



Management Discussion & Analysis

As of Q2/2023



**Key Performance**

- Revenue from sales and services was 238.5 million baht (+24.3% YoY, +15.2% QoQ)
- EBITDA was 43.0 million baht (+1.4% YoY, -22.5% QoQ)
- Net Profit was recorded at 31.4 million baht (+2.4% YoY, -23.0% QoQ)

Key Financial Performance (Million Baht)	Q2 2023	%	Q2 2022	%	%YoY	Q1 2023	%	%QoQ
Revenue from sales and services	238.5	100.0	191.9	100.0	24.3	207.0	100.0	15.2
Cost of goods sold	(107.1)	(44.9)	(86.2)	(44.9)	24.2	(98.7)	(47.7)	8.5
Gross profit	131.4	55.1	105.7	55.1	24.3	108.3	52.3	21.3
EBITDA	43.0	18.0	42.4	22.1	1.4	55.5	26.9	(22.5)
Net Profit	31.4	13.2	30.7	16.0	2.4	40.8	19.7	(23.0)
Earnings per share (Baht)	0.05		0.05			0.04		

**Executive Summary**

- **The revenue from sales and services in Q2/2023 was 238.5 million baht, an increase of 24.3% from the previous year** mainly from
  - Revenue from Domestic increased by 45.1% YoY from Color Cosmetic products under Sis2Sis brand which increased by 118.4%, while Skincare products showed an impressive growth of 29.3%, driven by the launch of new products (NPDs) along with integrated marketing activities during Q2/2023 to build brand and new product to being known continuously.
  - Revenue from Overseas decreased by 82.9% YoY from fierce competition, particularly in Indonesia. However, the company is considering a new strategic model in the existing market and working on expansion into new international markets, with the target to see the revenue contribution by the end of this year. Currently, the Company has secured 4 distributorships in overseas markets which are Indonesia, Vietnam, Laos, and Myanmar.
- **EBITDA was 43.0 million baht, an increase of 1.4% from last year, while Net Profit was 31.4 million baht, an increase of 2.4% from the previous year.** The net profit margin was 13.2%, a drop from 16.0% last year due to one-time impact in Q2/2022 which was profit from step up acquisition net off with loss from Joint venture, amounting to 6.1 million baht. If excluding one-time items in 2022 as mentioned above, the operating net profit showed an increase of 27.6% from last year.
- **The Company’s business plan during the past 1H/2023 and outlook in 2023.**  
 Thai economy continued to recover well, supported by a pick-up in private consumption and a continued rebound in domestic tourism activities, this resulted in the higher consumption rate of Personal and Beauty Care products respectively. In 1H/2023, the Company adjusted its business strategies as well as new product development to be more diversified in product variety, distribution points, and increase new business opportunities in the future. The details are as follows;

**Introduce Product Innovation** by focusing on developing and presenting on new products development with a specialized NPD team in order to create products that meet the trends that consumers are looking for. In 1H/2023, the company launched over 50 SKUs of new products under Rojukiss skincare and Sis2Sis color cosmetics and plans to continuously launch new products in the second half of the year.

**Effective and appropriate marketing communications** by selecting the most appropriate channels to communicate with consumers in order for brands and products to reach their target audience as follows;

Offline – through TV commercials, TV programs, Out of Home media, and product launch events.

Online – through KOL (Key Opinion Leaders), Online Advertising, and E-commerce Live.

Since the beginning of the year, the company has continued to invest in marketing, and fully implemented in the Q2/2023 onwards. This is one of the key strategies that will drive the company's revenue growth in the future.

**Strategies to strengthen distribution channels** The company has increased the number of offline and online distribution points. For example, expanding distribution for color cosmetic products under the Sis2Sis brand, which were previously sold in sachets and mainly focused in convenience stores (CVS). To have more coverage, a new full-size product line has been added and started selling in other channels such as Watsons, EveandBoy, etc. to expand the customer base and distribution channels simultaneously.

## Financial Performance

Table 1 : Statement of Comprehensive Income for 3 months period

(Unit : Million Baht)

Consolidated Financial Statement for 3 months period	Q2 2023	%	Q2 2022	%	%YoY	Q1 2023	%	%QoQ
Revenue from sales and services	238.5	100.0	191.9	100.0	24.3	207.0	100.0	15.2
Cost of sales and services	(107.1)	(44.9)	(86.2)	(44.9)	24.2	(98.7)	(47.7)	8.5
<b>Gross Profit</b>	<b>131.4</b>	<b>55.1</b>	<b>105.7</b>	<b>55.1</b>	<b>24.3</b>	<b>108.3</b>	<b>52.3</b>	<b>21.3</b>
Other Income	1.3	0.5	0.7	0.4	87.4	0.1	0.1	900.8
Selling expenses	(65.3)	(27.4)	(34.4)	(18.0)	89.5	(37.6)	(18.2)	73.7
Administrative expenses	(29.2)	(12.2)	(42.0)	(21.9)	(30.4)	(18.2)	(8.8)	60.4
Gain (loss) from foreign exchange rate	(0.3)	(0.1)	1.5	0.8	(76.9)	(1.5)	(0.7)	80.0
Loss sharing from Joint Venture	-	-	(3.0)	(1.6)	(100.0)	-	-	N/A
Profit from step up acquisition	-	-	9.1	4.7	(100.0)	-	-	N/A
<b>Total expenses and other income</b>	<b>(92.8)</b>	<b>(38.9)</b>	<b>(68.1)</b>	<b>(35.5)</b>	<b>36.3</b>	<b>(57.2)</b>	<b>(27.6)</b>	<b>62.4</b>
<b>Profit before finance costs</b>	<b>38.6</b>	<b>16.2</b>	<b>37.5</b>	<b>19.6</b>	<b>2.9</b>	<b>51.2</b>	<b>24.7</b>	<b>(24.6)</b>
Finance costs	(0.9)	(0.4)	(0.6)	(0.3)	53.4	(0.7)	(0.4)	18.4
<b>Profit before income tax expenses</b>	<b>37.7</b>	<b>15.8</b>	<b>37.0</b>	<b>19.3</b>	<b>2.0</b>	<b>50.4</b>	<b>24.4</b>	<b>(25.2)</b>
Income tax expense	(6.3)	(2.6)	(6.3)	(3.3)	0.2	(9.6)	(4.7)	(34.7)
<b>Profit for the period</b>	<b>31.4</b>	<b>13.2</b>	<b>30.7</b>	<b>16.0</b>	<b>2.4</b>	<b>40.8</b>	<b>19.7</b>	<b>(23.0)</b>

## Performance Summary for Q2 2023

- Revenue from sales and services** was 238.5 million baht, an increase of 24.3% from the same period of the previous year due to revenue growth of the core brands. With the successful introduction of new products (NPDs), led by Rojukiss Skincare under the concept of Clinical Grade and Sis2Sis Color Cosmetic with new full-size products, a total of more than 36 SKUs. In addition, the company has invested in comprehensive marketing to increase brand and product visibility and brand awareness through advertising, promotion, and activities both offline and online to reach more target audiences. Furthermore, the company continues to recognize revenue from nasal spray products with the demand from consumers despite the COVID situation has improved.
- Cost of sales and Gross profit** The gross profit margin was 55.1% (Q2/2022: 55.1%); maintained the profitability level even though the USD exchange rate remains volatile, and the THB is likely to depreciate more than last year. However, the company manages to improve new product margin with proper pricing strategy and cost structure.
- Selling and administrative expenses**

Total selling expenses were 65.3 million baht, an increase of 89.5% from the previous year. This was primarily due to higher marketing expenditure as part of the 2023 growth strategy. The ratio of advertising and promotion to sales in Q2/2023 was 20.5% higher than last year at 11.0% since the company heavily invested in efficient marketing activities across both offline and online platforms, as previously mentioned. The company has planned for ongoing investments in marketing and sales promotion in order to support sustainable growth over the long term. The company has set the target

of this expenditure proportion at 18–20% to net sales, which aligns with the historical investment ratio prior to the COVID-19 outbreak situation.

While total administrative expenses were 29.2 million baht, decreased of 30.4% from the last year due to the record of an allowance for doubtful accounts amounting to 7.6 million baht in Q2/2022. This allowance was fully provisioned in 2022, thus there is no additional allowance in this year. Apart from the mention of allowance, other costs decreased as a result of the decline in subsidiary operating expenses.

- **Net Profit** was 31.4 million baht, an increase of 2.3% from the last year mainly due to the improvement in both sales and gross margin while a net profit margin stood at 13.2%, decreased from 16.0% last year due to recognition of profit from step up acquisition net off with share of loss from joint venture amounting of 6.1 million baht last year. However, if excluding one-time items as mentioned above, the net profit from operation showed the increase of 27.6% from last year.

(Unit : Million Baht)

	Q2 2023	Q2 2022	%YoY	Q1 2023	%QoQ
<b>Profit for the period</b>	<b>31.4</b>	<b>30.7</b>	<b>2.3</b>	<b>40.8</b>	<b>(23.0)</b>
Profit from step up acquisition	-	(9.1)	-	-	-
Share of loss from joint venture	-	3.0	-	-	-
Reversal of allowance for doubtful account	-	-	-	(8.0)	-
<b>Operating Net Profit for the period</b>	<b>31.4</b>	<b>24.6</b>	<b>27.6</b>	<b>32.8</b>	<b>(4.3)</b>

Table 2 : Statement of Comprehensive Income for 6 months period

(Unit : Million Baht)

Consolidated Financial Statement for 6 months period	6M 2023	%	6M 2022	%	%YoY
Revenue from sales and services	445.5	100.0	360.9	100.0	23.4
Cost of sales and services	(205.8)	(46.2)	(166.7)	(46.2)	23.5
<b>Gross Profit</b>	<b>239.7</b>	<b>53.8</b>	<b>194.3</b>	<b>53.8</b>	<b>23.4</b>
Other Income	1.5	0.3	4.3	1.2	(65.3)
Selling expenses	(102.9)	(23.1)	(67.1)	(18.6)	53.4
Administrative expenses	(47.5)	(10.7)	(75.0)	(20.8)	(36.7)
Gain (loss) from foreign exchange rate	(1.2)	(0.3)	1.5	0.4	(176.3)
Loss sharing from Joint Venture	-	-	(5.1)	(1.4)	N/A
Profit from step up acquisition	-	-	9.1	2.5	N/A
<b>Total expenses and other income</b>	<b>(150.0)</b>	<b>(33.7)</b>	<b>(132.4)</b>	<b>(36.7)</b>	<b>13.3</b>
<b>Profit before finance costs</b>	<b>89.7</b>	<b>20.1</b>	<b>61.9</b>	<b>17.2</b>	<b>45.1</b>
Finance costs	(1.6)	(0.4)	(0.8)	(0.2)	95.9
<b>Profit before income tax expenses</b>	<b>88.1</b>	<b>19.8</b>	<b>61.1</b>	<b>16.9</b>	<b>44.3</b>
Income tax expense	(15.9)	(3.6)	(11.1)	(3.1)	43.1
<b>Profit for the period</b>	<b>72.2</b>	<b>16.2</b>	<b>49.9</b>	<b>13.8</b>	<b>44.6</b>

**Performance Summary for 1H/2023**

- **Revenue from sales and services** was 445.5 million baht, an increase of 23.4% from the same period of the previous year. The growth was mainly from domestic sales, driven by solid sales growth from skincare and color cosmetic products at a growth rate of 27.3% across all channels as a result of new product launches and the support of marketing activities as mentioned above. While nasal spray products have demonstrated consistent growth, reflecting the overall performance has increased significantly. In terms of overseas, there is still intense competition in this market. Nonetheless, the Company is in the process of adjusting its strategic plan and expanding its market to other countries.
- **Cost of sales and Gross profit** The gross profit margin was 53.8% (1H/2022: 53.8%); maintained vs the previous year with the appropriate price setting and efficient negotiation of product cost, despite the above-mentioned fluctuations in the exchange rate. Moreover, the efficient product portfolio management also helps maintain gross profit margin.
- **Selling and administrative expenses**  

Total selling expenses were 102.9 million baht, an increase of 53.4% from marketing expenditure as mentioned above. The proportion of advertising and promotion to sales was 16.0% up from 11.1% last year due to invested in an integrated marketing.

While total administrative expenses were 47.5 million baht, decreased of 36.7% from the same period last year due to the record of allowance for doubtful accounts of consulting services for Sis2Sis brand in Indonesia, totaling of 14.8 million in 1H/2022. However, in Q1/2023, the Company received partial payments, amounting to 8 million baht so there was gain from reversal provision.
- **Net Profit** was 72.2 million baht, an increase of 44.6% from the last year. while a net profit margin stood at 16.2%, increased from 13.8% last year from sales growth of existing product and new product launches as well as the expansion of distribution channels that reach consumers, and full marketing activities along with the effective in cost and selling and administrative expenses management.

**Statement of Financial Position**

**Total Assets**

As of 30 June 2023, the Company had total assets of 1,336.5 million baht, increased by 39.4 million baht compared to the last year with the detail as below:

- Inventories increased by 48.5 million baht from ordering new products to support sales momentum.
- While Trade, other receivable, and Contract assets decreased by 9.5 million baht from receivable payment according to the normal payment cycle.

**Total Liabilities**

As of 30 June 2023, the Company has total liabilities of 289.5 million baht, increased by 11.0 million baht comparing to the last year with the detail as below:

- Trust receipts increased by 21.8 million baht in line with inventory purchase
- Lease liabilities increased by 4.4 million baht
- While Trade and other payable decreased by 16.3 million baht mainly from the payment of income tax for the fiscal year 2022.

**Shareholder’s Equity**

As of 30 June 2023, shareholder’s equity increased by 28.4 million baht from operating profit.

**Sustainability Management**

The company understands the need of consistent long-term growth and knows that stable growth is achieved by attaining success and creating value for all stakeholders. This involves a thorough understanding of the impact on both the environmental and social dimensions, which is the foundation of good corporate governance in business. By creating a mission-driven strategy with essential 3 pillars, including 1) Creating Innovation 2) Creating Social Impact 3) Creating Environmental Partner to align with the mission of developing the best beauty and health innovations that everyone can use, as well as being prepared to drive the needs and inspire sustainable Thais and Asians.

Award and Corporate Social and Community Responsibility



**The company received an Outstanding CEO award from the IAA Awards for Listed Companies 2022** which was organized by the Investment Analysts Association (IAA). The event aims to award outstanding CEO, CFO, and IR across 11 industries in total. The awards were shortlisted from nominations and ratings of analysts and fund managers by considering best-in-class organizational management, expertise in their industry, good corporate governance, participation in analysts' events together with ability to provide clear relevant insights and in-depth information, as well as other qualifications that drive the company to sustainable business growth, which will contribute to the expansion of the Thai capital market and the Thai economy going forward. Mr. Paiboon Nalinthrangkurn, Chairman of the Federation of Thai Capital Market Organizations presided over the award ceremony, held at Siam Kempinski Hotel.