

Sun Vending Technology Public Company Limited

Management Discussion and Analysis

For the year ended 31 December 2021

**Business overview**

Sun Vending Technology Public Company Limited is engaged in the business of retail sales via vending machines and sales of vending machines. The Company has its own refurbishment and assembly factory for vending machines with 11 distribution branches divided into 10 main branches and 1 sub-branch (the sub-branch has less than 500 vending machines and distribution warehouses for goods and services under main branch) covering service areas in 26 provinces. As of 31 December 2021, the Company had 14,628 vending machines located at various places. These vending machines are divided into four main types consisting of Can and Bottle vending machines, Glass-front vending machines, Hot and Cold Cup vending machines and Noodle vending machines. The goods sold via vending machines are consumer goods such as beverages, snacks, instant noodles and other products such as masks, bread and bakery goods, etc., a total of 700 items of products (SKU). The Company's vending machines support cash and cashless payments.

The Company's revenue for the year ended 31 December 2021 consisted of: (1) Revenue from sale of products via vending machines accounted for 97.94%; (2) Revenue from vending machine sales accounted for 0.93%; (3) Revenue from advertisement services on vending machines accounted for 0.52%; and (4) Service income and other income accounted for 0.61%.

**Summary of financial performance for the year ended 31 December 2021**

For the the year ended 31 December 2021, the Company had a total revenue of Baht 1,963.32 million, an increase of Baht 195.96 million or 11.09 percent from the same period in the previous year. Although, in 2021 the Company was affected by the second wave of COVID-19 outbreaks in Samutsakorn in January and February, and the situation began to improve in March 2021, the third wave of COVID-19 outbreaks occurred in early April for a continuous period, until the three-month period of Quarter 3'2021. However, in the year 2021, the Company was affected less than in 2020 due to improvements in the export industry. Furthermore, factories remained open, except for some factories closed due to COVID-19 infections and lower revenue in some segments which suspended services or travels to study and work such as hotels, universities, schools and offices, etc. In 2020, the Company was affected by the announcement of strict emergency lockdown situations and closures of many types of facilities at risk such as department stores, education institutions and hotels, etc., including cross-provincial travel bans and curfews to prevent COVID-19 outbreaks. In addition, main customers in many factories closed down temporarily or

reduced the number of working days due to lower production orders caused by effects from COVID-19 outbreaks on the Thai economy and exports.

The Company's net profit for the year ended of 2021 was Baht 66.69 million, or an increase from the previous year by 20.07 percent. This was because the Company had higher revenue from increasing the number of vending machines to provide services and continuous increases in the types of products, including changes of estimated useful life of vending machines caused lower depreciation expense in year 2021.

Statement of income	For the year ended 31 December 2020		For the year ended 31 December 2021	
	MBaht	%	MBaht	%
<b>Revenues</b>				
Sales	1,742.40	98.59	1,941.15	98.87
Other income	24.96	1.41	22.17	1.13
<b>Total revenues</b>	<b>1,767.36</b>	<b>100.00</b>	<b>1,963.32</b>	<b>100.00</b>
<b>Expenses</b>				
Cost of sales	(1,160.84)	(65.68)	(1,302.36)	(66.33)
Selling and distribution expenses	(479.95)	(27.16)	(509.06)	(25.93)
Administrative expenses	(56.74)	(3.21)	(61.46)	(3.13)
Other expenses	(0.08)	(0.00)	(0.22)	(0.01)
Financial costs	(7.08)	(0.40)	(7.00)	(0.36)
<b>Total expenses</b>	<b>(1,704.69)</b>	<b>(96.45)</b>	<b>(1,880.10)</b>	<b>(95.76)</b>
<b>Profit before income tax expenses</b>	<b>62.67</b>	<b>3.55</b>	<b>83.22</b>	<b>4.24</b>
Income tax expense	(7.13)	(0.40)	(16.53)	(0.84)
<b>Net profit for the year – from continuing operation</b>	<b>55.54</b>	<b>3.15</b>	<b>66.69</b>	<b>3.40</b>
Net profit for the year – from discontinuing operation <sup>1</sup>	9.61	0.5	-	-
<b>Net profit for the year</b>	<b>65.15</b>	<b>3.69</b>	<b>66.69</b>	<b>3.40</b>

Note: <sup>1</sup> The Company's statement of income for the year ended 31 December 2020 was included past performance of the distribution center service and transportation business (which was discontinued operation since 1 April 2020).

## Revenues

The Company's total revenues for the year ended 31 December 2021 were amounted to Baht 1,963.32 million, which revenue structure can be summarised as follows:

Revenue Structure	For the year ended 31 December 2020		For the year ended 31 December 2021	
	MBaht	%	MBaht	%
1. Revenue from selling goods via vending machines	1,725.98	97.66	1,922.86	97.94
2. Revenue from selling vending machines	16.42	0.93	18.28	0.93
3. Revenue from advertising space on vending machines <sup>(1)</sup>	10.22	0.58	10.20	0.52
4. Service income <sup>(1)</sup>	6.39	0.36	6.41	0.33
<b>Total revenues from sales and services</b>	<b>1,759.01</b>	<b>99.53</b>	<b>1,957.75</b>	<b>99.72</b>
Other income <sup>(1)</sup>	8.35	0.47	5.57	0.28
<b>Total revenues</b>	<b>1,767.36</b>	<b>100.00</b>	<b>1,963.32</b>	<b>100.00</b>

Note <sup>1</sup> Included under other income in the financial statement.

## Revenues from sales and services

Revenues from sales and services for the year 2021 were amounted to Baht 1,957.75 million or 99.72 percent of total revenues. This growth increased by 11.30 percent when compared to the previous year. This growth corresponded with service area expansions by more units of vending machines in services in order to have more service coverage to consumers. Revenue structures are as follows:

1. **Revenue from selling goods via vending machines** main business of the Company is retail business by selling goods via vending machines. The Company's revenues from sales via vending machines for the year 2021 were at Baht 1,922.86 million, or increased by 11.41 percent, compared to the previous year. In each year, the Company has plans to expand service areas by locating vending machines at service facilities to have more service coverage to consumers, and boost opportunity of sales growth. In the year 2021, the Company continued to locate more units of vending machines in service. The Company located net 1,289 units of more vending machines or 9.66 percent when compared to the year 2020. At the end of year 2021, the Company had a total of 14,628 vending machines in service.

The Company's main customers (approximately 70 percent of all vending machines) are industrial factories such as automobile assembly factories, automobile parts manufacturing factories, textile factories, electronic parts factories, etc., followed by offices, department stores and hotels. In 2021, the COVID-19 pandemic caused the Company's customers in the industrial factories and other customers such as department stores and offices, etc., to close or stop businesses temporarily or reduce working hours to prevent COVID-19 infections, causing effects to revenue from sales of products via vending machines located in the aforementioned service areas.

However, the Company has a risk diversification policy. The Company expanded service areas where vending machines are located in new segments such as gas stations, train stations such as MRT, BTS, Airport Link and condominiums, etc., in order to be consistent with changes in consumer lifestyles in the New Normal such as workers and condominium residents in cities who travel by public transportation for speed, and expansions of retail store business in gas station, etc. When considering average revenue/machine/day of the Company's vending machines, average revenue/machine/day for the year 2021 were at Baht 380, which was higher than 374 baht/machine/day in the previous year. This was because the Company was more affected by the COVID-19 pandemic in the year 2020, particularly in Quarter 2'2020, causing revenue per machine to be lower than normal.

**2. Revenue from selling vending machines** this is revenue from selling vending machines to the customers. The Company has a vending machine refurbishment and assembly factory, and the Company is the sole vending machine sale representative in Thailand for one leading vending machine manufacturer in Japan and another in China. Vending machines are sold with right to customers. The Company's revenue from vending machine sales for the year 2021 was at Baht 18.28 million, or 0.93 percent of total revenue, which increased by Baht 1.86 million, or 11.35 percent when compared to the previous year due to the more vending machines sold.

**3. Revenue from advertising space on vending machines** This revenue is from service fees for attaching advertisement media on vending machines to advertise customer products by wrapping stickers around vending machines. Service fees were charged by considering the location of the vending machine where customers want to advertise. The Company's revenue from advertising space on vending machines for the year 2021 was at Baht 10.20 million, or 0.52 percent of total revenues. This revenue decreased by Baht 0.02 million, or 0.26 percent when compared to the previous year depend on the number of advertisement customers.

**4. Service income** This revenue is revenue from coin exchange services for a retail business entrepreneur and revenue from vending machine after-sale services. Because the Company's main business involves selling products via vending machines, most of the Company's revenue is cash in the form of banknotes and coins from customers who purchased products from vending machines. The Company can deposit banknotes in banks, and exchanges coins with convenience store entrepreneurs, giving the Company revenue from exchanging coins. Service income for the year 2021 was Baht 6.41 million, or 0.33 percent of total revenues, which increased by Baht 0.02 million, or 0.33 percent when compared to the previous year. This is due mainly to increase in coin exchange service fees.

#### Other income

Other income consisted of revenue from renting vending machines, product listing fees from product owners, dividend income, interest income, gains from sales of assets and gains on exchange rates, etc. Other income for the year ended of 2021 was amounted to Baht 5.57 million, or 0.28 percent of total revenues, which decreased by Baht 2.78 million, or 33.30 percent when compared to the previous year. This was due to the extraordinary gain from sales of assets in year 2020 amounting to Baht 1.17 million according to discontinued operation of distribution

center service and transportation business. In addition, this was due to decreases in dividend income and product listing fees in year 2021.

#### Cost of sales

Cost of sales for the year 2021 was amounted to Baht 1,302.36 million, or 66.33 percent of total revenues. The main cost of sales was the cost of products for sale via vending machines at 99.30 percent of total costs, followed by the cost of vending machines for sale at 0.70 percent of total costs. The Company's cost structure and gross profit can be summarised as follows:

Cost structure	For the year ended 31 December 2020		For the year ended 31 December 2021	
	MBaht	%	MBaht	%
1. Cost of goods sold via vending machine	1,152.27	99.26	1,293.18	99.30
2. Cost of vending machine sold	8.57	0.74	9.18	0.70
<b>Total cost of sales</b>	<b>1,160.84</b>	<b>100.00</b>	<b>1,302.36</b>	<b>100.00</b>

Gross profit	For the year ended 31 December 2020		For the year ended 31 December 2021	
	MBaht	%	MBaht	%
1. Gross profit from goods sold via vending machine	573.71	33.24	629.68	32.75
2. Gross profit from vending machine sold	7.86	47.84	9.11	49.80
<b>Total gross profit</b>	<b>581.57</b>	<b>33.38</b>	<b>638.79</b>	<b>32.91</b>

The Company's costs of goods sold via vending machines for the year 2021 was accounted for 67.25 percent of revenue from selling goods via vending machines or a gross profit margin of 32.75 percent. The gross profit margin was decreased from the previous year of 33.24 percent. This is due to sales of more new various products in the year 2021 such as health beverage, health and hygiene appliances including sanitary masks of which price is controlled, and has lower gross profit margin than other products. The Company has a policy in selecting products to be placed in vending machines to have a gross profit margin not less than 30 percent with consideration given to consumer preference for products and the shape of products enabling products to be placed in vending machines.

The Company's costs from vending machine sales in the year 2021 were accounted for 50.20 percent of revenue from vending machine sales or a gross profit margin of 49.80 percent, which increased from 47.84 percent in the year 2020. This was mainly due to sales of more vending machines which type has high gross profit margin in 2021.

Although, the gross profit margin of vending machine sales is high, most of the Company's revenue is from sales of products via vending machines, resulting to the Company's overall gross profit margin to be approximately 33 percent.

### Selling and distribution expense

Selling and distribution expenses for the year 2021 were amounted to Baht 509.06 million, or 25.93 percent of total revenues. The Company's major selling and distribution expenses consisted of: (1) expenses related to route operation employees, and sales and marketing employees in terms of salaries, bonus, commissions and other benefits, etc., which accounted for 35.07 percent of total selling and distribution expenses; (2) depreciation expense accounted for 25.02 percent of total selling and distribution expenses; and (3) location fees for vending machine service area accounted for 18.12 percent of total selling and distribution expenses.

Major selling and distribution expense	For the year ended 31 December 2020		For the year ended 31 December 2021	
	MBaht	%	MBaht	%
Staff costs	165.76	34.54	178.52	35.07
Depreciation expenses	145.96	30.41	127.34	25.02
Location fees	72.75	15.16	92.23	18.12

Selling and distribution expenses for the year 2021 increased by Baht 29.11 million or 6.06 percent from the previous year. This is mainly due to increase in location fees for vending machine service areas resulting from expansions of service areas into open spaces, higher competition and a higher number of vending machines in service which increased from Baht 72.75 million to Baht 92.23 million, or increased by Baht 19.48 million, or 26.77 percent. This location fee for vending machine service areas was accounted for 18.12 percent of selling and distribution expenses, which increased from the previous year at 15.16 percent of selling and distribution expenses. Nevertheless, depreciation decreased from Baht 145.96 million to Baht 127.34 million, or decreased by Baht 18.62 million, or 12.75 percent, because the Company changed the estimated useful life of a number of vending machines from five years to eight years beginning from Quarter 1 of 2021 to be consistent with expected economic benefit from using the aforementioned assets. This depreciation was at 25.02 percent of selling and distribution expenses which decreased from the previous year at 30.41 percent of selling and distribution expenses.

### Administrative expenses

Administrative expenses in the year 2021 were amounted to Baht 61.47 million, or 3.13 percent of total revenues. The Company's major administrative expenses were: (1) Expenses related to employees and executives such as salaries, bonus and other benefits, etc., at 56.97 percent of administrative expenses; (2) Consultation fees and expenses for preparing the Company to be listed in the Stock Exchange of Thailand and directors' remuneration at 17.01 percent of administrative expenses; and (3) Depreciation at 3.35 percent of administrative expenses.

Major administrative expenses	For the year ended 31 December 2020		For the year ended 31 December 2021	
	MBaht	%	MBaht	%
Staff cost	32.65	57.47	35.02	56.97
Consultant fee and directors' remuneration	9.41	16.57	10.45	17.01
Depreciation expense	1.87	3.28	2.06	3.35

Administrative expenses for the year 2021 increased from the previous year by Baht 4.72 million, or 8.32 percent. This was mainly caused by information technology consultation expenses continuing from Quarter 4 of 2020, legal consultant fees and financial consultant fees for preparing the Company's listing in the Stock Exchange of Thailand, including operating expenses for the additional ordinary shares for initial public offering in Quarter 3'2021.

#### Financial costs

Financial costs for the year 2021 were at Baht 7.00 million, or 0.36 percent of total revenues, which decreased by Baht 0.08 million from the previous year. This is interest expense on loans for investments in expanding vending machines, and for working capital.

#### Net profit

The Company's net profit for the year 2021 was Baht 66.69 million, or net profit margin of 3.40 percent which increased from the previous year. This was mainly due to higher revenue from increasing the number of vending machines to provide services and continuous increases in the types of products, including changes of estimated useful life of vending machines caused lower depreciation expense in year 2021.

### Analysis of Financial Position

#### Assets

The Company had total assets at the end of year 2020 and 2021 at Baht 1,089.74 million and Baht 1,485.12 million, respectively. Changes in assets can be summarised as follows:

1. Cash and cash equivalent at the end of year 2021 were at Baht 300.67 million which increased from year 2020 by Baht 246.27 million. This was mainly due to cash receipts from increase in share capital of Baht 508 million in September 2021 and deduct with cash paid for investing in assets.
2. Property, buildings and equipment at the end of year 2021 were at Baht 912.11 million which increased from year 2020 by Baht 79.25 million. This was mainly due to investments in more 2,357 units of vending machines including electronic parts for smart vending machines or net value (after deduct depreciation) increased by Baht 63.39 million. This is in order to support increasing in service areas for vending machines to other locations.

### Liabilities

The Company had total liabilities at the end of year 2020 and 2021 at Baht 477.31 million and Baht 333.62 million, respectively. Changes in liabilities can be summarised as follows:

1. Bank overdraft and short-term loans from financial institutions and related parties at the end of year 2021, was decreased from year 2020 by Baht 170.14 million. This is due to repayment of such short-term loans in year 2021.
2. Trade and other payables at the end of year 2021 were at Baht 294.36 million which increased from year 2020 by Baht 23.38 million. This is mainly due to increase in trade payables from purchase of goods for more vending machines in services.

### Shareholders' equity

Shareholders' equity at the end of year 2021 was at Baht 1,151.50 million accounting for 77.54% of total liabilities and shareholders' equity. This was increased from at the end of year 2020 by Baht 539.06 million because of increase in share capital of Baht 50 million in March 2021 and increase in share capital of Baht 200 million (with share premium, net of Baht 294.44 million) in September 2021, profit from operation in year 2021 deducting with dividend payment in year 2021 of Baht 81 million, and increase in other components of shareholders' equity from fair value in investments of equity instruments.

### Liquidity

1. Cash flow liquidity

Net cash flows from operating activities for the year 2021 were amounted to Baht 111.43 million which increased from the previous year by Baht 21.73 million. This is mainly due to decrease in trade and other payables in year 2020 according to discontinued operation of distribution center service and transportation business since 1 April 2020.

Net cash flows used in investing activities for the year 2021 were amounted to Baht 150.94 million. The Company invested in buildings and equipment amounting to Baht 142.65 million which consist of investing in vending machines including electronic parts for smart vending machines, and branch building construction.

Net cash flows from financing activities for the year 2021 were amounted to Baht 285.78 million. The Company had proceed from long-term loan amounting Baht 150.00 million, increase in share capital amounting to Baht 544.44 million. Also, the Company repaid loans from related parties, net amounting to Baht 50.00 million, repaid bank overdraft and loans from financial institution amounting to Baht 120.14 million, repaid long-term loan amounting Baht 150.00 million, and paid dividend to shareholders amounting to Baht 81.00 million.



2. Liquidity ratio and cash cycle

In 2021, the Company had liquidity ratio at 1.63 times which increased from year 2020. This is due to increase in current assets portion from cash receipt from increase in share capital of Baht 508 million in September 2021.

From considering cash cycle for the year 2021 at (29) days, the Company had negative cash cycle because the Company can have collection before debt payment. This is because main revenues are cash sales that the customer has to pay when purchasing goods via vending machines. However, according to the business, the Company has to invest in many units of vending machines in order to increase in service areas for vending machines to other locations. So, it is resulted to sometimes borrow short-term loans from financial institution for working capital.