

Sun Vending Technology Public Company Limited

Management Discussion and Analysis

For the three month period ended 31 March 2023

**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 15 distribution branches divided into 13 main branches and 2 sub-branches covering service areas in 30 provinces. As of 31 March 2023, the Company had 15,795 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 three-month period ended 31 March 2023 consisted of: (1) Revenue from sale of products via vending machines accounted for 97.47%; (2) Revenue from vending machine sales accounted for 1.06%; (3) Revenue from advertisement services on vending machines accounted for 0.44%; and (4) Service income and other income accounted for 1.03%.

**Summary of financial performance for the three-month period ended 31 March 2023**

For the three-month period ended 31 March 2023, the Company had a total revenue of Baht 585.66 million, an increase of Baht 47.01 million or 8.73 percent from 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 increase in sales/machine/day in Quarter 1'2023. This is because the situation of the COVID-19 in 2023 has improved and returned to normal situation compared with 2022. Whereas, in Quarter 1'2022 the Company had the impact to lower revenue in some segments such as hotels, universities, schools and offices, etc.

The Company's net profit for the three-month period ended 31 March 2023 was Baht 20.32 million, or an decrease from the previous year by 7.74 percent. Eventhough, the Company had higher revenue from increasing the number of vending machines to provide services, the Company had more increased in selling and distribution expenses from the same period of the previous year by 17.56 percent. This is mainly due to increases in employee expenses for vending service operation, higher depreciation expenses from additional vending machines in service including more smart vending machines, 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	For the three-month period ended 31 March 2022		For the three-month period ended 31 March 2023	
	MBaht	%	MBaht	%
<b>Revenues</b>				
Sales	533.43	99.03	577.07	98.53
Other income	5.22	0.97	8.59	1.47
<b>Total revenues</b>	<b>538.65</b>	<b>100.00</b>	<b>585.66</b>	<b>100.00</b>
<b>Expenses</b>				
Cost of sales	(356.96)	66.27	(380.61)	64.99
Selling and distribution expenses	(141.02)	26.18	(166.03)	28.35
Administrative expenses	(13.09)	2.43	(13.35)	2.28
Other expenses	-	-	(0.02)	0.00
Financial costs	(0.21)	0.04	(0.21)	0.04
<b>Total expenses</b>	<b>(511.28)</b>	<b>94.92</b>	<b>(560.22)</b>	<b>95.66</b>
<b>Profit before income tax expenses</b>	<b>27.37</b>	<b>5.08</b>	<b>25.44</b>	<b>4.34</b>
Income tax expense	(5.35)	0.99	(5.12)	0.87
<b>Net profit for the period</b>	<b>22.02</b>	<b>4.09</b>	<b>20.32</b>	<b>3.47</b>

### Revenues

The Company's total revenues for the three-month period ended 31 March 2023, were amounted to Baht 585.66 million, which revenue structure can be summarised as follows:

Revenue Structure	For the three month period ended 31 March 2022		For the three month period ended 31 March 2023	
	MBaht	%	MBaht	%
1. Revenue from selling goods via vending machines	530.33	98.45	570.86	97.47
2. Revenue from selling vending machines	3.10	0.58	6.21	1.06
3. Revenue from advertising space on vending machines <sup>(1)</sup>	1.88	0.35	2.58	0.44
4. Service income <sup>(1)</sup>	2.16	0.40	3.98	0.68
<b>Total revenues from sales and services</b>	<b>537.47</b>	<b>99.78</b>	<b>583.63</b>	<b>99.65</b>
Other income <sup>(1)</sup>	1.18	0.22	2.03	0.35
<b>Total revenues</b>	<b>538.65</b>	<b>100.00</b>	<b>585.66</b>	<b>100.00</b>

Note <sup>(1)</sup> Included under other income in the financial statement.

### Revenues from sales and services

Revenues from sales and services for the three-month period ended 31 March 2023, were amounted to Baht 583.63 million or 99.65 percent of total revenues. This growth increased by 8.59 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 period ended 31 March 2023, were at Baht 570.86 million, or increased by 7.64 percent 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. The Company plan to continue locating more units of vending machines in service. In Quarter 1'2023, the Company has net increased the number of vending machines by 195 units or 1.25 percent from the end of year 2022, or net increased the number of vending machines by 894 units or 6.00 percent when compared to the end of Quarter 1'2022. As of 31 March 2023, Company had a total of 15,795 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, department stores, and hotel.

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 Quarter 1'2023 was at Baht 404, which was higher than 398 baht/machine/day in the 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 three-month period ended 31 March 2023, was at Baht 6.21 million, or 1.06 percent of total revenues, which increased by Baht 3.11 million, or 100 percent when compared to the 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 three-month period ended 31 March 2023, was at Baht 2.58 million, or 0.44 percent of total revenues. This revenue increased by Baht 0.71 million, or 37.68 percent when compared to the previous year due to increase 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 three-month period ended 31 March 2023 was Baht 3.98 million, or 0.68 percent of total revenues, which increased by Baht 1.81 million, or 84.26 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, and gains from sales of assets, etc. Other income for the three-month period ended 31 March 2023, was amounted to Baht 2.03 million, or 0.35 percent of total revenues, which increased by Baht 0.85 million, or 72.89 percent when compared to the previous year. This is due mainly to increases in gains from sales of assets.

### Cost of sales

Cost of sales for the three-month period ended 31 March 2023, was amounted to Baht 380.61 million, or 64.99 percent of total revenues. The main cost of sales was the cost of products for sale via vending machines at 99.16 percent of total costs, followed by the cost of vending machines for sale at 0.84 percent of total costs. The Company's cost structure and gross profit can be summarised as follows:

Cost structure	For the three-month period ended 31 March 2022		For the three-month period ended 31 March 2023	
	MBaht	%	MBaht	%
1. Cost of goods sold via vending machine	355.36	99.55	377.40	99.16
2. Cost of vending machine sold	1.60	0.45	3.21	0.84
<b>Total cost of sales</b>	<b>356.96</b>	<b>100.00</b>	<b>380.61</b>	<b>100.00</b>

Gross profit	For the three-month period ended 31 March 2022		For the three-month period ended 31 March 2023	
	MBaht	%	MBaht	%
1. Gross profit from goods sold via vending machine	174.96	32.99	193.46	33.89
2. Gross profit from vending machine sold	1.51	48.47	3.00	48.33
<b>Total gross profit</b>	<b>176.47</b>	<b>33.08</b>	<b>196.46</b>	<b>34.04</b>

The Company's costs of goods sold via vending machines for the three-month period ended 31 March 2023, was accounted for 66.11 percent of revenue from selling goods via vending machines or a gross profit margin of 33.89 percent. The gross profit margin was increased from the previous year of 32.99 percent. This is because the products with higher gross profit margin were sold in more proportion in the end of Quarter 1'2023 compared to the 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 three-month period ended 31 March 2023, were accounted for 51.67 percent of revenue from vending machine sales or a gross profit margin of 48.33 percent, which decreased from 48.47 percent in the year 2022. This was mainly due to more sales of vending machines type with lower gross profit margin than in 2022.

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 - 34 percent.

### Selling and distribution expense

Selling and distribution expenses for the three-month period ended 31 March 2023, were amounted to Baht 166.03 million, or 28.35 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 34.58 percent of total selling and distribution expenses; (2) depreciation expense accounted for 26.57 percent of total selling and distribution expenses; and (3) location fees for vending machine service area accounted for 16.96 percent of total selling and distribution expenses.

Major selling and distribution expense	For the three-month period ended 31 March 2022		For the three-month period ended 31 March 2023	
	MBaht	%	MBaht	%
Staff costs	50.49	35.80	57.42	34.58
Depreciation expenses	35.39	25.10	44.11	26.57
Location fees	25.53	18.11	28.17	16.96

Selling and distribution expenses for the three-month period ended 31 March 2023, increased by Baht 25.01 million or 17.73 percent from the 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 25.53 million to Baht 28.17 million, or increased by Baht 2.64 million, or 10.31 percent. This location fee for vending machine service areas was accounted for 16.96 percent of selling and distribution expenses, which decreased from the previous year at 18.11 percent of selling and distribution expenses. Nevertheless, depreciation increased from Baht 35.39 million to Baht 44.11 million, or increased by Baht 8.72 million, or 24.62 percent, because the Company invested in more number of vending machines in service in the year 2023 compared to the previous year together with increasing in more number of smart vending machines. This depreciation was at 26.57 percent of selling and distribution expenses which increased from the previous year at 25.10 percent of selling and distribution expenses.

### Administrative expenses

Administrative expenses for the three-month period ended 31 March 2023, were amounted to Baht 13.35 million, or 2.28 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 65.12 percent of administrative expenses; (2) Consultation fees and directors' remuneration at 9.16 percent of administrative expenses; and (3) Depreciation at 2.71 percent of administrative expenses.

Major administrative expenses	For the three-month period ended 31 March 2022		For the three-month period ended 31 March 2023	
	MBaht	%	MBaht	%
Staff cost	8.61	65.83	8.69	65.12
Consultant fee and directors' remuneration	1.25	9.55	1.22	9.16
Depreciation expense	0.37	2.80	0.36	2.71

Administrative expenses for the three-month period ended 31 March 2023, slightly increased from the previous year by Baht 0.26 million, or 1.97 percent.

#### Financial costs

Financial costs for the three-month period ended 31 March 2023, were at Baht 0.21 million, or 0.04 percent of total revenues, which increased by Baht 0.01 million from the previous year. This is because in Quarter 1'2023 the Company had financial costs from short-term loans.

#### Net profit

The Company's net profit for the three-month period ended 31 March 2023, was Baht 20.32 million, or net profit margin of 3.47 percent which decreased from the previous year. Eventhough, the Company had higher revenue from increasing the number of vending machines to provide services, the Company had more increased in selling and distribution expenses from the same period of the previous year by 17.56 percent. This is mainly due to increases in employee expenses for vending service operation, higher depreciation expenses from additional vending machines in service including more smart vending machines, 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.

### Analysis of Financial Position

#### Assets

The Company had total assets at the end of year 2022 and as at 31 March 2023, at Baht 1,599.83 million and Baht 1,665.65 million, respectively. Changes in assets can be summarised as follows:

1. Cash and cash equivalent as at 31 March 2023, were at Baht 129.27 million which increased from year 2022 by Baht 13.95 million. This was mainly due to cash flows received from operating activities and net offset with cash flows used in investing activities.

2. Property, buildings and equipment as at 31 March 2023, were at Baht 1,229.70 million which increased from year 2022 by Baht 55.20 million. This was mainly due to investments in more 330 units of vending machines including electronic parts for smart vending machines or net value (after deduct depreciation) increased by Baht 3.14 million, and also investment in vehicles for vending operation by Baht 4.30 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 23.20 million.

#### Liabilities

The Company had total liabilities at the end of year 2022 and as at 31 March 2023, at Baht 386.10 million and Baht 433.71 million, respectively. Changes in liabilities can be summarised as follows:

1. Trade and other payables as at 31 March 2023, were at Baht 369.53 million which increased from year 2022 by Baht 39.42 million. This is mainly due to increase in trade payables from purchase of goods to be sold for more vending machines in services and other payables from purchases of fixed assets.

#### Shareholders' equity

Shareholders' equity as of 31 March 2023, was at Baht 1,231.94 million accounting for 73.96% of total liabilities and shareholders' equity. This was increased from the end of year 2022 by Baht 18.21 million because of increases in operating profit for the three-month period ended 31 March 2023.

#### Liquidity

##### 1. Cash flow liquidity

Net cash flows from operating activities for the three-month period ended 31 March 2023, were amounted to Baht 94.71 million which increased from the previous year by Baht 35.80 million. This is mainly due to increases in operating profits and in trade and other payables in the end of year 2023 in order to support sales for more vending machines in services and purchases of fixed-assets.

Net cash flows used in investing activities for the three-month period ended 31 March 2023, were amounted to Baht 79.64 million. The Company invested in buildings and equipment amounting to Baht 79.38 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 three-month period ended 31 March 2023, were amounted to Baht 1.11 million. The Company paid for lease liabilities of property with buildings amounting to Baht 1.11 million.



## 2. Liquidity ratio and cash cycle

As at 31 March 2023, the Company had liquidity ratio at 0.89 times which decreased from year 2022 which had at 0.97 times. This is due to increase in current liabilities portion from trade and other account payables.

From considering cash cycle for the three-month period ended 31 March 2023 and 2022, at (31) 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.