

Ref. Simat 06-22

February 28th, 2022

Subject: Management Discussion and Analysis on operating result for the year 2021

To: Managing Director of Stock Exchange of Thailand

Simat Technologies Public Company Limited would like to report the variance in operating result for the year ended December 31st, 2021 compared with the same period of year 2020 as follows:

Operating Performance

Income Statements	2021		2020		Change	
Unit: Thousand Baht						
Revenue from sales and services	971,481	100%	1,020,094	100%	(48,613)	-5%
Cost of sales and services	(610,452)	-63%	(713,152)	-70%	102,700	-14%
Gross profit	361,029	37%	306,942	30%	54,087	18%
Other income	8,918	1%	16,635	2%	(7,717)	-46%
Selling and administrative expenses	(217,602)	-22%	(203,946)	-20%	(13,656)	7%
Profit before financial cost and income tax	152,345	16%	119,631	12%	32,714	27%
Financial cost	(29,595)	-3%	(36,470)	-4%	6,875	-19%
Share of profit from associate	129	0%	(4,777)	0%	4,906	n/a
Profit before income tax	122,879	13%	78,384	8%	44,495	57%
Income tax	(23,617)	-2%	(12,244)	-1%	(11,373)	93%
Net profit for the year	99,262	10%	66,140	6%	33,122	50%
Other comprehensive income (loss) for the year	1,322	0%	(93)	0%	1,415	n/a
The comprehensive income (loss) for the year	100,584	10%	66,046	6%	34,538	52%
Portion of non-controlling interest	(25,020)	-3%	(25,364)	-2%	344	-1%
Portion of equity holder of the Company	75,564	8%	40,682	4%	34,882	86%

The consolidated net profit (Loss) (portion of the parent company) for the year 2021 and 2020 were Baht 76 million and Baht 41 million, respectively. The operating profit of year 2021 increased from the prior year about Baht 35 million. The company would like to clarify the significant changes in operating performance as below.

Revenue structure by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Other	Total
Unit: Thousand Baht							
2021	27,557 3%	177,980 18%	420,251 43%	265,749 27%	64,756 7%	15,188 2%	971,481 98%
2020	11,665 1%	226,497 22%	357,130 35%	331,539 33%	93,263 9%	- 0%	1,020,094 100%
Change	15,892 2%	(48,517) -4%	63,121 8%	(65,790) -5%	(28,507) -2%	15,188 2%	(48,613) -2%

■ Revenue from Sales and Services

Overall sales and service income of the company and its subsidiaries for year 2021 decreased from the same period of 2020 by approximately Baht 49 million or 2%. The major decrease came from the revenue from government project which decrease from the same period of prior year about Baht 66 million due to the revenue of phase 1 has been recognized in year 2020, then only the revenue of phase 2 (Internet and maintenance services) would be recognized in year 2021 according to the agreement. Furthermore, the revenue of broadband business decrease for Baht 29 million due to the decrease in the number of subscribers.

For the subsidiary companies, the revenue of silkscreen printing business increased about Baht 63 million due to COVID-19 situation made the increasing trend of “work from home” consumer behavior and caused the expansion of the usage of the electric appliances. But the revenue of Label business decreased about Baht 49 million from the decrease in stainless precision stamping as the decrease in orders from the major customers because of high production cost and price reduction from competitors.

As for the income of the IT business group and others increased from new projects.

Gross margin by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Other	Total
Unit: Thousand Baht							
2021	21,801 79%	57,339 32%	179,755 43%	91,556 34%	6,508 10%	4,069 27%	361,028 37%
2020	(128) -1%	72,365 32%	155,672 44%	51,902 16%	27,131 29%	- n/a	306,942 30%
Change	21,929 80%	(15,026) 0%	24,083 -1%	39,654 18%	(20,623) -19%	4,069 n/a	54,086 7%

■ Gross Margin

Gross margin of parent and subsidiary companies for the year 2021 increased from prior year about Baht 54 million or 7%. When consider in each segment, the gross margin ratio of the Government Project increased from 16% for the year 2020 to 34% for the year 2021 because the gross margin ratio of phase 2, which is the internet and maintenance services, has the higher margin than phase 1, which is the construction and installation. In addition, the company has managed the project cost, cause cost reducing, which make the gross profit margin of the project increased as well.

Silk screen printing unit has gross profit increased from the year 2020 by approximately Baht 24 million but the gross margin ratio decrease 1% due to severe Covid-19 situation, the company was unable to produce at full capacity in the third quarter. In addition, customers have been affected by the Covid19 situation as well, causing the volume of orders was decline. However, at present, the situation is recovering to normal before the outbreak so that not significant effect to the gross profit margin ratio and the company believes that it will not affect the company's growth in long term.

Broadband business of year 2021 has the gross margin decreased from prior year about Baht 21 million or 19% due to the decrease in subscribers. As launching of new promotions from the big player competitors. However, during the second quarter of 2021, the company has a cooperation with FOT MSO Company Limited, which operates cable television business. This has given the company more ability to compete with competitors in the future.

- **Selling and administrative expenses**

Selling and administrative expenses increased from the prior year by approximately 14 million baht due to the allowance for impairment of stainless precision stamping machinery in the label business during the third quarter.

- **Financial Cost**

Financial cost decreased from last year about Baht 7 million as the loan for government project increased during the installation work of phase 1 along the year 2020 and the company gradually repay such loan in year 2021, and plan to repay continuously during year 2022 from the expected installment cash receipt of phase 2, caused decrease the financial cost.

Financial Position

The overview of the Company's financial position as at December 31st, 2021 compared with December 31st, 2020 are as follow follows:

Consolidated Balance Sheet		31 December 2021		31 December 2020		Change	
Unit: Thousand Baht							
Assets							
Current assets							
Cash and cash equivalent		80,586	5%	161,709	9%	(81,123)	-50%
Trade and other debtors - net		183,506	10%	203,249	12%	(19,743)	-10%
Contract assets		390,731	22%	158,968	9%	231,763	146%
Cost of government project - net		-	0%	13,096	1%	(13,096)	-100%
Inventories - net		105,282	6%	78,250	5%	27,032	35%
Advance for government project		174	0%	1,634	0%	(1,460)	-89%
Total current assets		760,279	43%	616,906	36%	143,373	23%
Non-current asset							
Non-current financial assets		113,121	6%	119,371	7%	(6,250)	-5%
Non current contract assets - net		82,146	5%	78,873	5%	3,273	4%
Investment in associate		31,195	2%	31,066	2%	129	0%
Plant, property and equipment - net		177,937	10%	158,904	9%	19,033	12%
Right-of-use-assets-net		48,487	3%	61,516	4%	(13,029)	-21%
Optical fiber network and equipment		349,390	20%	407,860	24%	(58,470)	-14%
Fiber network construction in process		-	0%	12,302	1%	(12,302)	-100%
Goodwill		125,983	7%	125,983	7%	-	0%
Other non-current assets		72,131	4%	102,790	6%	(30,659)	-30%
Total non-current assets		1,000,390	57%	1,098,665	64%	(98,275)	-9%
Total assets		1,760,669	100%	1,715,571	100%	45,098	3%
Liabilities and shareholder's equity							
Liabilities							
Current liabilities							
Bank over-draft and short-term loan		90,000	5%	317,742	19%	(227,742)	-72%
Trade and other creditors		103,950	6%	263,000	15%	(159,050)	-60%
Current portion of financial lease liabilities due within 1 year		18,943	1%	19,249	1%	(306)	-2%
Current portion of long-term loan due within 1 year		203,003	8%	143,472	8%	59,531	41%
Current portion of payable for purchase of investment due within 1 year		-	0%	12,500	1%	(12,500)	-100%
Other current liabilities		9,817	0%	14,810	1%	(4,993)	-34%
Total current liabilities		425,713	24%	770,772	45%	(345,059)	-45%
Non-current liabilities							
Financial lease liabilities - net		28,178	1%	31,757	2%	(3,579)	-11%
Long-term loan - net		135,008	11%	236,348	14%	(101,340)	-43%
Other non-current liabilities		18,661	1%	17,559	1%	1,102	6%
Total non-current liabilities		181,847	13%	285,664	17%	(103,817)	-36%
Total liabilities		607,560	37%	1,056,436	62%	(448,876)	-42%

Consolidated Balance Sheet						
Unit: Thousand Baht						
	31 December 2021		31 December 2020		Change	
Shareholder's equity						
Paid-up share capital	648,565	37%	526,882	31%	121,683	23%
Paid-in capital in excess of par	219,321	12%	69,221	4%	150,100	217%
Legal reserve	9,246	1%	1,501	0%	7,745	516%
Unappropriated retained earnings	35,849	2%	(31,970)	-2%	67,819	-212%
Other components	38,842	2%	(51,318)	-3%	90,160	-176%
Total equity of the parent company	951,823	54%	514,315	30%	437,508	85%
Non-controlling interests	201,286	11%	144,820	8%	56,466	39%
Total shareholder's equity	1,153,109	65%	659,135	38%	493,974	75%
Total liabilities and shareholder's equity	1,760,669	100%	1,715,571	100%	45,098	3%

■ Assets

For the significant Assets changed as below.

Cash and cash equivalent balance declined from year-end 2020 about Baht 81 million as last year the company had just received the installment cash receipt of phase 1- installment no. 3 for Baht 136 million. And in the beginning of year 2021, the company repaid the loan principal to the bank and accounts payable of the project. Furthermore, the company received money from selling of investment in subsidiary and received money from capital increase during the year. However, the money which the company received was spent to pay off the creditors and to be company's working capital, it causes the overall balance decrease.

Contract assets increased from year-end 2020 about Baht 232 million due to the receivable balance which is recognized for Quarter 1 to Quarter 4 of 2021 for the maintenance service of phase 2 according to the contract of government project.

Cost of government project decreased from year-end 2020 due to the reclassification of the remain balance of the cost of government project to inventories as the installation of phase 1 had completed.

Inventories increased from year-end 2020 about Baht 27 million or 35% because the raw materials, work in process and finished goods of Hinsitsu group increased about Baht 25 million from the sales increase. And the cost of government project had been reclassified to inventories.

Fiber network decreased from year-end 2020 about Baht 58 million mainly due to the depreciation of the year 2021.

Fiber network construction in process decreased from year-end 2020 about Baht 12 million as the remaining balance was transferred to the fiber network asset due the assets have been completed and ready for use.

■ Liabilities

As for the total liabilities of the company and its subsidiaries, decreased by approximately Baht 449 million, or equivalent to approximately 42%, mainly due to the company received payments from the government projects of phase 1 - installment no. 3, cash received from the capital increase and cash received from selling partial of investment in subsidiary. Therefore, it was used to repay loans from banks and creditors. Also, the Hinshitsu group paid for the installment payments of the loan as well.

■ Shareholder's Equity

Equity of the company and its subsidiaries increased approximately Baht 494 million from the end of year 2020 or approximately 75%. During the second quarter, the company issued additional shares (RO) approximately Baht 223 million and exercised warrants ESOP -W2 and SIMAT-W4 approximately Baht 47 million. Furthermore, equity increased from the profit during the period in the part of the parent company and minority shareholders' equity approximately Baht 101 million and changing in proportion of investment in subsidiary company approximately Baht 141 million. But it decreased from dividend payment of subsidiaries for non-controlling interests approximately Baht 18 million.

Cash Flow

Cash flow of the company and its subsidiaries for the year 2021 has net decrease of Baht 81 million from end of year 2020 while year of 2020 has net increase of Baht 133 million from end of year 2019.

Cash Flow (Million baht)	Operating activities	Investing activities	Financing activities	Net increase (decrease)
2021	(138)	124	(67)	(81)
2020	358	(64)	(161)	133

Net cash flow from operations for year of 2021 is net cash outflow in the amount of Baht 138 million from the increase of contract assets by the revenue recognition of the government project according to the contract but no cash receipt yet, the decrease of accounts payable from the repayment to creditors of government project during the period, and the increase in inventories balance of Hinsitsu Group.

Cash flow from investments in the year of 2021 was net cash inflow of approximately Baht 124 million from selling of investments in subsidiary of Baht 166 million. But reduced secured deposits of approximately 6 million baht and invested in machineries of the subsidiary and purchase other asset about Baht 51 million.

Baht 67 million of net cash inflow from financing activities during the year 2021 was from the increase of the company's capital shares (RO) and the exercised warrants ESOP-W2 and SIMAT-W4 approximately Baht 270 million. And from the decrease of repayment of bank loans for government project and other parties of the parent company, repayment of loans over the period of the subsidiary, and pay dividends to non-controlling interests.

Best regards,

(Mr. Boonlerd lewpornchai)
CEO / Director