บริษัท อลล่า จำกัด (มหาชน)
ALLA PUBLIC COMPANY LIMITED

7 November 2019 | Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Business Performance Overview

The overall operating performance of the Group for the third quarter and the nine-month period of 2019 has improved, compared to the same period of the prior year, in which the Group has increased total operating income. Although the gross profit margin decreased due to the increase of price competition and also affected by the Labor Protection Act in the second quarter of 2019, as a result, the Group had additional 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. However, the net profit of the Group has increased due to continuously cost management in all aspects for maximum efficiency, including good financial management resulting in the Group having gain from foreign exchange. The Group continues to receive orders from customers with the revenue backlog at the end of the third quarter of 2019 amounting to Baht 513 million which increased by 12% compared to the end of the previous year.

The Group still has 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 2019

Operating Income						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2019	3Q 2018	%Chg.	9M 2019	9M 2018	%Chg.
Revenues from contracts with customers	206,295	165,568	25%	468,708	444,129	6%
Other income	3,524	2,749	28%	8,898	5,478	62%
Total Operating Income	209,819	168,317	25%	477,606	449,607	6%

Revenues structure						
	9M 2019		9M 2018		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from sales						
Crane and Electric Hoist	278,746	58%	221,632	49%	57,114	26%
Loading Dock and Equipment	73,857	16%	120,061	27%	(46,204)	(38%)
Warehouse management system and Equipment	4,197	1%	56	0%	4,114	7,395%
Total revenue from sales	356,800	75%	341,749	76%	15,051	4%

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Revenues structure (continued)						
	9M 2019		9M 2018		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Revenue from services						
Crane and Electric Hoist	93,440	19%	86,633	19%	6,807	8%
Loading Dock and Equipment	18,309	4%	15,602	4%	2,707	17%
Training center	159	0%	145	0%	14	10%
Total revenue from services	111,908	23%	102,380	23%	9,528	9%
Other income	8,898	2%	5,478	1%	3,420	62%
Total Operating Income	477,606	100%	449,607	100%	27,999	6%

Total operating income for the third quarter of 2019 of the Company and its subsidiary amounted to Baht 210 million, increased by Baht 42 million or 25% compared to the same period of prior year. Total operating income for the nine-month period of 2019 amounted to Baht 478 million, increased by Baht 28 million or 6% compared to the same period of prior year. The mainly causes due to

- Revenue from sales for the nine-month period increased by Baht 15 million or 4%. Revenue from sales of crane and electric hoist increased by Baht 57 million or 26% as from the revenue recognition of major projects during the quarter. Revenue from sales of loading dock and equipment decreased by Baht 46 million or 38%. The decrease was from the postponing of the delivery period to other quarters, and there was no major projects in the current period.
- Revenue from services for the nine-month period increased by Baht 10 million or 9% which increased from crane and electric hoist segment of Baht 7 million, and loading dock and equipment segment of Baht 3 million.
- Other income for the nine-month period increased by Baht 3 million or 62% mainly due to foreign exchange gains as from efficient financial management. In addition, 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 September 2019, the Company and its subsidiary had revenues backlog of Baht 513 million, which increased by Baht 54 million or 12% compared to prior year, such backlog will gradually be recognized as revenues from the fouth quarter of 2019 onward.

Operating Expenses						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2019	3Q 2018	%Chg.	9M 2019	9M 2018	%Chg.
Cost of sales and services	141,307	109,750	29%	327,755	302,365	8%
Selling expenses	8,965	8,156	10%	25,278	22,550	12%
Administrative expenses	19,716	21,464	(8%)	64,472	69,035	(7%)
Total Operating Expenses	169,988	139,370	22%	417,505	393,950	6%

Total operating expenses for the third quarter of 2019 of the Company and its subsidiary were Baht 170 million, increased from the same period of prior year of Baht 31 million or 22%. Total operating expenses for the nine-month period of 2019 were Baht 418 million, increased from the same period of prior year of Baht 24 million or 6%. The mainly causes due to

- Cost of sales and services increased in line with the increase 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 nine-month periods		
	3Q 2019	3Q 2018	%Chg.	9M 2019	9M 2018	%Chg.
Finance cost	48	88	(45%)	187	305	(39%)
Income tax expenses	7,965	6,001	33%	12,444	11,490	8%
Total Other Items	8,013	6,089	32%	12,631	11,795	7%

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

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Profitability Analysis						
(Thousand Baht)	For the three-month periods			For the nine-month periods		
	3Q 2019	3Q 2018	%Chg.	9M 2019	9M 2018	%Chg.
Gross profit	64,988	55,818	16%	140,953	141,764	(1%)
Gross profit margin	32%	34%		30%	32%	
Net profit	31,818	22,858	39%	47,470	43,862	8%
Net profit margin	15%	14%		10%	10%	
Basic earnings per share (Baht)	0.05	0.04	25%	0.08	0.07	14%

- Gross profit for the third quarter of 2019 increased from the same period of prior year in the amount of Baht 9 million or 16% which increased in line with the revenue from contract with customers. Gross profit for the nine-month period of 2019 decreased from the same period of prior year in the amount of Baht 1 million or 1%, as from the decrease of gross profit margin due to the increase of price competition and the impact of long-term employee benefit expenses under the Labor Protection Act.
- Net profit for the third quarter of 2019 increased from the same period of the prior year by Baht 9 million or 39%. Net profit for the nine-month period of 2019 increased from the same period of prior year by Baht 4 million or 8% mainly from the decrease of administrative expenses due to continuously cost management in all aspects for maximum efficiency,

Consolidated Financial Position for the nine-month period of 2019

Financial Position			
(Thousand Baht)	September 2019	December 2018	%Chg.
Total Assets	1,139,743	1,048,319	9%
Total Liabilities	330,727	237,758	39%
Total Shareholders' Equity	809,016	810,561	0%

- Total assets increased of Baht 91 million or 9% mainly from the increase of inventories of work in process, which to be delivered in the next periods. However, trade account receivable also decreased from debt collecting.
- Total liabilities increased of Baht 93 million or 39%, mainly from the increase of trade account payables and deposit received in advance which increased in line with the increase of inventories and revenue backlog.
- Total shareholders' equity decreased of Baht 1 million which decreased from dividend payment of Baht 48 million and increased from net profit of the period of Baht 47 million.

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Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	9M 2019	9M 2018
Net cash from (used in) operating activities	54,974	(11,844)
Net cash from (used in) investing activities	60,435	(128,472)
Net cash used in financing activities	(50,699)	(45,625)
Net increase (decrease) in cash and cash equivalents	64,710	(185,941)
Beginning cash and cash equivalents	118,216	270,472
Ending cash and cash equivalents	182,926	84,531

For the nine-month period of 2019, the Company and its subsidiary had net increase in cash and cash equivalent of Baht 65 million from the beginning balance of Baht 118 million. As a result, cash and cash equivalents at the end of the period was Baht 183 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities of Baht 55 million.
- Net cash from investing activities of Baht 60 million by receiving cash from short-term investments of Baht 120 million and investing in long-term fixed deposits of Baht 50 million and paying for investments in fixed assets of Baht 14 million.
- Net cash used in financing activities of Baht 51 million mainly due to dividend payment and cash paid for liabilities under financial lease during the period.

Ratios Analysis		
	9M 2019	9M 2018
Return on Asset (%)	9.20%	8.46%
Return on Equity (%)	9.75%	8.31%
Current ratio (x)	2.90	4.75
Total debt to equity (x)	0.41	0.25

Return on assets and return on equity increased by 0.74% and 1.44%, respectively, due to the increase of profit, compared to the same period of prior year.

Current ratio decreased by 1.85x and total debt to equity ratio increased by 0.16x as from the increase of trade account payables and deposit received in advance. In addition, the Company has changed the investment model of fixed deposits from current investments to long-term investments of Baht 50 million.