

Ref.: EFORL IR032/2020

August 11, 2020

**Subject:** Management Discussion and Analysis for the first quarter ended 31 March 2020

**To** President  
 The Stock Exchange of Thailand

1. Overview financial performance of E for L Aim Public Company Limited (“EFORL” or “the Company”) and its subsidiaries (collectively as “the Companies”) for Q1/2020

Financial performances Comparison is as follows:

THB'000	Consolidated		Δ%	Separate		Δ%
	Q1/2020	Q1/2019		Q1/2020	Q1/2019	
Revenues from sales and services of medical equipment	301,848	447,787	-33%	262,545	382,283	-31%
Revenues from beauty treatment services	22,202	41,907	-47%	-	-	
Interest income	298	2,184	-86%	296	591	-50%
Other income	4,339	6,671	-35%	1,802	4,187	-57%
<b>Total Revenues</b>	<b>328,687</b>	<b>498,549</b>	<b>-34%</b>	<b>264,643</b>	<b>387,061</b>	<b>-32%</b>
<b>Profit (loss) before loss from allowance</b>	<b>(79,324)</b>	<b>(25,383)</b>	<b>213%</b>	<b>(7,420)</b>	<b>29,480</b>	<b>-125%</b>
Margin	-24%	-5%		-3%	8%	
<b>Profit (Loss) before interest and income tax</b>	<b>(767,358)</b>	<b>3,077</b>	<b>-25,039%</b>	<b>(304,411)</b>	<b>39,495</b>	<b>-871%</b>
Margin	-237%	1%		-116%	10%	
<b>Profit (Loss) for the period</b>	<b>(649,014)</b>	<b>(39,917)</b>	<b>-1,526%</b>	<b>(319,546)</b>	<b>13,472</b>	<b>-2,472%</b>
Margin	-200%	-8%		-122%	4%	
<b>Profit (Loss) for the period attributable to Equity holder of the Company</b>	<b>(391,713)</b>	<b>(9,428)</b>	<b>4,055%</b>	<b>(319,546)</b>	<b>13,472</b>	<b>-2,472%</b>
Margin	-121%	-2%		-122%	4%	

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## Financial performance in Q1/2020

Revenues from sales and services of EFORL and its subsidiaries in Q1/2020 was THB 324 million decreased by 34% compared to the same period at the previous year. It derived from:

- Sales and services of medical equipment of THB 302 million decreasing by 33% compared to the same period at the previous year mainly due the delay approval process of budget expenditure of the government for the 2020 fiscal year.

- Revenue from beauty treatment services of THB 22 million decreasing by 47% compared to the same period at the previous year due to highly competitive market in beauty business (both direct and indirect competitors) and economic slowdown resulting in some of franchise branches and WCIG branches have been closed.

Due to the impact of the Coronavirus 2019 (“COVID-19”) outbreak, the government has strictly controlled the situation by closing the potential risk business including massages business, spa, beauty salon and beauty clinic. These measurements directly affect with the business of Wuttisak Clinic Intergroup Co., Ltd. (“Wuttisak Clinic” or “WCIG” indirect subsidiary, hold share by WCI Holding PCL) to close all branches resulting in lack of service income and seriously lack of working capital and personnel shortage. This causes a material adverse effect on WCIG’s operations. After assessment the situation, the current Board of Directors of WCIG has submitted a petition for business rehabilitation to the Central Bankruptcy Court on 24 April 2020.

From the negative business performance and current situation, the Company was unable to estimate certainly of recoverable amount; therefore, the fully allowance for impairment of trademark in consolidated financial statement has been provided.

For the separate financial statement in Q1/2020, the Company recognised loss from impairment totaling of THB 309 million. Therefore, in 1Q/2020, the Company has taken a loss of THB 320 million, increasing loss by 2,472% comparing to the same period in the previous year.

## 2. Financial Performance Summary – by business

Revenues by business	Consolidated			
	THB'000	Q1/2020	Q1/2019	Δ%
Distributor of medical devices and equipment		301,627	445,864	-32%
Margin		115,259	163,554	-30%
Beauty services		22,423	43,830	-49%
Margin		(22,055)	(9,617)	129%

### Distributor of medical devices and equipment business

Distributor of medical devices and equipment business has been operated by the Company and Spacemed Company Limited (subsidiary). Revenues from sales and services from distributor of medical devices and equipment at the first quarter was THB 302 million decreased by 32% compared to the same period in the previous year, due to the delay approval process of budget expenditure of the government for the 2020 fiscal year.

Gross margin in Q1/2020 from distributor of medical devices and equipment business was THB 115 million decreased by 30% comparing to the same period in the previous year. Gross margin accounted to 38% and the revenues from distributor of medical devices and equipment business by total revenues was 93%.

### Beauty service business

Beauty service business has been operated by Wuttisak Clinic InterGroup Co., Ltd. (held shares by subsidiary) and Siam snail Co., Ltd. (Subsidiary). Revenues from beauty service in Q1/2020 were THB 22 million decreased by 49% comparing to the same period in the previous year mainly due to highly competitive market in beauty business and economic slowdown from impact of the Coronavirus 2019 (“COVID-19”) outbreak since end of 2020.

Negative gross margin of beauty service business in Q1/2020 was THB 22 million or increased by 129% comparing to the same period in the previous year and the proportion of revenues beauty service business per total revenues was 7%.

### 3. Key Highlights for performance for the first quarter 2020 and 2019

THB'000	Consolidated		Δ%	Separate		Δ%
	1Q2020	1Q2019		1Q2020	1Q2019	
Revenues from sales and services of medical equipment	301,848	447,787	-33%	262,545	382,283	-31%
Revenues from sales and beauty treatment services	22,202	41,907	-47%	-	-	
<b>Total revenues from sales and services</b>	<b>324,050</b>	<b>489,694</b>	<b>-34%</b>	<b>262,545</b>	<b>382,283</b>	<b>-31%</b>
Costs of sales and services of medical equipment	(193,117)	(290,971)	-34%	(161,826)	(242,001)	-33%
Costs of sales and beauty treatment services	(37,644)	(44,882)	-16%	-	-	
<b>Total costs of sales and services</b>	<b>(230,761)</b>	<b>(335,853)</b>	<b>-31%</b>	<b>(161,826)</b>	<b>(242,001)</b>	<b>-33%</b>
<b>Gross profit</b>	<b>93,289</b>	<b>153,841</b>	<b>-39%</b>	<b>100,719</b>	<b>140,282</b>	<b>-28%</b>
Interest income	298	2,184	-86%	296	591	-50%
Other income	4,339	6,671	-35%	1,802	4,187	-57%
Selling expenses	(77,652)	(88,123)	-12%	(63,454)	(72,706)	-13%
Administrative expenses	(78,513)	(71,387)	10%	(34,316)	(29,136)	18%
Impairment of investment in subsidiary	-	-		-	(3,723)	
Impairment of loan to subsidiary	-	-		(100,000)	-	
Provision for impairment losses	-	-		(209,458)	-	
Loss on impairment of assets and intangible assets	(709,119)	(109)	650,468%	-	-	
Finance costs	(21,085)	(28,569)	-26%	(12,467)	(13,738)	-9%
<b>Profit (loss) before income tax</b>	<b>(788,443)</b>	<b>(25,492)</b>	<b>-2,993%</b>	<b>(316,878)</b>	<b>25,757</b>	<b>-1,330%</b>
Income tax income (expense)	139,429	(14,425)	-1,067%	(2,668)	(12,285)	-78%
<b>Profit (loss) for the period</b>	<b>(649,014)</b>	<b>(39,917)</b>	<b>-1,526%</b>	<b>(319,546)</b>	<b>13,472</b>	<b>-2,472%</b>
Profit (loss) for the period attributable to						
Equity holder of the Company	(391,713)	(9,428)	-4,055%	(319,546)	13,472	-2,472%
Non-controlling interests	(257,301)	(30,489)	-744%	-	-	
<b>Key Financial Ratios</b>						
Gross profit margin	28.8%	31.4%	-2.6%	38.4%	36.7%	1.7%
SG&A as % to sales	48.2%	32.6%	15.6%	37.2%	26.6%	10.6%
Net profit margin	-200.3%	-8.2%	-192.1%	-121.7%	3.5%	-125.2%
Net profit margin (Portion of the Company's shareholders)	-120.9%	-1.9%	-119.0%	-121.7%	3.5%	-125.2%

### **Revenues from sales and services**

Revenues from sales and services in Q1/2020 were THB 324 million decreased by 34% compared to same period at the previous

### **Gross margin**

Gross margin in Q1/2020 was THB 93 million decreased by 39% compared to the same period at the previous year. Gross margin on sales in Q1/2020 was 28.8% decreased by 2.6% from last year.

### **Selling and Administrative Expenses**

Selling and Administrative expenses in Q1/2020 were THB 156 million consisting of selling expenses (THB 78 million) and administration expenses (THB 79 million). Selling expenses and Administrative expenses in Q1/2020 decreased by 2% comparing to the same period at the previous year.

SG&A as % to sales in Q1/2020 was 48.2% increased by 15.6% comparing to the same period at the previous year.

### **Loss on impairment of loan to subsidiary and provision for impairment losses**

The separate financial statements in Q1/2020, the Company recognize loss on impairment of loan to subsidiary of THB 100 million and provision for impairment loss of THB 209 million because the subsidiary had loss performance resulting in the recoverable amount is lower than the carrying amount of investment.

### **Loss on impairment of assets and intangible assets**

The consolidated financial statements in Q1/2020 was recognized loss on impairment of assets and intangible assets of THB 709 million from the impairment of trademark.

### **Financial costs**

Financial costs in Q1/2020 were THB 21 million decreased by 26% compared to the same period at the previous year.

### **Net loss**

In Q1/2020, the Company and subsidiary has net loss of THB 649 million increasing loss by 1,526% compared to the same period at the previous year. Negative profit margin was -200.3% and loss from portion of the Company's shareholders of THB 392 million increasing loss by 4,055% compare to the same period at the previous year. Negative net profit margin (Portion of the Company's shareholders) was 120.9%.

The Coronavirus 2019 (“COVID-19”) pandemic is continuing to evolve, resulting in an economic downturn, and adversely impacting most businesses and industries. This situation has brought about uncertainties and has significantly impacted the environment in which the group operates. This situation has no significant impact on the Company. However, Wuttisak Clinic Intergroup Co., Ltd., (“Wuttisak Clinic” or “WCIG”), an indirect subsidiary, engaged in the beauty clinic business, has been significantly affected from the COVID-19 causing the suspension of all clinics operations since end of March as per government announcement. Long closure of operation directly impacts the lack of service income, seriously lack of working capital, and personnel shortage. This causes a material adverse effect on WCIG’s operations. After evaluating the business situation, the current Board of Directors of WCIG has submitted a petition for business rehabilitation to the Central Bankruptcy Court on 24 April 2020 and has scheduled a hearing on 31 August 2020.

The submission of a petition for the business rehabilitation of Wuttisak Clinic Intergroup Co., Ltd. or Wuttisak Clinic has the key points as follows:

1. Wuttisak Clinic as the debtor decided to lodge a rehabilitation request as Wuttisak Clinic considers that it is the most suitable course of action given the financial circumstance due to the current operating environment in order to sustain undisrupted operations of Wuttisak Clinic under the supervision of the Central Bankruptcy Court.
2. Wuttisak Clinic has no intention to terminate or liquidate its business but resolves to continue its business and return to profitability.
3. The submission of a petition for the business rehabilitation of Wuttisak Clinic is the necessary matter and it is the intention of Wuttisak Clinic to solve the liquidity problems and its liabilities with all creditors. Wuttisak Clinic is also the different Legal Entity of E for L Aim PCL, indirect parent company, of which E for L is not held any responsible or liable in any claims for creditors of Wuttisak Clinic under the rehabilitation.

According to Loan of Wuttisak Clinic. to TPN 2018 Co., Ltd. totaling of Baht 100 million, the Company would like to report the progress of this transaction that during Q4/2019 Wuttisak Clinic sent the notification letter to TPN requesting the debt payment. In addition, Wuttisak Clinic currently considers other plan/methods to follow up TPN to pay the debts.

Please be informed accordingly.

Yours sincerely,

*Preecha Nuntnarumit*

(Mr. Preecha Nuntnarumit)

Chief Executive Officer