

Ref. Simat 33-21

August 16th, 2021

Subject : Management Discussion and Analysis on operating result for the first quarter of year 2021

To: Managing Director of Stock Exchange of Thailand

Simat Technologies Public Company Limited would like to report the variance in operating result for the second quarter ended June 30th, 2021 compared with the same period of year 2020 as follows:

Operating Performance

Operating Performance for 3 Months.

Income Statements Unit: Million Baht	Quarter 2 (3 Month) 2021		Quarter 2 (3 Month) 2020		Change	
	Revenue from sales and services	250	100%	226	100%	24
Cost of sales and services	(149)	-59%	(168)	-74%	19	-12%
Gross profit	101	41%	58	26%	43	74%
Other income	3	1%	2	1%	1	30%
Selling and administrative expenses	(46)	-18%	(42)	-19%	(4)	9%
Profit before financial cost and income tax	59	23%	18	8%	40	219%
Financial cost	(11)	-4%	(7)	-3%	(4)	50%
Share of profit from associate	0	0%	(2)	-1%	2	-111%
Profit before income tax	48	19%	9	4%	38	409%
Income tax	(7)	-3%	(4)	-2%	(4)	112%
Net profit	40	16%	6	3%	34	589%
Portion of non-controlling interest	(8)	-3%	(3)	-1%	(5)	137%
Portion of equity holder of the Company	32	13%	2	1%	30	1210%

The consolidated net profit (Loss) (portion of the parent company) for the second quarter of year 2021 and 2020 for three months were Baht 32 million and Baht 2 million, respectively. The operating profit increased from the prior year about Baht 30 million. The Company would like to clarify the significant change in operating performance as below.

Revenue structure by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Total
Unit : Million Baht						
Quarter 2 / 2021	15 6%	42 17%	110 44%	67 27%	16 7%	251 100%
Quarter 2 / 2020	6 3%	47 21%	72 32%	78 34%	24 11%	226 100%
Change	9 156%	(4) -10%	38 53%	(10) -13%	(8) -32%	25 11%

■ Revenue from Sales and Services

Revenue from sales and services of parent and subsidiary companies for the second quarter increased from prior year about Baht 25 million or 11%. The major increase came from the revenue of Silkscreen Printing business. COVID-19 situation has made the increasing trend of “work from home” consumer behavior and caused the expansion of the usage of the electric appliances. This is a continuous increase from the previous quarter. Including increased income in the IT group business from new projects and new customers. In the part of Government Project which decreased from the same period of last year about Baht 10 million mainly due to the revenue of Phase 1 has been recognized in year 2020, then only the Phase 2 (Internet and maintenance services) would be recognized in year 2021 according to the agreement. The decrease in revenue of Broadband business for Baht 8 million and the revenue of Label business decreased about 4 million from the decrease in stainless precision stamping as the decrease in orders from the major customer because of the high production cost and price reduction from competitors.

Gross margin by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Total
Unit : Million Baht						
Quarter 2 / 2021	14 93%	10 24%	50 46%	21 32%	3 19%	99 40%
Quarter 2 / 2020	(0) -6%	12 26%	27 38%	12 15%	7 30%	59 26%
Change	14 -3784%	(2) -19%	23 83%	9 79%	(4) -57%	40 69%

■ Gross Margin

Gross margin of parent and subsidiaries companies for the second quarter increased from prior year about Baht 40 million or 69%. When consider in each segment, the gross margin ratio of the Government Project increased from 15% for the year 2020 to 32% for the year 2021 because the gross margin ratio of Phase 2 which is the internet and maintenance service has the higher margin than the Phase 1 which is the construction and installation.

Silkscreen Printing business has the gross margin increased from prior year about Baht 23 million or 83% from sales increase, cost per unit decrease and company cost reduction policy. Broadband business has the gross margin decreased from prior year about Baht 4 million or 57% due to the decrease in subscribers as launch of new promotion from the big player competitors. However, during the second quarter of 2021, the Company has a cooperation with FOT MSO Company Limited, which operates cable television business. This has given the company more ability to compete with competitors in 2021.

■ Financial Cost

Financial cost increased from the same period of last year about Baht 4 million as the loan for Governmental project increased during the installation work of Phase 1 along the year 2020. However, during Quarter 2 of year 2021, the Company gradually repay such loan and has the plan to repay continuously during year 2021 from the expected installment cash receipt of Phase 2 in order to decrease the financial cost.

Operating Performance for 6 Months.

Income Statements Unit: Million Baht	Quarter 2 (6 Month) 2021		Quarter 2 (6 Month) 2020		Change	
Revenue from sales and services	504	100%	557	100%	(53)	-10%
Cost of sales and services	(309)	-61%	(408)	-73%	99	-24%
Gross profit	195	39%	149	27%	46	31%
Other income	6	1%	8	1%	(2)	-20%
Selling and administrative expenses	(99)	-20%	(92)	-17%	(7)	8%
Profit before financial cost and income tax	102	20%	65	12%	37	56%
Financial cost	(20)	-4%	(11)	-2%	(9)	78%
Share of profit from associate	0	0%	(5)	-1%	5	-102%
Profit before income tax	82	16%	49	9%	33	68%
Income tax	(16)	-3%	(10)	-2%	(6)	58%
Net profit	66	13%	39	7%	27	70%
Portion of non-controlling interest	(17)	-3%	(9)	-2%	(8)	91%
Portion of equity holder of the Company	49	10%	30	5%	19	64%

The consolidated net profit (Loss) (portion of the parent company) for the second quarter of year 2021 and 2020 for six months were Baht 49 million and Baht 30 million, respectively. The operating profit increased from the prior year about Baht 19 million or 64%. The Company would like to clarify the significant change in operating performance as below.

Revenue structure by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Total
Unit : Million Baht						
Quarter 2 / 2021	17 3%	95 19%	226 45%	133 26%	34 7%	505 100%
Quarter 2 / 2020	10 2%	108 19%	157 28%	230 41%	53 10%	558 100%
Change	7 69%	(12) -11%	69 44%	(97) -42%	(19) -36%	(52) -9%

■ Revenue from Sales and Services

Revenue from sales and services of parent and subsidiaries companies decreased from prior year about Baht 52 million or 9%. The major decrease came from the revenue from Government Project which decrease from the same period of last year about Baht 97 million mainly due to the revenue of Phase 1 has been

recognized in year 2020 then only the Phase 2 (Internet and maintenance services) would be recognized in year 2021 according to the agreement and the decrease in revenue of Broadband business for Baht 19 million. For the subsidiary companies, the revenue of Silkscreen Printing business increased about Baht 69 million due to COVID-19 situation made the increasing trend of “work from home” consumer behavior and caused the expansion of the usage of the electric appliances. And the revenue of Label business decreased about 12 million from the decrease in stainless precision stamping as the decrease in orders from the major customer because of the high production cost and price reduction from competitors.

Gross margin by business	IT Bussiness	Production and sale of Label product	Silkscreen Printing	Government Project	Broadband	Total
Unit : Million Baht						
Quarter 2 / 2021	14 85%	27 28%	101 45%	42 32%	7 20%	191 38%
Quarter 2 / 2020	0 5%	32 29%	66 42%	32 14%	20 37%	150 27%
Change	14 2782%	(5) -15%	34 51%	10 32%	(13) -65%	41 27%

■ Gross Margin

Gross margin of parent and subsidiary companies increased from prior year about Baht 41 million or 27%. When consider in each segment, the gross margin ratio of the Government Project increased from 14% for the year 2020 to 32% for the year 2021 because the gross margin ratio of Phase 2 which is the internet and maintenance service has the higher margin than the Phase 1 which is the construction and installation.

Silkscreen Printing business has the gross margin increased from prior year about Baht 34 million or 51% as sales increased and cost per unit decreased. Broadband business has the gross margin decreased from prior year about Baht 13 million or 65% due to the decrease in subscribers as launch of new promotion from the big player competitors. However, during the second quarter of 2021, the Company has a cooperation with FOT MSO Company Limited, which operates cable television business. This has given the company more ability to compete with competitors in 2021.

■ Financial Cost

Financial cost increased from the same period of last year about Baht 9 million as the loan for Governmental project increased during the installation work of Phase 1 along the year 2020. However, during Quarter 1 and 2 of year 2021, the Company gradually repay such loan and has the plan to repay continuously during year 2021 from the expected installment cash receipt of Phase 2 in order to decrease the financial cost.

Financial Position

The overview of the Company's financial position as at June 30th, 2021 compared with December 31st, 2020 are as follow.

Consolidated Balance Sheet						
Unit: Million Baht	30 June 2021		31 December 2020		Change	
Assets						
Current assets						
Cash and cash equivalent	36	2%	162	9%	(126)	-78%
Trade and other debtors - net	229	13%	203	12%	26	13%
Contract assets	292	17%	159	9%	133	84%
Cost of government project - net	-	0%	13	1%	(13)	-100%
Inventories - net	119	7%	78	5%	41	53%
Advance for government project	-	0%	2	0%	(2)	-100%
Total current assets	676	39%	617	36%	59	10%
Non-current asset						
Non-current financial assets	119	7%	119	7%	-	0%
Non current contract assets - net	81	5%	79	5%	2	3%
Investment in associate	31	2%	31	2%	-	0%
Plant, property and equipment - net	175	10%	159	9%	16	10%
Right-of-use-assets-net	54	3%	62	4%	(8)	-13%
Optical fiber network and equipment	386	22%	408	24%	(22)	-5%
Fiber network construction in process	-	0%	12	1%	(12)	-100%
Goodwill	126	7%	126	7%	-	0%
Other non-current assets	103	6%	102	6%	1	1%
Total non-current assets	1,075	61%	1,098	64%	(23)	-2%
Total assets	1,751	100%	1,715	100%	36	2%

Consolidated Balance Sheet						
Unit: Million Baht						
	30 June 2021		31 December 2020		Change	
Liabilities and shareholder's equity						
Liabilities						
Current liabilities						
Bank over-draft and short-term loan	234	13%	318	19%	(84)	-26%
Trade and other creditors	138	8%	263	15%	(125)	-48%
Current portion of financial lease liabilities	-		-		-	
due within 1 year	19	1%	19	1%	-	0%
Current portion of long-term loan	-		-		-	
due within 1 year	156	9%	143	8%	13	9%
Current portion of payable for purchase	-		-		-	
of investment due within 1 year	-	0%	13	1%	(13)	-100%
Other current liabilities	16	1%	15	1%	1	7%
Total current liabilities	563	32%	771	45%	(208)	-27%
Non-current liabilities						
Financial lease liabilities - net	29	2%	32	2%	(3)	-9%
Long-term loan - net	197	11%	236	14%	(39)	-17%
Other non-current liabilities	17	1%	17	1%	-	0%
Total non-current liabilities	243	14%	285	17%	(42)	-15%
Total liabilities	806	46%	1,056	62%	(250)	-24%
Shareholder's equity						
Paid-up share capital	603	34%	527	31%	76	14%
Paid-in capital in excess of par	220	13%	69	4%	151	219%
Legal reserve	3	0%	2	0%	1	50%
Unappropriated retained earnings	16	1%	(32)	-2%	48	-150%
Other components	(53)	-3%	(52)	-3%	(1)	2%
Total equity of the parent company	789	45%	514	30%	275	54%
Non-controlling interests	156	9%	145	8%	11	8%
Total shareholder's equity	945	54%	659	38%	286	43%
Total liabilities and shareholder's equity	1,751	100%	1,715	100%	36	2%

■ Assets

Assets changed as below.

Cash and cash equivalent balance declined from year-end 2020 about Baht 126 million as last year the Company had just received the installment cash receipt of Phase 1 installment no. 3 for Baht 136 million. And at the beginning of year 2021, the Company repaid the loan principal to the bank and accounts payable of the project.

Contract assets increased from year-end 2020 about Baht 133 million due to the receivable balance which is recognized for Quarter 1 and Quarter 2 of 2021 for the maintenance service of phase 2 according to the contract of government project.

Cost of government project decreased from year-end 2020 due to the reclassification of the remain balance of the cost of government project to inventories as the installation of phase 1 had completed.

Inventories increased from year-end 2020 about Baht 41 million or 53% because the raw materials, work in process and finished goods of Hinsitsu group increased about Baht 28 million from the sales increase. And the cost of government project had been reclassified to inventories for Baht 13 million.

Fiber network construction in process decreased from year-end 2020 about Baht 12 million as the remaining balance was transferred to the fiber network asset due the delivery and inspection of Phase 1 installment no. 4 had been completed within the Quarter 1 of year 2021.

■ Liabilities

Liabilities decreased about Baht 250 million or 24% mainly due to the loan repayment for government project as the Company just received the installment payment for Phase 1 installment no.3 and received from increase share capital. Moreover, Hinsitsu group repaid the long-term loan during the period as well.

■ Shareholder's Equity

Equity of the Company and subsidiaries increased approximately Baht 286 million from the end of year 2020 or approximately 43%. During the second quarter, the company issued additional shares (RO) approximately Baht 223 million and exercised warrants (ESOP -W2) approximately Baht 3 million. Also increased due to profit during the period in the part of the parent company and minority shareholders' equity approximately Baht 66 million. And decreased from dividend payment of subsidiaries for non-controlling interests approximately Baht 6 million.

Cash Flow

Cash flow of the Company and subsidiaries for the Quarter 2 of 2021 has net decrease of Baht 125 million from end of year 2020 while Quarter 2 of 2020 has net increase of Baht 2 million from end of year 2019.

Cash Flow (Million baht)	Operating activities	Investing activities	Financing activities	Net increase (decrease)
Quarter 2 / 2021	(176)	(34)	85	(125)
Quarter 2 / 2020	(13)	(89)	104	2

Baht 176 million of net cash outflow from operating activities during first half of year 2021 was from the increase of contract assets by the revenue recognition of the government project according to the contract but no cash receipt yet, the decrease of accounts payable from the repayment to creditors of government project during the period and the increase in inventories balance of Hinsitsu Group.

Baht 34 million of net cash outflow from investments activities during first half of year 2021 was from the decrease of cash used in investment in machineries of the subsidiary approximately Baht 32 million.

Baht 85 million of net cash inflow from financing activities during first half of year 2021 was from the increase of the Company's capital shares (RO) and the exercised warrants (ESOP-W2) approximately Baht 226 million and decrease from repayment of bank loans from government projects. Payment of loans from other parties and repayment of loan repayments over the period of the subsidiary and pay dividends to non-controlling interests.

Best regards,

(Mr. Boonlerd lewpornchai)
CEO / Director