

Forth Smart Service Public Company Limited (FSMART) 2Q2022 Management Discussion and Analysis

Operational Summary in 2Q2022 (Economic Slowdown and High inflation)

- Total revenue from core business was Bt584mn.
- Net profit was Bt83mn. (Earnings 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 Bt249mn. (NPL 4%).
- Number of “Boonterm kiosk” was 129,967 located in every community
- Number of “Tao Bin” was 2,138 nationwide

Significant Event in 2Q2022

- ❖ In April, the 2022 AGM approved the dividend payment for 2021 at the rate of Bt0.46 per share. In this regard, the Company already paid the first dividend payment to shareholders as an interim dividend at Bt0.26 per share. Therefore, the second dividend payment will be at Baht 0.20 per share on April 29, 2022.
- ❖ In May, 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, effective from June 2022.

Business Overview

| | | Quarter | Quarter | Quarter | Quarter | Quarter |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| | | 2/2021 | 3/2021 | 4/2021 | 1/2022 | 2/2022 |
| Total number of "Boonterm Kiosk" as the period ended | (Kiosk) | 129,724 | 129,447 | 129,907 | 130,045 | 129,967 |
| Total number of "Tao Bin" as the period ended | (Kiosk) | 64 | 193 | 546 | 1,058 | 2,138 |
| Total usage amount through "Boonterm Kiosk" | (Bt.mn.) | 9,621 | 9,075 | 9,658 | 9,221 | 9,162 |
| - Total usage amount top up and bill payment | (Bt.mn.) | 6,237 | 5,957 | 6,574 | 6,302 | 6,342 |
| - Total usage amount money transfer | (Bt.mn.) | 3,384 | 3,118 | 3,084 | 2,919 | 2,820 |
| - Total number of money transfer transactions (per month) | (Txn) | 1,923,248 | 1,683,187 | 1,743,712 | 1,634,910 | 1,600,187 |
| Total amount of beverage sold from Tao Bin | (Bt.mn.) | 3 | 14 | 50 | 130 | 346 |
| Average sales of Tao Bin kiosk per kiosk per month | (Bt.) | 52,297 | 44,698 | 47,379 | 60,159 | 80,135 |

The company is committed and determined to deliver comprehensive payment and financial services to customers to help people to have a better life through 129,967 Boonterm kiosks and more than 1,800 cashier counters nationwide as well as the application for corporate customers under the name "Wallet Powered by Boonterm". For the operating result in 2Q2022, the total transaction amount was Bt9,162mn. Although the economy was likely to improve from the easing of measures to control the spread of COVID-19 causing economic activity to improve but the cost of living rose sharply from the impact of oil prices. As a result, customers are more

careful with their spending, especially the middle-low income group and migrant workers with middle-low income.

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 maintain potential customer base and expand new channel to new customer base through 3 main channels, including Boonterm kiosk, cashier counter and application that customers can easily access. In addition,

services are regularly added to meet the needs of all customer groups such as mobile phone top-up service and various bill payments. E-wallet service amount was Bt1,900mn, an increase of 5% qoq or 10% yoy, and continues to be popular due to easy accessibility.

Banking Agent and Lending Business, the Company represents as banking agent of 7 commercial banks who provides full service of financial products, including money deposit and transfer, cash withdrawal, and E-KYC service. In term of the 2Q2022 result, the average transaction per month of money deposit and transfer service via Boonterm kiosk was 1.6 million transactions. The amount of service has reflected the convenience that customers receive from using financial services through the Boonterm kiosk as a community bank. In addition, the Company has strengthened its financial services capabilities with cash withdrawal from a bank account via the Boonterm Mini ATM that has already served 2 banks, KBANK and SCB as well as communicating with customers and creating awareness of its new financial services. to stimulate more and more continuous usage.

Outstanding lending credit was Bt249mn with interest income of Bt5.3mn, increasing 210% yoy. due to its credit portfolio growing from providing personal loans and mobile installment loans to Boonterm and corporate customers. The company focuses on

providing credit services through applications which makes it more accessible to customers. The Company is extremely cautious in providing credit services by analyzing the databases that have been consented under the Personal Data Protection Act to manage risks including credit quality control while improving the ability to analyze limited data.

Vending and EV charger Business, 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 operating result of Taobin has continued to improve with average sales of 80,135 baht per container, or more than 76 glasses per container per day via 2,138 kiosks nationwide. Taobin has not only received good trends and good responses from customers but also receive feedback through all social media channels and LineOA including Boonterm Call Center 1220 to bring continuous improvement to both products and service, UX and UI with convenient payment systems and the convenience of customers or join the privilege with partners to redeem various discounts. Taobin has customers to collect turtle shells after purchasing drinks in order to get the free glass as a CRM program and also gives customers a sense of engagement and drives repeat purchases.

Financial Statement Summary in 2Q2022

| Income Statement | Q2/2021 | | Q1/2022 | | Q2/2022 | | %QoQ | %YoY |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | MB | % | MB | % | MB | % | | |
| Income from rendering of top-up service for prepaid phone and other online service (Commission) | 213.52 | 29.8% | 147.84 | 25.1% | 141.43 | 24.2% | -4.3% | -33.8% |
| Income from rendering of service through online top-up machines "Boonterm kiosk" (Service Charge) | 499.25 | 69.7% | 435.89 | 74.0% | 435.29 | 74.6% | -0.1% | -12.8% |
| Interest Income | 1.70 | 0.2% | 3.84 | 0.7% | 5.27 | 0.9% | 37.2% | 210.0% |
| Advertising income | 1.51 | 0.2% | 1.66 | 0.3% | 1.57 | 0.3% | -5.4% | 4.0% |
| Total revenue from core business (3 items) | 715.98 | 100.0% | 589.23 | 100.0% | 583.56 | 100.0% | -1.0% | -18.5% |
| Cost of services | (558.18) | -78.0% | (480.28) | -81.5% | (477.82) | -81.9% | -0.5% | -14.4% |
| Gross profit | 157.80 | 22.0% | 108.95 | 18.5% | 105.74 | 18.1% | -3.0% | -33.0% |
| Service & Administrative expenses | (72.48) | -10.1% | (62.48) | -10.6% | (64.83) | -11.1% | 3.8% | -10.6% |
| Operating profit | 85.32 | 11.9% | 46.47 | 7.9% | 40.91 | 7.0% | -12.0% | -52.1% |
| Other income | 55.43 | 7.7% | 60.67 | 10.3% | 57.29 | 9.8% | -5.6% | 3.4% |
| Share of profit from investment in associate | - | 0.0% | - | 0.0% | 8.67 | 1.5% | 100.0% | 100.0% |
| Profit before finance cost and income tax expenses | 140.75 | 19.7% | 107.14 | 18.2% | 106.87 | 18.3% | -0.3% | -24.1% |
| Bank charge | (1.37) | -0.2% | (1.30) | -0.2% | (1.35) | -0.2% | 3.9% | -1.5% |
| Interest expenses | (3.64) | -0.5% | (2.64) | -0.5% | (2.74) | -0.5% | 3.8% | -24.7% |
| Profit before income tax expenses | 135.74 | 19.0% | 103.20 | 17.5% | 102.78 | 17.6% | -0.4% | -24.3% |
| Income tax expense | (22.79) | -3.2% | (22.26) | -3.8% | (19.90) | -3.4% | -10.6% | -12.7% |
| Net profit | 112.95 | 15.8% | 80.94 | 13.7% | 82.88 | 14.2% | 2.4% | -26.6% |
| Non-controlling interests of the subsidiaries | - | 0.0% | - | 0.0% | - | 0.0% | 0.0% | 0.0% |
| Net profit - Equity holders of the Company | 112.95 | 15.8% | 80.94 | 13.7% | 82.88 | 14.2% | 2.4% | -26.6% |

Total Revenue

Total revenue from the core business in 2Q2022 was Bt583.56mn, decreasing 1.0% qoq due to 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 Bt141.43mn, decreasing 4.3% qoq due to the already-slow-down economic activities, higher cost of living from inflation 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.

2) **Income from rendering of services through online top-up machines (Service Charge)** was Bt435.29mn, a decrease of 0.1% 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 Bt1,900mn reflected that the demand for the services through the company's channels are still high and popular.

3) **Interest income** was Bt5.27mn, increasing 37.2% qoq from the credit business that the company has accelerated to expand its credit portfolio through more online channels by focusing mainly on personal loan along with expanding the customer base to corporate customers increased, resulting in continuous loan growth.

4) Advertising income was Bt1.57mn, decreasing 5.4% qoq, because partners decreased their advertising budget.

5) Other income was Bt57.29mn, decreasing 5.6% qoq from the decrease of amount of mobile top-up service.

Costs and Expenses

1) Cost of services in 2Q2022 was Bt477.82mn, decreasing 0.5% qoq from the decrease in top-up revenue.

2) Service & administrative expenses in 2Q2021 was Bt64.83mn 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 2Q2022 was Bt105.74mn, representing a gross profit margin of 18.1% , due to decrease in top-up service revenue. Besides, the Company can reduce depreciation costs by using the fully depreciated kiosks to serve customers continuously.

2) Share of profit from investment in associate was Bt8.67mn from recognized profit from the investment in FVD, starting from June 2022.

3) Net profit was Bt82.88mn, increasing 2.4% qoq mainly due to Share of profit from investment in associate and good cost control.

Statement of Financial Position

| Statement of Financial position | 31 Dec 21 | | 30 Jun 22 | | Increase (Decrease) | |
|---|-----------------|---------------|-----------------|---------------|---------------------|--------------|
| | MB | % | MB | % | MB | % |
| Current assets | 1,397.41 | 47.6% | 1,272.32 | 45.7% | -125.09 | -9.0% |
| Non-current assets | 1,539.79 | 52.4% | 1,511.67 | 54.3% | -28.12 | -1.8% |
| Total assets | 2,937.20 | 100.0% | 2,783.99 | 100.0% | -153.21 | -5.2% |
| Current liabilities | 1,316.51 | 44.8% | 1,227.89 | 44.1% | -88.62 | -6.7% |
| Interest Bearing Debt - Current | 366.59 | 12.5% | 296.48 | 10.7% | -70.11 | -19.1% |
| Interest Bearing Debt - Non current | 122.44 | 4.2% | 114.34 | 4.1% | -8.10 | -6.6% |
| Non-current liabilities | 4.34 | 0.2% | 4.76 | 0.2% | 0.42 | 9.7% |
| Total liabilities | 1,809.88 | 61.6% | 1,643.47 | 59.0% | -166.41 | -9.2% |
| Total shareholders' equity | 1,127.32 | 38.4% | 1,140.52 | 41.0% | 13.20 | 1.2% |
| Total liabilities and shareholders' equity | 2,937.20 | 100.0% | 2,783.99 | 100.0% | -153.21 | -5.2% |

Total assets were Bt2,783.99mn, decrease from cash management and bank and the use of fully depreciated kiosks.

Total liabilities were Bt1,643.47mn, increase from short-term loan.

Total shareholders' equity was Bt1,140.52mn from 2Q2022 net profit, totaling Bt82.88mn and dividend payment Bt150.6mn.

Key Financial Ratio

| Financial Ratio | Quarter | Quarter | Quarter |
|-----------------------------|---------|---------|---------|
| | 2/2021 | 1/2022 | 2/2022 |
| Current ratio | 0.74 | 0.91 | 0.83 |
| Debt to Equity ratio | 1.59 | 1.50 | 1.44 |
| Interest Bearing Debt ratio | 0.48 | 0.44 | 0.36 |
| Return on Asset | 14.2% | 12.4% | 11.9% |
| Return on Equity | 39.8% | 31.7% | 30.0% |

Current ratio was 0.83x, decreasing 0.08x qoq showing the Company's good liquidity.

Debt to equity ratio was 1.44x, decreasing 0.06x qoq from the short-term loan payment.

Interest-bearing debt to equity ratio was 0.36x, decreasing 0.08x qoq from the short-term loan payment.

Return on assets was 11.9%, 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 30.0%, decreasing qoq from the decrease in LTM net profit. The Company still manage to pay dividends to shareholders 2 times a year continuously.

Source and Use of Fund: 1H2022 (Bt. mn)

| Source of fund | | Use of fund | |
|---------------------|--------------|---|--------------|
| Operating cash flow | 357 | Investment in fixed assets | 82 |
| Short-term loan | 730 | Investment in susidiary (Forth Vending Co.L | 77 |
| Interest earned | 8 | liability and interest payments | 814 |
| Other | 1 | Dividend paid | 150 |
| Cash decrease | 66 | Income tax paid | 39 |
| Total | 1,162 | | 1,162 |

Management Outlook

Targets in 2022 (Adjusted (Economic slowdown and high inflation affecting main customers))

- Total usage amount
 - The amount usage through Boonterm increasing 5-10% yoy
 - The amount usage of e-Wallet increasing 10-15% yoy.
- Banking agent business
 - Total transaction growing 10-15% yoy with cash withdrawal service, bank account opening and expand customer base both Thai and foreigner.
 - Target lending amount Bt500-800mn.
- 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 Bt300-500mn.
 - 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.
- Domestic and international money transfer service.
- Expanding cashier counters.
- Launching new application for enterprises' customers.
- Expanding customer base with new partners.
- Co-managing Tao Bin.

Connecting customers and services through the ecosystem in offline and online.

The company adheres to the operating guidelines according to the vision "To be the leader of an automated kiosk and financial services network – being user friendly, convenient, convenient, and secured", that will provide all service to customers thoroughly in all areas whether it is a cash-society customers or those who are far away to have convenient access to financial services through more than 130,000 Boonterm kiosks located in every community. The company's potential continues to provide services to general customers through the cashier counter under the name "Cenpay Powered by Boonterm" with more than 1,800 service points nationwide. For customers who like using mobile, the Company provides channels via mobile applications under the name "Wallet Powered by Boonterm" to find services easily as well as providing benefits management services to corporate customers.

Enhancing and strengthening services and channel

The company always cares about its customers. Therefore, it aims to provide only special promotions for Boonterm customers such as value added for top-up service and mobile packages, convenient bill payment service and E-wallet top-up service with a minimum of only 10 baht, etc. The Company also has collaborated with the Digital Government Development Agency or DGA to provide E-KYC identity verification service for "government" applications via Boonterm kiosk to increase convenience and access to government services. With the potential of the Company that is ready to expand more service channels through the cashier counter, it will focus on implement service in department stores and convenience stores. Not only providing the services, the Company also focuses on retaining its customer base while building

customer engagement in marketing activities. "Boonterm Rewards" makes customers recognize and come to use Boonterm services continuously.

Strengthening with new services and expanding customer base

The Company aims to enhance its comprehensive financial services to be a community bank providing deposit-and-transfer service, cash withdrawal services and e-KYC services via Boonterm kiosk and expanding service channels to cashier counters and applications as well. In 3Q2022, the Company launched a service of deposit-and-transfer money via Boonterm kiosks for foreigners and continues to expand the customer base in the country as well as extending international money transfer services. The Company will also increase the potential of financial services further with a new service called "Boonterm Instant Transfer-Withdraw ", where customers can use only their ID card to deposit-transfer-withdraw cash via the Boonterm kiosk. It is expected to begin service later this year. The Company focuses on building a strong current customer base while expanding new customer base by representing at least 2 more banks and non-bank groups and expanding the Boonterm Mini ATM up to 10,000 locations nationwide within 3 years to create the growth of this business group.

The company's credit portfolio target was Bt800mn and has added new credit products to meet the needs of customers by using a customer database including more than 16 million Boonterm customers, loan customers and various corporate customers to analyze thoroughly before giving credit under appropriate risk management. In the past, the company's products have been very popular for both mobile phone installments and personal loans. This allows the company to continually focus on providing new products such as Installment loan for electrical appliances or auto loans, etc. The Company has many channels to offer various products directly to customers such as mobile applications, service agents or Boonterm Call Center 1220. it makes accessing products convenient and fast.

Pushing and promoting business

Robotic barista "Taobin" is not just a trend of new innovation but it is also very satisfying to the customers from over 170 drinks menus, hot, cold, and frappe, which are served in an area of just 1 sq m. FVD continues to expand its service points with a target of 20,000 locations nationwide in 3 years and sales of 1 million glasses per day. In addition, the Company continues to push and encourage Taobin to grow both as a system administrator for all forms of payment and customer service call centers. Also, the Company invests in FVD (26.71%), in which it will recognize profit from investment and receive management fees from sales of Taobin.

The electric vehicle charging station or EV Charger under the company's brand "EV Net" is Company's product for the electric vehicle market. As a high standard product and produced by FORTH, it can set the selling price advantage over competitors. There is also a complete management system that customers can make a payment through the application with a 24-hour call center support. The company initially provided services to landlords or commercial services serving in private areas before expanding into new areas.

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