

Ref: AC.003/2021

1 March 2021

Subject: Management discussion and analysis of financial position and operating results

To: President and Manager
 The Stock Exchange of Thailand

Overall operating performance of the Group

Unit: Million Baht

	2020	2019	Increase (decrease)	Variance (%)
Total revenues	7,082	6,803	279	4%
Net profit	439	331	108	33%

Total revenues for the year 2020 amounted to Baht 7,082 million, an increase of Baht 279 million or a 4% increase compared to the total revenues for the year 2019, which were Baht 6,803 million. This was mainly due to the increase in revenue from the enterprise solutions business.

Net profit for the year 2020 amounted to Baht 439 million, an increase of Baht 108 million or a 33% increase compared to the net profit for the year 2019, which was Baht 331 million. It was mainly due to a decrease in administrative expenses.

Analysis of revenues

	2020		2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	1,262	18%	1,457	21%	(195)	(13%)
Enterprise solutions business	2,451	35%	1,701	25%	750	44%
Smart service business	3,078	43%	3,361	50%	(283)	(8%)
Total revenues from main business	6,791	96%	6,519	96%	272	4%
Other income	291	4%	284	4%	7	2%
Total revenues	7,082	100%	6,803	100%	279	4%

EMS business

Revenue from the Electronics manufacturing service (EMS) business for the year 2020 amounted to Baht 1,262 million, a decrease of Baht 195 million or a 13% decrease compared to the same period of the previous year, which was Baht 1,457 million. This was mainly due to the COVID-19 epidemic, causing the global economic slowdown and lowering the demand for electronic products in the world market.

Enterprise solutions business

Revenue from the Enterprise solutions business for the year 2020 amounted to Baht 2,451 million, an increase of Baht 750 million or a 44% increase compared to the same period of the previous year, which was Baht 1,701 million. This was due to income from various projects such as Smart Metro Grid system, procurement and installation of IP Core Router and DWDM equipment, electronic monitoring rental and maintenance, repair and modification of fiber optic cable network and sale of aircraft under finance lease agreement.

Smart service business

Revenue from smart service business for the year 2020 amounted to Baht 3,078 million, a decrease of Baht 283 million or an 8% decrease compared to the same period of the previous year, which was Baht 3,361 million. This was mainly due to the impacts of COVID-19, drought, storms, and flooding, reducing purchasing power of middle and lower consumers.

Gross Profit and Gross Profit Margin

	2020		2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	348	28%	264	18%	84	32%
Enterprise solutions business	520	21%	472	28%	48	10%
Smart service business	663	22%	801	24%	(138)	(17%)
Gross Profit	1,531	23%	1,537	24%	(6)	-

EMS business

Gross profit for the year 2020 amounted to Baht 348 million, an increase of Baht 84 million or a 32% increase compared to the same period of the prior year, which was Baht 264 million, and gross profit margin for the year 2020 increased from 18% to 28%. This was due to the increase in gross profit from production and assembly of electronic circuit board, as well as a decrease in cost reduction of inventories to net realisable value. The Group has implemented various measures to control production costs and manage inventories more efficiently.

Enterprise solutions business

Gross profit for the year 2020 amounted to Baht 520 million, an increase of Baht 48 million, or a 10% increase compared to the same period of the previous year, which was Baht 472 million, and gross profit margin for the year 2020 decreased from 28% to 21%. This was due to some projects which were high-value projects but had low gross profit margins, as well as an increase in the cost reduction of inventories to net realisable value.

Smart service business

Gross profit for the year 2020 amounted to Baht 663 million, a decrease of Baht 138 million, or a 17% decrease compared to the same period of the previous year, which was Baht 801 million, and gross profit margin for the year 2020 decreased from 24% to 22%. This was in line with the decline in revenue from Boonterm kiosks, as well as an increase in depreciation and repair and maintenance costs for vending machines and related spare parts.

Expenses

	2020	2019	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling expenses	117	104	13	13%
Administrative expenses	861	920	(59)	(6%)
Finance cost	87	102	(15)	(15%)
Income tax expenses	99	95	4	4%

Selling expenses

Selling expenses for the year 2020 amounted to Baht 117 million, an increase of Baht 13 million or a 13% increase compared to the same period of the previous year, which was Baht 104 million. This was due to the increase in promotional expenses for Boonterm kiosk agents.

Administrative expenses

Administrative expenses for the year 2020 amounted to Baht 861 million, a decrease of Baht 59 million or a 6% decrease compared to the same period of the previous year, which was Baht 920 million. This was due to the decrease in expenses such as doubtful debts and long-term employee benefits.

Finance cost

Financial cost for the year 2020 amounted to Baht 87 million, a decrease of Baht 15 million or a 15% decrease compared to the same period of the previous year, which was Baht 102 million. This was due to the decline in short-term borrowings and long-term borrowings.

Income tax expenses

Income tax expenses for the year 2020 amounted to Baht 99 million, which had no significant change compared to the same period of the previous year, which was Baht 95 million.

Financial position

Assets

Unit: Million Baht

	31 December 2020	31 December 2019	Increase (decrease)	% Variance
Current assets	4,309	4,076	233	6%
Non-current assets	3,513	3,541	(28)	(1%)
Total assets	7,822	7,617	205	3%

Total assets as at 31 December 2020 were Baht 7,822 million, an increase of Baht 205 million or a 3% increase compared to the total assets as at 31 December 2019, which were Baht 7,617 million. The increase was mainly due to the advance payment for goods and prepaid telephone charges of Forth Smart Service Public Company Limited.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 December 2020	31 December 2019
Trade account receivables - unrelated parties	607	641
Less: Allowance for expected credit losses (2019: Allowance for doubtful accounts)	(84)	(81)
Trade account receivables - net	523	560

As at 31 December 2020 and 2019, the Group recorded an allowance for expected credit losses amounting to Baht 84 million and Baht 81 million, respectively. The Group recognises an allowance for expected credit losses on its trade receivables, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 December 2020	31 December 2019
Inventories	1,310	1,372
Reduce cost to net realisable value	(416)	(393)
Inventories - net	894	979

As at 31 December 2020 and 2019, the Group recorded the reduction of cost to net realisable value amounting to Baht 416 million and Baht 393 million, respectively. The Group estimates net realisable value of inventories taking into the account fluctuations of price or cost directly related to events occurring after the end of the period, movements of inventories and the prevailing economic condition. Management believed that the reduce cost to net realisable value is adequate in the current circumstances.

Source of fund

Unit: Million Baht

	31 December 2020	31 December 2019	Increase (decrease)	% Variance
Current liabilities	5,136	4,920	216	4%
Non-current liabilities	458	251	207	82%
Total liabilities	5,594	5,171	423	8%
Total shareholders' equity	2,228	2,446	(218)	(9%)

Liabilities

Total liabilities as at 31 December 2020 amounted to Baht 5,594 million, an increase of Baht 423 million or a 8% increase compared to the total liabilities as at 31 December 2019, which was Baht 5,171 million. It was mainly due to an increase in advance received from customers and lease liabilities.

Shareholders' equity

The shareholders' equity as at 31 December 2020 amounted to Baht 2,228 million, a decrease of Baht 218 million or a 9% decrease, compared to the shareholders' equity as at 31 December 2019, which was Baht 2,446 million. The change was due to net profit, dividend payment to the shareholders, capital increase of non-controlling shareholders of the subsidiary, and share repurchase of the Company and the subsidiary.

The appropriate of capital structure

The debt-to-equity ratio as at 31 December 2020 was 2.5:1, increased from the debt-to-equity ratio as at 31 December 2019, which was 2.1: 1. This was due to the decrease in shareholders' equity resulting from the dividend payment to shareholders and the share repurchase of the Company and the subsidiary, as well as an increase in total liabilities resulting from the increased liabilities related to project work.

Liquidity

Cash flows

Unit: Million Baht

	2020	2019
Cash flows from (used in) operating activities	1,205	1,882
Cash flows from (used in) investing activities	(196)	(486)
Cash flows from (used in) financing activities	(949)	(1,411)

Cash flows from operating activities for the year 2020 amounted to Baht 1,205 million, a decreased of Baht 677 million compared to the same period of the previous year, which amounted to Baht 1,882 million. This was due to the increase in working capital i.e. trade and other receivables, finance lease receivables, advance payment for goods, prepaid telephone charges, inventories and trade and other payables etc.

Cash flows used in investing activities for the year 2020 amounted Baht 196 million, a decreased of Baht 290 million compared to the same period of the prior year, which amounted to Baht 486 million. This was due to the decrease in current investment, property, plant and equipment and investment in the subsidiary.

Cash flows used in financing activities for the year amounted to Baht 949 million, a decrease of Baht 462 million compared to the same period of the previous year, which amounted to Baht 1,411 million. It was due to the decrease in long-term borrowings and share repurchase of the Company and the subsidiary.

Liquidity ratio

Current ratio as at 31 December 2020 was 0.84:1, which was closed to the current ratio as at 31 December 2019, which was 0.83:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller