

February 18, 2020

Subject: Management Discussion and Analysis for the year ended December 31, 2019

To: President,
The Stock Exchange of Thailand

Synnex (Thailand) Public Company Limited and its subsidiaries ("the Company") would like to report the operating results for the year ended December 31, 2019, audited by the Company's authorized auditor as follows:

Description	2019		2018		YoY	
	MB	%	MB	%	MB	%
Income from operations	34,804.31	100.00	38,196.00	100.00	(3,391.69)	(8.88)
Operating Cost	33,475.32	96.18	36,577.56	95.76	(3,102.24)	(8.48)
Gross profit	1,328.99	3.82	1,618.45	4.24	(289.46)	(17.89)
Selling and Administrative expenses	833.44	2.39	870.70	2.28	(37.26)	(4.28)
Net profit	523.93	1.51	721.49	1.89	(197.56)	(27.38)
Basic earnings per share (THB)	0.64		0.94			

Despite the growth in sale of products in gaming and computer notebook segments, and revenues from services, total revenues from sales and services in 2019 declined markedly as a result of the trade dispute between US and China, instigating in a sharp drop in sale of products in communication device group. Furthermore, the imbalance between supply and demand of products in multimedia and computer components groups, which are cyclical in nature, drove down average selling prices and revenues from sale of products in these groups. Moreover, commercial sale team had been restructured in order to accommodate the increasing nature of solution-based sales in the future. As a result, total revenue from sales and services in 2019 amounted to THB 34,804 million, declining 8.88% from the previous year.

However, the Company and the vendor of communication devices, whose brand was affected by the trade dispute, worked closely to manage the situation, which had been gradually improving in the second half of 2019. In addition, the Company also implemented several measures, including introducing new brand, in order to increase sale of other brands in the same product category and mitigate the impact from the trade dispute. Moreover, the imbalance between supply and demand of products in multimedia and computer components groups has been gradually readjusted from the beginning of 2020. Finally, revenue from commercial sale has been improving since the latter half of 2019 upon the completion of the restructuring of the sale team.

Operating costs in 2019 amounted to THB 33,475 million, declining 8.48% from the previous year, approximately the same rate as the decline in operating revenues. Gross profit margin was 3.82% of total revenues, lower than 4.24% in 2018 as a result of the lower mix of products with high margins, such as multimedia and computer components groups, and commercial products. Consequently, gross profit in 2019 dropped to THB 1,329 million, declining 17.89% from the previous year, mainly driven by lower revenues and gross profit margin.

Selling and administrative expenses in 2019 amounted to THB 833.44 million, declining 4.28% from the previous year. They were 2.39% of total operating revenues, compared to 2.28% in the previous year. As a distributor of technology products and services, the Company emphasizes on implementing technology to help improve internal processes in every aspect, e.g. the automation of warehouse, in order to manage operating expenses at an appropriate level.

Net profit for 2019 amounted to THB 523.93 million, declining 27.38% from the previous year, mainly driven by lower revenues and gross profit margin, as well as higher financial costs, even though selling and administrative expenses were managed efficiently by incorporating technology into internal processes. Moreover, the Company continues to work closely with partners, and manages operating costs and selling and administrative expenses more efficiently, in order to make net profit grow sustainably.

Please kindly be informed accordingly.

Yours faithfully,

(Sutida Mongkolsuthree)
Chief Executive Officer