
nForce Secure Public Company Limited**Management Discussion and Analysis****For the three-month and six-month Period Ended 30 June 2024**

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 three-month period ended 30 June 2024 consisted of (1) revenue from sales of all products related to information technology systems, accounting for 95.86%; (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 2.46% (3) other revenue, accounting for 1.68%, respectively.

Performance summary for the three-month Period Ended 30 June 2024

For the three-month period ended 30 June 2024, the Company had total revenue of Baht 225.67 million, an decrease of Baht 37.84 million compared to the same period of the previous year or an decrease of 14.36% with a total comprehensive income of Baht 17.53 million, decreased by Baht 6.19 million from same period of the previous year or an decrease of 26.08%.

Performance summary for the six-month Period Ended 30 June 2024

For the six-month period ended 30 June 2024, the Company had total revenue of Baht 573.37 million, an increase of Baht 57.58 million compared to the same period of the previous year or an increase of 11.16% with a total comprehensive income of Baht 59.30 million, increased by Baht 7.48 million from same period of the previous year or an increase of 14.68%.

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 three-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. Network security	162.56	79.55	213.37	83.44	184.98	85.51
2. Endpoint security	28.32	13.86	24.25	9.48	25.80	11.92
3. Network performance & monitoring	10.93	5.35	3.97	1.55	3.07	1.42
4. others	2.53	1.24	14.11	5.52	2.48	1.14
Revenue from sales	204.34	100.00	255.71	100.00	216.31	100.00

Unit: Million Baht	For the six-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. Network security	291.60	78.19	413.72	82.93	449.27	81.42
2. Endpoint security	53.66	14.39	52.54	10.53	56.42	10.22
3. Network performance & monitoring	24.44	6.55	11.24	2.25	18.45	3.34
4. others	3.23	0.87	21.40	4.29	27.67	5.01
Revenue from sales	372.93	100.00	498.90	100.00	551.81	100.00

For the three-month Period Ended 30 June 2024, the Company's revenue from sales amounted to Baht 216.31 million, decreased by Baht 39.39 million or 15.41% from the same period of the previous year. Because during the second quarter, there were quite a lot of holidays. This allows the team to work at end user's site less. As a result, the progress of projects has been less than in other quarters, resulting in fewer orders from customers and fewer shipments. In addition, the investment policies of various government organizations have just begun to be announced in the second quarter. Therefore, it is still in the procurement phase of government organizations. As a result, revenue in the second quarter decreased compared to the same period of 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 three-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. Banking, financial services and insurance (BFSI)	38.38	18.78	58.85	23.02	43.88	20.29
2. Industry (Enterprise)	71.05	34.77	124.81	48.81	108.08	49.97
3. Government and State Enterprises (Government)	36.04	17.64	26.06	10.19	17.76	8.21
4. Telecommunication (Telecom & ISP)	12.73	6.23	21.91	8.57	22.41	10.36
5. Others (Others)	46.14	22.58	24.07	9.41	24.18	11.18
Revenue from sales	204.34	100.00	255.71	100.00	216.31	100.00

Unit: Million Baht	For the six-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. Banking, financial services and insurance (BFSI)	92.69	24.85	103.41	20.73	128.92	23.36
2. Industry (Enterprise)	111.02	29.77	179.96	36.07	189.92	34.42
3. Government and State Enterprises (Government)	76.53	20.52	104.30	20.91	64.90	11.76
4. Telecommunication (Telecom & ISP)	25.06	6.73	61.27	12.28	106.89	19.37
5. Others (Others)	67.63	18.13	49.95	10.01	61.18	11.09
Revenue from sales	372.93	100.00	498.90	100.00	551.81	100.00

For the three-month period Ended 30 June 2024, the main end user group is the Enterprise group, followed by the Banking, financial services and insurance group.

Revenue from services

Unit: Million Baht	For the three-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. System maintenance service	2.50	53.48	2.79	50.81	3.64	65.76
2. Installation service	2.15	46.04	2.52	45.88	1.76	31.76
3. Training service	0.02	0.48	0.18	3.31	0.14	2.49
Revenue from services	4.67	100.00	5.50	100.00	5.54	100.00

Unit: Million Baht	For the six-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. System maintenance service	5.75	54.95	7.00	52.09	8.53	56.79
2. Installation service	4.48	42.73	5.85	43.50	5.98	39.79
3. Training service	0.24	2.32	0.59	4.41	0.51	3.41
Revenue from services	10.47	100.00	13.44	100.00	15.02	100.00

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

For the three-month period Ended 30 June 2024, the Company's revenue from services amounted to Baht 5.54 million, slightly increased compared to the same period of previous year in line with revenue from sales.

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 three-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. Revenue from sales of software	97.23	46.52	126.93	48.60	97.02	43.73
2. Maintenance agreement: MA	76.78	36.73	92.49	35.41	102.65	46.27
3. Revenue from others	35.00	16.75	41.78	16.00	22.19	10.00
Total revenue from sales and services	209.01	100.00	261.20	100.00	221.86	100.00

Unit: Million Baht	For the six-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
1. Revenue from sales of software	145.72	38.00	241.51	47.14	265.11	46.77
2. Maintenance agreement: MA	171.14	44.64	182.48	35.62	222.66	39.28
3. Revenue from others	66.54	17.36	88.35	17.24	79.05	13.95
Total revenue from sales and services	383.40	100.00	512.34	100.00	566.83	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 three-month period ended 30 June 2024, had other income of Baht 3.81 million or 1.69% of total revenue which slightly increased when compared to the same period of previous year mainly from interest income from Bank deposit in foreign currency.

Cost of sales and services, and gross profit

Unit: Million Baht	For the three-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
Revenue from sales and	209.01	100.00	261.20	100.00	221.86	100.00
Cost of sales and services	(171.59)	(82.10)	(210.21)	(80.48)	(182.96)	(82.47)
Gross profit	37.42	17.90	50.99	19.52	38.89	17.53

Unit: Million Baht	For the six-month period ended 30 June					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
Revenue from sales and	383.40	100.00	512.34	100.00	566.83	100.00
Cost of sales and services	(320.74)	(83.66)	(404.75)	(79.00)	(457.15)	(80.65)
Gross profit	62.66	16.34	107.59	21.00	109.67	19.35

For the three-month Period Ended 30 June 2024, the Company's gross profit margin was 17.53%, due to the price competition in the market and the difference in the proportion of products sold during the period.

Selling expenses

Selling expenses	For the three-month period ended 30 June					
	2022		2023		2024	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	5.94	65.85	7.32	63.54	6.91	66.42
Advertising and promotional costs	0.35	3.88	0.74	6.42	0.63	6.09
Commission	1.82	20.18	2.35	20.40	1.80	17.29
Other selling expenses	0.91	10.09	1.11	9.64	1.06	10.20
Total	9.02	100.00	11.52	100.00	10.40	100.00

Selling expenses	For the six-month period ended 30 June					
	2022		2023		2024	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	12.44	64.86	14.48	62.87	14.17	59.83
Advertising and promotional costs	1.06	5.53	1.46	6.34	2.48	10.46
Commission	2.77	14.44	4.68	20.32	4.70	19.84
Other selling expenses	2.91	15.17	2.41	10.47	2.34	9.87
Total	19.18	100.00	23.03	100.00	23.69	100.00

For the three-month period ended 30 June 2024, the Company had selling expenses in the amount of Baht 10.40 million, or 4.61% of total revenue; whereas selling expenses for the three-month period ended 30 June 2024 decreased compared to the same period of previous year in the amount of Baht 1.12 million or 9.72%. mainly due to an decrease in commission in line with the decrease in sales during the period.

Administrative expenses

Administrative expenses	For the three-month period ended 30 June					
	2022		2023		2024	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	6.20	56.21	6.30	49.14	7.11	53.01
Professional fee	1.71	15.50	1.58	12.32	1.26	9.39
Depreciation and amortization	1.91	17.32	2.53	19.73	2.80	20.90
Employee's benefit expense	0.50	4.53	0.30	2.34	0.41	3.03
Administrative expenses	0.71	6.44	2.11	16.46	1.84	13.67
Total	11.03	100.00	12.82	100.00	13.42	100.00

Administrative expenses	For the six-month period ended 30 June					
	2022		2023		2024	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Employee expense	13.39	58.57	13.06	53.50	15.86	56.39
Professional fee	3.37	14.74	2.80	11.47	2.24	7.94
Depreciation and amortization	3.41	14.92	5.05	20.69	5.66	20.13
Employee's benefit expense	1.09	4.77	0.63	2.58	0.77	2.74
Administrative expenses	1.60	7.00	2.87	11.76	3.60	12.80
Total	22.86	100.00	24.41	100.00	28.13	100.00

The main administrative expenses are employee expenses, depreciation and amortization and professional fees. For the three-month Period Ended 30 June 2024, the Company had administrative expenses in the amount of Baht 13.42 million, slightly increased compared to the same period of previous year mainly from increased in employee expense from annual salary increases.

Net profit and net profit margin

For the three-month period ended 30 June 2024, the Company had a net profit of Baht 17.53 million, decreasing from the same period of the previous year by the amount of Baht 6.19 million or 26.08%. Net profit margin for the three-

month period ended 30 June 2024 was 7.77%, decreased compared to the same period of previous year due to decreased in revenue from sales and services and decreased in gross profit margin.

Statement of financial position

Total assets overview

As at 30 June 2024 and 31 December 2023, the Company had total assets of Baht 845.09 million and Baht 909.75 million, respectively. The details of each item can be described as follows:

Items	As at 31 December		As at 30 June		Change	
	2023		2024			
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Cash and cash equivalents	450.12	49.48	465.01	55.02	14.89	3.31
Trade and other current receivables, net	263.40	28.95	182.87	21.64	(80.54)	(30.58)
Current portion of lease receivables, net	16.60	1.83	29.18	3.45	12.57	75.73
Inventories	41.05	4.51	22.00	2.60	(19.05)	(46.42)
Other current assets	21.09	2.32	27.53	3.26	6.44	30.54
Total current assets	792.26	87.09	726.58	85.98	(65.68)	(8.29)
Restricted deposits	31.70	3.48	31.70	3.75	-	0.00
Lease receivables, net	31.35	3.45	40.01	4.73	8.66	27.63
Property plant and equipment, net	20.54	2.26	16.69	1.97	(3.86)	(18.77)
Right-of-use assets, net	21.53	2.37	18.46	2.18	(3.07)	(14.26)
Other non-current assets	12.37	1.36	11.66	1.38	(0.71)	(5.75)
Total non-current assets	117.49	12.91	118.51	14.02	1.02	0.87
Total assets	909.75	100.00	845.09	100.00	(64.66)	(7.11)

Current assets

As at 30 June 2024 and 31 December 2023, the Company had current assets of Baht 726.58 million and Baht 792.26 million, representing 85.98 percent and 87.09 percent of total assets in each year, respectively. The main current

assets were cash and cash equivalents, account receivables and other receivables and inventories each of which can be described as follows:

Cash and cash equivalents

Cash and cash equivalents increased mainly due to the payment from account receivable and other receivables during the period.

Account receivables and other receivables

Items	As at 31 December				As at 30 June	
	2022		2023		2024	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Account Receivable	236.52	95.03	258.47	98.13	170.83	93.42
Accounts receivable - related party	8.97	3.60	0.40	0.15	4.31	2.36
Accrued income	1.94	0.78	3.40	1.29	1.97	1.08
<u>Less</u> Loss allowance	(2.70)	(1.08)	(1.28)	(0.48)	(1.91)	(1.04)
Total accounts receivables - net	244.73	98.32	260.99	99.09	175.20	95.81
Prepaid expenses	3.98	1.60	2.03	0.77	6.39	3.49
Other Receivable – related party	-	-	-	-	-	-
Employee account receivable	0.17	0.07	0.05	0.02	0.40	0.22
Accrued interest - unrelated party	0.02	0.01	0.33	0.12	0.88	0.48
Total other receivables	4.17	1.68	2.41	0.91	7.67	4.19
Total account and other receivables - net	248.90	100.00	263.40	100.00	182.87	100.00

As at 30 June 2024, the Company's account receivables and other receivables decreased compared to the same period of previous year due to the payment from account receivables 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 three-month period ended 30 June					
	2022		2023		2024	
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Not yet due	21.98	8.88	43.46	16.57	135.32	76.40
Less than 3 months overdue	224.47	90.72	212.96	81.20	29.62	16.73
Overdue more than 3 months but not over 6 months	-	-	-	-	11.52	6.50
Overdue 6 months but not over 12 months	-	-	5.20	1.98	-	-
Over 12 months overdue	0.99	0.40	0.65	0.25	0.65	0.37
Total account receivables	247.43	100.00	262.27	100.00	177.11	100.00
Allowance for expected credit losses / doubtful accounts	(2.70)	(1.09)	(1.67)	(0.49)	(1.91)	(1.08)
Total account receivables - net	244.73	98.91	260.99	99.51	175.20	98.92

Inventory

As at 30 June 2024, the Company's inventories decreased compared to 31 December 2023, due to the delivery of products to customers during the period. 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.

Non-current assets

As at 30 June 2024 and 31 December 2023, the Company had non-current assets of Baht 118.51 million and Baht 117.49 million, accounting for 14.02% and 12.91% of total assets, respectively. The majority of non-current assets are restricted deposits, property, plant and equipment, and right-of-use assets, details as follow:

Property, plant and equipment

The Company's property, plant and equipment which comprise the main items such as computers and equipment, and leasehold improvements, decreased when compared to as at 31 December 2023 from depreciation during period.

Right-of-use assets

The Company recorded the office rental fee as a right-to-use asset according to the Thai Financial Reporting Standards No. 16 (IFRS16). decreased when compared to as at 31 December 2023, mainly due to amortization during period.

Liability overview

Liability structure

As at 30 June 2024 and 31 December 2023, the Company had total liabilities of Baht 159.06 million and Baht 237.06 million, respectively. Total liabilities as at 30 June 2024 decreased from as at 31 December 2023 amounting to Baht 78.00 million or 32.90%. The details of each item can be described as follows.

Items	As at 31 December		As at 30 June		Change	
	2023		2024			
	Million Baht	Percent (%)	Million Baht	Percent (%)	Million Baht	Percent (%)
Trade and other current payables	156.91	66.19	89.75	56.42	(67.16)	(42.80)
Contract liabilities - current	12.88	5.43	13.63	8.57	0.74	5.78
Other current liabilities	25.71	10.84	14.19	8.92	(11.52)	(44.80)
Non-current liabilities	195.50	82.47	117.56	73.90	(77.94)	(39.87)
Contract liabilities - non-current	12.79	5.39	16.13	10.14	3.34	26.08
Lease liabilities	16.47	6.95	13.27	8.34	(3.20)	(19.41)
Employee benefit obligations	12.30	5.19	12.10	7.61	(0.20)	(1.63)
Total non-current liabilities	41.56	17.53	41.50	26.10	(0.06)	(0.15)
Total liabilities	237.06	100.00	159.06	100.00	(78.00)	(32.90)

Current Liability

As at 30 June 2024 and 31 December 2023, the Company has current liabilities of Baht 117.56 million and Baht 195.50 million, accounting for 73.90% and 82.47% 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 30 June 2024, the Company's trade and other payables decreased from as at 31 December 2023 due to the payment to vendors during period.

Non-current liability

As at 30 June 2024 and 31 December 2023, the Company has non-current liabilities of Baht 41.50 million and Baht 41.56 million, respectively. The main non-current liabilities are contract liabilities, lease liabilities and employee benefit obligations.

Contract liabilities

Contract liabilities are caused by unearned service revenue that has not yet completed, increased when compared to as at 30 June 2024 in line with revenue from sales and service that make customers purchase more services in advance.

Lease liabilities

Lease liabilities are caused by the Company recorded office rental items as financial lease liabilities in accordance with the Notification of Financial Reporting Standard No. 16 (TFRS16). During the period, lease liabilities decreased from amortization.

Overview of Shareholders' Equity

As at 30 June 2024 and 31 December 2023, the Company had shareholders' equity of Baht 686.15 million and Baht 672.69 million, respectively. The Company's shareholders' equity as at 30 June 2024 increased by Baht 13.46 million from the Company's performance. However, the Company had dividend paid during the period amounting to Baht 46.23 million.

Analysis of key financial ratios

Items	As at/ For the year ended 31 December	As at/ For the three-month ended 30 June	
	2023	2023	2024
Liquidity ratio (times)	4.05	5.35	6.19
Quick ratio (times)	3.64	4.55	5.45
D/E ratio (times)	0.35	0.26	0.23
Cash cycle			
Average collection period (days)	87.26	81.54	79.02
Average sale period (days)	11.70	11.57	12.66
Average payment period (days)	52.66	25.68	21.14
Cash cycle (days)	46.31	67.43	70.54

Liquidity Ratio, quick Ratio and D/E Ratio

As at 30 June 2024, the liquidity and quick ratio were 6.19 times and 5.45 times, respectively, slightly increased from as at 31 December 2023 because the Company's operating profit has provided the Company with good liquidity, while its D/E Ratio was 0.23 times, a slightly decrease compared to 31 December 2023.

Cash cycle

As at 30 June 2024, the Company's cash cycle was at 70.54 days, increased from the same period of previous year by the amount of 3.11 days, mainly due to 1) the average debt collection period decreasing 2.52 days due to the payment from trad account receivables during period 2) The average selling period has slightly increased 3) the average repayment period has decreased by 4.54 days because the Company having good liquidity from the Company's operating results in 2023, the Company therefore repays debts to the product owners (Vendor) faster.