

23 February 2021

Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

Although the economic situation in Thailand has declined due to the situation of the Coronavirus 2019 (Covid-19) epidemic, the overall industrial project investments related to the Group's business is still being implemented according to the original plan. However, there may be postponements for the delivery period of goods and the schedule for services, the postponement of other ongoing investment projects, together with the increasing competition. As a result, the operating income of the Group for the year 2020 has decreased compared to the same period of the previous year. However, the Group has been able to maintain consistent gross profit margin.

The Group's products are fundamental products of various industrial projects. The Group continues to receive orders from customers. The amount of works that has not yet been delivered at the end of the fourth quarter of 2020 is approximately Baht 337 million, an increase of 19% compared to the end of the previous year. The Group maintains a solid financial structure, continuous operating cash flows, having a good liquidity ratio and a low debt to equity ratio. The Group has continued to operate and has not scaled down the business.

Consolidated Financial Performance for the year of 2020

Operating Income			
(Thousand Baht)	2020	2019	%Chg.
Revenues from contracts with customers	538,294	855,634	(37%)
Other income	3,673	6,763	(46%)
Total Operating Income	541,967	862,397	(37%)

Revenues structure						
	2020		2019		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<u>Revenue from sales and services</u>						
Crane and Electric Hoist	252,097	47%	474,815	55%	(222,718)	(47%)
Loading Dock and Equipment	110,673	20%	139,141	16%	(28,468)	(20%)
Warehouse management system and Equipment	2,895	1%	43,107	5%	(40,212)	(93%)
Total revenue from sales and services	365,665	67%	657,063	76%	(291,398)	(44%)

Revenues structure (continued)						
	2020		2019		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from after sale services						
Crane and Electric Hoist	139,903	26%	168,213	20%	(28,310)	(17%)
Loading Dock and Equipment	32,480	6%	30,195	3%	2,285	8%
Training center	246	0%	163	0%	83	51%
Total revenue from after sale services	172,629	32%	198,571	23%	(25,942)	(13%)
Other income	3,673	1%	6,763	1%	(3,090)	(46%)
Total Operating Income	541,967	100%	862,397	100%	(320,430)	(37%)

Total operating income for the year of 2020 of the Group were Baht 542 million decreased from prior year of Baht 320 million or 37%. This is affected by the impact of the Coronavirus 2019 (Covid-19) epidemic, resulted in the postponement for the delivery period of goods and the schedule for services, the postponement of other ongoing investment projects, and the increasing competition. Each type of business can be analyzed as follows.

- Crane and Electric Hoist: The portion of revenue was 47% of total revenues. The revenue from sales and services decreased from prior year by Baht 223 million or 47%. The main customers were Power plant, Automotive and Petrochemical business sector.
- Loading Dock and Equipment: The portion of revenue was 20% of total revenues. The revenue from sales and services decreased from prior year by Baht 28 million or 20%. The main customers were Warehouse and Hypermarket business sector.
- Warehouse management system and Equipment: The portion of revenue was 1% of total revenues. The revenue from sales and services decreased from prior year by Baht 40 million or 93%. The main customer was Hypermarket business sector.
- After sale services: The portion of revenue was 32% of total revenues which decreased from crane and hoist segment of Baht 28 million or 17%, the main customers were Automotive and Steel and Aluminum business sector, and increased from loading dock and equipment segment of Baht 2 million or 8%, the main customers were Hypermarket business sector.

During the first quarter of 2020, the Company received dividend of Baht 22.5 million from its subsidiary, which this transaction had been eliminated in the consolidated financial statements.

As at December 2020, the Group had revenues backlog of Baht 337 million, which increased by Baht 54 million or 19% compared to prior year, such backlog will gradually be recognized as revenues from 2021 onward. The Company has also received sale orders from customers continuously.

Operating Expenses			
(Thousand Baht)	2020	2019	%Chg.
Cost of sales and services	381,075	611,981	(38%)
Selling expenses	29,913	37,223	(20%)
Administrative expenses	78,956	88,746	(11%)
Total Operating Expenses	489,944	737,950	(34%)

Total operating expenses for the year of 2020 of the Group were Baht 490 million decreased from prior year of Baht 738 million or 34%. The mainly causes due to

- Cost of sales and services decreased in line with the decrease of revenues from contracts with customers.
- Selling expenses decreased mainly due to the decrease in commission expenses which in line with the revenue. Post-employee benefits expenses decreased because in the second quarter of 2019, the Group had increased employee benefit expenses from the effect of 400 days post-employment compensation under the Labor Protection Act.
- Administrative expenses decreased mainly due to the decrease in bonus expenses which in line with the operating results. Post-employee benefits expenses decreased because in the second quarter of 2019, the Group had increased employee benefit expenses from the effect of 400 days post-employment compensation under the Labor Protection Act.

Other Items			
(Thousand Baht)	2020	2019	%Chg.
Finance income	2,106	2,978	(29%)
Finance cost	(166)	(217)	(24%)
Income tax expenses	(10,815)	(25,617)	(58%)
Total Other Items	(8,875)	(22,856)	(61%)

- Finance income and finance cost had no significant change.
- Income tax expenses decreased in line with the operating profits.

Profitability Analysis			
(Thousand Baht)	2020	2019	%Chg.
Gross profit	157,219	243,653	(35%)
Gross profit margin	29%	28%	
Net profit	43,149	101,591	(58%)
Net profit margin	8%	12%	
Total comprehensive income	43,149	103,565	(58%)
Basic earnings per share (Baht)	0.07	0.17	(59%)

- Gross profit for the year 2020 decreased from prior year of Baht 86 million or 35% which decreased as the revenue from contracts with customers decreased. The gross profit margin for the year 2020 was 29% increased from prior year by 1%.
- Net profit for the year 2020 decreased from prior year of Baht 58 million or 58% and net profit margin for the year 2020 was 8% which decreased from prior year by 4% in line with the decrease of revenue and gross profit.

Consolidated Financial Position for year of 2020

Financial Position			
(Thousand Baht)	2020	2019	%Chg.
Total Assets	1,023,451	1,120,767	(9%)
Total Liabilities	175,191	255,656	(31%)
Total Shareholders' Equity	848,260	865,111	(2%)

- Total assets decreased of Baht 97 million or 9%. The mainly causes due to
 - Cash and cash equivalent increased amounting to Baht 183 million as from net cash received from the Group's operations of Baht 124 million. Net cash received from investments in trading securities amounting to Baht 86 million. Cash received from maturity of long-term deposits of Baht 50 million. However, the Company paid dividends of Baht 60 million and paid for investments in fixed assets of Baht 18 million.
 - Trade accounts receivable decreased from debt collections and in line with the decrease of revenues.
 - Inventories decreased from goods in transit and work in progress since the handovers have been completed during the year.
 - Other current assets decreased from the collecting of performance guarantee from trade receivables.
- Total liabilities decreased of Baht 80 million or 31% mainly due to repayment of trade and other payables. Income tax payable and accrued bonus expenses decreased in line with the operating results. However, deposit received in advance increased in line with the increase of backlog revenue.
- Total shareholders' equity decreased of Baht 17 million or 2% which increased from net profit of the year of Baht 43 million and decreased from dividend payment of Baht 60 million.

Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	2020	2019
Net cash from operating activities	124,293	104,582
Net cash from (used in) investing activities	120,538	(1,508)
Net cash used in financing activities	(61,927)	(51,154)
Net increase in cash and cash equivalents	182,904	51,920
Beginning cash and cash equivalents	170,136	118,216
Ending cash and cash equivalents	353,040	170,136

For the year of 2020, the Group had net increase in cash and cash equivalent of Baht 183 million from the beginning balance of Baht 170 million. As a result, cash and cash equivalents at the end of the year was Baht 353 million. Details of cash flows by activities during the year were as follows:-

- Net cash from operating activities were Baht 124 million.
- Net cash from investing activities were Baht 121 million mainly from net cash received from investments in trading securities amounting to Baht 86 million, cash received from maturity of long-term deposits of Baht 50 million and paid for investments in fixed assets of Baht 18 million.
- Net cash used in financing activities were Baht 62 million mainly due to dividend payment of Baht 60 million.

Ratios Analysis		
	2020	2019
Return on Asset (%)	5.05%	11.75%
Return on Equity (%)	5.04%	12.13%
Current ratio (x)	6.04	3.87
Total debt to equity (x)	0.21	0.30

Return on asset and return on equity decreased by 6.70% and 7.09%, respectively, due to the decrease of profit, compared to prior year.

Current ratio increased by 2.17x and debt to equity ratio decreased 0.09x. This was due to an increase in current assets mainly from cash and cash equivalent. In addition, current liabilities decreased from trade payables and other payables, income tax payable and accrued bonus expenses.