

No. SMD 17/2024

November 13, 2024

Subject: Management Discussion and Analysis for the 3rd quarter of 2024, ending September 30, 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 3rd quarter of 2024, ending September 30, 2024 with the following details:

Executive Summary, Key Events, and Business Strategies

In Q3/2024, the company had a revenue from sales and services of THB 252.27 million, an increase of THB 69.34 million, or 37.91%, from the same period last year (YoY). The gross profit was THB 98.00 million, an increase of THB 34.16 million, or 53.51% YoY, with a gross profit margin of 38.85%, up 3.95% from 34.90% in Q3/2023. In this quarter, the company reported a net profit of THB 29.08 million, an increase of THB 16.84 million or 137.58% YoY. For the nine-month period of 2024, the company reported a net profit of THB 23.91 million, a decline of THB 24.97 million, or 51.09%, compared to a net profit of THB 48.88 million in the nine-month period of 2023.

The net profit for Q3/2024 increased compared to the same period last year due to the acceleration of government budget disbursements in the first and second quarters of 2024, resulting in returning product orders. However, the nine-month performance of 2024 decreased compared to the same period last year due to limited government budget availability and increased competition 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.

Financial Performance

Statement of Profit and Loss

รายการ	Consolidated FS		Consolidated FS		Increase (decrease)		Consolidated FS		Consolidated FS		Increase (decrease)	
	3Q/24		3Q/23		YoY		9M/24		9M/23		YoY	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
Revenue												
Revenues	240.93	95.50%	172.66	94.39%	68.27	39.54%	539.94	94.52%	554.35	95.38%	(14.41)	(2.60%)
Service income	11.34	4.50%	10.27	5.61%	1.07	10.42%	31.33	5.48%	26.88	4.62%	4.45	16.56%
Total Revenue	252.27	100.00%	182.93	100.00%	69.34	37.91%	571.27	100.00%	581.23	100.00%	(9.96)	(1.71%)
Cost of Goods Sold	(146.36)	(58.02%)	(112.08)	(61.27%)	(34.28)	30.59%	(343.36)	(60.10%)	(354.47)	(60.99%)	11.11	(3.13%)
Cost of Service	(7.91)	(3.14%)	(7.01)	(3.83%)	(0.90)	12.84%	(20.88)	(3.66%)	(18.28)	(3.14%)	(2.60)	14.24%
Total Cost	(154.27)	(61.15%)	(119.09)	(65.10%)	(35.18)	29.54%	(364.24)	(63.76%)	(372.75)	(64.13%)	8.51	(2.28%)
Gross profit	98.00	38.85%	63.84	34.90%	34.16	53.51%	207.03	36.24%	208.48	35.87%	(1.45)	(0.70%)
Other income	1.28	0.51%	1.34	0.73%	(0.06)	(4.48%)	5.10	0.89%	4.46	0.77%	0.64	14.35%
Profit before expenses	99.28	39.35%	65.18	35.63%	34.10	52.32%	212.13	37.13%	212.94	36.64%	(0.81)	(0.38%)
Selling expenses	(35.36)	(14.02%)	(28.95)	(15.83%)	(6.41)	22.14%	(96.85)	(16.95%)	(84.04)	(14.46%)	(12.81)	15.24%
Administrative expenses	(25.95)	(10.29%)	(20.36)	(11.13%)	(5.59)	27.46%	(80.26)	(14.05%)	(68.82)	(11.84%)	(11.44)	16.62%
Gain (Loss) on exchange rate	2.39	0.95%	(0.56)	(0.31%)	2.95	(526.79%)	2.19	0.38%	(0.02)	(0.00%)	2.21	(11050.00%)
Total expenses	(58.92)	(23.36%)	(49.87)	(27.26%)	(9.05)	18.15%	(174.92)	(30.62%)	(152.88)	(26.30%)	(22.04)	14.42%
Operating profit (loss)	40.36	16.00%	15.31	8.37%	25.05	163.62%	37.21	6.51%	60.06	10.33%	(22.85)	(38.05%)
Finance costs	(2.30)	(0.91%)	(0.81)	(0.44%)	(1.49)	183.95%	(4.30)	(0.75%)	(2.20)	(0.38%)	(2.10)	95.45%
Profit (loss) before income tax	38.06	15.09%	14.50	7.93%	23.56	162.48%	32.91	5.76%	57.86	9.96%	(24.95)	(43.12%)
Income tax	(8.98)	(3.56%)	(2.26)	(1.24%)	(6.72)	297.35%	(9.00)	(1.58%)	(8.98)	(1.54%)	(0.02)	0.22%
Profit (loss) for the period	29.08	11.53%	12.24	6.69%	16.84	137.58%	23.91	4.19%	48.88	8.41%	(24.97)	(51.09%)

Summary of Profit and Loss Q3/2024 and The Nine-Month Period Ending in 2024

Revenue From core operation

In Q3/2024, the company had revenue from sales and services of THB 252.27 million, an increase of THB 69.34 million, or 37.91%, from THB 182.93 million in Q3/2023. The majority of the revenue came from government customers, accounting for 67.27% of the total. The increase in revenue was due to the accelerated disbursement of the 2024 government budget. For the nine-month, the company had revenue from sales and services of THB 571.27 million, a decrease of THB 9.96 million, or 1.71% YoY. The decline was attributed to intensified competition and increased pricing pressure due to a rise in the number of competitors.

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		Consolidated FS		Increase (decrease)		Consolidated FS		Consolidated FS		Increase (decrease)	
	3Q/24		3Q/23		YoY		9M/24		9M/23		YoY	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Critical Care	124.71	51.76%	72.72	42.12%	51.99	71.48%	241.14	44.66%	254.67	45.94%	(13.53)	(5.31%)
2. Sleep Medicine	55.34	22.97%	59.24	34.31%	(3.90)	(6.58%)	177.01	32.78%	177.93	32.10%	(0.92)	(0.52%)
3. Cardiology	39.03	16.20%	27.16	15.73%	11.87	43.70%	76.30	14.13%	78.93	14.24%	(2.63)	(3.33%)
4. General	6.00	2.49%	9.32	5.40%	(3.32)	(35.60%)	19.26	3.57%	28.07	5.06%	(8.81)	(31.39%)
5. Smart Hospital	12.17	5.05%	4.22	2.44%	7.95	188.41%	21.81	4.04%	14.75	2.66%	7.06	47.86%
6. Wellness	3.68	1.53%	-	0.00%	3.68	100.00%	4.42	0.82%	-	0.00%	4.42	100.00%
Total Revenue from sales	240.93	100.00%	172.66	100.00%	68.27	39.54%	539.94	100.00%	554.35	100.00%	(14.41)	(2.60%)

In Q3/2024, the company had revenue from sales of THB 240.93 million, an increase of THB 68.27 million, or 39.54% YoY. This growth was primarily driven by increased sales in the critical care, cardiology, smart hospital, and wellness product segments, following the accelerated disbursement of delayed government budgets in the first half of 2024. However, sales in the sleep medicine and general medical equipment segments declined. For the nine-month period of 2024, the company had revenue from sales of THB 539.94 million, a decrease of THB 14.41 million, or 2.60% YoY. This was due to limited government budgets and an increase in competitors, resulting in intensified industry competition.

2. Revenue from services

Medicine Services	Consolidated FS		Consolidated FS		Increase (decrease)		Consolidated FS		Consolidated FS		Increase (decrease)	
	3Q/24		3Q/23		YoY		9M/24		9M/23		YoY	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Rental and Fixing	7.88	69.49%	6.80	66.21%	1.08	15.88%	21.35	68.15%	18.45	68.64%	2.90	15.72%
2. Sleepstest	3.46	30.51%	3.47	33.79%	(0.01)	(0.29%)	9.98	31.85%	8.43	31.36%	1.55	18.39%
Total Revenue from Services	11.34	100.00%	10.27	100.00%	1.07	10.42%	31.33	100.00%	26.88	100.00%	4.45	16.56%

In Q3/2024, the company had revenue from services of THB 11.34 million, an increase of THB 1.07 million, or 10.42% YoY. Revenue from leasing medical equipment and maintenance services was THB 7.88 million, up by THB 1.08 million, or 15.88% YoY. Additionally, revenue from sleepstest services was THB 3.46 million, a decrease of THB 0.01 million, or 0.29% YoY. For the nine-month period of 2024, the company had revenue from services of THB 31.33 million, an increase of THB 4.45 million, or 16.56% YoY.

Other Income

The company's other income primarily consists of interest income and rental income from leased assets. For Q3/2024, the company reported other income of THB 1.28 million, a decrease of THB 0.06 million, or 4.48%, compared to THB 1.34 million in Q3/2023. For the nine-month period of 2024, the company reported other income of THB 5.10 million, an increase of THB 0.64 million, or 14.35% YoY.

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, this including the cost of goods, import fees for products from abroad, shipping costs, and installation cost. 2) The cost of service, this including the cost of consumables, repair costs, employee-related expenses, and product testing costs.

In Q3/2024, the company had a total cost of sales and services of THB 154.27 million, an increase of THB 35.18 million, or 29.54% YoY, due to the appreciation of the Thai baht, which helped reduce costs. For the nine-month period of 2024, the company had a total cost of sales and services of THB 364.24 million, a decrease of THB 8.51 million, or 2.28% YoY.

Gross Profit and Gross Profit Margin

In Q3/2024, the company reported a gross profit from sales and services of THB 98.00 million, an increase of THB 34.16 million, or 53.51% YoY. This increase was mainly due to higher sales and the appreciation of the Thai baht, which reduced product costs. For the nine-month period of 2024, the company reported a gross profit from sales of THB 207.03 million, a decrease of THB 1.45 million, or 0.70% YoY.

The company's gross profit margin in Q3/2024 was 38.85%, compared to 34.90% in Q3/2023. For the nine-month period of 2024, the gross profit margin was 36.24%, compared to 35.87% in 2023, due to the reduced cost of goods.

Selling Expenses

In Q3/2024, the company had selling expenses of THB 35.36 million, an increase of THB 6.41 million, or 22.14% YoY. 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 increased commissions, incentives, and sales staff salaries. However, the ratio of selling expenses to sales and service revenue decreased from 15.83% in Q3/2023 to 14.02% in Q3/2024. For the nine-month period of 2024, the company had selling expenses of THB 96.85 million, an increase of THB 12.81 million, or 15.24% YoY.

Table of selling expenses

Selling Expenses	Consolidated FS 3Q/24		Consolidated FS 3Q/23		Increase (Decrease) YoY		Consolidated FS 9M/24		Consolidated FS 9M/23		Increase (Decrease) YoY	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Salary for Salespersons	13.81	39.06%	12.19	42.11%	1.62	13.29%	40.42	41.73%	36.77	43.75%	3.65	9.93%
2. Commission and Rewards	7.43	21.01%	5.54	19.14%	1.89	34.12%	16.49	17.03%	16.05	19.10%	0.44	2.74%
3. Depreciation of Medical Equipment for customers' trial	3.41	9.64%	2.80	9.67%	0.61	21.79%	9.42	9.73%	8.27	9.84%	1.15	13.91%
4. PR Expenses	5.32	15.05%	2.93	10.12%	2.39	81.57%	14.22	14.68%	7.19	8.56%	7.03	97.77%
5. Other Selling Expenses ¹	5.39	15.24%	5.49	18.96%	(0.10)	(1.82%)	16.30	16.83%	15.76	18.75%	0.54	3.43%
Total Selling Expenses	35.36	100.00%	28.95	100.00%	6.41	22.14%	96.85	100.00%	84.04	100.00%	12.81	15.24%

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 Q3/2024, the company had administrative expenses of THB 25.95 million, an increase of THB 5.59 million, or 27.46% YoY. This increase was due to higher employee salaries and consulting fees. The administrative expenses for Q3/2024 accounted for 10.29% of total revenue, a decrease from 11.13% in Q3/2023, due to the increase in revenue. For the nine-month period of 2024, the company had administrative expenses of THB 80.26 million, an increase of THB 11.44 million, or 16.62% YoY. The administrative expenses accounted for 14.05% of total revenue, an increase from 11.84% in the nine-month period of 2023.

Table of Administrative Expenses

Administrative Expenses	Consolidated FS		Consolidated FS		Increase (Decrease)		Consolidated FS		Consolidated FS		Increase (Decrease)	
	3Q/24		3Q/23		YoY		9M/24		9M/23		YoY	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
1. Salary of Management	15.45	59.54%	12.37	60.77%	3.08	24.90%	46.34	57.74%	36.54	53.10%	9.80	26.82%
2. Administration Expenses	6.43	24.78%	4.97	24.42%	1.46	29.38%	22.15	27.60%	14.65	21.29%	7.50	51.19%
3. Depreciation and Amortization	3.37	12.99%	2.88	14.12%	0.49	17.01%	9.51	11.85%	9.34	13.57%	0.17	1.82%
4. Other Administrative Expenses ^{1/}	0.70	2.70%	0.14	0.69%	0.56	400.00%	2.26	2.82%	8.29	12.05%	(6.03)	(72.74%)
Total Administrative Expenses	25.95	100.00%	20.36	100.00%	5.59	27.46%	80.26	100.00%	68.82	100.00%	11.44	16.62%

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 Q3/2024, the Company had a foreign exchange gain of THB 2.39 million, compared to a foreign exchange loss of THB 0.56 million in Q3/2023. The nine-month period of 2024. The company had a foreign exchange gain of THB 2.19 million, compared to a foreign exchange loss of THB 0.02 million in the same period of 2023.

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

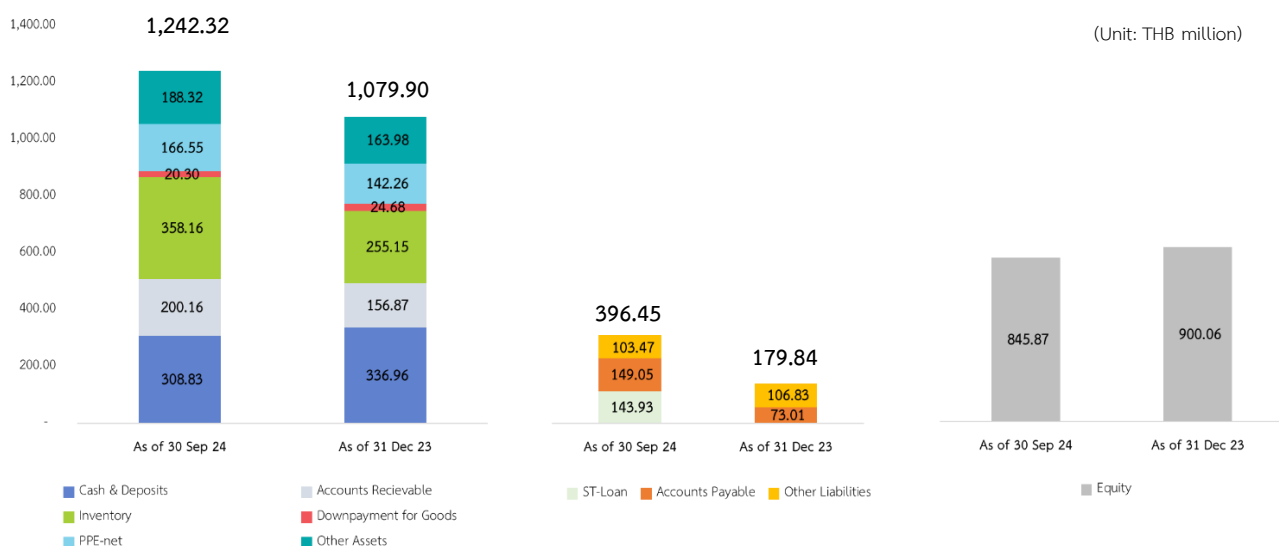
The company reported financial costs of THB 2.30 million in Q3/2024, an increase of THB 1.49 million, or 183.95% compared to THB 0.81 million in Q3/2023. For the nine-month period of 2024, the company reported financial costs of THB 4.30 million, an increase of THB 2.10 million, or 95.45% YoY. This increase was mainly due to the rise in loans from financial institutions to meet working capital requirements for purchasing goods.

Net Profit and Net Profit Margin

In Q3/2024, the company had a net profit of THB 29.08 million, an increase of THB 16.84 million, or 137.58% YoY. The main reason for this increase was higher sales, although fixed costs remained as usual, as previously mentioned. For the nine-month period of 2024, the company had a net profit of THB 23.91 million, a decrease of 24.97 million, or 51.09% YoY. The company's net profit margin for Q3/2024 was 11.53%, an increase from 6.69% in Q3/2023, due to the growth in sales, which led to a higher net profit margin. For the nine-month period of 2024, the company's net profit margin was 4.19%, a decrease from 8.41% in the same period of 2023.

Statement of Financial Position

Asset and Capital Structure as of 30 September 2024



Total Assets

As of September 30, 2024, the company had total assets of THB 1,242.32 million, an increase of THB 162.42 million, or 15.04%, from the end of 2023. This increase was primarily due to higher inventory levels and an increase in land, buildings, and equipment. However, cash and cash equivalents decreased by THB 28.13 million, which will be further explained in the cash flow section below.

Total Liabilities

As of September 30, 2024, the company had total liabilities of THB 396.45 million, an increase of THB 216.61 million, or 120.45%, 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 September 30, 2024, the average payment term was 87 days, down from 50 days at the end of 2023.

Total Shareholders' Equity

As of September 30, 2024, shareholders' equity was THB 845.87 million, a decrease of THB 54.19 million, or 6.02%, from THB 900.06 million at the end of 2023. This decline was due to 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 September 30, 2024, the company's total liabilities to shareholders' equity ratio was 0.47, 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	3Q/2024	3Q/2023
Net cash provided from (used in) operating activities	(39.25)	16.40
Net cash used in investing activities	(48.46)	(12.50)
Net cash provided from (used in) financing activities	59.58	(119.96)
Net decrease in cash and cash equivalents	(28.13)	(116.07)
Cash and cash equivalents at beginning of period	336.96	545.32
Cash and cash equivalents at ending of period	308.83	429.25

During Q3/2024, the Company's cash flow various activities were as follows:

- **Net cash used in operating activities:** THB 39.25 million, mainly due to an operating profit of THB 32.91 million and an increase in inventory of THB 117.20 million.
- **Net cash used in investing activities:** THB 48.46 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 provided from in financing activities:** THB 59.58 million, mainly for the short-term loans from financial institutions of THB 143.93 million. However, this was offset by dividend payments of THB 31.32 million and share buybacks of THB 46.78 million.

These activities resulted in a net decrease in cash and cash equivalents of THB 28.13 million, leaving the Company with cash and cash equivalents of THB 308.83 million as of September 30, 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. The company has established an emergency medical learning center to serve as a hub for imparting knowledge to youth and the general public who are interested in training for emergency first aid and basic life support (CPR) courses. The company recognizes the importance of first aid (CPR) in ensuring the health and safety of all stakeholders and the surrounding community. Therefore, the learning center aims to equip trainees with the knowledge and skills required to perform basic life-saving techniques effectively and in accordance with standards. This training helps ensure that individuals are prepared to assist those experiencing sudden cardiac arrest, improving their chances of survival.



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 Vasusuttikulkant -

(Dr. Viroje Vasusuttikulkant)
Chief Executive Officer
Saintmed Public Company Limited