

Sun Vending Technology Public Company Limited

Management Discussion and Analysis

For the three-month and nine-month periods ended 30 September 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 14 distribution branches divided into 12 main branches and 2 sub-branches covering service areas in 30 provinces. As of 30 September 2022, the Company had 15,400 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 nine-month period ended 30 September 2022 consisted of: (1) Revenue from sale of products via vending machines accounted for 97.91%; (2) Revenue from vending machine sales accounted for 0.90%; (3) Revenue from advertisement services on vending machines accounted for 0.37%; and (4) Service income and other income accounted for 0.82%.

Summary of financial performance for the three-month and nine-month periods and ended 30 September 2022

For the three-month period ended 30 September 2022, the Company had a total revenue of Baht 594.09 million, an increase of Baht 111.41 million or 23.08 percent from the same period in the previous year.

For the nine-month period ended 30 September 2022, the Company had a total revenue of Baht 1,679.99 million, an increase of Baht 224.69 million or 15.44 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 vending machines in various locations, and also expansion of more service coverage by opening three new distribution branches in Lampoon province in January in order to service consumers in the North, in Ubon-Ratchathani province in August in order to service consumers in the Northeastern, and in Choburi-2 in September. In addition, the situation of the COVID-19 in the 3rd Quarter of 2022 has improve compared 2021. Whereas, in 2021 the Company had the impact to lower revenue in some segments such as hotels, universities, schools, offices, and department stores etc.

The Company's net profit for the three-month period ended 30 September 2022 was Baht 27.57 million, or an increase from the previous year by 106.03 percent.

The Company's net profit for the nine-month period ended 30 September 2022 was Baht 72.78 million, or an increase from the previous year by 37.73 percent. This is mainly because the Company had increased in revenues by 15.44 percent from the same period of previous year together with increase in gross margin of products sold in this period. However, 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	Quater 3/2021 (For the three-month)		Quater 3/2022 (For the three-month)		Quater 3/2021 (For the nine-month)		Quater 3/2022 (For the nine-month)	
	MBaht	%	MBaht	%	MBaht	%	MBaht	%
Revenues								
Sales	476.82	98.79	585.50	98.55	1,438.04	98.81	1,659.96	98.81
Other income	5.86	1.21	8.59	1.45	17.26	1.19	20.03	1.19
Total revenues	482.68	100.00	594.09	100.00	1,455.30	100.00	1,679.99	100.00
Expenses								
Cost of sales	(317.16)	(65.71)	(389.74)	(65.60)	(964.80)	(66.30)	(1,105.40)	(65.80)
Selling and distribution expenses	(132.60)	(27.47)	(157.37)	(26.49)	(374.08)	(25.70)	(444.30)	(26.45)
Administrative expenses	(14.08)	(2.92)	(12.79)	(2.15)	(43.98)	(3.02)	(39.44)	(2.35)
Other expenses	(0.24)	(0.05)	-	-	(0.24)	(0.02)	-	-
Financial costs	(1.74)	(0.36)	(0.05)	(0.01)	(6.30)	(0.43)	(0.29)	(0.02)
Total expenses	(465.82)	(96.51)	(559.96)	(94.25)	(1,389.40)	(95.47)	(1,589.43)	(94.61)
Profit before income tax expenses	16.86	3.49	34.13	5.75	65.90	4.53	90.56	5.39
Income tax expense	(3.48)	(0.72)	(6.56)	(1.10)	(13.06)	(0.90)	(17.78)	(1.06)
Net profit for the year	13.38	2.77	27.57	4.64	52.84	3.63	72.78	4.33

Revenues

The Company's total revenues for the three-month and nine-month periods ended 30 September 2022, were amounted to Baht 594.09 million and amounted to Baht 1,679.99 million, respectively, which revenue structure can be summarised as follows:

Revenue Structure	Quarter 3/2021 (For the three-month)		Quarter 3/2022 (For the three-month)		Quarter 3/2021 (For the nine-month)		Quarter 3/2022 (For the nine-month)	
	MBaht	%	MBaht	%	MBaht	%	MBaht	%
1. Revenue from selling goods via vending machines	473.30	98.06	579.79	97.59	1,427.66	98.10	1,644.92	97.91
2. Revenue from selling vending machines	3.52	0.73	5.72	0.96	10.38	0.71	15.04	0.90
3. Revenue from advertising space on vending machines ⁽¹⁾	2.08	0.43	2.58	0.44	8.40	0.58	6.26	0.37
4. Service income ⁽¹⁾	1.47	0.30	3.95	0.66	4.60	0.32	8.66	0.52
Total revenues from sales and services	480.37	99.52	592.04	99.65	1,451.04	99.71	1,674.88	99.70
Other income ⁽¹⁾	2.31	0.48	2.05	0.35	4.26	0.29	5.11	0.30
Total revenues	482.68	100.00	594.09	100.00	1,455.30	100.00	1,679.99	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 30 September 2022, were amounted to Baht 592.04 million or 99.65 percent of total revenues. This growth increased by 23.24 percent when compared to the previous year.

Revenues from sales and services for the nine-month period ended 30 September 2022, were amounted to Baht 1,674.88 million or 99.70 percent of total revenues. This growth increased by 15.43 percent when compared to the previous year. This growth corresponded with service area expansions by locating more units of vending machines in services in order to increase 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 and nine-month periods ended 30 September 2022, were at Baht 579.79 million and Baht 1,644.92 million, or increased by 22.50 percent and 15.22 percent, respectively, from the previous year. Each year, the Company has plans to expand service areas by locating vending machines at various service facilities to increase service coverage to consumers, and boost an opportunity of sales growth. In 2022, the Company opened three new distribution branches in Lampoon province in January in order to service consumers in the North, in Ubon-Ratchathani province in August in order to service consumers in the Northeastern, and in Choburi-2 in September. For the nine-month period ended 30 September 2022, the Company plan to continue locating more units of vending machines in service. The Company has net increased the number of vending machines by 772 units or 5.28 percent from the end of year 2021, or 1,179 units or 8.29 percent from the end of Quarter 3' 2021. As of 30 September 2022, the Company had a total of 15,400 vending machines in service.

The Company's top service locations (approximately 70 percent of all vending machines) are located in industrial factories such as automobile assembly factories, automobile parts manufacturing factories, textile factories, electronic parts factories, etc., followed by logistic facilities, office building and department stores . In 2021 and Quarter 1' 2022, the COVID-19 pandemic still had impact to the Company's service locations in some segments such as department stores, offices, hotel, universities and schools, etc., causing the revenue from sales of products via vending machines in these locations to 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 adapt with changes in consumer lifestyles in the New Normal such as workers and condominium residents in cities turning to 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 nine-month period ended 30 September 2022 was at Baht 400, which was higher than 380 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 also appointed by two top manufacturers of vending machines from Japan and China as a sole distributor of vending machines in Thailand. Vending machines are sold with right to customers. The Company's revenue from vending machine sales for the nine-month period ended 30 September 2022, was at Baht 15.04 million, or 0.90 percent of total revenues, which increased by Baht 4.66 million, or 44.89 percent when compared to the same period of previous year due to increase in the number of customers and vending machines sold.

3. Revenue from advertising space on vending machines This revenue is from service fees for displaying advertisement media on vending machines for the customers' products by mean of 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 nine-month period ended 30 September 2022, was at Baht 6.26 million, or 0.37 percent of total revenues. This revenue decreased by Baht 2.13 million, or 25.40 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 of vending machines. Due to a nature of the Company's main business involves selling products via vending machines, most of the Company's revenue are in the form of banknotes and coins from customers who purchases 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 nine-month period ended 30 September 2022 was Baht 8.66 million, or 0.52 percent of total revenues, which increased by Baht 4.06 million, or 88.12 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 nine-month period ended 30 September 2022, was amounted to Baht 5.11 million, or 0.30 percent of total revenues, which increased by Baht 0.85 million, or 19.91 percent when compared to the same period of previous year. This is due mainly to increases in revenue from product listing fees dividend income.

Cost of sales

Cost of sales for the three-month period ended 30 September 2022, was amounted to Baht 389.74 million, or 65.60 percent of total revenues and for the nine-month period ended 30 September 2022, was amounted to Baht 1,105.40 million, or 65.80 percent of total revenues. The main cost of sales was the cost of products for sale via vending machines at 99.23 percent of total costs, followed by the cost of vending machines for sale at 0.77 percent of total costs. The Company's cost structure and gross profit can be summarised as follows:

Cost structure	Quater 3/2021 (For the three-month)		Quarter 3/2022 (For the three-month)		Quater 3/2021 (For the nine-month)		Quarter 3/2022 (For the nine-month)	
	MBaht	%	MBaht	%	MBaht	%	MBaht	%
1. Cost of goods sold via vending machine	315.55	99.50	386.61	99.20	959.50	99.45	1,096.86	99.23
2. Cost of vending machine sold	1.60	0.50	3.13	0.80	5.30	0.55	8.54	0.77
Total cost of sales	317.15	100.00	389.74	100.00	964.80	100.00	1,105.40	100.00

Gross profit	Quater 3/2021 (For the three-month)		Quarter 3/2022 (For the three-month)		Quater 3/2021 (For the nine-month)		Quarter 3/2022 (For the nine-month)	
	MBaht	%	MBaht	%	MBaht	%	MBaht	%
1. Gross profit from goods sold via vending machine	157.75	33.33	193.18	33.32	468.16	32.79	548.06	33.32
2. Gross profit from vending machine sold	1.92	54.55	2.58	45.18	5.08	48.98	6.50	43.22
Total gross profit	159.67	33.49	195.76	33.43	473.24	32.91	554.56	33.41

The Company's costs of goods sold via vending machines for the nine-month period ended 30 September 2022, was accounted for 66.68 percent of revenue from selling goods via vending machines or a gross profit margin of 33.32 percent. The gross profit margin was increased from the same period of previous year of 32.79 percent. This is because the products with higher gross profit margin were sold in more proportion in the nine-month period ended 30 September 2022 compared to the same period of previous year. 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 nine-month period ended 30 September 2022, were accounted for 56.78 percent of revenue from vending machine sales or a gross profit margin of 43.22 percent, which decreased from 48.98 percent in the same period of year 2021. This was mainly due to more sales of vending machines type with lower 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 nine-month period ended 30 September 2022, were amounted to Baht 444.30 million, or 26.45 percent of total revenues. The Company's major selling and distribution expenses consisted of: (1) expenses related to route operator, and sales and marketing employees in terms of salaries, bonus, commissions and other benefits, etc., which accounted for 34.85 percent of total selling and distribution expenses; (2) depreciation expense accounted for 25.94 percent of total selling and distribution expenses; and (3) location fees for vending machine service area accounted for 17.40 percent of total selling and distribution expenses.

Major selling and distribution expense	Quarter 3/2021 (For the three-month)		Quarter 3/2022 (For the three-month)		Quarter 3/2021 (For the nine-month)		Quarter 3/2022 (For the nine-month)	
	MBaht	%	MBaht	%	MBaht	%	MBaht	%
Staff costs	46.26	34.89	53.88	34.24	131.51	35.15	154.86	34.85
Depreciation expenses	32.84	24.77	41.49	26.36	92.95	24.85	115.25	25.94
Location fees	23.88	18.01	26.32	16.72	68.72	18.37	77.33	17.40

Selling and distribution expenses for the nine-month period ended 30 September 2022, increased by Baht 70.22 million or 18.77 percent from the same period of previous year. This is mainly due to increase in location fees for vending machine in service areas location resulting from expansions of service areas into open spaces, higher competition and a higher number of vending machines in service which increased from Baht 68.72 million to Baht 77.33 million, or increased by Baht 8.61 million, or 12.54 percent. This location fee for vending machine service areas was accounted for 17.40 percent of selling and distribution expenses, which decreased from the previous year at 18.37 percent of selling and distribution expenses. Nevertheless, depreciation increased from Baht 92.95 million to Baht 115.25 million, or increased by Baht 22.30 million, or 23.99 percent, because the Company invested in more number of vending machines in service in the nine-month period ended 30 September 2022 compared to the same period of the previous year together with increasing in more number of smart vending machines. This depreciation was at 25.94 percent of selling and distribution expenses which increased from the same period of previous year at 24.85 percent of selling and distribution expenses.

Administrative expenses

Administrative expenses for the nine-month period ended 30 September 2022, were amounted to Baht 39.44 million, or 2.35 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 63.22 percent of administrative expenses; (2) Consultation fees and directors' remuneration at 9.72 percent of administrative expenses; and (3) Depreciation at 2.80 percent of administrative expenses.

Major administrative expenses	Quater 3/2021 (For the three-month)		Quarter 3/2022 (For the three-month)		Quater 3/2021 (For the nine-month)		Quarter 3/2022 (For the nine-month)	
	MBaht	%	MBaht	%	MBaht	%	MBaht	%
Staff cost	8.47	60.20	8.22	64.25	25.48	57.94	24.93	63.22
Consultant fee and directors' remuneration	3.17	22.50	1.15	9.01	9.51	21.61	3.83	9.72
Depreciation expense	0.53	3.80	0.37	2.89	1.59	3.62	1.10	2.80

Administrative expenses for the nine-month period ended 30 September 2022, decreased from the same period of previous year by Baht 4.54 million, or 10.33 percent. This was mainly because in the nine-month period ended 30 September 2021, the Company had information technology consultation expenses for the project "IT Assessment & Transformation Roadmap", legal consultant fees and financial consultant fees during the preparation for the Company's to be listing in the Stock Exchange of Thailand.

Financial costs

Financial costs for the nine-month period ended 30 September 2022, were at Baht 0.29 million, or 0.02 percent of total revenues, which decreased by Baht 6.01 million from the previous year. This is due to no outstanding loans in Quarter 3'2022.

Net profit

The Company's net profit for the nine-month period ended 30 September 2022, was Baht 72.78 million, or net profit margin of 4.33 percent which increased from the previous year. This was mainly due to higher revenue from increasing the number of vending machines to provide services and continuous increases in the types of products, including increasing in gross margin of products sold in this period.

Analysis of Financial Position

Assets

The Company had total assets at the end of year 2021 and as at 30 September 2022, at Baht 1,485.12 million and Baht 1,609.72 million, respectively. Changes in assets can be summarised as follows:

1. Cash and cash equivalent as at 30 September 2022, were at Baht 208.55 million which decreased from year 2021 by Baht 92.12 million. This was mainly due to cash used for investing in more fixed assets.
2. Property, buildings and equipment as at 30 September 2022, were at Baht 1,111.84 million which increased from year 2021 by Baht 199.73 million. This was mainly due to investments in more 2,467 units of vending machines including electronic parts for smart vending machines or net value (after deduct depreciation) increased by Baht 138.94 million, and also investment in vehicles for vending operation by Baht 15.20 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 55.17 million.

Liabilities

The Company had total liabilities at the end of year 2021 and as at 30 September 2022, at Baht 333.62 million and Baht 414.71 million, respectively. Changes in liabilities can be summarised as follows:

1. Trade and other payables as at 30 September 2022, were at Baht 365.29 million which increased from year 2021 by Baht 70.93 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 of 30 September 2022, was at Baht 1,195.00 million accounting for 74.24% of total liabilities and shareholders' equity. This was increased from at the end of year 2021 by Baht 43.51 million because of increases in operating profit for the nine-month period ended 30 September 2022, and deducting with dividend payment of Baht 28 million.

Liquidity

1. Cash flow liquidity

Net cash flows from operating activities for the nine-month period ended 30 September 2022, were amounted to Baht 133.52 million which increased from the same period of previous year by Baht 17.41 million. This is mainly due to increases in operating profits and in inventories in Quarter 3 of 2022 in order to support sales for more vending machines in services.

Net cash flows used in investing activities for the nine-month period ended 30 September 2022, were amounted to Baht 190.48 million. The Company invested in buildings and equipment amounting to Baht 186.53 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 nine-month period ended 30 September 2022, were amounted to Baht 35.16 million. The Company paid for lease liabilities of vehicles amounting to Baht 7 million and dividend payment to the shareholders amounting to Baht 28 million.

2. Liquidity ratio and cash cycle

As at 30 September 2022, the Company had liquidity ratio at 1.09 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 nine-month period ended 30 September 2022 and 2021, at (30) days and (29) 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.