

November 13, 2020

Subject: Management's Discussion and Analysis of Operating Results for the nine-month period of 2020 ended November 13, 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 nine-month period of 2020 ended September 30, 2020 which has been reviewed in the Board of Directors' Meeting No. 5/2020 arranged on November 13, 2020 as following: -

Table 1: Overall performance for the nine-month period of 2020 ended September 30, 2020

Million Baht

Description	FY2020	FY2019	Increase (Decrease)	
	(9 Months)	(9 Months)	Amount	%
Net Product Sales	613.75	517.16	96.59	18.68
Net Service Sales	62.22	72.67	(10.45)	14.38
Profit from Exchange Rate	-	6.74	(6.74)	(100.00)
Other Revenue *	0.90	2.35	(1.45)	(0.62)
Total Revenues	676.87	598.92	77.95	13.02
Cost of Goods Sold	490.40	371.24	119.16	32.10
Cost of Service	33.23	37.78	(4.55)	(12.04)
Selling Expenses	84.29	98.20	(13.91)	(14.16)
Administrative Expenses	45.72	44.27	1.45	3.28
Loss from Exchange Rate	2.71	-	2.71	100.00
Financial Cost	7.51	7.92	(0.41)	(5.18)
Total Cost	663.86	559.41	104.45	18.67
Profit(Loss) before Income Tax	13.01	39.51	(26.50)	(67.07)
Tax Expense(Tax Income)	(0.09)	(1.15)	(1.06)	(92.17)
Net Profit (Loss)	12.92	38.36	(25.44)	(66.32)
EPS (Baht/Share)	0.03	0.08	(0.05)	(62.50)

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

Business Overview

The nine-month performance of the year 2020, compared to the same period last year, showed a positive shift in terms of revenue growth of 13.02%, coming from export business with export income of 295.15 million baht, compared to the revenue from exports in the same period of the previous year, 157.56 million baht, representing a growth rate of 87.33%.

For retail business channels, the selling through department stores (modern trade) has been greatly affected due to the modern trades are closed under the public administration in situations related to the situation of the Coronavirus Disease (COVID-19) outbreak. Anyhow, the company has by way of nationwide sales and online sales; therefore some revenues were back. However, the overall revenue of the retail channel was a decrease of 8.99% compared the same period last year.

Even though the coronavirus (COVID-19) epidemic situation has continued and escalated in every industry and in most areas of the world, but the company was not significantly affected; due to the rapid adjustment to generate income from other channels such as sales through dealers, and online sales in substitution for sales through department stores which closed. The company has a net profit of 12.92 million baht for the 9-month period of the year 2020 ended September 30,2020.

Economic and industrial conditions affecting operations

In the global coronavirus disease (COVID-19) epidemic situation, most businesses need to temporarily stop their operations, and many businesses shut down, affecting the economy severely even after several months. Besides, it is still not possible to assess the situation when this situation will end or be controlled.

The company was affected in the first quarter of the year, when the spread of the viral disease intensified in China. The Chinese government announced the closure of the country and ordered the manufacturing sector and some services stopped operating. As a result, the production of the company's products had to be interrupted. However, the company has already prepared some products for sale since the end of last year. Therefore, products can be sold more through online channels, including TV Shopping, Web Shopping and other online channels.

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 moderntrades 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 9-month period of 2020 ended September 30, 2020

Million Baht			
Sales Channel	Jan-Sep 2020	Jan-Sep 2019	% YOY
Retail Channel	273.84	300.89	(8.99)
Corporate Customer Channel	44.76	58.71	(23.76)
Export Channel	295.15	157.56	87.33
Service and Warranty	62.22	72.67	(14.38)
Other Income*	0.90	9.09	(90.10)
Total Revenue	676.87	598.92	13.02

Retail Market

The Company's retail channels consist of selling through the moderntrades, dealers and sales booth. When compared to the 9-month period of 2019, the retail channel has a decrease of 27.05 million baht in sales,

or 8.99% decrease due to all moderntrade stores are closed. After considering the individual retail channels, it was found that consumers still keep Masterkool's brand in their mind for reliable evaporative fans. Products and services are accepted; therefore, orders are made through online channels, also through dealers.

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 9-month overview when compared with the same period of 2019, the company can bring revenue back into retail business 273.84 million baht

Corporate Market

The company continues to expand the corporate customer market, but due to the epidemic situation of viral infections resulting in a decrease in sales of approximately 13.95 million baht or a decrease of 23.76% compared to the same period of year 2019 due to the private sector's investment slowdown in the COVID-19 crisis. The company focuses on controlling of both costs and expenses of this business unit to make this unit as a channel for generating sales and profits in future.

When the situation returns to normal, the company must also accelerate the expansion of its customer base in the corporate market enough to cover its planned sales target to strengthen the business and reduce the Company's overall income volatility because the channel can generate recurring revenue from service with expertise solutions, and application of ozone system for energy saving and environmental protection

Export

In the 9-month period of 2020, the export channel showed significant sales growth compared to the same period last year. This sales unit had sales for the period equal to 295.15 million baht, or an increase of 87.33% of the sales in the same period of the previous year with sales of 157.56 million baht, by a continuation of sales from the expansion of the market in countries that were not affected by the virus outbreak.

Comparative analysis to the budgeting plan

For the 9-month period of 2020, the company has divided the sales percentage of the main channels; that are 40% of the retail channel, 40% of the export channel, and 20% of the corporate customer sales channel. and service sector, in which the overall picture for the period appeared, it was found that the export channel achieved a proportion that exceeds the projected rate.

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 with no seasonal restrictions, in order to be comprehensive and meet the needs of wider consumers, while supporting online sales channels.

Financial Status

Table 3: Summary statement of financial position as of September 30, 2020

Unit: Million Baht

Statement of Financial Position (Consolidated)	Consolidated Statement			
	30 Sep 2020	31 Dec 2019	+/(−)	%
Cash and cash equivalents	47.41	35.01	12.40	35.41
Trade and other receivables – related parties	4.83	4.65	0.18	3.87
Trade and other receivables – other parties	98.72	95.80	2.92	3.05
A/R under finance lease agreements due within one year	0.04	0.16	(0.12)	(75.00)
Asset under contract	0.48	2.51	(2.03)	(80.88)
Inventories	165.25	198.32	(33.07)	(16.68)
Other current financial assets	0.10	0.00	0.10	100.00
Total Current Assets	316.83	336.45	(19.62)	(5.83)
Deposits with financial institutions that are pledged	73.75	73.75	0.00	0.00
Financial lease receivables	0.00	0.01	(0.01)	(100.00)
Property, plant and equipment	48.96	56.00	(7.04)	(12.57)
Rights-of-use assets	23.08	0.00	23.08	100.00
Intangible assets	3.16	3.71	(0.55)	(14.82)
Revenue Department receivable	3.90	3.90	0.00	0.00
Other non-current assets	7.18	8.07	(0.89)	(11.03)
Total non-current assets	160.03	145.44	14.59	10.03
Total assets	476.86	481.89	(5.03)	(1.04)
Bank over drafts and short - term loans from financial institution	151.92	150.35	1.57	1.04
Trade and other payables – related parties	0.04	0.00	0.04	100.00
Trade and other payables – other parties	66.38	71.20	(4.82)	(6.77)
Contractual liabilities	4.95	36.64	(31.69)	(86.49)
Revenue Department Payable	0.20	0.28	(0.08)	(28.57)
Product Warranty Estimated Liabilities	6.06	5.66	0.40	7.07
Financial leased liabilities due within one year	9.67	2.35	7.32	311.49
Accrued corporate income tax	0.00	0.09	(0.09)	(100.00)
Total current liabilities	239.22	266.57	(27.35)	(10.26)
Estimated long-term quality guarantee	0.07	0.03	0.04	133.33
Finance lease liabilities - Net amounts due within one year	11.13	2.35	8.78	373.62
Employee benefit obligations	16.66	15.03	1.63	10.84
Deferred tax liabilities	0.91	0.81	0.10	12.35
non-current liabilities	1.74	0.00	1.74	100.00
Total non-current liabilities	30.51	18.22	12.29	67.45
Total liabilities	269.73	284.79	(15.06)	(5.29)
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			
	30 Sep 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
Retained earnings (loss)				
- Appropriated for legal reserve	8.26	8.26	0.00	0.00
- Un-appropriated retained earnings	(107.22)	(117.25)	(10.03)	(8.55)
Total shareholders' equity	207.13	197.10	10.03	5.09
Total liabilities and shareholders' equity	476.86	481.89	(5.03)	(1.04)

Assets

As of September 30, 2020 The company has total liabilities of 476.86 million baht, which is compared to the total liabilities as of December 31, 2019, which is 481.89 million baht, the company has total liabilities of 5.03 million baht in decrease, or a decrease of 1.04%

- Trade and other receivables - other parties: The value as of the end of the period September 30, 2020 increased by 2.92 million baht or 3.05% from sales operations of both products and services.
- Inventories: The value at the end of the period September 30, 2020 decreased by 33.07 million baht or 16.68% in line with the sale of products in the period.

Liabilities

As of September 30, 2020 The company has total liabilities of 269.73 million baht, which is compared to the total liabilities as of December 31, 2019, which is 284.79 million baht, the company has total liabilities of 15.06 million-baht decrease, or a decrease of 5.29%

- Trade payables and other payables - Other parties: The value as of the end of the period on September 30, 2020 is 66.38 million baht, a decrease of 4.82 million baht or a decrease of 6.77%, which is the purchase price of goods according to normal trade conditions from both domestic and foreign manufacturers and distributors. The company will pay when the payment is due.
- Contratual Liabilities: The value at the end of the period ended September 30, 2020 is 4.95 million baht, a decrease of 31.69 million baht or 86.49%, which is a service in the form of a lease used.

Shareholders' Equity

As of September 30, 2020 the company has total shareholders' equity of 207.13 million baht, an increase of 10.03 million baht or an increase of 5.09% compared to shareholders' equity as of 31 December 2019, which has shareholders' equity equal to 197.10 million baht. The increase in equity comes from the Company's operating results for the 9 months of 2020 compared to the previous year.

Table 4: Financial Ratio

	Financial Ratio (Consolidated)		+/(-)
	Jan-Sep 2020	Jan-Sep 2019	
Liquidity Ratio			
Current ratio	1.32	1.26	0.06
Quick ratio	0.63	0.52	0.11
Profitability Ratio			
Gross profit margin %	22.54%	30.65%	(8.11)
EBIT margin %	1.92%	6.70%	(4.78)
Net profit margin %	1.88%	6.50%	(4.62)
Efficiency Ratio			
Return on equity (ROE) %	6.29%	18.99%	(12.70)
Return on asset (ROA) %	2.65%	8.01%	(5.36)
Total assets turnover	1.41	1.23	0.18
Financial Policy Ratio			
Debt to equity ratio	1.30	1.44	(0.14)

Liquidity Ratio

From the factors affecting the operating results of the 9-month period of 2020, the liquidity ratio increased 0.06 times compared to the ratio at the end of the period September 30, 2019, which came from the sale and payment of debt according to the time limit.

The ratio of the quick turnover ratio increased by 0.11 times compared to the ratio at the end of the period September 30, 2019 due to increased sales. The company still has a total inventory of 165.25 million baht that the company can sell in the future because the company's products are durable products that do not easily deteriorate.

Profitability Ratio and Efficiency Ratio

Based on the 9-month performance of the year 2020, the gross profit margin decreased 8.11% on the back of the large-volume selling price structure of export channels which affects operating profit margins; and the net profit margin for the 9-month period of 2020 declined 4.78% 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 9-month period of 2020 was 1.30 times, a decrease of 0.14 times compared to the same period in 2019 as a result of business operations.

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