

Business overview

Safe Fertility Group Public Company Limited (“SAFE” or “the Company”) was established in 2009 by Dr. Wiwat Quangkananurug and family with a registered capital of 1,000,000 baht, divided into 10,000 ordinary shares with a par value of 100 baht per share. The company provides fertility medical center services under the name "Medical Center for Fertility - Safe Fertility Center" with the determination of Dr. Wiwat who is a physician specializing in the treatment of infertility with assisted reproductive technology that will help people who suffer from infertility have children as they wish and complete their families using advanced technology with standards and safety. Dr. Wiwat has experience in infertility services for more than 22 years, both in terms of knowledge and understanding in infertility treatment and services.

At present, the Company has 2 subsidiaries in which the Company holds 99.99% and 80% respectively, namely: (1) Next Generation Genomic Co., Ltd. (NGG) operates a business of genetic diagnosis. embryos and fetuses and various genetics laboratory services and (2) Safe Wellness Co., Ltd. (SWC) operates a skin and aesthetic business. The Company and its subsidiaries will be referred to later as “the Group” by providing services of subsidiaries to support the business of the company, including providing services to customers from leading hospitals and fertility treatment centers in Thailand. However, SWC established on 15 November 2022 and has no commercial income in 2022.

Performance Analysis

	31 December 2021	31 December 2022	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Revenue from sales and services	559.73	726.61	166.88	29.82
Cost of sales and services	(282.24)	(329.16)	(46.92)	16.63
Gross profit	277.49	397.45	119.96	43.23
Other income	2.24	2.71	0.47	21.08
Profit before expenses	279.72	400.16	120.43	43.05
Selling expenses	(29.84)	(37.79)	(7.95)	26.63
Administrative expenses	(145.90)	(156.89)	(10.99)	7.54
Reversal of expected credit loss	(0.71)	0.93	1.64	(230.83)
Other gain(loss)	(1.06)	(0.02)	1.04	(98.03)
Net gain (loss) from exchange rate	(0.16)	1.0	0.25	(163.05)
Profit before finance costs and income tax	102.06	206.48	104.42	102.32
Finance costs	(3.51)	(3.45)	0.06	(1.69)
Profit before income tax	98.54	203.02	104.48	106.03
Income tax	(20.31)	(41.29)	(20.99)	103.36

	31 December 2021	31 December 2022	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Net profit for the period	78.23	161.73	83.50	106.73
Other comprehensive income for the period - net of tax	-	2.23	2.23	100.00
Total comprehensive income for the period	78.23	163.96	85.72	109.57

Revenue from sales and services

The Group has revenue from services in 2022 equal to 726.61 million baht, an increase from 2021 of 166.88 million baht or 29.82%. The Company's revenue can be classified into 2 main groups as follows: 1) revenue from infertility treatment services 2) revenue from embryo and fetal genetic screening services. Revenue from infertility treatment services is the major revenue of the Group.

	Operate By	31 December 2021	31 December 2022	Increase (Decrease)	
		(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Revenue from infertility treatment services	SAFE	473.51	608.79	135.28	28.57
Revenue from embryo and fetal genetic testing services	NGG	86.22	117.82	31.60	36.65
Total revenue from sales and services		559.73	726.61	166.88	29.82
Other income		2.24	2.71	0.47	21.08
Total income		561.96	729.32	167.36	29.78

- Revenue from infertility treatment services

In 2022, revenue from infertility treatment services was 608.79 million baht, representing 83.47% of total revenue, increasing by 135.28 million baht or 28.57% from 2021 due to the total number of treatments cycle increased by 149 treatment cycle from infertile patients who came to receive treatment services with the company increased compared to the previous year. This is a result of the situation of the Covid-19 epidemic that has been resolved and better than last year, especially foreign customers who have no restrictions on traveling to Thailand. The treatment cycle from foreign customers increased by 290 treatment cycles, while the treatment cycle from Thai customers decreased by 141 treatment cycles due to the resignation of the doctors of the Sriracha branch and thus the number of treatment cycles from Thai customers decreased to 756 treatment cycle, which is slightly higher compared to the average 2018 - 2020 before the outbreak of Covid-19 at 738 treatment cycles

- **Revenue from embryo and fetal genetic testing services**

In 2022, revenue from embryo and fetal genetic testing services was 117.83 million baht, representing 16.16% of the total revenue, increasing by 31.60 million baht or 36.65% from 2021, mainly due to revenue from NGS testing increased approximately 22 million baht and revenue from Qualifi testing increased approximately 6 million baht because of an increase of customer. This is a result of the situation of the Covid-19 epidemic that has been resolved and better than last year. Embryo and fetal genetic testing is a service that is getting more and more popular because it increases the chances of pregnancy and the fertility of the child to be born.

- **Other income**

In 2022, other income slightly increased due to interest income increase and higher interest rate

Cost of sales and services

The Group's costs of services consist of 6 main groups of expenses: 1) medicine, medical supplies, and medical equipment, 2) doctor fees, 3) employee benefit expenses. 4) depreciation, including depreciation of medical tools and equipment, etc. 5) Medical practice expenses, and 6) Other costs, such as maintenance costs of medical tools and equipment, etc. The cost of services with the greatest proportion is medicines, medical supplies, and medical equipment.

In 2022, the cost of services of the Group was 329.16 million baht, representing 45.30% of revenue from services, increasing by 46.92 million baht or 16.62%, mainly due to an increase in the cost of medicines, medical supplies and medical equipment of 34.26 million baht and an increase in doctor fees of 12.70 million baht from the increase in the number of infertile people especially foreign customers who have no restrictions on entering Thailand as a result of the situation of the Covid-19 epidemic that has been resolved and better than the previous year.

Gross profit and Gross profit margin

In 2022, the Group had a gross profit of 397.45 million baht, representing a gross profit margin of 54.70%, increasing by 119.96 million baht, or 43.23% from 2021, in line with the increase in revenue from services, both revenue from infertility treatment services and revenue from embryo and fetal genetic testing services. Although the cost of services increased, it did not increase in the same proportion as revenue from the cost control measures of the Group. As a result, gross profit and gross margins increased. However, in 2022, the situation of the Covid-19 epidemic has been resolved and better than the previous year. As a result, the number of people receiving treatment has increased considerably, especially foreign customers that has no restrictions on traveling to Thailand

Selling expenses

The Group can divide selling expenses into 4 parts, namely 1) commission fee, 2) employee expenses, 3) advertising and sales promotion expenses, and 4) other distribution costs such as entertainment and promotion expenses. other sales, etc. The main selling expenses are employee expenses.

In 2022, the Group had selling expenses equal to 37.79 million baht, representing 5.20% of revenue from services, an increase of 7.95 million baht or 26.64% from 2021, mainly due to employee expenses and commissions increased by 3.93 million baht and 2.13 million baht, respectively. The situation of the Covid-19 epidemic in 2022 has been resolved and much better than the previous year, as a result, the number of patients has increased especially foreign customers that has no restrictions on traveling to Thailand, resulting in higher costs associated with sales and commissions paid to agents.

Administrative expenses

The Group divided administrative expenses into 5 parts, namely 1) employee and management expenses, 2) depreciation expenses, 3) rental and service expenses, 4) repair and maintenance expenses, and 5) other administrative expenses such as cleaning expenses, signboard tax, bank charge, professional fees, and fines, etc. The main administrative expenses of the Group are employee and management expenses and depreciation.

In 2022, the Group had administrative expenses of 156.89 million baht, representing 21.59% of revenue from services, an increase of 10.99 million baht or 7.53% from 2021, mainly due to employee expenses increased by 9.20 million baht from the provision for bonus payments for better operating results in 2022. The situation of the Covid-19 epidemic in 2022 has been resolved and much better than the previous year, as a result, the number of patients has increased especially foreign customers that has no restrictions on traveling to Thailand.

Finance costs

Finance costs include interest on lease liabilities. In 2022, the Group had financial costs of 3.45 million baht, a decrease of 0.60 million baht or 1.71% from 2020, mainly due to the gradually payment of rent under the lease agreement, decreasing in the lease liabilities, as a result, interest expenses decreased. In 2022, there was a renewal of a partial lease agreement for Amarin branches for NGG.

Net profit and Net profit margin

In 2022, the Group had a net profit of 161.73 million baht, representing a net profit margin of 22.26%, an increase of 36.07 million baht at a growth rate of 85.56% from 2021 due to the situation of the Covid-19 epidemic has been resolved and much better than last year, travel is less restrictive and there are more flights to Thailand. As a result, more foreign customers returned and a significant increase in revenue from services. Although the cost of services increased, it increased in a smaller proportion due to the cost control measures. As a result, the gross profit increased by 30.21 million baht. However, the increasing number of customers would cause selling expenses and administrative expenses increased, especially employee expenses, of 7.95 million baht and 10.99 million baht, respectively.

Financial position analysis

	31 December 2021	31 December 2022	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Assets	1,296.68	1,412.69	116.01	8.95
Liabilities	200.60	202.45	1.85	0.92
Equity	1,096.08	1,210.24	114.16	10.42

Assets

The Group has total assets as at 31 December 2022 equal to 1,412.69 million baht, an increase 116.01 million baht from 31 December 2021, or 8.95%. The Group's significant assets include cash and cash equivalents, financial assets measured at fair value through profit or loss, building and equipment and right-of-use assets, etc. The details of the changes are as follows.

	31 December 2021	31 December 2022	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<u>Current assets</u>				
Cash and cash equivalents	667.92	850.66	182.74	27.36
Financial assets measured at fair value through profit or loss	303.15	228.47	(74.68)	(24.63)
Trade and other accounts receivable	11.41	20.25	8.84	77.47
Inventories	34.07	48.67	14.59	42.83
Total current assets	1,016.55	1,148.05	131.50	12.94
<u>Non-current assets</u>				
Building and equipment (net)	162.85	150.46	12.40	(7.61)
Right-of-use assets (net)	92.64	87.13	5.51	(5.95)
Intangible assets (net)	7.13	7.38	0.25	3.49
Deferred tax assets (net)	5.76	5.63	(0.13)	(2.22)
Other non-current assets	11.75	14.04	2.29	19.52
Total non-current assets	280.13	264.64	(15.49)	(5.53)
Total assets	1,296.68	1,412.69	116.01	8.95

- Cash and cash equivalents

Cash and cash equivalents of the Group consist of cash and cash deposits. As at 31 December 2022, the Group had cash and cash equivalents in the amount of 850.66 million baht or representing 60.22% of total assets, an

increase 182,74 million baht from 31 December 2021, or 8.95%. The changes in cash and cash equivalents are mainly due to increases or decreases in the Group's net cash flows from or uses in operating, investing, and financing activities. (Please consider additional information in the section cash flow analysis)

- **Financial assets measured at fair value through profit or loss**

As at 31 December 2022, the Group had financial assets measured at fair value through profit or loss in the amount of 228.47 million baht, an decrease from the end of 2021 in the amount of 74.68 million baht, due to the sale of debt securities in the amount of 75 million baht. The financial assets invested by the Group are still debt securities

- **Trade and other accounts receivable**

As at 31 December 2022, the Group had trade and other receivables in the amount of 20.25 million baht or representing 1.43% of total assets, an increase from the end of 2021 in the amount of 8.84 million baht, or 77.47%.

- **Inventories**

As at 31 December 2022, the Group had inventories in amount of 48.66 million baht or representing 3.44% of total assets, an increase from the end of 2021 in the amount of 14.50 million baht, or 42.83%.

- **Building and equipment - net**

Buildings and equipment of the Group mainly consist of buildings, office furnishings, and medical tools and equipment. As at 31 December 2022, the Group had net buildings and equipment in amount of 150.46 million baht, a decrease of 12.39 million baht from the end of 2021 due to depreciation of buildings, office furnishings. and medical tools and equipment. Although the Group invested in office furnishings. and utilities system worth 16.50 million baht and 11.87 million baht, respectively. Depreciation of components of building and equipment-net is higher. As a result, the overall of buildings and equipment - net value decreased according to the accumulated depreciation.

- **Right-of-use assets - net**

As at 31 December 2022, the Group had right-of-use assets - net in amount of 87.13 million baht, a decrease of 5.51 million baht from the end of 2021 due to depreciation right-of-use assets - net. Although the Group has made an additional lease agreement in the year worth 10.46 million baht (net from the termination of the lease), the depreciation of right-of-use assets - net still has a higher value. As a result, in overall right-of-use assets - net decreased in value according to the accumulated depreciation.

Liabilities

The Group has total liabilities as at 31 December 2022 equal to 202.45 million baht respectively or representing 14.33% of liabilities and shareholders' equity. The main liabilities of the Group are trade and other payables, lease liabilities, income tax payable, other current liabilities, employee benefit obligations and provision for decommissioning of fixed assets.

	31 December 2021	31 December 2022	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<u>Current liabilities</u>				
Trade and other accounts payable	62.75	66.35	3.60	5.74
Current portion of lease liabilities	14.61	13.78	(0.83)	(5.70)
Income tax payable	11.78	17.69	5.91	50.17
Other current liabilities	1.05	1.30	0.26	24.61
Total current liabilities	90.19	99.13	8.94	9.91
<u>Non-current liabilities</u>				
Lease liabilities (net)	79.65	72.54	(7.11)	(8.92)
Employee benefit obligations	18.67	17.48	(1.19)	(6.38)
Provision for decommissioning	12.09	13.29	1.20	9.96
Total non-current liabilities	110.41	103.32	(7.09)	(6.43)
Total liabilities	200.60	202.45	1.84	0.92

-

- **Trade and other accounts payable**

As at 31 December 2022, the Group had trade and other payables in the amount of 66.35 million baht, an increase from the end of 2021 in the amount of 3.60 million baht due to 2 main reasons: 1) Trade accounts payable increased by 3.93 million baht and 2) Advance received from customers increased by 10.86 million baht due to the situation of the Covid-19 epidemic that has been resolved and much better than last year, travel is less restrictive and there are more flights to Thailand, resulting more foreign customers returned. As a result, trade payables and other components related to the burden of customer service have also increased.

- **Income tax payable**

As at 31 December 2022, the Group has income tax payable in the amount of 17.69 million baht or representing 1.25% of liabilities and shareholders' equity, , an increase from the end of 2021 in the amount of 5.91 million baht

- **Lease liabilities**

As at 31 December 2022, the Group had lease liabilities in the amount of 86.33 million baht, decreased from the end of 2021 in the amount of 7.94 million baht. Lease liabilities arises from the Group has entered into lease agreements for land used in business operations throughout the country at the location of various branches

- **Employee benefit obligations**

- As at 31 December 2022, the Group has employee benefits obligations in the amount of 17.48 million baht or representing 1.24% of liabilities and shareholders' equity, a decrease from the end of 2021 in the amount of 1.19 million

baht. The employee benefit obligations of the Group comprise retirement benefits and other long-term employee benefits. The Company has obligations for compensation to employees upon retirement under labor law and according to other employee compensation programs. The Company treats this compensation as a defined benefit plan for employees that an independent expert has assessed such obligations based on actuarial principles.

- **Provision for decommissioning**

As at 31 December 2022, the Group has a provision for decommissioning of fixed assets in the amount of 13.29 million baht, increasing from the end of 2021 by 1.20 million baht due to the new provision for decommissioning of 0.75 million baht (net of the provision for decommissioning used in year) and interest for provision for decommissioning of 0.45 million baht. The provision for the decommissioning of fixed assets is from the estimation of the cost for dismantling the decorations at the end of the lease agreement and not to renew the agreement, or there is a premature termination of the lease to deliver the leased space in its original condition to the lessor Since the Group has entered into a land or building lease agreement for use as a business and decorated for business

Equity

The Group has shareholders' equity as at 31 December 2022 equal to 1,210.24 million baht or equivalent to 85.26% of liabilities and shareholders' equity. The details are as follows.

	31 December 2021	31 December 2022	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Equity				
Issued and fully paid-up share capital	225	225	-	-
Premium on share capital	920.11	920.11	-	-
Discount from business combination under common control	(178.29)	(178.29)	-	-
Retained earnings - Appropriated	17.83	22.42	4.59	25.73
Retained earnings - Unappropriated	111.42	212.94	101.52	91.11
Other component of equity	-	2.23	2.23	100.00
Equity attributable to owners of parent	1,096.07	1,204.41	108.34	9.88
Non-controlling interests	0.01	5.83	5.82	111,019.95
Total equity	1,096.08	1,210.24	114.16	10.42

As at 31 December 2022, the Group had shareholders' equity in amount of 1,210.24 million baht, increasing from the end of 2021 in the amount of 114.16 million baht or 10.42%, due to 1) net profit for the year 2022 in the amount of 161.73 million baht and 2) dividend payment in the amount of 55.80 million baht.

Discount from business combination under common control

The Extraordinary General Meeting of Shareholders No. 2/2017 held on 29 December 2017 has resolution to approve the purchase of 99.99% of shares in Next Generation Genomic Company Limited (a subsidiary) from the existing shareholders which is same shareholder with the Company. Therefore, it is considered a business combination under the common control. The Company paid for the shares by issuing 29,998 new ordinary shares with a par value of 100 baht per share, totaling 2,999,800 baht and having a value on the payment date of 6,896 baht per share, resulting in a premium on share capital at 6,796 baht per share or equivalent to 203,866,408 baht to existing shareholders of Next Generation Genomic Company Limited.

On 9 January 2018, the book value of the net assets of Next Generation Genomic Company Limited was 28,577,064 baht and the discount from business combination under common control was 178,289,144 baht.

Liquidity

	31 December 2021	31 December 2022
	(Mil. Baht)	(Mil. Baht)
Net cash receipts (payment) from operating activities	171.82	211.36
Net cash receipts (payment) from investing activities	(13.35)	38.52
Net cash receipts (payment) from financing activities	(82.91)	(67.14)
Net increase (decrease) in cash and cash equivalents	75.55	182.74
Cash and cash equivalents – opening balance	592.37	667.92
Cash and cash equivalents – closing balance	667.92	850.66

From changing in cash flows from operating activities, investing activities and financing activities, as at 31 December 2022, the Group had cash and cash equivalents at the end of the year equal to 850.66 million baht with the details of significant changes in cash flows as follows:

Cash flows from operating activities

In 2022, the Group had net cash from operating activities of 211.36 million baht. Profit from operating activities before changes in operating assets and liabilities equal to 270.10 million baht. Cash received from operations were an increase in trade and other payables of 2.56 million baht and an increase in other current liabilities of 0.26 million baht. While cash used in operations were an increase in trade and other receivables of 8.49 million baht, an increase in inventory of 14.56 million baht, an increase in other non-current assets of 2.29 million baht and paid income tax 35.81 million baht.

Cash flow from investing activities

In 2022, the Group had net cash used in investing activities of 38.52 million baht, mainly from proceed from gain from transfer of financial assets measured at fair value through profit or loss. However, the Group still invests in the purchase of equipment and medical equipment, utilities and office furnishings in the amount of 33.82 million baht for relocating the operating room at Amarin branch from the 16th floor to the 18th floor in order to support the expansion of business and customers who will come to use more services. This will maintain and enhance the operational potential and competitiveness in the Company's business.

Moreover, at the end of 2022, the Company has invested in the skin and aesthetic business. It was still in the preparation stage before opening for operation in 2023. The Group has invested in office decoration, system work and work in progress in such business approximately 8.56 million baht in 2022.

Cash flow from financing activities

In 2022, the Group had net cash used in financing activities of 67.14 million baht, from repayments and interest expense for lease liabilities in the amount of 17.34 million baht, dividend payment in the amount of 55.80 million baht and proceed received from non-controlling interest from the skin and beauty business of 6.00 million baht.

Key financial ratios

Liquidity Ratios

Financial ratios	Unit	31 December 2021	31 December 2022
อัตราส่วนสภาพคล่อง	times	11.27	11.58
อัตราส่วนสภาพคล่องหมุนเร็ว	times	7.53	8.79
อัตราส่วนสภาพคล่องกระแสเงินสด	times	1.91	2.13
อัตราส่วนหมุนเวียนลูกหนี้การค้า	times	41.72	45.90
Average Collection Period	days	8.63	7.84
Inventories turnover	times	9.21	7.96
Average Sales (Inventory) Period	days	39.09	45.24
Account receivable turnover	times	4.86	5.10
Average Payment Period	days	74.04	70.60
Cash cycle	days	(26.31)	(17.51)

The Group has liquidity ratios as at 31 December 2022 equal to 11.58 times. As at 31 December 2022, the Group's liquidity ratio increased from 31 December 2021 due to an increase in cash and cash equivalents from operations, trade and other receivables and inventories.

In addition, considering the cash cycle as at 31 December 2022, the Group had a cash cycle of (17.51) days, a decrease of 8.8 days from the end of 2021. The main reason was an increase in average sale period of 6.15 days due to an increase in inventories to support business expansion due to the situation of the Covid-19 epidemic that has been resolved and much better than last year.

Profitability Ratios

Financial ratios	Unit	31 December 2021	31 December 2022
Gross profit margin	%	49.58	54.70
Net profit margin	%	13.98	22.26
Return of equity (ROE)	%	7.18	14.03

Gross profit margin : The Group has a gross profit margin for 2022 equal to 54.70%, increasing from 2021 with a gross profit margin of 49.58%, due to an increase in infertile people who came to receive treatment with the Group, especially from foreign customers without travel restrictions. Meanwhile The cost of service increased in a smaller proportion due to cost management measures, resulting profits higher.

Net profit margin : The Group has a gross profit margin for 2022 equal to 22.26 %, increasing from 2021 with a gross profit margin of 13.98 % due to the increase in gross profit margin together with measures to manage selling and administrative expenses. The ratio of selling and administrative expenses to revenue from services decreased accordingly, as a result, the net profit margin is higher.

Return on equity : As at 31 December 2022, The Group had return on equity equal to 14.03 %, increasing from 2021 with return on equity of 7.18% due to an increase in net profit, while an increase in shareholders' equity is at a rate less than the increase in net profit.

Efficiency ratios

Financial ratios	Unit	31 December 2021	31 December 2022
Return of assets (ROA)	%	6.10	11.94
Return of fixed assets	%	53.26	89.11
Asset turnover	times	43.61	53.64

Return on assets : As at 31 December 2022, The Group had return on assets equal to 11.94%, increasing from 2021, because the net profit increased higher than the increase in assets.

Return of fixed assets : As at 31 December 2022, The Group had return on fixed assets equal to 89.11%, increasing from 2021

Asset turnover : As at 31 December 2022, The Group had asset turnover equal to 53.64 times. By the past period, The ratio has changed due to a significant factor, which is the continuously higher change in net profit and the proportion of fixed assets decreased because an additional investment is less than the depreciation in the period.

Financial Risk Ratios

Financial ratios	Unit	31 December 2021	31 December 2022
Debt to equity	เท่า	0.18	0.17
Dividend payout	ร้อยละ	71.32	80.69

The Group has total debt to equity ratio as at 31 December 2022 equal to 0.17 times which this ratio is quite low due to the Group does not have loan from financial institutions and mainly source of fund is fund of the Group for its business operations.

Details of Dividend Payment

- At the Annual General Meeting of Shareholders on 11 March 2022, the Shareholder's' meeting has resolution to approve dividend payment from its unappropriated retained earnings at the rate of Baht 1.24 per share, for 45.00 million shares for a total dividend of 55.80 million baht. The Company has paid the dividend to shareholders on 17 March 2022.