

No. SMD 13/2024

August 14, 2024

Subject: Management Discussion and Analysis for the 2nd quarter of 2024, ending 30 June 2024  
To: The President  
The Stock Exchange of Thailand

SAINTMED Public Company Limited and its subsidiaries (“the Company”) present the management discussion and analysis for the 2nd quarter of 2024, ending 30 June 2024, with the following details:

## Executive Summary, Key Events, and Business Strategies

In Q2/2024, the company had a revenue from sales and services of THB 179.66 million, a decrease of THB 49.84 million, or 21.72%, from the same period last year (YoY). The gross profit was THB 65.30 million, down by THB 23.30 million, or 26.30%, resulting in a gross profit margin of 36.35%, compared to 38.60% in Q2/2023. In this quarter, the company reported a net profit of THB 5.30 million, a decrease of 81.49% from the same period last year. For the six-month period of 2024, the company reported a net loss of THB 5.18 million, a decline of THB 41.81 million, or 114.13%, compared to a net profit of THB 36.63 million in the six-month period of 2023.

The decline in net profit for Q2/2024 and the net loss for the six-month period of 2024 compared to the same periods last year was mainly due to a reduction in revenue across all product categories. This decline was attributed to delays in government budget allocations for 2024, as well as an increase in the number of competitors in the industry, leading to intensified price competition.

## Key Events and Business Strategy

1. The company underwent a major strategic adjustment by shifting its policy from focusing on revenue from trading activities to emphasizing on generating sustainable revenue streams through the rental of medical equipment, hire purchase options for medical devices, and/or revenue sharing with partners instead of outright sales. This approach was taken in collaboration with various stakeholders to increase accessibility to medical equipment for end users, aiming to create more widespread access to medical tools and ensure mutual, sustainable benefits for all parties involved.
  - The Company negotiated with partners from various medical equipment product groups, including leading medical equipment importers for which the company is not yet a distributor, to join as business partners.

- For business customer groups (B2B), the Company negotiated collaborations with partners that are hospitals, both public and private, to expand the business base for rentals and hire purchase of equipment, reducing the risk from high one-time investments.
- 2. The Company expanded its medical equipment business into specialized wellness areas to cater to the trends in medical tourism and preventive healthcare, such as equipment like the Mild Hyperbaric Oxygen Chamber and Kegel Exercise.
- 3. The Company focused on sourcing medical equipment that benefits from the aging society trend, and medical devices for treating rare and complex diseases, to contribute to promoting Thailand as a Medical Hub. This includes signing exclusive distribution agreements for AI systems that detect lung cancer (Lung CA) from CT images of all brands
- 4. With preventive healthcare becoming a mainstream approach globally in 2023, social security agencies began discussions to revise the criteria for reimbursing benefits for insured individuals who suffer from sleep apnea and require the use of CPAP (Continuous Positive Airway Pressure) devices. As a result, the company anticipates benefiting from these changes in 2024, given its position as a leading importer of such medical equipment for over 10 years, and its expertise in caring for patients with this condition. The company has collaborated with medical service providers to open sleep disorder treatment centers since 2019 and plans to expand its comprehensive sleep study centers to meet future demand.
- 5. The Board of Directors has approved the Company's proposal to establish a CT/Linac Cancer Radiotherapy Center, which is a new technology that combines a CT scanner and a Linac cancer radiotherapy machine in a single unit, in joint venture with various government hospitals in the form of PPP or Revenue Sharing. The plan includes three large-scale projects, as proposed by the executive board. The investment in all three projects will be supported by a number of banks and partly by the company's own capital, if the company is selected. Each of these projects carries a range of risks. However, the Board of Directors has determined that these risks are manageable. The selection results for these projects are expected to be announced within 2024, and the Company will provide further details as they become available.

## Key Factors Affecting the Company's Performance in 2024

### Aging Society

- The aging population trend is increasing both in Thailand and globally, leading to a higher demand for sleep quality assessment services (SleepLab) and CPAP (Continuous Positive Airway Pressure) products. Additionally, this trend has a knock-on effect on the demand for medical devices used in the treatment of NCDs (Non-Communicable Diseases) in the elderly.

**Promoting medical tourism and establishing Thailand as a Medical**

- The influx of foreigners seeking medical treatment in Thailand has significantly increased the demand for medical equipment, particularly for treating rare and complex diseases. This trend gradually leads to a higher demand, creating business opportunities for leasing high-value medical equipment for complex disease treatments to hospitals.

**The trend towards preventive healthcare**

- Improved medical technology, combined with a growing public interest in disease prevention, has led to a positive market response for various diagnostic tools, as early detection can lead to quicker treatment and recovery. This trend benefits products such as flu A/B testing kits, which have received a favorable response. Additionally, it positively impacts medical equipment in the Wellness category used for various health care purposes.

**Law / Politics**

- The Social Security Act has been amended to include additional criteria and rates for compensatory benefits in cases of Social Security insurer suffering from sleep apnea who require the use of Continuous Positive Airway Pressure (CPAP) devices. These amendments hospitals and clinics that designated by the Social Security Office the right to medical services for Social Security insurer, including the ability to claim costs for diagnosis and treatment at specified rates. This results in higher demand for products distributed by the company. However, these regulations came into effect on 1 January 2024, which means the company will benefit from these changes in the operational period of 2024.

**The depreciation of the Thai Baht against the US dollar**

- The depreciation of the Thai Baht leads to increased overall costs for imported medical devices that must be paid for in US dollars, resulting in a decrease in gross profit margins. The company tries to manage the risk of exchange rate fluctuations by entering into forward foreign exchange contracts, without any policy of speculating on exchange rate volatility.

## Financial Performance

### Statement of Profit and Loss

דוחות	Consolidated FS Q2/2024		Consolidated FS Q2/2023		Increase (decrease)		Consolidated FS 6M/2024		Consolidated FS 6M/2024		Increase (decrease)	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
<b>Revenue</b>												
Revenue from sales	169.61	94.40%	220.48	96.07%	(50.87)	(23.07%)	299.01	93.73%	381.69	95.83%	(82.68)	(21.66%)
Revenue from services	10.06	5.60%	9.03	3.93%	1.03	11.37%	20.00	6.27%	16.62	4.17%	3.38	20.34%
<b>Total Revenue from sales and services</b>	<b>179.66</b>	<b>100.00%</b>	<b>229.51</b>	<b>100.00%</b>	<b>(49.84)</b>	<b>(21.72%)</b>	<b>319.00</b>	<b>100.00%</b>	<b>398.31</b>	<b>100.00%</b>	<b>(79.30)</b>	<b>(19.91%)</b>
Cost of sales and services	114.36	63.65%	140.91	61.40%	(26.54)	(18.84%)	209.97	65.82%	253.67	63.69%	(43.70)	(17.23%)
<b>Gross profit</b>	<b>65.30</b>	<b>36.35%</b>	<b>88.60</b>	<b>38.60%</b>	<b>(23.30)</b>	<b>(26.30%)</b>	<b>109.03</b>	<b>34.18%</b>	<b>144.64</b>	<b>36.31%</b>	<b>(35.61)</b>	<b>(24.62%)</b>
Other income	1.98	1.10%	1.76	0.77%	0.23	12.79%	3.82	1.20%	3.12	0.78%	0.71	22.69%
<b>Profit before expenses</b>	<b>67.28</b>	<b>37.45%</b>	<b>90.36</b>	<b>39.37%</b>	<b>(23.08)</b>	<b>(25.54%)</b>	<b>112.85</b>	<b>35.38%</b>	<b>147.76</b>	<b>37.10%</b>	<b>(34.90)</b>	<b>(23.62%)</b>
Selling expenses	29.49	16.41%	27.33	11.91%	2.15	7.88%	61.49	19.28%	55.09	13.83%	6.40	11.62%
Administrative expenses	30.36	16.90%	28.80	12.55%	1.56	5.41%	54.31	17.03%	48.46	12.17%	5.85	12.07%
Gain (Loss) on exchange rate	(0.39)	(0.22%)	0.34	0.15%	(0.73)	(214.71%)	(0.20)	(0.06%)	0.54	0.14%	(0.74)	(136.97%)
<b>Total expenses</b>	<b>60.23</b>	<b>33.52%</b>	<b>55.79</b>	<b>24.31%</b>	<b>4.44</b>	<b>7.96%</b>	<b>116.00</b>	<b>36.36%</b>	<b>103.01</b>	<b>25.86%</b>	<b>12.99</b>	<b>12.61%</b>
<b>Operating profit (loss)</b>	<b>7.05</b>	<b>3.93%</b>	<b>34.57</b>	<b>15.06%</b>	<b>(27.52)</b>	<b>(79.60%)</b>	<b>(3.15)</b>	<b>(0.99%)</b>	<b>44.75</b>	<b>11.23%</b>	<b>(47.89)</b>	<b>(107.03%)</b>
Finance costs	1.12	0.62%	0.82	0.36%	0.30	36.66%	2.00	0.63%	1.39	0.35%	0.61	43.86%
<b>Profit (loss) before income tax</b>	<b>5.93</b>	<b>3.30%</b>	<b>33.75</b>	<b>14.71%</b>	<b>(27.82)</b>	<b>(82.43%)</b>	<b>(5.15)</b>	<b>(1.61%)</b>	<b>43.35</b>	<b>10.88%</b>	<b>(48.51)</b>	<b>(111.88%)</b>
Income tax	0.63	0.35%	5.12	2.23%	(4.49)	(87.69%)	0.03	0.01%	6.72	1.69%	(6.69)	(99.61%)
<b>Profit (loss) for the period</b>	<b>5.30</b>	<b>2.95%</b>	<b>28.63</b>	<b>12.48%</b>	<b>(23.33)</b>	<b>(81.49%)</b>	<b>(5.18)</b>	<b>(1.62%)</b>	<b>36.63</b>	<b>9.20%</b>	<b>(41.81)</b>	<b>(114.13%)</b>

### Summary of Profit and Loss 2Q/2024

#### Revenue From core operation

In Q2/2024, the company had revenue from sales and services of THB 179.66 million, a decrease of THB 49.84 million, or 21.72%, from THB 229.51 million in Q2/2023. The majority of the revenue came from government customers, accounting for 58.50% of the total. The decrease in revenue was due to a decline in sales across all product categories, which was a result of delays in the 2024 government budget and intensified competition leading to price competition.

#### 1. Revenue from sales

Revenue from sales, categorized by groups of medical equipment and medical devices of the Company, can be divided into 6 groups based on their usage characteristics, as shown in the following income structure table

Medicine Devices	Consolidated FS Q2/2024		Consolidated FS Q2/2023		Increase (decrease)		Consolidated FS 6M/2024		Consolidated FS 6M/2023		Increase (decrease)	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Critical Care	68.00	37.85%	105.24	45.85%	(37.23)	(35.38%)	116.10	36.39%	181.94	45.68%	(65.85)	(36.19%)
2. Sleep Medicine	62.11	34.57%	69.56	30.31%	(7.45)	(10.71%)	121.77	38.17%	118.69	29.80%	3.08	2.59%
3. Cardiology	23.51	13.08%	30.26	13.19%	(6.75)	(22.32%)	37.47	11.75%	51.77	13.00%	(14.30)	(27.63%)
4. General	8.37	4.66%	9.28	4.04%	(0.91)	(9.79%)	13.28	4.16%	18.76	4.71%	(5.48)	(29.20%)
5. Smart Hospital	6.88	3.83%	6.14	2.68%	0.74	11.97%	9.65	3.03%	10.52	2.64%	(0.87)	(8.26%)
6. Wellness	0.74	0.41%	-	0.00%	0.74	100.00%	0.74	0.23%	-	0.00%	0.74	100.00%
<b>Total Revenue from sales</b>	<b>169.61</b>	<b>94.40%</b>	<b>220.48</b>	<b>96.07%</b>	<b>(50.87)</b>	<b>(23.07%)</b>	<b>299.01</b>	<b>93.73%</b>	<b>381.69</b>	<b>95.83%</b>	<b>(82.68)</b>	<b>(21.66%)</b>

In Q2/2024, the company had revenue from sales of THB 169.61 million, a decrease of THB 50.87 million, or 23.07%, from Q2/2023. The main reason for this decline was a reduction in sales across all product categories due to delays in government budgets. However, revenue from the smart hospital product group showed a slight improvement, and the company also expanded its product offerings in the wellness category.

## 2. Revenue from services

Medicine Services	Consolidated FS Q2/2024		Consolidated FS Q2/2023		Increase (decrease)		Consolidated FS 6M/2024		Consolidated FS 6M/2023		Increase (decrease)	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Rental and Fixing	6.96	3.87%	6.28	2.74%	0.68	10.78%	13.48	4.23%	11.66	2.93%	1.82	15.63%
2. Sleepstest	3.10	1.72%	2.75	1.20%	0.35	12.71%	6.52	2.04%	4.96	1.25%	1.56	31.42%
<b>Total Revenue from Services</b>	<b>10.06</b>	<b>5.60%</b>	<b>9.03</b>	<b>3.93%</b>	<b>1.03</b>	<b>11.37%</b>	<b>20.00</b>	<b>6.27%</b>	<b>16.62</b>	<b>4.17%</b>	<b>3.38</b>	<b>20.34%</b>

In Q2/2024, the company had revenue from services of THB 10.06 million, an increase of THB 1.03 million, or 11.37%, from Q2/2023. Revenue from leasing medical equipment and maintenance services was THB 6.96 million, up by THB 0.68 million, or 10.78%, from Q2/2023. Additionally, revenue from sleepstest services was THB 3.10 million, an increase of THB 0.35 million, or 12.71%, from Q2/2023.

## Other Income

The company's other income primarily consists of interest income and rental income from leased assets. For Q2 2024, the company reported other income of THB 1.98 million, an increase of THB 0.23 million, or 12.79%, from THB 1.76 million in Q2/2023.

## Cost of Sales and Services

The Company's cost of sales and services consists of two main components: 1) The cost of medical devices and equipment, including the cost of goods, import fees for products from abroad, and shipping costs. This component accounts for more than 80% of the total cost of sales and services; and 2) The cost of service and installation, including the cost of consumables and installation equipment, repair costs, employee-related expenses, and product testing costs.

In Q2/2024, the company had a total cost of sales and services of THB 114.36 million, a decrease of THB 26.54 million, or 18.84%, from Q2/2023. The decrease in cost of sales and services corresponds with the reduction in sales.

## Gross Profit and Gross Profit Margin

In Q2/2024, the company reported a gross profit from sales and services of THB 65.30 million, a decrease of THB 23.30 million, or 26.30%, from Q2/2023. The primary reasons for this decline were a reduction in sales and the depreciation of the Thai baht, which increased the cost of goods. Consequently, the gross profit margin for Q2/2024 was 36.35%, compared to 38.60% in Q2/2023, due to intensified competition.

## Selling Expenses

In Q2/2024, the company had selling expenses of THB 29.49 million, an increase of THB 2.15 million, or 7.88%, from Q2/2023. This increase was due to the introduction of new product lines in the Wellness and Radiology categories, which led to higher expenses related to personnel, advertising, public relations, as well as depreciation and medical equipment for trial use. As a result, the ratio of selling expenses to revenue from sales and services increased from 11.91% in Q2/2023 to 16.41% in Q2 2024.

Selling Expenses	Consolidated FS		Consolidated FS		Increase (Decrease)		Consolidated FS		Consolidated FS		Increase (Decrease)	
	Q2/2024		Q2/2023				6M/2024		6M/2023			
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Salary for Salespersons	13.50	45.77%	12.35	45.18%	1.15	9.27%	26.61	43.28%	24.58	44.61%	2.04	8.29%
2. Commission and Rewards	5.19	17.61%	5.29	19.34%	(0.10)	(1.81%)	9.06	14.74%	10.50	19.07%	(1.44)	(13.73%)
3. Depreciation of Medical Equipment for customers' trial	3.10	10.51%	2.74	10.02%	0.36	13.10%	6.00	9.77%	5.47	9.93%	0.53	9.76%
4. PR Expenses	1.96	6.64%	1.86	6.82%	0.09	5.00%	8.89	14.46%	4.26	7.73%	4.63	108.81%
5. Other Selling Expenses <sup>1/</sup>	5.74	19.48%	5.09	18.63%	0.65	12.82%	10.92	17.75%	10.28	18.66%	0.64	6.20%
<b>Total Selling Expenses</b>	<b>29.49</b>	<b>100.00%</b>	<b>27.33</b>	<b>100.00%</b>	<b>2.15</b>	<b>7.88%</b>	<b>61.49</b>	<b>100.00%</b>	<b>55.09</b>	<b>100.00%</b>	<b>6.40</b>	<b>11.62%</b>

Note: 1/ Other sales expenses include sales representatives' travel expenses, shipping costs within the sales department, accommodation expenses for sales representatives, and miscellaneous expenses.

## Administrative Expenses

Expenses for company management include salaries of management staff, administrative expenses, and depreciation and amortization costs. Among these, salaries of management staff account for the majority of the company's management expenses.

In Q2/2024, the company had administrative expenses of THB 30.36 million, an increase of THB 1.56 million, or 5.41%, from Q2/2023. This increase was attributed to higher employee salaries and consulting fees, although provisions for doubtful debts decreased. Administrative expenses for Q2/2024 represented 16.90% of total revenue, up from 12.55% in Q2/2023, due to the reduction in revenue.

Administrative Expenses	Consolidated FS		Consolidated FS		Increase (Decrease)		Consolidated FS		Consolidated FS		Increase (Decrease)	
	Q2/2024		Q2/2023				6M/2024		6M/2023			
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Salary of Management	15.60	51.38%	12.15	42.19%	3.45	28.40%	30.89	56.88%	24.16	49.86%	6.73	27.86%
2. Administration Expenses	9.82	32.35%	5.20	18.06%	4.62	88.85%	15.72	28.94%	9.67	19.95%	6.05	62.56%
3. Depreciation and Amortization	3.19	10.51%	3.13	10.87%	0.06	1.92%	6.14	11.31%	6.46	13.33%	(0.32)	(4.95%)
4. Other Administrative Expenses <sup>1/</sup>	1.76	5.80%	8.32	28.89%	(6.56)	(78.85%)	1.56	2.87%	8.16	16.84%	(6.60)	(80.88%)
<b>Total Administrative Expenses</b>	<b>30.36</b>	<b>100.00%</b>	<b>28.80</b>	<b>100.00%</b>	<b>1.56</b>	<b>5.41%</b>	<b>54.31</b>	<b>100.00%</b>	<b>48.46</b>	<b>100.00%</b>	<b>5.85</b>	<b>12.07%</b>

Note: 1/ Other Administrative Expenses include Repair and maintenance costs, rental fees, provisions for doubtful debts, and others.

## Profit / Loss on the Foreign Exchange Rate

In 2Q/2024, the Company had a foreign exchange loss of THB 0.39 million, a decrease of THB 0.73 million from 2Q/2023. The Thai baht depreciated this period. However, the company managed foreign exchange risk by entering into forward foreign exchange contracts. These contracts are used to hedge against risks related to purchasing medical equipment in foreign currencies, and the company does not engage in foreign exchange speculation.

## Finance Costs

In Q2/2024, the company had financial costs of THB 1.12 million, an increase of THB 0.30 million, or 36.66%, from THB 0.82 million in Q2/2023. This increase was primarily due to higher borrowing from financial institutions to meet working capital needs for purchasing inventory. However, the company maintains a very low debt-to-equity ratio.

## Net Profit / Loss and Net Profit / Loss Margin

In Q2/2024, the company had a net profit of THB 5.30 million, a decrease of THB 23.33 million, or 81.49%, compared to the same period last year. The primary reason for this decline was a reduction in sales, while fixed costs remained consistent as previously mentioned.

The net profit margin for Q2/2024 was 2.95%, down from 12.48% in Q2/2023. This decrease in net profit margin was due to the reduction in sales while fixed costs persisted, leading to a lower net profit margin.

## Summary of the Income Statement for the Six-Month Period Ending in 2024

For the six-month period of 2024, the company had revenue from sales and services of THB 319.00 million, a decrease of THB 79.30 million, or 19.91%. The primary reason for this decline was a reduction in sales across all product categories due to delays in the budget. However, sales in the sleep medicine category improved by 2.59%, and the company expanded its Wellness product line. Revenue from government clients accounted for 58.50% of total sales and services revenue.

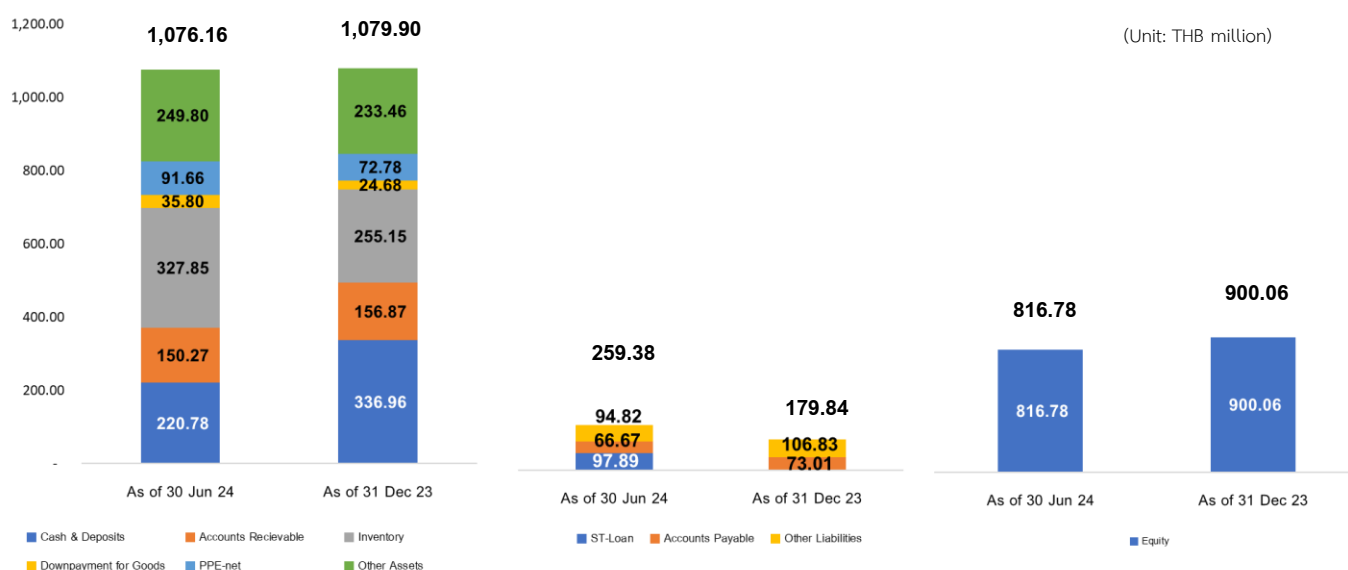
The gross profit margin for the six-month period of 2024 decreased from 36.31% in the same period of 2023 to 34.18%, due to a reduction in revenue and increased costs.

Selling and administrative expenses amounted to THB 115.80 million, an increase of THB 12.25 million, or 11.83%, compared to the same period last year. This increase was due to the hiring of additional personnel to support business expansion.

The company had a net loss of THB 5.18 million for the six-month period of 2024, a decrease of THB 41.81 million, or 114.13%, compared to a net profit of THB 36.63 million in the same period of 2023.

## Statement of Financial Position

### Asset and Capital Structure as of 30 June 2024



### Total Assets

As of June 30, 2024, the company had total assets of THB 1,076.16 million, a decrease of THB 3.74 million, or 0.35%, from the end of 2023. This decline was primarily due to a reduction in current assets, as cash and cash equivalents decreased by THB 116.18 million, which will be further explained in the cash flow section below. However, inventory, land, buildings, and equipment increased.

### Total Liabilities

As of June 30, 2024, the company had total liabilities of THB 259.38 million, an increase of THB 79.54 million, or 44.22%, from the end of 2023. This increase was primarily due to higher short-term borrowings from financial institutions. The company's average credit term with trade creditors is 45 days, depending on the policies of the medical equipment manufacturers. As of June 30, 2024, the average payment term was 28 days, down from 50 days at the end of 2023.



## Total Shareholders' Equity

As of June 30, 2024, shareholders' equity was THB 816.78 million, a decrease of THB 83.28 million, or 9.25%, from THB 900.06 million at the end of 2023. This decline was due to operating losses, share buybacks, and continuous dividend payments, which reduced shareholders' equity.

The company has a stable capital structure, with working capital predominantly sourced from shareholders' equity. As of June 30, 2024, the company's total liabilities to shareholders' equity ratio was 0.32, up from 0.20 at the end of 2023. This increase was primarily due to higher short-term liabilities and a decrease in shareholders' equity from operating losses and share buybacks for financial management purposes.

## Statement of Cashflow

(Unit: THB million)

Items	Q2/2024	Q2/2023
Net cash provided from (used in) operating activities	(101.14)	(50.41)
Net cash used in investing activities	(30.82)	(5.55)
Net cash used in financing activities	15.78	(117.99)
<b>Net decrease in cash and cash equivalents</b>	<b>(116.18)</b>	<b>(173.95)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>336.96</b>	<b>545.32</b>
<b>Cash and cash equivalents at ending of period</b>	<b>220.78</b>	<b>371.37</b>

During Q2/2024, the Company's cash flow various activities were as follows:

- **Net cash used in operating activities:** THB 101.14 million, mainly due to an operating loss of THB 5.15 million and an increase in inventory of THB 82.80 million.
- **Net cash used in investing activities:** THB 30.82 million, primarily for investments in trial medical equipment, which is used for product demonstrations or as reserves during repairs, as well as for rental medical equipment.
- **Net cash from in financing activities:** THB 15.78 million, mainly for the short-term loans from financial institutions of THB 97.90 million. However, this was offset by dividend payments of THB31.30 million and share buybacks of THB 46.78 million.

These activities resulted in a net decrease in cash and cash equivalents of THB 116.18 million, leaving the Company with cash and cash equivalents of THB 220.78 million as of 30 June 2024.

## Sustainability Development (ESG)

The Company recognizes the importance of sustainable operations, believing that delivering high-quality, modern medical equipment will contribute significantly to Thailand's public health system. Moreover, the Company is continually seeking new medical equipment innovations to enhance patient treatment efficiency and reduce the workload of doctors and medical staff. An example is the AI system for detecting lung cancer (Lung CA) from CT images. The Company earnestly hopes that its medical equipment will play a role in supporting Thailand's development as a Medical Hub and assist in caring for the population in an ageing society, thereby improving their quality of life.

Please be informed accordingly,

Sincerely yours,

*- Viroje Vasusuttikulant -*

(Dr. Viroje Vasusuttikulant)

Chief Executive Officer

Saintmed Public Company Limited