



February 21, 2021

Subject: Management discussion and analysis for the year ended December 31, 2020
Attention: The President,
The Stock Exchange of Thailand

Vintcom Technology Public Company Limited (the "Company") would like to submit the management discussion and analysis of the Company's and its subsidiaries' results of operations for the year ended December 31, 2020. In addition, the Company would also like to provide clarification regarding changes of the Company and its subsidiaries' operating results more than 20% compared to the same period of last year.

Operating results

Operating results of the Company and its subsidiaries (Unit : Million Baht)	Q4/2020	Q4/2019	Changes +/-	YE 2020	YE 2019	Changes +/-
Revenue from sales and services	457	452	1.1%	2,283	1,774	28.7%
Gross profit	88	100	(11.7%)	415	383	8.3%
Other income	3	2	28.9%	10	8	28.5%
Distribution costs	(13)	(11)	20.1%	(57)	(56)	2.5%
Administrative expenses	(80)	(80)	0.7%	(238)	(236)	1.0%
Finance costs	(2)	(2)	(20.0%)	(5)	(4)	13.0%
Profit (loss) before tax	(4)	9	(148.9%)	125	95	31.2%
Net profit (loss) after tax	(1)	8	(109.6%)	106	82	30.1%
Non-controlling interests	(2)	(3)	(36.7%)	(16)	(15)	10.8%
Net profit (loss) of parent company	(3)	5	(163.1%)	90	67	34.4%
Gross profit margin	19.3%	22.1%		18.2%	21.60%	
Net profit margin	(0.7%)	1.1%		3.9%	3.7%	

Revenue from sales and services for Q4/2020 was not substantially different from Q4/2019 though gross profit margin for Q4/2020 was lower than that of Q4/2019 and the Company incurred a THB 3 million net loss in Q4/2020 (THB 5 million net profit in Q4/2019). The main reasons are as follows:

- The Company recognized loss from changes in fair value of the consideration paid for business acquisition amounting to THB 21 million (Q4/2019: THB 24 million). Under the acquisition agreement, the consideration to be paid is conditional on the amount of net profit after tax of I-Secure for the fiscal years 2020 and 2019. Following immense growth of Cyber security business, I-Secure's actual operating results and net profits were significantly better than previously anticipated at time of concluding the acquisition agreement. So the amount of consideration for business acquisition increased and the impact was recognized in the financial statements for the years 2020 and 2019 as a loss from changes in fair value of the consideration paid for business acquisition.



- The Company recognized THB 12 million loss relating to cancellation of purchase orders by a customer (Q4/2019: none), against which the Company had subsequently filed the lawsuit. This lowered Q4/2020 gross profit margin to 19.3% compared to 22.1% in Q4.2019.

However, the Company's overall operating results for the fiscal year 2020 tremendously increased from 2019. Revenue grew by 28.7%, and net profit increased by 34.4% from 2019. The Company achieved a net profit of THB 90 million in 2020 (2019: THB 67 million) even after deduction of THB 21 million loss from changes in fair value of the consideration paid for business acquisition (2019: THB 24 million), THB 16 million loss on customer's cancellation of orders, (2019: none), and the THB 11 million doubtful debts (2019: THB 0.03 million).

More details analysis are discussed below.

1. Revenue from sales and services

For the year 2020 revenue was THB 2,283 million, an increase of THB 509 million, or 28.7% from 2019. Revenue increased in both domestic and overseas regions; in particular revenue from CLM countries in 2020 was about twice as much as last year.

2. Gross profit

For the year 2020, gross profit was THB 415 million (2019: 383 Million Baht). Gross profit margin was 18.2% (2019: 21.6%). The decline in gross profit margin resulted from the increase, in proportion to total revenue, of revenue from sales and major projects with low gross profit margin in 2020, and THB 16 million loss from customer's cancellation of orders of which THB 12 million recognized in Q4/2020 as mentioned above.

3. Distribution costs

In 2020, distribution costs was THB 57 million, 2.5% increase from last year. Distribution costs was 2.5% of revenue in 2020 (2019: 3.1%). Lower percentage of distribution cost to revenue was a result of cost reduction and control measures in respect of staff expense, commission and marketing expenses.

4. Administrative expenses

Administrative expenses of 2020 was THB 238 million, slightly increase from 2019 which was THB 236 million. In general, the administrative expenses consisted of staff expense, rental and office-facility service expenses, depreciation and amortization, and loss from changes in fair value of the consideration paid for business acquisition etc. The administrative expenses was 10.4% of total revenue, which was lower than last year (13.2% in 2019) due to expenses control.

Administrative expenses of 2020 and 2019 included losses from changes in fair value of the consideration paid for the business acquisition of THB 21 million and THB 24 million, and doubtful debts of THB 11 million and THB 0.03 million, respectively.



5. Net profit and Net profit margin

Net profit was THB 90 million, an increase of THB 23 million or 34.4% from 2019. The net profit margin for 2020 was 3.9% (2019: 3.7%).

Financial Position

Assets

A majority of assets were account receivables, other receivables, cash and cash equivalent, and goodwill. Total assets as at December 31, 2020 and 2019 were THB 1,461 million and THB 1,161 million, respectively. The increase in total assets by THB 300 million, or 25.8% from 2019 was mainly due to an increase in account receivables.

Cash and cash equivalent as at December 31, 2020 and 2019 was THB 285 million and THB 261 million, respectively. Account receivables and other current receivables as at December 31, 2020 and 2019 were THB 738 million and THB 540 million, respectively. The increase in these receivables by THB 198 million was resulted from revenue from major projects realized before the end of year.

Investment in associates as at December 31, 2020 was THB 17 million. This was the investment in 22% equity interest in M Intelligence.

Goodwill amounting to THB 210 million arose from purchase of 100% shares of I-Secure.

Liabilities

95% of total liabilities was current and consisted of trade, other current payables, and payable relating to business combination which were due within one year. A significant amount of non-current liabilities was the provisions for employee benefits. Total liabilities as at December 31, 2020 and 2019 were THB 956 million and THB 654 million, respectively. The THB 302 million increase in total liabilities, or 46.16% from 2019, was mainly due to increase in short-term loans from financial institutions and account payables.

Shareholders' Equity

Total shareholders' equities as at December 31, 2020 and 2019 were THB 451 million and THB 440 million, respectively. The increase was due to net profit for 2020 amounting to THB 90 million and dividend paid during the year amounting to THB 78 million.

Please be informed accordingly.

Yours Sincerely,

(Mrs. Songsri Srirungroungjit)
Managing Director
Vintcom Technology Public Company Limited