

August 9, 2019

 Subject Management's Discussion and Analysis for the 2<sup>nd</sup> quarter ended June 30, 2019

 To Director and Manager  
 The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No.3/2019 of Dental Corporation Public Company Limited ("the Company") held on August 9, 2019, approving the reviewed consolidated financial statements for the 2<sup>nd</sup> quarter ended June 30, 2019. The Company and its subsidiaries ("the Group") would like to report factors that affect the financial performance as follows;

Unit : Thousand Baht

CONSOLIDATED STATEMENTS OF INCOME	For the 3-month period ended June 30,				For the 6-month period ended June 30,			
	2019	2018	Changed		2019	2018	Changed	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
Revenue from sales and services	201,434	127,210	74,224	58%	398,130	249,572	148,558	60%
Cost of sales and services	(143,578)	(81,928)	(61,650)	75%	(285,390)	(161,862)	(123,528)	76%
<b>Gross profit</b>	<b>57,856</b>	<b>45,282</b>	<b>12,574</b>	<b>28%</b>	<b>112,740</b>	<b>87,710</b>	<b>25,030</b>	<b>29%</b>
Other income	3,699	2,626	1,073	41%	6,235	5,840	395	7%
Profit before expenses	61,555	47,908	13,647	28%	118,975	93,550	25,425	27%
Distribution costs	(20,989)	(8,436)	(12,553)	149%	(38,390)	(16,539)	(21,851)	132%
Administrative expenses	(31,727)	(25,411)	(6,316)	25%	(64,660)	(48,817)	(15,843)	32%
Finance costs	(2,740)	(976)	(1,764)	181%	(5,235)	(1,291)	(3,944)	305%
<b>Total expenses</b>	<b>(55,456)</b>	<b>(34,823)</b>	<b>(20,633)</b>	<b>59%</b>	<b>(108,285)</b>	<b>(66,647)</b>	<b>(41,638)</b>	<b>62%</b>
Profit before income tax	6,099	13,085	(6,986)	-53%	10,690	26,903	(16,213)	-60%
Income tax expenses	(1,798)	(2,846)	1,048	-37%	(2,554)	(5,634)	3,080	-55%
<b>Net Profit for the periods</b>	<b>4,301</b>	<b>10,239</b>	<b>(5,938)</b>	<b>-58%</b>	<b>8,136</b>	<b>21,269</b>	<b>(13,133)</b>	<b>-62%</b>

**Remarks**

- Dental service segment consists of 15 branches and Bangkok International Dental Center (BIDC) under the Group.  
 The previous branches have been operated in 2017, totally 12 branches and Bangkok International Dental Center (BIDC) under the Group.  
 New branches have been operated in March 2018 which are 3 branches of Dental Planet (Rangsit branch, Avenue Ratchayothin branch and Bangkok University branch).
- The segment of trading sales of dental equipment and supplies has been operated on August 1, 2018 onwards.

### Revenue from sales and services

Revenue from sales and services increased approximately by Baht 74.22 million or 58% and Baht 148.56 million or 60% for the three-month and the six-month periods ended June 30, 2019. The change in revenues was generated from each segment as follows;

	Unit : Million Baht			
	For the 3-month	%	For the 6-month	%
	Increased (Decreased)		Increased (Decreased)	
Sales of dental equipment and supplies segment	97.28	131.07%	179.35	120.73%
Dental services segment	(23.06)	(31.07%)	(30.79)	(20.73%)
Total increased revenues	74.22	100.00%	148.56	100.00%

Increase in sales of dental equipment and supplies segment which has been operated on August 1, 2018, however, decrease in revenue from dental services segment due to appreciation of Thai currency as below table;

#### Weighted average middle rate from Bank of Thailand

	January – June		
	2019	2018	% Appreciation of Thai currency
THB/USD	31.6001	31.7289	-0.41%
THB/EUR	35.6912	38.4162	-7.09%
THB/AUD	22.2947	24.4746	-8.91%

Because the appreciation of Thai Baht against currencies as above, especially Australia dollar (AUD), resulted in the number of visit volumes in branches which have the number of foreign patients such as Phuket branches, Siam Square branch and BIDC etc. The visit volumes in the first six-month of the year 2019 decreased approximately by 1,725 times or 13.6% in comparison with the visit volumes in the first six-month of the year 2018 (The visit volumes of the first six months of 2018 was 12,700 times).

In contrast, the number of Thai visit volumes rose by 507 times or 2.2% in comparison with the first six-month of the year 2018 (The visit volumes of the first six-month of the year 2018 was 23,340 times).

Therefore, revenue of dental services segment decreased approximately by Baht 23.06 million or 31.07% and by Baht 30.79 million or 20.73% for the three-month and the six-month periods ended June 30, 2019, respectively.

Revenue from sales of dental equipment and supplies segment increased approximately by Baht 97.28 million or 131.07% and by Baht 179.35 million or 120.73% for the three-month and the six-month periods ended June 30, 2019, respectively.

Gross profit under sales of dental equipment and supplies segment was improved due to the fact that the proportion of dental supplies and equipment such as dental units, x-ray equipment was greater than the proportion of commodity products such as gold used in dental laboratory. Such commodity products are lower gross profit margin. The percentage of commodity products comparing to total trading revenues dropped from 40% in the year 2018 to 38% and 33% in the first quarter and the second quarter of 2019, respectively.

Therefore, the improvement of gross profit margin under sales of dental equipment and supplies segment was to 25.65% for the second quarter of 2019 from 21.79% of the first quarter of 2019.

In addition, TDA exhibition (Thai Dental Association) held for 3 days, sales of dental equipment and supplies segment generated the revenues from sales approximately by Baht 15.16 million, which was recognized in the second quarter in amounting to Baht 8.37 million and the remaining of Baht 6.79 million will be recognized as revenues from sales in the third quarter of 2019.

#### **Cost of sales and services**

Cost of sales and services increased approximately by Baht 61.65 million or 75% and by Baht 123.53 million or 76% for the three-month and the six-month periods ended June 30, 2019, respectively, which were in line with increase in revenue. Increase in costs of sales and services for the three-month and six-month periods ended June 30, 2019 mainly came from sales of dental equipment and supplies segment in amounting to Baht 72.82 million and Baht 137.18 million, respectively, while costs of services decreased by Baht 11.17 million and Baht 13.65 million, respectively.

#### **Distribution costs**

Distribution costs increased approximately by Baht 12.55 million or 149% and by Baht 21.85 million or 132% for the three-month and the six-month periods ended June 30, 2019, respectively, which mainly came from the selling expenses under sales of dental equipment and supplies segment such as salesman salary and marketing expenses such as SIC and TDA exhibition expenses etc.

### **Administrative expenses**

Administrative expenses increased approximately by Baht 6.32 million or 25% and by Baht 15.84 million or 32% for the three-month and the six-month periods ended June 30, 2019, respectively, which mainly came from sales of dental equipment and supplies segment which has been operated on August 1, 2018 (the 3<sup>rd</sup> quarter of 2018).

### **Finance costs**

Finance costs increased approximately by Baht 1.76 million or 181% and by Baht 3.94 million or 305% for the 3-month and the 6-month periods ended June 30, 2019, respectively, due to long-term loans from financial institutions.

### **Net profit**

Net profit decreased approximately by Baht 5.94 million or 58% and Baht 13.13 million or 62% for the three-month and six-month periods ended June 30, 2019, respectively, which resulted from increase in all expenses as mentioned earlier. However, net profit of the second quarter of 2019 rose by 12.1% from the first quarter of 2019.

### **Summary of Consolidated Statements of Financial Position**

	As at	As at	Unit : Thousand Baht	
	June 30, 2019	December 31, 2018	Changed	
			Amount	%
Total assets	1,077,277	944,205	133,072	14.09%
Total liabilities	664,066	539,127	124,939	23.17%
Total Shareholders' equity	413,211	405,078	8,133	2.01%

### **Total Assets**

As at June 30, 2019, the total assets were about Baht 1,077.28 million which increased by Baht 133.07 million or 14.09% from December 31, 2018. The main increase came from property, plant and equipment in amounting to Baht 103.27 million including the construction of BIDH. Moreover, there were increase in assets under the sales of dental equipment and supplies segment such as trade and other current receivables, inventory and intangible assets by Baht 41.41 million, Baht 2.14 million and Baht 4.20 million, respectively.

Moreover, cash and cash equivalents decreased by Baht 18.37 million due to cash used in operating activities and investing activities by Baht 33.52 million and Baht 96.83 million, respectively. And cash proceeded from loans from financial institutions by Baht 111.98 million.

**Total Liabilities**

As at June 30, 2019, the total liabilities increased by Baht 124.94 million or 23.17% from December 31, 2018. The main increase came from trust receipts and promissory notes by Baht 74.40 million and long-term loans from financial institutions amounting to Baht 37.59 million for construction of BIDH and the operations. In addition, trade account payable and other liabilities increased by Baht 12.95 million.

Please be informed accordingly.

Sincerely yours,



( Mr. Prateep Vanichkawgul )

Authorized to sign on behalf of the Company