

Ref: AC.010/2021

17 May 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

	Q1' 2021	Q1' 2020	Increase (decrease)	Variance (%)
Total revenues	1,973	1,572	401	26%
Net profit	184	73	111	152%

The Group had total revenues for the first quarter of 2021 of Baht 1,973 million, an increase of Baht 401 million or a 26% increase compared to the total revenues for the first quarter of 2020, which was Baht 1,572 million. This was mainly due to the increase of revenue from EMS business and enterprise solutions business.

The Group had net profit for the first quarter of 2021 of Baht 184 million, an increase of Baht 111 million or a 152% increase compared to the net profit for the first quarter of 2020, which was Baht 73 million. This was mainly due to the increase of gross profit from EMS business and enterprise solutions business.

Analysis of revenues

	Q1' 2021		Q1' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	503	25%	338	22%	165	49%
Enterprise solutions business	643	33%	365	23%	278	76%
Smart service business	752	38%	789	50%	(37)	(5%)
Total revenues from main business	1,898	96%	1,492	95%	406	27%
Other income	75	4%	80	5%	(5)	(6%)
Total revenues	1,973	100%	1,572	100%	401	26%

EMS business

The Company had revenue from EMS business for the first quarter of 2021 of Baht 503 million, an increase of Baht 165 million or a 49% increase compared to the same period of the previous year which amounted to Baht 338 million. This was due to the relocation of the production base of one customer of electronic circuit board manufacturing and the sale of certain electronic components, which are not currently available in the marketplace.

Enterprise solutions business

The Company had revenue from enterprise solutions business for the first quarter of 2021 of Baht 643 million, an increase of Baht 278 million or a 76% increase compared to the same period of the previous year which amounted to Baht 365 million. This was due to the increase in government and state enterprise projects such as setting up Smart Metro Grid System, sale and installation of IP Core Router and DWDM equipment, rental of electronic monitoring devices, sale and installation of digital trunked radio system, sale and installation of fiber optic cable, etc.

Smart service business

The Company had revenue from smart service business for the first quarter of 2021 of Baht 752 million, a decrease of Baht 37 million or a 5% decrease compared to the same period of the previous year which amounted to Baht 789 million. This was mainly due to the impact of the new COVID-19 outbreak, reducing purchasing power of middle and low-end consumers.

Gross Profit and Gross Profit Margin

	Q1' 2021		Q1' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	117	23%	73	22%	44	60%
Enterprise solutions business	175	27%	86	24%	89	103%
Smart service business	158	21%	177	22%	(19)	(11%)
Gross Profit	450	24%	336	23%	114	34%

EMS business

Gross profit for the first quarter of 2021 amounted to Baht 117 million, an increase of Baht 44 million or a 60% increase from the same period of the previous year, which had a gross profit of Baht 73 million. This was in line with the increase in revenue of EMS business.

Gross profit margin for the first quarter 2021 was 23%, which had no significant change compared to the same period of the previous year, which was 22%.

Enterprise solutions business

Gross profit for the first quarter of 2021 amounted to Baht 175 million, an increase of Baht 89 million or a 103% increase from the same period of the previous year, which had a gross profit of Baht 86 million. This was in line with the increase in revenue of enterprise solutions business.

The gross profit margin for the first quarter of 2021 increased from 24% to 27% because the gross profit margin of project works realized in the first quarter of 2021 had a higher gross margin than project works realized in the first quarter of 2020.

Smart service business

Gross profit for the first quarter of 2021 amounted to Baht 158 million, a decrease of Baht 19 million or a 11% decrease from the same period of the previous year, which had a gross profit of Baht 177 million. This was in line with the decline in revenue of smart service business.

The gross profit margin for the first quarter of 2021 was 21%, which had no significant change compared to the same period of the previous year, which was 22%.

Expenses and expenses to revenues from main business

	Q1' 2021		Q1' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	23	1%	28	2%	(5)	(18%)
Administrative expenses	210	11%	214	14%	(4)	(2%)
Finance cost	19	1%	23	2%	(4)	(17%)
Income tax expenses	50	3%	24	2%	26	108%

Selling expenses

Selling expenses for the first quarter of 2021 and the ratio of selling expenses to revenues from main business were not significantly changed when compared to the same period of previous year.

Administrative expenses

Administrative expenses for the first quarter of 2021 and the ratio of administrative expenses to revenues from main business were not significantly changed when compared to the same period of the previous year.

Finance cost

Finance costs for the first quarter of 2021 and the ratio of finance costs to revenues from main business were not significantly changed when compared to the same period of the previous year.

Income tax expenses

Income tax expenses for the first quarter of 2021 amounted to Baht 50 million, an increase of Baht 26 million or a 108% increase when compared to the same period of the previous year, which amounted to Baht 24 million. It was in line with the increased profit.

Financial position

Assets

Unit: Million Baht

	31 March 2021	31 December 2020	Increase (decrease)	% Variance
Current assets	4,706	4,309	397	9%
Non-current assets	3,406	3,513	(107)	(3%)
Total assets	8,112	7,822	290	4%

Total assets as at 31 March 2021 amounted to Baht 8,112 million, an increase of Baht 290 million or a 4% increase compared to the total assets as at 31 December 2020, which amounted to Baht 7,822 million. This was due to the increase in inventories for project works and the production and assembly of electronic circuit boards. However, the prepaid telephone charges dropped due to the end of 2020, a subsidiary bought airtime from mobile operators to support mobile top-up services for customers during the New Year season.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2021	31 December 2020
Trade account receivables - unrelated parties	721	576
Less: Allowance for expected credit losses	(89)	(83)
Trade account receivables - net	632	493

As at 31 March 2021 and 31 December 2020, the Group recorded an allowance for expected credit losses amounting to Baht 89 million and Baht 83 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 March 2021	31 December 2020
Inventories	1,695	1,310
Reduce cost to net realisable value	(432)	(416)
Inventories - net	1,263	894

As at 31 March 2021 and 31 December 2020, the Group had the reduction of cost to net realisable value amounting to Baht 432 million and Baht 416 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 March 2021	31 December 2020	Increase (decrease)	% Variance
Current liabilities	5,225	5,136	89	2%
Non-current liabilities	429	458	(29)	(6%)
Total liabilities	5,654	5,594	60	1%
Total shareholders' equity	2,458	2,228	230	10%

Liabilities

Total liabilities as at 31 March 2021 amounted to Baht 5,654 million, an increase of Baht 60 million or a 1% increase compared to the total liabilities as at 31 December 2020, which amounted to Baht 5,594 million. It was mainly due to an increase in trade and other payables. However, short-term loans from banks decreased due to the repayment of the short-term loans that were matured.

Shareholders' equity

Shareholders' equity as at 31 March 2021 amounted to Baht 2,458 million, an increase of Baht 230 million or a 10% increase compared to the shareholders' equity as at 31 December 2020, which amounted to Baht 2,228 million. The increase was due to the net profit for the period.

The appropriate of capital structure

Debt to equity ratio as at 31 March 2021 was 2.3: 1, decreased when compared with the debt to equity ratio as at 31 December 2020, which was 2.5: 1. This was a result of an increase in shareholders' equity resulting from the net profit for the period.

Liquidity

Cash flows

Unit: Million Baht

	Q1' 2021	Q1' 2020
Cash flows from (used in) operating activities	238	210
Cash flows from (used in) investing activities	(41)	(22)
Cash flows from (used in) financing activities	(282)	(240)

Cash flows from operating activities for the first quarter of 2021 amounted to Baht 238 million, an increase of Baht 28 million compared to the same period of the previous year, which amounted to Baht 210 million. This was due to the increased operating profit.

Cash flows used in investing activities for the first quarter of 2021 amounted to Baht 41 million, mainly from acquisition of accessories and spare parts related to top-up kiosks. The cash flows used in investing activities for the first quarter of 2020 amounted to Baht 22 million, comprising the redemption of matured bank deposits and the acquisition of vending machines and accessories and spare parts related to the top-up kiosks.

Cash flows used in financing activities for the first quarter of 2021 amounted to Baht 282 million, mainly from repayment of short-term and long-term loans. The cash flows used in financing activities for the first quarter of 2020 was Baht 240 million, most of which was the repurchase of ordinary shares and the repayment of long-term loans.

Liquidity ratio

Current ratio as at 31 March 2021 was 0.90:1 which was closed to the current ratio as at 31 December 2020, which was 0.84:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller