

February 27, 2020

Subject: Management's Discussion and Analysis of Operating Results for the twelve-month period of 2019 ended December 31, 2019

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 2019 ended December 31, 2019 which has been reviewed in the Board of Directors’ Meeting No. 1/2020 arranged on February 27, 2020 as following: -

**Table 1: Overall performance for the twelve-month period of 2019 ended December 31, 2019**

Million Baht

Description	FY2019 (12 Months)	FY2018 (12 Months)	Increase (Decrease)	
			Amount	%
Net Product Sales	598.35	475.64	122.71	25.80
Net Service Sales	102.18	89.90	12.28	13.66
Other Revenue *	12.00	7.18	4.82	67.13
<b>Total Revenues</b>	<b>712.53</b>	<b>572.72</b>	<b>139.81</b>	<b>24.41</b>
Cost of Goods Sold	439.62	387.35	52.27	13.49
Cost of Service	53.67	54.27	(0.60)	(1.11)
Selling Expenses	122.79	158.47	(35.68)	(22.52)
Administrative Expenses	54.26	61.40	(7.14)	(11.63)
Financial Cost	10.10	11.41	(1.31)	(11.48)
Profit (Loss) before Income Tax	<b>32.09</b>	<b>(100.18)</b>	<b>132.27</b>	<b>312.18</b>
Income Tax	(1.12)	(8.71)	(7.59)	(677.68)
<b>Net Profit (Loss)</b>	<b>30.97</b>	<b>(108.89)</b>	<b>139.86</b>	<b>451.60</b>
<b>EPS (Baht/Share)</b>	<b>0.06</b>	<b>(0.23)</b>	<b>0.29</b>	<b>383.33</b>

\* Other revenue such as interest income, foreign exchange gains, government grants, etc

### **Business Overview**

Performance of the Company for the twelve-month period of 2019 ended December 31, 2019 compared to the same period in last year, there has been a change in the direction that has improved in all aspects, in terms of income grew by 24.41%. The high growth business channel is the Retail Channel, following by the Export Channel and the Corporate Channel. For cost of sales, cost of services and distribution costs, there is both growth at a lower rate than sales growth, resulting costs reduced. With higher sales resulting in a higher gross profit margin including reduced in administrative expenses; making the business return to make a profit by the management of the sales price structure and conducting promotions efficiently. As well as strictly implementing policies to control costs, resulting in operating performance for the twelve-month period of 2019 ended December 31, 2019; the company has a net profit of 30.97 million baht.

Half of the revenue comes from Retail Channel Sales through Modern Trade, Dealer, Online Channels. Next is the export and corporate channels for corporate customers. Each channel manages the overall picture of the channel to be in accordance with the policy of the Board of Directors by considering the cost and expenses incurred. The 12-month operation in 2019 had sales of 712.53 million baht, representing an increase of 139.81 million baht or an increase of 24.41% of sales in the same period last year.

As for the expenses that the company has controlled and managed through quality and efficiency goals, the cost of distribution decreased by 35.68 million baht or 22.52% decrease and the administrative expenses decreased by 7.14 million baht or decreased down 11.63% compared to last year. The increased cost of sales is in accordance with the proportion of revenue.

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

The country's overall economic downturn slowed down, causing business sectors to reduce confidence and slow down investment in major projects in second half of 2019, together with the drought situation in the north, flooding in north east Region of Thailand causing the purchasing power of consumers in the area to contract and increasing competition conditions, especially online businesses. In addition, at the end of the year 2019, the outbreak of the new corona virus 2019 or COVID-19 raises, concerning for retail consumers, therefore it is an important factor that the company must closely monitor the situation; and continually adjust the strategic plan.

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

Economic factors and the negative circumstances mentioned causing the company to be vigilant, conduct business with caution; and manage the business according to the situation especially the Retail Business Channel that sells products via Modern Trade Department which have the reactive sales style to reduce inventory risk for a long time. Therefore, the company is still looking for opportunities to continuously create new marketing bases. Both through sales channels, corporate customers and export channels.

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

The company has various distribution channels. The main channels are Retail channels, Export channels and Sales channels for corporate customers which the performance is as follows: -

**Table 2: Sales summary by segments for the twelve-month period of 2019 ended December 31, 2019**

<i>Million Baht</i>			
<b>Segmentation</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>	<b>% Differential Y-o-Y</b>
Retail Channel	313.40	210.00	49.24
Corporate Customer Channel	79.29	73.15	8.39
Exporting Distribution	199.44	164.18	21.48
Services and Rental Units	97.68	67.99	43.67
Other Sales Channel	10.72	50.22	(78.65)
Others*	12.00	7.18	67.13
<b>Total Revenues</b>	<b>712.53</b>	<b>572.72</b>	<b>24.41</b>

### **Retail Market**

The company's retail channels consist of Selling through a modern trade mall Online dealers and product sales booths When comparing the twelve-month period of 2019 ended December 31, 2019, retail channels have increased sales by 103.4 million baht or 49.24% up, when considered by sub-channel of the retail business group Found that consumer groups still believe that the brand of evaporative fan group is reliable products and services are accepted.

On the other hand, sales through that dealer. This is because the retail market in the region has changed behaviors by searching for products from modern trade department stores, especially during various promotions. May affect the overall sales through distributors. Therefore, the sales management through distributors therefore emphasizes on only the groups that have the potential and are ready to be able to continuously drive sales.

As for online retail channels in 2019, there has been a slowdown in some of the time, in which the company has conducted ongoing promotional campaigns in conjunction with the main shopping channels such as Lazada, Shopee, JD Central etc.; therefore, the Company has growth of the overview channel in 2019.

### **Corporate Market**

The organization's sales channel the company continues to expand the target customer base. Sales increased 6.1 million baht or increased 8.39% compared to the same period of 2018 due to management according to the business unit guidelines that have to control both the cost and expenses of the business unit. Make this organization's customer sales channel still a way to create sales and profits The company must also accelerate the expansion of its customer base in the corporate market to cover the planned sales target. To strengthen business back and able to reduce the revenue fluctuation of the company overall Because it is a way to generate continuous revenue (Recurring Revenue) from providing services with expertise in technology to solve hot air problems. Application of ozone systems for energy saving and environmental protection.

### **Export**

The twelve-month period of 2019 ended December 31, 2019, the international business channel, which is an export channel, showed sales growth when compared to the same period last year. The company has sales for the period equal to 199.44 million baht or 21.48% increase of sales in the same period of the previous year which has sales of 164.18 million baht, which is continuous sales from expanding the marketing base. To countries in the southern hemisphere.

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

Action plan for the 12-months of year 2019, the company has been allocated sales to key channels that are retail channel 40% , export channel 40% , corporate channel and others 20% , which an overview for the period was as expected.

For future operations plans Expansion of the marketing base for sales channels for corporate customers is still necessary. To reduce the risk of revenue fluctuations as a whole and for the retail channel It may be

necessary to expand the line of products without seasonality restrictions in order to be more comprehensive and meet the needs of consumers.

### Financial Status

**Table 3: Summary statement of financial position as of December 31, 2019**

Million Baht

Statement of Financial Position	Consolidated financial statements			
	31 Dec 2019	31 Dec 2018	+ / (-)	%
Cash and cash equivalents	38.01	27.02	10.99	40.67
Trade and other receivables – related parties	4.65	4.56	0.09	1.97
Trade and other receivables – other parties	95.80	99.37	(3.57)	(3.60)
A/R under finance lease agreements due within one year	0.16	4.53	(4.37)	(96.47)
Asset under contract	2.51	0.27	2.24	829.63
Inventory	198.32	179.31	19.01	10.60
Completed contract costs	0.00	0.47	(0.47)	(100.00)
<b>Total Current Assets</b>	<b>339.45</b>	<b>315.53</b>	<b>23.92</b>	<b>7.58</b>
Deposits with financial institutions that are pledged	70.75	70.75	0.00	0.00
Finance lease receivables	0.01	0.14	(0.13)	(92.86)
Property, plant and equipment	56.00	53.08	2.92	5.50
Intangible assets	3.71	4.77	(1.06)	(22.22)
Deferred tax assets	0.00	0.02	(0.02)	(100.00)
Revenue Department receivable	3.90	3.90	0.00	0.00
Other non-current assets	8.07	6.86	1.18	17.64
<b>Total non-current assets</b>	<b>142.44</b>	<b>139.52</b>	<b>2.92</b>	<b>2.09</b>
<b>Total assets</b>	<b>481.89</b>	<b>455.05</b>	<b>26.84</b>	<b>5.90</b>
Bank over drafts and short - term loans from financial institution	150.35	191.45	(41.10)	(21.47)
Trade and other payables – related parties	0.00	0.59	(0.59)	(100.00)
Trade and other payables – other parties	71.20	52.57	18.63	35.44
Contractual liabilities	36.64	9.88	26.76	270.85
Revenue Department Payable	0.28	1.16	(0.88)	(75.86)
Product Warranty Estimated Liabilities	5.66	5.80	(0.14)	(2.41)
Long-term liabilities due within 1 year	2.35	2.14	0.21	9.81
Short-term loans from related parties	0.00	10.00	(10.00)	(100.00)
Accrued corporate income tax	0.09	0.00	0.09	100.00
<b>Total current liabilities</b>	<b>266.56</b>	<b>273.59</b>	<b>(7.02)</b>	<b>(2.57)</b>
Estimated long-term quality guarantee	0.03	0.24	(0.21)	(87.50)
Finance lease liabilities	2.36	0.57	1.79	314.04
Employee benefit obligations	15.03	11.26	3.77	33.48
Deferred tax liabilities	0.81	1.17	(0.36)	(30.77)
<b>Total non-current liabilities</b>	<b>18.23</b>	<b>13.24</b>	<b>4.99</b>	<b>37.69</b>
<b>Total liabilities</b>	<b>284.79</b>	<b>286.83</b>	<b>(2.04)</b>	<b>(0.71)</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
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	(117.25)	(146.12)	28.87	19.76
<b>Total shareholders' equity</b>	<b>197.10</b>	<b>168.22</b>	<b>28.88</b>	<b>17.17</b>
<b>Total liabilities and shareholders' equity</b>	<b>481.89</b>	<b>455.05</b>	<b>26.84</b>	<b>5.90</b>

**Assets**

As of December 31, 2019, the company has total assets of 481.89 million baht, compared to the value of assets as of December 31, 2018 with the value of 455.05 million baht. The company has total assets decreased by 26.84 million baht or equivalent to a decrease of 5.90%. The main details consist of: -

- Trade and other receivables - other parties: Value at the end of the period December 31, 2019, equal to 38.01 million baht, an increase of 10.99 million baht, representing an increase of 40.67% from the sale of products and services.
- Inventories: the value at the end of the period as of December 31, 2019 increased by 19.01 million baht, representing a decrease of 10.60% due to preparing goods for selling in 2020.
- Finance lease receivables due within 1 year: Value at the end of the period as of December 31, 2019 decreased by 4.37 million baht, representing a decrease of 96.47% according to normal business operations.

**Liabilities**

As of December 31, 2019, the company has total liabilities of 284.79 million baht, compared to the total liabilities as of 31 December 2018 with the value of 286.83 million baht. The company has total liabilities decreased by 2.04 million baht or equivalent to a decrease of 0.71% which The main details include: -

- Bank overdrafts and short-term loans from financial institutions: The value at the end of the period on December 31, 2019 was 150.35 million baht, a decrease of 41.10 million baht or a 21.74% decrease which came from overdrafts and long-term loans. This short is used as working capital and has a partial repayment.
- Trade and other payables - other parties: the value at the end of the period on December 31, 2019 equals 71.20 million baht, a increase of 18.63 million baht or an increase of 35.44%, which is the normal payment for goods from manufacturers and distributors. Both domestically and internationally The company will pay when the next payment is due.

**Shareholders' Equity**

As of December 31, 2019, the company has total shareholders' equity of 197.10 million baht, an increase of 28.88 million baht or 17.17% increase compared to shareholders' equity as of 31 December 2018, which has shareholders' equity equal to 168.22 million baht, which the increase in shareholders' equity is due to the company's net profit for the 12-month period of 2019 at 30.97 million baht.

**Table 4: Financial Ratio**

Financial Ratio	Consolidated financial statements		+/(−)
	Jan-Dec 2019	Jan-Dec 2018	
<b>Liquidity Ratio</b>			
Current ratio	1.28	1.15	0.13
Quick ratio	0.53	0.50	0.03
<b>Profitability Ratio</b>			
Gross profit margin %	29.58%	21.91%	7.67
EBIT margin %	4.50%	(17.49)%	21.99
Net profit margin %	4.35%	(19.01)%	23.36
<b>Efficiency Ratio</b>			
Return on equity (ROE) %	15.71%	(64.73)%	80.44
Return on asset (ROA) %	6.43%	(23.93)%	30.36
Total assets turnover	1.48	1.26	0.22
<b>Financial Policy Ratio</b>			
Debt to equity ratio	1.44	1.70	(0.26)

**Liquidity Ratio**

Due to the factors affecting the operating results for the 12-month period of 2019, the liquidity ratio increased by 0.13 times compared to the ratio at the end of the period 31 December 2018, which came from sales and can receive payment in cash.

As for the quick ratio, increased by 0.03 times compared to the ratio at the end of the period 31 December 2019, due to increased sales. And the company still has inventory in the amount of 159.07 million baht that the company can sell in the future because the company's products are durable goods that are not deteriorated easily.

**Profitability Ratio and Efficiency Ratio**

From the 12-month performance of the year 2019, the company has gross profit margin increased by 7.67% from controlling the sales price structure. The operating profit margin and net profit margin The company has improved operations. The operating profit margin for the 12-month period of the year 2019 was increased 21.99% compared to the same period of the previous year and the net profit margin was 4.35% compared to the same period of the year which is equal to -19.01%.

**Financial Policy Ratio**

The company's debt to equity ratio decreased from the previous year. The debt-to-equity ratio for the 12-month period of the year 2019 was 1.44 times, which decreased by 0.26 times when compared to the same period in 2018 as a result of liquidity that can make payment for overdrafts and loans. Short-term as working capital in the business.

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Managing Director