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February 24, 2020

Subject Management' discussion and analysis for the fiscal year ended December 31, 2019

To President

The Stock Exchange of Thailand

Interpharma Public Company Limited (“the Company”) would like to submit our management’s discussion and analysis for the fiscal year ended December 31, 2019, as follows:

	For the year ended December 31		Change
	2019	2018	
	MB	MB	%
Sales revenue	371.33	316.83	17.20
Total revenues	375.89	317.58	18.36
Net profit margin	57.61%	60.53%	2.92
Selling Administrative expenses	156.73	151.58	3.40
Selling Administrative expenses margin	41.70%	47.73%	6.03
Earnings before interest, taxes, depreciation	63.24	42.07	50.32
Earnings before interest, taxes, depreciation margin	16.82%	13.25%	3.57
Net profit for the period	47.13	29.06	62.18
Net profit margin	12.54%	9.15%	3.39

	For the Year Ended December 31					
	2019		2018		Change	
	MB	%	MB	%	MB	%
Revenues						
Sales revenues	371.33	98.79	316.83	99.76	54.50	17.20
Other revenues	4.56	1.21	0.75	0.24	3.81	508.00
Total	375.89	100.00	317.58	100.00		

Sales Revenues

The Company and its subsidiaries recorded total revenues of Baht 375.89 million in 2019. Of this total, Baht 371.33 million or 98.79% were sales revenues, which grew by Baht 54.50 million or 17.20% year-on-year.

Type of Revenue	2019		2018		Change	
	MB	%	MB	%	MB	%
1. Wellness and Anti-aging	128.58	40.58%	162.70	43.82%	34.12	26.54%
2. Aesthetic Innovation	96.00	30.30%	67.17	18.09%	(28.83)	(30.03%)
3. Companion Animal Health	80.78	25.50%	132.19	35.60%	51.41	63.64%
4. Livestock	11.47	3.62%	9.27	2.50%	(2.20)	(19.18%)
Total Sales revenues	316.83	100.00%	371.33	100.00%	54.50	17.20%

Such growth was driven by a surge in revenues from sales of companion animal health Business Unit at Baht 132.19 million in 2019 or Baht 51.41 million or 63.64% year-on-year, mainly an increase in revenues from sales of pet skincare shampoo products, MARIA pet food products together with a rise in revenues from sales of wellness and anti-aging Business Unit at Baht 128.58 million or increase of Baht 34.12 million or 26.54% in 2019 largely from sales of probiotic products such as multivitamin, PreBo products (holistic nutrients for bone), YUUU toothpaste, etc.

The company has cancelled the sales of Nabota in Business Unit of Aesthetic Innovation products around the end of the year 2019, leading to the revenue dropped of Baht 28.83 million or 30.03%

Other Revenues

Other revenues, including interest income, gain on foreign exchange and other income, amounted to Baht 4.56 million in 2019, which rocketed year-on-year by Baht 3.81 million or 508% due chiefly to a reversal of accrued bonus forgone by an executive into other income of Baht 2.25 million.

	For the Year Ended December 31					
	2019		2018		Change	
	MB	%	MB	%	MB	%
Cost of sales	157.39	41.87	125.04	39.37	32.35	2.50
Selling expenses	106.75	28.40	101.32	31.90	5.43	3.50
Administrative expenses	49.98	13.30	50.26	15.83	(0.28)	(2.53)
Financial costs	0.58	0.15	0.04	0.01	0.54	0.14
Total expenses	314.70	83.72	276.66	87.12	-	-
Total revenues	375.89	100.00	317.58	100.00	-	-

Cost of Sales

Cost of sales of the Company and its subsidiaries soared year-on-year by Baht 32.35 million or 25.87% to Baht 157.39 million in 2019 in line with growth in sales revenues. It mainly consisted of cost of products, transport cost for imported products, cost of packaging and other import-related costs. Cost of sales constituted roughly 42.39% of sales revenues, thus representing a gross profit margin of 57.61%.

Selling Expenses

Selling expenses of the Company and its subsidiaries soared year-on-year by Baht 106.75 million in 2019, but dropped when compared with total revenues by 3.5% year-on-year. Selling expenses mainly varied in accordance with total sales, composed principally of salary, bonus and commission fee for sales staff, traveling and vehicle expense for sales staff, cost of advertisement media for product promotion, compensation paid to Zuellig Pharma Ltd. under the Distribution Agreement and compensation for distribution of the Company's products through independent pharmacies, totaling approximately Baht 22.63 million which mounted year-on-year by Baht 19.44 million (the employment of Zuellig Pharma Ltd. took effect as from September 1, 2018). Besides, some expense items decreased by a total of around Baht 14.5 million in 2019, comprising sales promotion expense, cost of exhibition booth display, cost of sample products, expense on advertisement media such as TV media, online media, etc. At the same time, salary, bonus, welfare and commission fee for sales staff increased by about Baht 4.74 million.

Administrative Expenses

Administrative expenses accounted for Baht 49.98 million in 2019, a year-on-year decline of Baht 0.28 million. This resulted largely from bonus foregone by an executive of Baht 2.25 million; an increase in salary of Baht 5.5 million due to the yearly salary base adjustment and the rising number of employees in tandem with business expansion; an increase in monthly remuneration, meeting allowance and bonus for non-executive directors totaling Baht 0.97 million in line with the higher number of non-executive directors and the increasing number of meetings; and an increase in expense on hiring of independent specialists such as external auditor, internal auditor, and legal and accounting advisors totaling Baht 1.31 million. In 2019, however, the Company did not incur any non-deductible expense, penalty and surcharge, as recorded in 2018 in the amount of about Baht 4.15 million incurred in relation to import duty assessment.

	Consolidated			
	For the Year Ended December 31			
	2019		2018	
	MB	%	MB	%
Total revenues	375.89	100.00	317.58	100.00
Cost of sales	(157.39)	(41.87)	(125.04)	(39.77)
Selling expenses	(106.75)	(28.40)	(101.32)	(31.90)
Administrative expenses	(49.98)	(13.30)	(50.26)	(15.83)
Financial costs	(0.58)	(0.15)	(0.04)	(0.01)
Share of profit (loss) of associates	(0.22)	(0.06)	(0.65)	(0.20)
Profit before income tax expenses	60.95	16.21	40.27	12.68
Income tax expenses	(13.82)	(3.68)	(11.21)	(3.53)
Net profit for the period	47.13	12.54	29.06	9.15
Other comprehensive income				
Item that will not be reclassified to profit or loss :				
Actuarial gains on defined employee benefit plans	(1.90)		0.74	
Income tax relating to component of other comprehensive income	0.38		(0.15)	
Total comprehensive income for the year	45.61		29.65	

Net Profit

The Company and its subsidiaries posted a net profit of Baht 47.13 million in 2019, which grew by Baht 18.07 million or 62.18% year-on-year mainly to an increase in sales and a drop in selling expenses. Net profit margin stood at 12.54% of total revenues, moving up from 9.15% recorded in the prior year.

Therefore, profit (loss) attributable to owners of the parent of Baht 43.47 million in 2019, which grew by Baht 13.79 million or 46.47% year-on-year.

Financial Position

	As at December 31		Change	
	2019	2018		
	MB	MB	MB	%
Total assets	525.87	195.47	330.40	169.03
Total liabilities	60.13	88.48	(28.35)	(32.04)
Total shareholders' equity	465.74	106.99	358.75	335.31

Assets

The Company and its subsidiaries had total assets of Baht 525.87 million as at December 31, 2019, surging by Baht 330.40 million or 169.03% from December 31, 2018 due to an increase in cash and cash equivalents of Baht 310.20 million derived from initial public offering (IPO) of newly issued shares and an increase in trade and other receivables of Baht 24.08 million, with a decrease in inventories of Baht 3.81 million.

Liabilities

Total liabilities of the Company and its subsidiaries were Baht 60.13 million as at December 31, 2019, plunging by Baht 28.35 million or 32.04% from Baht 88.48 million as at December 31, 2018 mainly as a result of a decrease in trade accounts payable of Baht 30 million, a decrease in short-term loans from related persons and companies of Baht 8.40 million, an increase in short-term loans from other parties of Baht 6 million, and an increase in income tax payable and other current liabilities of Baht 1 million.

Shareholders' Equity

Shareholders' equity of the Company and its subsidiaries amounted to Baht 465.74 million as at December 31, 2019, growing dramatically by Baht 358.75 million or 335.31% from Baht 106.99 million as at December 31, 2018 owing primarily to the net profit for 2019 of Baht 47.13 million, share premium of Baht 286.71 million, and issuance of new shares by the Company of Baht 38 million. The Company has maintained a low debt to equity ratio with steady growth in its shareholders' equity from fund mobilization via the IPO and could generate retained earnings from operation, while incurring an insignificant amount of total liabilities. The Company and its subsidiaries recorded a debt to equity ratio of 0.13 times.

Yours sincerely,

Mr. Songwut Sakchalathorn

Chief Executive Officer