บริษัท ออลล่า จำกัด (มหาชน)
ALLA PUBLIC COMPANY LIMITED

9 August 2017 Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

Performance of the Group over the past six months, still, resulting from the impact of the previous year. This is because the cranes and electric hoists manufacturing, which is the main business segment, generally has a period of time since receiving orders until completion of all processes approximately 4-6 months. Which from the effect of the economic slowdown of the previous year, revenue from sales and service income of 2017 for the six-month and three-month period (April – June) also dropped when compared to the same period of prior year.

However, by comparing the decrease of revenues proportion between 1Q and 2Q of 2017, it is likely to decline i.e. 1Q decreased 23%, 2Q decreased 7%, plus the revenues backlog at the end of the second quarter significantly increased when compared with the end of last year. Also, the Group's gross margin still remained above 30%, especially in the second quarter of 2017 where the gross margin increased significantly, as a result, the net profit of 2Q of 2017 also increased. The Group still has a solid financial structure, has continued cash flow from operations, good liquidity ratio and low debt to equity ratio as well. Considering the overall performance, it is expected that the Group will have better performance in the future.

Consolidated Financial Performance for the second quarter and six-month period of 2017

Operating Income						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2017	2Q 2016	%Chg.	6M 2017	6M 2016	%Chg.
Sales and service income	149,808	159,518	(7%)	252,317	292,026	(14%)
Other income	1,623	556	(192%)	3,463	2,551	36%
Gain on exchange	-	2,153	(100%)	-	1,912	(100%)
Total Operating Income	151,431	162,227	(7%)	255,780	296,489	(14%)

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Revenues structure						
	6M 2017		6M 2016		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales						
Crane and Hoist	142,856	56%	182,926	62%	(40,070)	(22%)
Industrial door and Loading dock	48,102	19%	50,359	17%	(2,257)	(4%)
PVC strip curtain and Air curtain	3,237	1%	4,489	1%	(1,252)	(28%)
Total revenue from sales	**194,195**	**76%**	**237,774**	**80%**	**(43,579)**	**(18%)**
Revenue from services						
Crane and Hoist	47,724	19%	49,264	16%	(1,540)	(3%)
Industrial door and Loading dock	10,141	4%	4,877	2%	5,264	108%
Training center	257	0%	111	0%	146	132%
Total revenue from services	**58,122**	**23%**	**54,252**	**18%**	**3,870**	**7%**
Other income	**3,463**	**1%**	**4,463**	**2%**	**(1,000)**	**(22%)**
Total Operating Income	255,780	100%	296,489	100%	(40,709)	(14%)

Total operating income for the second quarter and six-month period of 2017 of the Company and its subsidiary were Baht 151 million and Baht 256 million, respectively, decreased from the same period of prior year of Baht 11 million or 7% and Baht 41 million or 14%, respectively. The mainly cause due to a decrease of revenue from sale of cranes and hoists, while revenue from sale of other products and revenue from services were no significant changed.

The decrease in revenue from sale of cranes and hoists were mainly due to the impact of economic slowdown, the decrease of domestic demand, the sluggish in non-government sectors and the delay of customer readiness for installation resulting in projects delivery postponement. However, the Company and its subsidiary had revenues backlog of Baht 365 million as at the end of June 2017, which increased by Baht 141 million compared to last December, such backlog will gradually be recognized as revenue from the third quarter of 2017 onward.

Operating Expenses						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2017	2Q 2016	%Chg.	6M 2017	6M 2016	%Chg.
Cost of sales and services	97,747	118,247	(17%)	166,312	201,490	(17%)
Selling expenses	5,966	6,425	(7%)	12,300	12,207	1%
Administrative expenses	22,286	21,131	5%	45,024	43,682	3%
Loss on exchange	1,191	-	100%	150	-	100%
Total Operating Expenses	127,190	145,803	(13%)	223,786	257,379	(13%)

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Total operating expenses for the second quarter and six-month period of 2017 of the Company and its subsidiary were Baht 127 million and Baht 224 million, respectively, decreased from the same period of prior year of Baht 19 million or 13% and Baht 34 million or 13%, respectively. The mainly causes due to

- A decrease of cost of sales and services was in line with a decrease of revenue from sales and services including the efficient cost management.
- Administrative expenses slightly increased as from annual salary adjustment.

Other Items						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2017	2Q 2016	%Chg.	6M 2017	6M 2016	%Chg.
Finance cost	482	1,161	(58%)	1,091	2,298	(53%)
Income tax expenses	4,968	3,153	58%	6,563	7,923	(17%)
Total Other Items	5,450	4,314	26%	7,654	10,221	(25%)

- Finance cost decreased since the Company repaid entire long-term loans from financial institutions in the fourth quarter of 2016.
- Income tax expenses increased for the second quarter and decreased for the six-month period, as in line with the operating profit.

Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2017	2Q 2016	%Chg.	6M 2017	6M 2016	%Chg.
Gross profit	52,061	41,271	26%	86,005	90,536	(5%)
Gross profit margin	35%	26%		34%	31%	
Net profit	18,791	12,110	55%	24,340	28,889	(16%)
Net profit margin	12%	8%		10%	10%	
Basic earnings per share (Baht)	0.03	0.03	-	0.04	0.07	(43%)

- Gross profit and gross profit margin for the second quarter and gross profit margin for the six-month period of 2017 increased due to the efficient cost management of every step from the beginning to the end of process, from the design stage until finishing of production. However, gross margin for the six-month period of 2017 continued to decrease due to the impact of the first quarter on lower revenue from sales and services.

- Net profit and net profit margin for the second quarter of 2017 increased due to higher gross margin in this quarter. However, net profit for the six-month period decreased in line with a decrease of revenue from sales and services.
- Basic earnings per share for the six-month period of 2017 decreased as from the increase of ordinary shares resulting from the capital increase by public offering in the fourth quarter of 2016.

Consolidated Financial Position for the six-month period of 2017

Financial Position			
(Thousand Baht)	June 2017	December 2016	%Chg.
Total Assets	922,147	900,041	2%
Total Liabilities	181,463	171,697	6%
Total Shareholders' Equity	740,684	728,344	2%

- Total assets increased of Baht 22 million or 2%, due to an increase of inventories as from work in process which were scheduled to deliver from the third quarter of 2017 onwards.
- Total liabilities increased of Baht 10 million or 6%, mainly due to an increase of trade accounts payable and deposits received in advance which were in line with an increase of work in process. In addition, short-term loans from financial institutions decreased from repayment during the period.
- Total shareholders' equity increased of Baht 12 million or 2% which increased from net profit during the period of Baht 24 million and decreased from dividend payment of Baht 12 million.

Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	6M 2017	6M 2016
Net cash from operating activities	62,827	30,827
Net cash used in investing activities	(1,582)	(27,938)
Net cash used in financing activities	(52,106)	(43,273)
Net increase (decrease) in cash and cash equivalents	9,139	(40,384)
Beginning cash and cash equivalents	178,130	101,521
Ending cash and cash equivalents	187,269	61,137

For the six-month period of 2017, the Company and its subsidiary had net increase in cash and cash equivalent of Baht 9 million from the beginning balance of Baht 178 million. As a result, cash and cash equivalents at the end of the period was Baht 187 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities were Baht 63 million, resulting mainly from profit during six months of 2017, debts collection and deposit received from customers.
- Net cash used in financing activities were Baht 52 million, due mainly to loans repayment of Baht 37 million and paid dividend of Baht 12 milion.

Ratios Analysis		
	6M 2017	6M 2016
Return on Asset (%)	9.34%	16.85%
Return on Equity (%)	10.19%	26.69%
Current ratio (x)	5.22	1.89
Total debt to equity (x)	0.24	0.78

- Return on asset decreased by 7.51% and return on equity decreased by 16.50% due to a decrease of profit. However, total assets and shareholders' equity increased as from the capital increase by public offering in the fourth quarter of 2016.
- Current ratio increased by 3.33x and total debt to equity decreased by 0.54x due to an increase of assets as from cash received from the capital increase by public offering. Liabilities also decreased from loans repayment.