

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

	For the six-month period ended 30 June		Increase (Decrease)	
	2022	2023	Mil. Baht	%
	(Mil. Baht)	(Mil. Baht)		
Revenue from sales and services	373.65	406.57	33.92	373.65
Cost of sales and services	(165.59)	(180.37)	14.78	(165.59)
Gross profit	208.06	226.20	18.13	208.06
Other income	0.87	3.27	2.40	0.87
Profit before expenses	208.93	229.47	20.54	208.93
Selling expenses	(17.89)	(25.53)	(7.65)	(17.89)
Administrative expenses	(75.78)	(83.90)	(8.13)	(75.78)
Reversal of expected credit loss	0.35	(0.81)	(1.16)	0.35
Other gain(loss)	(0.00)	0.00	0.00	(0.00)
Net gain (loss) from exchange rate	(0.00)	0.01	0.01	(0.00)
Profit before finance costs and income tax	115.61	119.23	3.62	115.61
Finance costs	(1.66)	(1.69)	(0.02)	(1.66)
Profit before income tax	113.95	117.55	3.60	113.95

	For the six-month period ended 30 June		Increase (Decrease)	
	2022	2023	Mil. Baht	%
	(Mil. Baht)	(Mil. Baht)		
Income tax	(22.92)	(30.07)	(7.14)	(22.92)
Net profit for the period	91.02	87.48	(3.54)	91.02

Revenue from sales and services

The Group has revenue from services for the six-month period ended 30 June 2023 equal to 406.57 million baht, an increase 33.92 million baht or 8.81% from the same period of 2022. 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	For the six-month period ended 30 June		Increase (Decrease)	
		2022	2023	Mil. Baht	%
		(Mil. Baht)	(Mil. Baht)		
Revenue from infertility treatment services	SAFE	318.99	325.46	6.47	2.03
Revenue from embryo and fetal genetic testing services	NGG	54.66	80.16	25.5	46.65
Revenue from skin and aesthetic business	SWC	-	0.95	0.95	100.00
Total revenue from sales and services		373.65	406.57	32.92	8.81
Other income		0.87	3.27	2.40	275.86
Total income		374.52	409.84	35.32	9.43

- Revenue from infertility treatment services

For the six-month period ended 30 June 2023, revenue from infertility treatment services was 325.46 million baht, representing 79.41% of total revenue, increasing by 6.47 million baht or 2.03% from the same period of 2022 due to increasing of the treatment cycle from foreign customers.

- Revenue from embryo and fetal genetic testing services

For the six-month period ended 30 June 2023, revenue from embryo and fetal genetic testing services was 80.16 million baht, representing 19.56% of the total revenue, increasing by 25.50 million baht or 46.46% from the same period of 2022, mainly due to due to the increase in the number of NGS and Qualifi tests. 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.

- **Revenue from skin and aesthetic business**

Safe Wellness Co., Ltd. (SWC) operates a skin and aesthetic business under the brand "The Fountain Wellness Center". The company was registered on 15 November 2022 and had earning income from services during the six-month period ending 30 June 2023 in the amount of 0.95 million baht, accounting for 0.23% of total income.

- **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.

For the six-month period ended 30 June 2023, the cost of services of the Group was 180.37 million baht, representing 44.36% of revenue from services, increasing by 14.78 million baht or 8.93% comparing the same period of 2022, mainly due to (1) an increase in the cost of medicines, medical supplies and medical equipment of 11.31 million baht, (2) an increase in doctor fees of 2.26 million baht, (3) a decrease in depreciation of 2.09 million baht, (4) an increase in repair and maintenance of 1.84 million baht, and (5) an increase in other expenses of 1.38 million baht

Gross profit and Gross profit margin

For the six-month period ended 30 June 2023, the Group had a gross profit of 226.20 million baht, representing a gross profit margin of 55.64%, increasing by 18.13 million baht, or 8.72% from the same period of 2022, in line with the increase in revenue from services, in particular, revenue from genetic testing services for embryos and fetuses increased significantly. As a result, the group has higher gross profits. Meanwhile, the gross profit margin is relatively stable.

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.

For the six-month period ended 30 June 2023, the Group had selling expenses equal to 25.53 million baht, representing 6.28% of revenue from services, compared to the same period in 2022 with sales expenses equal to 17.89 million baht or 4.79% of service income, an increase of 7.65 million baht or 42.74% due to an increase in commission 2.07 million baht from the increased number of patients receiving treatment, resulting in higher commissions paid to agents, and

advertising and promotion expenses increased by 4.24 million baht from focusing on marketing communications and organizing marketing activities.

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.

For the six-month period ended 30 June 2023, the Group had administrative expenses of 83.90 million baht, representing 20.64% of revenue from services, compared to the same period in 2022, it was equal to 75.78 million baht, accounting for 20.28% of service revenue, an increase of 8.13 million baht or an increase of 10.72%, mainly due to Other expenses increased by 6.47 million baht due to expenses from the company preparing to be listed on the Stock Exchange of Thailand, which will be one-time expenses such as auditor fee and consulting fees. Moreover, there are also advertising and travel expenses.

Finance costs

For the six-month period ended 30 June 2023, the Group had financial costs of 1.69 million baht, a increase of 0.02 million baht or 1.33% from the same period of 2022 with financial cost equal 1.66 million baht, due to the renewal of the lease agreement and service agreement of NGG, the lease liabilities increased. As a result, interest expenses increased.

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 2022	30 June 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Assets	1,412.69	1,375.13	(37.56)	(2.66)
Liabilities	202.45	236.16	33.71	16.65
Equity	1,210.24	1,138.97	(71.27)	(5.89)

Assets

The Group has total assets as at 30 June 2023 equal to 1,375.13 million baht, an decrease 37.56 million baht from 31 December 2022, or 2.66%. 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 2022	30 June 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<u>Current assets</u>				
Cash and cash equivalents	850.66	801.07	(49.59)	(5.83)
Financial assets measured at fair value through profit or loss	228.47	229.77	1.29	0.57
Trade and other accounts receivable	20.25	24.61	4.36	21.54
Inventories	48.67	69.35	20.68	42.50
Total current assets	1,148.05	1,124.79	(23.25)	(2.03)
<u>Non-current assets</u>				
Building and equipment (net)	150.46	135.12	(15.34)	(10.20)
Right-of-use assets (net)	87.13	76.14	(10.99)	(12.61)
Intangible assets (net)	-	14.00	14.00	100.00
Deferred tax assets (net)	7.38	7.13	(0.25)	(3.48)
Other non-current assets	5.63	6.20	0.57	10.07
Total non-current assets	14.04	11.75	(2.29)	(16.33)
Total assets	264.64	250.33	(14.31)	(5.41)

- Cash and cash equivalents

Cash and cash equivalents of the Group consist of cash and cash deposits. As at 30 June 2023, the Group had cash and cash equivalents in the amount of 801.07 million baht or representing 58.25% of total assets, a decrease 49.59 million baht from 31 December 2022, or 5.83%. 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 30 June 2023, the Group had financial assets measured at fair value through profit or loss in the amount of 229.77 million baht, an increase from the end of 2021 in the amount of 1.29 million baht, due to fair value is measured through profit or loss. The financial assets invested by the Group are still debt securities

- **Trade and other accounts receivable**

As at 30 June 2023, the Group had trade and other receivables in the amount of 24.61 million baht or representing 1.79% of total assets, an increase from the end of 2021 in the amount of 4.36 million baht, or 21.54%.

- **Inventories**

As at 30 June 2023, the Group had inventories in amount of 69.35 million baht or representing 5.04% of total assets, an increase from the end of 2022 in the amount of 20.68 million baht, or 42.50%.

- **Building and equipment - net**

Buildings and equipment of the Group mainly consist of buildings, office furnishings, and medical tools and equipment. As at 30 June 2023, the Group had net buildings and equipment in amount of 135.12 million baht, a decrease of 15.43 million baht from the end of 2022 due to the net of purchasing assets of 5.90 million baht and depreciation during the period of 21.24 million baht. The Group has not made any significant additional investments. As a result, the overall of buildings and equipment - net value decreased according to the accumulated depreciation.

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

As at 30 June 2023, the Group had right-of-use assets - net in amount of 76.13 million baht, a decrease of 10.99 million baht from the end of 2022 due to the assessment of new lease liabilities and net depreciation of right-of-use assets. The Group has not yet entered into any significant additional lease agreements. As a result, overall, the net right-of-use assets have a decreased value due to accumulated depreciation.

Liabilities

The Group has total liabilities as at 30 June 2023 equal to 236.16 million baht respectively or representing 17.17 % 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 2022	30 June 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<u>Current liabilities</u>				
Trade and other accounts payable	66.35	97.65	31.30	47.17
Current portion of lease liabilities	13.78	13.19	(0.59)	(4.32)
Income tax payable	17.69	28.60	10.90	61.64
Other current liabilities	1.30	1.24	(0.07)	(5.29)
Total current liabilities	99.13	140.67	41.54	41.90
<u>Non-current liabilities</u>				

	31 December 2022	30 June 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Lease liabilities (net)	72.54	62.81	(9.73)	(13.41)
Employee benefit obligations	17.48	19.13	1.65	9.44
Provision for decommissioning	13.29	13.55	0.25	1.90
Total non-current liabilities	103.32	95.49	(7.83)	(7.58)
Total liabilities	202.45	236.16	33.71	16.65

- **Trade and other accounts payable**

As at 30 June 2023, the Group had trade and other payables in the amount of 97.65 million baht, an increase of 31.30 million baht from the end of 2022 due to an increase in trade payables from the purchase of NGG's lab solution, which is in line with the income increased

- **Income tax payable**

As at 30 June 2023, the Group has income tax payable in the amount of 28.60 million baht or representing 2.08% of liabilities and shareholders' equity, an increase from the end of 20212 in the amount of 10.90 million baht

- **Lease liabilities**

As at 30 June 2023, the Group had lease liabilities in the amount of 76.00 million baht, decreased from the end of 2022 in the amount of 10.32 million baht due to the payment of rent in the six-month period of 2023

- **Employee benefit obligations**

- As at 30 June 2023, the Group has employee benefits obligations in the amount of 19.13 million baht or representing 1.39% of liabilities and shareholders' equity, an increase from the end of 2022 in the amount of 1.65 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 30 June 2023, the Group has a provision for decommissioning of fixed assets in the amount of 13.55 million baht, increasing from the end of 2022 by 0.26 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 1,138.97 million baht or equivalent to 82.83 % of liabilities and shareholders' equity. The details are as follows.

	31 December 2022	30 June 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Equity				
Issued and fully paid-up share capital	225.00	280.00	55.00	24.44
Premium on share capital	920.11	920.11	-	0.00
Discount from business combination under common control	(178.29)	(178.29)	-	0.00
Retained earnings - Appropriated	22.42	22.50	0.08	(0.34)
Retained earnings - Unappropriated	212.94	89.67	(125.50)	(58.33)
Other component of equity	2.23	-		
Equity attributable to owners of parent	1,204.41	1,133.99	(70.42)	(5.85)
Non-controlling interests	5.83	4.98	(0.85)	(14.57)
Total equity	1,210.24	1,138.97	(71.27)	(5.89)

As at 30 June 2023, the Group had shareholders' equity in amount of 1,138.97 million baht, decreasing from the end of 2022 in the amount of 71.27 million baht or 5.89%, due to 1) net profit for the six-month period ended 30 June 2023 in the amount of 87.48 million baht and 2) dividend payment in the amount of 213.75 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

	30 June 2022	30 June 2023
	(Mil. Baht)	(Mil. Baht)
Net cash receipts (payment) from operating activities	119.48	137.17
Net cash receipts (payment) from investing activities	65.35	(19.57)
Net cash receipts (payment) from financing activities	(64.54)	(167.19)
Net increase (decrease) in cash and cash equivalents	120.30	(49.59)
Cash and cash equivalents – opening balance	667.92	850.66
Cash and cash equivalents – closing balance	788.21	801.07

From changing in cash flows from operating activities, investing activities and financing activities, as at 30 June 2023, the Group had cash and cash equivalents at the end of the year equal to 801.07 million baht with the details of significant changes in cash flows as follows:

Cash flows from operating activities

For the six-month period ending 30 June 2023, the Group had net cash from operating activities of 137.17 million baht. Profit from operating activities before changes in operating assets and liabilities equal to 148.43 million baht. Cash received from operations were a decrease in other non-current asset of 2.29 million baht and an increase in trade payables of 32.12 million baht. While cash used in operations were an increase in trade and other receivables of 5.17 million baht, an increase in inventory of 20.71 million baht and a decrease other non-current liabilities of 0.07 million baht

Cash flow from investing activities

For the six-month period ending 30 June 2023, the Group had net cash outflows used in investing activities of 19.57 million baht, mostly from purchase of buildings and equipment of 6.73 million baht, Prepayment for right-of-use asset of 14 million baht.

Cash flow from financing activities

For the six-month period ending 30 June 2023, the Group had net cash used in financing activities of 167.19 million baht, from repayments for lease liabilities in the amount of 7.00 million baht, Interest paid from lease liabilities in the amount of 1.44 million baht, dividend payment in the amount of 213.75 million baht and Issuance of ordinary shares in the amount of 55 million baht.

Key financial ratios

Liquidity Ratios

Financial ratios	Unit	31 December 2022	30 June 2023
Current ratio	times	11.58	8.00
Quick current ratio	times	8.79	7.50
Cash flow ratio	times	2.13	2.29
Trade receivable turnover	times	45.90	36.26
Average Collection Period	days	7.84	9.93
Inventories turnover	times	7.96	6.11
Average Sales (Inventory) Period	days	45.24	58.88
Account receivable turnover	times	5.10	4.40
Average Payment Period	days	70.60	81.83
Cash cycle	days	(17.51)	(13.02)

The Group has current ratios as at 30 June 2023 equal to 8.00 times. The current ratio decreased because cash and cash equivalents decreased from dividend payments, and an increase in other current liabilities

In addition, considering the cash cycle as at 30 June 2023, the Group had a cash cycle of (13.02) days, a decrease of 4.5 days from the end of 2022. This was mainly due to an increase in the average debt collection period of 2.10 days, the average sales period increased by 13.6 days, and the average debt payment period increased by 11.2 days. The average of inventories and trade payables increased from NGG's laboratory fluid purchase list.

Profitability Ratios

Financial ratios	Unit	31 December 2022	30 June 2023
Gross profit margin	%	54.70	55.64
Net profit margin	%	22.26	21.52
Return of equity (ROE)	%	14.03	14.90

Gross profit margin : The Group has a gross profit margin for six-month period ending 30 June 2023 equal to 55.64% 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 six-month period ending 30 June 2023 equal to 21.52 % due to due to increased sales and administrative expenses and income taxes, as a result, the net profit margin decreased. However, this tax estimate will decrease and return to normal in the next operating period.

Return on equity : As at 30 June 2023, The Group had return on equity equal to 14.90 %, slightly increased due to increased net profits. while the average shareholder's equity slightly increased.

Efficiency ratios

Financial ratios	Unit	31 December 2022	30 June 2023
Return of assets (ROA)	%	11.94	12.55
Return of fixed assets	%	89.11	90.94
Asset turnover	times	53.64	58.34

Return on assets : As at 30 June 2023, The Group had return on assets equal to 12.55%, increasing from 2021, because the net profit increased. Meanwhile, average total assets slightly increased.

Return of fixed assets : As at 30 June 2023, The Group had return on fixed assets equal to 90.94%, increasing from 2022

Asset turnover : As at 30 June 2023, The Group had asset turnover equal to 58.34 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 2022	30 June 2023
Debt to equity	times	0.17	0.21
Dividend payout	%	80.69	143.17

The Group has total debt to equity ratio as at 30 June 2023 equal to 0.21 times which was mainly due to a decrease in shareholders' equity from paying dividends from retained earnings

Details of Dividend Payment

- At the Board of Directors' meeting on 23 February 2023, the Board of Directors has resolution to approve interim dividend payment from its retained earnings at the rate of Baht 2.90 per share for 45.00 million shares for a total dividend of 130.50 million baht which expected to be paid within March 2023.

- At the Board of Directors' meeting on 11 May 2023, The Board of Directors resolved to propose to the Annual General Meeting of Shareholders to consider and approve the dividend payment from the retained earnings at the rate of 1.85 baht per share for 45.00 million shares for a total dividend of 83.25 million baht which expected to be paid within May 2023.