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13 November 2023

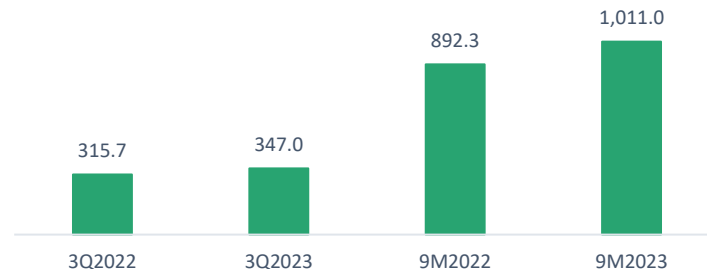
Subject: Management Discussion and Analysis for the 3rd quarter in 2023

To: President of Stock Exchange of Thailand

Overall Financial performance

Statement of profit or loss	Q3/2023		Q3/2022		Change		9M 2023		9M 2022		Change	
	MB	%	MB	%	MB	%	MB	%	MB	%	MB	%
Revenue from sales and rendering service	347.0	100.0%	315.7	100.0%	31.3	9.9%	1,011.0	100.0%	892.3	100.0%	118.7	13.3%
Gross Profit	192.5	55.5%	177.9	56.4%	14.6	8.2%	569.1	56.3%	497.3	55.7%	71.8	14.4%
Selling expenses	83.3	24.0%	80.0	25.3%	3.3	4.1%	253.1	25.0%	225.1	25.2%	28.0	12.4%
Administrative expenses	62.1	17.9%	53.6	17.0%	8.5	15.9%	186.9	18.5%	161.1	18.1%	25.8	16.0%
EBIT	51.1	14.7%	44.7	14.2%	6.4	14.3%	134.4	13.3%	113.4	12.7%	21.0	18.5%
Finance costs	5.0	1.4%	7.2	2.3%	(2.2)	-30.6%	21.7	2.1%	20.8	2.3%	0.9	4.3%
Tax expense	9.1	2.6%	(3.5)	-1.1%	12.6	360.0%	12.0	1.2%	4.7	0.5%	7.3	155.3%
Net profit	37.0	10.7%	41.0	13.0%	(4.0)	-9.8%	100.7	10.0%	87.9	9.9%	12.8	14.6%

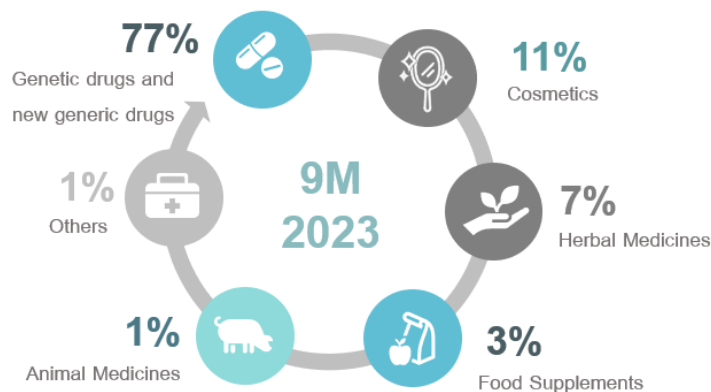
Revenue from operation



Bangkok Lab and Cosmetic Public Company Limited (“the Company”) and its subsidiaries had revenue from sales and rendering services in 3Q2023 in the amount of 347.0 million baht which increased by 31.3 million baht or 9.9% compared to the same period in 2022 and had revenue from sales and rendering services for the 9-month period ended September 30, 2023 in the amount of 1,011.0 million baht which increased from 9-month period in prior year by 118.7 million baht or 13.3%. The growth of sales was driven by continual implementation of aggressive marketing strategies including sales promotions and exhibition booths set up to advertise and raise brand awareness. Our marketing strategies focus on both offline and online platforms. Additionally, the market for pharmaceuticals is expected to continue growing from patients returning to hospitals and clinics, an increase in overall demand for medicines and medical supplies as well as the expansion of foreign customers in Hong Kong, Myanmar, Indonesia, and Taiwan. Those led to the rise in sales quantity and the Groups’ revenue.

Revenue by products	Q3/2023		Q3/2022		Change		9M 2023		9M 2022		Change	
	MB	%	MB	%	MB	%	MB	%	MB	%	MB	%
Generic drugs and new generic drugs	266.1	76.7%	232.7	73.7%	33.4	14.4%	775.9	76.7%	655.7	73.5%	120.2	18.3%
Cosmetics	34.4	9.9%	45.9	14.5%	(11.5)	-25.1%	108.8	10.8%	123.0	13.8%	(14.2)	-11.5%
Herbal medicines	24.9	7.2%	24.1	7.6%	0.8	3.3%	73.7	7.3%	63.1	7.1%	10.6	16.8%
Food supplements	13.0	3.7%	9.1	2.9%	3.9	42.9%	32.8	3.2%	23.3	2.6%	9.5	40.8%
Animal medicines	2.7	0.8%	3.0	1.0%	(0.3)	-10.0%	4.7	0.5%	17.1	1.9%	(12.4)	-72.5%
Others	5.9	1.7%	0.9	0.3%	5.0	555.6%	15.1	1.5%	10.1	1.1%	5.0	49.5%
Total revenue	347.0	100.0%	315.7	100.0%	31.3	9.9%	1,011.0	100.0%	892.3	100.0%	118.7	13.3%

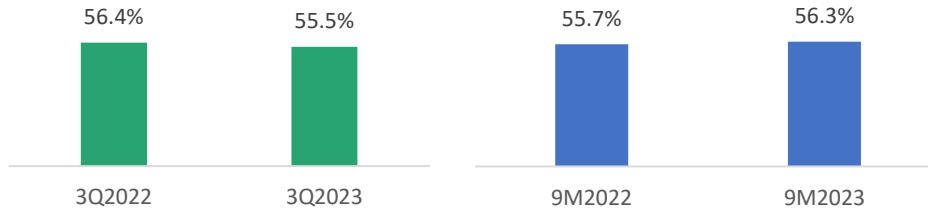
Revenue by types of products



For the 3-month and 9-month periods ended September 30, 2023, thanks to continually aggressive marketing strategy, revenue of generic drugs and new generic drugs increased by 33.4 million baht or 14.4% and by 120.2 million baht or 18.3%, respectively, from prior year. The contributing factors were from the economic recovery and the increase in number of tourists and foreign patients visited to Thai hospitals which caused higher demand in medical products. In addition, health and wellness trends have growth potential after covid-19 pandemic and medical information is more accessible owing to current technology usage. Furthermore, the Group's herbal medicines were increasingly distributed to hospitals. Consequently, revenue from herbal medicines and food supplements increased in 3Q2023 by 0.8 million baht and 3.9 million baht, respectively, or 3.3% and 42.9%, respectively, while the increase in 9M2023 was 10.6 million baht and 9.5 million baht, respectively, or 16.8% and 40.8%, respectively.

On the other hand, revenue from cosmetics decreased for the 3-month and 9-month period ended September 30, 2023, by 11.5 million baht or 25.1% and 14.2 million baht or 11.5%, respectively, from prior period as the situation of Covid-19 has improved. Thus, revenue from mouth & nose products including 'Vitara Propolis Plus Mouth Spray' gradually decreased. Moreover, animal products were still negatively affected by the decline in number of Livestock animals which caused a decrease in sales during 3Q2023 and 9M2023 by 0.3 million baht or 10.0% and 12.4 million baht or 72.5%, respectively.

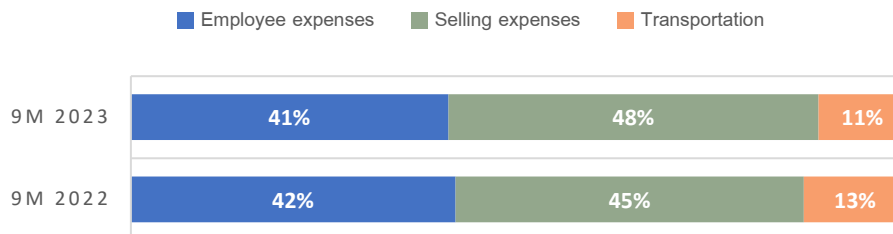
Gross profit margin



Gross profit margin decreased from 56.4% in 3Q2022 to 55.5% in 3Q2023 resulting from an increase in repair and maintenance expenses for machinery and equipment at BLC plant during this period. However, gross profit margin increased from 55.7% in 9M2022 to 56.3% in 9M2023 as the Company continually gained benefits from economies of scale which positively led to unit cost reduction and the decrease in manufacturing overhead per unit, coupling with product portfolio management to focus on sales of high profit margin products instead of low profit margin products.

Selling and administrative expenses

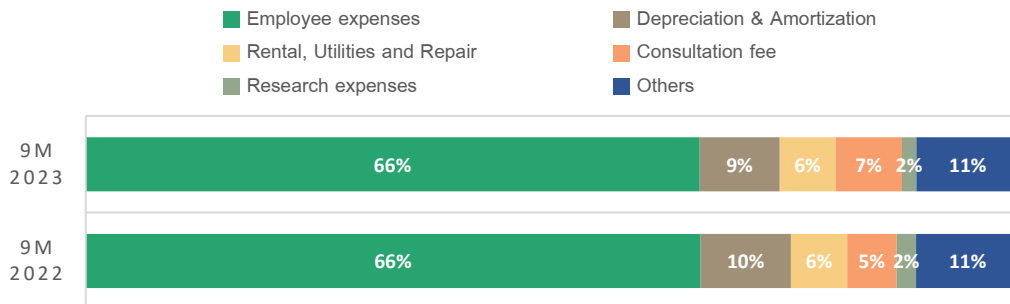
SELLING EXPENSES



Selling expenses for the 3-month and 9-month periods ended September 30, 2023, rose by 3.3 million baht or 4.1% and increased by 28.0 million baht or 12.4%, respectively, from the same period in prior year. Apart from the increase in-line with the growth of revenue during the period, the Group participated in booths and exhibitions in 2023 which were parts of marketing strategies to enhance brand awareness and expand customer base. Based on common size analysis, the strategies reasonably caused the increase in proportion of selling expenses from 45% in 9M2022 to 48% in 9M2023. Moreover, selling expenses rose from employee expenses due to the increment in salary adjustments based on the Group's policy.

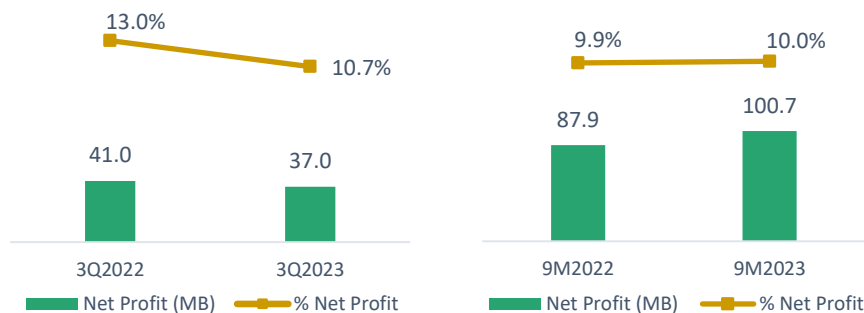
Nevertheless, the Group appointed a healthcare service provider, Zuellig Pharma, to provide logistics and payment collection for government and private hospitals as well as clinic customers and to support the Group's distribution and operations starting from January 2023. This led to a decrease in amount and the proportion of transportation expenses from 13% in 9M2022 to 11% in 9M2023.

ADMINISTRATIVE EXPENSES



Administrative expenses for the 3-month and 9-month period ended September 30, 2023, raised by 8.5 million baht or 15.9% and increased by 25.8 million baht or 16.0%, respectively, compared to the same period in the prior year. The reasons for the increase were mainly due to the annual salary increment based on the Group's policy and the increase in the number of managements together with the rise of consultancy service fees related to public relations and organization of events related to IPO process in first half of 2023 and 3Q2023 after listing in the Stock Exchange of Thailand.

Net profit



The Group's net profit for 3Q2023 was 37.0 million baht or 10.7% decreasing from 13% in 3Q2022 because of a higher effective tax rate as the BOI tax privileges expired in August 2022. On the other hand, net profit for the 9-month period in 2023 was 100.7 million baht or 10.0% climbing from 87.9 million baht or 9.9% in the same period of 2022. The increase in net profit and net profit margin was due to the growth of the Group's revenue from sales and rendering services and the increase in gross profit margin. Then, earnings before interest and tax expenses (EBIT) increased by 21.0 million baht or 18.5% from 9M2022. Furthermore, corporate income tax expenses rose due to the expiration of BOI tax privileges causing the increase in tax expenses for 9M2023 by 7.3 million baht. Finally, net profit for 9M2023 increased by 12.8 million baht or 14.6%.

Statement of financial position

Statement of financial position	September 30, 2023		December 31, 2022		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Total assets	2,173.2	100.0%	1,212.6	100.0%	960.6	79.2%
Total liabilities	624.2	28.7%	931.1	76.8%	(306.9)	-33.3%
Total shareholders' equity	1,549.0	71.3%	281.5	23.2%	1,267.5	450.3%

Assets

As at September 30, 2023, total assets of the Group were 2,173.2 million baht which increased by 960.6 million baht compared to December 31, 2022 which mainly resulted from an increase in current assets by 932.7 million baht and non-current assets by 27.8 million baht as the following items:

- **Short-term investments** increased by 885.0 million baht mainly because of cash received from capital increase for initial public offerings (IPO) of 120 million shares. Due to its objective of the utilization for future project investments, the Company decided to invest such an amount in a fixed deposit with a financial institution to bring benefits during undue payments.
- **Trade receivables** decreased by 14.8 million baht from last year ended December 2022, mainly because the Company has appointed Zuellig Pharma to provide collection of debts service for hospitals since January 2023 which led to the decrease in receivable payment period of those customers.
- **Other receivables** increased by 10.3 million baht from the prior year ended December 2022, mainly because of advance payments for raw materials.
- **Inventories** were 446.8 million baht as at September 30, 2023, which increased from the previous year by 46.3 million baht due to the increment in purchase of raw materials. In addition, the Group increasingly produced goods to support sales orders and revenue growth expectation in the current year.
- **Property, plant, and equipment** were 317.8 million baht which increased from December 31, 2022, in the amount of 16.8 million baht due to the acquisition of land and office building in Bangkok and plant construction at Ratchaburi factory.
- **Other non-current assets** rose by 9.0 million baht from the previous year due to advance payments for fixed assets to support the factory's expansion of production capacity.

Liabilities

Total liabilities of the Group were 624.2 million baht at the end of September 2023 which declined by 306.9 million baht compared to 2022. The reasons were mainly from a decrease in current liabilities by 288.7 million baht and non-current liabilities by 18.2 million baht as follows:

- **Bank overdraft and borrowings from financial institutions** lowered by 254.5 million baht from repayments during the year.
- **Trade payables** declined by 23.2 million baht from the previous year. The reason was mainly due to the cancellation of agent contracts for one of a subsidiary's major business partners in July 2023. Consequently, there was no outstanding balance of such payable as at the end of September 2023.
- **Other payables** decreased by 18.9 million baht compared to the prior year mainly because of accrued dividends paid to shareholders during the year.

Shareholders' equity

Total shareholders' equity increased by 1,267.5 million baht resulting from total comprehensive income for the period by 101.9 million baht and the increase in share capital by 1,207.6 million baht, offset by dividend announcement by 42.0 million baht during the year.

Key financial ratios

Ratios	9M 2023	6M 2023	9M 2022
<u>Liquidity (X)</u>			
Current ratio	4.0	3.3	1.1
Quick ratio	2.9	2.5	0.5
<u>Returns (%)</u>			
Return on Assets (ROA)	6.2%	5.6%	9.9%
Return on Equity (ROE)	8.7%	8.3%	38.6%
<u>Assets & Liabilities Management (Days)</u>			
Average Collection Period	79.8	82.0	78.2
Average Inventory Period	262.4	267.8	256.7
Average Payable Period	87.5	98.6	91.1
<u>Leverage Ratios</u>			
Total Liabilities to Equity (X)	0.4	0.5	2.9
Loans from financial institutions to interest bearing debt (%)	36.1%	41.1%	55.0%
Interest Coverage Ratio (X)	8.0	6.5	7.3

Liquidity Ratios: As at September 30, 2023, current ratio and quick ratio, standing at 4.0 and 2.9, respectively, increased from June 30, 2023, because of the decrease in current liabilities from the repayments to financial institutions, trade payables and accrued dividends during the period. Additionally, the liquidity ratios increased from September 30, 2022, due to cash received from capital increase for initial public offerings (IPO) and loan repayments in the current year.

Returns Ratios: As at September 30, 2023, returns on assets and equity increased from June 30, 2023 due to an increase in net profit of the Group. On the other hand, the ratios decreased compared to September 30, 2022, because of an increase in paid-up share capital from initial public offerings (IPO) in the 2nd quarter of 2023.

Assets & Liabilities Management: Average collection period slightly dropped compared to last quarter from 82 days to 79.8 days in consequence of improved debt collection measures and incentive for sales staff who timely collect debts. However, payment collections of main customer groups, pharmacies and retailed stores, were not included in collection services provided by Zuellig Pharma since January 2023 which covered only customer groups of government and private hospitals and clinics.

Average Inventory Period stood at 262.4 days as at September 30, 2023, due to the Group's inventory holding strategy to support revenue growth and demand for medicines and medical supplies. In addition, the strategy was consistent with the expansion of export business and distribution channels in order to promote BLC's products and reach more customers.

Average payable period decreased to 87.5 days as at September 30, 2023 mainly resulting from the repayment to a major trading partner. In July 2023, one of BLC's subsidiaries terminated agent contracts with that trading partner causing the decrease in outstanding balance of the Group's trade payables.

Leverage Ratios: Total liabilities to equity and percentage of loans from financial institutions to interest bearing debt as at the end of September 2023 decreased from last quarter and the same period in prior year. The main reason was because of the repayments to financial institutions during the year using proceeds received from capital increase for initial public offerings (IPO) in alignment with the objectives of utilization stated in the Company's prospectus.

Interest coverage ratio stood at 8.0 times as at September 30, 2023, increasing from 6.5 times as at June 30, 2023 and from 7.3 times as at the same period in prior year. The growth was mainly from the increase in EBITDA during the 9-month period together with a lower proportion of finance costs owing to the repayments in the current year.

Please be informed accordingly.

Sincerely yours,

(Mr. Somchai Phisphahutharn)

Chief Financial Officer