

Forth Smart Service Public Company Limited (FSMART)

1Q2022 Management Discussion and Analysis

Operational Summary in 1Q2022 (Covid-19 (Omicron) Pandemic and High inflation)

- Total revenue from core business was Bt589mn.
- Net profit was Bt81mn. (Earning per share 0.11 Baht).
- The Company is the banking agent for 7 commercial banks (KTB, KANK, BAY, GSB, BAAC, SCB, and CIMBT).
- Average number of money transfer transactions were 1.6 million transactions per month.
- Lending outstanding amount was Bt144mn. (NPL 2.5%).
- Number of “Boonterm kiosk” was 130,045 located in every community
- Number of “Tao Bin” was 1,058 nationwide

Significant Event in 1Q2022

- In January, the Company has started operating with SCB on cash withdrawal service by QR Code via Boonterm Mini ATM
- In February, the Company has been cooperating with Social Security Office (SSO) serving payment service for social security contributions section 39 and 40 via counter cashier, under named “Cenpay Powered by Boonterm”
- In March, the Company has cooperated with the Department of Health Service Support, The Ministry of Public Health to provide financial management services and various benefits to more than 1 million village health volunteers (VHVs, in Thai, Oor Sor Mor or OSMs) through an application under the name “Smart OSM Powered by Boonterm.

Business Overview

		Quarter	Quarter	Quarter	Quarter	Quarter
		1/2021	2/2021	3/2021	4/2021	1/2022
Total number of "Boonterm Kiosk" as the period ended	(Kiosk)	129,997	129,724	129,447	129,907	130,045
Total number of "Tao Bin" as the period ended	(Kiosk)	12	64	193	546	1,058
Total usage amount through "Boonterm Kiosk"	(Bt.mn.)	9,627	9,621	9,075	9,658	9,221
- Total usage amount top up and bill payment	(Bt.mn.)	6,418	6,237	5,957	6,574	6,302
- Total usage amount money transfer	(Bt.mn.)	3,209	3,384	3,118	3,084	2,919
- Total number of money transfer transactions (per month)	(Txn)	2,065,280	1,923,248	1,683,187	1,743,712	1,634,910
Total amount of beverage sold from Tao Bin	(Bt.mn.)	1	3	14	50	130
Average sales of Tao Bin kiosk per kiosk per month	(Bt.)	49,535	52,297	44,698	47,379	60,159

The company continues to enhance its leadership in payment and financial services. Not only providing services via 130,045 Boonterm kiosks and more than 1,700 counter cashier nationwide, but also expanding services via application, named “Wallet Powered by Boonterm” For the operating result in 1Q2021, the total transaction amount was Bt9,221mn. The situation of Covid-19 pandemic affects consumers’ purchasing powers; while their cost of living is higher due to inflation. As a result, customers are more cautious of expenses, especially the middle-low income group.

Online Top-up and Payment Business has been pressured by higher cost of living and intense competition from operators pressuring both call and internet package promotion, which are the factors that lower Average Revenue Per Unit (ARPU) . However, the Company aims to expand its customer base to various enterprise by adding service channels on mobile applications with services similar to those of Boonterm kiosks, making it easier for customers. Additionally, the Company has been serving payment service for social security contributions

section 39 and 40 via counter cashier, under the name “Cenpay Powered by Boonterm”. The E-Wallet top-up service amount is Bt1,817mn and continues to be popular from increase in online shopping and easy to access.

Banking Agent and Lending Business, in 1Q2022, the Company has started operating the cash withdrawal service for 2 banks; KBANK and SCB, via more than 200 Boonterm Mini ATMs, resulting to full service of financial products, including money deposit and transfer, cash withdrawal, and E-KYC service. In term of the 1Q2022 result, the average transaction per month of money deposit and transfer service via Boonterm kiosk was 1.6 million transactions due to the situation of Covid-19. The amount of service has reflected the convenience that customers receive from using financial services through the Boonterm kiosk as a community bank.

Outstanding lending credit was Bt144mn with interest income of Bt3.8mn, increasing 2.7%qoq. The company expands the scope

of personal loan and mobile phone installment loans to its agents, Boonterm customers, and enterprise customers through all channels. The Company also uses a database of service usage to analyze in detail to know and understand customers for introducing a new product in the future.

Vending and Distribution Business, in 1Q2022, the robotic barista, "Tao Bin", has 1,058 service points nationwide with more than 170 delicious menus, easily accessible service points with a convenient payment system in all forms, including cash, QR code, and CRM program with partners for discounts, and with call center after-sales service. Tao Bin had average sales of 60,159 baht per kiosk, or almost 70 glasses per kiosk per day and there is still continuous development of Tao Bin in terms of products such as the addition of congee menu, and in terms of faster service and more continuous production rates, etc.

Financial Statement Summary in 1Q2022

Income Statement	Q1/2021		Q4/2021		Q1/2022		%QoQ	%YoY
	MB	%	MB	%	MB	%		
Income from rending of top-up service for prepaid								
phone and other online service (Commission)	209.28	29.6%	159.30	25.5%	147.84	25.1%	-7.2%	-29.4%
Income from rending of service through online top-up								
machines "Boonterm kiosk" (Service Charge)	492.71	69.7%	460.52	73.7%	435.89	74.0%	-5.4%	-11.5%
Interest Income	3.70	0.5%	3.74	0.6%	3.84	0.7%	2.7%	3.8%
Advertising income	1.04	0.2%	1.62	0.3%	1.66	0.3%	2.5%	59.6%
Total revenue from core business (3 items)	706.73	100.0%	625.18	100.0%	589.23	100.0%	-5.8%	-16.6%
Cost of services	(566.72)	-80.2%	(504.44)	-80.7%	(480.28)	-81.5%	-4.8%	-15.3%
Gross profit	140.01	19.8%	120.74	19.3%	108.95	18.5%	-9.8%	-22.2%
Service & Administrative expenses	(61.74)	-8.7%	(76.30)	-12.2%	(62.48)	-10.6%	-18.1%	1.2%
Operating profit	78.27	11.1%	44.44	7.1%	46.47	7.9%	4.6%	-40.6%
Other income	61.93	8.8%	62.08	9.9%	61.56	10.5%	-0.8%	-0.6%
Sales profit	(0.79)	-0.1%	(0.97)	-0.2%	(0.89)	-0.2%	-8.3%	12.7%
Profit before finance cost and income tax expenses	139.41	19.7%	105.55	16.9%	107.14	18.2%	1.5%	-23.2%
Bank charge	(1.66)	-0.2%	(1.58)	-0.3%	(1.30)	-0.2%	-17.7%	-21.7%
Interest expenses	(3.93)	-0.6%	(3.15)	-0.5%	(2.64)	-0.5%	-16.2%	-32.8%
Profit before income tax expenses	133.82	18.9%	100.82	16.1%	103.20	17.5%	2.4%	-22.9%
Income tax expense	(22.50)	-3.2%	(20.04)	-3.2%	(22.26)	-3.8%	11.1%	-1.1%
Net profit	111.32	15.8%	80.78	12.9%	80.94	13.7%	0.2%	-27.3%
Non-controlling interests of the subsidiaries	-	0.0%	-	0.0%	-	0.0%	100.0%	100.0%
Net profit - Equity holders of the Company	111.32	15.8%	80.78	12.9%	80.94	13.7%	0.2%	-27.3%

Total Revenue

Total revenue from the core business in 1Q2022 was Bt589.23mn, decreasing 5.8% qoq under the Covid-19 situation affecting the already-slow-down economic activities and higher cost of living from inflation that caused the purchasing power of middle-to-low-income consumers to decline, but the company was still able to maintain its customer base to continuously use the services of Boonterm kiosk. The details of total revenue are as follows:

1) **Income from rendering of top-up service for prepaid phone and receipt of online services (Commission)** was Bt147.84mn, decreasing 7.2% qoq due to the decrease in the prepaid mobile market size and intense competition among mobile operators in the promotion of call and mobile data package promotion. Also, customers turn to other channels to top up, and Covid-19 pandemic causes the purchasing power of service users to decrease.

2) **Income from rendering of services through online top-up machines (Service Charge)** was Bt435.89mn, a decrease of 5.4% qoq because economic activities have not recovered yet. In addition, there was no government stimulus measure to subsidy living cost. However, the number of deposit-transfer transactions was more than 1.6mn transactions per month and the amount of top-up service for E-Wallets used through the Boonterm kiosk was more than Bt1,817mn reflected that the demand for the services through the company's channels are still high and popular.

3) **Interest income** was Bt3.84mn, increasing 2.7% qoq from the expansion of Company's lending business by adding mobile phone installment loans and expanding its customer base to enterprise customers to increase the amount of outstanding lending credit.

4) **Advertising income** was Bt1.66mn, increasing 2.5% qoq, because partners increased their advertising budget.

5) **Other income** was Bt61.56mn, decreasing 0.8% qoq from the decrease of amount of mobile top-up service.

Costs and Expenses

1) **Cost of services** in 1Q2022 was Bt480.28mn, decreasing 4.8% qoq from the decrease in top-up revenue.

2) **Service & administrative expenses** in 1Q2021 was Bt62.48mn decreased from no one-time expenses in 4Q2022 in this quarter. Expenses increased from marketing promotion to attract customers by cleaning kiosks along with creating awareness and encouraging more service. The Company is also focusing on expanding the new customer base as well.

Profits

1) **Gross profit** in 1Q2022 was Bt108.95mn, representing a gross profit margin of 18.5%, due to good cost control. Besides, the Company can reduce depreciation costs by using the fully depreciated kiosks to serve customers continuously.

2) **Net profit** was Bt80.94mn, increasing 0.2% qoq mainly due to due to good cost control.

Statement of Financial Position

Statement of Financial position	31 Dec 21		31 Mar 22		Increase (Decrease)	
	MB	%	MB	%	MB	%
Current assets	1,397.41	47.6%	1,529.17	50.7%	131.76	9.4%
Non-current assets	1,539.79	52.4%	1,490.09	49.4%	-49.70	-3.2%
Total assets	2,937.20	100.0%	3,019.26	100.0%	82.06	2.8%
Current liabilities	1,316.51	44.8%	1,271.51	42.1%	-45.00	-3.4%
Interest Bearing Debt - Current	366.59	12.5%	416.49	13.8%	49.90	13.6%
Interest Bearing Debt - Non current	122.44	4.2%	118.45	3.9%	-3.99	-3.3%
Non-current liabilities	4.34	0.2%	4.55	0.2%	0.21	4.8%
Total liabilities	1,809.88	61.6%	1,811.00	60.0%	1.12	0.1%
Total shareholders' equity	1,127.32	38.4%	1,208.26	40.0%	80.94	7.2%
Total liabilities and shareholders' equity	2,937.20	100.0%	3,019.26	100.0%	82.06	2.8%

Total assets were Bt3,019.26mn, increased from cash management and the use of fully depreciated kiosks.

Total shareholders' equity was Bt1,208.26mn from 1Q2022 net profit, totaling Bt80.94mn.

Total liabilities were Bt1,811.00mn, increased Bt49.9mn from short-term loan.

Key Financial Ratio

Financial Ratio	Quarter	Quarter	Quarter
	1/2021	4/2021	1/2022
Current ratio	0.76	0.83	0.91
Debt to Equity ratio	1.38	1.61	1.50
Interest Bearing Debt ratio	0.36	0.43	0.44
Return on Asset	13.9%	12.7%	12.4%
Return on Equity	37.3%	35.8%	31.7%

Current ratio was 0.91x, increasing 0.08x qoq showing the Company's good liquidity.

Debt to equity ratio was 1.50x, decreasing yoy from the decrease in the non-interest-bearing debt.

Interest-bearing debt to equity ratio was 0.44x, increasing from the increase of interest-bearing debt.

Return on assets was 12.4%, decreasing qoq from the decrease in LTM net profit. The Company still focuses on managing assets to increase the asset utilization efficiency.

Return on equity was 31.7% decreasing qoq from the decrease in LTM net profit. The Company still manage to pay dividends to shareholders 2 times a year continuously

Source of fund		Use of fund	
Operating cash flow	239	Investment in fixed assets	58
Short-term debt	500	liability and interest payments	456
Interest earned	4	Income tax paid	5
Other	1	Cash Increased	225
Total	744		744

Management Outlook

Targets in 2022 (Economic recovery)

- Total usage amount
 - The amount usage through Boonterm increasing 10-15% yoy
 - The amount usage of e-Wallet increasing 20-25% yoy.
- Banking agent business
 - Total transaction growing 15-20% yoy with cash withdrawal service, bank account opening and expand customer base both Thai and foreigner.
 - Target lending amount Bt1,000mn.
- Expanding channels and services
 - Mini ATM 10,000 kiosks in 3 years
 - 20,000 Tao Bins, robotic barista, in 3 years.
 - New mobile applications
- CAPEX Bt700mn.
 - Boonterm kiosks and Mini ATM
 - Investment in "Tao Bin" and increase shareholding from 19.35% to 26.71% in Forth Vending, effective from June 2022.

Operations

- Efficient kiosk location management and adding new services in order to increase ARPU.
- To add at least 2 more commercial bank from current 7 bank or non-bank on the banking agent business.
- Developing Boonterm kiosk to be a one-stop financial service kiosk, i.e. cash deposit, money withdrawal, money transfer, payment, and new account opening.
- Launching new application for enterprises' customers
- Expanding customer base with new partners.
- Co-managing Tao Bin.

Maintaining the leadership

From the vision "To be the leader of an automated kiosk and financial services network – being user friendly, convenient, convenient, and secured", the Company continues to seek new opportunities while expanding its network through service agents and collaborating with business partners in every community to expand service channels both offline and online via the Boonterm kiosk, cashier counter and applications. The Company strives to seek new products and continually develop service channels to provide best service as well as increasing the opportunity to access financial services for customers. The Company also continues to operate its business by considering the importance of stakeholders for sustainable growth and continuously generate returns for investors.

Expanding channels and new customer base

The Company continues to focus on providing quality services with efficiency while building customer engagement through marketing activities, "Boonterm Rewards", along with expanding additional channels through Boonterm kiosks and cashier counters. The Company has added a mobile application service channel for enterprise, so members can use financial transactions, top up mobile phone packages, pay bills without fees through E-Payment, E-Money and E-Wallet of the application. In addition, members can purchase various products and services from the Company's partners. In order to continuously expand new customer base, the Company aims to expand its core business by moving the service from kiosks to mobile application and provide new products through all Company platforms that all needs are met and easily accessible.

Expanding service scope and strengthening business

The Company has a variety of service channels with agent network nationwide that can be a banking agent by providing fully financial services, including deposit-transfer-cash withdrawal services and e-KYC services via Boonterm kiosk, cashier counter, and application. The Company will add at least 2 banking agent services, add Boonterm Mini ATM with 3-year target of 10,000 kiosks to cover all location in Thailand along with expanding international remittance services for customers interested in international money transfer service. The addition of both new customers and adding services will drive the number of transactions to increase 15-20% as targeted.

For lending business, the Company has a target for outstanding credit loan in 2022 of Bt1,000mn under appropriate risk management. The Company has selected various financial products to meet the needs of customers by utilizing customer database of more than 16 million Boonterm customers and enterprise members and offer the products via service agents or Boonterm Call Center 1220. The Company will focus more on providing mobile phone installment loans due to its high popularity among Boonterm customers and enterprise members. The company will gradually issue auto loans to the market and will push new products through all channels of the company. This will help enhance the company's revenue to increase continuously.

Investing more in Tao Bin

The robotic barista "Tao Bin" provides over 170 beverages including hot, cold, frappe with 24/7 service, all types of payment systems and call centers under the company's management system. With its business plan to expand service points by 20-30 points per day and maintain a distribution target of 20,000 points nationwide in 3 years to generate sales of 50 glasses per kiosk per day or 1 million. glass per day, the Company sees the potential of this business that is ready to grow significantly. Therefore, the Company has invested more through Forth Vending Company Limited (FVD) by increasing the shareholding from 19.35% to 26.71% in order for the Company to recognize profits from equity income method. The share increase will complete within May 2022.

The Company has prepared a plan for future business in the increasingly electric vehicle market and will push the electric vehicle charging station with a comprehensive management system that can be managed through an application with convenient payment system and a 24-hour service call center, under the Company's brand "EV Net". The Company focuses on providing services in private areas, both commercial or personal use and is ready for new opportunities in this business group that will create profits and a new source of income for the company in the long run.

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