

11 November 2021

Alla Public Company Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Performance Overview

From the economic condition in Thailand that are still uncertain due to the impact of the situation of the coronavirus infection (Covid-19) that began spreading since late Q1'2020 continued to the present. This greatly affects the operations of various business sectors and cannot be avoided. Nevertheless, the overall investment in industrial projects related to the Group's business, is still ongoing as planned but there may be a slowdown in the process, as well as having greatly increased competition. As a result, the overall operating income of the Group has decreased. However, since the Group's revenue recognition depends mainly on the delivery schedule according to the period agreed with the customers. Therefore, there may be differences if comparing each quarter. At the end of the third quarter, the Group's work in process have significantly increased which will be delivered in the fourth quarter of 2021 onwards.

In addition, due to the impact of price competition that has increased significantly from the current epidemic situation. As a result, the Group has to adjust the strategy of setting the selling price in accordance with the environmental factors, coupled with a Thai baht depreciation and a significant increase in steel prices in the market, causing the cost of the product to increase. Resulting in the decrease of gross profit margin. However, the Group was able to maintain the overall gross profit margin for the nine-month period at 30%, and continues to manage expenses in all aspects to be efficient. As a consequence, the Group still has operating profits under the current Thai economic situation.

The Group's products are fundamental products of various industrial projects. The Group continues to receive orders from customers. The amount of works that has not yet been delivered at the end of the third quarter of 2021 is approximately Baht 447 million, an increase of 33% compared to the end of the previous year. The Group maintains a solid financial structure, continuous operating cash flows, having a good liquidity ratio and a low debt to equity ratio. The Group has continued to operate and has not scaled down the business.



LINE OFFICIAL



933,935,937,939 ซอย อ่อนนุช 46 ถนน อ่อนนุช แขวง อ่อนนุช เขต สอนกลาง กรุงเทพมหานคร 10250  
933,935,937,939 Soi Onnut 46, Onnut Road, Onnut, Suanluang, Bangkok 10250 THAILAND  
Tel : +66 2322 0776-8,+66 2721 5696-9 Fax : +66 2322 1891-2 E-mail : info@alla.co.th

 [www.alla.co.th](http://www.alla.co.th)

Consolidated Financial Performance for the third quarter and nine-month period of 2021

Operating Income						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2021	3Q 2020	%Chg.	9M 2021	9M 2020	%Chg.
Revenues from contracts with customers	100,932	128,142	(21%)	303,608	351,058	(14%)
Other income	178	1,032	(83%)	591	2,006	(71%)
<b>Total Operating Income</b>	<b>101,110</b>	<b>129,174</b>	<b>(22%)</b>	<b>304,199</b>	<b>353,064</b>	<b>(14%)</b>

Revenues structure						
	9M 2021		9M 2020		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<b>Revenue from sales and services</b>						
Crane and Electric Hoist	133,292	44%	148,488	42%	(15,196)	(10%)
Loading Dock and Equipment	48,306	16%	74,750	21%	(26,444)	(35%)
Solar cell system	90	0%	-	0%	90	100%
Warehouse management system and Equipment	-	0%	1,263	0%	(1,263)	(100%)
<b>Total revenue from sales and services</b>	<b>181,688</b>	<b>60%</b>	<b>224,501</b>	<b>63%</b>	<b>(42,813)</b>	<b>(19%)</b>
<b>Revenue from after-sale services</b>						
Crane and Electric Hoist	93,904	31%	101,333	29%	(7,429)	(7%)
Loading Dock and Equipment	27,964	9%	25,002	7%	2,962	12%
Training center	52	0%	222	0%	(170)	(77%)
<b>Total revenue from after-sale services</b>	<b>121,920</b>	<b>40%</b>	<b>126,557</b>	<b>36%</b>	<b>(4,637)</b>	<b>(4%)</b>
<b>Other income</b>	<b>591</b>	<b>0%</b>	<b>2,006</b>	<b>1%</b>	<b>(1,415)</b>	<b>(71%)</b>
<b>Total Operating Income</b>	<b>304,199</b>	<b>100%</b>	<b>353,064</b>	<b>100%</b>	<b>(48,865)</b>	<b>(14%)</b>

Total operating income for the third quarter of 2021 of the Group was Baht 101 million, a decrease of Baht 28 million or 22% from the same period of the previous year. Total operating income for the nine-month period of 2021 amounted to Baht 304 million, a decrease of Baht 49 million or 14% from the same period last year. The revenue from sales and services decreased in all segments, including after-sales service income from the crane and electric hoist segment. This is mainly due to the impact of economic conditions as mentioned above, in addition with the increase of competition. The revenue recognition is in accordance with the delivery schedule of each project and the service schedule according to the plan agreed with the customers.



The after-sales service segment of loading dock and equipment have a tendency to increase revenue every year, This is an after-sales income due to the sales of loading docks which has grown significantly during the year 2018. The Group has also started to earn income from a new segment, the sales of solar cells, in this quarter as well.

During the first quarter of 2021, the Company received dividend of Baht 7.5 million from its subsidiary, which this transaction had been eliminated in the consolidated financial statements.

As at September 2021, the Group had revenues backlog of Baht 447 million, which increased by Baht 110 million or 33% compared to prior year, such backlog will gradually be recognized as revenues from the fourth quarter of 2021 onward.

Operating Expenses						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2021	3Q 2020	%Chg.	9M 2021	9M 2020	%Chg.
Cost of sales and services	73,495	92,976	(21%)	213,033	234,047	(9%)
Selling expenses	6,662	7,102	(6%)	20,104	21,564	(7%)
Administrative expenses	19,236	20,170	(5%)	57,900	59,622	(3%)
<b>Total Operating Expenses</b>	<b>99,393</b>	<b>120,248</b>	<b>(17%)</b>	<b>291,037</b>	<b>315,233</b>	<b>(8%)</b>

Total operating expenses for the third quarter of 2021 of the Group were Baht 99 million, decreased from the same period of prior year of Baht 120 million or 17%. Total operating expenses for the nine-month period of 2021 were Baht 291 million, decreased from the same period of prior year of Baht 315 million or 8%.

- Cost of sales and services decreased in line with revenue from contracts with customers.
- Selling expenses and Administrative expenses had not changed significantly.

Other Items						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2021	3Q 2020	%Chg.	9M 2021	9M 2020	%Chg.
Finance income	316	627	(50%)	1,033	1,845	(44%)
Finance cost	(15)	(40)	(63%)	(64)	(133)	(52%)
Income tax expenses	(385)	(1,949)	(80%)	(2,806)	(7,914)	(65%)
<b>Total Other Items</b>	<b>(84)</b>	<b>(1,362)</b>	<b>(94%)</b>	<b>(1,837)</b>	<b>(6,202)</b>	<b>(70%)</b>

- Income tax expenses decreased in line with the operating profits.



Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q	3Q	%Chg.	9M	9M	%Chg.
	2021	2020		2021	2020	
Gross profit	27,437	35,166	(22%)	90,575	117,011	(23%)
Gross profit margin	27%	27%		30%	33%	
Net profit	1,633	7,564	(78%)	11,325	31,629	(64%)
Net profit margin	2%	6%		4%	9%	
Basic earnings per share (Baht)	0.003	0.013	(77%)	0.019	0.053	(64%)

- Gross profit and gross profit margin for the nine-month period of 2021 were lower due to the significantly increase of price competition from the current epidemic situation. In addition, there was an effect of the Thai baht depreciation and the significant increase in steel prices in the market, causing the cost of the product to increase.
- Net profit and net profit margin for the third quarter and for the nine-month period of 2021 decreased in line with lower revenue and gross profit.

#### Consolidated Financial Position for the nine-month period of 2021

Financial Position			
(Thousand Baht)	September 2021	December 2020	%Chg.
Total Assets	1,054,815	1,023,451	3%
Total Liabilities	237,230	175,191	35%
Total Shareholders' Equity	817,585	848,260	(4%)

- Total assets increased of Baht 31 million or 3%.
  - Cash and cash equivalent decreased mainly due to payment for investments in fixed assets and the dividend payment during the second quarter.
  - Trade accounts receivable decreased mainly due to debt collections during the period.
  - Inventories increased from raw materials and work in progress to prepare for delivery. This is in line with the increasing revenue backlog.
- Total liabilities increased by Baht 62 million or 35% mainly due to trade accounts payable which increased with orders to support orders from customers, and deposit received in advance increased in line with the increasing revenue backlog.
- Total shareholders' equity decreased of Baht 31 million or 4% which decreased from dividend payment of Baht 42 million and increased from net profit of the period of Baht 11 million.



## Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	9M 2021	9M 2020
Net cash from operating activities	13,792	93,268
Net cash from (used in) investing activities	(24,859)	129,171
Net cash used in financing activities	(43,159)	(61,525)
Net increase (decrease) in cash and cash equivalents	(54,226)	160,914
Beginning cash and cash equivalents	353,040	170,136
Ending cash and cash equivalents	298,814	331,050

For the nine-month period of 2021, the Group had net decrease in cash and cash equivalent of Baht 54 million from the beginning balance of Baht 353 million. As a result, cash and cash equivalents at the end of the period was Baht 299 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities were Baht 14 million.
- Net cash used in investing activities were Baht 25 million mainly due to payment for investments in fixed assets.
- Net cash used in financing activities were Baht 43 million mainly due to dividend payment during the period.

Ratios Analysis		
	9M 2021	9M 2020
Return on Asset (%)	2.78%	9.97%
Return on Equity (%)	2.76%	10.42%
Current ratio (x)	4.08	5.78
Total debt to equity (x)	0.29	0.20

Return on asset and return on equity decreased by 7.19% and 7.66%, respectively, due to the decrease of profit compared to same period of previous year.

Current ratio and total debt to equity ratio decreased by 1.70x and 0.09x, respectively, due to the increase of trade accounts payable and deposit received in advance.

