

NO. ZIGA 010/2019

14 November 2019

Subject: Management explanation and analysis for three-month period ended 30 September 2019

Attention: The President of, The Stock Exchange of Thailand

ZIGA Innovation Public Company Limited ("the Company") would like to clarify operating performance of the Company three-month for the Quarter 3/2019 ended 30 September 2019 as the following:

Statement of Income :	Million Baht		change increase (decrease)
	Q3/2019	Q3/2018	
Sales	172.6	171.9	0.4%
Other income	4.1	6.1	-32.5%
Cost of sales	- 159.6	- 150.9	-5.8%
Selling expenses	- 4.5	- 5.6	19.8%
Administrative expenses	- 7.2	- 6.6	-9.4%
Finance costs	- 3.0	- 0.7	-298.0%
Profit for the period	2.4	11.9	-79.9%
Net Profit	1.3%	6.7%	
EBITDA (MB)	9.0	20.8	-56.9%
EBITDA (%)	5.1%	11.7%	
Earnings per share (Baht)	-	0.02	-100.0%

Remark : EBITDA = Profit before finance costs, income tax, Depreciation and Amortization

The Company earned THB 176.7 MB and THB 178.0 MB in Q3/2019 and year 2018 respectively, A decrease in total revenue amount THB 1.35 MB, equivalent to 0.8% of total revenue and can be summarized as the following:

The Company's revenue from sales amounted to THB 172.6 MB and THB 171.9 MB in Q3/2019 and year 2018 respectively. An increase in revenue from sales amount THB 0.63 MB, equivalent to 0.4% of total revenue from sales. The Company has a lower gross margin comparing to the same period from 12.3% to 7.5% because the company is not able to increase the selling price in the current economic conditions.

The Company's other income THB 4.1 MB and THB 6.1 MB in Q3/2019 and 2018 respectively, a decrease in total other income amount THB 2.0 MB, which mostly decreased from foreign exchange gains.

However, the Company can maintain the level of selling and administrative expenses to be in the same criteria. And the financial cost of which increased THB 2.2 MB. arising from interest of trust receipts from the purchase of raw materials.

The Company therefore earned net profit in Q3/2019 and year 2018 amounting THB 2.4 MB and THB 11.9 MB respectively. Net profit of the Company equal to 1.3% and 6.7% of total revenue respectively, decrease for comparing to the same period amount THB 9.5 MB, equivalent to 79.9% of net profit. EBITDA in Q3/2019 and year 2018 amounted THB 9.0 MB and THB 20.8 MB respectively.

Statement of Financial Position

Assets

The Company's total assets as of 31 December 2018 and 30 September 2019 totaled THB 1,195.3 MB and THB 1,096.0 MB respectively. As at 30 September 2019 the Company is current asset in which accounted for 47.3% of the total assets and non-current asset accounted for 52.7% of the total assets.

	31 December 2018		31 September 2019	
	THB MB	%	THB MB	%
Current assets	665.3	55.7	517.9	47.3
Non-current assets	530.0	44.3	578.1	52.7
Total assets	1,195.3	100.0	1,096.0	100.0

1. Current assets

The Company's current assets as of year-end of 2018 and Q3/2019 was THB 665.3 MB and THB 517.9 MB respectively, equivalent to 55.7% and 47.3% of total assets respectively. The Company's the finish goods inventory as of year-end of 2018 and Q3/2019 amounted THB 428.3 MB and THB 349.8 MB respectively, equivalent to 35.8% and 31.9% of total assets. Secondary, account receivable and other current receivables, net of THB 105.5 MB and THB 89.2 MB, equivalent to 8.8% and 8.1% of the total assets respectively. The main current assets decrease in accordance with a decrease in inventory.

2. Non-current assets

As of year-end 2018 and Q3/2019 the Company's non-current assets totaled THB 530.0 MB and THB 578.1 MB respectively, equivalent to 44.3% and 52.7% respectively. The main non-current assets are land and equipment which were 43.2% and 51.7% of the total assets in which the increase by land and equipment net THB 50.7 MB is from buying and transferring assets THB 56.4 MB and depreciation on useful life of asset in which increase for THB 5.7 MB.

Liabilities

The Company's total liabilities as of 31 December 2018 and 30 September 2019 totaled THB 438.1 MB and THB 345.7 MB respectively. The Company's current liabilities in which accounted for 96.9% of the total liabilities and non-current liabilities accounted for 3.1% of the total liabilities.

	31 December 2018		31 September 2019	
	THB MB	%	THB MB	%
Current liabilities	417.7	95.3	334.9	96.9
Non-current liabilities	20.4	4.7	10.8	3.1
Total liabilities	438.1	100.0	345.7	100.0

1. Current liabilities

As of the year end 2018 and Q3/2019, the Company's current liabilities totaled THB 417.7 MB and THB 334.9 MB respectively, equivalent to 95.3% and 96.9% respectively of the total Liabilities. Current Liabilities as of year 2018, mainly due to a decrease in accounts payable and other payables.

2. Non-current Liabilities

As of the year end 2018 and 3/2019, the Company's non-current liabilities THB 20.4 MB and THB 10.8 MB respectively, equivalent to 4.7% and 3.1% respective of the total liabilities. The main non-current liabilities in long-term debt. The long-term debt due date within one year is THB 10.5 MB and THB 5.3 MB respectively, equivalent to 2.4% and 1.5% respective of the total liabilities. The decrease for long term loan in year 2019 due to gradually paying off some balance of debt from the finance institution.

Shareholder's equity

The Company's shareholders equity as of the year end 2018 and Q3/2019 amounted to THB 757.2 MB and THB 750.3 MB respectively. A decrease in shareholder's equity amount to THB 6.9 MB from net profit of the 9 month of year 2019 earned of THB 34.7 MB and decrease from the dividend payment according to the resolution of the general meeting 1 / 2019 in the amount of THB 41.6 MB.

The company plan to improve the profit margin and has a road map for sustainable growth. The company has already extended the inventory space for efficiency stock management and future expansion. Now the company has provided additional products for example galvanized paints, welding wire including I-retail business. The company had also extended the distribution channel in retail business and already open four branches. The business alliance is Dynasty Ceramic Public company limited who has widely 200 branches over the country.

Since the steel coil is the main raw materials that have significantly contribute to fluctuations of the global steel price. In a certain situation, the Company usually rises the input cost to the price of the products. Anyway, the economic recession threatens to the price structure that the Company can not specify the price change with the corresponding changes of cost. Consequently, it affected the profit margin. The Company still has no policy to overstock but to manage the inventory turnover efficiently. Beside this, The Company focused on managing the account receivable turnover especially debtor screening policy efficiently. Therefore, there has been no record for an uncollectible account from Debtors.

This is to ensure the Company financial status and performance. The Backlog was around 10% of the total sales that lead to less risk under cost fluctuations. The Company has also managed the risk for exchange rate by forward contract.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)
Managing Director