

Ref: AC.015/2022

15 August 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

	Q2' 2022	Q2' 2021	Increase (decrease)	Variance (%)
Total revenues	2,250	2,063	187	9%
Net profit	147	202	(55)	(27%)

The Group had total revenues for the second quarter of 2022 of Baht 2,250 million, an increase of Baht 187 million or a 9% increase compared to the total revenues for the second quarter of 2021, which was Baht 2,063 million. This was due to the increase of revenue from EMS business and Smart service business.

The Group had net profit for the second quarter of 2022 of Baht 147 million, a decrease of Baht 55 million or a 27% decrease compared to the net profit for the second quarter of 2021, which was Baht 202 million. This was mainly due to an increase in non-recurring share-based payment expense and income tax expenses of the TAOBIN vending machine business of Forth Vending Co., Ltd.

Analysis of revenues

	Q2' 2022		Q2' 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	914	41%	682	33%	232	34%
Enterprise solutions business	392	17%	541	26%	(149)	(28%)
Smart service business	866	39%	766	37%	100	13%
Total revenues from main business	2,172	97%	1,989	96%	183	9%
Other income	78	3%	74	4%	4	5%
Total revenues	2,250	100%	2,063	100%	187	9%

EMS business

The Company had revenue from EMS business for the second quarter of 2022 of Baht 914 million, an increase of Baht 232 million or a 34% increase compared to the same period of the previous year which amounted to Baht 682 million. This was due to an increase in orders from one of the major customers of electronic circuit board manufacturing and assembly work and an increase in sales of some electronic components that are not currently available in the market.

Enterprise solutions business

The Company had revenue from enterprise solutions business for the second quarter of 2022 of Baht 392 million, a decrease of Baht 149 million or a 28% decrease compared to the same period of the previous year which amounted to Baht 541 million. This was due to a decrease in project revenues such as sales and installation of Digital Trunked Radio system, contract work for Smart Metro Grid systems, etc. In addition, there were no new projects with high value during the current quarter.

Smart service business

The Company had revenue from smart service business for the second quarter of 2022 of Baht 866 million, an increase of Baht 100 million or a 13% increase compared to the same period of the previous year which amounted to Baht 766 million. This was mainly due to an increase in revenue from TAOBIN vending machine business.

Gross Profit and Gross Profit Margin

	Q2' 2022		Q2' 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	275	30%	133	20%	142	107%
Enterprise solutions business	87	22%	164	30%	(77)	(47%)
Smart service business	172	20%	186	24%	(14)	(8%)
Gross Profit	534	25%	483	24%	51	11%

EMS business

Gross profit for the second quarter of 2022 amounted to Baht 275 million, an increase of Baht 142 million or a 107% increase from the same period of the previous year, which had a gross profit of Baht 133 million. This was in line with an increase in revenue and a decrease in allowance for diminution in inventories.

The gross profit margin for the second quarter of 2022 increased from 20% to 30% due to an increase in the gross profit margin of one of the major customers of electronic circuit board manufacturing and assembly.

Enterprise solutions business

Gross profit for the second quarter of 2022 amounted to Baht 87 million, a decrease of Baht 77 million or a 47% decrease from the same period of the previous year, which had a gross profit of Baht 164 million. This was in line with lower revenues and rising costs of two projects, Smart metro grid and Digital trunked radio.

The gross profit margin for the second quarter of 2022 dropped from 30% to 22% as project work realized in the second quarter of 2022 was lower gross margin than project work realized in the second quarter of 2021.

Smart service business

Gross profit for the second quarter of 2022 amounted to Baht 172 million, a decrease of Baht 14 million or a 8% decrease from the same period of the previous year, which had a gross profit of Baht 186 million. This was in line with the decrease in revenue from the Boonterm kiosk business.

The gross profit margin for the second quarter of 2022 dropped from 24% to 20% as the impact of eliminated transaction, the intercompany profit on the sales of the TAOBIN vending machines was higher than the profit on depreciation of TAOBIN vending machines that is gradually recognised over a useful life of 8 years.

Expenses

	Q2' 2022	Q2' 2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling expenses	21	27	(6)	(22%)
Administrative expenses	294	231	63	27%
Finance cost	23	19	4	21%
Income tax expenses	61	46	15	33%

Selling expenses

Selling expenses for the second quarter of 2022 amounted to Baht 21 million, a decrease of Baht 6 million or a 22% decrease when compared to the same period of the previous year, which amounted to Baht 27 million. There were no significant changes compared to the same period of the previous year.

Administrative expenses

Administrative expenses for the second quarter of 2022 amounted to Baht 294 million, an increase of Baht 63 million or a 27% increase when compared to the same period of the previous year, which amounted to Baht 231 million. This was due to the increase in share-based payment expense and doubtful accounts.

Finance cost

Finance costs for the second quarter of 2022 amounted to Baht 23 million, an increase of Baht 4 million or a 21% increase when compared to the same period of the previous year, which amounted to Baht 19 million. There were no significant changes compared to the same period of the previous year.

Income tax expenses

Income tax expenses for the second quarter of 2022 amounted to Baht 61 million, an increase of Baht 15 million or a 33% increase when compared to the same period of the previous year, which amounted to Baht 46 million. This was due to the increase in net profit of the TAOBIN vending machine business.

Financial position

Assets

Unit: Million Baht

	30 June 2022	31 December 2021	Increase (decrease)	% Variance
Current assets	6,453	5,808	645	11%
Non-current assets	3,373	3,010	363	12%
Total assets	9,826	8,818	1,008	11%

Total assets as at 30 June 2022 amounted to Baht 9,826 million, an increase of Baht 1,008 million or a 11% 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 trade and other receivables, inventories and property, plant and equipment.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 June 2022	31 December 2021
Trade account receivables - unrelated parties	1,931	1,512
Less: Allowance for expected credit losses	(98)	(94)
Trade account receivables - net	1,833	1,418

As at 30 June 2022 and 31 December 2021, the Group recorded an allowance for expected credit losses amounting to Baht 98 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	
	30 June 2022	31 December 2021
Inventories	2,301	1,927
Reduce cost to net realisable value	(492)	(480)
Inventories - net	1,809	1,447

As at 30 June 2022 and 31 December 2021, the Group had the reduction of cost to net realisable value amounting to Baht 492 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

	30 June 2022	31 December 2021	Increase (decrease)	% Variance
Current liabilities	6,485	5,708	777	14%
Non-current liabilities	446	491	(45)	(9%)
Total liabilities	6,931	6,199	732	12%
Total shareholders' equity	2,895	2,619	276	11%

Liabilities

Total liabilities as at 30 June 2022 amounted to Baht 6,931 million, an increase of Baht 732 million or a 12% 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. However, long-term loans from banks decreased due to repayment of loans by installments.

Shareholders' equity

Shareholders' equity as at 30 June 2022 amounted to Baht 2,895 million, an increase of Baht 276 million or a 11% increase compared to the shareholders' equity as at 31 December 2021, which amounted to Baht 2,619 million. This was due to an increase in capital surplus from share-based payment, net profit and capital increase of non-controlling shareholders of the subsidiary and the reduction from dividend payment to the shareholders of the Company and non-controlling shareholders of the subsidiary.

The appropriate of capital structure

Debt to equity ratio as at 30 June 2022 was 2.39 : 1, which was not changed significantly when compared to the debt to equity ratio as at 31 December 2021, which was 2.37 : 1.

Liquidity

Cash flows

Unit: Million Baht

	Q2' 2022	Q2' 2021
Cash flows from (used in) operating activities	141	535
Cash flows from (used in) investing activities	(427)	(114)
Cash flows from (used in) financing activities	240	(453)

Cash flows from operating activities for the second quarter of 2022 amounted to Baht 141 million, a decrease of Baht 394 million compared to the same period of the previous year, which amounted to Baht 535 million. This was due to an increase in working capital and cash paid for income tax.

Cash flows used in investing activities for the second quarter of 2022 amounted to Baht 427 million, an increase of Baht 313 million compared to the same period of the previous year, which amounted to Baht 114 million. This was due to an increase in cash paid for purchase of TAOBIN vending machine.

Cash flows used in financing activities for the second quarter of 2022 amounted to Baht 240 million, increasing due to an increase in short-term loans from banks for working capital.

Liquidity ratio

Current ratio as at 30 June 2022 was 1:1 which was equal to the current ratio as at 31 December 2021, which was 1:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller