% of revenue from sales.

	FY 2022		FY 2021		Change	
	mio THB	%	mio THB	%	mio THB	%
Cost of goods sold	904.9	59.4	507.8	55.9	397.0	78.2
Selling Expenses	279.3	18.3	165.2	18.2	114.1	69.1
Administrative expenses	178.5	11.7	102.2	11.2	76.4	74.8
Financial Cost	23.3	1.5	8.0	0.9	15.3	191.3
Total Expense	1,386.1	91.0	783.2	86.2	602.9	77.0
Revenue from Sales	1,523.3	100.0	908.6	100.00	614.7	67.7

Cost of Goods sold and Gross Profit

Cost of Goods sold in 2022 was THB 904.9 million, + THB 397 million or up by 78.2%, which was equivalent to % cost of goods sold at 59.4% and also impacted lower gross profit margin. These was because 1) higher proportion of revenue from Pharmaceutical Products and Pharmacy stores which contributed lower gross profit margin compared to Wellness & Anti-aging Nutraceutical. 2) increasing in cost of raw material and packaging for Pharmaceutical Products 3) higher energy cost. However, gross profit margin continually improved since the 3rd quarter of 2022 due to price increase of Pharmaceutical Products to cover higher costs as mentioned above.

Selling Expenses

Selling expenses in 2022 was THB 279.3 million, increased by THB 114.1 million or 69.1% YoY. Most selling expenses varied with revenue from sales i.e. commission for sales team, distribution fee paid to Zuellig Pharma under distribution agreement and also employee expenses from sales team due to expansion of sales territory nationwide, pharmacist, store rental expense. Marketing expense increased from customer relationship management (CRM), increase marketing campaign for online channel, co-promotion with partner. Selling expenses to revenue from sales ratio was 18.3%, slightly higher than last year.

Administrative Expenses

Administrative Expenses in 2022 amounted to THB 178.5 million, increased by THB 76.4 million or 74.8% compared to last year as a result of an increase employees cost at Ayutthaya's Site Factory and Drug Care, IT expense from ERP implementation for IP and subsidiaries, renovation of factory and new machines for new products, consultant fee for new businesses. % Administrative expenses to revenue from sales increased from 11.2% to 11.7% in 2022.

Financial Cost

Financial cost in 2022 amounted to THB 23.2 million, increased by THB 15.3 million, because of an increase in short-term and long-term loan from bank for new investment and stores expansion. After capital increase, financial cost will be lower in 2023.

Net Profit

Net Profit for 2022, posted THB 131 million, equivalent to an increased of THB 21 million or up by 18.9% YoY. The net profit margin was 8.6%. The major reasons were lower gross profit margin from higher revenue proportion of Pharmaceutical Products and Pharmacy store, higher cost of raw material and packaging, increasing in energy cost and higher selling & administrative expenses.

Financial Position

	As of	As of	Change	
	Dec 31st, 2022	Dec 31st, 2021	mio THB	%
	mio THB	mio THB		
Total Asset	3,025.8	1,327.0	1,698.8	128.0
Total Liabilities	952.2	543.5	408.7	75.2
Shareholders' Equity	2,073.6	783.5	1,290.1	164.7

Total Assets

The total assets of the Company and its subsidiaries as of December 31st, 2022 reported THB 3,025.8 million, an increase of THB 1,698.8 million or +128% compared to as at December 31st, 2021 which was mainly from higher current asset THB 848.6 million. The majority consists of cash and cash equivalent THB +602.6 million from the allocation of the additional ordinary shares for offering to Innobic LL Holding Company Limited. Trade account receivables THB +100 million, inventory THB +140 million mainly due to Drug store's consolidation. And non-current asset increased by THB 850.2 million, mainly from goodwill THB+499 million, property plant and equipment THB +212 million, right-of-use assets THB +117.8 million from Drug store's consolidation.

Total Liabilities

The total liabilities of the Company and its subsidiaries as of December 31st, 2022 amounted to THB 952.2 million, an increase of THB 408.7 million or +75.2% compared to as at December 31st, 2021. This was due to increase in current liability THB 162.3 million from trade account payable, loan from bank. Non-current liability increased by THB 246.4 million from long-term loan from bank and lease liability.

Shareholders' Equity

The shareholders' equity of the Company and its subsidiaries as of December 31st, 2022 amounted to THB 2,073.6 million, an increase of THB 1,290.1 million or +164.7% compared of as at December 31st, 2021 due to increase in its registered share capital and the net profit for 2022 at THB 131 million.

Yours sincerely,

Nattarin Polpuech
Chief Finance Officer