

FS 12/2016

May 12, 2016

Subject: Management Discussion and Analysis of Financial Positions and operating results
To: Director and President
The Stock Exchange of Thailand

Forth Smart Service Public Company Limited (“FSMART”) would like to report on Management Discussion and Analysis of Financial Positions and operating results for the 1st Quarter ended March 31, 2016. The details are as follows:

1. Analysis of operating performance

Overview of business operations

	1Q16	4Q15	3Q15	2Q15	1Q15
Total receipt amount through “Boonterm kiosk” (Million Baht)	4,909	4,498	3,943	3,657	3,288
“ Boonterm kiosk” as the period ended (Kiosks)	72,475	65,867	61,076	53,840	47,392

FSMART operates principally engaged in rendering of top-up service for prepaid mobile phone and other online services through online top-up machines under the trademark of “Boonterm”. The operating systems are franchise which operate by representatives and cooperation with business partners as a project such as 7-11, Tesco Lotus, Family Mart, Tops, BTS etc. In order to increase new customers and expand number of “Boonterm kiosk” to cover nationwide especially communities areas, convenience stores, supermarkets, schools, dormitories and industrial estates. The services in “Boonterm Kiosk” can support customers of all ages and genders groups and focus on low to middle income customers who use prepaid mobile phone.

In 1Q16, the total receipt amount from rendering of top-up services and other online services through “Boonterm kiosk” had continued improving momentum at Bt4,909mn and expanded number of kiosks more than the target in 1Q16 at 72,475 kiosks. Even though, there is high competition on this year but FSMART created

impressed operating results. The net profit stood at Bt88mn, an increase of 14.3% QoQ. Resulted from operation strategies, the details are as follows:

1) Increasing number of “Boonterm kiosks”

As of March 2016, FSMART had 72,475 kiosks by continued and efficient expansion covered nationwide to meet the target at 90,000 kiosks on FY16.

2) The management of the company

2.1) Service Quality Improvement

- Variety of service applications, which as of March 31, 2016, “Boonterm kiosk” offer services through 59 applications.
- The effectiveness for rendering of the online service system “Boonterm kiosk” which is quick, accuracy and reliability, Customer service (Call Center) that can solve problems for customers in the short time for 24 hours a day as well as the active call center, which monitoring and solving problem of customer without waiting the incoming call.

2.2) Representatives’ potential Improvement

FSMART has training program for the representatives in order to improve ability in management and increasing number of the kiosks. As of March 2016, the representatives installed 6,608 kiosks which more than the target at 6,000 kiosks per quarter.

2.3) Marketing strategies

FSMART created brand awareness of “Boonterm” to find new customers through advertising media such as newspapers and online media. As of March 2016, FSMART had 18.9mn active subscribers.

Furthermore, FSMART increased the frequency of usage rate by arranging sales promotion. As a result there were tremendous satisfying feedback from customers, therefore the company decided to extend the event during the second year. As of March 2016, FSMART had over 1.5mn transactions per day.

2. Financial Summary

2.1 Income Statement

Income Statement	1Q16		4Q15		1Q15		%QoQ	%YoY
	Million Baht	%	Million Baht	%	Million Baht	%		
Income from rendering of top-up service for prepaid phone and other online service (Commission)	205	42.4%	188	41.8%	136	41.0%	9.0%	50.7%
Income from rendering of services through online top-up machines “Boonterm kiosk” (Service charge)	273	56.4%	257	57.1%	194	58.4%	6.2%	40.7%
Entrance fee income	0	0.0%	0	0.0%	1	0.3%	0.0%	-100.0%
Advertising income	6	1.2%	5	1.1%	1	0.3%	20.0%	500.0%
Total revenue from core business (4 items)	484	100.0%	450	100.0%	332	100.0%	7.6%	45.8%
Cost of services	(352)	-72.7%	(327)	-72.7%	(242)	-72.9%	7.6%	45.5%
Gross profit	132	27.3%	123	27.3%	90	27.1%	7.3%	46.7%
Service & Administrative expenses	(46)	-9.5%	(50)	-11.1%	(36)	-10.8%	-8.0%	27.8%
Operating profit	86	17.8%	73	16.2%	54	16.3%	17.8%	59.3%
Other income	29	6.0%	27	6.0%	22	6.6%	7.4%	31.8%
Sales profit	1	0.2%	1	0.2%	1	0.3%	0.0%	0.0%
Finance costs	(6)	-1.2%	(4)	-0.9%	(4)	-1.2%	50.0%	50.0%
Income tax expenses	(22)	-4.5%	(19)	-4.2%	(15)	-4.5%	15.8%	46.7%
Net profit	88	18.2%	77	17.1%	58	17.5%	14.3%	51.7%

Total revenue

FSMART total revenues from core business was Bt484mn, increasing 7.6% QoQ and 45.8% YoY, mainly from the continued growth in the number of “Boonterm kiosk” and users, the details are as follows:

1) Income from rendering of top-up service for prepaid phone and other online service (Commission) was Bt205mn, an increase of 9.0% QoQ and 50.7% YoY, mainly from the increasing number of “Boonterm kiosk”.

2) **Income from rendering of services through online top-up machines “Boonterm kiosk” (Service charge)** was Bt273mn, an increase of 6.2% QoQ and 40.7% YoY, mainly from the increasing number of “Boonterm kiosk” as mentioned above.

3) **Advertising income** was Bt6mn, an increase of 20.0% QoQ and 500.0% YoY, mainly driven by advertising income from AIS. The revenues had been recognized since the end of 2015.

4) **Other income** was Bt6mn, an increase of 20.0% QoQ and 500.0% YoY, consists of Retention received from service representatives, credit top-up amount for prepaid phone that customers have not used for a period of more than 1 year and the amount from unsuccessful money top-up for which customers did not claim the refund for more than 1 year including interest income and other income.

Cost and Expense

1) **Cost of services** was Bt352mn represented 72.7% of total revenues from core business, which has equal proportion of 4Q15, because of effective cost control.

2) **Service & Administrative expenses** was Bt352mn represented 72.7% of total revenues from core business, declined 1.6% QoQ, due to cost control improvement.

Profit

1) **Gross profit** was Bt132mn, FSMART still maintain gross profit ratio at 27.3% of total revenues from core business, which has continued improving momentum due to going along with business plan.

2) **Sales profit** was Bt1mn remained the same from last period, mainly from sales of goods which are other parts of kiosks.

3) **Net profit** was Bt88mn represented 18.2% of total revenues from core business, increasing 1.1% QoQ, due to going along with business plan and effective cost control.

2.2 Financial position

Statement of Financial position	1Q16		4Q15		1Q15	
	Million Baht	%	Million Baht	%	Million Baht	%
Current assets	765	31.2%	720	32%	45	6.3%
Non-current assets	1,684	68.8%	1,517	68%	167	11.0%
Total assets	2,449	100.0%	2,237	100%	212	9.5%
Current liabilities	1,216	49.7%	1,218	54%	(2)	-0.2%
Non-current liabilities	127	5.2%	2	0%	125	6250.0%
Total liabilities	1,344	54.9%	1,220	55%	124	10.2%
Total shareholders' equity	1,105	45.1%	1,017	45%	88	8.7%
Total liabilities and shareholders' equity	2,449	100.0%	2,237	100%	212	9.5%

As of March 31, 2016, FSMART had total assets of Bt2,449mn, increasing 9.5% QoQ, due to investing on "Boonterm kiosk"

FSMART had total liabilities of Bt1,344 mn, increasing 10.2% QoQ, Non-current liabilities were Bt127mn, mainly from long-term loan.

Total shareholders' equity was Bt1,105mn, increasing 8.7% QoQ, mainly from operating results.

2.3 Current ratio and capital structure

Financial ratio	1Q16	4Q15	1Q15
Current ratio (times)	0.63	0.59	1.19
Interest-bearing debt to equity ratio (times)	0.26	0.13	0.07
Debt to equity ratio (times)	1.22	1.20	0.67

As of March 31, 2016, FSMART had an increase of current ratio at 0.63 times but down from last year, mainly from the decreasing of current investments from Initial Public Offering (IPO).

FSMART had an increase of interest-bearing debt to equity ratio from 0.13 to 0.26, because of additional long-term loan. When debt to equity ratio remain the same at 1.22, mainly from increasing of retention received from service representatives.

3. FSMART's Directions

- Total receipt amount through “Boonterm kiosk” Bt21,000mn
- Number of “Boonterm kiosk” 90,000 kiosks covered nationwide
- Adding Money Transfer Service through “Boonterm kiosk”

The business target

FSMART forecasted that the total receipt amount through “Boonterm kiosk” would grow at CAGR at least 29% per year (2016-2018) and FSMART will increase the kiosks not less than 24,000 kiosks per year. If it accord to the plan, In 2016 FSMART will has total receipt amount through “Boonterm kiosk” at Bt21,000mn from 90,000 kiosks covered nationwide. FSMART main priorities are to focus on product improvement strategy while enhancing superior service quality, for instance managing 24-hours customer service, adding new service model such as transferring and depositing money, weighting scale and E-Wallet application through “Boonterm Kiosk”. Last but not least, FSMART is on its process on developing its new product known as the RO Kiosk and Vending Machine.

The leader of payment channel with the comprehensive network covering in Thailand

FSMART aims to be the leader of payment channel with the comprehensive network covering in Thailand. Paying attention to generate revenues growth from 5 digital retail channels such as top-up service for prepaid mobile phone business, other online services business, bill payment service, E-Commerce business and advertising business due to “Boonterm kiosk” has more than 1.5 million transactions per day including opportunity to generate sales revenues. These are guidelines from 5 digital retail channels to be the leader of payment channel that drive the operating results to grow effectively as planned.

Adding Money Transfer Service through “Boonterm kiosk”

FSMART has been appointed as the agent of the Krungthai Bank which was approved by the Bank of Thailand for money transfer service provider through “Boonterm kiosk” which opened on April 2016. The money transfer service is a critical service to facilitate and reduce travel expenses for customers in rural areas within “convenience, easy, receive money immediately” slogan. The target group of customers is a low income group who often do a cash transaction



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more than use a credit card or do an online transaction. FSMART expected that the money transfer service will generate continued revenues growth.

Please be informed accordingly.

Yours sincerely,

Forth Smart Service Public Company Limited

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Assistant managing director