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17 May 2022

Subject: Management discussion and analysis of financial position and operating results

To: President and Manager

The Stock Exchange of Thailand

Overall operating performance of the Group

Unit: Million Baht

	Q1' 2022	Q1' 2021	Increase (decrease)	Variance (%)
Total revenues	2,173	1,973	200	10%
Net profit	236	184	52	28%

The Group had total revenues for the first quarter of 2022 of Baht 2,173 million, an increase of Baht 200 million or a 10% increase compared to the total revenues for the first quarter of 2021, which was Baht 1,973 million. This was mainly due to the increase of revenue from EMS business.

The Group had net profit for the first quarter of 2022 of Baht 236 million, an increase of Baht 52 million or a 28% increase compared to the net profit for the first quarter of 2021, which was Baht 184 million. This was mainly due to the increase of gross profit from EMS business.

Analysis of revenues

	Q1' 2022		Q1' 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	908	42%	503	25%	405	81%
Enterprise solutions business	450	21%	643	33%	(193)	(30%)
Smart service business	709	32%	752	38%	(43)	(6%)
Total revenues from main business	2,067	95%	1,898	96%	169	9%
Other income	106	5%	75	4%	31	41%
Total revenues	2,173	100%	1,973	100%	200	10%

EMS business

The Company had revenue from EMS business for the first quarter of 2022 amounted to Baht 908 million, an increase of Baht 405 million or a 81% increase compared to the same period of the previous year, which amounted to Baht 503 million. This was due to an increase in orders from one of the major customers of electronic circuit board manufacturing and assembly.

Enterprise solutions business

The Company had revenue from enterprise solutions business for the first quarter of 2022 amounted to Baht 450 million, a decrease of Baht 193 million or a 30% decrease compared to the same period of the previous year, which amounted to Baht 643 million. This was caused by 3 factors as follows:

- 1) Most of the project work for which revenue is recognized is the project work that occurred in the previous years that has gradually been delivered or completed in the current period.
- 2) Annual maintenance service work has reduced the value of contract work because it is a continuous work.
- 3) New projects are unable to recognize revenues because significant parts of the work have not yet been completed.

Smart service business

The Company had revenue from smart service business for the first quarter of 2022 amounted to Baht 709 million, a decrease of Baht 43 million or a 6% decrease compared to the same period of the previous year, which amounted to Baht 752 million. This was due to the impact of the ongoing COVID-19 situation which caused the slowdown in economic activities and the higher cost of living due to rising product prices. Such factors greatly affect the purchasing power of middle and lower end users.

Other income

The Company had other income for the first quarter of 2022 amounted to Baht 106 million, an increase of Baht 31 million or a 41% increase compared to the same period of the previous year, which amounted to Baht 75 million. This was mainly due to gain on sale of vending machines of Baht 24 million.

Gross Profit and Gross Profit Margin

	Q1' 2022		Q1' 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	209	23%	117	23%	92	79%
Enterprise solutions business	146	32%	175	27%	(29)	(17%)
Smart service business	148	21%	158	21%	(10)	(6%)
Gross Profit	503	24%	450	24%	53	12%

EMS business

Gross profit for the first quarter of 2022 amounted to Baht 209 million, an increase of Baht 92 million or a 79% increase from the same period of the previous year, which had a gross profit of Baht 117 million. This was in line with the increase of revenue.

Gross profit margin for the first quarter of 2022 was 23%, which had no significant change compared to the same period of the previous year.

Enterprise solutions business

Gross profit for the first quarter of 2022 amounted to Baht 146 million, a decrease of Baht 29 million or a 17% decrease from the same period of the previous year, which had a gross profit of Baht 175 million. This was mainly due to the decrease of the reduction of inventories to net realisable value, as well as project cost reductions for projects completed in the current quarter.

The gross margin for the first quarter of 2022 increased from 27% to 32% due to projects realized in the first quarter of 2022 having higher gross margin than projects realized in the first quarter of 2021 and due to reasons as described in the preceding paragraph.

Smart service business

Gross profit for the first quarter of 2022 amounted to Baht 148 million, a decrease of Baht 10 million or a 6% decrease from the same period of the previous year, which had a gross profit of Baht 158 million. This was in line with the decline in revenue.

The gross profit margin for the first quarter of 2022 was 21%, which had no significant change compared to the same period of the previous year.

Expenses and expenses to revenues from main business

	Q1' 2022	Q1' 2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling expenses	26	23	3	13%
Administrative expenses	237	210	27	13%
Finance cost	21	19	2	11%
Income tax expenses	34	50	(16)	(32%)

Selling expenses

Selling expenses for the first quarter of 2022 and the ratio of selling expenses to revenues from main business were not significantly changed when compared to the same period of previous year.

Administrative expenses

Administrative expenses for the first quarter of 2022 amounted to Baht 237 million, an increase of Baht 27 million or 13% increase when compared to the same period of the previous year, which amounted to Baht 210 million. This was mainly due to the increase in employee expenses and research and development expenses.

Finance costs

Finance costs for the first quarter of 2022 and the ratio of finance costs to revenues from main business were not significantly changed when compared to the same period of the previous year.

Income tax expenses

Income tax expenses for the first quarter of 2022 amounted to Baht 34 million, a decrease of Baht 17 million or a 32% increase when compared to the same period of the previous year, which amounted to Baht 50 million. This was due to the recognition of deferred tax asset from tax losses carried forward from the prior years of a subsidiary because the subsidiary expects to have sufficient future profits.

Financial position

Assets

Unit: Million Baht

	31 March 2022	31 December 2021	Increase (decrease)	% Variance
Current assets	6,246	5,808	438	8%
Non-current assets	3,097	3,010	87	3%
Total assets	9,343	8,818	525	6%

Total assets as at 31 March 2022 amounted to Baht 9,343 million, an increase of Baht 525 million or a 6% increase compared to the total assets as at 31 December 2021, which amounted to Baht 8,818 million. This was due to the increase in cash and cash equivalents from operating activities and inventories for the production and assembly of electronic circuit boards and coffee and beverage vending machines (TAO BIN).

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2022	31 December 2021
Trade account receivables - unrelated parties	1,642	1,512
Less: Allowance for expected credit losses	(94)	(94)
Trade account receivables - net	1,548	1,418

As at 31 March 2022 and 31 December 2021, the Group recorded an allowance for expected credit losses amounting to Baht 94 million and Baht 94 million, respectively. The Group recognises an allowance for expected credit losses on its trade receivables, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 March 2022	31 December 2021
Inventories	2,152	1,927
Reduce cost to net realisable value	(487)	(480)
Inventories - net	1,665	1,447

As at 31 March 2022 and 31 December 2021, the Group had the reduction of cost to net realisable value amounting to Baht 487 million and Baht 480 million, respectively. The Group estimates net realisable value of inventories taking into the account fluctuations of price or cost directly related to events occurring after the end of the period, movements of inventories and the prevailing economic condition. Management believed that the reduce cost to net realisable value is adequate in the current circumstances.

Source of fund

Unit: Million Baht

	31 March 2022	31 December 2021	Increase (decrease)	% Variance
Current liabilities	5,981	5,708	273	5%
Non-current liabilities	447	491	(44)	(9%)
Total liabilities	6,428	6,199	229	4%
Total shareholders' equity	2,915	2,619	296	11%

Liabilities

Total liabilities as at 31 March 2022 amounted to Baht 6,428 million, an increase of Baht 229 million or a 4% increase compared to the total liabilities as at 31 December 2021, which amounted to Baht 6,199 million. This was mainly due to an increase in trade and other payables and short-term loans from banks.

Shareholders' equity

Shareholders' equity as at 31 March 2022 amounted to Baht 2,915 million, an increase of Baht 296 million or a 11% increase compared to the shareholders' equity as at 31 December 2021, which amounted to Baht 2,619 million. The increase was due to the net profit for the period.

The appropriate of capital structure

Debt to equity ratio as at 31 March 2022 was 2.21: 1, decreased when compared with the debt to equity ratio as at 31 December 2021, which was 2.37: 1. This was a result of an increase in shareholders' equity resulting from the net profit for the period.

Liquidity

Cash flows

Unit: Million Baht

	Q1' 2022	Q1' 2021
Cash flows from (used in) operating activities	183	238
Cash flows from (used in) investing activities	4	(41)
Cash flows from (used in) financing activities	77	(282)

Cash flows from operating activities for the first quarter of 2022 amounted to Baht 183 million, a decrease of Baht 55 million compared to the same period of the previous year, which amounted to Baht 238 million due to an increase in working capital.

Cash used in investing activities for the first quarter of 2022 amounted to Baht 177 million, mostly for the purchase of TAO BIN. Cash received from investing activities for the first quarter of 2022 amounted to Baht 181 million, mainly from dividends received from an associate and sales of vending machines.

Cash used in financing activities for the first quarter of 2022 amounted to Baht 67 million, mainly for repayment of long-term borrowings and long-term lease liabilities. Cash received from financing activities for the first quarter of 2022 amounted to Baht 144 million, mainly from an increase in short-term loans to be used as working capital.

Liquidity ratio

Current ratio as at 31 March 2022 was 1.04:1. There was no significant change when comparison with the current ratio as at 31 December 2021, which was 1.02:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)
Financial Controller