บริษัท อลล่า จำกัด (มหาชน)
ALLA PUBLIC COMPANY LIMITED

7 August 2019 | Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

The overall operating performance of the Group for the second quarter and the six-month period of 2019 has decreased, compared to the same period of the prior year, due to the increase of price competition resulting in lower gross profit margin. And also affected by the Labor Protection Act for those employees who have worked for 20 consecutive years or more, that they have the right to receive compensation of not less than 400 days of the final wage rate. As a result, the Group has an increase in long-term employee benefit expenses of Baht 6.85 million. In addition, in the first quarter of 2019, the Company has written-off assets of approximately Baht 2 million due to the renovation of office buildings causing the decrease of net profit. However, the Group continues to manage costs in all area for maximum efficiency. As well as having good financial management which allows the Group to have foreign exchange gains. The Group continues to receive orders from customers continuously with the revenue backlog at the end of the second quarter of 2019 amounting to approximately Baht 553 million which increased by 20% compared to the end of the previous year.

The Group still has solid financial structure by having good liquidity ratio and low debt to equity ratio.

Consolidated Financial Performance for the second quarter and six-month period of 2019

Operating Income						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2019	2Q 2018	%Chg.	6M 2019	6M 2018	%Chg.
Revenues from contracts with customers	164,489	174,527	(6%)	262,413	278,561	(6%)
Other income	2,148	1,390	55%	5,374	2,729	97%
Total Operating Income	166,637	175,917	(5%)	267,787	281,290	(5%)

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Revenues structure						
	6M 2019		6M 2018		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales						
Crane and Electric Hoist	135,514	51%	134,485	48%	1,029	1%
Loading Dock and Equipment	51,546	19%	79,073	28%	(27,527)	(35%)
Warehouse management system and Equipment	1,500	1%	56	0%	1,444	2,579%
Total revenue from sales	188,560	71%	213,614	76%	(25,054)	(12%)
Revenue from services						
Crane and Electric Hoist	62,069	24%	54,611	19%	7,458	14%
Loading Dock and Equipment	11,715	4%	10,276	4%	1,439	14%
Training center	69	0%	60	0%	9	15%
Total revenue from services	73,853	28%	64,947	23%	8,906	14%
Other income	5,374	1%	2,729	1%	2,645	97%
Total Operating Income	267,787	100%	281,290	100%	(13,503)	(5%)

Total operating income for the second quarter of 2019 of the Company and its subsidiary amounted to Baht 167 million, decreased by Baht 9 million or 5% compared to the same period of prior year. Total operating income for the six-month period of 2019 amounted to Baht 268 million, decreased by Baht 14 million or 5% compared to the same period of prior year. Revenue from sales decreased from sales of loading dock and equipment in the amount of Baht 28 million or 35%. The decrease was only because of the postponing of the delivery period to the next quarters. However, the revenue from service has increased by Baht 9 million or 14%, mainly from crane and hoist service segment. In addition, other income of the Group has increased by Baht 3 million or 97% mainly due to foreign exchange gains as from efficient financial management.

During the first quarter of 2019, the Company received dividend of Baht 8 million from its subsidiary, which this transaction had been eliminated in the consolidated financial statements.

As at June 2019, the Company and its subsidiary had revenues backlog of Baht 553 million, which increased by Baht 94 million or 20% compared to prior year, such backlog will gradually be recognized as revenues from the third quarter of 2019 onward. The continued increase in revenues backlog was due to the expansion of public and private investments in order to support the overall economy growth.

Operating Expenses						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2019	2Q 2018	%Chg.	6M 2019	6M 2018	%Chg.
Cost of sales and services	118,347	120,158	(2%)	186,448	192,615	(3%)
Selling expenses	9,021	7,562	19%	16,313	14,394	13%
Administrative expenses	22,834	23,461	(3%)	44,756	47,571	(6%)
Total Operating Expenses	150,202	151,181	(1%)	247,517	254,580	(3%)

Total operating expenses for the second quarter of 2019 of the Company and its subsidiary were Baht 150 million, decreased from the same period of prior year of Baht 1 million or 1%. Total operating expenses for the six-month period of 2019 were Baht 248 million, decreased from the same period of prior year of Baht 7 million or 3%. The mainly causes due to

- Cost of sales and services slightly decreased in line with the decrease of revenues from contracts with customers.
- Selling expenses increased as from the impact of long-term employee benefits expenses under the Labor Protection Act. In addition with the transferring of some employees from support departments to sale departments, in order to increase sales volume, conform to the company's sales strategy.
- Administrative expenses decreased. Although the group had impact from the Labor Protection Act causing the increase of long-term employee benefit expenses. However, the Group has managed expenses by organizing the employee structure for maximum work efficiency causing the other administrative expenses related to employees to decrease.

Other Items						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2019	2Q 2018	%Chg.	6M 2019	6M 2018	%Chg.
Finance cost	70	102	(31%)	139	217	(36%)
Income tax expenses	3,548	4,778	(26%)	4,479	5,489	(18%)
Total Other Items	3,618	4,880	(26%)	4,618	5,706	(19%)

- Finance cost decreased by 36% due to the repayment of financial lease liabilities.
- Income tax expenses decreased by 18% in line with the operating profit.

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Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the six-month periods		
	2Q 2019	2Q 2018	%Chg.	6M 2019	6M 2018	%Chg.
Gross profit	46,142	54,369	(15%)	75,965	85,946	(12%)
Gross profit margin	28%	31%		29%	31%	
Net profit	12,817	19,856	(35%)	15,652	21,004	(25%)
Net profit margin	8%	11%		6%	7%	
Basic earnings per share (Baht)	0.02	0.03	(33%)	0.03	0.04	(25%)

- Gross profit for the second quarter of 2019 decreased from the same period of prior year in the amount of Baht 8 million or 15%. Gross profit for the six-month period of 2019 decreased from the same period of prior year in the amount of Baht 10 million or 12%. The decrease was in line with the decrease of revenue from contracts with customers. In addition with the increase of price competition resulting in the decrease of gross profit margin for the second quarter of 2019 by 3% and for the six-month period of 2019 by 2%.
- Net profit for the second quarter of 2019 decreased from the same period of the prior year by Baht 7 million or 35%. Net profit for the six-month period of 2019 decreased from the same period of prior year by Baht 5 million or 25%. This is mainly due to the decrease of gross profit and in addition with the impact of the increase of long-term employee benefits under the Labor Protection Act and the written-off of assets of approximately Baht 2 million as from the renovation of the office building in the first quarter of 2019 which resulted in the decrease in net profit for the second quarter of 2019 by 3% and for the six-month period of 2019 by 1%.

Consolidated Financial Position for the six-month period of 2019

Financial Position			
(Thousand Baht)	June 2019	December 2018	%Chg.
Total Assets	1,008,822	1,048,319	(4%)
Total Liabilities	231,624	237,758	(3%)
Total Shareholders' Equity	777,198	810,561	(4%)

- Total assets decreased of Baht 39 million or 4% mainly from the crease in cash as from dividend payment in the second quarter. Trade account receivable also decreased from debt collecting. However, inventories increased mainly from work in process, which to be delivered in the next periods.
- Total liabilities decreased of Baht 6 million or 3%, mainly from the payment to trade accounts payable. However, deposit received in advance increased in line with the increase of inventories and revenue backlog.

- Total shareholders' equity decreased of Baht 33 million or 4% which decreased from dividend payment of Baht 48 million and increased from net profit of the period of Baht 16 million.

Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	6M 2019	6M 2018
Net cash from (used in) operating activities	(18,538)	13,238
Net cash from (used in) investing activities	14,149	(120,091)
Net cash used in financing activities	(50,245)	(44,688)
Net decrease in cash and cash equivalents	(54,634)	(151,541)
Beginning cash and cash equivalents	118,216	270,472
Ending cash and cash equivalents	63,582	118,931

For the six-month period of 2019, the Company and its subsidiary had net decrease in cash and cash equivalent of Baht 55 million from the beginning balance of Baht 118 million. As a result, cash and cash equivalents at the end of the period was Baht 63 million. Details of cash flows by activities during the period were as follows:-

- Net cash used in operating activities were Baht 19 million.
- Net cash used in investing activities were Baht 14 million by receiving cash from short-term investments of Baht 70 million and investing in long-term fixed deposits of Baht 50 million and paying for investments in fixed assets of Baht 8 million.
- Net cash used in financing activities were Baht 50 million mainly due to dividend payment during the period.

Ratios Analysis		
	6M 2019	6M 2018
Return on Asset (%)	8.78%	7.33%
Return on Equity (%)	8.93%	7.25%
Current ratio (x)	3.77	4.41
Total debt to equity (x)	0.30	0.27

Return on assets and return on equity increased by 1.45% and 1.68%, respectively, although the profit for the six-month period of 2019 has decreased, but the six-month profit of the third and fourth quarter of 2018 has increased when compared to the same period of prior year, resulting in the increase in one-year yield profit.

Current ratio decreased by 0.64x and total debt to equity ratio increased by 0.03x since cash decreased from dividend payment during the period and the Company has changed the investment model of fixed deposits from current investments to long-term investments of Baht 50 million.