
nForce Secure Public Company Limited

Management Discussion and Analysis

For the Year ended 31 December 2023

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Business overview

nForce Secure Public Company Limited (the Company) is a distributor of cyber products and solutions as well as network management products and solutions. Wherein the revenue for the year ended 31 December 2023 consisted of (1) revenue from sales of all products related to information technology systems, accounting for 96.89%; (2) revenue from services, it is the revenue generated from providing information technology services related to due to the products that the Company being a full-service distributor, accounting for 2.53% (3) other revenue, accounting for 0.59%, respectively.

Performance summary for the year ended 31 December 2023

For the year ended 31 December 2023, the Company had total revenue of Baht 1,072.26 million, an increase of Baht 175.07 million compared to the previous year or an increase of 19.51% with a total comprehensive income of Baht 91.05 million, increased by Baht 34.66 million from the previous year or an increase of 61.47%

Revenue, cost, and gross profit

Sales revenues when considering the sources of products classified by type can be divided into 4 groups as follows:

1. Revenues from sales of network security system solutions, comprising of comprehensive Cybersecurity products and solutions to prevent cyber threats, including hacking attacks and malware attacks, for example, Firewall and proxy servers.
2. Revenues from sales of endpoint security systems, comprising of endpoint protection hardware and software, for example, antivirus software and anti-malware software.
3. Revenues from sales of network performance & monitoring systems, comprising of hardware and software that contribute to efficiency and effectiveness of computer networks and equipment in order to enhance organization management, including programs that monitor systems and notify system administrators of the issues in the systems so the administrators can plan ahead as a precaution against system failure or disruption.
4. Revenues from sales of other products, comprising of management products, data management systems and user identification products.

Unit: Million Baht	For the year ended 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
1. Network security	619.83	77.24	684.92	78.65	797.68	76.78
2. Endpoint security	105.97	13.21	124.81	14.33	161.34	15.53
3. Network performance & monitoring	73.90	9.21	40.09	4.6	24.85	2.39
5. others	2.74	0.34	20.98	2.41	55.02	5.30
Revenue from sales	802.44	100.00	870.80	100.00	1,038.89	100.00

For the year ended 31 December 2023, the Company's revenue from sales amounted to Baht 1,038.89 million, increased by Baht 168.09 million or 19.30% from the previous year mainly due to revenue from sale of Network Security products, the Company's main products, increased by Baht 112.77 million or 16.46% and Endpoint Security products, which has increase by Baht 36.53 million, or 29.27% and revenue from the sale of other increased by Baht 34.04 million or 162.24%; compared to the previous year, while revenue from sale of network performance and monitoring products decreased by Baht 15.24 million or 38.03% compared to the previous year.

In addition, if considering the sources of revenue from sales classified by type of users (End user), can be divided into 5 groups of users as follows:

1. Banking, Financial services and Insurance (BFSI) in the banking, securities, and insurance industries
2. Industry group (Enterprise), which is in the manufacturing industry
3. Government & State enterprise
4. Telecom & Internet service provider (ISP) in the information and communication technology industry
5. Others, which are in the private sector business that focuses on providing services such as movie theaters, hotels, hospitals, schools, nursing homes, and trading, etc.

The Company will sell products to system integrator contractors (SI) to assemble a technology solution offered directly to the end user.

Unit: Million Baht	For the year ended 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
1. Banking, financial services and insurance (BFSI)	174.38	21.73	214.28	24.61	243.37	23.43
2. Industry (Enterprise)	219.12	27.31	230.28	26.47	298.63	28.75
3. Government and State Enterprises (Government)	211.36	26.34	189.20	21.73	247.58	23.83
4. Telecommunication (Telecom & ISP)	87.80	10.94	111.48	12.80	127.42	12.26
5. Others (Others)	109.79	13.68	125.36	14.40	121.89	11.73
Revenue from sales	802.44	100.00	870.80	100.00	1,038.89	100.00

The main end user group is the Enterprise group, which during for the year ended 31 December 2023, the Company's revenue from sale through those group totaled 28.75%

Revenue from sales for the year ended 31 December 2023 was a Baht 1,038.89 million, increased by Baht 168.09 million from the previous year, or 19.30%, mainly due to the increasing demand from users, including semiconductor shortage which began to unravel since late 2022. As a result, total revenue increased.

Revenue from services

Unit: Million Baht	For the year ended 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
1. System maintenance service	12.89	61.53	13.14	56.86	14.10	52.05
2. Installation service	7.09	33.87	9.34	40.41	11.96	44.18
3. Training service	0.96	4.60	0.63	2.73	1.02	3.77
Revenue from services	20.94	100.00	23.10	100.00	27.08	100.00

Service revenue is divided into 3 main categories: Maintenance Service, Installation Service, and Training Service

In addition, if considering the sources of revenue from sales and services, which are divided into 3 types as follows:

1. Revenue from software sales in the first year
2. Revenues from maintenance service agreement (MA) which were recurring income
3. Revenues from sales of other products and services

Unit: Million Baht	For the year ended 31 December		
	2021	2022	2023

	Amount	%	Amount	%	Amount	%
1. Revenue from sales of software	376.90	45.77	363.89	40.71	515.90	48.40
2. Maintenance agreement: MA	268.06	32.56	349.32	39.08	367.49	34.47
3. Revenue from others	178.42	21.67	180.69	20.21	182.58	17.13
Total revenue from sales and services	823.38	100.00	893.90	100.00	1,065.97	100.00

Other revenue

Other revenue consists of interest income, rental income, profit from disposal of assets, and operating expenses from activities etc. For the year ended 31 December 2023, had other income of Baht 6.29 million or 0.59% of total revenue increased Baht 3.00 million mainly due to interest from investment in maturing bond and operating revenue from events.

Cost of sales and services, and gross profit

Unit: Million Baht	For the year ended 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
Revenue from sales and services	825.38	100.00	893.90	100.00	1,065.97	100.00
Cost of sales and services	(667.53)	(81.07)	(748.82)	(83.77)	(856.52)	(80.35)
Gross profit	155.85	18.93	145.08	16.23	209.45	19.65

For the year ended 31 December 2023, the Company's gross profit margin was 19.65%, an increase compared to the previous year mainly due to adjustment of the strategy to expand the market into products with profit potential for the Company.

Selling expenses

	For the year ended 31 December
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Selling expenses	2021		2022		2023	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	24.03	63.93	25.41	61.87	28.71	59.93
Advertising and promotional costs	1.56	4.15	2.53	6.16	3.36	7.01
Commission	8.50	22.61	8.18	19.92	11.11	23.19
Other selling expenses	3.50	9.31	4.95	12.05	4.73	9.87
Total	37.59	100.00	41.07	100.00	47.91	100.00

For the year ended 31 December 2023, the Company had selling expenses in the amount of Baht 47.91 million, or 4.47% of total revenue; whereas selling expenses for the year ended 31 December 2022 increased compared to the previous year in the amount of Baht 6.84 million or 16.66%. mainly due to increased commission in line with the increase in sales in the period and increased in employee expenses.

Administrative expenses

Administrative expenses	For the year ended 31 December					
	2021		2022		2023	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	22.46	50.72	26.94	57.55	28.43	55.78
Professional fee	8.25	18.63	5.98	12.78	4.96	9.73
Depreciation and amortization	5.65	12.76	8.03	17.15	10.40	20.40
Employee's benefit expense	2.23	5.03	1.49	3.18	1.34	2.63
Administrative expenses	5.69	12.86	4.37	9.34	5.84	11.46
Total	44.28	100.00	46.81	100.00	50.97	100.00

The main administrative expenses are employee expenses and depreciation and amortization. For the year ended 31 December 2023, the Company had administrative expenses in the amount of Baht 50.97 million, slightly increased compared to the previous year Baht 4.16 million or 8.90%. This was mainly due to increased employee expenses and depreciation and amortization.

Net profit and net profit margin

For the year ended 31 December 2023, the Company had a net profit of Baht 91.77 million, increasing from the previous year by the amount of Baht 36.71 million or 66.66%. Net profit margin for the year ended 31 December 2023 was 8.56%, increased compared to the previous year mainly due to increased gross profit margin.

Statement of financial position

Total assets overview

As at 31 December 2023 and 2022, the Company had total assets of Baht 909.75 million and Baht 811.87 million, respectively. The details of each item can be described as follows:

Current assets

As at 31 December 2023 and 2022, the Company had current assets of Baht 792.26 million and Baht 706.47 million, representing 87.09 percent and 87.02 percent of total assets in each year, respectively. The main current assets were cash and cash equivalents, account receivables and other receivables, inventories, and receivables under lease agreements due within one year – net. Major change in each current assets can be described as follows:

Cash and cash equivalents

As at 31 December 2023 and 2022, the Company had cash and cash equivalents amounting to Baht 450.12 million and Baht 398.24 million, respectively. Cash and cash equivalents increased mainly due to operating results and repayment from trade account receivables and other receivables.

Account receivables and other receivables

Items	As at 31 December					
	2021		2022		2023	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Account Receivable	170.14	97.37	236.52	95.03	258.47	98.13
Accounts receivable - related party	2.51	1.44	8.97	3.60	0.40	0.15
Accrued income	2.68	1.53	1.94	0.78	3.40	1.29
<u>Less</u> Loss allowance	(2.40)	(1.37)	(2.70)	(1.08)	(1.28)	(0.48)
Total accounts receivables - net	172.93	98.97	244.73	98.32	260.99	99.09
Prepaid expenses	1.61	0.92	3.98	1.60	2.03	0.77
Employee account receivable	0.20	0.11	0.17	0.07	0.05	0.02
Accrued interest - related party	-	-	0.02	0.01	0.33	0.12
Accrued interest - unrelated party	-	-	-	-	-	-
Total other receivables	1.81	1.03	4.17	1.68	2.41	0.91
Total account and other receivables - net	174.74	100.00	248.90	100.00	263.40	100.00

As at 31 December 2023 and 2022, the Company had account and other receivables amounting to Baht 263.40 million and Baht 248.91 million, or accounted for 28.95% and 30.66% of total assets, respectively. As at 31 December 2023, the Company's account receivables and other receivables increased in the amount of Baht 14.49 million, mainly due to receipt of payment from account receivable during the period.

The Company has accounts receivable classified by overdue period, counting from the date the payment is due as follows;

Items	For the year ended 31 December					
	2021		2022		2023	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Not yet due	15.95	9.10	21.98	8.88	43.46	16.57
Less than 3 months overdue	157.85	90.03	224.47	90.72	212.96	81.20
Overdue more than 3 months but not over 6 months	0.54	0.30	-	-	-	-
Overdue 6 months but not over 12 months	-	-	-	-	5.20	1.98
Over 12 months overdue	0.99	0.56	0.99	0.40	0.65	0.25
Total account receivables	175.33	100.00	247.43	100.00	262.27	100.00
Allowance for expected credit losses / doubtful accounts	(2.40)	(1.37)	(2.70)	(1.09)	(1.28)	(0.49)
Total account receivables - net	172.93	98.63	244.73	98.91	260.99	99.51

Inventory

As at 31 December 2023 and 2022, the Company had net inventories of Baht 41.05 million and Baht 13.88 million, respectively. Most inventories included the ordered devices, equipment, and computer software, pending delivery as per customers' purchase orders for which the Company has no policy of storing inventory for sale. As at 31 December 2023, the Company's inventories increased compared to 31 December 2022, due to the delivery of products from vendors near the end of period and the Company has not yet delivered the products to the customers.

Non-current assets

As at 31 December 2023 and 2022, the Company had non-current assets of Baht 117.49 million and Baht 105.40 million, accounting for 12.91% and 12.98% of total assets, respectively. The majority of non-current assets are restricted deposits, Lease receivables-net, property, plant and equipment, and right-of-use assets. Major change in non-current assets was increased in Lease receivables-net.a:

Liability overview

Liability structure

As at 31 December 2023 and 2022, the Company had total liabilities of Baht 237.06 million and Baht 199.83 million, respectively. Total liabilities as at 31 December 2023 increased from as at 31 December 2022 amounting to Baht 37.23 million or 18.63%. The details of each item can be described as follows.

Current Liability

As at 31 December 2023 and 2022, the Company has current liabilities of Baht 195.5 million and Baht 165.77 million, accounting for 82.47% and 82.95% of total liabilities, respectively. The main items are trade and other payables and deferred revenue.

Trade and other payable

Most of the trade payable are the owners of the products, the developers of hardware and software systems that the Company purchases to sell to the customers. As at 31 December 2023, the Company has trade and other payables amounting to Baht 156.91 million, increase from as at 31 December 2022 Baht 22.34 million or 16.60% due to the delivery of goods from the Vendor near the end of the period, thus most of trade payables at the end of the period are not yet due.

Deferred revenue - current

Deferred revenue from customers mostly came from customers who purchased equipment maintenance services, for which the Company received money from such customers before the actual service. as at 31 December 2023, the Company had an increase in current deferred revenue of Baht 1.93 million. The number of customers purchasing equipment maintenance services continues to increase in line with the Company's constant acquisition of service competency and expertise each year.

Non-current liability

As at 31 December 2023 and 2022, the Company has non-current liabilities of Baht 41.56 million and Baht 34.06 million, respectively. The main non-current liabilities are deferred revenue, liabilities under finance lease agreements and employee benefit obligations.

Lease liabilities

As at 31 December 2023 and 2022, the Company has financial lease liabilities of Baht 22.68 million and Baht 22.44 million, respectively, has recorded office rental items as financial lease liabilities in accordance with the Notification of Financial Reporting Standard No. 16 (TFRS16). During the year, lease liabilities increased from the lease agreement with an external party to expand the office space.

Overview of Shareholders' Equity

As at 31 December 2023 and 2022, the Company had shareholders' equity of Baht 672.69 million and Baht 612.04 million, respectively. The Company's shareholders' equity as at 31 December 2023 increased by Baht 60.65 million from the Company's performance amounting to Baht 91.05 million. However, during the year, the Company paid dividends Baht 30.82 million.

Analysis of key financial ratios

Items	As at/ For the year ended 31 December		
	2021	2022	2023
Liquidity ratio (times)	4.73	4.26	4.05
Quick ratio (times)	4.15	3.88	3.64
D/E ratio (times)	0.28	0.33	0.35
Cash cycle			
Average collection period (days)	67.46	86.31	87.26
Average sale period (days)	25.94	11.95	11.70
Average payment period (days)	60.26	54.81	52.66
Cash cycle (days)	33.13	43.44	46.31

Liquidity Ratio, quick Ratio and D/E Ratio

As at 31 December 2023, the liquidity and quick ratio were 4.05 times and 3.64 times, respectively, similar to as at 31 December 2022 because the Company still has profit from its operations provided the Company with good liquidity, while its D/E Ratio was 0.35 times.

Cash cycle

As at 31 December 2023, the Company's cash cycle was at 46.31 days, increased from the previous year by the amount of 2.87 days, mainly due to 1) the average debt collection period increased 0.95 days due to the credit term to customers 2) The average selling period has decreased 0.25 days because the Company is able to sell and ship most product in period due to customer demand for products 3) the average repayment period has decreased by 2.15 days because the Company having good liquidity from the Company's operating results, the Company therefore repays debts to the product owners (Vendor) faster.