

7UP083/20

November 12, 2020

Subject: Management Discussion and Analysis for the third quarter 2020 of Seven Utilities and Power Public Company Limited

To: The President
The Stock Exchange of Thailand

Seven Utilities and Power Public Company Limited (“the Company”) would like to report the operating results of the Company and its subsidiaries for the third quarter of 2020, ended September 30, 2020 as follows:

Statement of profit or loss

Statement of profit or loss	Consolidated financial statements (Thousand Baht)					
	30 Sep 20	%	30 Sep 19	%	YOY	%YOY
Sales	718,548	71.96%	665,954	78.58%	52,594	7.90%
Service income	110,265	11.04%	102,848	12.14%	7,417	7.21%
Other income	169,661	16.99%	78,684	9.28%	90,977	115.62%
Total revenues	998,474	100.00%	847,486	100.00%	150,988	17.82%
Cost of sales	(614,154)	61.51%	(558,251)	65.87%	(55,903)	10.01%
Cost of services	(91,353)	9.15%	(65,895)	7.78%	(25,458)	38.63%
Selling expenses	(37,911)	3.80%	(23,433)	2.77%	(14,478)	61.78%
Administrative expenses	(183,224)	18.35%	(269,138)	31.76%	85,914	31.92%
Other expense	-	0.00%	(8,544)	1.01%	8,544	100.00%
Bargain purchase of investment in a subsidiary	10,092	1.01%	2,342	0.28%	7,750	330.91%
Gain on sale of investment in subsidiary	-	0.00%	137,396	16.21%	(137,396)	100.00%
Reversal of allowance for loan and interest	65,324	6.54%	-	0.00%	65,324	100.00%
Reversal of allowance for diminution in value	-	0.00%	50,000	5.90%	(50,000)	100.00%
Finance cost	(29,566)	2.96%	(13,870)	1.64%	(15,696)	113.17%
Share of profit from investment in associate	2,436	0.24%	719	0.08%	1,717	238.80%
Profit (loss) before income tax income (expenses)	120,118	12.03%	98,812	11.66%	21,306	21.56%
Income tax (expenses) income	(7,423)	0.74%	1,525	0.18%	(8,948)	586.75%
Profit (loss) for the period	112,695	11.29%	100,337	11.84%	12,358	12.32%

Remark: Financial ratio is based on common-size analysis to total revenue

Overall business operation (9 months)

For quarter 3/2020, Seven Utilities and Power Public Company Limited and its subsidiaries recorded a net profit of Baht 112.70 million. Profit increased from quarter 3/2019 by Baht 12.36 million or 12.32% mainly due to an increasing of gross profit from business operation amounting to Baht 123.31 million. Overall, the Group's performance mostly results from operation of LPG and oil business with gross profit of Baht 90 million, and waste water treatment services of Baht 23 million.

Revenue (9 months)

Overall, quarter 3/2020, the Company had sales and service income of Baht 828.81 million, which increased from quarter 3/2019 by Baht 60.01 million or 7.81%. Sales and service income mostly consist of revenue from sale of LPG and oil amounting to Baht 489.53 million, revenue from rendering services and sales management amounting to Baht 41.11 million, revenue from the sale of electricity amounting to Baht 16.97 million, revenue from the sale radio and communications system and internet of thing (IoT) amounting to Baht 212.05 million, revenue from services on radio and communication system and Internet of Thing (IoT) amounting to Baht 25.27 million, and services income from waste water management services amounting to Baht 41.74 million.

Other income for quarter 3/2020 of Baht 169.66 million which increased from quarter 3/2019 by Baht 90.98 million or 115.62%

Impact from the COVID-19 pandemic

The COVID-19 pandemic has affected Thai economy an early on February 2020, which likely cause a continued changing and dispersed forecast of the GDP growth in the year of 2020 as well as how and when the economic resumption would occur. Furthermore, the partial lockdown mandated in the last week of March 2020 resulted in a more pronounced slowdown in Thai economic and business activities.

The impact of LPG and oil business from the partial lockdown mandated and work from home policy is decreasing of demand on LPG and oil. Overall, LPG and oil business still necessary for personal and business, includes business operation and transportation.

Cost of sales and services (9 months)

Cost of sales and services for quarter 3/2020 of Baht 705.51 million increased from quarter 3/2019 by Baht 81.36 million or 13.04%. The increasing mainly resulted from an incremental of cost of sales of Baht 55.90 million and cost of services of Baht 25.46 million. Mostly, the increasing of cost of sales and services came from the followings; cost of purchasing LPG and oil amounting to Baht 421.16 million, cost of sales management amounting to Baht 20.48 million, cost of electricity production amounting to Baht 12.74 million, cost of acquisition of radio and communication system and Internet of Thing (IoT) amounting to Baht 180.25 million, cost of services on radio and communication system and Internet of Thing (IoT) amounting to Baht 51.95 million, and cost from waste water management services amounting to Baht 18.91 million.

Gross Profit Margin (9 months)

Gross profit for quarter 3/2020 is Baht 123.31 million, while quarter 3/2019 gross profit is at Baht 144.66 million. By comparing the two period, gross profit decreased by Baht 21.35 million or 14.76%.

Selling and Administrative Expense (9 months)

Selling and administrative expenses of quarter 3/2020 is equal to Baht 221.14 million. Compared to quarter 3/2019, selling and administrative expenses decreased by Baht 71.44 million, or 24.42%. Selling and administrative expenses of quarter 3/2020 mainly consists of selling expenses amounting to Baht 37.91 million, which is selling expenses from LPG and oil business, and administrative expenses amounting to Baht 183.22 million, mainly due to management expense, employee expenses, utilities and audit fees.

Financial Cost (9 months)

For quarter 3/2020, the Company's finance cost is Baht 29.57 million dramatically increased from quarter 3/2019 by Baht 15.70 million, which mostly resulted from the revision of Thai Financial Reporting Standards No. 16 which effective since January 1, 2020.

Net Profit (Loss) for the Period (9 months)

Results of operations for quarter 3/2020, the Company has a net profit of Baht 112.70 million, while quarter 3/2019, the Company had a net profit of Baht 100.34 million. The increasing of net profit by Baht 12.36 million reflect that the Company's performance is improving, which conforms with the revenue incremental.

Statement of Financial Position

Thousand Baht	Consolidated Financial Statement as of		Changes %
	30 Sep 2020	31 Dec 2019	
Total Assets	2,950,920	2,201,077	34.07%
Total Liabilities	1,171,619	678,208	72.75%
Equity Attributable to Owners of the Company	1,653,999	1,420,306	16.45%
Non-Controlling Interests	125,302	102,563	22.17%
Total Shareholders' Equity	1,779,301	1,522,869	16.84%

As at September 30, 2020, the total assets of the Company were Baht 2,950.92 million and as at December 31, 2019 were Baht 2,201.08 million, increasing by Baht 749.84 million or 34.07%. Total assets mostly consist of property, plant, and equipment amounting to Baht 612.36 million, trade and other current receivables amounting to Baht 564.20 million, investment in associate amounting to Baht 279.95 million, right-of-use assets amounting to Baht 217.17 million, intangible assets amounting to Baht 213.58 million, deposits for business due diligence amounting to Baht 290 million, goodwill amounting to Baht 192.70 million, finance lease receivable amounting to Baht 142.23 million, Restricted bank deposits amounting to Baht 131.09 million, inventory amounting to Baht 78.03 million, right-of-use assets amounting to Baht 69 million.

An increasing of total assets mostly came from right-of-use assets of Baht 217.17 million due to the revision of Thai Financial Reporting Standards No. 16 which effective since January 1, 2020. In addition, inventories increased by Baht 61.40 million, deposits for business due diligence increased by Baht 215 million, trade and other current receivables increased by Baht 181.08 million, other non-current financial assets increased from fair value measurement according to the revision of Thai Financial Reporting Standards No. 9 by Baht 31.74 million, investment in associates increased by Baht 52.08 million. In contrast, long-term loans decreased by Baht 8 million.

The total liabilities of the Company as at September 30, 2020 were Baht 1,171.62 million and as at December 31, 2019, were Baht 678.21 million, increase by Baht 493.41 million or 72.75%. The increasing of total liabilities mostly came from liabilities under lease agreements increased by Baht 206.34 million due to the revision of Thai Financial Reporting Standards No. 16 which effective since January 1, 2020. Moreover, trade and other payables increased by Baht 150.31 million, convertible debentures – liability component increased by Baht 165.94 million due to the issuance of convertible bonds during quarter 3/2020. In contrast, long-term borrowings from financial institutions decreased by Baht 31.54 million.

Shareholders' equity as at September 30, 2020 amounting to Baht 1,779.30 million, while as at December 31, 2019, the amount was Baht 1,522.87 million, increased by Baht 256.43 million or 16.84%.

Please be informed accordingly.

Yours Sincerely,

(Ms.Poonchaya Patkotchakorn)

Chief Financial Officer