

Sun Vending Technology Public Company Limited

Management Discussion and Analysis

For the three month period ended 31 March 2024

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 2024, the Company had 16,621 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 2024 consisted of: (1) Revenue from sale of products via vending machines accounted for 98.08%; (2) Revenue from vending machine sales accounted for 0.92%; (3) Revenue from advertisement services on vending machines accounted for 0.34%; and (4) Service income and other income accounted for 0.66%.

Summary of financial performance for the three month period ended 31 March 2024

For the three month period ended 31 March 2024, the Company had a total revenue of Baht 619.82 million, increased by Baht 34.16 million or 5.83 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 continuously. At the end of Quarter 1'2024, the Company has net increased the number of vending machines by 826 units or 5.23 percent when compared to the end of Quarter 1'2023. In addition, average revenue/machine/day for the three month period ended 31 March 2024 was at Baht 406, which was slightly higher than 404 baht/machine/day in the previous year. This was because sales in other open segments such as hotels, universities, and schools were increased from previous year.

The Company's net profit for the three month period ended 31 March 2024 was Baht 16.71 million, or an decrease from the previous year by 17.79 percent. Eventhough, the Company had higher revenue from increasing the number of vending machines to provide services, the Company had more increased in administrative expenses from the previous year by 27.20 percent. This is mainly due to increases in depreciation expenses from head office building which is ready for use in January 2024 amounting to Baht 2.4 million and financial cost from long-term loan amounting to Baht 1 million.

Statement of income	For the three month period ended 31 March 2023		For the three month period ended 31 March 2024	
	MBaht	%	MBaht	%
Revenues				
Sales	577.07	98.53	613.60	99.00
Other income	8.59	1.47	6.22	1.00
Total revenues	585.66	100.00	619.82	100.00
Expenses				
Cost of sales	(380.61)	(64.99)	(405.17)	(65.37)
Selling and distribution expenses	(166.03)	(28.35)	(175.38)	(28.30)
Administrative expenses	(13.35)	(2.28)	(16.97)	(2.74)
Other expenses	(0.02)	(0.00)	(0.05)	(0.01)
Financial costs	(0.21)	(0.04)	(1.25)	(0.20)
Total expenses	(560.22)	(95.66)	(598.82)	(96.61)
Profit before income tax expenses	25.44	4.34	21.00	3.39
Income tax expense	(5.12)	(0.87)	(4.29)	(0.69)
Net profit for the period	20.32	3.47	16.71	2.70

Revenues

The Company's total revenues for the three month period ended 31 March 2024, were amounted to Baht 619.82 million, which revenue structure can be summarised as follows:

Revenue Structure	For the three month period ended 31 March 2023		For the three month period ended 31 March 2024	
	MBaht	%	MBaht	%
1. Revenue from selling goods via vending machines	570.86	97.47	607.91	98.08
2. Revenue from selling vending machines	6.21	1.06	5.69	0.92
3. Revenue from advertising space on vending machines ⁽¹⁾	2.58	0.44	2.13	0.34
4. Service income ⁽¹⁾	3.98	0.68	2.45	0.40
Total revenues from sales and services	583.63	99.65	618.18	99.74
Other income ⁽¹⁾	2.03	0.35	1.64	0.26
Total revenues	585.66	100.00	619.82	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 31 March 2024, were amounted to Baht 618.18 million or 99.74 percent of total revenues. This growth increased by 5.92 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 2024, were at Baht 607.91 million, or increased by 6.49 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 1'2024, the Company has net increased the number of vending machines by 344 units or 2.11 percent from the end of year 2023, or net increased the number of vending machines by 826 units or 5.23 percent when compared to the end of Quarter 1'2023. As of 31 March 2024, Company had a total of 16,621 vending machines in service.

When considering average revenue/machine/day of vending machines, average revenue/machine/day for the three month period ended 31 March 2024, was at Baht 406, which was slightly higher than 404 baht/machine/day in the previous year. This was because sales in other open segments such as hotels, universities, and schools were increased from previous year.

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, bus station 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 three month period ended 31 March 2024, was at Baht 5.69 million, or 0.92 percent of total revenues, which decreased by Baht 0.52 million, or 8.40 percent when compared to the previous year due to more sales of vending machines type with low price in this period.

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 2024, was at Baht 2.13 million, or 0.34 percent of total revenues. This revenue was decreased by Baht 0.45 million, or 17.34 percent when compared to the 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 three month period ended 31 March 2024 was Baht 2.45 million, or 0.40 percent of total revenues, which decreased by Baht 1.53 million, or 38.37 percent when compared to the previous year. This is due mainly to decreases in revenue from commission income from sales of vending machines, 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 2024, was amounted to Baht 1.64 million, or 0.26 percent of total revenues, which decreased by Baht 0.39 million, or 19.27 percent when compared to the previous year. This is due mainly to decreases in income from warranty claim .

Cost of sales

Cost of sales for the three month period ended 31 March 2024, was amounted to Baht 405.16 million, or 65.37 percent of total revenues. The main cost of sales was the cost of products for sale via vending machines at 99.32 percent of total costs, followed by the cost of vending machines for sale at 0.68 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 2023		For the three month period ended 31 March 2024	
	MBaht	%	MBaht	%
1. Cost of goods sold via vending machine	377.40	99.16	402.43	99.32
2. Cost of vending machine sold	3.21	0.84	2.74	0.68
Total cost of sales	380.61	100.00	405.17	100.00

Gross profit	For the three month period ended 31 March 2023		For the three month period ended 31 March 2024	
	MBaht	%	MBaht	%
1. Gross profit from goods sold via vending machine	193.46	33.89	205.48	33.80
2. Gross profit from vending machine sold	3.00	48.33	2.95	51.91
Total gross profit	196.46	34.04	208.43	33.97

The Company's costs of goods sold via vending machines for the three month period ended 31 March 2024, was accounted for 66.20 percent of revenue from selling goods via vending machines or a gross profit margin of 33.80 percent. The gross profit margin was close to the previous year of 33.89 percent. 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 2024, were accounted for 48.09 percent of revenue from vending machine sales or a gross profit margin of 51.91 percent, which increased from 48.33 percent in the year 2023. This was mainly due to more sales of vending machines type with higher gross profit margin than 2023.

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 three month period ended 31 March 2024, were amounted to Baht 175.38 million, or 28.30 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 33.16 percent of total selling and distribution expenses; (2) depreciation expense accounted for 27.58 percent of total selling and distribution expenses; and (3) location fees for vending machine service area accounted for 17.49 percent of total selling and distribution expenses.

Major selling and distribution expense	For the three month period ended 31 March 2023		For the three month period ended 31 March 2024	
	MBaht	%	MBaht	%
Staff costs	57.42	34.58	58.16	33.16
Depreciation expenses	44.11	26.57	48.37	27.58
Location fees	28.17	16.96	30.67	17.49

Selling and distribution expenses for the three month period ended 31 March 2024, increased by Baht 9.35 million or 5.63 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 28.17 million to Baht 30.67 million, or increased by Baht 2.50 million, or 8.90 percent. This location fee for vending machine service areas was accounted for 17.49 percent of selling and distribution expenses, which increased from the previous year at 16.96 percent of selling and distribution expenses. Nevertheless, depreciation increased from Baht 44.11 million to Baht 48.37 million, or increased by Baht 4.26 million, or 9.67 percent, because the Company invested in more number of vending machines in service in Quarter 1'2024 compared to the previous year together with increasing in more number of smart vending machines. This depreciation expense was at 27.58 percent of selling and distribution expenses which increased from the previous year at 26.57 percent of selling and distribution expenses. As at the end of Quarter 1'2024, the Company had about 9,000 smart vending machines which increased by 2,500 machines or 38 percent from Quarter 1'2023.

Administrative expenses

Administrative expenses for the three month period ended 31 March 2024, were amounted to Baht 16.97 million, or 2.74 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 52.26 percent of administrative expenses; (2) Consultation fees and directors' remuneration at 8.43 percent of administrative expenses; and (3) Depreciation expenses at 16.18 percent of administrative expenses.

Major administrative expenses	For the three month period ended 31 March 2023		For the three month period ended 31 March 2024	
	MBaht	%	MBaht	%
Staff cost	8.69	65.12	8.87	52.26
Consultant fee and directors' remuneration	1.22	9.16	1.43	8.43
Depreciation expense	0.36	2.71	2.75	16.18

Administrative expenses for the three month period ended 31 March 2024, increased from the previous year by Baht 3.62 million, or 27.20 percent. This is mainly due to increases in depreciation expenses from head office building which is ready for use in January 2024. This is recognised in this period amounting to Baht 2.4 million.

Financial costs

Financial costs for the three month period ended 31 March 2024, were at Baht 1.25 million, or 0.20 percent of total revenues, which increased by Baht 1.03 million from the previous year. This is because in Quarter 1'2024 the Company had financial costs from long-term loans from financial institution for construction of head office building.

Net profit

The Company's net profit for the three month period ended 31 March 2024, was Baht 16.71 million, or net profit margin of 2.70 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 administrative expenses from the previous year by 27.20 percent. This is mainly due to increases in depreciation expenses from head office building which is ready for use in January 2024 amounting to Baht 2.4 million and financial cost from long-term loan amounting to Baht 1 million.

Analysis of Financial Position

Assets

The Company had total assets at the end of year 2023 and as at 31 March 2024, at Baht 1,709.79 million and Baht 1,752.81 million, respectively. Changes in assets can be summarised as follows:

1. Cash and cash equivalent as at 31 March 2024, were at Baht 135.90 million which increased from year 2023 by Baht 55.52 million. This was mainly due to cash flows received from operating activities by Baht 90.07 million and offset with cash flows used in investing activities by Baht 27.97 million.
2. Inventory as at 31 March 2024, were at Baht 156.41 million which decreased from year 2023 by Baht 18.71 million. This was mainly due to decreases in equipment and parts of the vending machines.

Liabilities

The Company had total liabilities at the end of year 2023 and as at 31 March 2024, at Baht 469.18 million and Baht 494.71 million, respectively. Changes in liabilities can be summarised as follows:

1. Trade and other payables as at 31 March 2024, were at Baht 350.82 million which increased from year 2023 by Baht 24.39 million. This is mainly due to increase in trade payables from purchase of goods to be sold for more vending machines in services.
2. Long-term loan as at 31 March 2024, was at Baht 76.35 million which decreased from year 2023 by Baht 3.65 million due to loan repayments to bank during the period.

Shareholders' equity

Shareholders' equity as at 31 March 2024, was at Baht 1,258.10 million accounting for 71.78% of total liabilities and shareholders' equity. This was increased from the end of year 2023 by Baht 17.48 million because of increases in operating profit for the three month period ended 31 March 2024 amounting to Baht 16.71 million.

Liquidity

1. Cash flow liquidity

Net cash flows from operating activities for three month period ended 31 March 2024, were amounted to Baht 90.07 million which decreased from the previous year by Baht 4.64 million. This is mainly due to increases in cash payments from trade and other payables.

Net cash flows used in investing activities for the three month period ended 31 March 2024, were amounted to Baht 29.67 million. The Company invested in buildings and equipment amounting to Baht 27.97 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 2024, were amounted to Baht 4.88 million. The Company has repayments of long-term loans and repayments of lease liabilities.

2. Liquidity ratio and cash cycle

As at 31 March 2024, the Company had liquidity ratio at 0.90 times which increased from year 2023 which had at 0.85 times. This is due to increase in current assets from cash and cash equivalents.

From considering cash cycle for the three month period ended 31 March 2024 and 2023, at (27) days and (31) 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.