

10 August 2021

Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

From the economic condition in Thailand that still does not recover due to the impact of the situation of the coronavirus infection (Covid-19) that began spreading since late Q1'2020 continued to the present. This greatly affects the operations of various business sectors and cannot be avoided. Nevertheless, the overall investment in industrial projects related to the Group's business, is still ongoing as planned but there may be a slowdown in the process, as well as having greatly increased competition. As a result, the Group's operating income for the six-month period of 2021 decreased slightly. However, the Group's operating income in the second quarter of 2021 increased by 15% compared to the same period last year.

In addition, due to the impact of price competition that has increased significantly from the current epidemic situation. As a result, the Group has to adjust the strategy of setting the selling price in accordance with the environmental factors, coupled with a Thai baht depreciation and a significant increase in steel prices in the market, causing the cost of the product to increase. Resulting in the decrease of gross profit margin. However, the Group continues to manage expenses in all aspects to be efficient. As a consequence, the Group still has operating profits under the current Thai economic situation.

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 second quarter of 2021 is approximately Baht 405 million, an increase of 20% 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 second quarter and six-month period of 2021

Operating Income						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2021	2Q 2020	%Chg.	6M 2021	6M 2020	%Chg.
Revenues from contracts with customers	111,811	97,615	(15%)	202,676	222,916	(9%)
Other income	131	558	(77%)	413	974	(58%)
Total Operating Income	111,942	98,173	14%	203,089	223,890	(9%)



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Revenues structure						
	6M 2021		6M 2020		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales and services						
Crane and Electric Hoist	100,640	50%	108,285	48%	(7,645)	(7%)
Loading Dock and Equipment	37,413	18%	46,901	21%	(9,488)	(20%)
Warehouse management system and Equipment	-	0%	988	1%	(988)	(100%)
Total revenue from sales and services	138,053	68%	156,174	70%	(18,121)	(12%)
Revenue from after-sale services						
Crane and Electric Hoist	48,481	24%	51,040	23%	(2,559)	(5%)
Loading Dock and Equipment	16,119	8%	15,575	7%	544	3%
Training center	23	0%	127	0%	(104)	(82%)
Total revenue from after-sale services	64,623	32%	66,742	30%	(2,119)	(3%)
Other income	413	0%	974	0%	(561)	(58%)
Total Operating Income	203,089	100%	223,890	100%	(20,801)	(9%)

Total operating income for the second quarter of 2021 of the Group was Baht 112 million, an increase of Baht 14 million or 14% from the same period of the previous year, increasing from the crane and electric hoist sales segment, and loading dock and equipment sales segment. The revenue recognition of the Group's sales segment is based on the delivery schedule of each project.

Total operating income for the six-month period of 2021 amounted to Baht 203 million, a decrease of Baht 21 million or 9% from the same period last year, decreasing from the crane and electric hoist sales segment, loading dock and equipment sales segment and the after-sales services segment for cranes and electric hoists. This is mainly due to the impact of the economic conditions mentioned above. Resulting in the postponement of the project delivery period and the postponement of the service schedule according to the plan, together with the increasing competition.

During the first quarter of 2021, the Company received dividend of Baht 7.5 million from its subsidiary, which this transaction had been eliminated in the consolidated financial statements.

As at June 2021, the Group had revenues backlog of Baht 405 million, which increased by Baht 68 million or 20% compared to prior year, such backlog will gradually be recognized as revenues from the third quarter of 2021 onward.



Operating Expenses						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2021	2Q 2020	%Chg.	6M 2021	6M 2020	%Chg.
Cost of sales and services	81,252	60,309	35%	139,538	141,071	(1%)
Selling expenses	6,626	6,904	(4%)	13,442	14,462	(7%)
Administrative expenses	21,281	18,325	16%	38,664	39,452	(2%)
Total Operating Expenses	109,159	85,538	28%	191,644	194,985	(2%)

Total operating expenses for the second quarter of 2021 of the Group were Baht 109 million, increased from the same period of prior year of Baht 85 million or 28%. Total operating expenses for the six-month period of 2021 were Baht 192 million, decreased from the same period of prior year of Baht 195 million or 2%. The mainly causes due to

- Cost of sales and services were in line with revenue from contracts with customers.
- Selling expenses had not changed significantly.
- Administrative expenses for the second quarter of 2021 increased due to foreign exchange losses from the Thai baht depreciation, letter of guarantee fee for large projects to customers, and bonus expenses for directors approved during the second quarter while last year approved in the third quarter.

Other Items						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2021	2Q 2020	%Chg.	6M 2021	6M 2020	%Chg.
Finance income	387	532	(27%)	717	1,218	(41%)
Finance cost	(22)	(45)	(51%)	(49)	(93)	(47%)
Income tax expenses	(648)	(2,595)	(75%)	(2,421)	(5,965)	(59%)
Total Other Items	(283)	(2,108)	(87%)	(1,753)	(4,840)	(64%)

- Income tax expenses decreased in line with the operating profits.



Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q	2Q	%Chg.	6M	6M	%Chg.
	2021	2020		2021	2020	
Gross profit	30,559	37,306	(18%)	63,138	81,845	(23%)
Gross profit margin	27%	38%		31%	37%	
Net profit	2,500	10,527	(76%)	9,692	24,065	(60%)
Net profit margin	2%	11%		5%	11%	
Basic earnings per share (Baht)	0.004	0.018	(78%)	0.016	0.040	(60%)

- Gross profit and gross profit margin for the second quarter and for the six-month period of 2021 were lower due to the significantly increase of price competition from the current epidemic situation. As a result, the Group has to adjust the strategy of setting the selling price in accordance with the environmental factors. In addition, there was an effect of the Thai baht depreciation and the significant increase in steel prices in the market, causing the cost of the product to increase.
- Net profit and net profit margin for the second quarter and for the six-month period of 2021 decreased in line with lower revenue and gross profit.

Consolidated Financial Position for the six-month period of 2021

Financial Position			
(Thousand Baht)	June 2021	December 2020	%Chg.
Total Assets	1,034,008	1,023,451	1%
Total Liabilities	218,056	175,191	24%
Total Shareholders' Equity	815,952	848,260	(4%)

- Total assets increased of Baht 11 million or 1% mainly due to
 - Cash and cash equivalent decreased amounting to Baht 43 million, mainly due to the dividend payment during the second quarter.
 - Trade accounts receivable decreased mainly due to debt collections during the period.
 - Inventories increased from raw materials and work in progress to prepare for delivery. This is in line with the increasing revenue backlog.
- Total liabilities increased by Baht 43 million or 24% mainly due to trade accounts payable which increased with orders to support orders from customers and was in line with the increasing revenue backlog.
- Total shareholders' equity decreased of Baht 32 million or 4% which decreased from dividend payment of Baht 42 million and increased from net profit of the period of Baht 10 million.



Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	6M 2021	6M 2020
Net cash from operating activities	9,381	94,712
Net cash from (used in) investing activities	(9,485)	134,888
Net cash used in financing activities	(42,741)	(61,122)
Net increase (decrease) in cash and cash equivalents	(42,845)	168,478
Beginning cash and cash equivalents	353,040	170,136
Ending cash and cash equivalents	310,195	338,614

For the six-month period of 2021, the Group had net decrease in cash and cash equivalent of Baht 43 million from the beginning balance of Baht 353 million. As a result, cash and cash equivalents at the end of the period was Baht 310 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities were Baht 9 million.
- Net cash from investing activities were Baht 9 million mainly from payment for investments in fixed assets.
- Net cash used in financing activities were Baht 43 million mainly due to dividend payment during the period.

Ratios Analysis		
	6M 2021	6M 2020
Return on Asset (%)	3.50%	13.43%
Return on Equity (%)	3.46%	13.70%
Current ratio (x)	4.48	4.59
Total debt to equity (x)	0.27	0.25

Return on asset and return on equity decreased by 9.93% and 10.24%, respectively, due to the decrease of profit compared to same period of previous year.

Current ratio and total debt to equity ratio had no significant changes.

