

NO. ZIGA 007/2020

15 May 2020

Subject: Management explanation and analysis Quarter 1/2020 ending 31 March 2020

Attention: The President of, The Stock Exchange of Thailand

ZIGA Innovation Public Company Limited ("the Company") would like to clarify operating performance of the Company three-month for the Quarter 1/2020 ended 31 March 2020 are as follows:

Statement of Income :	Million Baht		change increase (decrease)
	Q1/2020	Q1/2019	
Sales	224.5	213.9	5.0%
Other income	1.9	10.8	-82.3%
Cost of sales	- 189.8	- 191.6	0.9%
Selling expenses	- 5.3	- 4.7	-12.8%
Administrative expenses	- 15.0	- 10.1	-49.2%
Finance costs	- 4.0	- 2.8	-41.1%
Profit for the period	10.2	12.7	-20.1%
Net Profit	4.5%	5.7% %	
EBITDA (MB)	22.4	21.9	2.3%
EBITDA (%)	9.9%	9.7%	
Earnings per share (Baht)	0.02	0.02	0.0%

Remark : EBITDA = Profit before finance costs, income tax, Depreciation and Amortization

The Company earned THB 226.5 MB and THB 224.6 MB in Q1/2020 and 2019 respectively, an increase in total revenue amount THB 1.8 MB, equivalent to 0.8% of total revenue and can be summarized as the following:

The Company's revenue from sales amounted to THB 224.5 MB and THB 213.9 MB in Q1/2020 and 2019 respectively. An increase in revenue from sales amount THB 10.7 MB, equivalent to 5.0% of total revenue from sales. Comparing in terms of sales and gross profit, the company is still able to maintain a good market share as well as profit margin level during the economic slowdown since the previous year. Regarding Coronavirus Disease 2019 (COVID-19), the pace of growth in investment would be slow accordingly. When comparing the sale volume to the same period in Q1/2019, increased 12.2%. The company is not able to increase the selling price in the current economic conditions. The company has a higher gross margin comparing to the same period from 10.4% to 15.5% because the lower cost of the steel-coil price as well as being able to increase production by opening the warehouse in the new factory. The company entered the stock market to raise funds to build a factory to solve the problem of insufficient inventory. Resulting in lower production costs per unit.

The Company's other income THB 1.9 MB and THB 10.8 MB Q1/2020 and 2019 respectively, A decrease compared to the same period last year amount THB 8.9 MB, which mostly decreased from foreign exchange gains. Resulting in the increase of most administrative expenses from loss on exchange rates. However, the company could maintain the level of selling and administrative and able to manage normal operations to be within the same criteria.

For the financial cost which increased amount THB 1.2 MB, most of which increased from interest from bank loans.

The Company earned net profit in Q1/2020 and 2019 amounting THB 10.2 MB and THB 12.7 MB respectively. Net profit of the company equal to 4.5% and 5.7% of total revenue respectively, decreasing for comparing to the same period amount THB 2.5 MB, equivalent to 20.1% of net profit. EBITDA in Q1/2020 and 2019 amounted THB 22.4 MB and THB 21.9 MB respectively.

Statement of Financial Position

Assets

The Company's total assets as of 31 December 2019 and 31 March 2020 totaled THB 1,158.6 MB and THB 1,289.5 MB respectively. As at 31 March 2020 the Company is current asset in which accounted for 54.0% of the total assets and non-current asset accounted for 46.0% of the total assets.

	31 December 2019		31 March 2020	
	THB MB	%	THB MB	%
Current assets	577.5	49.8	696.7	54.0
Non-current assets	581.1	50.2	592.8	46.0
Total assets	1,158.6	100.0	1,289.5	100.0

1. Current assets

The Company's current assets as of year-end of 2019 and Q1/2020 was THB 577.5 MB and THB 696.7 MB respectively, equivalent to 49.8% and 54.0% of total assets respectively. The company had cash and cash equivalents of THB 258.2 MB and THB 332.7 MB at the end of the year 2019 and Q1/2020 or 22.3% and 25.8% of total assets respectively. Secondary, inventory as of the year 2019 and Q1/2020 amounted THB 227.4 MB and THB 251.8 MB respectively, equivalent to 19.6% and 19.5% of the total assets respectively. The main current assets increase in accordance with an increase in cash and cash equivalents.

2. Non-current assets

As of the year 2019 and Q1/2020 the Company's non-current assets totaled THB 581.1 MB and THB 592.9 MB respectively, equivalent to 50.2% and 46.0% respectively. The main non-current assets are land and equipment which were 49.3% and 44.3% of the total assets in which the increase by land and equipment net THB 0.8 MB is from buying and transferring assets THB 5.9 MB and depreciation on useful life of asset in which increase for THB 5.1 MB.

Liabilities

The Company's total liabilities as of 31 December 2019 and 31 March 2020 totaled THB 405.8 MB and THB 546.9 MB respectively. The Company's current liabilities in which accounted for 63.8% of the total liabilities and non-current liabilities accounted for 36.2% of the total liabilities.

	31 December 2019		31 March 2020	
	THB MB	%	THB MB	%
Current liabilities	206.1	50.8	348.8	63.8
Non-current liabilities	199.7	49.2	198.1	36.2
Total liabilities	405.8	100.0	546.9	100.0

1. Current liabilities

As of the year end 2019 and Q1/2020 the Company's current liabilities totaled THB 206.1 MB and THB 348.8 MB respectively, equivalent to 50.8% and 63.8% respectively of the total Liabilities. Current Liabilities as of year 2019, mainly due to an increase of debt under trust receipt.

2. Non-current Liabilities

As of the year end 2019 and Q1/2020, the Company's non-current liabilities THB 199.7 MB and THB 198.1 MB respectively, equivalent to 49.2% and 36.2% respective of the total liabilities. The main non-current liabilities in long-term debt. The long-term debt due date within one year is THB 194.4 MB and THB 180.9 MB respectively, equivalent to 47.9% and 33.1% respective of the total liabilities. The decrease for long term loan in year 2020 due to gradually paying off some balance of debt from the finance institution.

Shareholder's equity

The Company's shareholders equity as of the year 2019 and Q1/2020 amounted to THB 752.8 MB and THB 742.7 MB respectively. A decrease in shareholder's equity amount to THB 10.1 MB from the net profit of the Q1/2020 increased THB 10.2 MB and decreased from the interim dividend payment according to the resolution of the Board of Directors Meeting No. 2/2020, amount to THB 20.3 MB.

The company plan to improve the profit margin and to create a road map with harmoniously adopt to new normal standard. The company therefore expand online marketing for communicating with clients. The company has extended the product line such as galvanized paint, welding wire for easy and convenient in delivery. The company plan to have a new product in company's existing market such as conduit market. The company has increased electricity's accessories and level up development of the product standard to extend to mega project's distribution.

Since the steel coil is the main raw materials that have significantly contribute to fluctuations of the global steel price. In a certain situation, the Company usually rises the input cost to the price of the products. Anyway, the economic recession threatens to the price structure that the Company cannot specify the price change with the corresponding changes of cost. Consequently, it affected the profit margin. the Company still has no policy to overstock but to manage the inventory turnover efficiently. Beside this, The Company focused on managing the account receivable turnover especially debtor screening policy efficiently. Therefore, there has been no record for an uncollectible account from Debtors. This is to ensure the Company financial status and performance. The backlog was around 10% of the total sales that lead to less risk under cost fluctuations. The Company has also managed the risk for exchange rate by forward contract.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)
Managing Director