



บริษัท ฟอर्थ สมาร์ท เซอร์วิส จำกัด(มหาชน)
FORTH SMART SERVICE PUBLIC COMPANY LIMITED

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FS. 18/2015

November 13, 2015

Subject: Management Discussion and Analysis of Financial Positions and operating results
 To: Director and Manager
 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 3rd quarter ended September 30, 2015. The details are as follows:

1. Analysis of operating performance

1.1 Overview of business operations

FSMART operates principally engaged in rendering of top-up service for prepaid phone (Pre-paid) and other online services through online top-up machines under the trademark of “Boonterm”. The process of doing transactions at FSMART began of the customers to pay for rendering of top-up service for prepaid phone and other online services along with the fee (Service Charge) through online top-up machines or “Boonterm kiosk” at the same time. The Company’s agents, which have been appointed by FSMART will collect money from “Boonterm kiosk” and transfer all money to FSMART. For the 3rd quarter, FSMART’s total receipt amount from rendering of top-up service along with the service charge through “Boonterm kiosk” increased steadily. The details are shown as table below;

	3 rd Q	2 nd Q		%	3 rd Q		%
	2015	2015	QoQ	QoQ	2014	YoY	YoY
Total receipt amount through “Boonterm kiosk” (Million Baht)	3,943	3,657	286	8%	2,722	1,221	45%

In 3Q15, total receipt amount from rendering of top-up service along with the service charge through “Boonterm kiosk” of FSMART was Baht 3,943 million, increasing 8% QoQ and increasing 45% YoY.

As the significant growth since 1Q15, the management revised FY15 target growth of total receipt amount through “Boonterm kiosk” to Baht 15,000 million, up from Baht 14,000 million and revised number of “Boonterm kiosk” to 60,000 kiosks as the year ended, up from 57,000 kiosks.

However, in 3Q15, the number of “Boonterm kiosk” was increased more than revised target. Therefore, the management is considering to revise the number of kiosk as the year ended and will be announced soon.

	2014	2015 (Old target)	2015 (Revised target)
Total receipt amount through “Boonterm kiosk” (Million Baht)	10,550	15,000	Work in progress
Number of “Boonterm kiosk” as the period ended (Kiosks)	42,859	60,000	Work in progress

The reasons of 3rd quarter operating result are as follows;

1) An increasing number of “Boonterm kiosk” FSMART continue to expand our “Boonterm kiosk” to all regions of the country, the details are shown as below.

	3 rd Q 2014	4 th Q 2014	1 st Q 2015	2 nd Q 2015	3 rd Q 2015
Number of “Boonterm kiosk” as the period ended (Kiosks)	39,769	42,859	47,392	53,840	61,076

2) the efficiency of company management such as

2.1 Variety of service applications, which as of September 30, 2015, “Boonterm kiosk” offers services through 61 applications, increasing from 50 applications as of December 31, 2014

2.2 The radio, newspaper and television advertising as well as roadshow activities such as Thairath newspaper, 33 community radio stations covering 68 province, TV sponsorship “Thai Boxing” etc. The road show activities such as “Rally roadshow Boonterm family” at chaiyapoom province etc.

2.3 The sales promotions such as “Boonterm...Top-up and get a prize 2nd year” and loyalty program such as point collection.

2.4 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.

3) The payment through “Boonterm kiosk” has been becoming increasingly popular from customers. Caused by installation of “Boonterm kiosk” for a period of time until customers have learned how to make payment through “Boonterm kiosk” includes customer awareness the location of “Boonterm kiosk”, to cause a repeat continuously.

The Company is rendering of top-up service through online top-up machines of “Boonterm kiosk” which is not operators directly. Therefore, the company's revenue is recognized in the income from rendering of top-up service for prepaid phone and other online service (Commission) which has been provided by the operators and income from rendering of services through “Boonterm kiosk” (Service charge) which has been provided by customers, which is analyzed in the next section.

1.2 Operating performance and profitability

Total revenue

For 3Q15, FSMART’s total revenues were Baht 433 million, increasing of Baht 133 million or 44% YoY, increased in line with the growing of total receipt amount through “Boonterm kiosk”. Total revenue can be separated as below;

The table is shown the type of revenue for the 3Q15

Type of revenue	3Q15		3Q14		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Income from rendering of top-up service for prepaid phone and other online service (Commission)	164	38%	112	37%	52	46%
Income from rendering of services through online top-up machines	231	53%	166	55%	65	39%

“Boonterm kiosk” (Service charge)						
Entrance fee income	0.5	0.1%	1.5	0.5%	(1)	(68%)
Advertising income	2	0.5%	-	-	2	N/A
Total revenue from core business (4 items)	397	92%	280	93%	117	42%
Sales of goods	12	3%	4	2%	8	200%
Other income	24	5%	16	5%	8	50%
Total revenues	433	100%	300	100.0%	133	44%

1) Income from rendering of services through online top-up machines “Boonterm kiosk” (Service charge) For 3Q15, were Baht 164 million, increasing of Baht 52 million or 46% YoY, , increased in line with the growth of total receipt amount through “Boonterm kiosk”.

2) Income from rendering of top-up service for prepaid phone and other online service (Commission) For 3Q15, were Baht 231 million, increasing of Baht 65 million or 39% YoY, increased in line with the growth of total receipt amount through “Boonterm kiosk”.

3) Advertising revenue For 3Q15, The advertising revenue was recognized Baht 2 million, from the cooperation with strategic partner to expand the advertising business.

4) Total revenue from core For 3Q15, were Baht 397 million, increasing of Baht 117 million or 42% YoY, increased in line with the growth of total receipt amount through “Boonterm kiosk”, increasing the number of “Boonterm kiosk”, the efficiency of company management and the popular of using “Boonterm kiosk” with described above.

5) Sales of goods For 3Q15, were Baht 12 million, increasing of Baht 8 million or 200% YoY, mainly from the significant increasing in the number of “Boonterm kiosk” in 2015.

6) Other income For 3Q15, were Baht 24 million, increasing of Baht 8 million or 50% YoY, mainly from the growth of total receipt amount through “Boonterm kiosk” and the increasing in the number of “Boonterm kiosk”.



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Gross profit margin and net profit margin

The table is shown the proportion of gross profit and net profit to total revenue from core business (4 items) for 3Q15

Income statements	3Q15		3Q14		Increases / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Total revenue from core business (4 items)	397	100.0%	280	100.0%	117	42%
Cost of services	289	72.8%	211	75.4%	78	37%
Gross profit	108	27.2%	69	24.6%	39	57%
Service & Administrative expenses	40	10.1%	35	12.5%	5	14%
Operating profit	67	16.9%	34	12.1%	33	97%
Finance costs	3	0.8%	6	2.1%	(3)	(50%)
Other income	24	6.0%	16	5.7%	8	50%
Income tax expenses	18	4.5%	9	3.2%	9	100%
Net profit	71	17.9%	35	12.5%	36	103%

1) **Gross profit margin** For 3Q15 was 27.2%, up from 24.6% in 3Q14 from advertising revenue and the efficiency of cost of service management.

2) **Net profit margin** For 3Q15 was 17.9%, up from 12.5% in 3Q14, which was primarily due to the higher gross profit margin, the efficient control of service & administrative expenses, which some expenses were fixed cost and the employees expenses which were the major expenses, increasing in the lower rate when comparing with revenue growth and the higher of other income which described above.



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2. Financial position

2.1 Total assets

Statement of financial position	September 30, 2015		December 31, 2014		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current assets	664	33%	901	50%	(237)	(26%)
Non-current assets	1,321	67%	884	50%	437	49%
Total assets	1,985	100%	1,785	100%	200	11%

As of September 30, 2015, FSMART's total assets were Baht 1,985 million, increasing of Baht 200 Million or 11% from as of December 31, 2014. The current assets were Baht 664 million, decreased by Baht 237 million or 26%, mainly from the decreasing in current investments which were used to expand the number of "Boonterm kiosk" and the prepaid telephone charges decreased from as of December 31, 2014 which was due to year-end holiday. The non-current assets were Baht 1,321 million, increased by Baht 437 million or 49% due to the increasing of "Boonterm kiosk" which in line with business growth.

2.2 Total liabilities and shareholders' equity

Statement of financial position	September 30, 2015		December 31, 2014		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current liabilities	1,035	52%	702	39%	333	47%
Non-current liabilities	9	0%	73	4%	(64)	(88%)
Total liabilities	1,045	53%	775	43%	270	35%
Total shareholders' equity	940	47%	1,010	57%	(70)	(7%)
Total liabilities and shareholders' equity	1,985	100%	1,785	100%	200	11%

As of September 30, 2015, FSMART's total liabilities were Baht 1,045 million, increasing of Baht 270 million from as of December 31, 2014, mainly from the increase of trade and other payables and retention received from service representatives which were non-interest bearing liabilities while loans were decreased.

As of September 30, 2015, FSMART's total shareholders' equity were Baht 940 million, decreased by Baht 70 million which mainly due to annual dividend payment of Baht 160 million and interim dividend payment of Baht 104 million.



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2.3 Current ratio and capital structure

Financial ratio	September 30, 2015	December 31, 2014
Current ratio (times)	0.64	1.28
Interest-bearing debt to equity ratio (times)	0.06	0.17
Debt to equity ratio (times)	1.11	0.77

As of September 30, 2015, FSMART's current ratio decreased from 1.28 times to 0.64 times, mainly from the lower of current assets as described above.

FSMART has the strong of financial position, evidenced by as of September 30, 2015, FSMART's interest-bearing debt to equity ratio decreased from 0.17 times to 0.06 times, mainly from repayment of loans. Debt to equity ratio was 1.11 times, increased from 0.77 times as of December 31, 2014 from the lower of shareholders' equity as described above.

Please be informed accordingly.

Yours faithfully,

Forth Smart Service Public Company Limited.

(Narongsak Lertsuptavee)

Assistant managing director