

2017 Management Discussion and Analysis

Performance Overview

In 2017, Samart Corporation Pcl., or SAMART, had a total revenue of 13,130 million baht. Decreased from 2016 by 5.42%. In 2017, the revenue from sales, contracted work and services decreased from 13,675 to 13,023 million baht or 4.77%. The decrease was due to reduced sales in the Digital business (formerly Mobile Multimedia business) since last year the corporate adjusted the business direction to be more stable and sustainable. From mainly mobile phone sales to complete digital business, including Digital Network, Digital Content and Digital Solutions, especially Digital Network, which will be an important part. The corporate has collaborated with partners to develop Digital Trunked Radio and Co-Towers that will be the business' future income generator.

In 2017, the corporate had 14,443 million baht of expenses, which increased by 1,085 million baht or 8.12% from 2016. The main reason was the allowance for doubtful accounts and outdated products. The corporate has considered that this allowance was appropriate for the termination of mobile phone business. However, after-sale services are still available for customers who currently use the products. The gross profit margin was 16.74%, which decreased from 19.27% of the preceding year due to the decrease in profit from the Digital business, affected by the consumption retrenchment and extreme competition in the mobile phone market. The corporate's sale and management expenses were 1,889 million baht in total, which decreased by 350 million baht.

In 2017, there were 486 million baht of financial expenses in total, which decreased by 3.18%. The corporate loss in the shareholder part was 948 million baht. Decreased from the previous year due to the loss in the Digital business.

Operational Outcome of the Corporate and Subsidiaries

In 2017, the corporate earned 13,023 million baht from sales, contracted work and services. Decreased by 4.77% from the previous year.

Revenues from sales, contract works and services breakdown

Business	Revenue from sales, contract works and services in 2017 (million baht)	Revenue from sales, contract works and services in 2016 (million baht)	% Change
ICT Solution and Service	6,949	5,721	21.46%
Digital (formerly Mobile Multimedia)	1,334	3,336	-60.01%
Call Center	818	962	-14.97%
Utilities and Transportations	3,502	3,350	4.54%
Technology Related Services	888	684	29.82%
Adjustment and transactions	-468	-407	14.99%
Revenue from sales, contracted projects and services (<i>before transactions</i>)	13,023	13,676	-4.77%

ICT Solution and Service business (“SAMTEL”)

In 2017, ICT Solution and Service business had total of 6,949 million baht revenue from sales, contract works and services. Increased by 21.46% from the previous year. During the past year, SAMTEL signed the contracts in new projects in total of 6,355 million baht worth. Examples are 1,400 million baht Core Banking and Loan Origination system procurement and maintenance services for the Government Housing Bank, 941 million baht military telecommunication system improvement for the Royal Thai Armed Forces Headquarters, 410 million baht Backhaul transmitter capacity amplifier between the central unit and underwater cable station for CAT Telecom. At the end of the year, there were still 8,313 million baht worth of backlog of which the revenue has not been realized.

Digital business (“SDC”)

Due to the intense competition in the mobile phone market among mobile phone retailers and service providers, the revenue from sales, contract works, and services from the Digital business greatly decreased in 2017. And in the past year, the corporate decided to adjust the direction with the goal to create consistent income from investment in new businesses which include Digital Network, Digital Content and Digital Solutions.

Call Center (“OTO”)

In 2017, One To One Contacts Pcl., or “OTO”, realized 818 million baht revenue from sales, contract works, and services. Decreased by 14.97% from the previous year because of the reduction in turnkey system design, development, and installation projects. However, the company still aims to increase income from services. For example, fully outsourced contact center management service, outsourced contact center facility services, outsourced customer service representative, and maintenance service. The gross profit margin from last year was 15.0%. In 2018, the company will still be focusing on abroad market expansion and offering new services to satisfy the customers.

Non-Listed business

Utilities and Transportations business

One of the factors that drive Samart Group is the Utilities and Transportations business. This year, the revenue from sales, contract works, and services has increased from 3,350 million baht in the previous year to 3,502 million baht, or 4.53%. In 2017, the increase in sales, contract works, and services revenue resulted from the growth in air traffic control services in Cambodia, operated by Cambodia Air Traffic Services Co., Ltd. or “CATS”. This year, CATS continually sees an increase in flights from 95,715 to 109,060 flights, or 13.94%. In addition, the company aims to expand the Utilities and Transportations business. Samart U-Trans Co., Ltd. or “SUT” is studying the project feasibility of power plant projects in Thailand and neighboring countries, including waste power plant, coal power plant, hydroelectric plant, and power cable business. As for coal power plant, the company has been granted permission from the Cambodian government to build a 2,000 MW plant in Koh Kong and is about to sign the Project Development Agreement (PDA) with Cambodia. Also, the company is negotiating with the Electricity Generating Authority of Thailand or EGAT (power buyer) and MOU of Tariff signing is anticipated soon.

Technology Related Services business

The revenue from sales, contract works, and services of Technology Related Service business increased from 684 million to 888 million baht, or 29.82%, in 2017. The increase was due to the revenue increase from Vision and Security System Co., Ltd. that runs a security system and high-quality close-circuit camera installation business.

Financial Statement

Assets

As of 31 December 2017, the corporate's total asset has gone down to 22,210 million baht, a decrease of 3,006 million baht or 11.92% from the previous year. The current asset decreased by 3,202 million baht resulting in 13,842 million baht. This is due to a reduction of trade receivables, other receivables, and accrued income. However, non-current asset increased slightly from 8,172 to 8,368 million baht.

Cash and cash equivalents increased from 2,211 to 2,646 million baht, or 19.71%.

Trade and Other Receivables

As of 31 December 2017, the corporate has a total of 6,112 million baht trade receivables, which is a decrease of 2,886 million baht from the previous year. The decrease was mainly due to the Digital and ICT Solution and Service businesses.

Debt-to-Equity Ratio

As of 31 December 2017, the D/E ratio (total debt divided by equity) has increased from 2.19 times from the previous year to 2.61 times while interest-bearing debt-to-equity ratio increased from 1.67 times to 2.03 times. The main reason was the decrease in equity.

Liquidity

As of 31 December 2017, the current ratio was 1.00 time, which decreased from the previous year.

The corporate has a total of 2,429 million baht resulting from operating activities, 952 million baht net cash flow spent on investment, and 957 million baht cash flow used in financing activities, resulting in cash and cash equivalents increasing from 436 to 2,646 million baht this year.

Sources of Fund

As of 31 December 2017, the total equity of the corporate and subsidiaries was 6,150 million baht. Decreased from the previous year 1,757 million baht, while the unappropriated retained earnings was 4,087 million baht.

The corporate's total debt has decreased to 16,060 million baht from the decrease in overdraft and short-term loans from financial institutions.