

Management Discussion and Analysis 2016

Performance Overview

In 2016, Samart Corporation Public Company Limited (“SAMART”) earned Baht 13,884 million in total revenues, decreased by 25.30% from the previous year. Revenues from sales, contract works and services decreased to 13,676 million as compared to 18,366 in the prior year, or decreased by 25.54%. The main reason was lower sales from Mobile Multimedia business and less-than-expected income from Technology Related Services.

In 2016, the Company spent Baht 13,358 million, which was Baht 3,588 million or 21.17% less than 2015. The main reason was the cost reduction of sales, commissions, and services which stood Baht 11,040 million or Baht 3,295 million less than Baht 14,335 million in 2015. Last year’s gross profit margin was 18.98%, decreased from 21.69% in the previous year. This was the result of decreasing profit from Mobile Multimedia business, affected from reduced consumption and intense competition among mobile handset players. Nevertheless, the Company’s selling and administrative expense was Baht 2,239 million, decreased by Baht 315 million from the previous year.

In 2016, financial cost was Baht 502 million in total, which was 7.07% less. Income tax expense was Baht 59 million, Baht 48 million less, which corresponds to the lower before-tax profit.

As for consolidated net profit, the shareholder’s net profit was Baht 71 million. It was decrease from the prior year because of lower profit from Mobile Multimedia, ICT Solution and Service and Technology Related Services.

Consolidated Operating Results

In 2016, the Company earned a total of Baht 13,676 million from sales, contract works and services, which was 25.54% fall from the prior year.

Revenues from sales, contract works and services breakdown

Line of Business	FY 2016 (million baht)	FY 2015 (million baht)	% Change
ICT Solution and Service	5,721	5,716	0.09%
Mobile Multimedia	3,366	7,730	-56.46%
Call Center	962	988	-2.63%
Utilities and Transportations	3,350	2,991	12.00%
Technology Related Services	684	1,546	-55.76%
Adjustment and Transactions	-407	-605	-32.73%
Revenues from sales, contract works and services (before eliminated of related parties transaction)	13,676	18,366	-25.54%

ICT Solution and Service Business (“SAMTEL”)

In 2016, ICT Solution and Service earned Baht 5,721 million of revenues from sales, contract works and services, about the same level as the previous year. SAMTEL has signed new contracts totaling up to more than Baht 7,000 million. For example, Baht 2,639 million for a rental core business software from the Provincial Electricity Authority (PEA), Baht 298 million for providing security network system services to the Industrial Estate Authority of Thailand, and Baht 170 million for cloud computing system improvement project for the Ministry of Justice (MOJ). In addition, the Company still has year-end backlogs of Baht 8,777 million.

Mobile Multimedia Business (“SIM”)

Sales and service income decreased significantly in this year. This resulted from the decrease in mobile phone business revenue because of lower average selling price and number of sales, in addition to the intense competition in the mobile handset market among the handset players and mobile service providers.

Call Center Business (“OTO”)

In 2016, One to One Contacts Public Company Limited (“OTO”) achieved Baht 962 million from sales and services, slightly less than the previous year. This was due to the company’s main focus on improving services, including fully outsourced contact center management service, contact center facility outsourced, customer service representative outsourced, and maintenance service. As a result, net profit margin increased from 14.30% to 17.00% in 2016. And in 2017, the Company will continue to focus on expanding the business to an international level and providing new services to fully meet customers’ expectations.

Non-Listed Businesses

Utilities and Transportations Business

One of the contributing factors to the company’s growth is Utilities and Transportations business. Revenues from sales, contract works and services increased from Baht 2,991 million to Baht 3,350 million, a change of 12.00%. Higher revenues in 2016 was a result of the success of Cambodia Air Traffic Service’s (“CATS”) air traffic control business. Air traffic increased from 86,616 flights to 95,715 flights over the last year, or increased by 10.50%. In addition, the Company’s goal is to expand Utilities and Transportations business. As of now, Samart U-Trans Group or SUT is considering power plant projects both in Thailand and neighboring countries. Possibilities include waste-to-energy power plant, coal-fired power plant, hydroelectric power plant, and transmission line business. The Company has been granted permission from the Cambodian government to build a 2,000 MW coal-fired power plant in Koh Kong. The Company is now in the negotiation process with the Electricity Generating Authority of Thailand or EGAT (the main off taker of electricity).

Technology Related Services Business

Revenues from sales, contract works and services of Technology Related Services decreased from Baht 1,546 million to Baht 684 million in 2016. The main reason was Samart Engineering Company's ("SE") decreased revenue due to reduced purchase of digital television set-top-box. Therefore revenue decreased by 44.50% compared to the prior year. However, Vision and Security System's ("VSS") revenue increased by 49.36%, thanks to more than Baht 700 million of new projects.

Financial Statement

Assets

As of 31 December 2016, the Company's total assets were Baht 25,216 million, decreased by Baht 2,101 million or 7.69% from the previous year. Current assets were Baht 17,044 million, decreased by Baht 2,345 million due to the decrease in trade and other receivables. However, non-current assets increased from Baht 7,928 million to Baht 8,172 million. Cash and cash equivalent increased from Baht 1,999 million to Baht 2,211 million, which is 10.60% change.

Trade and Other Receivables

As of 31 December 2016, the Company had total trade receivables of Baht 8,998 million, Baht 1,929 million less than the previous year. The decrease resulted from Mobile Multimedia and ICT Solution and Service business.

Debt-to-Equity Ratio

As of 31 December 2016, debt-to-equity ratio decreased from 2.28 times to 2.19 times, while interest-bearing debt-to-equity ratio decreased from 1.75 times to 1.67 times. The main reason was the decrease in bank overdraft and short-term borrowings from financial institutions and debentures.

Liquidity

As of 31 December 2016, current ratio (total current assets over total current liabilities) was at 1.24 times which is the same level as the prior year.

The Company's cash flow resulting from operating activities was Baht 3,622 million. Cash flow used in investing activities was Baht 1,773 million. And cash flow used in financing activities was Baht 1,665 million. As a result, cash and cash equivalent increased by 212 million baht and stood at Baht 2,210 million.

Sources of Fund

As of 31 December 2016, the Company and subsidiary companies had a total shareholders' equity of Baht 7,907 million, decreased from the previous year by Baht 411 million. Unappropriated retained earnings were Baht 5,105 million.

The Company's debt decreased to Baht 17,309 million as a result of the decrease in bank overdraft, short-term borrowings from financial institutions, and debentures.