

10 August 2022

Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

The epidemic situation of Coronavirus Disease 2019 (Covid-19) continues to affect the economic recovery in the country. However, many business groups have adapted to operate their business under changing circumstances. As a consequence, overall investment projects in industrial sectors related to the Group's business can resume their usual operations as planned. As a result, the Group delivered work and had a better performance than the previous year's period. The revenue from sales and services for the second quarter of 2022 increased by Baht 85 million or 76%, and for the six months increased by Baht 117 million or 58%.

In addition, the Group had revenue from new business units, i.e., solar energy products, accounting for 8% of total income. This new business unit has a good prospect in the future. It is due to the environmental conservation trend that will become an additional condition of the global trade structure, including electricity rates that have a direction to increase.

However, the measures to control the epidemic in many countries affect the transport and manufacturing sectors throughout the supply chain. There were obstacles with delayed transportation and a shortage of raw materials, causing the cost of goods and services to increase. Both steel prices and oil prices in the market rose significantly, including the increased cost of importing goods. As a result, the Group's gross profit margin has declined. In addition, with the impact of price competition that has significantly increased during the severe epidemic, the Group has to adjust the strategy of setting the selling price following the changing environmental factors. In addition, the Group needs to penetrate the market for solar energy products. Therefore, the selling price of the product is set to be lower as well.

The Group's products are fundamental products of various industrial projects. The Group continues to receive orders from customers. The amount of work that has not yet been delivered at the end of the second quarter of 2022 is approximately Baht 454 million, an increase of Baht 40 million or 10% compared to the end of the previous year. The Group maintains a solid financial structure, having a good liquidity ratio and a low debt-to-equity ratio. The Group has continued to operate and has not scaled down the business.



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Consolidated Financial Performance for the second quarter and six-month period of 2022

Operating Income						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2022	2Q 2021	%Chg.	6M 2022	6M 2021	%Chg.
Revenues from contracts with customers	196,664	111,811	76%	319,781	202,676	58%
Other income	2,450	131	1,770%	4,770	413	1,055%
Total Operating Income	199,114	111,942	78%	324,551	203,089	60%

Revenues structure						
	6M 2022		6M 2021		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales and services						
Crane and Electric Hoist	145,220	45%	90,434	45%	54,786	61%
Loading Dock and Equipment	53,829	17%	33,124	16%	20,705	63%
Solar cell system	26,792	8%	-	0%	26,792	100%
Warehouse management system and Equipment	1,111	0%	-	0%	1,111	100%
Total revenue from sales and services	226,952	70%	123,558	61%	103,394	84%
Revenue from after-sale services						
Crane and Electric Hoist	73,921	23%	58,687	29%	15,234	26%
Loading Dock and Equipment	18,693	6%	20,408	10%	(1,715)	(8%)
Training center	215	0%	23	0%	192	835%
Total revenue from after-sale services	92,829	29%	79,118	39%	13,711	17%
Other income	4,770	1%	413	0%	4,357	1,055%
Total Operating Income	324,551	100%	203,089	100%	121,462	60%

Total operating income for the second quarter of 2022 of the Group amounted to Baht 199 million, an increase of Baht 87 million or 78% from the same period last year. The six months of 2022 amounted to Baht 325 million, an increase from the same period of the previous year in the amount of Baht 121 million or 60%. Due to the adaptation of the business group. It enables the investment overview of various projects to resume as planned.

- Revenue from sales and services increased by Baht 103 million or 84%, increasing from both the crane and loading dock segment from the delivery of works according to the customers' schedule. In addition, the Group also had an increase in income from the new business segment, solar cells, amounting to Baht 27 million as well.



- After-sales service revenue increased by Baht 14 million or 17% due to the increase in revenue from the crane segment as from the repair service with replacement parts, maintenance and repair service contract, and crane structure moving services.
- Other incomes increased by Baht 4 million or 1055%, mainly due to gains from foreign exchange rates.

As of June 2022, the Group had a revenue backlog of Baht 454 million, which increased by Baht 40 million or 10% compared to the prior year; such backlog will gradually be recognized as revenues from the third quarter of 2022 onward.

Operating Expenses						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2022	2Q 2021	%Chg.	6M 2022	6M 2021	%Chg.
Cost of sales and services	153,928	81,252	89%	247,372	139,538	77%
Selling expenses	7,953	6,626	20%	15,246	13,442	13%
Administrative expenses	21,283	21,281	0%	41,290	38,664	7%
Total Operating Expenses	183,164	109,159	68%	303,908	191,644	59%

Total operating expenses for the second quarter of 2022 of the Group amounted to Baht 183 million, an increase from the same period of the previous year by Baht 74 million or 68%, and for the six months of 2022, an increase of Baht 304 million, increased from the same period last year in the amount of Baht 112 million or 59% mainly due to

- Cost of sales and services increased in line with revenue from contracts with customers.
- Selling expenses increased from expenses related to salesperson and employee commission expenses, which increase as income increases.
- Administrative expenses increased mainly from employee costs, depreciation from office renovation, and payments for preventing and controlling the spread of the Coronavirus Disease 2019 within the Group's organization.



Other Items						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2022	2Q 2021	%Chg.	6M 2022	6M 2021	%Chg.
Finance income	450	387	16%	781	717	9%
Finance cost	(8)	(22)	(64%)	(18)	(49)	(63%)
Income tax expenses	(2,879)	(648)	344%	(4,133)	(2,421)	71%
Total Other Items	(2,437)	(283)	761%	(3,370)	(1,753)	92%

- Income tax expenses increased in line with the operating profits.

Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2022	2Q 2021	%Chg.	6M 2022	6M 2021	%Chg.
Gross profit	42,736	30,559	40%	72,409	63,138	15%
Gross profit margin	22%	27%		23%	31%	
Net profit	13,513	2,500	441%	17,273	9,692	78%
Net profit margin	7%	2%		5%	5%	
Basic earnings per share (Baht)	0.023	0.004	475%	0.029	0.016	81%

- Gross profit for the second quarter of 2022 and the six-month period of 2022 increased from last year according to the increase in income. The gross profit margin for the second quarter of 2022 and the six-month period of 2022 decreased from the same period the previous year. It was due to the impact of price competition, along with the rising cost of goods and services. Steel prices and oil prices in the market have increased significantly, including the cost of importing products. In addition, the Group needs to penetrate the demand for solar energy products. Therefore, the price of the product is set to be lower as well.
- Net profit and net profit margin for the second quarter of 2022 and the six-month period of 2022 increased as revenue increased.



Consolidated Financial Position for the six-month period of 2022

Financial Position			
(Thousand Baht)	June 2022	December 2021	%Chg.
Total Assets	1,069,357	1,081,015	(1%)
Total Liabilities	242,163	241,094	0%
Total Shareholders' Equity	827,194	839,921	(2%)

- Total assets decreased by Baht 12 million or 1%. The mainly causes due to
 - Cash and cash equivalents decreased by Baht 69 million mainly due to cash paid for the investment in fixed assets of Baht 30 million, investment in bonds of Baht 10 million, and dividend payment in the second quarter of Baht 30 million.
 - Trade receivables decreased by Baht 24 million due to debt collection. Other receivables increased by Baht 6 million due to prepaid expenses for imported goods from abroad.
 - Inventories increased by Baht 43 million from goods in transit and worked to prepare for delivery. It is in line with the increasing revenue backlog.
 - Property, plant, and equipment increased by Baht 18 million, mainly due to the asset of the power purchase agreement from the solar cell by Baht 16 million and the renovation of the Company's office.
- Total liabilities increased by Baht 1 million or 1%. The mainly causes due to
 - Trade accounts payable increased by Baht 34 million due to increased purchase orders to support customer orders. Other payables decreased by Baht 8 million mainly due to payment of construction payables.
 - Deposits received in advance decreased by Baht 28 million due to the delivery of some projects during the period.
- Total shareholders' equity decreased by Baht 13 million or 2%, which dropped from dividend payment of Baht 30 million and increased from the net profit of Baht 17 million.



Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	6M 2022	6M 2021
Net cash from operating activities	777	9,381
Net cash used in investing activities	(39,558)	(9,485)
Net cash used in financing activities	(30,206)	(42,741)
Net decrease in cash and cash equivalents	(68,987)	(42,845)
Beginning cash and cash equivalents	280,287	353,040
Ending cash and cash equivalents	211,300	310,195

For the six-months of 2022, the Group had a net decrease in cash and cash equivalent of Baht 69 million from the beginning balance of Baht 280 million. As a result, cash and cash equivalents at the end of the period were Baht 211 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities was Baht 1 million.
- Net cash used in investing activities amounted to Baht 40 million, mainly due to cash paid for investing in fixed assets of Baht 30 million and net cash paid for investing in a debenture of Baht 10 million.
- Net cash used in financing activities was Baht 30 million, mainly due to dividend payments.

Ratios Analysis		
	6M 2022	6M 2021
Return on Asset (%)	5.03%	3.50%
Return on Equity (%)	5.02%	3.46%
Current ratio (x)	3.84	4.48
Total debt to equity (x)	0.29	0.27

Return on asset and return on equity increased by 1.53% and 1.56%, respectively, due to the increase in profit compared to the same period of the previous year.

The current ratio decreased by 0.64x, mainly due to the decrease in current assets from cash paid for the investment in fixed assets, and current liabilities increased from deposits received in advance as the value of undelivered work increased. As for the debt to equity ratio, there was no significant change.

