

NAM 2023/058

October 30, 2023

**Subject:** Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2022

**To:** The President of The Stock Exchange of Thailand

Namwivat Medical Corporation Public Company Limited ("the company") would like to explain the company's operating results for the year ended December 31, 2022, with the following details:

**Operating results for the year ended December 31, 2022, and 2021**

(Unit: Million Baht)

	For the year ended 31 December		Change	
	Proforma consolidated	Separate	Amount	%
	2021	2022		
Operating revenues	995.36	1,099.36	104.00	10.45
Operating costs	591.59	696.29	104.70	17.70
<b>Gross profit</b>	<b>403.77</b>	<b>403.08</b>	<b>(0.69)</b>	<b>(0.17)</b>
Gross margin (%)	40.57	36.66	(3.90)	(9.62)
Other income	2.64	12.39	9.75	369.06
Distribution costs	63.14	76.62	13.49	21.36
Administrative expenses	115.18	104.09	(11.10)	(9.64)
Finance costs	14.03	12.99	(1.05)	(7.46)
Tax expense	44.10	46.20	2.10	4.75
<b>Profit for the period</b>	<b>169.68</b>	<b>175.57</b>	<b>5.87</b>	<b>3.47</b>
Net margin (%)	17.05	15.97	(1.08)	(6.33)

**Operating revenues**

For the year ended December 31, 2021, and 2022, the company had net revenue from sales and services of 995.36 million baht and 1,099.36 million baht, respectively. This represents an increase in revenue of 104.00 million baht or a 10.45% increase. The main reasons for this increase are higher revenue from the production and sale of medical consumables, which increased by 69.00 million baht, increased revenue from construction contracts by 46.42 million baht, and increased revenue from sterilization and waste disposal services by 23.61 million baht. Meanwhile, revenue from the production and sale of medical equipment decreased by (39.18) million baht.

### Gross margin

For the year ended December 31, 2021, and 2022, the company had a gross profit of 403.77 million baht and 403.08 million baht, respectively. This represents a gross margin of 40.57% and 36.66%, respectively. The decrease in the gross margin is due to a slowdown in the growth of medical equipment product demand after substantial growth in the previous year, combined with the increasing cost of goods resulting from global circumstances. This has led to a reduced gross profit from the product sales segment.

### Other income

For the year ended December 31, 2021, and 2022, the company had other income of 2.64 million baht and 12.39 million baht, respectively. This represents an increase of 9.75 million baht, primarily due to income from the sale of machinery and vehicles no longer in use, totaling 5.44 million baht, foreign exchange gains of 1.85 million baht, financial income of 1.06 million baht, and gains from investments in securities for trading of 0.99 million baht.

### Distribution costs

For the year ended December 31, 2021, and 2022, the company had distribution costs of 63.14 million baht and 76.62 million baht, respectively. This represents an increase in distribution costs of 13.49 million baht, a 21.36% increase. The increased expenses are in line with the higher revenue, primarily due to the expansion of the sales force, especially in the sales of medical equipment and sales coordination to support the company's business expansion.

Compensation in the form of commissions to employees, which includes commissions from the sale of both medical equipment and medical consumables, as well as maintenance and repair services, certification costs, and public relations expenses to promote sales, has increased. This aligns with the company's policy to build a deeper customer relationship and efficiently present products and services for customers to use in their work.

### Administrative expenses

For the year ended December 31, 2021, and 2022, the company had administrative expenses of 115.18 million baht and 104.09 million baht, respectively. This represents a decrease in administrative expenses of (11.10) million baht, a reduction of (9.64%). The main reasons for this decrease are the reduction in the provision for doubtful debts by (14.93) million baht, a decrease in foreign exchange losses by (7.06) million baht, and a decrease in donations of (3.73) million baht. Meanwhile, there was an increase in employee salaries and compensation by 14.09 million baht, resulting from hiring additional personnel to support the company's business expansion.

## Net profit

For the year ended December 31, 2021, and 2022, the company had a net profit of 169.68 million baht and 175.57 million baht, respectively. This represents an increase in net profit of 5.89 million baht, a 3.47% increase. The primary reason for this increase is the growth in revenue from sales and services, despite a decrease in the gross margin.

## Financial Position

( Unit: Million Baht )

	Proforma	Separate	Change	
	consolidated		Amount	%
	on December 31, 2021	on December 31, 2022		
Total Assets	1,049.15	1,697.19	648.05	61.77
Total Liabilities	621.44	487.03	(134.40)	(21.64)
Shareholders' Equity	427.71	1,210.16	782.45	182.94
<b>Debt-to-equity ratio (times)</b>	<b>0.59</b>	<b>0.29</b>	<b>(0.30)</b>	<b>(51.25)</b>

## Total Assets

As of December 31, 2022, the company's total assets amounted to 1,697.19 million baht, an increase from the total assets as of December 31, 2021, which were 648.05 million baht. The main reason for this increase is:

- An increase in other current financial assets of 300.59 million baht, which represents investments in debt securities, following funds received from the sale of common shares to strategic partners in May 2022.
- An increase in trade receivables and other current receivables of 203.39 million baht, reflecting growth in revenue.
- An increase in current contract assets of 60.76 million baht, stemming from recognized revenue from construction project-related services for which billing has been received but not yet due.
- The increase in intangible assets, totaling 54.16 million baht, is composed of various key components. This includes expenditures in product development, amounting to 24.20 million baht, research and development assets valued at 12.95 million baht, computer software programs and those awaiting installation, summing up to 11.63 million baht, and the acquisition of intellectual property rights for the production of goods by a foreign manufacturer, which accounts for 7.28 million baht.

**Total Liabilities**

As of December 31, 2022, the company's total liabilities amounted to 487.03 million baht, which is a decrease from the total liabilities as of December 31, 2021, which were (134.40) million baht. The main reason for this decrease is:

- The decrease in short-term loans from related parties is (67.62) million baht.
- The decrease in overdraft and short-term borrowings from financial institutions is (48.08) million baht. This is due to the fact that in 2022, the company received cash inflows from capital increases, which resulted in sufficient working capital to support revenue growth and the ability to repay a portion of short-term loans.
- The decrease in long-term borrowings amounted to (36.42) million baht. In 2022, the company did not take on any new long-term loans. As a result, when repayments of existing long-term loans were made later in the year, the company's long-term loans decreased.

**Shareholders' Equity**

As of December 31, 2022, the company's equity amounted to 1,210.16 million baht, an increase from the equity of 782.45 million baht as of December 31, 2021, representing a growth of 182.94 percent. This increase can be attributed to the issuance of common shares during the year amounting to 1,015.64 million baht, total comprehensive income for the period of 179.29 million baht, and dividend payments of (418.75) million baht.

**Debt-to-equity ratio**

As of December 31, 2022, compared to the same period at the end of December 31, 2021, the company's debt-to-equity ratio was 0.29 and 0.59, respectively. This demonstrates the stability of the company's capital structure and its ability to borrow to support future growth.

Yours Respectfully,



( Mr.Sukhum Phothisawasdee )

Chief Financial Officer

Namwivat Medical Corporation Public Company Limited