

Sun Vending Technology Public Company Limited

Management Discussion and Analysis

For the year ended 31 December 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 December 2023, the Company had 16,277 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 year ended 31 December 2023 consisted of: (1) Revenue from sale of products via vending machines accounted for 97.14%; (2) Revenue from vending machine sales accounted for 1.32%; (3) Revenue from advertisement services on vending machines accounted for 0.47%; and (4) Service income and other income accounted for 1.07%.

Summary of financial performance for the year ended 31 December 2023

For the year ended 31 December 2023, the Company had a total revenue of Baht 2,358.52 million, an increase of Baht 114.00 million or 5.08 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. However, sales/machine/day in 2023 was decreased from previous year because the impact to lower revenues of vending machines located in industrial factories from slowing economic and shrinking of export industries in the second-half of this year. This was resulted to some factories decreasing in workers and working shifts. For sales/machine/day in other segments such as hotels, universities, schools and offices, etc. were increased from previous year due to the situation of the COVID-19 in 2023 has returned to normal situation compared with 2022.

The Company's net profit for the year ended 31 December 2023 was Baht 59.14 million, or an decrease from the previous year by 30.64 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 previous year by 13.15 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 year ended 31 December 2022		For the year ended 31 December 2023	
	MBaht	%	MBaht	%
Revenues				
Sales	2,216.35	98.74	2,322.20	98.46
Other income	28.17	1.26	36.32	1.54
Total revenues	2,244.52	100.00	2,358.52	100.00
Expenses				
Cost of sales	(1,473.23)	(65.64)	(1,532.60)	(64.98)
Selling and distribution expenses	(607.89)	(27.08)	(687.84)	(29.16)
Administrative expenses	(56.85)	(2.53)	(62.63)	(2.66)
Financial costs	(0.37)	(0.02)	(1.65)	(0.07)
Total expenses	(2,138.34)	(95.76)	(2,284.72)	(96.87)
Profit before income tax expenses	106.18	4.24	73.80	3.13
Income tax expense	(20.91)	(0.93)	(14.66)	(0.62)
Net profit for the year	85.27	3.80	59.14	2.51

Revenues

The Company's total revenues for the year ended 31 December 2023, were amounted to Baht 2,358.52 million, which revenue structure can be summarised as follows:

Revenue Structure	For the year ended 31 December 2022		For the year ended 31 December 2023	
	MBaht	%	MBaht	%
1. Revenue from selling goods via vending machines	2,195.54	97.82	2,291.03	97.14
2. Revenue from selling vending machines	20.81	0.93	31.17	1.32
3. Revenue from advertising space on vending machines ⁽¹⁾	9.12	0.40	11.16	0.47
4. Service income ⁽¹⁾	12.20	0.54	14.00	0.59
Total revenues from sales and services	2,237.67	99.69	2,347.36	99.53
Other income ⁽¹⁾	6.85	0.31	11.16	0.47
Total revenues	2,244.52	100.00	2,358.52	100.00

Note ⁽¹⁾ Included under other income in the financial statement.

Revenues from sales and services

Revenues from sales and services for the year ended 31 December 2023, were amounted to Baht 2,347.36 million or 99.53 percent of total revenues. This growth increased by 4.90 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 year ended 31 December 2023, were at Baht 2,291.03 million, or increased by 4.35 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 2023, the Company has net increased the number of vending machines by 676 units or 4.33 percent from the end of year 2022. As of 31 December 2023, Company had a total of 16,277 vending machines in service.

When considering average revenue/machine/day of vending machines, average revenue/machine/day for the year ended 31 December 2023 was at Baht 395, which was lower than 400 baht/machine/day in the previous year. This is impact of vending machines located in industrial factories from slowing economic and shrinking of export industries in this year. This was resulted to some factories decreasing in workers and working shifts

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.

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 a top manufacturer of vending machines from 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 year ended 31 December 2023, was at Baht 31.17 million, or 1.32 percent of total revenues, which increased by Baht 10.36 million, or 49.79 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 year ended 31 December 2023, was at Baht 11.16 million, or 0.47 percent of total revenues. This revenue was increased by Baht 2.04 million, or 22.36 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 year ended 31 December 2023 was Baht 14.00 million, or 0.59 percent of total revenues, which increased by Baht 1.79 million, or 14.69 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 year ended 31 December 2023, was amounted to Baht 11.16 million, or 0.47 percent of total revenues, which increased by Baht 4.31 million, or 62.98 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 year ended 31 December 2023, was amounted to Baht 1,532.60 million, or 64.98 percent of total revenues. The main cost of sales was the cost of products for sale via vending machines at 98.93 percent of total costs, followed by the cost of vending machines for sale at 1.07 percent of total costs. The Company's cost structure and gross profit can be summarised as follows:

Cost structure	For the year ended 31 December 2022		For the year ended 31 December 2023	
	MBaht	%	MBaht	%
1. Cost of goods sold via vending machine	1,461.75	99.22	1,516.22	98.93
2. Cost of vending machine sold	11.48	0.78	16.38	1.07
Total cost of sales	1,473.23	100.00	1,532.60	100.00

Gross profit	For the year ended 31 December 2022		For the year ended 31 December 2023	
	MBaht	%	MBaht	%
1. Gross profit from goods sold via vending machine	733.79	33.42	774.81	33.82
2. Gross profit from vending machine sold	9.33	44.83	14.79	47.45
Total gross profit	743.12	33.53	789.60	34.00

The Company's costs of goods sold via vending machines for the year ended 31 December 2023, was accounted for 66.18 percent of revenue from selling goods via vending machines or a gross profit margin of 33.82 percent. The gross profit margin was increased from the previous year of 33.42 percent. This is because the products with higher gross profit margin were sold in more proportion in 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 year ended 31 December 2023, were accounted for 52.55 percent of revenue from vending machine sales or a gross profit margin of 47.45 percent, which increased from 44.80 percent in the year 2022. This was mainly due to more sales of vending machines type with higher 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 34 percent.

Selling and distribution expense

Selling and distribution expenses for the year ended 31 December 2023, were amounted to Baht 687.83 million, or 29.16 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 33.65 percent of total selling and distribution expenses; (2) depreciation expense accounted for 27.15 percent of total selling and distribution expenses; and (3) location fees for vending machine service area accounted for 17.06 percent of total selling and distribution expenses.

Major selling and distribution expense	For the year ended 31 December 2022		For the year ended 31 December 2023	
	MBaht	%	MBaht	%
Staff costs	209.68	34.49	231.44	33.65
Depreciation expenses	159.09	26.17	186.73	27.15
Location fees	104.85	17.25	117.32	17.06

Selling and distribution expenses for the year ended 31 December 2023, increased by Baht 79.94 million or 13.15 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 104.85 million to Baht 117.32 million, or increased by Baht 12.47 million, or 11.89 percent. This location fee for vending machine service areas was accounted for 17.06 percent of selling and distribution expenses, which decreased from the previous year at 17.25 percent of selling and distribution expenses. Nevertheless, depreciation increased from Baht 159.09 million to Baht 186.73 million, or increased by Baht 27.65 million, or 17.38 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 expense was at 27.15 percent of selling and distribution expenses which increased from the previous year at 26.17 percent of selling and distribution expenses. As at the end of year 2023, the Company had about 8,410 smart vending machines which increased by 2,300 machines or 38 percent from year 2022.

Administrative expenses

Administrative expenses for the year ended 31 December 2023, were amounted to Baht 62.63 million, or 2.66 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 56.25 percent of administrative expenses; (2) Consultation fees and directors' remuneration at 10.19 percent of administrative expenses; and (3) Allowance for impairment loss of vending machines at 6.41 percent of administrative expenses (4) Depreciation at 2.38 percent of administrative expenses.

Major administrative expenses	For the year ended 31 December 2022		For the year ended 31 December 2023	
	MBaht	%	MBaht	%
Staff cost	34.43	60.56	35.23	56.25
Consultant fee and directors' remuneration	6.66	11.71	6.38	10.19
Allowance for impairment loss of vending machines	-	-	4.01	6.41
Depreciation expense	1.47	2.59	1.49	2.38

Administrative expenses for the year ended 31 December 2023, increased from the previous year by Baht 5.78 million, or 10.16 percent. This is mainly due to allowance for impairment loss of vending machines amounting to Baht 4.01 million. In year 2023, the Company set allowance for impairment loss of vending machines which were lift-back and could not be repaired or refurbished properly.

Financial costs

Financial costs for the year ended 31 December 2023, were at Baht 1.65 million, or 0.07 percent of total revenues, which increased by Baht 1.28 million from the previous year. This is because in 2023 the Company had financial costs from short-term loans from financial institution.

Net profit

The Company's net profit for the year ended 31 December 2023, was Baht 59.14 million, or net profit margin of 2.51 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 previous year by 13.15 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. Other operating costs of distribution branches (eg. logistic cost) are also increased.

Analysis of Financial Position

Assets

The Company had total assets at the end of year 2022 and year 2023, at Baht 1,599.83 million and Baht 1,709.79 million, respectively. Changes in assets can be summarised as follows:

1. Cash and cash equivalent as at 31 December 2023, were at Baht 80.38 million which decreased from year 2022 by Baht 34.93 million. This was mainly due to cash flows used in investing activities by Baht 229.09 million, and offset with cash flows received from operating activities by Baht 154.44 million.
2. Inventory as at 31 December 2023, were at Baht 175.12 million which increased from year 2022 by Baht 24.31 million. This was mainly due to increases in equipment and parts of the vending machines.
3. Property, buildings and equipment as at 31 December 2023, were at Baht 1,310.28 million which increased from year 2022 by Baht 135.77 million. This was mainly due to investments in more vending machines including electronic parts for smart vending machines or net value (after deduct depreciation) increased by Baht 26.40 million, and in addition, it has invested in construction for head office building by Baht 111.80 million.

Liabilities

The Company had total liabilities at the end of year 2022 and year 2023, at Baht 386.10 million and Baht 469.18 million, respectively. Changes in liabilities can be summarised as follows:

1. Long-term loans from financial institution as at 31 December 2023, were at Baht 80.00 million which increased from last year for using in construction for head office building.

Shareholders' equity

Shareholders' equity as of 31 December 2023, was at Baht 1,240.62 million accounting for 72.56% of total liabilities and shareholders' equity. This was increased from the end of year 2022 by Baht 26.89 million because of increases in operating profit for the year ended 31 December 2023 amounting to Baht 59.14 million, and deducting with dividend payment of Baht 35 million.

Liquidity

1. Cash flow liquidity

Net cash flows from operating activities for the year ended 31 December 2023, were amounted to Baht 154.44 million which increased from the previous year by Baht 39.01 million. This is mainly due to increases in cash receipts from trade and other receivables.

Net cash flows used in investing activities for the year ended 31 December 2023, were amounted to Baht 229.74 million. The Company invested in buildings and equipment amounting to Baht 229.09 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 from financing activities for the year ended 31 December 2023, were amounted to Baht 40.36 million. The Company has cash received from long-term loans amounting to Baht 80 million and dividend payment amounting to Baht 35 million.

2. Liquidity ratio and cash cycle

As at 31 December 2023, the Company had liquidity ratio at 0.85 times which decreased from year 2022 which had at 0.97 times. This is due to increase in current liabilities from current portion of long-term loans.

From considering cash cycle for the year ended 31 December 2023 and 2022, at (25) days and (26) 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.