

February 24, 2021

Subject: Management's Discussion and Analysis of Operating Results for the twelve-month period of 2020 ended December 31, 2020

Attention: The President of the Stock Exchange of Thailand

Masterkool International Public Company Limited (“the Company”) would like to announce the operating results of the Company for the twelve-month period of 2020 ended December 31, 2020 which has been reviewed in the Board of Directors’ Meeting No. 1/2021 arranged on February 24, 2021 as following: -

**Table 1: Overall performance for the 12-month period of 2020 ended December 31, 2020**

Million Baht

Description	FY2020	FY2019	Increase (Decrease)	
	(12 Months)	(12 Months)	Amount	%
Net Product Sales	646.60	598.35	48.25	8.06
Net Service Sales	85.63	102.18	(16.55)	(16.20)
Profit from Exchange Rate	0.38	9.61	(9.23)	(96.05)
Other Revenue *	1.23	2.39	(1.16)	(48.54)
<b>Total Revenues</b>	<b>733.82</b>	<b>712.53</b>	<b>21.31</b>	<b>2.99</b>
Cost of Goods Sold	522.82	440.84	81.98	18.60
Cost of Service	48.63	52.44	(3.81)	(7.27)
Selling Expenses	100.33	122.80	(22.47)	(18.30)
Administrative Expenses	54.17	54.27	(0.10)	(0.18)
Financial Cost	11.29	10.09	1.20	11.89
<b>Total Cost</b>	<b>737.24</b>	<b>680.44</b>	<b>56.80</b>	<b>8.35</b>
<b>Profit(Loss) before Income Tax</b>	<b>(3.40)</b>	<b>32.09</b>	<b>35.49</b>	<b>(110.59)</b>
Tax Expense(Tax Income)	(0.11)	(1.12)	(1.01)	(90.18)
<b>Net Profit (Loss)</b>	<b>(3.52)</b>	<b>30.97</b>	<b>34.49</b>	<b>(111.37)</b>
<b>Items that do not need to be classified into profit or loss later</b>				
Actuarial losses	(0.17)	(2.10)	(1.93)	(91.90)
<b>Comprehensive profit (loss) for the period</b>	<b>(3.68)</b>	<b>28.87</b>	<b>32.55</b>	<b>(112.75)</b>
<b>EPS (Baht/Share)</b>	<b>(0.01)</b>	<b>0.06</b>	<b>(0.07)</b>	<b>(116.67)</b>

### **Business Overview**

Performance in the 12-month period of the year 2020 when compared to the same period of the previous year, the company's total revenue increased by 21.31 million baht, with a 2.99% increase due to adaptation under the coronavirus epidemic situation in the first month of 2020. There is a major obstacle due to the department store (Moderntrade) are closed under the Public Administration Decree in an emergency situation related to the coronavirus epidemic situation (COVID-19), thus reducing this portion of income. The company has adjusted its strategy by focusing on sales through distributors nationwide; and selling through online channels making it possible to bring back some of the income. However, overall revenues of the retail business channels decreased 14.51% compared to the same period of the year. In addition, the export of products to foreign countries in countries where there is not much of the coronavirus outbreak will increase overall revenue of the

company. On the other hand, exporting a higher proportion of sales than other channels resulted in a lower gross profit.

Performance for the 12-month period of the year 2020 ended December 31, 2020, the company has a net loss of 3.52 million baht.

### **Economic and industrial conditions affecting operations**

The global coronavirus (COVID-19) epidemic situation; resulting most businesses need to temporarily stop or shut down their operations. As for the company, it was hit in 1Q2020, when the viral disease outbreak intensified in China. The Chinese government announced the closure of the country and ordered the manufacturing sector close; besides some service operators stopped operating. This resulted in the disruption of the production of the company's products. However, the company has already prepared some products for sale in advance. Therefore, more products can be sold through online channels, including TV Shopping, Web Shopping, and other online channels during the period. However, the overall economic condition is clearly an obstacle to the business operation.

### **Linkage of policies, strategies and goals**

The COVID-19 epidemic is an uncontrollable regime, forcing the company to be cautious about its actions, which must be prudent, filled with more specific, situation-based management. The retail business that sells products through the modertrades has stopped, the online channel created opportunities in new markets as well as expanding international market to countries that ineffective from the spread of COVID-19.

### **Analysis on the performance of the company by key business units**

The company has various distribution channels. In which the main channels are retail channel, export channel, sales channel for corporate customers, and services. The operating results are as follows:

**Table 2 : Sales summary by segments for the 12-month period of 2020 ended December 31, 2020**

Million Baht			
<b>Sales Channel</b>	<b>Jan-Dec 2020</b>	<b>Jan-Dec 2019</b>	<b>% YOY</b>
Retail Channel	272.62	319.69	(14.51)
Corporate Channel	64.16	79.22	(19.86)
Export	309.82	199.44	55.34
Service	85.62	102.18	(16.21)
Other Revenue*	1.61	12.00	(82.58)
<b>Total Revenue</b>	<b>733.83</b>	<b>712.53</b>	2.99

### **Retail Market**

The retail channel consists of selling through the modertrade malls, selling through online, selling through dealers and sales booths compared to the 12-month period of 2019, the retail channel sales decreased by 47.07 million baht or 14.51% due to department stores closed during the company's sales season. When considering

on each sub-channels of the retail channel, it was found that consumers still rely on Masterkool's brand for evaporative fan products. The products and services are accepted, therefore orders are made through online channels, and through the dealers nationwide.

The company then adjusted the marketing strategy of online channels. By conducting a continuous promotion campaign in conjunction with the main shopping web channels such as Lazada, Shopee, JD Central, etc., giving a 12-month overview when compared to the same period of 2019, the company can pull revenue back into Came in the retail business 272.62 million baht

### **Corporate Market**

This channel focuses on corporate customers, thus the company continues to expand its target customer base. Anyhow, due to the epidemic situation of viral infections, this resulted in a decrease in sales of approximately 15.06 million baht or a decrease of 19.86% compared to the same period of 2019 due to the private sector's investment slowdown in the COVID-19 crisis. The company has a strong expectation that the customer-based solutions can efficiently meet their needs; resulting the sales channel for corporate customers be a channel that generate future sales and profits.

The company also needs expansion of its customer base to adequate for covering its planned sales targets to strengthen the business when the situation returns to normal; and reduce the Company's overall income volatility because it is a channel that can generate recurring revenue from service with expertise in hot weather solutions, application of ozone system for energy saving; including environmental protection.

### **Export**

During the 12-month period of 2020, the export channel showed significant sales growth compared to the same period last year. The company had sales for the period equal to 309.82 million baht, or an increase of 55.34% of the sales in the same period of the previous year with sales of 199.44 million baht, which was the sales that continued from the operation of expanding the market base. Previously, in countries that were not much affected by the spread of the virus.

### **Comparative analysis to the budgeting plan**

Projected plan for the 12-month period of 2020, the company has divided the sales portion of the main channels that are 40% of the retail channel, 40% of the export channel, and 20% from corporate customer sales and services. The overview for the period appeared that the export channel was able to exceed the projections.

For future action plans, expanding the marketing base for the corporate customer sales channel is still necessary to reduce the risk of overall income fluctuation. For the retail business, it is necessary to expand the line of products that do not have seasonal restrictions in order to have a wider coverage and meet the needs of consumers; along with supporting online sales such as sterilization products, air purifier products.

### **Financial Status**

**Table 3: Summary statement of financial position as of December 31, 2020**

Unit: Million Baht

Statement of Financial Position (Consolidated)	Consolidated Statement			
	31 Dec 2020	31 Dec 2019	+ / (-)	%
Cash and cash equivalents	29.50	35.01	(5.51)	(15.74)
Short-term investment	0.09	0.00	0.09	100.00
Trade and other receivables – related parties	4.96	4.82	0.14	2.90

Trade and other receivables – other parties	81.77	95.62	(13.85)	(14.48)
A/R under finance lease agreements due within one year	0.04	0.16	(0.12)	(75.00)
Asset under contract	1.33	2.51	(1.18)	(47.01)
Inventories	237.79	198.32	39.47	19.90
<b>Total Current Assets</b>	<b>355.48</b>	<b>336.44</b>	<b>19.04</b>	<b>5.66</b>
Deposits with financial institutions that are pledged	81.75	73.75	8.00	10.85
Financial lease receivables	0.00	0.01	(0.01)	(100.00)
Property, plant and equipment	48.43	56.00	(7.57)	(13.52)
Rights-of-use assets	22.37	0.00	22.37	100.00
Intangible assets	3.23	3.71	(0.48)	(12.94)
Revenue Department receivable	3.90	3.90	0.00	0.00
Other non-current assets	8.06	8.07	(0.01)	(0.12)
<b>Total non-current assets</b>	<b>167.74</b>	<b>145.44</b>	<b>22.30</b>	<b>15.33</b>
<b>Total assets</b>	<b>523.22</b>	<b>481.89</b>	<b>41.33</b>	<b>8.58</b>
Bank over drafts and short - term loans from financial institution	174.50	150.35	24.15	16.06
Trade and other payables – related parties	0.00	0.00	0.00	0.00
Trade and other payables – other parties	87.13	71.20	15.93	22.37
Contractual liabilities	22.84	36.64	(13.80)	(37.66)
Revenue Department Payable	0.49	0.28	0.21	75.00
Product Warranty Estimated Liabilities	6.42	5.66	0.76	13.43
Financial leased liabilities due within one year	9.42	2.35	7.07	300.85
Accrued corporate income tax	0.00	0.09	(0.09)	(100.00)
<b>Total current liabilities</b>	<b>300.80</b>	<b>266.57</b>	<b>34.23</b>	<b>12.84</b>
Estimated long-term quality guarantee	0.57	0.03	0.54	1800.00
Finance lease liabilities - Net amounts due within one year	9.84	2.35	7.49	318.72
Employee benefit obligations	17.24	15.03	2.21	14.70
Deferred tax liabilities	0.91	0.81	0.10	12.35
non-current liabilities	3.33	0.00	3.33	100.00
<b>Total non-current liabilities</b>	<b>31.89</b>	<b>18.22</b>	<b>13.67</b>	<b>74.97</b>
<b>Total liabilities</b>	<b>332.69</b>	<b>284.79</b>	<b>47.90</b>	<b>17.31</b>
Ordinary capital 576,000,000 shares, value 0.25 baht per share	144.00	144.00	0.00	0.00
Paid-up capital	120.00	120.00	0.00	0.00

Statement of Financial Position (Consolidated)	Consolidated Statement			
	31 Dec 2020	31 Dec 2019	+ / (-)	%
Share premium	183.03	183.03	0.00	0.00
Surplus from share-based payment	3.06	3.06	0.00	0.00
<b>Retained earnings (loss)</b>				
- Appropriated for legal reserve	8.26	8.26	0.00	0.00
- Un-appropriated retained earnings	(123.82)	(117.25)	6.57	5.59
<b>Total shareholders' equity</b>	<b>190.53</b>	<b>197.10</b>	<b>(6.57)</b>	<b>(3.33)</b>
<b>Total liabilities and shareholders' equity</b>	<b>523.22</b>	<b>481.89</b>	<b>41.33</b>	<b>8.58</b>

### Assets

As of December 31, 2020, the company has total assets of 523.22 million baht, compared with the asset value as of December 31, 2019, which is 481.89 million baht, the company has total assets of 41.33 million baht, or an increase of 8.87%. The main details include: -

- Cash and cash equivalents: The value as of the end of the period on December 31, 2020 is 29.50 million baht, a decrease of 8.51 million baht or 22.57% decrease due to sales of goods and services
- Trade and other receivables - other parties: Value as of the end of the period on December 31, 2020 is 81.77, a decrease of 13.85 million baht or 14.48%, which comes from sales of goods and services
- Inventories: The value as of the end of the period on December 31, 2020 is 237.79 million baht, an increase of 39.47 million baht or 19.90%, which is in line with the normal stock cycle at the end of the year to support the selling season in Early 2021.

### Liabilities

As of December 31, 2020, the company had total liabilities of 332.69 million baht, compared to the total liabilities as of 31 December 2019, which was 284.79 million baht, the company had total liabilities increased by 49.31 million baht, or an increase of 17.31%. The key details include: -

- Bank overdrafts and short-term loans from financial institutions: the value as at December 31, 2020 is equal to 174.50 million baht, an increase of 24.15 million baht or an increase of 16.06% for working capital
- Trade and other current payables - Other parties: as of December 31, 2020, equal to 88.54 million baht, an increase of 17.34 million baht or 24.35%, which is in line with normal business operations, and payment to pay for goods and services upon maturity as agreed.
- Contract liabilities: The value as of December 31, 2020 is 22.84 million baht, a decrease of 13.80 million baht or 37.66% decrease from the reduction of rental-use services according to the situation.

### Shareholders' Equity

As of December 31, 2020, the Company had total shareholders' equity of 190.53 million baht, a decrease of 6.57 million baht or 3.33% decrease compared to shareholders' equity as of 31 December 2019, which had shareholders' equity equal to 197.10 million baht, which is in line with the Company's operating results compared with the same period of the previous year.

### Table 4: Financial Ratio

	Financial Ratio (Consolidated)		+ / (-)
	Jan-Dec 2020	Jan-Dec 2019	
<b>Liquidity Ratio</b>			
Current ratio	1.18	1.27	0.09
Quick ratio	0.40	0.53	0.13
<b>Profitability Ratio</b>			
Gross profit margin %	21.93%	29.58%	(8.11)
EBIT margin %	(0.47%)	4.58%	(5.05)
Net profit margin %	(0.50%)	4.12%	(4.62)
<b>Efficiency Ratio</b>			
Return on equity (ROE) %	(1.89%)	14.89%	(16.78)
Return on asset (ROA) %	(0.73%)	5.74%	(6.47)
Total assets turnover	1.45	1.39	0.06
<b>Financial Policy Ratio</b>			
Debt to equity ratio	1.75	1.44	0.31

#### **Liquidity Ratio**

From the factors affecting the operating results of the 12-month period of 2020, the liquidity ratio increased 0.09 times compared to the ratio at the end of the period 30 December 2019 from the sale and payment of debt according to the time limit.

The ratio of the quick turnover ratio increased by 0.13 times compared to the ratio at the end of 30 December 30, 2019 due to increased sales. The company still has a total inventory worth 237.79 million baht, according to the product preparation process for the first six months of 2021, which the company can sell in the future because its products are durable products that do not easily deteriorate.

#### **Profitability Ratio and Efficiency Ratio**

In terms of operating results for the 12 months of 2020, the gross profit margin declined 8.11% due to the large-volume selling price structure of export channels which results in operating profit margins, and the net profit margin for the 12-month period of 2020 declined 5.05% and 4.62%, respectively, compared to the same period last year.

#### **Financial Policy Ratio**

The company had a decreased debt to equity ratio from the previous year. The debt to equity ratio for the 12-month period of 2020 was 1.75 times, a decrease of 0.31 times compared to the same period in 2019 as a result of business operations.

(Mr. Noppachai Veeraman)

Managing Director