



# SKY ICT PUBLIC COMPANY LIMITED

Management Discussion and Analysis

for the first quarter ended 31<sup>st</sup> March 2022

A decorative graphic consisting of several overlapping circles and dots in shades of blue, red, and grey, located in the bottom right corner of the page.

**Intelligence**  
action



No. SKY-65-05-043

17<sup>th</sup> May 2022

Subject Management Discussion and Analysis for the first quarter ended 31<sup>st</sup> March 2022  
To The Director and the Manager of the Stock Exchange of Thailand  
Enclosed A copy of the financial statement for the first quarter ended 31<sup>st</sup> March 2022 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the period ended on 31<sup>st</sup> March 2022, which has been reviewed by the Auditor as well as the explanation and analysis from the management to provide the information to the investors and the public. The operational performance of the Company are as follows:

### Executive Summary

There are significant transactions of the Company for the first quarter ended 31<sup>st</sup> March 2022 as follows:

#### 1. Group Business Plan

In the first quarter of 2022, the Group has a business plan that focuses mainly on Digital Platform continuing since the fourth quarter 2021, which is the business extension from the expertise of the Group in the field of CCTV management and Smart Security. The Company has launched a new Smart Security Platform under the name “Tossakan”. This new business will expand to private sector and will eventually create a sustainable income in the future. In addition, The Company has also rebranded the "AOT Airports Application" and change name to "SAWASDEE by AOT" under the concept of a single application for travelers which will facilitate passengers at all 6 airports of the airport - AOT, including Suvarnabhumi Airport, Don Mueang Airport, Chiang Mai Airport, Mae Fah Luang Airport (Chiang Rai), Phuket Airport and Hat Yai Airport with new innovations on digital platforms aiming to become “Digital Airports, Living Airports”, responding to tourists' services including payment of goods and services via Application.

#### 2. IPO of an associated company

On January 17, 2022, Turnkey Communication Services Public Company Limited (“TKC”) was successfully listed on the Stock Exchange of Thailand by issuing 78,000,000 newly issued ordinary shares to public. The increasing in ordinary shares of TKC resulted in a decrease in investment proportion in TKC from 34.00% to 25.16%. TKC's business mainly in providing design services, system installation, procurement of equipment, installation, testing, and software development and maintenance of engineering works in (1) telecommunication system (2) information communication technology and (3) public safety system. In addition, the Company is a distributor and installer of the world's leading communication systems such as information security system, public safety and security system, and massive CCTV systems to various public and private organizations.



### 3. The impact of COVID-19 situation

Due to the outbreak of corona virus 2019 (Covid-19) from the beginning of 2020 onwards and many new waves of outbreaks until the present. The Company has been affected by the COVID-19 situation, especially the operating results from the service business related to the aviation business from the air travel control policy. As a result, the number of passengers both domestically and internationally decreased significantly which effect to the revenue from the service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) Project that the Company has recognized revenue based on actual number of passengers (inbound, outbound, change flight and transit). The declining of such passengers is cause of loss from APPS project amounting to 73.91 million baht in the first quarter of 2022 which affects the Company's working cash flow. Therefore the Company have to acquire more credit lines from financial institutions. As a result, the burden of financial costs increased. However, domestic and oversea passenger trend, since beginning of 2022, strongly increased. Moreover, the Company still be able to deliver the work and bill for other projects under the contract with the customer on time which help the Company's cash flow smooth.

Overview of operating results for the first quarter ended 31<sup>st</sup> March 2022

Company's performance	Amount (Million Baht)		Increase (Decrease)	
	Q1/2022	Q1/2021	Million Baht	%
Core business revenue	467.96	986.46	(518.50)	(52.56)
Other revenue	1.19	0.96	0.23	23.96
Gain on disposals of investments	98.10	-	98.10	100.00
<b>Total Income</b>	<b>567.25</b>	<b>987.42</b>	<b>(420.17)</b>	<b>(42.55)</b>
<b>Net Profit</b>	<b>181.36</b>	<b>14.22</b>	<b>167.14</b>	<b>1,175.39</b>
Basic earnings per share )Baht per shares(	0.30	0.02		

#### Net profit

The Company and its subsidiaries had net profit for the first quarter ended 31<sup>st</sup> March 2022 amounted to 181.36 million baht. Increasing of 167.14 million baht or 1,175.39% compared to the same period of 2021 with a total net profit of 14.22 million baht, mainly from gain on disposals of investments in Turnkey Communication Services Public Company Limited (“TKC”) and special item from surplus in change in proportion of investment in TKC, an associated company, because TKC's IPO price per share is more than the net book value of TKC in SKY's financial statement. Revenue from core business in Q1/2022 lower than Q1/2021 because the Company had speed up delivered the project during the year 2021 therefore the deliverable in Q1/2022 declining compared with Q1/2021. In addition, the Company have loss incurred from the service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR), as mentioned in Article 3. If considering the net profit before the loss recognition from the APPS project, the company will have a net profit of



approximately 240.49 million baht (net of tax) or a net profit margin of 42.40%, which is 33.40% higher than the last year (last year net profit before the loss from APPS project net of tax was 88.82 million baht).

### Core business revenue

The Company and its subsidiaries had total revenue for the first quarter ended 31<sup>st</sup> March 2022 amounted to 467.96 million baht, a decreasing of 518.50 million baht or 52.56 percent compared to the same period of the previous year with total revenue of 986.46. million baht can be summarized as follows:

Revenue	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2022	Q1/2021	Million Baht	%
Revenue from System Integration Services	112.28	584.31	(472.03)	(80.78)
Revenue from Sales	2.22	29.69	(27.47)	(92.52)
Revenue from Services	353.46	372.46	(19.00)	(5.10)
<b>Total Revenue</b>	<b>467.96</b>	<b>986.46</b>	<b>(518.50)</b>	<b>(52.56)</b>

1. Revenue from sales and installation of integrated systems, the amount of 112.28 million baht, accounting for 23.99% of total revenue, a decreasing of 472.03 million baht or 80.78% compared to the previous year. In the first quarter of 2021, the large projects that have been delivered are as follows:

- A project of the procurement and installation of CCTV for Immigration Bureau.
- A project of the procurement and installation of closed-circuit television cameras to increase security in areas at risk of crime to Bangkok Metropolitan Administration.
- A project of the procurement and installation of ICT and Health Tech systems of medical treatment and increase capacity protecting of Covid-19 virus for National Telecom Public Company Limited.
- A project for procurement and installation of License Plate Recognition system for the Narcotics Suppression Bureau.
- A project for procurement and installation of monitoring system and monitoring the vehicle position and route with satellite Equipment system, computer network, connected with equipment and a mobile automatic License Plate Recognition system for the Narcotics Suppression Bureau.
- A project for the project of broadband internet service provider in rural area for the National Broadcasting and Telecommunications Commission (NBTC).

However, in the first quarter of 2022, the Company has income from the delivery of work from various projects as follows:

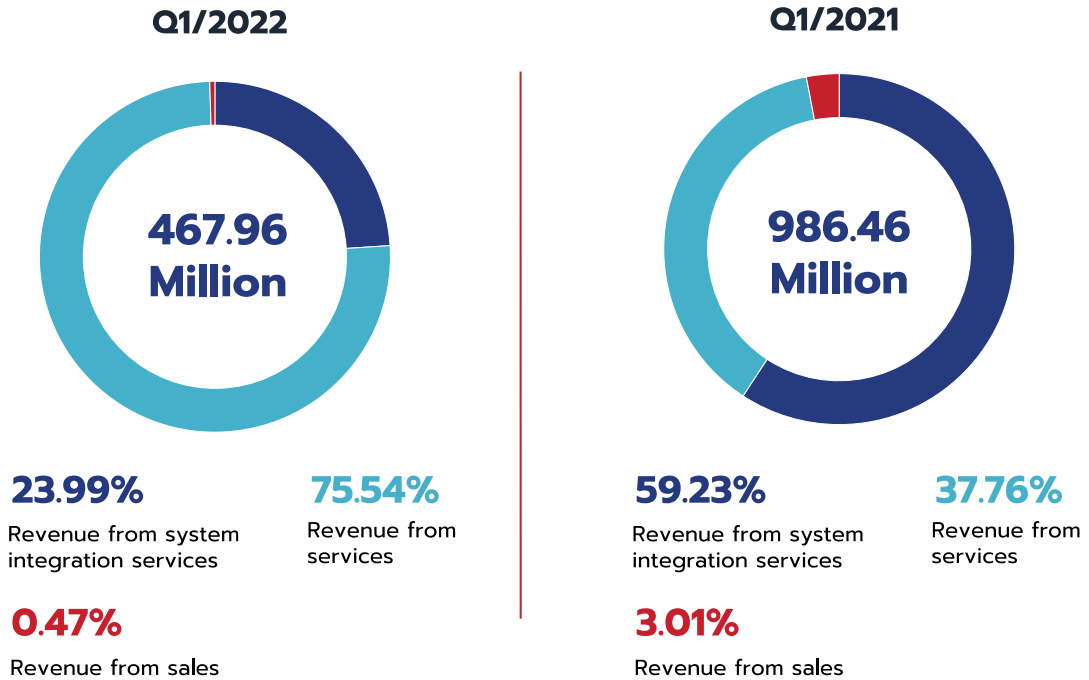
- A project of the procurement and installation of CCTV for Immigration Bureau.
- A project for the Digital Operations Management System Development Project for the AOT airports.
- A designed project of the procurement and installation of signaling and telecommunication systems in the dual-track railway construction project.

2. **Revenue from Sales**, the amount of 2.22 million baht, accounting for 0.47% of total revenue, a decreasing of 27.47 million baht or 92.52% compared to the previous year. In this year, the Group focuses on providing a complete set of sales and installation services. As a result, the income in this segment was included in the revenue from system integration services as described above. Revenue from sales is generated from small projects to public customers that do not require a long installation period.

3. **Revenue from Services**, the amount of 353.46 million baht, accounting for 75.54% of total revenue, a decreasing of 19.00 million baht or 5.10% compared to the previous year. Most of the services revenue in 2022 comes from the projects signed before the year 2022 and services period over 1 year which are as follows :-

- The service from renting the mail mix sorter to Thai Post Co., Ltd which has service period for 10 years.
- The project of the luggage trolley service at Suvarnabhumi Airport, which has service period for 7 years.
- The project of broadband internet service provider in rural area for the National Broadcasting and Telecommunications Commission (NBTC) in 2<sup>nd</sup> phase (maintenance phase) which has service period for 5 years.
- The project of maintenance of CCTV for Custom Department which has service period for 5 years.
- The project of maintenance of CCTV at 6 airports of AOT which has service period for 3 years.
- The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport which has a service period of 10 years
- The project of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) which has a service period of 6.5 years
- The project of Passenger Baggage Reconciliation System (PBRS) at Suvarnabhumi Airport

## Proportion of Revenue from business operation



### Gain on disposals of investments

The group had gain on disposals of investments for the first quarter ended 31<sup>st</sup> March 2022, in the amount of 98.10 million baht because the Company dispose 6,388,010 ordinary shares of Turnkey Communication Services Public Company Limited (“TKC”) costing of 8.22 baht per share.

### Total Costs

Costs	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2022	Q1/2021	Million Baht	%
Cost of System Integration Services	90.83	490.69	(399.86)	(81.49)
Cost of Sales	1.72	24.12	(22.40)	(92.87)
Cost of Services	361.26	325.72	35.54	10.91
<b>Total Costs</b>	<b>453.81</b>	<b>840.53</b>	<b>(386.72)</b>	<b>(46.01)</b>
<b>Gross Profit</b>	<b>14.15</b>	<b>145.93</b>	<b>(131.78)</b>	<b>(90.30)</b>
<b>Gross Profit (%)</b>	<b>3.02</b>	<b>14.79</b>		

Total costs the first quarter ended 31<sup>st</sup> March 2022 amounted to 453.81 million baht, a decreasing of 386.72 million baht or 46.01% compared to the same period last year with a total cost of 840.53 million baht, which can be summarized as follows:

- Gross margins of System Integration Services and sales segment increases slightly as a result of cost recognized were less than the budgeted cost due to the Group's cost management policy.
- Costs incurred from depreciation and asset amortization from the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) project. The Company has invested a large amount of assets for the project in order to provide an efficient service system. According to accounting standards, the Company had to depreciate and amortize costs on a straight-line basis for investment in asset in the duration of the project (6.5 years), regardless of the revenue recognized in accordance with the actual number of passengers. In this quarter, the cost of depreciation and amortization of assets and other cost related with the project were higher than the revenue. This resulted in a loss from this project in the amount of 73.91 million baht.

### Expenses

Expenses	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2022	Q1/2021	Million Baht	%
Selling Expenses	25.59	23.93	1.66	6.94
Administrative Expenses	80.73	68.10	12.63	18.55
Finance Cost	43.37	38.54	4.83	12.53
<b>Total Expenses</b>	<b>149.69</b>	<b>130.57</b>	<b>19.12</b>	<b>14.64</b>
<b>% to Revenues</b>	<b>31.99</b>	<b>13.24</b>		

The overall expenses of the Company for the first quarter ended 31<sup>st</sup> March 2022, amounted to 149.69 million baht, an increase of 19.12 million baht or 14.64% from the previous year, mainly due to the following reasons:

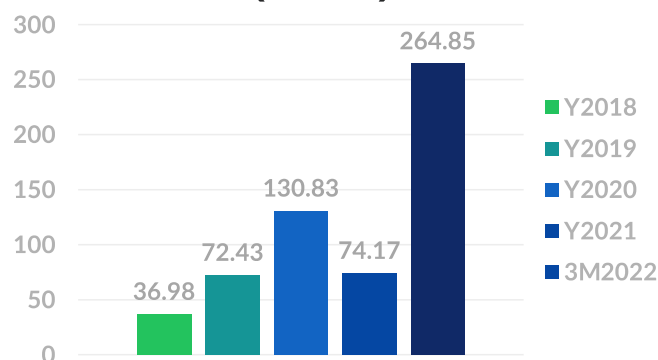
- Selling and administrative expenses, the total amount of the selling and admin expenses in this year was 106.32 million baht, increase from the last year by 14.29 million baht or 15.53% mainly due to allowance for impairment loss on trade receivable and interest receivable totaling 26.78 million Baht in this period. However, the depreciation from the assets decreases from prior period 9.88 million baht because it was allocated to cost of service as the fixed assets was used in the project.
- The financial cost amounted to 43.37 million baht, an increasing from 2021 by 4.83 million baht or 12.53% because the Company has long-term borrowings from financial institutions to be used for investment in large projects, including, which are the project of service and maintenance project for Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport and the service of Advance Passenger Processing System (APPS) and Passenger Name Recording (PNR) project. Finance cost from long-term loan was increased by 12.78 million baht. The Company gradually drawdown long-term loans from financial institutions to pay trade accounts payable since the end of 2020



until the approved credit line is reached in the middle of 2021. However, finance cost from short-term loan was decreased by 7.95 million baht. in line with decreasing in short-term loan balance.

### Share of profit from associated companies

#### SHARE OF PROFIT (MILLION)



#### SHARE OF PROFIT BY COMPANY (MILLION)

Company	Q1/2022	Q1/2021
TURNKEY COMMUNICATION SERVICES PUBLIC COMPANY LIMITED ("TKC")	258.65	25.70
ASTRO SOLUTIONS COMPANY LIMITED ("ASTRO")	(0.49)	(1.53)
SAL GROUP (THAILAND) COMPANY LIMITED ("SAL")	6.69	(8.65)
<b>TOTAL</b>	<b>264.85</b>	<b>15.52</b>

For first quarter ended 31<sup>st</sup> March 2022, the Company has recognized its share of profit from investments in associates and joint operation totaling 264.85 million baht, as increasing of 249.33 million baht from the previous year (Q1/2021 share profit from investment in associates was 15.52 million baht), comprised of:

- (1) Profit Sharing from Turnkey Communication Services Public Company Limited ("TKC") amounting to 258.65 million baht (increase by 232.95 million baht compare to Q1/2021). Mainly, from special item "Surplus from change in proportion of investment in TKC" because TKC's IPO price per share is more than book value of TKC in SKY's financial statement totaling 246.68 million baht. The remaining 11.97 million baht came from operating profit from delivering services to government and many private customers.
- (2) Share of loss from Astro Solutions Company Limited ("Astro") amounting to Baht 0.49 million (shared of loss decrease by 1.04 million baht compare to 2021) as the Company's main business was affected by the situation of the COVID-19 epidemic. However, trend of loss from Astro seems to be decreasing due to revering of tourism sector.
- (3) Profit Sharing from SAL Group (Thailand) limited amounting to 6.69 million baht favorable changed from prior period which loss shared by 15.34 million baht. Because SAL invested in AOT ground aviation service Company Limited, "AOTGA", which is operate in the aviation business, Thus AOTGA has also suffered losses due to the impact of the COVID 19 situation. Management forecasted that AOTGA's performance will be continuously positive since releasing of government travelling control policy , number of flight both domestic and international are going to growth respectively.





Please be informed accordingly.

Sincerely yours,

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(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

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