

FS 16/2559

August 10, 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 2<sup>nd</sup> Quarter ended June 30, 2016. The details are as follows:

**Operational Summary in 2Q16**

- Total revenue was Bt520mn, an increase of 41.3% (YoY)
- Gross profit was Bt95mn, an increase of 41.8% (YoY)
- Number of “Boonterm” was 79,608 kiosks, increased 7,133 kiosks (QoQ)
- Total receipt amount was Bt5,332mn, increased Bt423mn (QoQ)
- 20mn active subscribers and 1.6mn transactions per day.

**Business Overview**

	2Q15	3Q15	4Q15	1Q16	2Q16
Total receipt amount through “Boonterm kiosk” (Million Baht)	3,657	3,943	4,498	4,909	5,332
“ Boonterm kiosk” as the period ended (Kiosks)	53,840	61,076	65,867	72,475	79,608

In 2Q16, FSMART’s operating results had continued its momentum even though the online top-up machines market’s competition was increased by aggressive competitors. The continuous improvement in quality of “Boonterm kiosk” and services, together with the increasing number of kiosks to 79,608 kiosks, had increased the total receipt amount to Bt5,332mn, 20mn active subscribers and over 1.6mn transactions per day.

Moreover, FSMART had been granted, by the Bank of Thailand, to be a money transfer service provider agent of Krungthai Bank through “Boonterm kiosk”. The services was launch in April 2016 and the amount of transaction has been growing steadily since.

Financial Summary

Income Statement

Income Statement	2Q15		1Q16		2Q16		%QoQ	%YoY
	Million Baht	%	Million Baht	%	Million Baht	%		
Income from rendering of top-up service for prepaid phone and other online service (Commission)	152	41.3%	205	42.4%	222	42.8%	8.3%	46.1%
Income from rendering of services through online top-up machines “Boonterm kiosk” (Service charge)	211	57.3%	273	56.4%	293	56.5%	7.3%	38.9%
Entrance fee income	1	0.3%	0	0.0%	0	0.0%	0.0%	-100.0%
Advertising income	4	1.1%	6	1.2%	5	1.0%	-16.7%	25.0%
<b>Total revenue from core business (4 items)</b>	<b>368</b>	<b>100.0%</b>	<b>484</b>	<b>100.0%</b>	<b>520</b>	<b>100.0%</b>	<b>7.4%</b>	<b>41.3%</b>
Cost of services	(267)	-72.6%	(352)	-72.7%	(385)	-74.0%	9.1%	43.8%
<b>Gross profit</b>	<b>101</b>	<b>27.4%</b>	<b>132</b>	<b>27.3%</b>	<b>135</b>	<b>26.0%</b>	<b>2.3%</b>	<b>33.7%</b>
Service & Administrative expenses	(38)	-10.3%	(46)	-9.5%	(44)	-8.5%	-4.3%	15.8%
<b>Operating profit</b>	<b>63</b>	<b>17.1%</b>	<b>86</b>	<b>17.8%</b>	<b>91</b>	<b>17.5%</b>	<b>5.8%</b>	<b>44.4%</b>
Other income	24	6.5%	29	6.0%	33	6.3%	13.8%	37.5%
Sales profit	0	0.0%	1	0.2%	1	0.2%	0.0%	100.0%
Finance costs	(3)	-0.8%	(6)	-1.2%	(6)	-1.2%	0.0%	100.0%
Income tax expenses	(17)	-4.6%	(22)	-4.5%	(24)	-4.6%	9.1%	41.2%
<b>Net profit</b>	<b>67</b>	<b>18.2%</b>	<b>88</b>	<b>18.2%</b>	<b>95</b>	<b>18.3%</b>	<b>8.0%</b>	<b>41.8%</b>

Total revenue

FSMART total revenues from core business was Bt520mn, an increase of 41.3% YoY, mainly from the continued growth in the number of “Boonterm kiosk” and top-up amount, the details are as follows:

- 1) **Income from rendering of top-up service for prepaid phone and other online service (Commission)** was Bt222mn, an increase of 46.1% YoY, mainly from the prepaid mobile revenues.
- 2) **Income from rendering of services through online top-up machines “Boonterm kiosk” (Service charge)** was Bt293mn, an increase of 38.9% YoY, mainly from the increasing in kiosk usage.
- 3) **Advertising income** was Bt5mn, increased 25.0% YoY, due to improving potential to generate advertising revenues.

4) **Other income** was Bt33mn, an increase of 37.5% 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 Bt385mn, represented 74.0% of total revenues from core business, compared to 72.6% in 2Q15 and 72.7% in 1Q16, due to the provision for impairment of certain assets that result from the termination of agent in 2015, approximately Bt3mn.

2) **Service & Administrative expenses** was Bt44mn, represented 8.5% of total revenues from core business, compared to 10.3% in 2Q15 and 9.5% in 1Q16, due to effective cost control.

#### Profit

1) **Gross profit** was Bt135mn, represented 26.0% of total revenues from core business, compared to 27.4% in 2Q15 and 27.3% in 1Q16, due to the cost of services described above.

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 Bt95mn, an increase of 41.8% YoY, represented 18.3% of total revenues from core business, compared to 18.2% in 2Q15 and 1Q16, due to effective cost management.

#### Financial Position

Statement of Financial position	1Q16		2Q16		QoQ	
	Million Baht	%	Million Baht	%	Million Baht	%
Current assets	765	31.2%	868	31.7%	103	13.5%
Non-current assets	1,684	68.8%	1,871	68.3%	187	11.1%
<b>Total assets</b>	<b>2,449</b>	<b>100.0%</b>	<b>2,739</b>	<b>100.0%</b>	<b>290</b>	<b>11.8%</b>
Current liabilities	1,216	49.7%	1,487	54.3%	271	22.3%
Non-current liabilities	127	5.2%	172	6.3%	45	35.4%
<b>Total liabilities</b>	<b>1,344</b>	<b>54.9%</b>	<b>1,659</b>	<b>60.6%</b>	<b>315</b>	<b>23.4%</b>
<b>Total shareholders' equity</b>	<b>1,105</b>	<b>45.1%</b>	<b>1,081</b>	<b>39.5%</b>	<b>-24</b>	<b>-2.2%</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,449</b>	<b>100.0%</b>	<b>2,739</b>	<b>100.0%</b>	<b>290</b>	<b>11.8%</b>

As of June 30, 2016. FSMART had total assets of Bt2,739mn, increasing 11.8% QoQ, due to investment in “Boonterm kiosk” and advance payments for mobile top-up services.

Total liabilities of Bt1,659mn, increasing 10.2% 23.4%, mainly from trade payables, short-term loans from financial institutions and retention received from service representatives.

Total shareholders’ equity was Bt1,081mn, decreasing 2.2% QoQ, mainly from the 2015 annual dividend payment on May 2016.

**Key Financial Ratio**

Financial ratio	2Q15	1Q16	2Q16
Current ratio	0.84	0.63	0.58
Interest bearing debt to Equity ratio	0.07	0.26	0.40
Debt to Equity ratio	0.83	1.22	1.53
Return on Asset	19.4%	19.8%	19.3%
Return on Equity	26.1%	33.1%	34.8%

As of June 30, 2016. FSMART had a decrease of Current ratio at 0.58 times, mainly from increasing trade payables, current portion of long-term loans and retention received from service representatives.

Interest-bearing debt to Equity ratio increased 0.40 times, because of borrowing from local banks.

Debt to Equity ratio increased 1.53 times, mainly from trade payables and borrowing from local banks.

Return on Asset stood at 19.3% similar to the same period last year because of effective management.

Return on Equity stood at 34.8% and it tends to grow steadily because of FSMART’s profitability.

### 2016 Management Outlook

- Number of “Boonterm kiosk” 90,000 kiosks covering nationwide
- Total receipt amount through “Boonterm kiosk” Bt21,000mn
- Adding new services such as ticketing service, e-money and weight scale

FSMART forecasted that the total receipt amount through “Boonterm kiosk” would grow at a CAGR of 29% per year (2016-2018) and FSMART will continue to increase the number of kiosks not less than 24,000 kiosks per year. In 2H2016, FSMART continues to target the total receipt amount through “Boonterm kiosk” at Bt21,000mn from 90,000 kiosks nationwide together with the development of new products and service quality improvement strategies.

FSMART aims to be the leader of payment channel with the most comprehensive network in Thailand. FSMART focuses on generating revenues growth from 5 digital retail channels consisting of top-up service for prepaid mobile phone business, other online services business, bill payment service, E-Commerce business and advertising business. Moreover, in the first half of 2016, FSMART has been developing several services, contributing to a more sustainable revenues growth, such as ticketing service, e-money, weight scale, etc.

With the money transfer service was launch in April, FSMART planned to deal with other banks as their money transfer service provider to increase number of services and customers convenience. FSMART expected that the money transfer service will also contribute to a sustainable revenues growth.

FSMART is in the process of developing e-wallet mobile application to accommodate and support the rise of smartphones usage in making payments and transactions.

Within 2016, FSMART targeted to install another 20,000 units of weight scales, nationwide, which is an add-on service to generate higher revenues.

Please be informed accordingly.

Yours sincerely,

Forth Smart Service Public Company Limited

(Narongsak Lertsuptavee)  
Assistant managing director