

No. HEL/034/2023

Date August 11, 2023

Subject Management's Discussion and Analysis of financial statement for Quarter 2 ended June 30, 2023

To Presidents of The Stock Exchange of Thailand

Healthlead Public Company Limited and its subsidiaries ("the Group") would like to submit the discussion and analysis of significant changes of financial statements for Quarter 2 ended June 30, 2023 as follows:

	Changes				
	Q2-2023 (MB)	Q2-2022 (MB)	Q1-2023 (MB)	YOY (%)	QOQ (%)
Revenue from sales	397.05	361.80	385.40	9.74	3.02
Total revenues	403.77	365.49	388.34	10.47	3.97
Total expenses	381.19	337.50	370.56	12.94	2.87
Net profit (loss) for the period	15.97	22.82	12.80	-30.01	24.81
EBITDA	36.43	36.99	30.25	-1.53	20.40

Revenue

In Q2-2023, the Group had a total revenue of 403.77 million baht, comprised of revenue from sales at 397.05 million baht or 98.34% of total revenue. Revenue from sales continuously grew 9.74% YoY and 3.02% QoQ. In Q2-2023, revenues from sales of three categories grew 13.35% to 25.27% YOY – Personal Healthcare at 13.35%, Medical and Dietary Supplement 14.72%, and Medical Foods at 25.27%. These three categories accounted for 83.96% of total revenue from sales.

Revenue from sales of Medical Equipment and Home Healthcare decreased 12.00% YoY. This is due to sales of ATK and coronavirus disease 2019 or COVID-19 related products were still high in early of Q2-2022 when COVID-2019 spread rapidly and was declared as a dangerous communicable disease by the Ministry of Public Health (MOPH). At that time, MOPH had implemented the policy to prevent, contain, and control the spread of COVID-19 by highly encouraging the use of ATK tests for both public and private sectors as well as for individuals. However, MOPH has renounced COVID-19 formerly as a dangerous communicable disease to be labeled as a communicable disease under surveillance on October 1, 2022, and as a result, sales of ATK and COVID-19 related products have decreased.

The Group has opened a total of 11 new branches in 2022 and additional five new branches in 1H-2023

- 1) Icare Seri-Market Phutthamonthon Sai 5 (Q1-2023)
- 2) Icare Tha It Nonthaburi (Q1-2023)
- 3) Icare Thanya-Market Aom Yai (Q1-2023)
- 4) Icare Lad Prao 136 (Q2-2023)
- 5) Pharmax Boonthavorn Suvarnabhumi (Q2-2023)

As of June 30, 2022, the Group had a total of 41 branches in operation. The Group has opened the 42nd branch, Icare Foody Farm Soi Pra Ngeon, Bang Yai in early of July 2023, two branches under construction and 12 rental contracts signed for new branches at present.

REVENUE BREAKDOWN	Q2-2023		YOY		QOQ	
	(MB)	(%)	(MB)	(%)	(MB)	(%)
Medicine and Dietary Supplement	271.47	68.37	34.83	14.72	9.00	3.43
Medical Equipment and Home Healthcare	63.70	16.04	-8.69	-12.00	1.89	3.06
Personal Healthcare	40.20	10.13	4.74	13.35	-0.55	-1.34
Medical Food	21.69	5.46	4.37	25.27	1.30	6.39
Total revenue from sales	397.05	100.00	35.25	9.74	11.65	-0.01

Gross margin

In Q2-2023, the Group had a gross profit of 90.52 million baht or a gross margin of 22.80%, higher than 21.47% in Q1-2023. However, it was lower than 23.54% of Q2-2022, primarily due to profit from sales of Medical Equipment and Home Healthcare products related to Covid-19 has decreased. In addition, sales of Healthiness' personal hygiene product line, which had high gross margins, decreased. It is currently in the process of formular improving before being relaunched and rebranded.

Distribution costs

For Q2-2023, distribution cost was 55.33 million baht, accounting for 13.93% of revenue from sales. 89.24% of its distribution costs consists of employee costs, rental fees, utilities, and depreciation and amortization costs. Distribution costs increased 40.63% YoY in Q2-2023 largely from branch expansions and pre-opening expenses of the new branches to be opened in H2-2023.

Administrative expenses

For Q2-2023, the Group had 21.17 million baht in administrative expenses, accounting for 5.24% of total revenue. The Group's administrative expenses decreased 2.00% YoY. 74.86% of administrative expenses were employee costs, and depreciation and amortization costs.

Finance costs

The Group had financial costs of 2.14 million baht, 0.53% of total revenue. Finance cost leaped 51.64% YOY which was an impact of rapid branch expansion. The finance cost mainly was the finance cost of right-of-use assets.

Net profit

In Q2-2023, the Group had a net profit of 15.97 million baht, decreased by 30.01% YoY because distribution costs increased from branch expansion.

Profitability Ratios	Q2-2023	Q2-2022	Q1-2023
Gross margin (%)	22.80	23.54	21.47
Net margin (%)	3.96	6.24	3.29
EPS (THB)	0.06	0.08	0.05

STATEMENT OF FINANCIAL POSITION

	30 Jun 2023	31 Dec 2022	30 Jun 2022	QOQ	YOY
	(MB)	(MB)	(MB)	(%)	(%)
Total assets	1,274.50	1,288.19	1,159.51	-1.06	9.92
Total liabilities	352.70	346.20	284.13	1.88	24.13
Total shareholder's equity	921.79	941.99	875.37	-2.14	5.30
Current ratio (X)	4.77	4.76	5.41		
ROAE* (%)	10.46	13.08	19.41		
ROAA** (%)	7.72	9.83	12.94		
Debt to equity ratio (X)	0.38	0.37	0.32		

*ROAE = Trailing-12-month Net profit, to average total shareholders' equity

**ROAA = Trailing-12-month Net profit, to average total assets

Total assets

As at June 30, 2023, the Group had total assets of 1,274.50 million baht, decreased by 1.06% from as at December 31, 2022 - total current assets decreased 6.96% while total non-current assets increased 10.89% as compared to the end of 2022. Cash and cash equivalent decreased from 146.35 million baht at the end of 2022 to 34.93 million baht as at June 30, 2023 as the Group invested in branch expansion which resulted in an increase of inventories, property plant & equipment and right-of-use assets. Additionally, the company had paid the dividend in this quarter.

The Group's other current financial assets remain at a high level. The overall changes in assets have not affected its liquidity as its current ratio was still high at 4.77 times in Q2-2023, same as 4.76 times of FY Ended 2022.

Total liabilities

The Group had total liabilities of 352.70 million baht as of June 30, 2023, an increase of 6.51 million baht or 1.88% from that of FY Ended 2022. Its main liabilities were lease liabilities, trade, and other current payable. Branch expansion was the main reason total liabilities from lease liabilities increased 12.51% from FY Ended 2022.

Additionally, the Group is currently debt-free, as it repaid all loans from financial institutions in Q2-2022. Its debt-to-equity ratio remained low at only 0.38 times as of June 30, 2023.

Total shareholder's equity

As at June 30, 2023, the Group had shareholders' equity at 921.79 million baht and unappropriated retained earnings at 102.40 million baht. According to the Annual General Meeting of Shareholders held April 12, 2023, The Meeting unanimously approved the dividend payment to the shareholders at the rate of 0.18 baht per share for 272 million shares. The company paid the dividend 0.18 baht per share or the total amount of 48.96 million baht to its shareholders on May 11, 2023.

Please be informed accordingly.

Yours sincerely,



(Araya Tantanasin)

Chief Finance Officer

Healthlead Public Company Limited