

Ref : BIZ004/2019

21 February 2019

Subject: Management Discussion and Analysis for the year ended 31 December 2018

To: The President  
The Stock Exchange of Thailand

Business Alignment Public Company Limited (“The Company”) and its subsidiaries would like to submit this Management Discussion and Analysis of the Company’s operation for the year ended 31 December 2018, with details as follows

## Statement of Comprehensive Income for the year ended 31 December 2018

Statement of Comprehensive Income	Consolidated Financial Statement	Separate Financial Statement			Change (Separate Financial Statement)	
	The year ended 31 December 2018	The year ended 31 December 2018	The year ended 31 December 2017	Increase (Decrease)		
	Million Baht	Million Baht	Million Baht	Million Baht	%	
Income from sales of goods	464.73	464.73	367.61	97.12	26.42%	
Income from rendering of services	129.85	129.85	128.28	1.57	1.22%	
Income from construction	63.94	63.94	120.66	(56.72)	(47.01%)	
<b>Income from business operation</b>	<b>658.52</b>	<b>658.52</b>	<b>616.55</b>	<b>41.97</b>	<b>6.81%</b>	
Profit from Exchange	0.98	0.98	1.58	(0.60)	(37.71%)	
Other Income	5.19	5.82	5.30	0.52	9.74%	
<b>Total Revenue</b>	<b>664.69</b>	<b>665.32</b>	<b>623.43</b>	<b>41.88</b>	<b>6.72%</b>	
Cost of sales of goods	335.82	335.82	325.20	10.62	3.26%	
Cost of rendering of services	107.20	107.20	96.08	11.12	11.58%	
Cost of construction	58.09	58.09	109.60	(51.51)	(47.00%)	
<b>Gross Profit</b>	<b>157.41</b>	<b>157.41</b>	<b>85.67</b>	<b>71.74</b>	<b>83.73%</b>	
Distribution costs	20.20	20.20	8.78	11.43	130.19%	
Administrative expenses	42.85	37.05	30.95	6.10	19.71%	
<b>Earnings Before Interest &amp; Tax</b>	<b>100.53</b>	<b>106.96</b>	<b>52.82</b>	<b>54.14</b>	<b>102.48%</b>	
Interest Expenses	1.04	1.04	1.37	(0.33)	(24.42%)	
<b>Earnings Before Tax</b>	<b>99.49</b>	<b>105.92</b>	<b>51.45</b>	<b>54.47</b>	<b>105.86%</b>	
Tax Expenses	21.12	21.18	10.30	10.88	105.54%	
<b>Net Profit (Loss)</b>	<b>78.37</b>	<b>84.74</b>	<b>41.15</b>	<b>43.59</b>	<b>105.94%</b>	
Profit attributable to: <b>Equity holders of the parent</b>	<b>80.60</b>	<b>84.74</b>	<b>41.15</b>			
Non-controlling interest	(2.23)	-	-			



### **Revenue from business operation**

For the year ended 31 December 2018, the Company generated revenue from sales, services and construction of 658.52 million Baht, increasing by 41.97 million Baht or 6.81%, when compared to the previous year, with details as follows:

#### 1. Revenue from sales of goods

For the year ended 31 December 2018, the Company generated revenue from sales of 464.73 million Baht, increasing by 97.12 million Baht or 26.42%, when compared to the previous year. This increase was due to revenue recognition of three high-value projects.

#### 2. Revenue from rendering of services

For the year ended 31 December 2018, the Company generated a revenue from rendering of services of 129.85 million, increasing by 1.57 million Baht or 1.22%, when compared to the previous year which was equal to 128.28 million Baht. This increase was due to the company generate additional revenue from Genetic Testing service of 0.67 million Baht which started operation since the fourth quarter of 2018.

#### 3. Revenue from Construction

Revenue from construction generated from the establishment of project centers treating cancer patients with protons radiotherapy with King Chulalongkorn Memorial Hospital as the Company received project and started construction since second quarter of 2017.

For the year ended 31 December 2018, the Company generated revenue from construction service of 63.94 million Baht which subsidiary recorded cost of construction according to percentage of completion. Therefore, the Company has recognized revenue from construction of the project of 83.44%

### **Cost of sales of goods and Gross Profit Margin from sales of goods**

For the year ended 31 December 2018, the Company had a gross profit from sales of 128.91 million Baht or equivalent to gross profit margin of 27.74%, which was higher than the gross profit margin from sales in the previous year at 11.54%. The increase in gross profit margin was due to better cost management.

### **Cost of rendering of services and Gross Profit Margin from rendering of services**

For the year ended 31 December 2018, the Company had a gross profit from services of 22.65 million Baht or equivalent to gross profit margin of 17.44%, which was similar to the gross profit margin from services in the previous year at 25.11%. The decline of gross profit margin was due to delay of renewal maintenance contract process causing additional maintenance expenses to service cost.



### **Cost of Construction and Gross Profit Margin from Construction**

The construction cost was identified as establishment of project centers treating cancer patients with protons radiotherapy with King Chulalongkorn Memorial Hospital as the Company received project and started construction since second quarter of 2017.

For the year ended 31 December 2018, the Company has the construction cost of 58.09 million Baht and generated gross profit margin of the year 2018 from construction of 5.85 million Baht or equivalent to gross profit margin of 9.15% as the planned construction budget.

### **Distribution costs and Administrative Expenses**

For the year ended 31 December 2018, the Company had a distribution cost of 20.20 million Baht, increasing by 11.43 million Baht or 130.19% compared to the previous year. This increase can be attributed to the increase in human resources costs as the Company had hired more employees in new Sales department as well as additional marketing expenses for promoting Genetic Testing service.

For the year ended 31 December 2018, the Company had administrative expenses of 37.05 million Baht, increasing by 6.10 million Baht or 19.71% compared to the previous year. This increase was due to personnel expenses and advisory fees which related to business operation.

### **Finance Costs**

For the year ended 31 December 2018, the Company had financial costs of 1.04 million Baht, decreasing by 0.33 million Baht or 24.42 %, when compared to the previous year as the Company relies mostly on its own working capital rather than lending from financial institutions.

### **Net Profit and Net Profit Margin**

For the year ended 31 December 2018, the Company had a net profit of 84.73 million Baht, or equivalent to net profit margin of 12.74% compared to the previous year, which had a net profit of 41.15 million Baht or net profit margin of 6.60% of the year 2018. Higher net profit margin was result from better cost management which had an effect on higher gross profit margin and so lower revenue to fixed cost ratio.

The Company invested in Cancer Alliance Co., Ltd. (“CAH”) as subsidiary to operate specialized hospital for cancer treatment. For the year ended 31 December 2018, CAH generated revenue from interest of 0.68 million Baht and administrative expense of 7.10 million Baht from the human resources expenses, expenses related to investment and establishment of CAH. Therefore, the net profit for the year ended 31 December 2018 according to the consolidated financial statements was 78.37 million Baht, which was attributable to the equity holders of the parent of 80.60 million Baht because the Company recognized a loss incurred from its investment in CAH of 4.14 million Baht proportional to 65%.

Please be informed accordingly.

Yours Sincerely,



(Mr. Sompong Chunekitiyanone)

Chief Executive Officer

Business Alignment Public Company Limited