

No. HEL24/02/004

Date February 28, 2024

Subject Management's Discussion and Analysis of financial statement for the year ended December 31, 2023

To Presidents of The Stock Exchange of Thailand

Healthlead Public Company Limited and its subsidiaries ("the Group") would like to submit the discussion and analysis of significant changes of financial statements for Quarter 4 ended December 31, 2023 as follows:

	Q4-2023	Changes		Jan-Dec 2023	YOY (%)
	(MB)	YOY (%)	QOQ (%)	(MB)	(%)
Revenue from sales	442.29	13.77	7.67	1,635.54	7.64
Total revenues	450.64	14.00	8.18	1,659.31	7.87
Total expenses	412.05	16.41	4.37	1,558.59	12.14
Net profit (loss) for the period	29.70	-12.69	83.22	74.68	-36.84
EBITDA	55.52	3.62	50.67	159.05	-14.79

Revenue

In Q4-2023, the Group had total revenue of 450.64 million baht, comprised of revenue from sales at 442.29 million baht, accounting for 98.15% of total revenues. Revenue from sales increased 13.77% YOY and 7.67% QOQ. In Q4-2023, revenues from sales of three categories, which accounted for 85.81% of total revenue from sales in Q4-2023, grew 19.53% to 36.90% YOY – Medical and Dietary Supplement at 19.53% YOY, Personal Healthcare at 19.59% YOY, and Medical Foods at 36.90% YOY. Revenue from sales of medical equipment and home healthcare in Q4-2023 decreased 15.16% YOY as illnesses from COVID-19 virus gradually declined. However, it declined at a lower rate as compared to the 23.42% YOY decrease of FY2023.

In Q4-2023, The Group opened seven new branches, resulting in the Group having a total of 50 branches in Bangkok and Metropolitan area by the end of 2023.

REVENUE BREAKDOWN	Q4-2023		YOY		QOQ		Jan-Dec	YOY
	(MB)	(%)	(MB)	(%)	(MB)	(%)	2024	(%)
Medicine and Dietary								
Supplement	308.50	69.75	50.40	19.53	21.64	7.55	1,129.30	15.06
Medical Equipment and								
Home Healthcare	62.78	14.19	-11.21	-15.16	4.87	8.40	246.19	-23.42
Personal Healthcare	45.25	10.23	7.41	19.59	2.57	6.02	168.87	16.14
Medical Food	25.76	5.83	6.94	36.90	2.41	10.34	91.18	28.18
Total revenue from sales	442.29	100.00	53.54	13.77	31.49	7.67	1,635.54	7.64

Gross margin

In Q4-2023, the Group had a gross profit of 111.05 million baht, representing a gross margin of 25.11%. The gross margin was lower than the 27.23% recorded in Q4-2022. For FY2023, the gross margin was 23.06% which was lower than the 24.76% recorded in FY2022. The decrease in gross margin was primarily due to the decrease in profit from sales of Medical Equipment and Home Healthcare products related to Covid-19 and Healthiness's products, which typically have high gross margins.

Distribution costs

In Q4-2023, distribution costs amounted to 65.84 million baht, accounting for 14.89% of revenue from sales. 88.99% of these distribution costs consist of employee costs, rental fees, utilities, and depreciation and amortization costs. Distribution costs increased by 26.90% YoY in Q4-2023 and 34.97% YOY in FY2023, mainly due to the rapid branch expansion over the last two years. The Group opened 10 branches in 2022 and 14 branches in 2023, doubling up the total number of branches from 26 branches in 2021 to 50 branches by the end of 2023.

Administrative expenses

For Q4-2023, the Group incurred 16.62 million baht in administrative expenses, accounting for 3.69% of total revenues. The Group's administrative expenses in Q4-2023 decreased by 20.00% YoY, largely due to a decrease in employee costs. Employee costs, along with depreciation and amortization costs, together accounted for 83.28% of its administrative expenses. The decrease of administrative expenses in Q4-2023 resulted in a 2.90% YOY drop in its administrative expenses for FY2023.

Finance costs

The Group had financial costs of 2.61 million baht in Q4-2023, accounting for 0.58% of total revenues. For FY2023, its financial costs were 8.98 million baht, accounting for 0.54% of total revenues. The rapid branch expansion has caused its finance costs to rise by 110.98% YOY in Q4-2023 and by 56.88% YOY in FY2023. The finance costs primarily consisted of the finance cost of right-of-use assets.

Net profit

In Q4-2023, the Group had a net profit of 29.70 million baht, decreased by 12.69% YoY and 74.68 million baht for the year ended December 31, 2023, decreased by 36.84% YOY. The decline in net profit was primarily attributed to the decrease in gross margin and the increase in distribution costs resulting from branch expansion.

Profitability Ratios	Q4-2023	Q4-2022	Q3-2023	2023	2022
Gross margin (%)	25.11	27.23	22.61	23.06	24.76
Net margin (%)	6.59	8.61	3.89	4.50	7.69
EPS (THB)	0.11	0.13	0.06	0.27	0.43

STATEMENT OF FINANCIAL POSITION

	31 Dec 2023	31 Dec 2022	QOQ	YOY
	(MB)	(MB)	(%)	(%)
Total assets	1,382.35	1,288.19	6.26	7.31
Total liabilities	414.29	346.20	14.16	19.67
Total shareholder's equity	968.05	941.99	3.20	2.77
Current ratio (X)	4.26	4.76		
ROAE* (%)	7.82	13.08		
ROAA** (%)	5.59	9.83		
Debt to equity ratio (X)	0.43	0.37		

*ROAE = Trailing-12-month Net profit, to average total shareholders' equity

**ROAA = Trailing-12-month Net profit, to average total assets

Total assets

As at December 31, 2023, the Group had total assets of 1,382.35 million baht, increased by 7.31% from as at December 31, 2022 - total current assets decreased 4.76% while total non-current assets increased 34.32% YOY in accordance with its investment in branch expansion and existing branch renovation.

The Group adjusted its cash management plan to mitigate credit risk. Other current financial assets decreased 283.90 million baht, 56.00% YOY decrease, while cash and cash equivalent increased by 188.46 million baht, a 128.77% YOY increase. Additionally, other non-current financial assets increased by 29.76 million baht.

Property, plant, and equipment increased 60.88 million baht, an increase of 36.66% YOY and right-of-use assets increased 53.62 million baht, an increase of 31.27% YOY. Other non-current assets also increased 8.96 million baht, 48.06% YOY increase. The rise in these assets stemmed from the Group's ongoing investment in branch expansion and the renovation of existing branches.

However, the Group's liquidity remained high, with a current ratio of 4.26 times as of December 31, 2023, slightly down from 4.76 times at the end of 2022.

Total liabilities

The Group had total liabilities 414.29 million baht as at December 31, 2023, an increase of 68.10 million baht or 19.67% YOY. The rise in liabilities primarily pertained to its branch expansion plan. This included lease liabilities: current portion of lease liabilities increased 5.65 million baht, 28.68% YOY increase, lease liabilities increased 51.31, 34.75% YOY increase; and provision for dismantling and removal cost increased 3.25 million baht, 66.71% YOY increase.

Additionally, the Group is currently debt-free and its debt-to-equity ratio remained low at only 0.43 times as at December 31, 2023.

Total shareholder's equity

As at December 31, 2023, the Group had shareholders' equity at 968.05 million baht and unappropriated retained earnings at 148.66 million baht.

Please be informed accordingly.

Yours sincerely,



(Araya Tantanasin)

Chief Finance Officer

Healthlead Public Company Limited