

KC076/64

November 11, 2021

Subject: Management discussion and analysis (MD&A) of operating results for the third quarter ended September 30, 2021

To President

The Market for Alternative Investment (MAI)

Kumwell Corporation Public Company Limited (“company”) would like to submit MD&A of operating results for the third quarter ended September 30, 2021, with details as follows:

Revenues

The revenue structure of company and its subsidiaries for the third quarter of the year 2021 and the year 2020 divided by types of products was as shown in the following table;

	Q3 2021		Q3 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	51.45	44.81%	43.10	38.09%	8.35	19.37%
Lightning System	58.00	50.52%	63.22	55.87%	-5.22	-8.26%
Solution & Innovation	5.36	4.67%	6.84	6.04%	-1.48	-21.64%
Total	114.81	100.00%	113.16	100.00%	1.65	1.46%

Company and its subsidiaries had sales revenues of grounding system worth 51.45 million baht in the third quarter of 2021, increasing 19.37 percent compared to the same period of the year before thanks to continuing demand for products amid the spread of COVID-19. Sales of lightning system were 58 million baht, down 8.26 percent compared to the same period of the year before while revenues from Solution & Innovation decreased as project sites could not be accessed for surveys and installations as planned.

	Q3 2021		Q3 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	96.39	83.96%	86.32	76.28%	10.07	11.67%
Foreign	18.42	16.04%	26.84	23.72%	-8.42	-31.37%
Total	114.81	100.00%	113.16	100.00%	1.65	1.46%

Domestic sales were 96.39 million baht in the third quarter of 2021, up 11.67 percent from the same period last year. Foreign sales were 18.42 million baht in the quarter, down 31.37 percent, reflecting a higher base of comparison from the same quarter of last year when sales recovered from the first Covid-19 wave. Total sales were 114.81 million baht, 1.46 percent higher than the same quarter of last year.

	Q1-Q3 2021		Q1-Q3 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	123.05	38.00%	120.02	36.95%	3.03	2.52%
Lightning System	175.56	54.21%	194.14	59.76%	-18.58	-9.57%
Solution & Innovation	25.22	7.79%	10.68	3.29%	14.54	136.14%
Total	323.83	100.00%	324.84	100.00%	-1.01	-0.31%

In the first nine months of 2021, sales revenues of grounding system were worth 123.05 million baht, up 2.52 percent compared to the same period of the year before. Sales of lightning system products were 175.56 million baht, down 9.57 percent compared to the same period of the year before amid the spread of COVID 19 while revenues from Solution & Innovation jumped 136.14 percent to 25.22 million baht.

	Q1-Q3 2021		Q1-Q3 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	269.30	83.16%	263.09	80.99%	6.21	2.36%
Foreign	54.53	16.84%	61.75	19.01%	-7.22	-11.70%
Total	323.83	100.00%	324.84	100.00%	-1.01	-0.31%

Domestic sales were 269.30 million baht in the first nine months of 2021, up 2.36 percent compared to the same period of the year before thanks to the above-mentioned factors. Foreign sales were 54.53 million baht in the first nine months of 2021, down 11.70 percent from the same period of last year as the spread of COVID-19 overseas increased. Total sales were 323.83 million baht, a slight decline from the same period last year.

Cost of goods and services

Cost of goods and services in the third quarter of 2021 was 67.67 million baht, down 1.42 percent from 68.64 million baht of the same quarter of last year. Gross profit margin in the third quarter of 2021 was 41.06 percent, higher than 39.34 percent of the same quarter of last year as company adjusted accounting entry of logistic costs to be recorded as distribution expenses from cost of goods and services previously. Cost reduction process also contributed to the higher gross profit margin despite rising raw material costs while a decrease in inventory impairment was little changed from the same quarter of last year.

For the first nine months of 2021, cost of goods and services was 184.18 million baht, down 3.64 percent from the same period of last year, resulting in a higher gross profit margin of 43.12 percent compared to 41.16 percent of the same period of last year. The increase in gross profit margin was mainly due to the adjustment of accounting entry of logistic costs, cost reduction process and a decrease in inventory impairment.

Cost of distribution

Cost of distribution of company and its subsidiaries in the third quarter of 2021 was 7.03 million baht, up 41.16 percent from the same period of last year. For the first nine months, cost of distribution of company and its subsidiaries was 21.60 million baht, up 17.03 percent. Company increased employee salaries and employee benefits as well as adjusted accounting entry of logistic costs to be recorded as distribution expenses from cost of goods and services previously.

Administrative expenses

Company and its subsidiaries had administrative expenses of 26.31 million baht in the third quarter of 2021, little changed from 26.37 million baht of the same period last year. Salary and employee benefits increased in the quarter while building renovation expenses, allowances for expected credit loss incurred and advisory fees decreased. For the first nine months, administrative expenses were 77.61 million baht, up 5.57 percent from the same period of last year due to salary and employee benefits and allowances for expected credit loss incurred.

Net profit

Net profit for the third quarter of 2021 was worth 13.02 million baht, up 22.67 percent from 10.61 million baht of the same period of last year. For the first nine months of 2021, net profit was 35.69 million baht, up 6.47 percent from the same period of last year.

Yours Sincerely,

Mr. Boonsak Kiatjaroonlert
Chief Executive Officer
Kumwell Corporation Public Company Limited