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November 14, 2024

Subject Management Discussion and Analysis of the Quarter 3 in year 2024

To Directors & Managers
The Stock Exchange of Thailand

Summary of Key Events and Developments:

Investment in Shares of Inter Pharma Medtech Co., Ltd. (formerly known as “Metta Medtech Co., Ltd.”)

According to the resolution of the Board of Directors of Inter Pharma Public Company Limited (the “Company”) at the 4/2024 meeting on September 3, 2024, the board has approved the investment in common shares of Inter Pharma Medtech Co., Ltd. (“IPM”) by acquiring 60% of the total shares. IPM operates in the business of selling medical equipment and providing rehabilitation medicine and physical therapy clinic services. This investment aligns with the Company's core strategy to expand its business for stable and rapid growth (Growth Strategy) and to further enhance its operations in a more comprehensive manner. The business expansion will be a crucial strategy that allows the Company to achieve growth in revenue and profit in a sustainable and stable manner in the future.

Affect Factors for Future Operations or Growth:

The Company and its subsidiaries operate in the healthcare industry, covering from manufacturing to sales through both B2B (business-to-business) and B2C (business-to-consumer) channels. Our products are distributed via proprietary retail outlets, specifically our drug stores “Lab Pharmacy,” as well as through various online platforms, thereby enhancing the accessibility and convenience with which quality products are delivered to consumers. The growth of the Company and its subsidiaries in this business is in line with changing consumer behavior, where there is an increasing focus on health. Consumers are demanding more health products, such as vitamins, dietary supplements, and over-the-counter medications.

These trends present significant opportunities for the Company to capitalize on market demand by expanding its portfolio of high-quality products. However, the Company also faces challenges posed by counterfeit products in the market, which may adversely affect its brand reputation and undermine consumer confidence in the quality of its offerings. The Company must continue to differentiate itself from competitors by offering convenient products and services, as well as building strong customer relationships to foster long-term loyalty. Price competitiveness is another key factor, as customers can easily check and compare prices across various online platforms.

Changes in government policies that may impact the overall profitability of the business, such as price controls on medicines or reimbursements from the National Health Security Office (NHSO) or the UCEP program, could affect the pharmacy and hospital businesses. The Company will need to plan for cost reductions while maintaining qualified healthcare personnel, including pharmacists, to retain customer bases and build brand loyalty. Improving the manufacturing standards of its factories to meet EU standards will help the Company compete in the global market and expand its customer base through the export of pharmaceutical and dietary supplement products to international markets.

Summary of operating results

Inter Pharma Public Co., Ltd. (“the Company”) hereby submitting management discussion and analysis for the 3 month and 9 month periods ended September 30, 2024 as per here below:

	Q3'24	Q3'23	Change		9	9	Change	
	MB	MB	MB	%	Month'24	Month'23	MB	%
Revenue from Sales & Services	436.10	438.84	-2.74	-0.6	1,365.38	1,356.17	9.21	0.7
Total Revenue	440.75	443.03	-2.28	-0.5	1,376.30	1,368.20	8.10	0.6
Cost of goods sold	279.39	282.42	-3.03	-1.1	862.43	843.50	18.93	2.2
Gross Profit	156.72	156.42	0.29	0.2	502.95	512.67	-9.72	-1.9
%Gross Profit	35.9%	35.6%			36.8%	37.8%		
Selling & Distribution Expenses	99.77	91.72	8.06	8.8	316.82	258.67	58.15	22.5
Administrative expenses	47.83	40.22	7.61	18.9	148.04	150.68	-2.64	-1.7
Selling, Distribution & Administrative Exp.	147.60	131.94	15.67	11.9	464.86	409.35	55.51	13.6
%Selling, Distribution & Administrative Exp.	33.8%	30.1%			34.0%	30.2%		
Net Profit	6.28	13.50	-7.22	-53.5	22.12	66.81	-44.68	-66.9
%Net Profit	1.4%	3.0%			1.6%	4.9%		

Performance for the 3-Month Period Ending September 30, 2024

Total revenue of 436 million Baht, a decrease of 3 million Baht or 0.6% YoY. The gross profit margin increased slightly compared to the same quarter of the previous year. Selling and distribution expenses increased by 8 million Baht or 9% YOY, primarily due to expenses for expanding the pharmacy business by 5 million Baht and the consolidation of the medical device innovation business by 4 million Baht. Administrative expenses increased by 8 million Baht or 19% YOY, mainly due to depreciation costs for opening new pharmacy stores and renovating Nakhonpat Inter hospital amounting to 4 million Baht, as well as the consolidation of the medical device innovation business by 4 million Baht.

Performance for the 9-Month Period Ending September 30, 2024

Total revenue of 1,365 million Baht, an increase of 9 million Baht or 0.7% YOY. The gross profit margin decreased by 2% YOY, due to the higher revenue share from the pharmaceutical products and pharmacy business, which have a lower profit margin than anti-aging and cosmeceutical products. Selling and distribution expenses increased by 58 million Baht or 3.8%, mainly due to 28 million Baht in advertising expenses and marketing activities, 25 million Baht for expanding the pharmacy business (with 8 new branches added, the total from 29 branches in Q3-2023 to 37 branches in Q3-2024), and 4 million Baht from the consolidation of the medical device innovation business. Administrative expenses decreased by 2.64 million Baht or 1.7%.

Revenue by Segment

	Q3'24		Q3'23		Change		9 Month'24		9 Month'23		Change	
	MB	%	MB	%	MB	%	MB	%	MB	%	MB	%
1. Hospital Market	61.6	14.1	41.1	9.4	20.5	50.0	173.8	12.7	141.2	10.4	32.7	23.1
2. Consumer Market	59.3	13.6	95.3	21.7	- 36.0	- 37.8	283.4	20.8	351.4	25.9	- 67.9	- 19.3
3. Animal Healthcare	88.5	20.3	88.3	20.1	0.2	0.2	255.0	18.7	256.3	18.9	- 1.3	- 0.5
4. Lab Pharmacy	154.8	35.5	154.1	35.1	0.7	0.4	486.6	35.6	437.6	32.3	49.0	11.2
5. Hospital Business	50.8	11.6	60.1	13.7	- 9.3	- 15.5	145.3	10.6	169.8	12.5	- 24.4	- 14.4
6. Medical Device Innovation Business	21.1	4.8	-	-	21.1	-	21.1	1.5	-	-	21.1	-
Revenue from sale&service	436.1	100	438.9	100	-2.8	-0.6	1,365.3	100.0	1,356.2	100.0	9.1	0.7

Revenue from Hospital Market

For the three-month and nine-month periods ending September 30, 2024, revenue from the hospital market increased by 50% and 23%, respectively, YOY. This growth underscores the successful expansion of the market and the strengthening of the Company's position within this key customer segment.

Revenue from Consumer Market:

Meanwhile, revenue from the consumer market decreased by 38% and 19%, respectively, due to several factors, including a decline in orders from modern trade and OTC channels following the discovery of counterfeit products on certain platforms. Additionally, the revenue was impacted by flooding in several provinces of Thailand and temporary factory closures for infrastructure improvements to support the EU Standard project for the production of eye drops. However, this decrease is seen as part of the preparation for future growth, especially with the upcoming launch of new products both domestically and internationally.

Revenue from Animal Healthcare Products:

Revenue from animal healthcare products showed steady growth compared to the same period last year, demonstrating continued strength and expanding demand in this market segment.

Revenue from Lab Pharmacy Business:

For the 3-month and 9-month periods ending September 30, 2024, revenue from the lab pharmacy business increased by 0.7 million Baht and 49 million Baht, respectively, representing growth of 0.4% and 11%. This positive performance is attributed to the expansion of branches to 37 locations (with 2 new branches added in Q3-2024 and 8 new branches compared to the same period last year). Although sales have decreased due to slower consumer spending, the expansion of branches is expected to generate new opportunities for sales growth moving forward.

Revenue from Hospital and Clinic Business:

For the 3-month and 9-month periods ending September 30, 2024, revenue from the hospital and clinic business decreased by 16% and 14%, respectively. The decline in revenue was primarily due to the ongoing renovation and rebranding initiatives at Nakhonpat Inter Hospital. However, with the scheduled reopening of the Diagnostic Radiology Center and Outpatient Zones in November 2024, it is anticipated that revenue from this segment will begin to recover and show improvement in the forthcoming quarter.

Revenue from the Medical Device Innovation Business

Revenue from the medical device innovation business in the field of rehabilitation medicine increased by 21 million baht following a joint investment in September 2024. The objective of this investment was to expand operations for stable and rapid growth, aligning with our goal to achieve a comprehensive, integrated healthcare business model.

	Q3'24		Q3'23		Change		9 Month'24		9 Month'23		Change	
	MB	%	MB	%	MB	%	MB	%	MB	%	MB	%
Cost of goods sold	279.39	65.43	282.42	68.16	-3.03	-1.1	862.43	64.98	843.50	67.33	18.93	2.2
Selling & Distribution Expenses	99.77	23.37	91.72	22.14	8.06	8.8	316.82	23.87	258.67	20.65	58.15	22.5
Administrative expenses	47.83	11.20	40.22	9.71	7.61	18.9	148.04	11.15	150.68	12.03	-2.64	-1.7
Total Expenses	426.99	100.00	414.36	100.00	12.64	3.0	1,327.29	100.00	1,252.85	100.00	74.44	5.9

Cost of Goods Sold and Gross Profit:

For the 3-month period ending September 30, 2024, the cost of goods sold was 279 million Baht, with a gross profit margin of 36%, which is a slight increase compared to the same period of the previous year.

For the 9-month period, the cost of goods sold was 862 million Baht, with a gross profit margin of 37%, a decrease of 2% YOY. The main reason for this decrease is the higher revenue share from pharmaceutical products and the pharmacy business, which have lower profit margins compared to anti-aging and nutraceutical products.

The shift in the revenue mix reflects the Company's strategic market expansion, designed to meet the diverse needs of its customer segments. The increase in revenue from lower-margin products highlights the Company's capability to broaden its customer base and penetrate a wider market, thereby positioning itself for sustainable long-term growth. Furthermore, the change in the revenue structure provides the Company with opportunities to refine its strategy for enhancing operational efficiency and improving profit margins moving forward. The increase in the cost of goods sold, along with the adjustment in the revenue mix, will contribute to building a sustainable customer base and fostering continuous long-term growth.]

Selling and Distribution Expenses:

For the 3-month and 9-month periods ending September 30, 2024, selling expenses amounted to 100 million Baht and 317 million Baht, respectively, representing an increase of 9% and 23% YOY. Key selling expenses include investments in advertising and marketing activities, which focus on pharmaceutical, wellness and cosmeceutical, and companion animal health. These investments reflect the Company's commitment to product development and effectively responding to market demands.

Additionally, there has been an increase in investment in transportation and distribution expenses, as well as strengthening the sales team and expanding the pharmacy business. This year, the Company expanded its pharmacy branches by 8 locations compared to the same period last year, which will enhance the ability to reach customers and sustainably grow the customer base. Investments in areas such as branch expansion and sales efficiency improvements demonstrate the Company's focus on supporting the future growth and expansion of its business.

The integration of the medical device innovation business further strengthens the overall business group and supports long-term growth prospects.

Administrative Expenses:

For the 3-month period ending September 30, 2024, administrative expenses amounted to 48 million Baht, an increase of 19% YOY. The main reasons for this increase were depreciation expenses for pharmacy branch stores, 4 million Baht for hospital renovations, and 4 million Baht for the integration of the medical device innovation business.

For the 9-month period ending September 30, 2024, administrative expenses totaled 148 million Baht, a decrease of 2% compared to the previous year. This decrease reflects the Company's ability to manage expenses efficiently.

The reduction in administrative expenses is a result of more effective management strategies, allowing the Company to control costs without affecting its core operations. The success in cost control demonstrates the Company's ability to adapt and manage expenses prudently, which is a critical foundation for financial stability and preparing for future growth.

Net Profit:

For the 3-month and 9-month periods ending September 30, 2024, net profit was 6 million Baht and 22 million Baht, respectively, with net profit margins of 1.4% and 1.6%. The net profit margin decreased compared to the same period last year, primarily due to increased investments in business expansion and brand strengthening.

Key investments during this period included advertising expenditures, such as television commercials (TVC), billboards, and online platforms, alongside marketing activities designed to enhance brand awareness and expand the customer base. Additionally, there was an increase in salary and wage expenses due to the expansion of the sales team, as well as higher rental costs associated with the pharmacy business. The slowdown in production, aimed at upgrading the factory and infrastructure to meet EU standards for eye drop production, coupled with the integration of the medical device innovation business, has contributed to the continued expansion and diversification of the Company's operations.

These investments reflect a strategy focused on sustainable business development, which will help strengthen the brand and enhance future growth potential. Emphasizing business expansion and market awareness will be key factors in increasing revenue and profit in the long term.

Financial Position

	As at September 30,	As at December 31,	Change	
	2024 MB	2023 MB	MB	%
Total Asset	2,985.83	2,952.37	33.47	1.1
Total Liabilities	847.31	834.65	12.67	1.5
Total Shareholders' Equity	2,138.52	2,117.72	20.80	1.0

Assets:

As of September 30, 2024, the total assets of the Company and its subsidiaries amounted to 2,986 million Baht, an increase of 33 million Baht or 1.1% compared to December 31, 2023. The main reason for this increase was a decrease in current assets of 221 million Baht, primarily from cash and cash equivalents and trade receivables, and an increase in non-current assets of 255 million Baht, primarily from land, buildings, and equipment, as well as the difference between the cost of acquiring investments in subsidiaries and the identifiable assets of the acquired entities.

Liabilities:

As of September 30, 2024, the total liabilities of the Company and its subsidiaries amounted to 847 million Baht, an increase of 13 million Baht or 1.5% compared to December 31, 2023. This increase was mainly due to a 4 million Baht rise in current liabilities from short-term borrowings, and a 9 million Baht increase in non-current liabilities from the rise in accrued investments.

Shareholders' Equity

As of September 30, 2024, the shareholders' equity of the Company and its subsidiaries was 2,139 million Baht, an increase of 21 million Baht or 1% compared to December 31, 2023. The main reasons for the increase were the net profit of 23 million Baht for the period, an increase in non-controlling interests of 11 million Baht, and dividend payments totaling 129 million Baht, consisting of 116 million Baht in common stock and 13 million Baht in cash.

Sustainability Development

The Company has placed significant emphasis on sustainable business practices, with a strong commitment to social and environmental responsibility, aiming to achieve sustainable growth and create added value for all stakeholders. The Company has established strategies, goals, and plans for short-term, medium-term, and long-term operations, with the Board of Directors and management prioritizing sustainability development to ensure the Company's long-term success in all areas, including social and environmental responsibility, and corporate governance in line with good corporate governance practices.

In the past quarter, the Company has undertaken the following actions:

- Installed a total solar rooftop system with a capacity of 851.20 kWp, with an expected reduction in CO2 emissions of up to 630 tons per year (tCO2eq). The installation has been completed, and the solar rooftop system has generated 299,150 kWh of electricity, resulting in a reduction of 149.55 tons of CO2 emissions per year (tCO2eq).
- Upgrading the Green Industry to Level 2 (Green Activity) for the factory in Ayutthaya and the factory in Samut Prakan.
- Ongoing monitoring and management of pollution and waste to ensure compliance with established standards.

Yours sincerely,

Chatkaew Krudkosol
Chief Finance Officer