

**nForce Secure Public Company Limited**

**Management Discussion and Analysis**

**For the Year Ended 31 December 2021**

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**Business overview**

nForce Secure Public Company Limited (the Company) is a distributor of cyber products and solutions as well as network management products and solutions. Wherein the revenue ended 31 December 2021 consisted of (1) revenue from sales of all products related to information technology systems, accounting for 97.11%; (2) revenue from services, it is the revenue generated from providing information technology services related to due to the products that the Company being a full-service distributor, accounting for 2.53% (3) other revenue, accounting for 0.36%, respectively.

**Performance summary for the year ended 31 December 2021**

For the year ended 31 December 2021, the Company had total revenue of Baht 826.34 million, an increase of Baht 187.20 million from the previous year or an increase of 29.29 percent with a total comprehensive income of Baht 63.44 million, an increase Baht 39.71 million from the year 2020 which amounted to Baht 23.73 million or an increase of percentage 167.37 in line with growing revenue from investments in security systems; which correspond with the increased cybersecurity of government and private organizations.

Mainly because consumer behavior has changed rapidly due to the impact of the COVID-19 epidemic, causing all businesses to be challenged by digital technology changes or digital disruption; resulting in many organizations having the need to business reform through the process of digital transformation by accelerating investments in various technology systems to have the potential to compete in the market

Items	For the Year Ended					
	31 December 2019		31 December 2020		31 December 2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
<b>Revenue</b>						
Revenue from sales	623.00	96.63	611.94	95.74	802.44	97.11
Revenue from services	19.92	3.09	21.99	3.44	20.94	2.53
Other income	1.83	0.28	5.22	0.82	2.96	0.36
<b>Total revenue</b>	<b>644.75</b>	<b>100.00</b>	<b>639.15</b>	<b>100.00</b>	<b>826.34</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of sales and services	(492.53)	(76.39)	(508.47)	(79.55)	(667.53)	(80.78)
Selling expenses	(42.26)	(6.55)	(39.40)	(6.16)	(37.59)	(4.55)
Administrative expenses	(39.23)	(6.08)	(50.34)	(7.88)	(44.28)	(5.36)
Loss on exchange rate, net	6.04	0.94	(5.24)	(0.82)	(0.91)	(0.11)
Fair value gain (loss) on derivatives	0.00	0.00	(1.76)	(0.28)	0.22	0.03
Net impairment losses on financial assets	0.00	0.00	0.00	0.00	(0.04)	0.00
Share of loss from joint ventures	0.00	0.00	0.00	0.00	(1.35)	(0.16)
<b>Total expenses</b>	<b>(567.98)</b>	<b>(88.09)</b>	<b>(605.21)</b>	<b>(94.69)</b>	<b>(751.48)</b>	<b>(90.94)</b>
<b>Profit before finance costs and income tax</b>	<b>76.77</b>	<b>11.91</b>	<b>33.94</b>	<b>5.31</b>	<b>74.86</b>	<b>9.06</b>
Financial Cost	(2.15)	(0.33)	(3.39)	(0.53)	(1.41)	(0.17)
<b>Profit before income tax</b>	<b>74.62</b>	<b>11.57)</b>	<b>30.55</b>	<b>4.78</b>	<b>73.45</b>	<b>8.89</b>
Income tax expenses	(15.17)	(2.35)	(7.00)	(1.1)	(12.34)	(1.49)
<b>Profit for the year</b>	<b>59.45</b>	<b>9.22</b>	<b>23.55</b>	<b>3.68</b>	<b>61.11</b>	<b>7.40</b>

### Revenue, cost, and gross profit

Sales revenues when considering the sources of products classified by type can be divided into 4 groups as follows:

1. Revenues from sales of network security system solutions, comprising of comprehensive Cybersecurity products and solutions to prevent cyber threats, including hacking attacks and malware attacks, for example, Firewall and proxy servers.
2. Revenues from sales of endpoint security systems, comprising of endpoint protection hardware and software, for example, antivirus software and anti-malware software.
3. Revenues from sales of network performance & monitoring systems, comprising of hardware and software that contribute to efficiency and effectiveness of computer networks and equipment in order to enhance organization management, including programs that monitor systems and notify system administrators of the issues in the systems so the administrators can plan ahead as a precaution against system failure or disruption.

4. Revenues from sales of other products, comprising of management products, data management systems and user identification products.

Source of Revenue	Year 2019		Year 2020		Year 2021	
	Million Baht	Percent (%)	Million Baht	Percent	Million Baht	Percent (%)
1. Network security	348.93	56.01	359.97	58.82	619.83	77.24
2. Endpoint security	148.38	23.82	146.36	23.92	105.97	13.21
3. Network performance & monitoring	100.15	16.08	64.55	10.55	73.90	9.21
4. Others	25.54	4.10	41.06	6.71	2.74	0.34
Revenue from sales	<b>623.00</b>	<b>100.00</b>	611.94	<b>100.00</b>	<b>802.44</b>	<b>100.00</b>

For the fiscal year ended 31 December 2021, the Company's revenue from sales amounted to Baht 802.44 million, an increase of Baht 190.50 million or 31.13 percent from 2020. The main source of income is revenue from the sale of network security products, which has increased by Baht 259.87million, representing a percentage 72.19; compared to the year 2020, as a result of various organizations continuously allocating investments in high-priority products first. It focuses on network security, which is a product that is necessary for network security. Continuing from the year2020, the product owner (Vendor) accelerates the development of more modern network security products as a result of the impact of the COVID-19 epidemic situation combined with rapidly changing technology. which has a protection system that protects both servers and endpoints, causing more organizations to invest in network security. Furthermore, many companies have a work-from-home policy that requires employees to connect to devices and networks via the cloud in order to access more corporate databases. This increases the risk of cybersecurity threats. As a result, both public and private organizations invest more in network security to protect against various threats that may affect the organization. As a result, revenue from sales of network security products increased, as well as revenue from sales of network performance and monitoring products increased by Baht 9.35 million or percentage 14.48 Meanwhile, revenue from sales of Endpoint Security products and other groups decreased by Baht 40.39 million and Baht 38.32 million, respectively, representing 27.60 percent and 93.32 percent, respectively, compared to the same period last year.

#### Revenue from services

Unit: Million Baht	Year 2019		Year 2020		Year 2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
1. System maintenance service	12.71	63.83	15.60	70.94	12.89	61.53
2. Installation service	6.46	32.44	6.11	27.77	7.09	33.87
3. Training service	0.74	3.74	0.28	1.29	0.96	4.60
Revenue from services	<b>19.92</b>	<b>100.00</b>	<b>21.99</b>	<b>100.00</b>	<b>20.94</b>	<b>100.00</b>

Service revenue is divided into 3 main categories: Maintenance Service, Installation Service, and Training Service

For the year ended 31 December 2021, the Company's revenue from services amounted to Baht 20.94 million, which is similar to the year 2020.

In addition, if considering the sources of revenue from sales and services, which are divided into 3 types as follows:

1. Revenue from software sales in the first year
2. Revenues from maintenance service agreement (MA) which were recurring income
3. Revenues from sales of other products and services

Unit: Million Baht	Year 2019		Year 2020		Year 2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
1. Revenue from sales of software	167.02	25.98	250.88	39.58	376.90	45.77
2. Maintenance agreement: MA	148.70	23.13	226.05	35.66	268.06	32.56
3. Revenue from others	327.19	50.89	157.00	24.77	178.42	21.67
<b>Total revenue from sales and services</b>	<b>642.91</b>	<b>100.00</b>	<b>633.93</b>	<b>100.00</b>	<b>823.38</b>	<b>100.00</b>

#### Other revenue

Other revenue consists of interest income, rental income, profit from disposal of assets, and operating expenses from activities etc. For the year ended 31 December 2021, had other income of Baht 2.96 million or 0.36 percent of total revenue. A decrease from Baht 2.26 million or 43.25 percent. The main reason is because in 2020, revenue from land and building sales amounted to Baht 3.43 million.

#### Cost of sales and services, and gross profit

Unit: Million Baht	For the year ending December 31					
	2019		2020		2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Revenue from sales and services	642.91	100.00	633.93	100.00	823.38	100.00
Cost of sales and services	492.53	76.61	(508.47)	(80.21)	(667.53)	(81.07)
<b>Gross profit</b>	<b>150.38</b>	<b>23.39</b>	<b>125.45</b>	<b>19.79</b>	<b>155.85</b>	<b>18.93</b>

For the year ended 31 December 2021, the Company's gross profit margin was at 18.93 percent, a decrease compared to the previous year. As various projects in 2021 are projects that require competitive bidding, this includes the increasing price competition in the cybersecurity business; the Company has adjusted the bids with lower margins to maintain the existing customer base and increase the competitiveness in various project bidding.

### Selling expenses

Selling expenses	For the year ending 31 December					
	2019		2020		2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	22.49	53.23	24.90	63.20	24.03	63.93
Advertising and promotional costs	8.19	19.38	3.76	9.54	1.56	4.15
Commission	6.15	14.55	6.54	16.60	8.50	22.61
Other selling expenses	5.42	12.84	4.20	10.66	3.50	9.31
<b>Total</b>	<b>42.26</b>	<b>100.00</b>	<b>39.40</b>	<b>100.00</b>	<b>37.59</b>	<b>100.00</b>

For the year ended 31 December 2021, the Company had selling expenses in the amount of Baht 37.59 million, or 4.55 percentage of total revenue; whereas selling expenses for the year 2021 decreased compared to the year 2020 in the amount of Baht 1.81 million or 4.59 percent. This was mainly due to lower advertising and promotion costs. As a result of the COVID-19 virus epidemic, promotional activities cannot be organized, while the commission increases in line with the increase in sales in 2021.

### Administrative expenses

Administrative expenses	For the year ending 31 December					
	2019		2020		2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	21.94	55.91	24.53	48.73	22.46	50.72
Professional fee	7.26	18.49	12.08	23.99	8.25	18.63
Depreciation	4.12	10.51	7.03	13.97	5.65	12.76
Rental fee	2.97	7.57	0.01	0.01	-	-
Employee's benefit expense	2.18	5.56	1.92	3.81	2.23	5.03
Administrative expenses	0.77	1.96	4.78	9.50	5.69	12.86
<b>Total</b>	<b>39.23</b>	<b>100.00</b>	<b>50.34</b>	<b>100.00</b>	<b>44.28</b>	<b>100.00</b>

The main administrative expenses are employee expenses and professional fees. For the year ended 31 December 2021, the Company had administrative expenses in the amount of Baht 44.28 million, decreased compared to the previous year Baht 6.06 million or 12.04 percent. This was mainly due to a decrease in professional fees in the amount of Baht 3.83 million and a decrease in depreciation expenses of Baht 1.38 million due to the depreciation of assets that have reached their useful life.

### Net profit and net profit margin

For the year ended 31 December 2021, the Company had a net profit of Baht 61.11 million, increasing from the year 2020 by the amount of Baht 37.57 million or 159.53 percent. This is in line with growing revenues from increased investment in cybersecurity of government and private organizations. The net profit margin for the year 2021 is at a 7.40 percent increase compared to the previous year because the Company has better control over expenses.

## Statement of financial position

### Total assets overview

As at 31 December 2020 and 31 December 2021, the Company had total assets of Baht 304.93 million and Baht 736.02 million, respectively. The details of each item can be described as follows:

### Current assets

As at 31 December 2020 and 31 December 2021, the Company had current assets of Baht 234.26 million and Baht 656.26 million, representing 76.82 percent and 89.16 percent of total assets in each year, respectively. The main current assets were cash and cash equivalents, account receivables and other receivables, inventories, and receivables under lease agreements due within one year - net, each of which can be described as follows:

### Cash and cash equivalents

As at 31 December 2020 and 31 December 2021, the Company had cash and cash equivalents amounting to Baht 40.50 million and Baht 402.98 million, respectively, The increased in cash and cash equivalents mainly from the Company received a capital increase from the issuance of ordinary shares.

### Account receivables and other receivables

Items	31 December					
	2019		2020		2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Account Receivable	169.65	98.65	129.05	96.74	170.14	97.37
Accounts receivable - related party	-	-	-	-	2.51	1.44
Accrued income	0.05	0.03	3.00	2.25	2.68	1.53
<u>Less</u> Loss allowance	-	-	(2.00)	(1.50)	(2.40)	(1.37)
<b>Total accounts receivable - net</b>	<b>169.70</b>	<b>98.68</b>	<b>130.05</b>	<b>97.49</b>	<b>172.93</b>	<b>98.97</b>
Prepaid expenses	1.64	0.95	3.14	2.36	1.61	0.92
Employee account receivable	0.64	0.37	0.13	0.10	0.20	0.11
Accrued interest - related party	-	-	0.07	0.05	0.00	0.00
<b>Total other receivable</b>	<b>2.27</b>	<b>1.32</b>	<b>3.35</b>	<b>2.51</b>	<b>1.81</b>	<b>1.03</b>
<b>Total account and other receivables - net</b>	<b>171.97</b>	<b>100.00</b>	<b>133.39</b>	<b>100.00</b>	<b>174.74</b>	<b>100.00</b>

As at 31 December 2020 and 31 December 2021, the Company had account and other receivables amounting to Baht 133.39 million and Baht 174.74 million, or accounted for 43.74 percent and 23.74 percent of total assets, respectively. As at 31 December 2021, the Company's account receivables and other receivables increased in the amount of Baht 41.35 million, in line with the increase in revenue in 2021.

The Company has accounts receivable classified by overdue period, counting from the date the payment is due as follows

Items	31 December					
	2019		2020		2021	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Not yet due	143.88	84.78	117.56	89.03	15.95	9.10
Less than 3 months overdue	25.81	15.22	13.50	10.22	157.85	90.03
Overdue more than 3 months but not over 6 months	-	-	0.99	0.75	0.54	0.30
Overdue 6 months but not over 12 months	-	-	-	-	-	-
Over 12 months overdue					0.99	0.56
<b>Total account receivables</b>	<b>169.70</b>	<b>100.00</b>	<b>132.05</b>	<b>100.00</b>	<b>175.33</b>	<b>100.00</b>
Allowance for expected credit losses / doubtful accounts	-	-	(2.00)	(1.51)	(2.40)	(1.37)
<b>Total account receivables - net</b>	<b>169.70</b>	<b>100.00</b>	<b>130.05</b>	<b>98.49</b>	<b>172.93</b>	<b>98.63</b>

Financial assets measured at fair value through profit or loss.

As at 31 December 2020, and 31 December 2021, the Company has financial assets of Baht 34.96 million. The Company has started investing in marketable debt securities during the fourth quarter of 2021.

Current portion of lease receivables, net

As at 31 December 2021, the Company has receivables from current portion of lease receivables amounting to Baht 7.92 million, which are receivables arising from leasing of software equipment to unrelated parties; classified as a financial lease

Inventory

As at 31 December 2020 and 31 December 2021, the Company had net inventories of Baht 59.74 million and Baht 35.14 million, respectively. Most inventories included the ordered devices, equipment, and computer software, pending delivery as per customers' purchase orders for which the Company has no policy of storing inventory for sale. As at 31 December 2020, the Company marked the remaining inventories at a net of Baht 59.74 million because the Company had received a number of mega projects since end of the year 2020. Accordingly, the Company ordered the products, which would be delivered to the customers in the first quarter of 2021. The Company gained projects because of its extensive experience and growing reputation. However, as at 31 December 2021, the Company's inventory decreased from that of 31 December 2020 due to a semiconductor shortage that began to become severe in 2021 and caused product owners to slow down the delivery of hardware products to the Company.

Non-current assets

As at 31 December 2020 and 31 December 2021, the Company had non-current assets of Baht 70.68 million and Baht 79.76 million, accounting for 23.18 percent and 10.84 percent of total assets, respectively. The majority of non-current assets are: collateralize deposits, property, plant and equipment, and right-of-use assets, details as follow:

#### Restricted deposits at financial institutions

As at 31 December 2020 and 31 December 2021, the Company has Restricted deposits at financial institutions of Baht 31.70 million, representing 10.40 percent and 4.31 percent of total assets, respectively, an increase in year 2020. The Company has used its deposits as collateral for credit lines with financial institutions to replace the land and buildings that the Company has redeemed the collateral for in order to dispose of them in order to reduce the holding of fixed assets according to the Company's policy.

#### Property, land and equipment, and right-of-use assets

The Company's property, land and equipment, and right-of-use assets, which comprise the main items such as computers and equipment, and leasehold improvements, as at 31 December 2020 and 31 December 2021, amounted to Baht 30.85 million and Baht 23.22 million, respectively, a decrease of Baht 7.63 million or 24.73 percent compared to as at 31 December 2020, mainly due to assets that have fully accumulated depreciation. and amortization of leasehold assets. Formerly, it was the rent of the building that the Company recorded the office rental fee as a right-to-use asset according to the Thai Financial Reporting Standards No. 16 (TFRS16)

### **Liability overview**

#### Liability structure

As at 31 December 2020 and 31 December 2021, the Company had total liabilities of Baht 191.27 million and Baht 162.54 million, respectively. Total liabilities as at 31 December 2021 decreased from as at 31 December 2020 amounting to Baht 28.73 million or 15.02 percent. The main reason is because the Company paid for goods to trade payable and short-term loans from financial institutions. The details of each item can be described as follows.

#### Current Liability

As at 31 December 2020 and 31 December 2021, the Company has current liabilities of Baht 165.35 million and Baht 138.67 million, accounting for 86.45 percent and 85.31 percent of total liabilities, respectively. The main items are short-term loans. from financial institutions, Trade and other payables and deferred revenue.

#### Short-term loans from financial institutions

Most of the company's short-term loans from financial institutions were the trust receipts, which enabled the Company to import products for sales and make scheduled reimbursement to the bank afterwards.

As at 31 December 2021, the Company has no short-term loans from financial institutions; because the Company has paid the full amount of short-term loans from financial institutions.

#### Trade and other payable

Most of the trade payable are the owners of the products, the developers of hardware and software systems that the Company purchases to sell to the customers. As at 31 December 2021, the Company has accounts and other payables amounting to Baht 121.26 million, decrease from the previous year Baht 4.73 million or 3.75 percent is a consequence of the product owners' being



able to deliver the product to the Company slower because of the semiconductor shortage in the market. This caused the balance of the trade and other payables to decrease. In addition, the Company has paid debts to trade payable faster due to good liquidity.

#### Deferred - current revenue

Deferred revenue from customers mostly came from customers who purchased equipment maintenance services, for which the Company received money from such customers before the actual service. As at 31 December 2021, the Company had an increase in current and deferred revenue of Baht 2.35 million. Each year, the number of customers purchasing equipment maintenance services continues to increase in line with the Company's constant acquisition of service competency and expertise each year.

#### Non-current liability

As at 31 December 2020 and 31 December 2021, the Company has non-current liabilities of Baht 25.91 million and Baht 23.87 million, respectively. The main non-current liabilities are : deferred revenue, liabilities under finance lease agreements and employee benefit obligations

#### Lease liabilities

As at 31 December 2020 and 31 December 2021, the Company has financial lease liabilities of Baht 13.31 Baht and Baht 10.63 million, respectively. has recorded office rental items as financial lease liabilities in accordance with the Notification of Financial Reporting Standard No. 16 (TFRS16).

### **Overview of Shareholders' Equity**

As at 31 December 2020 and 31 December 2021, the Company had shareholders' equity of Baht 113.66 million and Baht 573.47 million, respectively. The Company's shareholders' equity as at 31 December 2021 increased by Baht 459.81 million, as the Company's operating results during the year 2021 amounted to Baht 63.44 million and the initial public offering (IPO) amounted to Baht 432.23 million net, after deduction of expenses related to organizing shares, having been sold. However, the shareholders' equity decreased during 2021 due to the payment of interim dividends from the Company's retained earnings as at March 31, 2021, totaling Baht 36.42 million.

### **Analysis of key financial ratios**

#### Liquidity Ratio

Items	As at/ For the year ended 31 December 2020		
	2019	2020	2021
Liquidity ratio (times)	1.33	1.42	4.74
Quick ratio (times)	1.05	1.01	4.06
<b>Cash cycle</b>			
Average collection period (days)	68.40	85.99	64.52
Average sale period (days)	25.29	40.14	25.94
Average payment period (days)	44.82	71.45	60.26
Cash cycle (days)	48.88	54.69	30.19

### Liquidity and quick Ratio

As at 31 December 2021, the liquidity and quick ratio were 4.74 times and 4.06 times, respectively, increasing from as at 31 December 2020 due to the Company's operating profit. The Company has increased liquidity, including receiving money from the initial public offering (IPO), giving the Company a good liquidity ratio.

### Cash cycle

As at 31 December 2021, the Company's cash cycle was at 30.19 days, decreased from the year 2020 by the amount of 24.50 days, mainly due to 1) the average debt collection period decreasing 21.47 days 2) The average selling period has shrunk to 14.21 days because the Company is able to sell and ship most product in period due to customer demand for products. As a result, inventories decreased from Baht 59.74 million as at 31 December 2020 to Baht 35.14 million as at 31 December 2021 and 3) the average repayment period was reduced by 11.18 days because the Company having good liquidity from the Company's operating results in 2021, the Company therefore repays debts to the product owners (Vendor) faster.

### **Financial Policy Ratio**

Items	As at/ For the year ended 31 December 2020		
	2019	2020	2021
D/E ratio (times)	2.31	1.68	0.28
Interest coverage (times)	4.68	29.37	36.36
Debt service coverage ratio (times)	(0.13)	0.64	0.11

As at 31 December 2020, Debt to Equity ratio (D/E ratio) was 1.68 times. As at 31 December 2021, the debt to equity ratio was 0.28 times; The decreased from as at 31 December 2020 was on the back of higher operating profit and from increasing in its capital, including the completion of short-term loans with financial institutions in Q3-2021

Interest coverage as at 31 December 2020 is 29.37 times. as at 31 December 2021, interest coverage ratio is 36.36 times as the Company has cash flow from operating activities of Baht 37.88 million Baht, including cash flow from financing activities of Baht 369.46 million Baht, including the Company. The liquidity ratio continued to increase from the end of 2019 to 31 December 2021, indicating that the Company still has sufficient liquidity for interest payments. In addition, as at 31 December 2021, the Company has no short-term loan liabilities from financial institutions.

As at 31 December 2021, the cash basis was 0.11 times, a decrease compared to as at 31 December 2020, which had a cash basis of 0.64 times as previously stated. Furthermore, the Company's liquidity ratio continued to increase from the end of 2019 to 31 December 2021, indicating that the Company still has sufficient liquidity to pay off its obligations.