

Sun Vending Technology Public Company Limited

Management Discussion and Analysis

For the three month period ended 31 March 2022

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 12 distribution branches divided into 11 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 29 provinces. As of 31 March 2022, the Company had 14,901 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 three month period ended 31 March 2022 consisted of: (1) Revenue from sale of products via vending machines accounted for 98.45%; (2) Revenue from vending machine sales accounted for 0.58%; (3) Revenue from advertisement services on vending machines accounted for 0.35%; and (4) Service income and other income accounted for 0.62%.

Summary of financial performance for the three-month period ended 31 March 2022

For the three-month period ended 31 March 2022, the Company had a total revenue of Baht 538.65 million, an increase of Baht 50.54 million or 10.35 percent from the same period in the previous year. This was mainly due to increase in revenue from selling goods via vending machines resulting from expansion of more number of vending machines in service to other locations, and also expansion of more service coverage to consumers by opening 1 new distribution branch in Lampoon in order to service in the North. In addition, the situation of the COVID-19 in the Quarter 1 of 2022 began to be better compared to the Quarter 1 of 2021. However, the Company still had the impact to lower revenue in some segments such as hotels, universities, schools, offices, and department store etc.

The Company's net profit for the three month period ended 31 March 2022 was Baht 22.02 million, or an increase from the previous year by 2.84 percent. Although, in the Quarter 1 of 2022 the Company had increased in revenues by 10.35 percent from the same period of previous year. But the Company had increased in selling and distribution expenses from employee expenses for vending operation, higher depreciation expenses from additional vending machines in service, and increased in location fees for more number of vending machines in service due to expansion of service areas and higher rates in renting space due to expansion of open service areas.

Statement of income	For the three month period ended 31 March 2021		For the three month period ended 31 March 2022	
	MBaht	%	MBaht	%
Revenues				
Sales	482.32	98.81	533.43	99.03
Other income	5.79	1.19	5.22	0.97
Total revenues	488.11	100.00	538.65	100.00
Expenses				
Cost of sales	(324.55)	66.49	(356.96)	66.27
Selling and distribution expenses	(118.96)	24.37	(141.02)	26.18
Administrative expenses	(15.48)	3.17	(13.09)	2.43
Financial costs	(2.39)	0.49	(0.21)	0.04
Total expenses	(461.38)	94.52	(511.28)	94.92
Profit before income tax expenses	26.73	5.48	27.37	5.08
Income tax expenses	(5.31)	1.09	(5.35)	0.99
Net profit for the period	21.42	4.39	22.02	4.09

Revenues

The Company's total revenues for the three month period ended 31 March 2022, were amounted to Baht 538.65 million, which revenue structure can be summarised as follows:

Revenue Structure	For the three month period ended 31 March 2021		For the three month period ended 31 March 2022	
	MBaht	%	MBaht	%
1. Revenue from selling goods via vending machines	478.38	98.01	530.33	98.45
2. Revenue from selling vending machines	3.94	0.80	3.10	0.58
3. Revenue from advertising space on vending machines ⁽¹⁾	3.24	0.67	1.88	0.35
4. Service income ⁽¹⁾	1.42	0.29	2.16	0.40
Total revenues from sales and services	486.98	99.77	537.47	99.78
Other income ⁽¹⁾	1.13	0.23	1.18	0.22
Total revenues	488.11	100.00	538.65	100.00

Note ⁽¹⁾ Included under other income in the financial statement.

Revenues from sales and services

Revenues from sales and services for the three month period ended 31 March 2022, were amounted to Baht 537.47 million or 99.78 percent of total revenues. This growth increased by 10.37 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 three month period ended 31 March 2022, were at Baht 530.33 million, or increased by 10.86 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 January 2022, the Company opened 1 new distribution branch in Lampoon in order to service in the North. For the three month period ended 31 March 2022, the Company continued to locate more units of vending machines in service. The Company located net 273 units of more vending machines or 1.87 percent when compared to the end of year 2021, or net 1,352 units of more vending machines or 10.0 percent when compared to the end of Quarter1' 2021. As at 31 March 2022, the Company had a total of 14,901 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 and Quarter1' 2022, the COVID-19 pandemic still has impact to the Company's customers in some segments such as department stores, offices, hotel, universities and schools, etc., causing effects to revenue from sales of products via vending machines located in the aforementioned service areas be lower than normal.

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 Quarter1' 2022 were at Baht 398, which was higher than 396 baht/machine/day in the same period of previous year.

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 three month period ended 31 March 2022, was at Baht 3.10 million, or 0.58 percent of total revenue, which

decreased by Baht 0.84 million, or 21.32 percent when compared to the same period of previous year due to types of vending machines sold having lower selling price than previous year.

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 three month period ended 31 March 2022, was at Baht 1.88 million, or 0.35 percent of total revenues. This revenue decreased by Baht 1.36 million, or 41.98 percent when compared to the same period of previous year due to decrease in the number of advertisement customers.

4. Service income This revenue is revenue from coin exchange services for retail business entrepreneur, revenue from vending machine after-sale services, and revenue from renting vending machines. 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 three month period ended 31 March 2022, was Baht 2.16 million, or 0.40 percent of total revenues, which increased by Baht 0.74 million, or 52.11 percent when compared to the previous year. This is due mainly to increases in revenue from vending machine after-sale services, and revenue from renting vending machines.

Other income

Other income consisted of 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 three month period ended 31 March 2022, was amounted to Baht 1.18 million, or 0.22 percent of total revenues, which increased by Baht 0.05 million, or 3.89 percent when compared to the same period of previous year.

Cost of sales

Cost of sales for the three month period ended 31 March 2022, was amounted to Baht 356.96 million, or 66.27 percent of total revenues. The main cost of sales was the cost of products for sale via vending machines at 99.55 percent of total costs, followed by the cost of vending machines for sale at 0.45 percent of total costs. The Company's cost structure and gross profit can be summarised as follows:

Cost structure	For the three month period ended 31 March 2021		For the three month period ended 31 March 2022	
	MBaht	%	MBaht	%
1. Cost of goods sold via vending machine	322.50	99.37	355.36	99.55
2. Cost of vending machine sold	2.05	0.63	1.60	0.45
Total cost of sales	324.55	100.00	356.96	100.00

Gross profit	For the three month period ended 31 March 2021		For the three month period ended 31 March 2022	
	MBaht	%	MBaht	%
1. Gross profit from goods sold via vending machine	155.88	32.58	174.96	32.99
2. Gross profit from vending machine sold	1.89	47.97	1.51	48.47
Total gross profit	157.77	32.71	176.47	33.08

The Company's costs of goods sold via vending machines for the three month period ended 31 March 2022, was accounted for 67.01 percent of revenue from selling goods via vending machines or a gross profit margin of 32.99 percent. The gross profit margin was increased from the same period of previous year of 32.58 percent. This is because in Quarter1' 2022 the products with higher gross profit margin were sold in more proportion compared to the pervious period. 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 for the three month period ended 31 March 2022, were accounted for 51.53 percent of revenue from vending machine sales or a gross profit margin of 48.47 percent, which increased from 47.97 percent in the same period of year 2021. This was mainly due to more sales of vending machines type with higher gross profit margin than 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 three month period ended 31 March 2022, were amounted to Baht 141.02 million, or 26.18 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 35.80 percent of total selling and distribution expenses; (2) depreciation expense accounted for 25.10 percent of total selling and distribution expenses; and (3) location fees for vending machine service area accounted for 18.11 percent of total selling and distribution expenses.

Major selling and distribution expense	For the three month period ended 31 March 2021		For the three month period ended 31 March 2022	
	MBaht	%	MBaht	%
Staff costs	43.27	36.37	50.49	35.80
Depreciation expenses	29.13	24.49	35.39	25.10
Location fees	22.26	18.71	25.53	18.11

Selling and distribution expenses for the three month period ended 31 March 2022, increased by Baht 22.07 million or 18.55 percent from the same period of 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 22.26 million to Baht 25.53 million, or increased by Baht 3.28 million, or 14.72 percent. This location fee for vending machine service areas was accounted for 18.11 percent of selling and distribution expenses, which decreased from the previous year at 18.71 percent of selling and distribution expenses. Nevertheless, depreciation increased from Baht 29.13 million to Baht 35.39 million, or increased by Baht 6.26 million, or 21.49 percent, because in the Quarter 1 of 2022, the Company invested in more number of vending machines in service compared to the same period of the previous year together with increasing in more number of smart vending machines. This depreciation was at 25.10 percent of selling and distribution expenses which increased from the same period of previous year at 24.49 percent of selling and distribution expenses.

Administrative expenses

Administrative expenses for the three month period ended 31 March 2022, were amounted to Baht 13.09 million, or 2.43 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 65.83 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 9.55 percent of administrative expenses; and (3) Depreciation at 2.80 percent of administrative expenses.

Major administrative expenses	For the three month period ended 31 March 2021		For the three month period ended 31 March 2022	
	MBaht	%	MBaht	%
Staff cost	8.28	53.50	8.61	65.83
Consultant fee and directors' remuneration	3.58	23.14	1.25	9.55
Depreciation expense	0.55	3.54	0.37	2.80

Administrative expenses for the three month period ended 31 March 2022, decreased from the same period of previous year by Baht 2.39 million, or 15.45 percent. This was mainly because in the Quarter 1 of 2021, the Company had information technology consultation expenses for the project "IT Assessment & Transformation Roadmap", legal consultant fees and financial consultant fees for preparing the Company's listing in the Stock Exchange of Thailand.

Financial costs

Financial costs for the three month period ended 31 March 2022, were at Baht 0.21 million, or 0.04 percent of total revenues, which decreased by Baht 2.18 million from the previous year. This is due to no outstanding loans in Quarter 1'2022.

Net profit

The Company's net profit for the three month period ended 31 March 2022, was Baht 22.02 million, or net profit margin of 4.09 percent which decreased from the previous year. This was mainly because the Company had increased in selling and distribution expenses from employee expenses for vending operation, higher depreciation expenses from additional vending machines in service, and increased in location fees for more number of vending machines in service due to expansion of service areas and higher rates in renting space due to expansion of open service areas.

Analysis of Financial Position

Assets

The Company had total assets at the end of year 2021 and as at 31 March 2022, at Baht 1,485.12 million and Baht 1,544.53 million, respectively. Changes in assets can be summarised as follows:

1. Cash and cash equivalent as at 31 March 2022, were at Baht 290.10 million which decreased from year 2021 by Baht 10.56 million. This was mainly due to cash used for investing in more fixed assets.
2. Property, buildings and equipment as at 31 March 2022, were at Baht 991.94 million which increased from year 2021 by Baht 79.83 million. This was mainly due to investments in more 740 units of vending machines including electronic parts for smart vending machines or net value (after deduct depreciation) increased by Baht 36.27 million, and also investment in vehicles for vending operation by Baht 8.5 million. This is in order to support increasing in service areas for vending machines to other locations. In addition, it has invested in construction for head office building by Baht 23.67 million.

Liabilities

The Company had total liabilities at the end of year 2021 and as at 31 March 2022, at Baht 333.62 million and Baht 370.66 million, respectively. Changes in liabilities can be summarised as follows:

1. Trade and other payables as at 31 March 2022, were at Baht 329.38 million which increased from year 2021 by Baht 35.02 million. This is mainly due to increase in trade payables from purchase of goods to be sold for more vending machines in services.

Shareholders' equity

Shareholders' equity as at 31 March 2022, was at Baht 1,173.87 million accounting for 76.00% of total liabilities and shareholders' equity. This was increased from at the end of year 2021 by Baht 22.38 million because of increases in operating profit for the three month period ended 31 March 2022, 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 three month period ended 31 March 2022, were amounted to Baht 58.91 million which decreased from the same period of previous year by Baht 21.57 million. This is mainly due to increase in inventories in Quarter 1 of 2022 in order to support sales for more vending machines in services.

Net cash flows used in investing activities for the three month period ended 31 March 2022, were amounted to Baht 64.12 million. The Company invested in buildings and equipment amounting to Baht 67.22 million which consist of investing in vending machines including electronic parts for smart vending machines, vehicles, and construction of head office building.

Net cash flows used in financing activities for the three month period ended 31 March 2022, were amounted to Baht 5.35 million. The Company paid for lease liabilities of vehicles.

2. Liquidity ratio and cash cycle

As at 31 March 2022, the Company had liquidity ratio at 1.42 times which decreased from year 2021 which had at 1.63 times. This is due to increase in current liabilities portion from trade account payable and decrease in current assets portion from cash and cash equivalents.

From considering cash cycle for the three month period ended 31 March 2022 and 2021, at (29) days and (32) days, respectively, the Company had negative cash cycle, because the Company can collection before debt payment. This is because main revenues are cash sales that the customer has to pay when purchasing goods via vending machines.