

## Forth Smart Service Public Company Limited (FSMART) 3Q2022 Management Discussion and Analysis

### Operational Summary in 3Q2022 (High inflation and heavy flooding)

- Total revenue from core business was Bt546mn.
- Net profit was Bt84mn. (Earnings per share 0.11 Baht).
- The Company is the banking agent for 7 commercial banks (KTB, KANK, BAY, GSB, BAAC, SCB, and CIMBT).
- Average number of money transfer transactions were 1.5 million transactions per month.
- Lending outstanding amount was Bt270mn. (NPL 4%).
- Number of "Boonterm kiosk" was 130,012 located in every community
- Number of "Tao Bin" was 3,572 nationwide

### Significant Event in 3Q2022

- In July, (1) The Company has collaborated with the Digital Government Development Agency or DGA to provide E-KYC identity verification service for "government" applications via Boonterm kiosk to increase convenience and access to government services. (2) The Company has been awarded "Best Company of the Year 2022" of the MAI from Money&Banking magazine. (3) The Company launched a service of deposit-and-transfer money via Boonterm kiosks for foreigners.
- In August, The Company approved the interim dividend payment for the first half of the year 2022 operating results at the rate of 0.20 baht per share.

### Business Overview

		Quarter	Quarter	Quarter	Quarter	Quarter
		3/2021	4/2021	1/2022	2/2022	3/2022
Total number of "Boonterm Kiosk" as the period ended	(Kiosk)	129,447	129,907	130,045	129,967	130,012
Total number of "Tao Bin" as the period ended	(Kiosk)	193	546	1,058	2,138	3,572
Total usage amount through "Boonterm Kiosk"	(Bt.mn.)	9,075	9,658	9,221	9,162	8,790
- Total usage amount top up and bill payment	(Bt.mn.)	5,957	6,574	6,302	6,342	6,250
- Total usage amount money transfer	(Bt.mn.)	3,118	3,084	2,919	2,820	2,540
- Total number of money transfer transactions (per month)	(Txn)	1,683,187	1,743,712	1,634,910	1,600,187	1,483,825
Total amount of beverage sold from Tao Bin	(Bt.mn.)	14	50	130	346	484
Average sales of Tao Bin kiosk per kiosk per month	(Bt.)	44,698	47,379	60,159	80,135	60,300

The company aims to expand channels and services to provide maximum convenience to its customers via 130,012 Boonterm kiosk and more than 1,800 cashier counters nationwide along with the application for corporate customers under the name "Wallet Powered by Boonterm". For the operating result in 3Q2022, the total transaction amount was Bt8,790mn. The impact of the cost of living is still high, which is the main factor that pressures the purchasing power of consumers. Although the economic direction is likely to improve from

the re-opening of Thailand and the relaxation of COVID-19 control measures, causing customers to be more cautious in their spending.

Online Top-up and Payment Business has been pressured by higher cost of living and the push of service providers for customers to switch from Prepaid to Postpaid, including internet calling is a factor that has reduced mobile top-up service usage. The Company continues to focus on providing Internet package top-up service to meet customers' needs and maintaining a potential customer base. It also aims to expand new customer

base from 3 service channels; Boonterm kiosk, counter cashier and application. The Company is constantly adding services such as a mobile top-up service and various bill payments for an E-Wallet top-up service. Although the top-up value was 1,821 million baht, or decreased by 4% QoQ but still higher than 6% YoY. This reflects the convenience of using services through Boonterm that can be accessed in every community.

**Banking Agent and Lending Business**, the Company represents as banking agent of 7 commercial banks who provides full service of financial products, including money deposit and transfer, cash withdrawal, and E-KYC service. In term of the 3Q2022 result, the average transaction per month of money deposit and transfer service via Boonterm kiosk was 1.5 million transactions. The amount of service has reflected the convenience that customers receive from using financial services through the Boonterm kiosk as a community bank. The number of transaction reflects the demand for convenient services through the Boonterm kiosk as a community bank. In addition, the company cooperates with 3 banks (KBANK KTB BAY) to open deposit-transfer service for foreigners who have accounts in the country to strengthen the potential of financial services.

Outstanding lending credit was Bt270mn with interest income of Bt8.2mn, increasing 54.1% yoy. due to the expansion of the credit

portfolio, especially personal loans for corporate customers that grow significantly from lending through applications. The Company focuses on providing credit to customers who are reliable and are the primary source. This makes credit quality control more efficient. At the same time, the Company is extremely cautious in providing credit services by using the existing database for customer analysis and developing new products to meet the needs of more customer groups.

**Vending Machine and EV charger Business**, the Company has invested more through Forth Vending Company Limited (FVD) by increasing the shareholding from 19.35% to 26.71%, so the Company is able to recognize profits from equity income method. The operating result of Taobin has continued to improve with average sales of 60,300 baht per kiosk, or more than 60 glasses per container per day via 3,572 kiosks nationwide. It has been affected by the rainy season causing sales to decline. Taobin continues to develop both UX and UI that prioritizes aesthetics of service systems, including having a campaign with customers to join the privileges with partners for various discounts. Moreover, Taobin allows customers to collect points after buying a drink in order to redeem the next free glass to stimulate more usage of loyal customers and adding more new customers.

## Financial Statement Summary in 3Q2022

Income Statement	Q3/2021		Q2/2022		Q3/2022		%QoQ	%YoY
	MB	%	MB	%	MB	%		
Income from rendering of top-up service for prepaid phone and other online service (Commission)	168.02	26.6%	141.43	24.2%	130.38	23.9%	-7.8%	-22.4%
Income from rendering of service through online top-up machines "Boonterm kiosk" (Service Charge)	457.73	72.5%	435.29	74.6%	405.90	74.4%	-6.8%	-11.3%
Interest Income	3.40	0.5%	5.27	0.9%	8.12	1.5%	54.1%	138.8%
Advertising income	2.28	0.4%	1.57	0.3%	1.42	0.3%	-9.6%	-37.7%
<b>Total revenue from core business (3 items)</b>	<b>631.43</b>	<b>100.0%</b>	<b>583.56</b>	<b>100.0%</b>	<b>545.82</b>	<b>100.0%</b>	<b>-6.5%</b>	<b>-13.6%</b>
Cost of services	(506.97)	-80.3%	(477.82)	-81.9%	(446.33)	-81.8%	-6.6%	-12.0%
<b>Gross profit</b>	<b>124.46</b>	<b>19.7%</b>	<b>105.74</b>	<b>18.1%</b>	<b>99.49</b>	<b>18.2%</b>	<b>-5.9%</b>	<b>-20.1%</b>
Service & Administrative expenses	(70.76)	-11.2%	(64.83)	-11.1%	(70.55)	-12.9%	8.8%	-0.3%
<b>Operating profit</b>	<b>53.70</b>	<b>8.5%</b>	<b>40.91</b>	<b>7.0%</b>	<b>28.94</b>	<b>5.3%</b>	<b>-29.3%</b>	<b>-46.1%</b>
Other income	63.97	10.1%	57.29	9.8%	58.18	10.7%	1.6%	-9.1%
Share of profit from investment in associate	(0.60)	-0.1%	8.67	1.5%	17.14	3.1%	100.0%	100.0%
<b>Profit before finance cost and income tax expenses</b>	<b>117.07</b>	<b>18.5%</b>	<b>106.87</b>	<b>18.3%</b>	<b>104.26</b>	<b>19.1%</b>	<b>-2.4%</b>	<b>-10.9%</b>
Bank charge	(1.46)	-0.2%	(1.35)	-0.2%	(1.46)	-0.3%	8.2%	0.0%
Interest expenses	(3.10)	-0.5%	(2.74)	-0.5%	(2.52)	-0.5%	-8.0%	-18.7%
<b>Profit before income tax expenses</b>	<b>112.51</b>	<b>17.8%</b>	<b>102.78</b>	<b>17.6%</b>	<b>100.28</b>	<b>18.4%</b>	<b>-2.4%</b>	<b>-10.9%</b>
Income tax expense	(17.50)	-2.8%	(19.90)	-3.4%	(16.64)	-3.1%	-16.4%	-4.9%
<b>Net profit</b>	<b>95.01</b>	<b>15.1%</b>	<b>82.88</b>	<b>14.2%</b>	<b>83.64</b>	<b>15.3%</b>	<b>0.9%</b>	<b>-12.0%</b>
Non-controlling interests of the subsidiaries	-	0.0%	-	0.0%	-	0.0%	0.0%	0.0%
<b>Net profit - Equity holders of the Company</b>	<b>95.01</b>	<b>15.1%</b>	<b>82.88</b>	<b>14.2%</b>	<b>83.64</b>	<b>15.3%</b>	<b>0.9%</b>	<b>-12.0%</b>

### Total Revenue

Total revenue from the core business in 3Q2022 was Bt545.82mn, decreasing 6.5% qoq due to high inflation caused by the rising oil price factor. This puts a lot of pressure on the purchasing power of middle and lower end users. In addition, there was a severe flooding situation. The details of total revenue are as follows:

1) Income from rendering of top-up service for prepaid phone and receipt of online services (Commission) was Bt130.38mn, decreasing 7.8% qoq due to the intense competition among mobile operators in the promotion of call and mobile data package promotion. In addition, inflation and flooding caused the purchasing power of users to decrease.

2) Income from rendering of services through online top-up machines (Service Charge) was Bt405.90mn, a decrease of 6.8% qoq because economic activities have not recovered yet. It is affected by the higher cost of living from food and energy prices even though the country has opened up and co-paid project came to stimulate the economy. It caused the reduced purchasing power and cost concerns. However, the number of deposit-transfer transactions was more than 1.5mn transactions per month and the amount of top-up service for E-Wallets used through the Boonterm kiosk was more than Bt1,800mn reflected that the demand for the services through the company's channels are still high and popular.

3) Interest income was Bt8.12mn, increasing 54.1% qoq due to the growth of the loan portfolio. Most of them are personal loans that are provided through the application. which is a group of corporate customers who are reliable.

4) Advertising income was Bt1.42mn, decreasing 9.6% qoq, because partners decreased their advertising budget.

5) Other income was Bt58.18mn, increasing 1.6% qoq from marketing support from service providers.

**Costs and Expenses**

1) Cost of services in 3Q2022 was Bt446.33mn, decreasing 6.6% qoq from the decrease in top-up revenue.

2) Service & administrative expenses in 3Q2022 was Bt70.55mn, increasing 8.8 qoq. This was due to the provision for bad debt from the 2Q22, accounted for Bt5mn. , and 3Q22, accounted for Bt10mn. , which came from the issuance of new loans and in the 3Q22. The main customers had a lot of impact. It is expected that in 4Q22, everything will be better and also collaborate with a professional partner to manage the debt is expected to collect more money resulting in a decrease in doubtful debt reserves. In addition, there are expenses arising from marketing promotion fees in the attractive cabinet project both cleaning kiosks to be

cleaner more useful Including creating awareness while encouraging more service while focusing on expanding new customer base as well.

**Profits**

1) Gross profit in 3Q2022 was Bt99.49mn, representing a gross profit margin of 18.2 % , due to the increase in interest income from the lending business and cost control for efficiency.

2) Share of profit from investment in associate was Bt17.14mn., which is the recognition of profit from FVD, the owner of Taobin. However, in 3Q22, FVD was revised in accordance with TFRS15 revenue from contract with customers, 9- month historical adjustment of earnings with respect to accrual points, reducing FVD's profit from Bt98mn. to Bt64mn. The Company recognized profit sharing equal to Bt17.14mn.

3) Net profit was Bt83.64mn, increasing 0.9% qoq mainly due to Share of profit from investment in associate and good cost control.

**Statement of Financial Position**

Statement of Financial position	31 Dec 21		30-ธ.ค.-65		Increase (Decrease)	
	MB	%	MB	%	MB	%
Current assets	1,397.41	47.6%	1,299.94	45.9%	-97.47	-7.0%
Non-current assets	1,539.79	52.4%	1,533.91	54.1%	-5.88	-0.4%
<b>Total assets</b>	<b>2,937.20</b>	<b>100.0%</b>	<b>2,833.85</b>	<b>100.0%</b>	<b>-103.35</b>	<b>-3.5%</b>
Current liabilities	1,316.51	44.8%	1,198.70	42.3%	-117.81	-9.0%
Interest Bearing Debt - Current	366.59	12.5%	446.23	15.8%	79.64	21.7%
Interest Bearing Debt - Non current	122.44	4.2%	110.43	3.9%	-12.01	-9.8%
Non-current liabilities	4.34	0.2%	4.96	0.2%	0.62	14.3%
<b>Total liabilities</b>	<b>1,809.88</b>	<b>61.6%</b>	<b>1,760.32</b>	<b>62.1%</b>	<b>-49.56</b>	<b>-2.7%</b>
Total shareholders' equity	1,127.32	38.4%	1,073.53	37.9%	-53.79	-4.8%
<b>Total liabilities and shareholders' equity</b>	<b>2,937.20</b>	<b>100.0%</b>	<b>2,833.85</b>	<b>100.0%</b>	<b>-103.35</b>	<b>-3.5%</b>

Total assets were Bt2,833.85mn, decrease from cash and cash equivalents and the use of fully depreciated kiosks.

Total liabilities were Bt1,760.32mn, a decrease of Bt49.56mn. from payment of trade accounts payable.

Total shareholders' equity was Bt1,073.53 mn. , a decrease of Bt53.79mn. from dividends paid Bt301.25mn. and profit for the 9-month period of 2022 amounted to Bt247.46mn.



### Key Financial Ratio

Financial Ratio	Quarter	Quarter	Quarter
	3/2021	2/2022	3/2022
Current ratio	0.73	0.83	0.79
Debt to Equity ratio	1.74	1.44	1.64
Interest Bearing Debt ratio	0.52	0.36	0.52
Return on Asset	13.6%	11.9%	11.4%
Return on Equity	39.1%	30.0%	29.8%

**Current ratio** was 0.79x, decreasing 0.04 x qoq showing the Company's good liquidity.

**Debt to equity ratio** was 1.64x, increasing 0.06x qoq from the decrease in shareholders' equity and interim dividends.

**Interest-bearing debt to equity ratio** was 0.52x, an increase qoq due to a decrease in shareholders' equity from the interim dividend payment.

**Return on assets** was 11.4%, decreasing qoq due to a decline in net profit for the past 12 months. However, the Company still focuses on asset management to generate more efficient income.

**Return on equity** was 29.8%, decreasing qoq due to a decline in net profit for the past 12 months. The Company still manage to pay dividends to shareholders 2 times a year continuously.

### Source and Use of Fund: 9M2022 (Bt. mn)

Source of fund		Use of fund	
Operating cash flow	533	Investment in fixed assets	115
Short-term loan	1,260	Investment in FVD	147
Interest earned	14	Liabilities and interest payment	1,201
Other	1	Dividend paid	301
Cash decreased	34	Income tax paid	78
<b>รวม</b>	<b>1,842</b>		<b>1,842</b>

## Management Outlook

### Targets in 2022 (Adjusted) (High inflation, slow recovery in purchasing power and heavy floods,)

- Total usage amount
  - The amount usage through Boonterm remained stable or decreased slightly yoy
  - The amount usage of e-Wallet increasing 5-10% yoy.
- Banking agent business
  - Total transaction decreasing 10- 15% yoy from economic slowdown, high cost of living and economic activities that are still slowing down.
  - Target lending amount Bt500mn.
- Expanding channels and services
  - Mini ATM 10,000 kiosks in 3 years
  - 20,000 Tao Bins, robotic barista, in 3 years.
  - New mobile applications
- CAPEX Bt300mn.
  - Boonterm kiosks and Mini ATM
  - Investment in “Tao Bin” and increase shareholding from 19.35% to 26.71% in Forth Vending, effective from June 2022.

### Operations

- Efficient kiosk location management and adding new services in order to increase ARPU.
- Being appointed for more to be as banking agent which currently serves for 8 banks
- Developing Boonterm kiosk to be a one-stop financial service kiosk, i.e. cash deposit, money withdrawal, money transfer, payment, and new account opening.
- Domestic money transfer service.
- Expanding cashier counters.
- Launching new application for enterprises’ customers.
- Expanding customer base with new partners.
- Co-managing Tao Bin.
- Expanding loan portfolio to large network groups, expected low NPL rate.

### Enhancing Online Top-up and Payment Business

With the principle of adhering to providing convenience to all groups of customers, the Company expands its business with a potential payment system that integrates online and offline channels through all service channels. In 4Q22, the Company has continued to expand new channels through another cashier counter and adding new services such as electric bill payment services. In addition, the Company focuses on maintaining customer base along with building engagement with customers through marketing activities through "Boonterm Rewards" that has been done for 2 years, which has made customers recognize and use Boonterm services continuously.

### Strong growth with Banking Agent and Lending Business

In this November, the Company has been appointed as banking agent for BBL. Therefore, it is currently representing a total of 8 banks. The Company has started money transfer service for foreigners (pink cards) who have accounts in Thailand and it can be extended to foreign money transfers next year. In addition, the Company is in the process of developing services with 2 banks that will increase financial convenience with the service "Boonterm instant transfer-withdrawal" that customers can use their card to withdraw money.

The company continues to expand its credit portfolio continuously along with enhancing the credit team and collaborating with professional partners in the field of debt management. This will make lending business stronger. It continues to focus on 14 million Boonterm customers, its loan customers, corporate customers and large network groups. In 4Q22, there will be installment loans for electrical appliances and will expand the scope to new products such as auto loan next year. The Company's products continue to be very popular due to the fact that it has a wide range of access and convenient payment methods such as Boonterm kiosk, application or direct debit, which is part of making debt collection more convenient.

#### *Supporting Vending Machine and EV charger Business*

the Company has invested more through Forth Vending Company Limited (FVD) by increasing the shareholding from 19.35% to 26.71%, so the Company is able to recognize profits from equity income method. In addition, the Company is a service provider for the payment system. This makes Taobin more convenient and better serviced with a goal of 20,000 service points in 3 years.

The Company is ready for the future megatrend, electric vehicle market. It provides high-standard electric vehicle charger, produced by FORTH. This put the company's product in an advantageous position in terms of lower cost and set better prices than competitors. The Company also provides payment system that supports all forms whether it's a credit card or a scan to pay through a banking application and customer service center 1220. The Company manages all electric vehicle charger. The Company has started to provide services in the private area before expanding to commercial areas further.

#### *Operating the business with a commitment to grow and be sustainable with the community*

The Company attaches great importance to the Sustainable Development Goals. under the vision "A leader in a complete network of automated and financial services channels, easy to use, convenient, fast and secure". Therefore, it continues to search for new opportunities along with expanding our network of service agents and collaborations with business partners that exist in every community across the country. It also expands and increases the potential of the company's ecosystem with offline and online services through 130,000 Boonterm kiosks, more than 1,800 counter cashiers and application. The Company continues to operate its business with the importance of stakeholders and drive business for sustainable growth and is ready to continuously generate returns for investors.

#### **Social Activities**

The Company believes that "Every life has meaning". The company realizes the value of life. Therefore, it takes part in sustainable social development with the Mirror Foundation in providing more than 130,000 Boonterm kiosks. It is a way to announce the search for missing people under the project "Missing people, Boonterm helps" as well as being part of receiving information to coordinate with the Foundation.

#### **Contact us**

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