

No. BLC 031/2567

28 February 2024

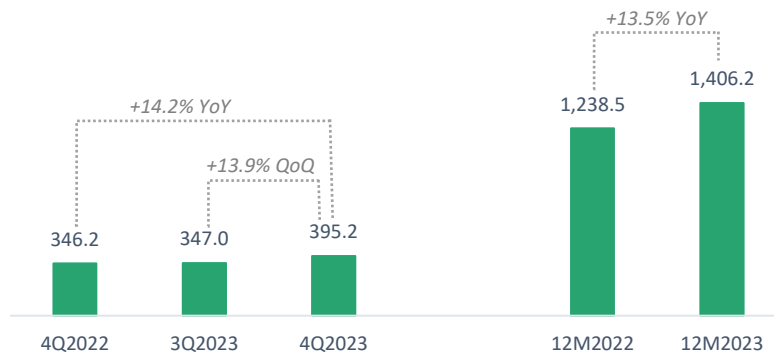
 Subject: Management Discussion and Analysis for the 4<sup>th</sup> quarter in 2023

To: President of Stock Exchange of Thailand

### Overall Financial performance

Statement of profit or loss Unit : Million Baht	Q4/2023	Q3/2023	Q4/2022	Change		12M 2023	12M 2022	Change
	4Q23	3Q23	4Q22	%QoQ	%YoY	FY23	FY22	%YoY
Revenue from sales and rendering service	395.2	347.0	346.2	13.9%	14.2%	1,406.2	1,238.5	13.5%
Gross Profit	222.0	192.5	203.7	15.3%	9.0%	791.1	701.0	12.9%
Selling expenses	95.7	83.3	87.1	14.9%	9.9%	348.8	312.2	11.7%
Administrative expenses	66.2	62.1	58.2	6.6%	13.7%	253.1	219.3	15.4%
EBIT	65.9	51.1	59.5	29.0%	10.8%	200.2	172.9	15.8%
Finance costs	4.0	5.0	7.5	-20.0%	-46.7%	25.7	28.3	-9.2%
EBITDA	79.4	64.4	72.4	23.3%	9.7%	253.1	224.1	12.9%
Tax expense	11.7	9.1	10.2	28.6%	14.7%	23.7	14.9	59.1%
<b>Net profit</b>	<b>50.2</b>	<b>37.0</b>	<b>41.8</b>	<b>35.7%</b>	<b>20.1%</b>	<b>150.8</b>	<b>129.7</b>	<b>16.3%</b>

### Revenue from operation



### The 4<sup>th</sup> quarter QoQ (4Q23 vs 3Q23)

Bangkok Lab and Cosmetic Public Company Limited (“the Company”) and its subsidiaries had revenue from sales and rendering services in 4Q2023 in the amount of 395.2 million baht which increased by 48.2 million baht or 13.9% compared to 3Q2023. The growth of sales was mainly because of launching new generic drugs which help to prevent further hair loss for men and a higher demand for medicines due to the end of government's fiscal year. Additionally, the expansion of foreign customers also caused the sales growth, especially in Hong Kong, Lao PDR, and Cambodia.

### The 4<sup>th</sup> quarter YoY (4Q23 vs 4Q22)

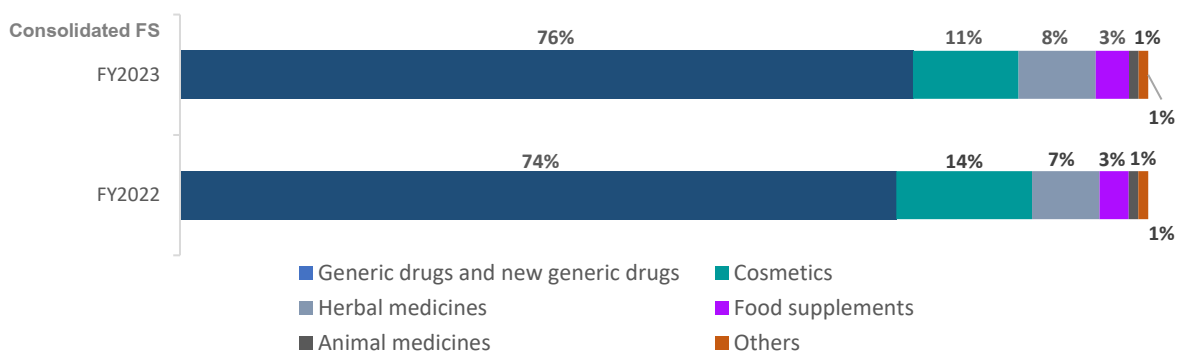
The Group had revenue from sales and rendering services in 4Q2023 in the amount of 395.2 million baht which raised by 49.0 million baht or 14.2% compared to 4Q2022 mainly due to the expansion of distribution channel and the continual growth of pharmaceutical market. In addition, sales from oversea customers also increased especially from Hong Kong, Lao PDR and Cambodia.

### FY2023 YoY vs FY2022

The Group had revenue from sales and rendering services in 2023, in the amount of 1,406.2 million which increased from the year 2022 by 167.7 million baht or 13.5%. 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. Furthermore, the market for pharmaceuticals is expected to continue growing from patients returning to hospitals and clinics, an increase in overall demand for medicines. Moreover, new generic drugs have been launched in the last quarter of 2023 as well as the expansion of foreign customers in Hong Kong, Myanmar, Indonesia, Philippines, Vietnam, and Taiwan. Those led to the rise in sales quantity and the Group's revenue.

### **Revenue by types of products**

Revenue by products Unit : Million Baht	Q4/2023	Q3/2023	Q4/2022	Change		12M 2023	12M 2022	Change
	4Q23	3Q23	4Q22	%QoQ	%YoY	FY23	FY22	%YoY
Generic drugs and new generic drugs	299.6	266.1	266.4	12.6%	12.5%	1,075.5	922.1	16.6%
Cosmetics	40.0	34.4	36.5	16.3%	9.6%	148.8	159.5	-6.7%
Herbal medicines	32.7	24.9	28.2	31.3%	16.0%	106.4	91.3	16.5%
Food supplements	16.3	13.0	10.2	25.4%	59.8%	49.1	33.5	46.6%
Animal medicines	2.9	2.7	1.2	7.4%	141.7%	7.6	18.3	-58.5%
Others	3.7	5.9	3.7	-37.3%	0.0%	18.8	13.8	36.2%
<b>Total revenue</b>	<b>395.2</b>	<b>347.0</b>	<b>346.2</b>	<b>13.9%</b>	<b>14.2%</b>	<b>1,406.2</b>	<b>1,238.5</b>	<b>13.5%</b>

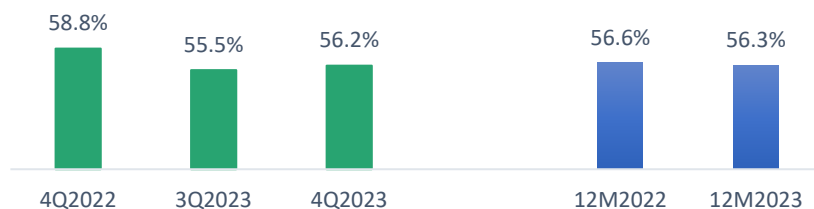


## FY2023 YoY vs FY2022

For the year ended December 31, 2023, compared to the same period in 2022, thanks to continually aggressive marketing strategy, revenue of generic drugs and new generic drugs increased by 153.4 million baht or 16.6% 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 2023 by 15.1 million baht and 15.6 million baht, respectively, or 16.5% and 46.6%, respectively,

On the other hand, revenue from cosmetics decreased in 2023 by 10.7 million baht or 6.7% from prior period in 2022 as the situation of Covid-19 has improved which caused revenue from mouth & nose products including 'Vitara Propolis Plus Mouth Spray' to gradually decrease. Apart from that, the cosmetics market has been one of the most competitive industries in recent years. Moreover, animal products were still negatively affected by the decline in number of Livestock animals which caused a decrease in sales during 2023 by 10.7 million baht or 58.5% compared to prior year.

## **Gross profit margin**



## The 4<sup>th</sup> quarter QoQ (4Q23 vs 3Q23)

Gross profit margin increased from 55.5% in 3Q2023 to 56.2% in 4Q2023 mainly because the Group continually gained benefits from economies of scale which positively led to unit cost reduction and the decrease in manufacturing overhead per unit as well as product portfolio management to focus on sales of high profit margin products instead of low profit margin products.

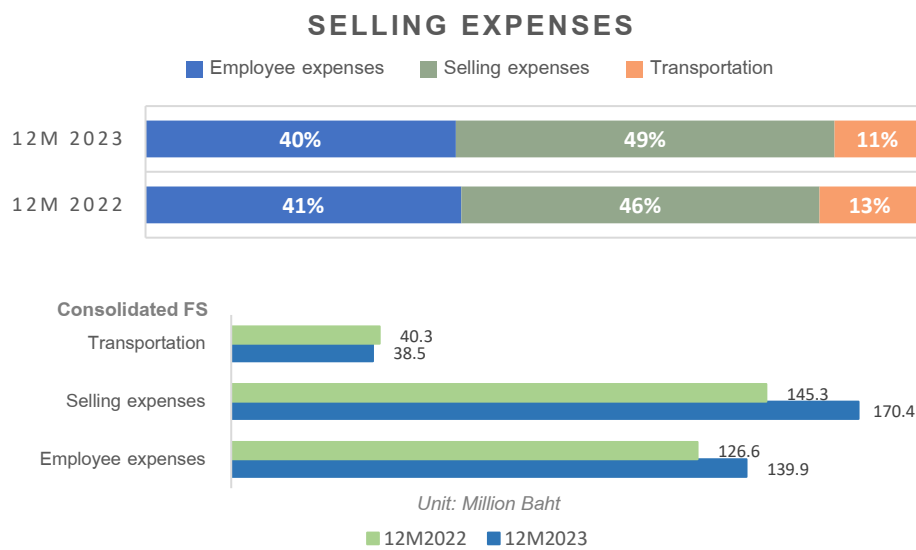
## The 4<sup>th</sup> quarter YoY (4Q23 vs 4Q22)

Gross profit margin decreased from 58.8% in 4Q2022 to 56.2% in 4Q2023 as the Group has improved the efficiency of inventory management. Thus, there was reversal of accounting estimates related to provision of returned products which led to the increase in gross profit margin in 4Q2022. Nonetheless, the Group has continually monitored such efficiency, then the accounting estimates insignificantly changed in 4Q2023, and gross profit margin declined to 56.2% as usual.

## FY2023 YoY vs FY2022

Gross profit margin slightly decreased from 56.6% in 2022 to 56.3% in 2023. Although the Company consistently gained benefits from economies of scale, coupling with product portfolio management to focus on sales of high profit margin products instead of low profit margin products, the Group's direct labor increased which mainly due to the establishment of provident fund in 4Q2022. Additionally, repair and maintenance expenses for machinery and equipment at BLC plant grew during this year which caused gross profit margin to decrease in 2023.

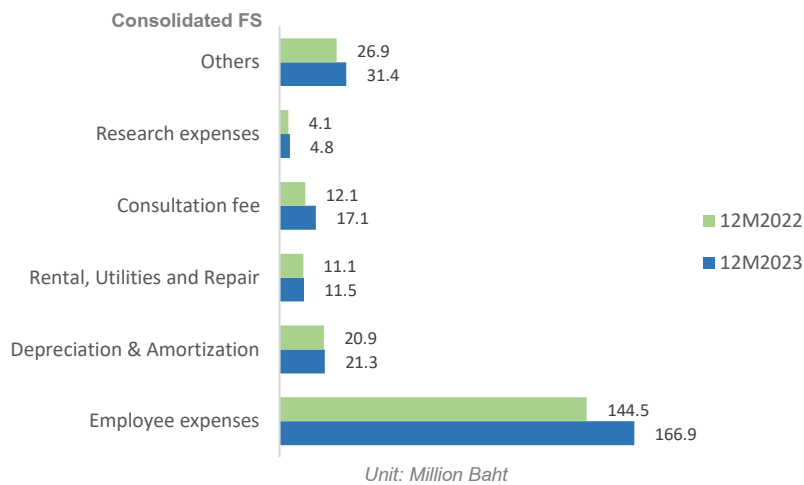
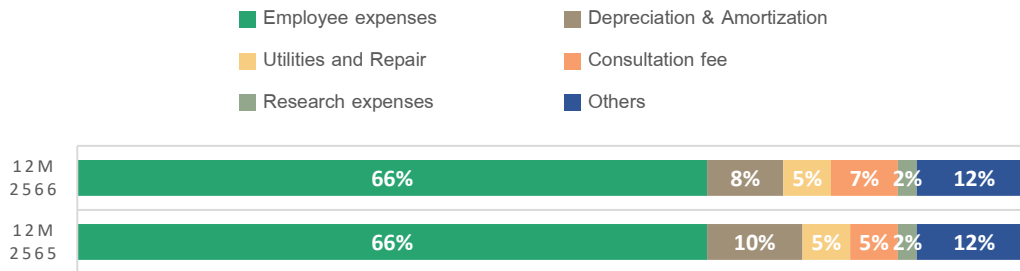
### **Selling and administrative expenses**



In 2023, selling expenses rose by 36.6 million baht or 11.7% compared to the year 2022 mainly because (1) selling expenses increased by 145.3 million baht to 170.4 million baht in-line with the growth of revenue and marketing expenses during the period. Furthermore, the Group participated in booths and exhibitions in 2023 which were parts of marketing strategies to enhance brand awareness and expand customer base for long-term benefits. Based on common size analysis, the strategies reasonably caused the increase in proportion of selling expenses from 46% in 2022 to 49% in 2023 and (2) selling expenses climbed from employee expenses due to the increment in headcount to support the growth of revenue and the foundation of provident fund in 4Q2022.

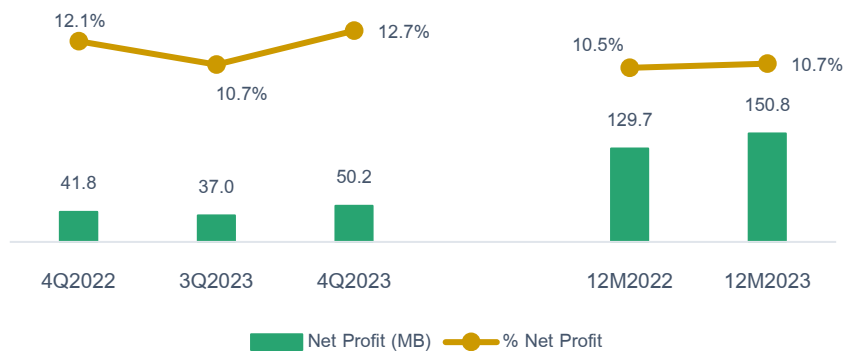
Nevertheless, the Group appointed a healthcare service provider, Zuellig Pharma, to provide logistics and payment collection for government and private hospitals as well as clinic customers and to support the Group's distribution, liquidity, and operations starting from January 2023. This led to a decrease in amount and the proportion of transportation expenses by 1.8 million baht and from 13% in 2022 to 11% in 2023, respectively. Moreover, the appointment of Zuellig Pharma has been beneficial as it helped the Group to lower overdue receivables of such customers.

### ADMINISTRATIVE EXPENSES



Administrative expenses for the year 2023 raised by 33.8 million baht or 15.4% compared to the prior year. The main reasons for the increase were due to (1) the increase in employee expenses from 144.5 million baht to 166.9 million baht resulting from the establishment of provident fund in the last quarter in 2022 and the increase in the number of managements, (2) the rise of consultancy service fees in the amount of 5.0 million baht which related to public relations and organization of events related to IPO process in first half of 2023 and other relevant services in the remaining quarters in 2023 after listing in the Stock Exchange of Thailand.

### Net profit



The 4<sup>th</sup> quarter QoQ (4Q23 vs 3Q23)

The Group's net profit for 4Q2023 was 50.2 million baht or 12.7% increasing from 10.7% in 3Q2023 due to the growth of the Group's revenue from sales and the increase in gross profit margin. Furthermore, the Company increased in interest income from short-term investments in this quarter together with the decrease in financial costs thanks to the repayment of loans during the period.

The 4<sup>th</sup> quarter YoY (4Q23 vs 4Q22)

The Group's net profit for 4Q2023 compared to 4Q2022 increased from 41.8 million baht to 50.2 million baht or from 12.1% to 12.7% due to the growth of the Group's revenue from sales and the decrease in interest expenses by 46.7% in the current quarter.

FY2023 YoY vs FY2022

The Group's net profit increased from 129.7 million baht in 2022 to 150.8 million baht in 2023 and net profit margin slightly rose from 10.5% to 10.7%. The rise in net profit and net profit margin was due to the growth of the Group's revenue from sales and rendering services. In addition, the Group has closely monitored selling and administrative expenses which positively caused earnings before interest and tax expenses (EBIT) to increase by 27.3 million baht or 15.8% from the year 2022. Furthermore, finance costs decreased by 2.6 million baht, while the expiration of BOI tax privileges in August 2022 caused an increase in tax expenses. Finally, the Group's net profit increased by 21.1 million baht or 16.3%.

**Statement of financial position**

Statement of financial position	December 31, 2023		December 31, 2022		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Total assets	2,240.3	100.0%	1,212.6	100.0%	1,027.7	84.8%
Total liabilities	644.9	28.8%	931.1	76.8%	(286.2)	-30.7%
Total shareholders' equity	1,595.4	71.2%	281.5	23.2%	1,313.9	466.7%

**Assets**

As at December 31, 2023, total assets of the Group were 2,240.3 million baht which increased by 1,027.7 million baht compared to December 31, 2022 which mainly resulted from an increase in current assets by 987.0 million baht and non-current assets by 40.6 million baht as the following items:

- **Short-term investments** increased by 885.0 million from the end of 2022 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** increased by 44.5 million baht from the end of December 2022, mainly because of the growth of revenue of the Group during the second half of the year 2023 (normal credit term granted by the Group ranges from 30 days to 180 days)
- **Other receivables** increased by 12.6 million baht from the prior year ended December 2022, mainly because of accrued interest income from short-term investments and advance payments for raw materials.
- **Property, plant, and equipment** were 335.0 million baht which increased from December 31, 2022, in the amount of 34.0 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 9.7 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 644.9 million baht at the end of December 2023 which declined by 286.2 million baht compared to 2022. The reasons were mainly from a decrease in current liabilities by 272.6 million baht and non-current liabilities by 13.6 million baht as follows:

- **Bank overdraft and borrowings from financial institutions** lowered by 199.8 million baht from repayments to financial institutions during the year.
- **Trade payables** declined by 56.4 million baht from the previous year. The reason was mainly due to the improvement of the Group's liquidity and 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 2023.
- **Other payables** decreased by 27.8 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 1,313.8 million baht resulting from total comprehensive income for the year by 148.2 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	12M 2023	12M 2022
<b><u>Liquidity (X)</u></b>		
Current ratio	3.9	1.1
Quick ratio	3.0	0.5
<b><u>Returns (%)</u></b>		
Return on Assets (ROA)	6.7%	10.7%
Return on Equity (ROE)	9.5%	46.1%
<b><u>Assets &amp; Liabilities Management (Days)</u></b>		
Average Collection Period	84.2	80.6
Average Inventory Period	235.4	252.6
Average Payable Period	74.0	87.8
<b><u>Leverage Ratios</u></b>		
Total Liabilities to Equity (X)	0.4	3.3
Loans from financial institutions to interest bearing debt (%)	43.5%	51.6%
Interest Coverage Ratio (X)	9.8	7.9

**Liquidity Ratios:** As at December 31, 2023, current ratio and quick ratio, standing at 3.9 times and 3.0 times, respectively, increased from December 31, 2022, mainly due to cash received from capital increase for initial public offerings (IPO) and loan repayments in the current year and the repayments to financial institutions, trade payables and accrued dividends during the year.

**Returns Ratios:** As at December 31 2023, returns on assets and equity decreased from December 31, 2022 due to an increase in paid-up share capital from initial public offerings (IPO) in the 2<sup>nd</sup> quarter of 2023.

**Assets & Liabilities Management:** Average collection period slightly increased from 80.6 days to 84.2 days which mainly from pharmacies and retail stores. Even though Zuellig Pharma has been appointed to provide collection services and improve liquidity since January 2023, the collections of main customer groups namely pharmacies and retail stores were not included in services provided by Zuellig Pharma which covered only customer groups of government hospitals, private hospitals, and clinics. However, the increase in the average collection period did not affect allowance for expected credit loss.

Average inventory period dropped from 252.6 days to 235.4 days due to the Group's policy to increase in the efficiency of inventory management as well as to decrease inventory period.

Average payable period decreased to 74.0 days as at December 31, 2023 mainly resulting from the improvement in liquidity of the Group and 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 dramatically dropped from 3.3 times to 0.4 times and percentage of loans from financial institutions to interest bearing debt decreased from 51.6% to 43.5% at the end of 2023. 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 9.8 times as at December 31, 2023, increasing from 7.9 times compared to December 31, 2022. The growth was mainly from the increase in EBITDA during the year together with a lower proportion of finance costs owing to the repayments to financial institutions in the current year.

Please be informed accordingly.

Sincerely yours,

( Mr. Somchai Phisphahutharn )

Chief Financial Officer