

No. SMD 013/2566

14 November 2023

SAINTMED Public Company Limited presents the management discussion and analysis for the 3rd quarter of 2023, ending 30 September 2023, with the following details:-

## Executive Summary, Key Events, and Business Strategies

SAINTMED Public Company Limited (“the Company” or “SMD”) achieved a net profit of THB 12.2 million baht in 3Q/2023, decreased by 82.1% compared to the 3rd quarter of 2022 (YoY). However, when compared to the previous quarter, the Company's profit decreased by 57.2% (QoQ). For the cumulative performance over 9M/2023, the Company reported a net profit of THB 48.9 million baht, representing an 83.25% decrease compared to the same period in 2022 (YoY).

The net profit for 3Q/2023, encompassing both the 3-month and 9-month periods of the year, has shown a YoY decrease. This downturn is primarily due to reduced sales in the General Medical Devices segment, especially in Covid-19 ATK Test-Kits. Furthermore, the demand for Critical Care Medical Devices has declined compared to 2022, a period marked by a severe COVID-19 outbreak with more acute patient symptoms. In addition, the market for Covid-19 testing equipment, including ATK kits, has experienced heightened price competition, coupled with a fall in demand for related equipment.

Considering the net profit generated in 9M/2023 and the Company's stable cash flow, the Board of Directors, in their meeting on 14 November 2023, resolved to distribute interim dividend in cash of 0.15 baht per share. The Record Date, determining the eligibility of shareholders to receive this dividend, is set to be on 29 November 2023. Subsequently, the dividend payment will be paid to the shareholders on 13 December 2023.

### Key Events

1. The Company has undergone a major business strategy shift by transitioning from a revenue focus on trading to emphasizing revenue generation from sustainable business activities. This includes offering customer services in the form of equipment rentals, medical equipment hire-purchase agreements, and/or use revenue-sharing model with business partners instead of earning one-time revenue from sales, in relation to various medical equipment products of the Company. Additionally, the Company has collaborated with leading medical equipment importers, where the Company is not a distributor, to join as business partners in order to expand their customer base and mutually benefit in the long term.
2. The Company expands its business in specialized medical equipment in the field of Wellness to meet the trend of Medical Tourism and increased preventive healthcare, such as becoming a distributor of Mild Hyperbaric Oxygen Chamber equipment.
3. The Company focuses on sourcing medical equipment that benefits from the trend of an aging society, and increasingly complex and difficult-to-treat medical conditions, in order to contribute to promoting Thailand as a Medical Hub for



example signed an exclusive distribution agreement for the AI system that detects lung cancer (Lung CA) from CT (Computed Tomography) images scanned from any brands.

## Key Factors Affecting the Company's Performance in the Last Quarter

### Aging Society

The aging population is increasing, both in Thailand and globally. This has led to a higher demand for services like SleepLap quality sleep assessments and CPAP (Continuous Positive Airway Pressure) products. Additionally, this trend also impacts the demand for medical equipment used in the treatment of NCDs (Non-Communicable Diseases) in the elderly.

### Border Opening and Promoting Thailand as a Tourism Destination and Medical Hub

A large number of foreigners travel to Thailand for medical treatment, leading to an increased demand for medical equipment related to the treatment of rare and complex diseases. This trend gradually drives up demand, creating opportunities for businesses to lease high-value medical equipment for the treatment of complex diseases to hospitals.

### Trend of Preventive Healthcare

The public is beginning to show more interest in disease prevention, leading to a fairly positive market response to various diagnostic tools. Early detection allows for faster treatment and recovery, benefiting products like various diagnostic kits, such as the A/B strain influenza test kits, which have received a good response in the market. Additionally, this trend positively impacts medical equipment in the Wellness category used for various health care purposes.

## Financial Performance

### Statement of Profit and Loss

	Consolidated FS		Separate FS		Changes		Consolidated FS		Separate FS		Changes	
	Q3/2023		Q3/2022		(YoY)		9M/2023		9M/2022		(YoY)	
	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%
<b>Revenue</b>												
Sales revenue	172.7	94.4%	436.5	98.6%	-263.8	-60.4%	554.4	95.4%	1,824.2	99.1%	-1269.8	-69.6%
Services revenue	10.3	5.6%	6.0	1.4%	4.3	71.1%	26.9	4.6%	17.0	0.9%	9.9	58.5%
<b>Total sales and services revenue</b>	<b>182.9</b>	<b>100.0%</b>	<b>442.5</b>	<b>100.0%</b>	<b>-259.5</b>	<b>-58.7%</b>	<b>581.2</b>	<b>100.0%</b>	<b>1,841.1</b>	<b>100.0%</b>	<b>-1259.9</b>	<b>-68.4%</b>
Costs of sales and services	119.1	65.1%	303.9	68.7%	-184.9	-60.8%	372.8	64.1%	1,305.8	70.9%	-933.0	-71.5%
<b>Gross profit</b>	<b>63.8</b>	<b>34.9%</b>	<b>138.5</b>	<b>31.3%</b>	<b>-74.7</b>	<b>-53.9%</b>	<b>208.5</b>	<b>35.9%</b>	<b>535.3</b>	<b>29.1%</b>	<b>-326.9</b>	<b>-61.1%</b>
Other incomes	1.3	0.7%	0.4	0.1%	0.9	235.5%	4.5	0.8%	3.7	0.2%	0.8	20.1%
<b>Profit before expenses</b>	<b>65.2</b>	<b>35.6%</b>	<b>139.0</b>	<b>31.4%</b>	<b>-73.8</b>	<b>-53.1%</b>	<b>212.9</b>	<b>36.6%</b>	<b>539.0</b>	<b>29.3%</b>	<b>-326.1</b>	<b>-60.5%</b>
Selling expenses	29.0	15.8%	30.7	6.9%	-1.7	-5.7%	84.0	14.5%	98.4	5.4%	-14.4	-14.6%

	Consolidated FS		Separate FS		Changes		Consolidated FS		Separate FS		Changes	
	Q3/2023		Q3/2022		(YoY)		9M/2023		9M/2022		(YoY)	
	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%
Administrative expenses	20.4	11.1%	20.7	4.7%	-0.3	-1.5%	68.8	11.8%	69.4	3.8%	-0.6	-0.8%
(Gain) loss on exchange rate	0.6	0.3%	1.6	0.4%	-1.0	-64.7%	0.0	0.0%	3.3	0.2%	-3.3	-99.3%
<b>Total expenses</b>	<b>49.9</b>	<b>27.3%</b>	<b>53.0</b>	<b>12.0%</b>	<b>-3.1</b>	<b>-5.8%</b>	<b>152.9</b>	<b>26.3%</b>	<b>171.1</b>	<b>9.3%</b>	<b>-18.3</b>	<b>-10.7%</b>
<b>Profit before finance costs and income tax</b>	<b>15.3</b>	<b>8.4%</b>	<b>86.0</b>	<b>19.4%</b>	<b>-70.7</b>	<b>-82.2%</b>	<b>60.1</b>	<b>10.3%</b>	<b>367.9</b>	<b>20.0%</b>	<b>-307.9</b>	<b>-83.7%</b>
Finance costs	0.8	0.4%	2.0	0.5%	-1.2	-59.9%	2.2	0.4%	7.8	0.4%	-5.6	-71.7%
<b>Profit before income tax</b>	<b>14.5</b>	<b>7.9%</b>	<b>83.0</b>	<b>19.0%</b>	<b>-69.5</b>	<b>-82.7%</b>	<b>57.9</b>	<b>10.0%</b>	<b>360.2</b>	<b>19.6%</b>	<b>-302.3</b>	<b>-83.9%</b>
Income tax	2.3	1.2%	15.5	3.5%	-13.2	-85.4%	9.0	1.5%	68.3	3.7%	-59.3	-86.9%
<b>Profit (loss) for the period</b>	<b>12.2</b>	<b>6.7%</b>	<b>68.5</b>	<b>15.5%</b>	<b>-56.3</b>	<b>-82.1%</b>	<b>48.9</b>	<b>8.4%</b>	<b>291.9</b>	<b>15.9%</b>	<b>-243.0</b>	<b>-83.3%</b>

## Summary of Profit and Loss 3Q/2023, 3 months period

### Revenue from core operation

In Q3/2023, the Company generated revenue from sales and services of THB 182.9 million a decrease of THB 259.5 million or a decrease of 58.7% YoY. The major proportion of revenue came from government customers 52.9%. The Revenue decreased mainly resulted from the decrease in sales of the General Medical Devices, specially Covid-19 test kit (ATK) as in 2022, there was a high volume of sales for COVID-19 virus detection kits (ATK), but in 2023, as the COVID-19 pandemic began to subside, the demand for such products significantly decreased.

#### 1) Revenue from sales

Revenue from sales, categorized by groups of medical equipment and medical devices of the Company, can be divided into 5 groups based on their usage characteristics, as shown in the following income structure table.

Medical Devices	Consolidated FS		Separate FS		Changes		Consolidated FS		Separate FS		Changes	
	Q3/2023		Q3/2022		(THB mn)		9M/2023		9M/2022		(THB mn)	
	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%
1. Critical Care	72.7	42.1%	248.9	57.0%	-176.2	-70.8%	254.7	45.9%	485.7	26.6%	-231.0	-47.6%
2. Respiration	59.2	34.3%	48.2	11.0%	11.1	22.9%	177.9	32.1%	126.9	7.0%	51.0	40.2%
3. Cardiology	27.2	15.7%	25.4	5.8%	1.8	6.9%	78.9	14.2%	63.5	3.5%	15.4	24.2%
4. General	9.3	5.4%	109.0	25.0%	-99.7	-91.5%	28.1	5.1%	1,134.9	62.2%	-1,106.9	-97.5%
5. Smart Hospital	4.2	2.4%	4.9	1.1%	-0.7	-14.6%	14.8	2.7%	13.1	0.7%	1.7	12.8%
<b>Total Revenue from sales</b>	<b>172.7</b>	<b>100.0%</b>	<b>436.5</b>	<b>100.0%</b>	<b>-263.8</b>	<b>-60.4%</b>	<b>554.4</b>	<b>100.0%</b>	<b>1,824.2</b>	<b>100.0%</b>	<b>-1,269.8</b>	<b>-69.6%</b>

In Q3/2023, the Company generated revenue from sales of THB 172.7 million, a decrease of THB 263.8 million, or 60.4% decreased YoY. It was mainly from the decline in sales of General Medical Devices, such as Covid-19 ATKs, which due to the easing of the COVID-19 pandemic situation. Additionally, there was a decrease in sales of Critical Care Medical Devices,

as various hospitals had previously purchased a large quantity of such medical equipment during the past epidemic situation. This has led to a delay in new purchase cycles since there is still sufficient equipment in use currently.

However, the Respiration Medical Devices (or sleep medicine which focuses specifically on the diagnosis and treatment of sleep disorders and issues related to sleeping) has shown a trend of improvement, as the public is becoming more aware of the importance of quality sleep and showing increased interest in sleep assessments. In addition, the Cardiology Medical Devices group has seen an increase in sales due to the trend of an aging society, which has led to a higher demand for devices used in the diagnosis and treatment of heart-related diseases.

## 2) Revenue from services

Medical Services	Consolidated FS		Separate FS		Changes		Consolidated FS		Separate FS		Changes	
	Q3/2023		Q3/2022				9M/2023		9M/2022			
	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%	(THB mn)	%
1. Rental and Fixing	6.8	3.7%	4.2	0.9%	2.6	62.8%	18.5	3.2%	12.2	0.7%	6.3	51.9%
2. Sleptest	3.5	1.9%	1.8	0.4%	1.7	90.7%	8.4	1.5%	4.8	0.3%	3.6	75.3%
<b>Total Revenue from Services</b>	<b>10.3</b>	<b>5.6%</b>	<b>6.0</b>	<b>1.4%</b>	<b>4.3</b>	<b>71.3%</b>	<b>26.9</b>	<b>4.6%</b>	<b>17.0</b>	<b>0.9%</b>	<b>9.9</b>	<b>58.5%</b>

In Q3/2023, the Company reported a revenue of THB 10.3 million from services, marking an increase of THB 4.3 million or 71.3% YoY. This growth was primarily attributed to the rental and fixing services, which contributed THB 6.8 million, up by THB 2.6 million or 62.8% YoY. Additionally, revenue from the Sleep Lab saw a significant rise, reaching THB 3.5 million, which is an increase of THB 1.7 million or 94.4% YoY.

Revenue from Sleptest services increased due to a heightened societal awareness of the importance of quality sleep compared to the past, coupled with the recovery of demand for sleep studies, which has grown following the easing of the COVID-19 pandemic. This is also in line with the trend of preventive healthcare.

## Cost of goods sold and services

The cost of goods sold and services in Q3/2023 was THB 119.1 million, which decreased by THB 184.8 million, or 60.8% YoY due to the reduction in sales volume specially, the General Medical Devices and the Critical Care Medical Devices. The portion of the total cost of goods sold and services to sales revenue in Q3/2023 was 65.1%, declined from 68.7% in Q3/2022.

## Gross Profit and Gross Profit Margin

In Q3/2023, the Company had a gross profit of THB 63.8 million, a decrease of THB 74.8 million, or 53.9% YoY. The reduction in gross profit was mainly attributed to the decreased sales of General Medical Devices, especially ATKs, due to the subsiding and lessening severity of the COVID-19 pandemic compared to the previous year. In Q3/2023, the gross profit margin reached 34.9%, showing an improvement from the 31.3% recorded in Q3/2022. This increase in margin is largely because the majority of the sales comprised durable medical equipment designed for long-term use, which generally yields higher gross margins than ATK sales. Additionally, this improvement reflects the strategic shifts in the business model as previously discussed.

## **Selling Expenses**

In Q3/2023, the Company's selling expenses were THB 28.9 million, decrease by THB 1.7 million, or 5.7% YoY, due to the reduction in agent fees, delivery costs and other related expenses which reduced in line with the sales revenue. However, the portion of total selling expenses to revenue increased from 6.9% in 3Q/2022 to 15.8% in 3Q/2023 due to the decreased in the sales revenue.

## **Administrative Expenses**

In Q3/2023, the Company's administrative expenses were THB 20.4 million, slightly decreased by THB 0.3 million, or 1.5% YoY, almost unchanged. In overview, the Company can control administrative expenses at the appropriate number. The portion of total administrative expenses to total revenue in Q3/2023 was 11.1%, increased from 4.7% in the same period of the previous year due to the reduction in the total revenue.

## **Profit/Loss on the foreign exchange rate**

In Q3/2023, the Company made a loss of THB 0.6 million on the foreign exchange rate, which decreased by THB 1.0 million or 64.7% YoY. The gain/loss in the foreign exchange rate is from the managed foreign exchange rate risk that was mitigated by hedging with forward contracts. The Company uses the financial instrument only to minimize foreign exchange rate risk from normal business operations only (not for speculation).

## **Finance Costs**

In Q3/2023, the Company's finance costs were THB 0.8 million, a decrease of THB 1.2 million, or 59.9% YoY. This decline was primarily due to a reduction in short-term loans from financial institutions and a corresponding decrease in interest payments. As of 30 September 2023, the Company maintained a low debt-to-equity ratio and had no outstanding short-term or long-term loans with any financial institutions.

## **Net Profit and Net Profit Margin**

In Q3/2023, the Company reported a net profit of THB 12.2 million, a decrease of THB 56.3 million or 82.1% YoY. The net profit margin was 6.7%, down from 15.5% in Q3/2022. The primary reason for the decrease in net profit was due to the decline in sales of General Medical Devices, as there was a reduced demand for these products following the lessening severity of the COVID-19 situation compared to the previous year. Additionally, there was intense price competition for Covid-19 ATK test kits sold to B2C customers.

The net profit margin decreased because, although sales in Q3/2023 declined, the Company still incurred fixed expenses, leading to a reduction in the net profit margin.

## Summary of Profit and Loss 3Q/2023, 9 months period

In 9M/2023, the Company's **revenue from sales and services** totaled THB 581.2 million. Revenue from government sector clients constituted 53.5% of the total sales and services revenue, largely driven by orders from government hospitals. However, the revenue for this period saw a decrease of THB 1,259.9 million or 68.4% compared to the same period in the previous year. This significant decline was primarily due to a drop in sales of General Medical Devices, particularly the Covid-19 test kits (ATK), in line with the reduced demand amidst the easing COVID-19 situation. Furthermore, the market for Covid-19 test kits experienced heightened price competition.

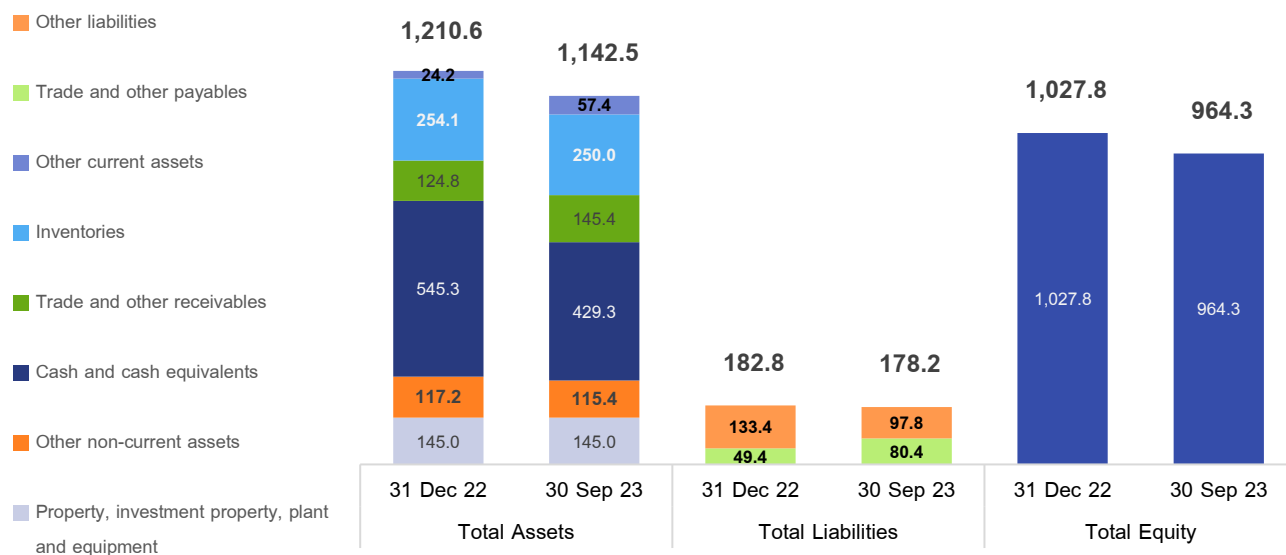
However, upon examining the **gross profit**, it is observed that the gross profit margin for 9M/2023 increased to 35.9% from the previous year. This improvement is attributed to the fact that in 2023, the majority of the Company's sales were derived from the usual distribution of medical devices, which has a higher gross profit margin compared to the sale of ATK test kits in the previous year.

**Selling and administrative expenses** in 9M/2023 amounted to THB 152.9 million, a decrease of THB 15.0 million or 8.9% YoY. This reduction is primarily due to the decrease in selling expenses, which corresponded with the lower sales volume.

For 9M/2023, the Company's **net profit** stood at THB 48.9 million, representing an 83.3% decline from THB 291.9 million recorded in 9M/2022.

## Statement of Financial Position

Unit: THB million



### Total Assets

As of 30 September 2023, the Company had total assets amounting to THB 1,142.5 million, a decrease of THB 68.1 million or 5.6% from the end of 2022. The primary reason for this decrease was a reduction in cash and cash equivalents by THB 116.1 million, resulting from the dividend payment of THB 112.3 million or 0.50 baht per share in May 2023. This was partially offset by an increase in trade receivables, other receivables, and other current assets totaling THB 53.8 million.

## Total Liabilities

As of 30 September 2023, the Company's total liabilities stood at THB 178.2 million, a reduction of THB 4.6 million or 2.5% from the end of 2022. This decrease was primarily due to a net increase in trade and other payables offset by a reduction in other liabilities. Additionally, the Company had no interest-bearing debts at the end of this quarter.

## Total Shareholders' Equity

As of 30 September 2023, the Company's total shareholders' equity amounted to THB 964.3 million, an increase from the end of 2022. This rise was primarily due to a decrease in retained earnings following the dividend payment mentioned earlier.

## Cash Flow

For the 9-month period of 2023, the Company's cash flows from various activities were as follows:

- **Net cash generated from operating activities** was THB 47.5 million, primarily driven by the Company's consistent profitability. In addition, the Company earned THB 4.1 million in interest from deposits and incurred a total of THB 35.4 million in income tax payments, culminating in a net operating cash flow of THB 16.3 million.
- **Net cash used in investing activities** amounted to THB 12.4 million, primarily for the purchase of assets used in the Company's business operations.
- **Net cash used in financing activities** was THB 120.0 million, which included a dividend payment of THB 112.3 million as mentioned earlier and paid for lease liabilities totaling of THB 7.6 million.

From the above activities, the Company experienced a net decrease in cash and cash equivalents of THB 166.1 million. Consequently, as of 30 September 2023, the Company's cash and cash equivalents stood at THB 429.3 million.

## 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 aging society, thereby improving their quality of life.

(Mr. Viroje Vasusuttikul Kant)

Chief Executive Officer

SAINTMED Public Company Limited