



Management Discussion and Analysis
For the Year Ended 31 December 2022

Executive Summary

Consolidated financial statements <i>Unit: THB000</i>	Quarter 4	Quarter 3	Quarter 4	Change		Year 2022	Year 2021	Change
	Year 2022 ("4Q22")	Year 2022 ("3Q22")	Year 2021 ("4Q21")	%QoQ	%YoY	("FY22")	("FY21")	%YoY
Revenue from sales	141,288	104,834	111,422	34.8%	26.8%	428,458	422,342	1.4%
Gross profit	47,856	31,328	40,034	52.8%	19.5%	122,615	144,369	(15.1%)
EBITDA	23,847	1,923	14,107	1,140.0%	69.0%	10,988	70,523	(84.4%)
Net profit (loss)	10,661	(4,708)	4,002	326.4%	166.3%	(17,483)	29,691	(158.9%)
Normalised net profit (loss) ⁽¹⁾	10,661	(4,708)	7,582	326.4%	40.6%	(17,483)	33,271	(152.5%)
Gross profit margin	33.9%	29.9%	35.9%	4.0%	(2.1%)	28.6%	34.2%	(5.6%)
EBITDA margin	16.4%	1.8%	12.6%	14.6%	3.9%	2.5%	16.4%	(13.9%)
Net profit (loss) margin	7.4%	(4.4%)	3.6%	11.8%	3.8%	(4.0%)	6.9%	(10.9%)
Normalised net profit (loss) margin ⁽¹⁾	7.4%	(4.4%)	6.7%	11.8%	0.6%	(4.0%)	7.8%	(11.8%)

Source: Financial statements FY22 (Audited), interim financial information 9m22 (Reviewed) and management information

Remark: (1) Non-operating expenses mainly comprised expenses in relation to initial public offering ("IPO")

In the first half of 2022, JSP Pharmaceutical Manufacturing (Thailand) PCL. and subsidiary (the "Group" or "JSP" or "We") faced many situations that created uncertainty in both local and global levels. These situations had impact to the Group'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 Group e.g. expanding marketing channel to omni, controlling of materials and construction costs. However, the situations have been recovered in the second half of 2022. Therefore, the Group's operating results for 4Q22 became positive.

The Fourth Quarter QoQ (4Q22 vs 3Q22)

- In 4Q22, the Group had higher revenue from sales than 3Q22 by 34.8%. This was mainly derived from expanding production facility in Bangkok resulted to increase of conventional medicine under OEM.
- The Group's gross profit margin for 4Q22 was higher than 3Q22 by 4.0% since the Group had more sales of OEM and Own Brand products.
- In 4Q22, the Group had EBITDA and net profit higher than 3Q22 by Baht 21.9 million and Baht 15.4 million, respectively, because higher gross profit earned.

The Fourth Quarter YoY (4Q22 vs 4Q21)

- The Group's revenue from sales for 4Q22 increased from 4Q21 amounting to Baht 29.9 million, or 26.8%. This was mainly because the increase of conventional medicine capacity to support customers' demand.
- The Group had net profit in 4Q22 since higher revenue earned from dietary supplements and conventional medicine. However, the Group had higher staff costs and professional fees.

Annual Period YoY (FY22 vs FY21)

- Although consumers had to stringent their spending from uncertainties in local and global levels, revenue from sales for FY22 increased from FY21 by 1.4%. This was mainly because collaboration with a customer on sale promotion and expansion of production facility and capacity.
- The Group's gross profit margin for FY22 decreased by 5.6% when compared to FY21 since the Group set aside more of reserve to inventory totalled Baht 7.0 million. However, the management scrutiny oversights the situations for expansion of brand loyalty and increase inventory turnover.
- Even though the Group had more service fees for goods distribution under online channel in FY22, the Group had less finance costs because of repayment of loans from financial institutions.

Annual Period financial ratios YoY (FY22 vs FY21)		FY22	FY21
<p>○ The Group had net loss, therefore, return on assets and equity for FY22 became negative figures.</p>	<i>Return on assets</i>	(1.4%)	2.4%
	<i>Return on equity</i>	(1.9%)	3.1%
	Debt-to-equity ratio (Times)	0.30	0.30

Significant events during 4Q22

Operating results for 4Q22 recovered to net profit

Even though the Group had negative effect during FY22, the management managed in order to maintain operating results. In addition, the collaboration with a customer had effectiveness and expansion of production facility enhanced the operating efficiency. Hence, the Group had net profit for 4Q22 amounting to Baht 10.7 million and had higher gross profit margin then 3Q22 by 4.0%.

Commercialisation of new production line - conventional medicine

In December 2022, the Company has completed expansion of conventional medicine production line; located at Bangkok, and that it ready for commercial purposes. The new production line could support annual production of conventional medicine by 20 - 25 million bottles.

Expansion of production facility at Bangkok factory

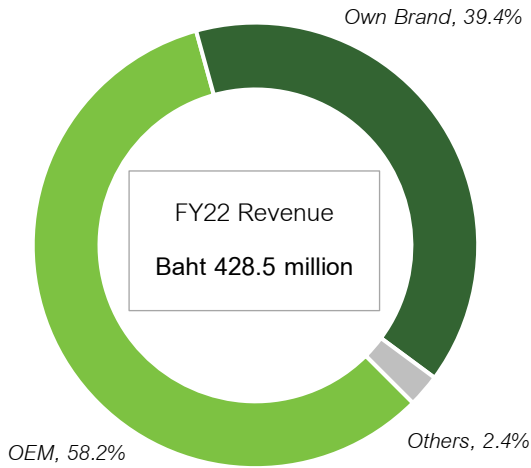
In 4Q22, the Board of Directors approved the Company to expand production facility in Bangkok factory by acquiring land and constructing additional warehouse. Total project value was Baht 93.0 million and the project will complete in 2023.

SET AWARDS 2022

The Company won SET AWARDS 2022 from the Stock Exchange of Thailand in Outstanding Innovative Company Awards by development of Wolffia Cap.

Operating results

1. Revenue from sales structure



Products under customer's brand (OEM)

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

Products under the Group's brand (Own Brand)

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

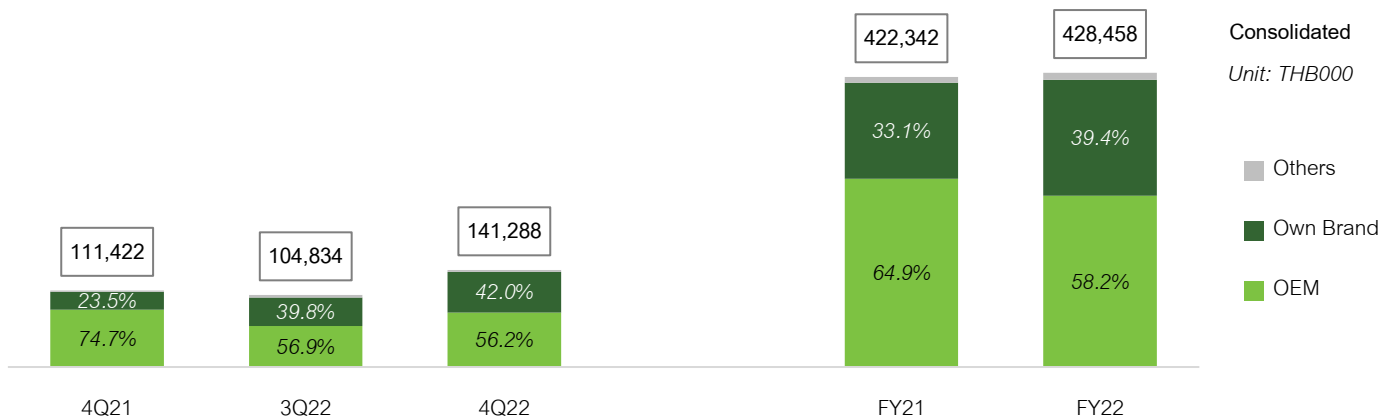
Other products (Others)

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

1.1 Revenue by product type

Consolidated financial statements	Quarter 4	Quarter 3	Quarter 4	Change		Year 2022	Year 2021	Change
	Year 2022	Year 2022	Year 2021	%QoQ	%YoY			
Unit: THB000	("4Q22")	("3Q22")	("4Q21")			("FY22")	("FY21")	%YoY
OEM	79,406	59,622	83,276	33.2%	(4.6%)	249,379	274,198	(9.1%)
Own Brand	59,292	41,759	26,170	42.0%	126.6%	168,914	139,952	20.7%
Others	2,590	3,453	1,976	(25.0%)	31.1%	10,165	8,192	24.1%
Total	141,288	104,834	111,422	34.8%	26.8%	428,458	422,342	1.4%

Source: Financial statements FY22 (Audited), interim financial information 9m22 (Reviewed) and management information



The Fourth Quarter QoQ (4Q22 vs 3Q22) 4Q22's revenue from sales increased from 3Q22 by 34.8% mainly because

- **OEM products:** Since the Group increased production capacity at Bangkok plant, the Group could support more of customers' demand and that revenue from conventional medicine increased.
- **Own Brand products:** According to the collaboration with a customer for sales promotion, revenue from dietary supplements under Own Brand increased significantly.

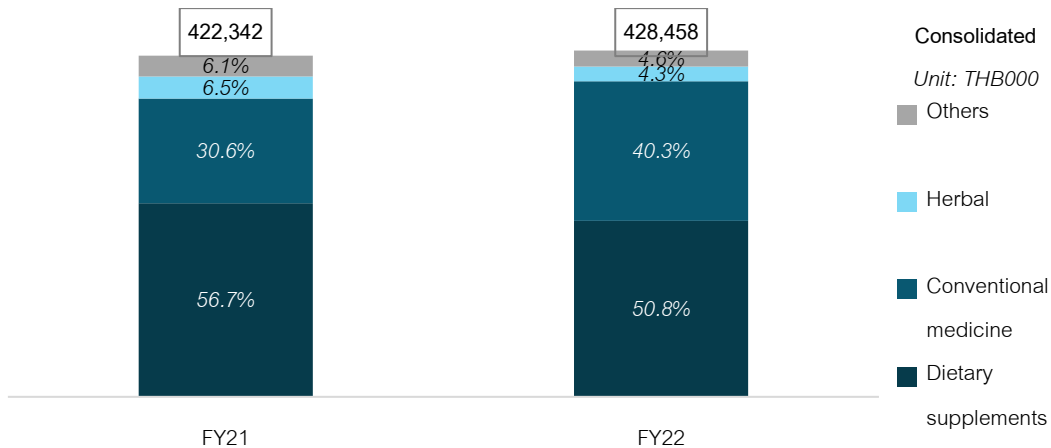
The Fourth Quarter YoY (4Q22 vs 4Q21) Revenue from sales for 4Q22 increased from 4Q21 by 26.8% since

- **OEM products:** Because of uncertainties in economics and politics, customers had stringent in spending so that the Group had less orders for dietary supplements. In addition, lower demand for Andrographis paniculate to prevent and cure COVID-19 resulted to lower revenue of herbal products.
- **Own Brand products:** Revenue from this product type increased by 126.6% and that it took proportion at 42.0% of total revenue in 4Q22. Dietary supplements revenue rose up principally because the collaboration with a customer on sales promotion and expanding marketing channel to online.

Annual Period YoY (FY22 vs FY21) The Group had revenue for FY22 higher than FY21 by 1.4% because

- **OEM products:** The Group had lower revenue from OEM products since less of customers' orders received for dietary supplements and herbal products. While, the Group had more orders from conventional medicine. Hence, OEM revenue had less proportion of revenue by 5.7%, comparing with FY21.
- **Own Brand products:** The increase in revenue from Own Brand products was mainly from effectiveness of sales promotion campaign, in collaboration with a customer.

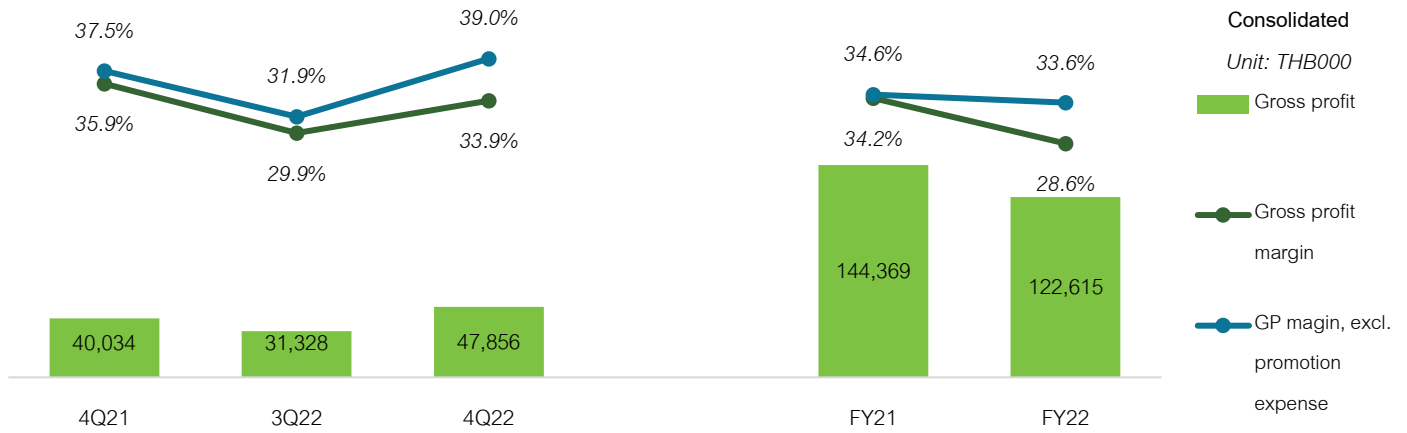
1.2 Revenue by product category



Annual Period YoY (FY22 vs FY21)

- **Dietary supplements:** The Group had revenue from dietary supplements for FY22 amounting to Baht 217.8 million, decreased from FY21 by Baht 21.9 million. The change principally from economics sluggish; however, the Group has still developed products to offer customer.
- **Conventional medicine:** Revenue from conventional medicine for FY22 was Baht 172.6 million, rose up from FY21 amounting to Baht 43.3 million. The increase in revenue from conventional medicine was mainly from plant expansion at Bangkok and additional leases of warehouses.

2. Gross profit and gross profit margin



The Fourth Quarter QoQ (4Q22 vs 3Q22)

Gross profit for 4Q22 was higher than 3Q22 amounting to Baht 16.5 million because the Group had more revenue from OEM and Own Brand products.

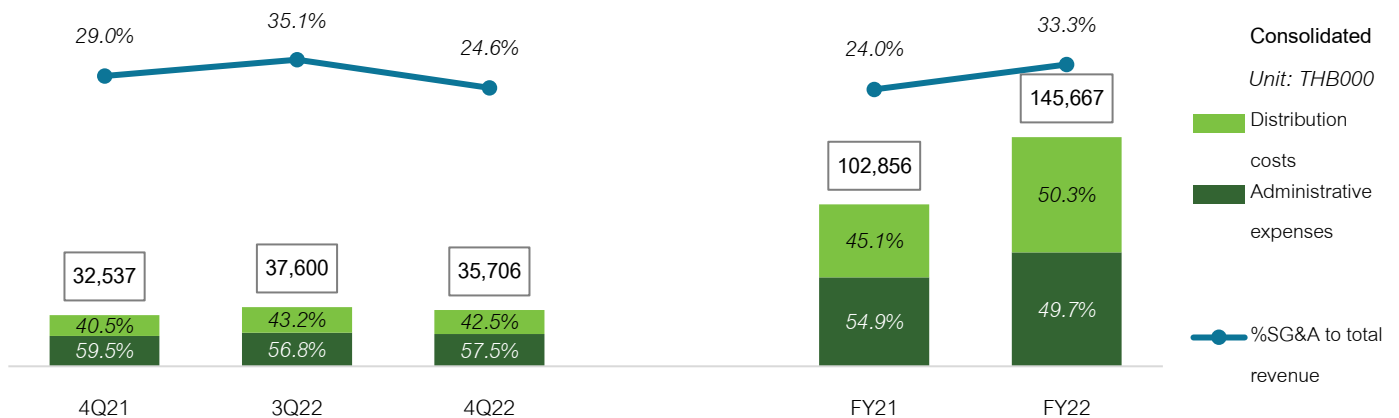
The Fourth Quarter YoY (4Q22 vs 4Q21)

In 4Q22, the Group had Baht 47.9 million of gross profit, which higher than 4Q21 by Baht 7.58 million. The change mainly derived from Own Brand's gross profit increased. However, gross profit margin for 4Q22 was lower than 4Q21 by 2.0% because sales promotion with a customer was recorded as a deduction to revenue, recorded in accordance with TFRS 15. The Group should have gross profit margin for 4Q21 and 4Q22 at 37.5% and 39.0%, respectively, if the effect of this transaction was excluded.

Annual Period YoY (FY22 vs FY21)

The Group had gross profit for FY22 lower than FY21 by Baht 21.8 million since cost of sales increased, especially adjustment in inventory to present at net realisable value increased by Baht 7.0 million. In addition, the Group reported sales promotion with a customer as a deduction to revenue, in accordance with TFRS 15. The Group should have gross profit margin for FY21 and FY22 at 34.6% and 33.6%, respectively, if the effect of this transaction was excluded.

3. Distribution costs and administrative expenses



The Fourth Quarter QoQ (4Q22 vs 3Q22)

- **Distribution costs:** The Group's distribution costs for 4Q22 and 3Q22 were Baht 15.2 million and Baht 16.2 million, respectively. The decrease in expenses for 4Q22 was mainly because the Group delivered goods to online customers by ourselves rather than outsourcing.
- **Administrative expenses:** The Group had administrative expenses for 4Q22 higher than 3Q22 by 6.1%. The increase in expenses derived from staff costs and professional service fees. However, the administrative expenses for 4Q21 included listing fees amounting to Baht 4.2 million.

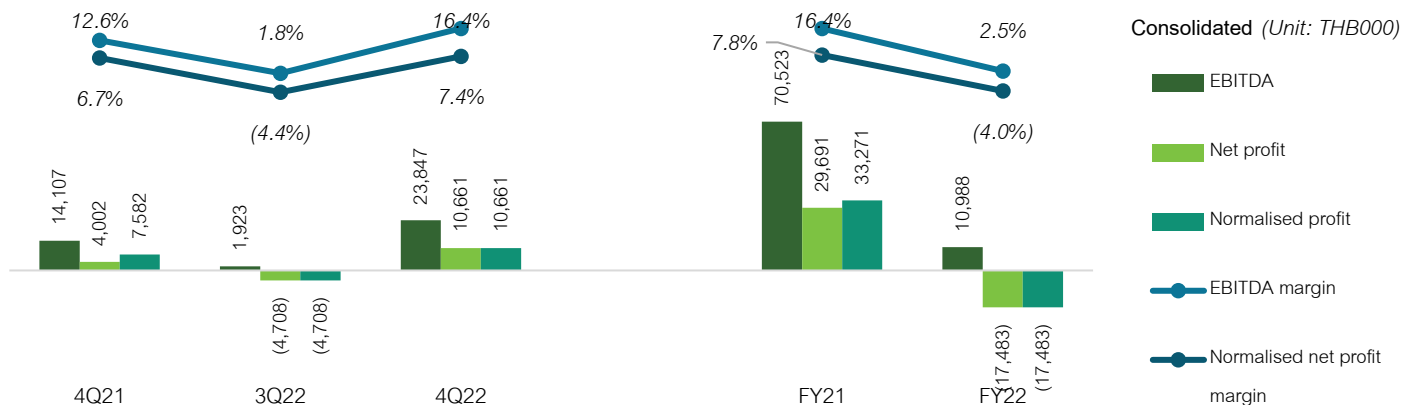
The Third Quarter YoY (3Q22 vs 3Q21)

- **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.

Annual Period YoY (FY22 vs FY21)

- **Distribution costs:** Distribution costs for FY22 increased from FY21 by Baht 26.9 million. This was because of staff costs, freight-out and goods distribution service fees to support sales via omni channel, together with advertising expense for the Group's branding.
- **Administrative expenses:** Administrative expenses for FY22 was 28.1% higher than FY21 because of staff costs and professional service fees in relation to finance and administration.
- **Distribution costs and administrative expenses to total revenue:** The Group had this ratio for FY22 at 33.3% of total revenue; which higher than FY21, because of the increase of distribution costs and administrative expenses as explained earlier.

4. EBITDA and net profit



The Fourth Quarter QoQ (4Q22 vs 3Q22)

- In 4Q22, the Group's EBITDA and net profit were Baht 23.8 million and Baht 10.7 million, respectively, which resulted from increase of revenue and gross profit.

The Fourth Quarter YoY (4Q22 vs 4Q21)

- In 4Q22, the Group had higher normalised profit than 4Q21 amounting to Baht 3.1 million. These were because higher gross profit earned.

Annual Period YoY (FY22 vs FY21)

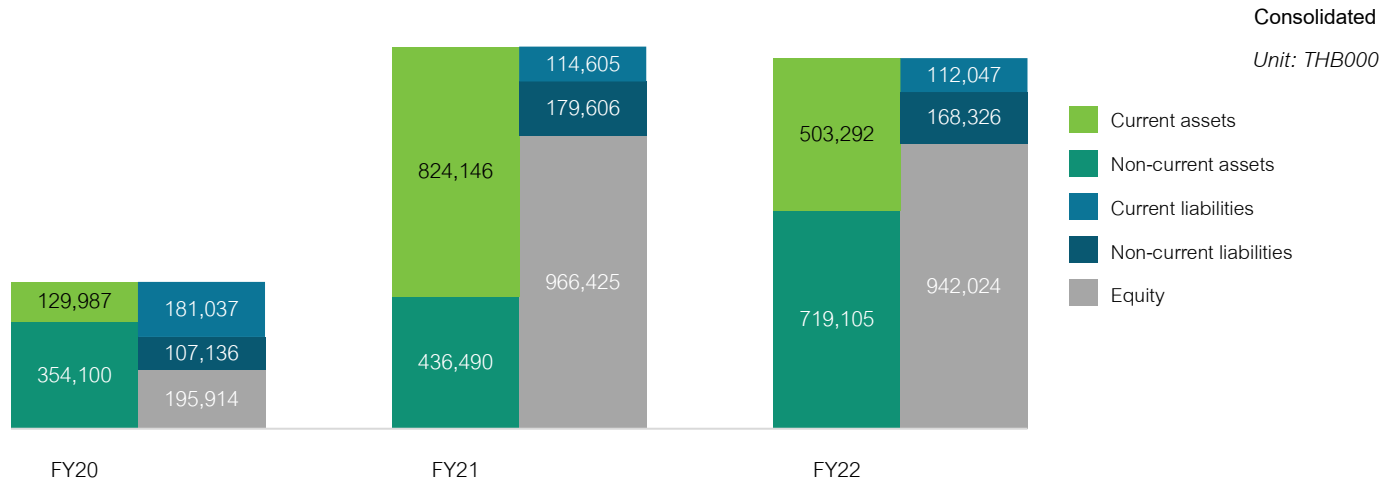
- The Group's net loss margin at 4.0% since higher of expenses to support business expansion. However, the management has monitored closely to increase revenues and decrease expenses in order to create sustainable profit.

Consolidated income statement

Consolidated financial statements	Quarter 4	Quarter 3	Quarter 4	Change		Year 2022	Year 2021	Change
	Year 2022	Year 2022	Year 2021	%QoQ	%YoY	("FY22")	("FY21")	%YoY
<i>Unit: THB000</i>	("4Q22")	("3Q22")	("4Q21")					
Revenue from sales	141,288	104,834	111,422	34.8%	26.8%	428,458	422,342	1.4%
Cost of sales	(93,432)	(73,506)	(71,388)	27.1%	30.9%	(305,843)	(277,973)	10.0%
Gross profit	47,856	31,328	40,034	52.8%	19.5%	122,615	144,369	(15.1%)
Other income	3,755	1,439	928	160.9%	304.6%	7,995	6,785	17.8%
Distribution costs	(15,190)	(16,225)	(13,191)	(6.4%)	15.2%	(73,263)	(46,412)	57.9%
Administrative expenses	(20,516)	(21,375)	(19,346)	(4.0%)	6.0%	(72,404)	(56,444)	28.3%
Operating profit (loss)	15,905	(4,833)	8,425	429.1%	88.8%	(15,057)	48,298	(131.2%)
Finance costs	(1,864)	(1,804)	(2,678)	3.3%	(30.4%)	(7,302)	(10,401)	(29.8%)
Gain on measurement of financial assets	(777)	732	-	(206.1%)	(100.0%)	312	-	100.0%
Reversal of impairment loss in accordance with TFRS9	(105)	38	(496)	(376.3%)	(78.8%)	608	(467)	230.2%
Profit (Loss) before taxes	13,159	(5,867)	5,251	324.3%	150.6%	(21,439)	37,430	(157.3%)
Income taxes	(2,498)	1,159	(1,249)	(315.5%)	100.0%	3,956	(7,739)	(151.1%)
Net profit (loss)	10,661	(4,708)	4,002	326.4%	166.4%	(17,483)	29,691	(158.9%)
Earnings per share (Baht)								
Basic	0.02	(0.01)	0.01			(0.04)	0.08	
Diluted	0.02	(0.01)	0.01			(0.04)	0.08	

Source: Financial statements FY22 (Audited), interim financial information 9m22 (Reviewed) and management information

Financial position



Assets

- **Current assets:** As of 31 December 2022 ("FY22"), current assets primarily comprised cash and cash equivalents, short-term investments and inventories, accounted for 80.4% of total current assets. Cash and cash equivalents as of FY22 decreased from FY21 because the Group used cash to invest in short-run amounting to Baht 209.5 million and to invest in long-lived assets for business expansion purposes. In addition, inventories balance decreased because the Group accelerated selling goods in various marketing channels and effectiveness of sales promotion resulted to faster sale of goods.
- **Non-current assets:** As of FY22, the Group had property, plant and equipment accounted for 54.7% of total assets. The higher value of property, plant and equipment as of FY22 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 Group as of FY22 was lower than FY21 by Baht 2.3 million. This was because the Group had current portion of interest-bearing liabilities decreased totalled Baht 2.6 million.
- **Non-current liabilities:** Non-current liabilities as of FY22 decreased from FY21 by 6.3% because the Group repaid long-term loans from financial institutions during FY22. While, the Group entered into new long-term lease agreements to rent building and equipment for operating purposes.

Equity

- During FY22, the Group's equity declined amounting to Baht 17.5 million resulted from net loss. In addition, the Company declared and paid dividend for the annual operating performance of 2021 amounting to THB 6.0 million.

Significant financial ratios



- Due to IPO during FY21, the Group had better liquidity. Therefore, there were significant increase in current and acid-test ratios. During FY22, the Group has used the funds partially to invest in long-lived assets.
- Days sale outstanding of FY22 rose up from FY21 because of higher trade receivables as of FY22 increased from previous period. However, the Group has still monitored collection from receivables closely to prevent bad debt problem.
- Return on assets and return on equity tended to decreased because of IPO in FY21 and net loss in FY22.