

Aesthetic Connect Public Company Limited

Management's Discussion and Analysis for the year ended 31 December 2022

Statement of income for the year ended 31 December 2022

unit: Million Baht

	Year ended 31 December		Change	
	2021	2022	Amount	%
Revenue from services	427.64	853.64	426.00	99.62
Cost of services	^{1/} 207.71	^{1/} 380.51	172.80	83.19
Gross Profit	219.93	473.13	253.20	115.13
Other revenues	0.12	0.43	0.31	258.33
Service Expenses	^{1/} 56.85	^{1/} 89.28	32.43	57.04
Administrative Expenses	^{1/} 20.66	^{1/} 41.96	21.30	103.10
Financial Costs	1.25	2.79	1.54	123.20
Profit before income tax	141.29	339.53	198.24	140.31
Tax Expenses	28.61	69.26	40.65	142.08
Profit for the period	112.68	270.27	157.59	139.86

^{1/}These cost and expenses does not match the value presented in the financial reports because the company has reclassified certain transactions. However, the total cost of services, service expenses and administrative expenses remains the same.

Revenue Structure

	Year ended 31 December				Change	
	2022	%	2023	%	Amount	%
1. Surgical Services	396.46	92.71	796.07	93.26	399.61	100.79
- Face-Lock Facelift	272.24	63.66	541.15	63.39	268.91	98.78
- Eye-Lock Eyelid Surgery	93.25	21.81	174.55	20.45	81.30	87.18
- Rhinoplasty Surgery	14.54	3.40	44.57	5.22	30.03	206.52
- Other Surgical Procedures	16.43	3.84	35.80	4.19	19.37	117.89
2. Intravenous Anesthesia Services	18.06	4.22	36.61	4.29	18.55	102.71
3. Non-Surgical Services	13.12	3.07	20.96	2.46	7.84	59.76
Revenue from services	427.64	100.00	853.64	100.00	426.00	99.62

	Year ended 31 December				Change	
	2022	%	2022	%	2022	%
1. Surgical Services	396.46	92.68	796.07	93.21	399.61	100.79
2. Intravenous Anesthesia Services	18.06	4.22	36.61	4.29	18.55	102.71
3. Non-Surgical Services	13.12	3.07	20.96	2.45	7.84	59.76
Revenue from services	427.64	99.97	853.64	99.95	426.00	99.62
Other revenues	0.12	0.03	0.43	0.05	0.32	264.88
Total Revenue	427.76	100.00	854.07	100.00	426.31	99.66

Revenue from services

The company had revenue from services for the year ended 31 December 2022, of 853.64 million Baht, which increased from 2021, by an amount of 426.00 million Baht, or an increase of 99.62 percent.

The majority of this revenue came from surgical services, accounting for 93.21% of the total revenue, and it increased by 100.79% compared to 2021. This revenue growth was observed in various surgical procedures, including facelifts, eye surgeries, nose surgeries, and other surgical services. The increased revenue was observed across all surgical procedures, including Face-Lock Facelift, Eye-Lock Eyelid Surgery, Rhinoplasty Surgery, and Other Surgical Procedures services.

The revenue from Intravenous Anesthesia Services amounted to 36.61 million Baht, increasing by 102.71% from 2021. Non-surgical services related to skincare, such as injecting fillers, Botox, Hifu, and intravenous vitamin therapies, also contributed to revenue, accounting for 2.45% of the total revenue.

Cost of services

The company had cost of services for the year ended 31 December 2022, of 172.80 million Baht. This represents an increase of 83.19 percent from 2021, with the primary reason being the increase in medical fees, which rose by 158.58 million Baht. The costs also included expenses for medicines, medical supplies, nurse compensation, and medical personnel, as well as other direct expenses that increased by 14.22 million Baht. The increase in costs was proportionally lower than the growth in revenue, indicating that the company effectively managed the costs of medicines, medical supplies, other materials, and employee expenses.

Gross Profit

The company had gross profit for the year ended 31 December 2022, of 473.13 million Baht. This represents an increase of 253.20 million Baht or 115.13 percent from 2021. This increase is in line with the growth in revenue from services. It is attributed to the easing of the COVID-19 pandemic's impact, higher vaccination rates among the population, and the company's dedicated efforts in online marketing. These efforts increased awareness and recognition of the company among customers. Moreover, the company's medical professionals and staff have enhanced their service quality across all levels, leading to increased revenue.

The company's cost management, as previously discussed in the section on cost of services, resulted in an increase in the gross profit margin from 51.43% in 2021 to 55.42% in 2022.

Service Expenses

The company's service expenses for the year ended 31 December 2022 have increased from 2021 by 32.43 million Baht, representing a percentage increase of 57.04. The primary reason for this increase is the commission expenses related to customer referrals. These commission costs have risen in parallel with the increase in revenue. Additionally, the company incurred higher employee costs due to the expansion of the marketing

department, particularly at the manager level. Furthermore, advertising and sales promotion expenses have increased, reflecting the company's continuous and intensified marketing efforts.

Administrative Expenses

The company had administrative expenses for the year ended 31 December 2022, of 41.96 million Baht, reflecting an increase of 21.30 million Baht or a percentage increase of 103.10 from 2021. The primary reasons for this increase include the expenses related to hiring new employees, which amounted to 10.32 million baht due to the expansion of staff in the management department. Additionally, bank fees increased by 3.54 million baht, mainly from credit card fees, and other operational management expenses also saw an increase.

Financial Costs

The company had financial costs for the year ended 31 December 2022, of 2.79 million Baht, reflecting an increase of 1.54 million Baht or a percentage increase of 123.20 from 2021. The primary reason for this increase is the higher interest expenses on bank loans, which amounted to 2.18 million baht. This increase is due to the company borrowing 118 million baht for the purchase of land to construct a hospital building.

Net Profit

The company had net profit for the year ended 31 December 2022, of 270.27 million Baht, representing 31.64% of the total revenue. The company's net profit increased from the year 2021 by 157.59 million baht, representing an increase of 139.86 percent. This increase is due to the higher revenue and more efficient cost management.

Summary of Financial information

unit: Million Baht

	As of		Change	
	31 December 2022	30 June 2023	Amount	%
Assets				
Current Assets	333.00	362.04	29.04	8.72
Non-Current Assets	137.29	440.77	303.48	221.05
Total Assets	470.29	802.81	332.52	70.71
Liabilities and Shareholders' Equity				
Current Liabilities	88.16	124.51	36.35	41.23
Non-Current Liabilities	23.24	108.97	85.73	368.89
Shareholders' Equity	358.89	569.33	210.44	58.64
Total Liabilities and Shareholders' Equity	470.29	802.81	332.52	70.71

Assets

The company had total assets as of 31 December 2022, of 802.81 million Baht, divided into current assets of 362.04 million baht. This increase is due to the rise in revenue from core business activities, resulting in higher cash and bank deposits. Non-current assets amount to 440.77 million baht, which increased from 303.48 million baht in 2021 because the company purchased land for constructing its buildings, valued at 306.26 million baht. Overall, the total assets increased from the previous year, amounting to 332.52 million baht, equivalent to 70.71 percent.

Liabilities and Shareholders' Equity

The company's total liabilities and shareholders' equity as of 31 December 2022, consisted of current liabilities amounting to 124.51 million Baht and non-current liabilities amounting to 108.97 million Baht, resulting in total liabilities of 233.48 million Baht. This represents an increase of 122.08 million Baht compared to 2021. The increase is attributed to the company borrowing from financial institutions, which increased by 109.24 million baht for land purchases, and increased income tax payable by 10.39 million baht due to the company's higher business profits. Accounts payable and other payables increased by 4.47 million baht, resulting from outstanding medical fees, unpaid advertising expenses, and credit card debts.

The company's shareholders' equity as of 31 December 2022, amounted to 569.33 million Baht, which increased by 210.44 million baht due to the increased retained earnings.

Key Financial Ratios

		31 December 2022	30 June 2023
Current Ratio	(Times)	3.78	2.91
Debt to Equity ratio (D/E)	(Times)	0.31	0.41
Gross Profit Margin	(%)	51.43	55.42
Net Profit Margin	(%)	26.34	31.64
Return on Asset (ROA)	(%)	33.81	42.46
Return on Equity (ROE)	(%)	45.27	58.23

Current Ratio

As of 31 December 2022, the company had a current ratio of 2.91 times, which decreased from the previous year due to the company's increased short-term borrowings from financial institutions, amounting to 16.92 million baht. However, it is still considered that the company maintains good liquidity.

Debt to Equity ratio (D/E)

As of 31 December 2022, the company had a D/E ratio of 0.41 times, which increased from the previous year due to the company's increased borrowings from financial institutions, amounting to 109.24 million baht. Despite the increase, the company is still considered to be in good financial health.

**Gross Profit Margin and Net Profit Margin**

As of 31 December 2022, the company has a gross profit margin and net profit margin of 55.42% and 31.64%, respectively. These figures increased from the previous year, 2021, indicating that the company has improved its profitability and demonstrated a higher ability to generate profits.

Return on Asset (ROA) and Return on Equity (ROE)

As of 31 December 2022, the company has a Return on Assets (ROA) of 42.46% and a Return on Equity (ROE) of 58.23%. These figures indicate that the company has a strong performance in terms of returns from its assets and equity, demonstrating good financial performance.