

**nForce Secure Public Company Limited****Management Discussion and Analysis****For the three-month Period Ended 31 March 2022**  
.....**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 for the three-month period ended 31 March 2022 consisted of (1) revenue from sales of all products related to information technology systems, accounting for 96.10%; (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 3.30% (3) other revenue, accounting for 0.60%, respectively.

**Performance summary for the three-month period ended 31 March 2022**

For the three-month period ended 31 March 2022, the Company had total revenue of Baht 175.44 million, an decrease of Baht 107.08 million from the same period of previous year or an decrease of 37.90% with a total comprehensive income of Baht 3.42 million, decreased by Baht 24.36 million from the same period of 2021 which amounted to Baht 27.78 million or 87.69% mainly due to semiconductor shortage situation, which began to be severe in 2021, caused the product owners to deliver hardware products to the Company more slowly. Therefore, the Company can send products to customers more slowly as well. As a result, total revenue decreased.

Items	For the three-month period Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
<b>Revenue</b>						
Revenue from sales	186.04	96.43	278.95	98.73	168.59	96.10
Revenue from services	3.31	1.72	3.23	1.14	5.80	3.30
Other income	3.57	1.85	0.35	0.13	1.05	0.60
<b>Total revenue</b>	<b>192.92</b>	<b>100.00</b>	<b>282.53</b>	<b>100.00</b>	<b>175.44</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of sales and services	(150.59)	(78.06)	(224.36)	(79.41)	(149.15)	(85.01)
Selling expenses	(10.51)	(5.45)	(10.32)	(3.65)	(10.16)	(5.79)
Administrative expenses	(12.39)	(6.42)	(10.12)	(3.58)	(11.83)	(6.74)
Loss on exchange rate, net	(11.33)	(5.87)	(2.16)	(0.76)	1.06	0.60
Fair value gain (loss) on derivatives	(0.39)	(0.20)	0.46	0.16	0.30	0.17
Net impairment losses on financial assets	-	-	-	-	(0.74)	(0.42)
Share of loss from joint ventures	-	-	-	-	(0.50)	(0.28)
<b>Total expenses</b>	<b>(185.21)</b>	<b>(96.00)</b>	<b>(246.50)</b>	<b>(87.25)</b>	<b>(171.02)</b>	<b>(97.48)</b>
<b>Profit before finance costs and income tax</b>	<b>7.71</b>	<b>4.00</b>	<b>36.03</b>	<b>12.75</b>	<b>4.42</b>	<b>2.52</b>
Financial Cost	(1.24)	(0.64)	(0.58)	(0.21)	(0.15)	(0.09)
<b>Profit before income tax</b>	<b>6.47</b>	<b>3.35</b>	<b>35.45</b>	<b>12.54</b>	<b>4.27</b>	<b>2.43</b>
Income tax expenses	(1.75)	(0.91)	(7.67)	(2.71)	(0.85)	(0.48)
<b>Profit for the period</b>	<b>4.72</b>	<b>2.45</b>	<b>27.78</b>	<b>9.83</b>	<b>3.42</b>	<b>1.95</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	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent	Million Baht	Percent (%)
1. Network security	76.47	41.10	221.72	79.49	129.04	76.54
2. Endpoint security	63.97	34.39	37.40	13.41	25.34	15.03
3. Network performance & monitoring	43.81	23.55	18.07	6.48	13.51	8.01
4. Others	1.79	0.96	1.75	0.63	0.70	0.42
Revenue from sales	<b>186.04</b>	<b>100.00</b>	<b>278.95</b>	<b>100.00</b>	<b>168.59</b>	<b>100.00</b>

For the three-month period ended 31 March 2022, the Company's revenue from sales amounted to Baht 168.59 million, decreased by Baht 110.36 million or 39.56% from the same period of 2021. The main source of income is revenue from the sale of network security products, which has decrease by Baht 92.68 million, representing 41.80%; compared to the same period of 2021, as well as revenue from sales of network performance and monitoring products decreased by Baht 4.56 million or 25.24%. Meanwhile, revenue from sales of Endpoint Security products and other groups decreased by Baht 12.06 million and Baht 1.05 million, respectively, representing 32.25% and 60.02%, respectively, compared to the same period last year.

In addition, if considering the sources of revenue from sales classified by type of users (End user), can be divided into 5 groups of users as follows:

1. Banking, Financial services and Insurance (BFSI) in the banking, securities and insurance industries
2. Industry group (Enterprise), which is in the manufacturing industry
3. Government & State enterprise
4. Telecom & Internet service provider (ISP) in the information and communication technology industry
5. Others, which are in the private sector business that focuses on providing services such as movie theaters, hotels, hospitals, schools, nursing homes, and trading, etc.

The Company will sell products to system integrator contractors (SI) to assemble a technology solution offered directly to the end user.

Unit : Million Baht	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
1. Banking, financial services and insurance (BFSI)	78.96	42.44	61.41	22.01	54.31	32.21
2. Industry (Enterprise)	72.58	39.01	90.70	32.52	39.97	23.71
3. Government and State Enterprises (Government)	12.74	6.85	53.54	19.19	40.50	24.02
4. Telecommunication (Telecom & ISP)	12.04	6.47	24.19	8.67	12.33	7.32
5. Others (Others)	9.72	5.22	49.11	17.61	21.48	12.74
<b>Revenue from sales</b>	<b>186.04</b>	<b>100.00</b>	<b>278.95</b>	<b>100.00</b>	<b>168.59</b>	<b>100.00</b>

The main end user group is the BFSI group, followed by the government and State Enterprises group, which for the three-month ended 31 March 2022 the Company has revenue from selling products through system integrator contractors (SI) directly to the end user of both groups. Total in 56.23%

Revenue from sales in Q1'2022 was a Baht 168.59 million, decreased by Baht 110.36 million from the same period of 2021, or 39.56 percent, mainly due to semiconductor shortage situation, which began to be severe in 2021, caused the product owners (Vendors) to deliver hardware products to the Company more slowly. Therefore, the Company can send products to customers more slowly as well. As a result, total revenue decreased.

#### Revenue from services

Unit: Million Baht	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
1. Maintenance service	2.82	85.15	2.23	69.07	3.26	56.14
2. Installation service	0.47	14.09	0.44	13.76	2.32	40.06
3. Training service	0.03	0.76	0.55	17.16	0.22	3.80
<b>Revenue from services</b>	<b>3.31</b>	<b>100.00</b>	<b>3.23</b>	<b>100.00</b>	<b>5.80</b>	<b>100.00</b>

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

For the three-month period ended 31 March 2022, the Company's revenue from services amounted to Baht 5.80 million, increased by Baht 2.57 million or 79% compared with the same period of previous mainly from installation service and maintenance service

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	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
1. Revenue from sales of software	68.49	36.17	126.55	44.85	48.48	27.80
2. Maintenance agreement: MA	75.40	39.82	94.35	33.44	94.36	54.11
3. Revenue from others	45.46	24.01	61.27	21.71	31.54	18.09
<b>Total revenue from sales and services</b>	<b>189.35</b>	<b>100.00</b>	<b>282.17</b>	<b>100.00</b>	<b>174.38</b>	<b>100.00</b>

#### Other revenue

Other revenue consists of interest income, rental income, and operating expenses from activities etc. For the three-month period ended 31 March 2022, had other income of Baht 1.05 million or 0.60% of total revenue. An increase of Baht 0.71 million or 203.40% mainly from hardware rental revenue and revenue from promoting and maintaining employment levels in SMEs amounted to Baht 0.36 million and Baht 0.22 million, respectively in this quarter.

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

Unit: Million Baht	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Revenue from sales and services	189.35	100.00	282.17	100.00	174.38	100.00
Cost of sales and services	(150.59)	(79.53)	(224.36)	(79.51)	(149.15)	(85.53)
<b>Gross profit</b>	<b>38.76</b>	<b>20.47</b>	<b>57.81</b>	<b>20.49</b>	<b>25.23</b>	<b>14.47</b>

For the three-month period ended 31 March 2022, the Company's gross profit margin was 14.47%, decreased when compared with the previous year. This is mainly due to the impact of the Semiconductor shortage situation caused the delays shipping from product owners (Vendors) and weaker THB fluctuations thus the item price from the original set as of the customer's bid date raise on the actual receipt date. Moreover, vendor has increased price of goods. As a result, gross margins are reduced.

### Selling expenses

Selling expenses	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	6.63	63.04	6.23	60.38	6.50	63.98
Advertising and promotional costs	1.26	12.00	0.37	3.60	0.71	6.99
Commission	1.47	13.94	2.72	26.40	0.95	9.35
Other selling expenses	1.16	11.02	0.99	9.62	2.00	19.68
<b>Total</b>	<b>10.51</b>	<b>100.00</b>	<b>10.32</b>	<b>100.00</b>	<b>10.16</b>	<b>100.00</b>

For the three-month period ended 31 March 2022, the Company had selling expenses in the amount of Baht 10.16 million, or 5.79% of total revenue; whereas selling expenses for the Q1'2022 slightly decreased compared with the same period in 2021 in the amount of Baht 0.16 million or 1.56 percent.

### Administrative expenses

Administrative expenses	For the three-month Ended 31 March					
	2020		2021		2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	6.10	49.25	5.54	54.77	7.19	60.78
Professional fee	3.63	29.29	1.13	11.18	1.66	14.03
Depreciation	1.90	15.29	1.53	15.10	1.50	12.68
Rental fee	0.01	0.04	-	-	-	-
Employee's benefit expense	0.40	3.25	0.54	5.30	0.59	4.99
Administrative expenses	0.36	2.88	1.38	13.65	0.89	7.52
<b>Total</b>	<b>12.39</b>	<b>100.00</b>	<b>10.12</b>	<b>100.00</b>	<b>11.83</b>	<b>100.00</b>

The main administrative expenses are employee expenses and professional fees. For the three-month period ended 31 March 2022, the Company had administrative expenses in the amounting to Baht 11.83 million, increased compared with the same period of the previous year Baht 1.71 million or 16.96%. This was mainly due to the increased employee expenses approximately Baht 1.65 million or 29.78% according to the increased number of employees and annual salary adjustments and increased in professional fees amounting to Baht 0.53 million due to the cost of preparing the 2022 Annual General Meeting of Shareholders, as well as fees for the preparation of the annual report.

### Net profit and net profit margin

For the three-month period ended 31 March 2022, the Company had a net profit of Baht 3.42 million, decreasing from the same period of 2021 by the amount of Baht 24.36 million or 87.69 percent. The net profit margin for the Q1'2022 was at 1.95% decreased compared to the previous year mainly due to lower gross margin, including a share of losses on investments in the joint venture of Baht 0.5 million and losses on financial assets measured at fair value through a profit or loss of Baht 0.74 million.

## Statement of financial position

### Total assets overview

As at 31 March 2022 and 31 December 2021, the Company had total assets of Baht 714.06 million and Baht 736.02 million, respectively. The details of each item can be described as follows:

### Current assets

As at 31 March 2022 and 31 December 2021, the Company had current assets of Baht 626.85 million and Baht 656.26 million, representing 87.79% and 89.16% of total assets in each period, 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 March 2022 and 31 December 2021, the Company had cash and cash equivalents amounting to Baht 379.92 million and Baht 402.98 million, respectively. The decreased in cash and cash equivalents mainly from the Company has made payments to trade accounts payable and purchase inventory for sale during the period.

#### Account receivables and other receivables

Items	31 December 2020		31 December 2021		31 March 2022	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Account Receivable	129.05	96.74	170.14	97.37	145.85	98.85
Accounts receivable - related party	0.00	0.00	2.51	1.44	0.00	0.00
Accrued income	3.00	2.25	2.68	1.53	1.90	1.29
<u>Less</u> Loss allowance	(2.00)	(1.50)	(2.40)	(1.37)	(2.21)	(1.50)
<b>Total accounts receivable - net</b>	<b>130.05</b>	<b>97.49</b>	<b>172.93</b>	<b>98.97</b>	<b>145.54</b>	<b>98.64</b>
Prepaid expenses	3.14	2.36	1.61	0.92	1.59	1.08
Employee account receivable	0.13	0.10	0.20	0.11	0.26	0.18
Accrued interest	0.00	0.00	0.00	0.00	0.16	0.10
Accrued interest - related party	0.07	0.05	0.00	0.00	0.00	0.00
<b>Total other receivable</b>	<b>3.35</b>	<b>2.51</b>	<b>1.81</b>	<b>1.03</b>	<b>2.01</b>	<b>1.36</b>
<b>Total account and other receivables - net</b>	<b>133.39</b>	<b>100.00</b>	<b>174.74</b>	<b>100.00</b>	<b>147.55</b>	<b>100.00</b>

As at 31 March 2022 and 31 December 2021, the Company had account and other receivables amounting to Baht 147.55 million and Baht 174.74 million, or accounted for 20.66% and 23.74% of total assets, respectively. As at 31 March 2022, the

Company's account receivables and other receivables decreased in the amount of Baht 27.18 million, in line with the decreased in revenue in Q1'2022.

Financial assets measured at fair value through profit or loss.

As at 31 March 2022, and 31 December 2021, the Company has financial assets of Baht 34.22 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 March 2022, the Company has receivables from current portion of lease receivables amounting to Baht 8.11 million, which are receivables arising from leasing of software equipment to unrelated parties; classified as a financial lease

Inventory

As at 31 March 2022 and 31 December 2021, the Company had net inventories of Baht 52.19 million and Baht 35.14 million, respectively. Most inventories included the ordered 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 March 2022, the Company's inventory increased from that of 31 December 2021 due to the product owner (Vendor) had shipped the goods to the Company which pending delivery to customers.

**Non-current assets**

As at 31 March 2022 and 31 December 2021, the Company had non-current assets of Baht 87.22 million and Baht 79.76 million, accounting for 12.21 percent and 10.84 percent of total assets, respectively. The majority of non-current assets are: restricted deposits, property, plant and equipment, and right-of-use assets, details as follow:

Restricted deposits at financial institutions

As at 31 March 2022 and 31 December 2021, the Company has Restricted deposits at financial institutions of Baht 31.70 million, representing 4.44 percent and 4.31 percent of total assets, respectively. Such transaction is deposit of the Company used as collateral for credit lines with financial institutions.

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 March 2022 and 31 December 2021, amounted to Baht 39.54 million and Baht 23.22 million, respectively, increased by Baht 16.32 million or 70.28% compared with as at 31 December 2021, mainly due to right-of-use 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). In Q1'2022, the Company entered into a building lease agreement to be used as a Technical Support Center, resulting in an increase in the right-of-use assets.

## **Liability overview**

### **Liability structure**

As at 31 March 2022 and 31 December 2021, the Company had total liabilities of Baht 136.97 million and Baht 162.54 million, respectively. Total liabilities as at 31 March 2022 decreased from as at 31 December 2021 amounting to Baht 25.57 million or 15.73% mainly from trade and other payables. The details of each item can be described as follows.

### **Current Liability**

As at 31 March 2022 and 31 December 2021, the Company has current liabilities of Baht 100.41 million and Baht 138.67 million, accounting for 73.30% and 85.31% of total liabilities, respectively. The main items are trade and other payables and deferred revenue.

#### 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 March 2022, the Company has trade and other payables amounting to Baht 80.62 million, decreased from the previous year Baht 40.63 million or 33.51% 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 March 2022, the Company had an increase in current and deferred revenue of Baht 0.37 million mainly from 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 March 2022 and 31 December 2021, the Company has non-current liabilities of Baht 36.56 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 March 2022 and 31 December 2021, the Company has financial lease liabilities of Baht 25.95 Baht and Baht 10.63 million, respectively. The Company has recorded office rental items as financial lease liabilities in accordance with the Notification of Financial Reporting Standard No. 16 (TFRS16). In Q1'2022, the Company entered into a building lease agreement to be used as a Technical Support Center, resulting in an increase in the lease liabilities.

### Overview of Shareholders' Equity

As at 31 March 2022 and 31 December 2021, the Company had shareholders' equity of Baht 577.09 million and Baht 573.47 million, respectively. The Company's shareholders' equity as at 31 March 2022 increased by Baht 3.62 million, as the Company's operating results during the Q1'2022 amounted to Baht 3.42 million.

### Analysis of key financial ratios

Items	As at/ For the year ended 31 December		As at/ For the three-month period ended 31 March
	2020	2021	2022
Liquidity ratio (times)	1.42	4.74	6.24
Quick ratio (times)	1.01	4.06	5.14
D/E ratio (times)	1.68	0.28	0.24
<b>Cash cycle</b>			
Average collection period (days)	85.99	64.52	85.52
Average sale period (days)	40.14	25.94	21.11
Average payment period (days)	71.45	60.26	47.51
Cash cycle (days)	54.69	30.19	59.11

#### Liquidity and quick Ratio

As at 31 March 2022, the liquidity and quick ratio were 6.24 times and 5.14 times, respectively, increasing from as at 31 December 2021 due to the Company's operating profit thus the Company has increased liquidity. Moreover, including receiving money from the initial public offering (IPO), giving the Company a good liquidity ratio. The D/E ratio was 0.24 times, slightly lower compared to as at 31 December 2021 from lower trade payables.

#### Cash cycle

As at 31 March 2022, the Company's cash cycle was at 59.11 days, increased from 31 December 2021 by the amount of 28.92 days, mainly due to 1) the average debt collection period increasing 21 days 2) The average selling period has shrunk to 4.83 days because the Company is able to sell and ship most product in period due to customer demand for products and 3) the average repayment period was reduced by 12.75 days because the Company having good liquidity from the Company's operating results in Q1'2022, the Company therefore repays debts to the product owners (Vendor) faster.