

Operational Summary in 2Q18

- Total revenue from core business was Bt848.81mn, an increase of 10.4% YoY
- Net profit was Bt150.40mn, an increase of 4.7% YoY
- The total number of “Boonterm” was 130,348 kiosks
- Total usage amount was Bt10,611mn, an increase of 20.9% YoY
- Total average number of money transfer transactions per day was 27,287 transactions, an increase of 104.4% YoY
- 25mn active subscribers and 2.2mn transactions per day

Business Overview

	Quarter 2/2017	Quarter 3/2017	Quarter 4/2017	Quarter 1/2018	Quarter 2/2018
Total usage amount through "Boonterm Kiosk" (Million Baht)	8,779	9,311	10,084	10,421	10,611
Total number of "Boonterm Kiosk" as the period ended (Kiosk)	110,563	119,166	124,653	130,404	130,348
Total average number of money transfer transactions per day (transaction)	13,353	18,065	23,062	25,985	27,287

In 2Q18, FSMART continued to grow dramatically and be able to maintain as the leader of online top-up machines market, both in terms of number of kiosks and total usage amount. The Company emphasizes efficient Boonterm kiosk spot as well as launches marketing promotion through the CRM activities to collect points for luck and prize redemption in order to increase new customers and maintain regular customers. The Company has grown above the target.

The number of “Boonterm Kiosk” in current total is 130,348 kiosks, increasing 17.9% YoY. The usage amount from mobile top-up and money transfer are still growing. Other online top-up and payments are growing up such as e-Wallet top-up and bill payment. The total usage amount is Bt10,611mn increasing 20.9% YOY. The total number of money transfer transactions is 27,287. The number of active subscribers is 25mn with 2.2mn transactions per day. Total revenue from core business is Bt848.81mn, increasing 10.4% YOY, and net profit is Bt150.40mn, increasing 4.7% YoY.

Financial Summary

Income Statement

Income Statement	Q2/2017		Q1/2018		Q2/2018		%QoQ	%YoY
	MB	%	MB	%	MB	%		
Income from rendering of top-up service for prepaid phone and other online service (Commission)	338.31	44.0%	358.29	42.6%	356.42	42.0%	-0.5%	5.4%
Income from rendering of service through online top-up machines "Boonterm kiosk" (Service Charge)	428.87	55.8%	481.50	57.2%	481.87	56.8%	0.1%	12.4%
System development services income	-	0.0%	-	0.0%	3.00	0.4%	100.0%	100.0%
Advertising income	1.95	0.3%	2.35	0.3%	7.52	0.9%	220.0%	285.6%
Total revenue from core business (4 items)	769.13	100.0%	842.14	100.0%	848.81	100.0%	0.8%	10.4%
Cost of services	(574.89)	-74.8%	(658.33)	-78.2%	(664.22)	-78.2%	0.9%	15.5%
Gross profit	194.24	25.3%	183.81	21.8%	184.59	21.8%	0.4%	-5.0%
Service & Administrative expenses	(60.76)	-7.9%	(66.14)	-7.9%	(61.36)	-7.2%	-7.2%	1.0%
Operating profit	133.48	17.4%	117.67	14.0%	123.23	14.5%	4.7%	-7.7%
Other income	44.46	5.8%	61.61	7.3%	63.52	7.5%	3.1%	42.9%
Sales profit	1.44	0.2%	0.43	0.1%	0.88	0.1%	104.7%	-38.9%
Profit before finance cost and income tax expenses	179.38	23.3%	179.71	21.3%	187.63	22.1%	4.4%	4.6%
Bank Charge	(6.24)	-0.8%	(6.30)	-0.8%	(5.09)	-0.6%	-19.2%	-18.4%
Interest Expenses	(7.48)	-1.0%	(10.64)	-1.3%	(11.56)	-1.4%	8.7%	54.6%
Profit before income tax expenses	165.66	21.5%	162.77	19.3%	170.98	20.1%	5.0%	3.2%
Income tax expense	(21.94)	-2.9%	(19.00)	-2.3%	(20.16)	-2.4%	6.1%	-8.1%
Net profit	143.72	18.7%	143.77	17.1%	150.82	17.8%	4.9%	4.9%
Non-controlling interests of the subsidiaries	-	0.0%	(1.24)	-0.2%	0.42	0.1%	100.0%	100.0%
Net profit - Equity holders of the Company	143.72	18.7%	145.01	17.2%	150.40	17.7%	3.7%	4.7%

Total revenue

In 2Q18, FSMART's total revenues from core business was Bt848.81mn, an increase of 10.4% YoY, mainly from the increasing number of total transactions, subscribers and the number of "Boonterm kiosk" follow the plan. As a result, the total usage amount through "Boonterm kiosk" has continuously grown. Details are as follows:

1) **Income from rendering top-up service for prepaid phone and other online services (Commission)** was Bt356.42mn, an increase of 5.4% YoY, mainly from the prepaid mobile revenues.

2) **Income from rendering of services through online top-up machines "Boonterm kiosk" (Service charge)** was Bt481.87mn, an increase of 12.4% YoY, mainly from the increasing in kiosk usage, mobile top-up service and money transfer service which has continuously growth.

3) **Advertising income** was Bt7.52mn, an increase of 285.6% YoY, due to the prohibition in publicizing any entertain media or entertainment in 2Q17 during the passing of His Majesty King Bhumibol. Moreover, FSMART has adjusted the advertising strategy to reach the plan in this quarter.

4) **System Development services income** was Bt3.0mn, an increase of 100% YoY, due to the developing systems and applications of Subsidiary respond to more customers in digital age.

5) **Other income** was Bt63.52mn, an increase of 42.9% YoY, mainly from increasing in the number of Boonterm kiosk and the growth of the total usage amount through Boonterm kiosk.

Cost and Expenses

1) **Cost of services** in 2Q18 was Bt664.22mn, representing 78.2% of total revenues from core business, increasing 74.8% YoY mainly driven by the acceleration in increasing the number of kiosks all areas to expand customer bases and prevent competitors entering to the market, and invested in assets in order to receive privileges under investment promotion schemes granted expenditure reduction around 1.5 times. The installation of kiosk takes approximately 4-6 months for customers' awareness and regular use of service which causes income to reach the Company's standard. Therefore, depreciation cost rises over an income at the beginning period of kiosk installation. This resulted in higher depreciation cost proportion than normal rate in 1Q18 and 2Q18. However, depreciation cost proportion per core revenue is going to decrease the useful life of kiosk is 8 years.

2) **Service & Administrative expenses** was Bt61.36mn, representing 7.2% of total revenues from core business, decreasing 7.9% YoY, due to effective cost control and lower service & administrative expenses which corresponds to the strategic of emphasizing the efficiency in ARPU management. Meanwhile, in 2017, the Company emphasized on commission for agent in the kiosks installation.

Profit

1) **Gross profit** was Bt184.59mn, an decrease from 2Q17 which was Bt194.24mn. Gross profit margin was 21.8% of total revenues from core business, a decrease of 25.3% in 2Q17, due to the increase of depreciation cost from expanding Boonterm kiosk.

2) **Sales profit** was Bt0.88mn, a decrease from 2Q2017 which was Bt1.44mn, represented 38.9%. In 2018, the Company emphasize efficient Boonterm kiosk spot, meanwhile in 2Q17 the Company accelerate to increase the number of kiosks all areas to prevent competitors entering to the market. This resulted in sale profit in 2Q17 from goods which are additional parts of kiosks such as tripod, cement pedestal, coin counter etc. is higher than sale profit in 2Q18.

3) **Net profit** was Bt150.40mn, an increase from 2Q17 which was Bt143.72mn. Since the Company controls service and administrative expenses more efficiently.

Financial Position

Statement of Financial position	31-Dec-17		30-Jun-18		Increase (Decrease)	
	MB	%	MB	%	MB	%
Current assets	1,348.32	31.7%	1,310.04	32.5%	(38)	-2.8%
Non-current assets	2,912.13	68.4%	2,720.71	67.5%	(191)	-6.6%
Total assets	4,260.45	100.0%	4,030.75	100.0%	(230)	-5.4%
Current liabilities	2,492.76	58.5%	2,451.35	60.8%	(41)	-1.7%
Non-current liabilities	433.70	10.2%	377.80	9.4%	(56)	-12.9%
Total liabilities	2,926.46	68.7%	2,829.15	70.2%	(97)	-3.3%
Total shareholders' equity	1,333.99	31.3%	1,201.60	29.8%	(132)	-9.9%
Total liabilities and shareholders' equity	4,260.45	100.0%	4,030.75	100.0%	(230)	-5.4%

As at 30 June 2018, FSMART had total assets of Bt4,030.75mn, decreasing 5.4% compared to total assets last year, mainly from a decrease of kiosk's depreciation cost in non-current assets.

Total liabilities as at 30 June 2018 was Bt2,829.15mn, decreasing 3.3% compared to total liabilities last year, mainly from decreasing current liabilities that the Company paid off loans of Bt101mn to financial institution.

Total shareholders' equity as at 30 June 2018 was Bt1,201.60mn, decreasing 9.9% compared to total shareholders' equity as at 31 December 2017, mainly from Bt239.95mn of dividend payment, Bt187.02mn of treasury stock, and Bt294.58mn of net profit in 2018.

Key Financial Ratio

Financial Ratio	Quarter	Quarter	Quarter
	2/2017	1/2018	2/2018
Current ratio	0.54	0.59	0.53
Debt to Equity ratio	1.91	1.77	2.35
Interest Bearing Debt ratio	0.67	0.79	0.95
Return on Asset	20.5%	13.3%	13.6%
Return on Equity	48.5%	39.6%	44.4%

As at 30 June 2018, FSMART had current ratio at 0.53, which decreased from 1Q18, mainly from an increase of current liabilities for short-term loans from financial institution.

Debt to Equity ratio increased to 2.35 which increased from 1Q18, mainly from an increase of short-term loans from financial institution and a decrease of shareholders' equity from dividend payment and treasury stock.

Interest-bearing debt to equity ratio was to 0.95 which increased from 1Q18, mainly from an increase of short-term loans from financial institution and a decrease of shareholders' equity from dividend payment and treasury stock.

Return on Asset stood at 13.6% which increased from 1Q18. This resulted of more effective management.

Return on Equity stood at 44.4%, increasing from 1Q18, due to an increase of net profit and a decrease of shareholders' equity from dividend payment and treasury stock.

2018 Management Outlook

- Emphasizing efficient Boonterm kiosk spot with the ARPU management more than 5% of growth from 2017
- Increasing 10,000 Boonterm kiosks nationwide to reach 134,653 kiosks at the end of 2018
- Managing the total usage amount through Boonterm kiosk to more than 20%, compared to 2017
- Developing the intelligent kiosk for more capacities to support new business
- Expanding new target of customer by launching E-wallet application on smartphone called “Be Wallet” with the target of over 200,000 subscribers

The Company emphasize efficient Boonterm kiosk spot with the ARPU management especially mobile top-up value more than 5% of growth from 2017 and aims to increase 10,000 Boonterm kiosk to reach 134,653 kiosks nationwide at the end of 2018 and total usage amount more than 20% YoY. The Company’s plan to retain and acquire customers is to provide diversified services and to develop the quality services to serve the customers’ needs. The Company offers the CRM activities to collect points for luck and prize redemption in order to increase the frequency of use.

The Company is confident that most prepaid customers are cash holders. The possibility of change of customer behavior is low. The main factor of change from prepaid to postpaid is the customers’ higher income. Thus, the Company still maintains the leader position in top-up kiosk market. In 2017, the company owned 22% of the market value of Bt133,000mn, increasing 5% from 2016 which is 16% of the market value. However, at the end of 2017, the estimated prepaid numbers in the country were 70 million. The users of Boonterm kiosk were 25 million numbers, represented 35% of total prepaid numbers in the country. There is still two third of customers in prepaid market which the Company sees the opportunity in steady growth in 2018.

The Company plans to launch new services, e.g. money transfer service, bus ticket payment, utility bill payment, social security 40 (3), insurance-selling service and others and cooperates with 2 more commercial banks in money transfer service. The Company’s goal is to launch money transfer service with 4 banks; Kasikorn Bank (KBANK), Krungthai Bank (KTB), Bangkok Bank (BBL) and Bank of Ayudhaya (BAY) which represents 80% of the bank market. The target is to increase revenue and new customers.

In 1H18, Fsmart has adjusted the number of kiosks installation target from 20,000 kiosks to 10,000 kiosks as the Company has spent more focus on managing the efficient Boonterm kiosks spot.

In 2H18, the Company plans to modify kiosk to be intelligent kiosk to support 2 new services, which are selling sim card and Electronic Know Your Customer (e-KYC) service. Customers can select phone number, mobile network, and complete sim card registration at the kiosk. Customers will be electronically identified and verified to support deposit account opening and sim card registration.

Furthermore, the Company plans to increase new customers by launching E-wallet mobile application called "Be wallet" with the target of over 200,000 subscribers. This application is a new platform for the demand from higher smartphone usage of customers who have average high income and interest in technology. The services on Boonterm kiosk are also available on Be Wallet, including additional services to support e-Marketplace called "Be Mall" and e-Commerce. Payment services including purchasing drinks from the vending machines are available on E-wallet mobile application both iOS and Android. Thus, the Company can study behavior of customer who demand for cashless payment and have an interest in technology. This group of customer is different from the group of customer who use service through Boonterm kiosk.

Boonterm will penetrate the core market segment of the cash market and technological ignorance. Be-Wallet will penetrate the market of customers with regular income and using technology to facilitate spending and payment. This will help expand the customer base and create ecological system. FSMART will have a complete database to contribute more valuable things in the future.