



SPREME 2024/003

Dated 9 August 2024

Re: Management Discussion and Analysis for Quarter 2/2024

To: The President  
The Stock Exchange of Thailand

Supreme Distribution Public Company Limited (“the Company”) wishes to clarify the Company’s operating result for the three-month period ended June 30, 2024, as follows:

**Overview of the Company's Performance for three-month period ended June 30, 2024**

| Key Items in<br>Income Statement | Q2-2024      | Q2-2023      | Change YoY<br>Inc/(Dec) |               | 6M2024       | Change QoQ<br>Inc/(Dec) |              |
|----------------------------------|--------------|--------------|-------------------------|---------------|--------------|-------------------------|--------------|
|                                  | MB           | MB           | MB                      | %             | MB           | MB                      | %            |
| Revenue from sales and services  | 149.24       | 174.74       | (25.50)                 | -14.59        | 128.27       | 20.97                   | 16.35        |
| Cost of sales and services       | 99.63        | 119.13       | (19.50)                 | -16.37        | 86.85        | 12.78                   | 14.72        |
| <b>Gross profit</b>              | <b>49.61</b> | <b>55.61</b> | <b>(6.00)</b>           | <b>-10.79</b> | <b>41.42</b> | <b>8.19</b>             | <b>19.77</b> |
| <i>Gross profit margin (%)</i>   | <i>33.24</i> | <i>31.82</i> |                         |               | <i>32.29</i> |                         |              |
| Total income                     | 161.98       | 177.83       | (15.85)                 | -8.91         | 138.93       | 23.05                   | 16.59        |
| Total expenses                   | 129.55       | 149.28       | (19.73)                 | -13.22        | 113.05       | 16.50                   | 14.60        |
| <b>Profit for the period</b>     | <b>28.88</b> | <b>22.44</b> | <b>6.44</b>             | <b>28.70</b>  | <b>20.49</b> | <b>8.39</b>             | <b>40.95</b> |
| <i>Net profit margin (%)</i>     | <i>17.83</i> | <i>12.62</i> |                         |               | <i>14.75</i> |                         |              |

The Company’s performance in the second quarter of 2024 has shown improvement compared to Q1-2024. However, it remains lower than Q2-2023, with both revenues and costs decreasing by approximately 15%. This decline is attributed to projects delivered and revenue recognized during the period being smaller in scale. Nevertheless, the bidding for various projects for the fiscal year 2024 commenced in June 2024.

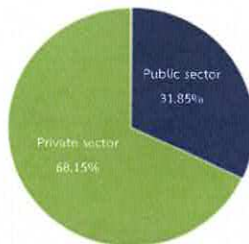
**1) Income**

The delayed approval of the government budget has resulted in a decrease in revenue from sales and services by Baht 25.50 million, or 14.59%, compared to Q2-2023. This change is primarily due to delays in key projects, such as the computer systems and equipment project for education. Procurement for the fiscal year 2024 began in June 2024, whereas in 2023, it commenced in March. However, when compared to Q1-2024, the trend is on the opposite, with an increase in revenue by Baht 20.97 million, or 16.35%. This improvement is attributed to the consulting services provided during the period and increased revenue from new operating lease agreements.

Meanwhile, the Company has other income for Q2-2024 amounting to Baht 12.74 million, an increase of Baht 9.65 million from the second quarter of 2023. This increase was generated from the return and sales of equipment upon contracts' expiration during the period. This same reason contributed to the increase of Baht 2.08 million compared to the first quarter of this year.

As of June 30, 2024, the Company's remaining sales and service contracts backlog amounted to Baht 571.11 million. The Company estimated that the deliveries of goods and services, along with revenue recognition, within 2024 will amount to Baht 235.78 million, with the remaining portion recognized gradually from 2025 to 2028. Additionally, the value of the projects that the Company expects to bid for or receive orders for is approximately Baht 1,300 million.

#### Revenue Breakdown by Customer Group and Service Recipient



For the second quarter of the year 2024, the Company had revenue from the public sector and state enterprises totaling Baht 47.53 million, or 31.85% (Q2-2023: 70.06%), and revenue from the private sector and individuals totaling Baht 101.71 million, or 68.15% (Q2-2023: 29.94%). The decrease in proportion of revenue from the public sector is due to the delay of budgets utilization for the fiscal year 2024.

## 2) Cost of Sales and Services, and Gross Profit

The cost of sales and services in Q2-2024 decreased by Baht 19.50 million, or 16.37%, aligning with the reduction in revenue. However, due to the increase in service revenue and the company's enhanced efficiency in managing the costs of sales and services, the gross profit margin for Q2-2024 improved compared to the same period in 2023. The current quarter's average gross profit margin stands at 33.24%, an increase of 1.42% from Q2-2023. Furthermore, when compared to the average gross profit margin of Q1-2024, the Company experienced an increase of 0.95%, driven by profitable service and the extension of operating lease contracts.

## 3) Net Profit

The Company had net profit for the current period of Baht 28.88 million, an increase of Baht 6.44 million compared to Q2-2023. Despite a decline in revenue for the three-month period, the higher gross profit margin, along with additional income from the sales of equipment under lease agreements and a reduction in corporate income tax expenses related to the issuance of common shares, contributed to this increase. Consequently, the net profit margin for Q2-2024 stood at 17.83%, rose by 5.21% from Q2-2023.

Furthermore, the Company's net profit increased by Baht 8.39 million compared to Q1-2024, representing a significant growth rate of 40.95%. The net profit margin also improved, rising by 3.08% from the previous quarter.

### Overview of the Company's Financial Position as of June 30, 2024

| Key Items in Statement of Financial Position | 30 June 2024    |               | 31 December 2023 |               | Inc (Dec)     |               |
|--|-----------------|---------------|------------------|---------------|---------------|---------------|
|  | MB              | %             | MB               | %             | MB            | %             |
| Cash and cash equivalents                    | 513.57          | 43.62         | 110.85           | 16.55         | 402.72        | 363.30        |
| Trade and other current receivables          | 165.99          | 14.10         | 199.79           | 29.83         | (33.80)       | -16.92        |
| Contract assets                              | 2.07            | 0.18          | 14.63            | 2.18          | (12.56)       | -85.85        |
| Lease receivables <sup>(1)</sup>             | 17.08           | 1.45          | 46.69            | 6.97          | (29.61)       | -63.42        |
| Other current assets                         | 10.19           | 0.87          | 3.69             | 0.55          | 6.50          | 176.15        |
| Equipment                                    | 273.15          | 23.20         | 97.80            | 14.60         | 175.35        | 179.29        |
| Other assets                                 | 195.30          | 16.58         | 196.31           | 29.32         | (1.01)        | -0.51         |
| <b>Total assets</b>                          | <b>1,177.35</b> | <b>100.00</b> | <b>669.76</b>    | <b>100.00</b> | <b>507.59</b> | <b>75.79</b>  |
| Trade and other current payables             | 271.15          | 82.16         | 217.99           | 74.85         | 53.16         | 24.39         |
| Lease liabilities <sup>(1)</sup>             | 25.44           | 7.71          | 28.50            | 9.79          | (3.06)        | -10.74        |
| Corporate income tax payable                 | 8.15            | 2.47          | 15.50            | 5.32          | (7.35)        | -47.42        |
| Other liabilities                            | 25.27           | 7.66          | 29.24            | 10.04         | (3.97)        | -13.58        |
| <b>Total liabilities</b>                     | <b>330.01</b>   | <b>100.00</b> | <b>291.23</b>    | <b>100.00</b> | <b>38.78</b>  | <b>13.32</b>  |
| <b>Total equity</b>                          | <b>847.34</b>   | <b>100.00</b> | <b>378.53</b>    | <b>100.00</b> | <b>468.81</b> | <b>123.85</b> |

<sup>(1)</sup> Comprehensive of current and non-current portions

### Analysis of the Company's Financial Position as of June 30, 2024

#### 1) Assets

The Company's total assets significantly increased from the year 2023 by Baht 507.59 million, or 75.79%, which comprise the major changes in asset as follows:

**Cash and cash equivalents** increased by Baht 402.72 million from the receipt of shares payment through the initial public offering (IPO) in April 2024. However, the Company also had net cash outflows of Baht 114.00 million for equipment for the operating leases during the period.



**Trade and Other Current Receivables** decreased by Baht 33.80 million, aligning with the decline in revenue and the collection of ink cartridges sales at the end of 2023.

**Contract assets** decreased by Baht 12.56 million due to the billing for services under the maintenance and repair contract for computer systems, software, and storage equipment, which the Company began providing such services in Q4-2023.

**Lease Receivables** decreased by Baht 29.61 million or 63.42%, due to lease payments received during the period. Additionally, all new lease contracts that took effect were classified as operating leases, resulting in a decrease in the outstanding finance lease receivable balance compared to the end of 2023.

**Other current assets** increased by Baht 6.50 million from the Value Added Tax credit of the lease equipment purchases.

**Equipment** the outstanding balance of equipment increased significantly by Baht 175.35 million. This was because the Company has entered into several new computer equipment rental agreements during the period. The main increase came from assets for lease, which were computer PC, All-in-One, Notebook, and portable computers (Tablets), with compatible accessories.

## 2) Liabilities

The Company's total liabilities increased by Baht 38.78 million, or 13.32%. Most of this increase is due to changes in trade and other current payables. The outstanding balance at the end of Q2-2024 of this account increased by Baht 53.16 million from the purchases of equipment for rental that have not yet due.

## 3) Shareholders' Equity

The Company's shareholders' equity increased from December 31, 2023, due to the receipt of payment for 180 million shares through the initial public offering (IPO) in April 2024. Simultaneously, retained earnings increased by Baht 49.37 million from the performance for the first half of 2024. On the other hand, the Company paid an interim dividend of Baht 33.04 million to shareholders in January 2024. Consequently, the net increase in shareholders' equity amounted to Baht 468.81 million, or 123.85%.



### **The trend in business operations for the year 2024**

Towards the end of the second quarter of 2024, several projects that had delayed bidding over the past six months began entering the procurement phase in June 2024. The Company anticipates that in the second half of the year, the government will expedite the project bidding process and the disbursement of the 2024 annual budget, and the Company will be able to deliver products and services during this period. Afterwards, the next quarter marks the approval period for the 2025 annual budget, which aligns with the regular fiscal cycle of the government. This is a typical scenario for the Company's operations, where quarterly revenues may fluctuate, but the overall annual performance remains stable and in line with the Company's target.



## Executive summary explaining the change of more than 20% in the company's operating results for the three-month period ended June 30, 2024

### Gross profit and gross margin

The Company's gross profit decreased in line with the fluctuations in revenues and costs. The total gross margin reported at Baht 49.61 million, or a decrease of 10.79% compared to Q2-2023. However, when considering the gross profit margin, Q2-2024 showed a slight growth from the same period in 2023. The current profit margin ratio stands at 33.24%, representing a 1.42% increase from Q2-2023. This improvement is attributed to the increased proportion of service project value delivered in the second quarter of 2024, coupled with the Company's ability to efficiently manage the costs of goods and services.

### Summary of operating results in Q2-2024

In summary, the net profit for the second quarter of 2024 was represented at Baht 28.88 million, an increase from the prior year of Baht 6.44 million or 28.70%. Despite a decline in revenue from sales and services, the growth in gross profit margin for the period, along with increased other income from the sale of rental equipment and reduced tax expenses as previously explained, resulted in an increase in net profit and net profit margin compared to the second quarter of 2023.

Yours Respectfully,

A blue ink signature of Mr. Panuwat Khantamoleekul, consisting of a large, stylized 'P' and 'K' followed by the initials 'om'.

(Mr. Panuwat Khantamoleekul)  
Chief Executive Officer

A blue ink signature of Mr. Panupong Khantamoleekul, consisting of a stylized 'P' and 'K' followed by the initials 'om'.

(Mr. Panupong Khantamoleekul)  
Deputy Chief Executive Officer