บริษัท อัลลา จำกัด (มหาชน)
ALLA PUBLIC COMPANY LIMITED

9 November 2018 Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

The operating performance of the Group for the nine-month period, revenue from sales and services increased. However, considering the operating performance for the three-month period (July - September), the revenue from sales and services decreased, still, the Group had increased gross margin due to special projects that were delivered to customers during the quarter. The Group has also improved costing management including the decreased of administrative expenses, as a result, the increase in net profit. Furthermore, the revenues backlog of the Group as at the end of this period was Baht 412 million increased about 36% when compared with the end of prior year.

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.

Consolidated Financial Performance for the third quarter and nine-month period of 2018

Operating Income						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2018	3Q 2017	%Chg.	9M 2018	9M 2017	%Chg.
Sales and service income	165,568	183,342	(10%)	444,129	435,659	2%
Other income	2,749	1,554	77%	5,478	5,017	9%
Total Operating Income	168,317	184,896	(9%)	449,607	440,676	2%

Revenues structure						
	9M 2018		9M 2017		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales						
Crane and Hoist	221,632	49%	260,403	59%	(38,771)	(15%)
Industrial door, Loading dock, PVC strip curtain and Air curtain	120,061	27%	83,673	19%	36,388	43%
Warehouse system provider	56	0%	-	-	56	100%
Total revenue from sales	341,749	76%	344,076	78%	(2,327)	(1%)

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Revenues structure (Continued)						
	9M 2018		9M 2017		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from services						
Crane and Hoist	86,633	19%	75,430	17%	11,203	15%
Industrial door and Loading dock	15,602	4%	15,840	4%	(238)	(2%)
Training center	145	0%	313	0%	(168)	(54%)
Total revenue from services	102,380	23%	91,583	21%	10,797	12%
Other income	5,478	1%	5,017	1%	461	9%
Total Operating Income	449,607	100%	440,676	100%	8,931	2%

Total operating income for the third quarter of 2018 of the Company and its subsidiary were Baht 168 million decreased from the same period of prior year of Baht 17 million or 9%. Total operating income for the nine-month period of 2018 were Baht 450 million increased from the same period of prior year of Baht 9 million or 2%. Revenue from sales of industrial door and loading dock increased due to the expansion of warehouse and retail sector, while revenue from sales of crane and hoist decreased. In addition, revenue from services increased from crane and hoist service segment.

As at the end of the third quarter of 2018, the Company and its subsidiary had revenues backlog of Baht 412 million, which increased by Baht 110 million or 36% compared to last December, such backlog will gradually be recognized as revenues from the fourth quarter of 2018 onward. The continued increase in revenues backlog was due to the expansion of public and private investment in order to support the overall economy growth.

Operating Expenses						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2018	3Q 2017	%Chg.	9M 2018	9M 2017	%Chg.
Cost of sales and services	109,750	137,275	(20%)	302,365	303,812	0%
Selling expenses	8,156	7,259	12%	22,550	19,615	15%
Administrative expenses	21,464	23,197	(7%)	69,035	68,718	0%
Total Operating Expenses	139,370	167,731	(17%)	393,950	392,145	0%

Total operating expenses for the third quarter of 2018 of the Company and its subsidiary were Baht 139 million decreased from the same period of prior year of Baht 28 million or 17%. Total operating expenses for the nine-month period of 2018 were Baht 394 million increased from the same period of prior year of Baht 2 million. The mainly causes due to

- Cost of sales and services for the third quarter of 2018 decreased in line with the decrease of revenue from sales and services. Cost of sales and services for the nine-month period slightly decreased.
- Selling expenses increased due to the increase of employee expenses and marketing expenses of the warehouse system provider business segment.
- Administrative expenses for the third quarter of 2018 decreased since the Group has policy to reduce the extravagant cost and focus on efficient management and operations, resulting in the concise processes and the reduction in overall administrative expenses.

Other Items						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2018	3Q 2017	%Chg.	9M 2018	9M 2017	%Chg.
Finance cost	88	158	(44%)	305	621	(51%)
Income tax expenses	6,001	3,604	67%	11,490	10,167	13%
Total Other Items	6,089	3,762	62%	11,795	10,788	9%

- Finance cost decreased due to the repayment of financial lease liabilities and short-term loans from financial institutions.
- Income tax expenses increased in line with the operating profit.

Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2018	3Q 2017	%Chg.	9M 2018	9M 2017	%Chg.
Gross profit	55,818	46,067	21%	141,764	131,847	8%
Gross profit margin	34%	25%		32%	30%	
Net profit	22,858	13,403	71%	43,862	37,743	16%
Net profit margin	14%	7%		10%	9%	
Basic earnings per share (Baht)	0.04	0.02	100%	0.07	0.06	17%

- Gross profit and gross profit margin increased due to special projects that were delivered to customers during the quarter including efficient costing management
- Net profit and net profit margin increased in line with the increase of gross profit and also with the decrease of administrative expenses in the third quarter.

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Consolidated Financial Position for the nine-month period of 2018

Financial Position			
(Thousand Baht)	September 2018	December 2017	%Chg.
Total Assets	972,479	953,026	2%
Total Liabilities	193,980	176,389	10%
Total Shareholders' Equity	778,499	776,637	0%

- Total assets increased of Baht 19 million or 2% mainly due to the increase of trade accounts receivable, inventories and work in process. However, cash also decreased from dividend payment and fixed assets investment.
- Total liabilities increased of Baht 18 million or 10% from trade accounts payable which increased in line with the increase of inventories and work in process.
- Total shareholders' equity increased of Baht 2 million which increased from net profit for the period of Baht 44 million and decreased from dividend payment of Baht 42 million.

Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	9M 2018	9M 2017
Net cash from (used in) operating activities	(11,844)	97,910
Net cash used in investing activities	(128,472)	(15,087)
Net cash used in financing activities	(45,625)	(56,653)
Net increase (decrease) in cash and cash equivalents	(185,941)	26,170
Beginning cash and cash equivalents	270,472	178,130
Ending cash and cash equivalents	84,531	204,300

For the nine-month period of 2018, the Company and its subsidiary had net decrease in cash and cash equivalent of Baht 186 million from the beginning balance of Baht 270 million. As a result, cash and cash equivalents at the end of the period was Baht 84 million. Details of cash flows by activities during the period were as follows:-

- Net cash used in operating activities were Baht 12 million.
- Net cash used in investing activities were Baht 128 million as from the investment in fixed deposit of Baht 100 million and investment in fixed assets of Baht 31 million.
- Net cash used in financing activities were Baht 46 million due mainly to dividend payment during the period.

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Ratios Analysis		
	9M 2018	9M 2017
Return on Asset (%)	8.46%	9.38%
Return on Equity (%)	8.31%	10.91%
Current ratio (x)	4.75	5.26
Total debt to equity (x)	0.25	0.24

Return on asset and return on equity decreased by 0.92% and 2.60%, respectively, due to the increase of average total assets and average shareholder equity, compared to the same period of prior year. In addition, current ratio decreased 0.51% due to the increase in current liabilities as from trade accounts payable. Total debt to equity ratio was no significant changed.