

11 November 2021

Management Discussion and Analysis Q3/2021

T.K.S. Technologies Public Company Limited (“the Company”) and its subsidiaries would like to report the operating results for Quarter 3 ended September 30, 2021 as reviewed by the authorized Company auditor as follows:

1. Executive Summary

In Q3/2021, the Company invested in newly issued ordinary shares of SABUY Technology Public Company Limited (“SABUY”), a leader in providing the services of electronic payment (Fintech Ecosystem), totaling of THB 984.50 million which is equivalent to 9.68 percent of the total number of shares. Moreover, the Company and TBSP Public Company Limited (“TBSP”), a subsidiary owned by the Company at 98.48 percent of the total number of shares, internally restructured its security solution and plastic card businesses. After the completion of group businesses restructuring, the Company subsequently sold its owned shares in TBSP at 73.48 percent of the total number of shares in totaling of THB 2,005.02 million to SABUY. As such, the Company remains its investment in TBSP only 25 percent of total number of shares. In this regard, the Company and SABUY will create synergy to to expand business channels and forms of business operations and increase the variety of business strategies for TBSP’s plastic card business where TBSP will have the opportunity to access a new customer base in the electronic money market and the management of food center systems market who are existing business partners of SABUY. At the same time, the Company and TBSP will have the opportunity to jointly invest in the business of providing services to receive electronic payment which includes the distribution of products via vending machines which is a business that is in line with the digital economy trend and the current change in consumer behavior which has an emphasis on the increasing use of electronic appliances to enter into transactions. The Company believes that the joint investment made by the Company, TBSP, and SABUY will be able to create income growth for all parties involved in the future.

The Company has continuously focused on adapting its businesses to keep up with digital disruption by developing the innovation of information technology and has internally restructured its group of companies to create a synergy both in terms of market and product development and in terms of reducing production capital to increase its overall competitiveness to maintain its existing business base alongside finding new business partners. Currently, the Company has invested in 4 major businesses as below :-

1. Security & Fulfillment Solution Business – through an investment in T.K.S. Siampress Management Company Limited (“SPM”)
2. IT Trading & Distribution Business - through an investment in Synnex Public Company Limited (“SYNNEX”)
3. Fintech Business - through an investment in SABUY and TBSP and;
4. Technology Platform Business- through an investment in Gofive Company Limited (“Gofive”)

2. Operating Performance Analysis

Financial Performance for Q3/2021 (ending 30 September 2021)

Unit : Million THB	Q3/2020	Q2/2021	Q3/2021	YoY % +/-	QoQ % +/-	9M20	9M21	YoY % +/-
Revenue from sales and services	465.2	489.7	413.3	(11.1)	(15.6)	1,403.1	1,373.4	(2.1)
Cost of sales and services	(352.1)	(346.8)	(295.2)	(16.2)	(14.9)	(1,094.8)	(978.6)	(10.6)
Gross profits	113.1	142.9	118.1	4.5	(17.3)	308.3	394.8	28.1
Selling and administrative expense (adjusted)**	(97.5)	(103.4)	(98.7)	1.2	(4.5)	(310.5)	(297.5)	(4.2)
Other income	10.9	3.1	4.7	(57.0)	50.0	17.1	12.0	(30.2)
EBITDA	65.3	89.9	68.8	5.3	(23.5)	148.4	249.6	68.2
Depreciation & amortization	38.9	47.3	44.7	14.7	(5.5)	133.5	140.4	5.2
EBIT	26.4	42.6	24.1	(8.6)	(43.5)	14.9	109.2	633.3
Finance cost	(8.9)	(8.8)	(8.0)	(10.3)	(9.2)	(26.7)	(25.0)	(6.4)
Income tax	(10.2)	1.6	(16.4)	60.3	1,109.7	(11.2)	(13.7)	22.1
Profits sharing from investment in associates and joint ventures	63.5	81.3	77.1	21.3	(5.2)	176.3	230.2	30.5
Net gains from group restructuring***	-	-	776.1	100.0	100.0	-	776.1	100.0
Net profits for the period	70.8	116.8	852.9	1,105.0	630.3	153.3	1,076.8	602.3
GP margin	24.3	29.2	28.6	17.6	(2.1)	22.0	28.7	30.8
EBITDA margin	14.0	18.4	16.6	18.5	(9.4)	10.6	18.2	71.9
NP margin	15.2	23.8	206.3	1,256.2	765.1	10.9	78.4	617.5
Earnings per share (THB)	0.15	0.25	1.84	1,113.2	649.1	0.33	2.32	602.7

** Remark : Adjusted SG&A excluding the impact of restructuring cost by THB 8.6 million

*** Remark : Net gains from group restructuring from restructuring cost by THB 8.6 million)

In Quarter 3/2021, the Company has revenue from sale of goods and rendering of services amounted to THB 413.3 million, decreasing by THB 51.9 million or 11% from the last year, as a result of the delay in projects of banking and the export sector, in product of security document, label and plastic card from the impact of the domestic COVID-19 situation during Q2/2021. However, the Company has continued to emphasize on costs and operating expenses control to maximize operating efficiency which result in higher gross profit margin and lower operating expenses. Moreover, the Company has profit sharing of investments in an associates and joint ventures increasing by THB 13.6 million or 21.3%, and recognized gains from sales of investment in subsidiary and impact of group restructuring amounted to THB 776.1 million, resulting in the company's net profit for the period of THB 852.9 million, increasing by THB 782.1 million or 1,105.0% from the last year.

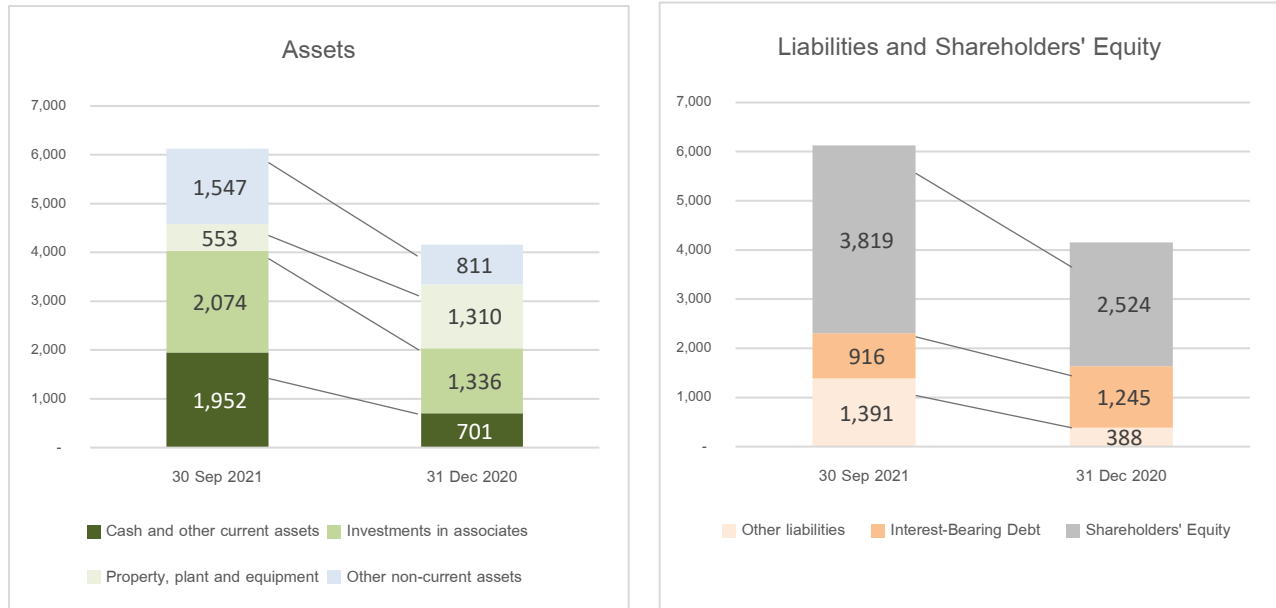
For the nine-month of 2021, the Company has revenue from sale of goods and rendering of services amounted to THB 1,373.4 million, decreasing by THB 29.7 million or 2.1% from the last year. Gross profit margin increased from 22.0% in the previous year to 28.7% from the ability to manage cost efficient and appropriate control selling and administrative expenses. In addition, the Company has profit sharing of investments in an associates and joint ventures increasing by THB 53.9 million or 30.5% from the rapidly increasing in demand of IT products to support new normal of work and lifestyle after the COVID-19 pandemic and recognized gains from sales of investment in subsidiary and impact of group restructuring amounted to THB 776.1 million. As a result, net profit amounted to THB 1,076.8 million, an increase of THB 923.5 million or 602.3% from the last year.

3. Financial Position Analysis

Financial Position as of 30 September 2021

Description	For the period as of					
	31 December 2020		30 September 2021		Change	
	MB	%	MB	%	MB	%
Total assets	4,157.5	100.0	6,125.7	100.0	1,968.2	47.3
Total liabilities	1,633.2	39.3	2,306.9	37.7	673.8	41.3
Total shareholders and equity	2,524.3	60.7	3,818.8	62.3	1,294.4	51.3
Key financial ratio						
Current ratio	0.74		1.05			
Debt to Equity ratio	0.65		0.61			
Interest Bearing Debt to Equity ratio	0.50		0.24			

3.1 Statement of Financial Position and key financial ratio



Assets

As of September 30, 2021, the Company had total asset of THB 6,125.7 million, increased by 47.3% at THB 1,968.2 million from December 31, 2020 and variance of assets were described as follows :

- Cash and cash equivalent and other current assets increase by THB 1,251 million from share receivable from selling of investment in subsidiary totaling of 1,020 million and dividend receivable from related parties totaling of THB 181 million
- Investment in associates and joint venture increase by THB 738 million mainly came from the reclassification of investment in in subsidiary to investment in associates since the Company sold TBSP shares at 73.48 percent and had remaining interest in TBSP shares only at 25 percent. Therefore, the Company lost its control in TBSP and was required to re-measure its investment at fair value as of the date of reclassification totaling of THB 682 million
- Property plant and equipment decrease by THB 757 million due to the deconsolidation of PPE totaling of THB 632 million and goodwill totaling of THB 490 million from the Company consolidated financial statement due to the loss of control in subsidiary
- Other non-current assets increase by THB 736 million from the investment in SABUY totaling of THB 984.5 million which is equivalent to 9.68 percent of total number of shares. Such investment was classified as other non-current financial assets in balance sheet and required for fair value measurement by the Company at the period ended. Any difference between fair value and book value will be recognized in other component of shareholder's equity.

Liabilities

As of September 30, 2021, the Company had total liabilities of THB 2,306.9 million, increased by 41.3% at THB 673.8 million from December 31, 2020 and movement of liabilities were as follows :

- Other liabilities increase by THB 1,003 million from share payable from internal group restructuring totaling of THB 1,020 million
- Interest-Bearing Debt decrease by THB 329 million due to the deconsolidation of subsidiary's short-term and long-term loans from financial institutions of THB 279 million and the repayment of long-term loans during the period totaling of THB 126 million

Shareholder's Equity

As of September 30, 2021, the Company had total shareholder's equity of THB 3,818.8 million, increased by 51.3% at THB 1,294.4 million from December 31, 2020 as a result major from net profit for the nine months period for the year of 2021 amounting to million 1,076.8 THB

Current ratio

The current ratio as of 30 September 2021 was 1.05, a slight increase from 31 December 2020 at 0.74 due to an increase in short-term loans to related parties and dividend receivable from related parties totaling of THB 440 million.

Debt to Equity ratio

The debt-to-equity ratio as of 30 September 2021 was 0.61, a slight decrease from last year at 0.65. However, Interest-Bearing Debt to Equity Ratio as of 30 September 2021 was 0.24, showing significant improvement from last year at 0.50 due to the deconsolidation of subsidiary's short-term and long-term loans from financial institutions of THB 279 million and the repayment of long-term loans during the period totaling of THB 126 million.

3.2 Cashflow statement

Cashflow (Unit : Million THB)	For the nine-month Ended 30 September 2021
Net cashflow provided by operating activities	107.9
Net cashflow provided by investing activities	5.4
Net cashflow used in financing activities	(206.2)
Net increase (decrease) in cash and cash equivalents during the period	(92.9)
Cash and cash equivalents at the beginning of the period	162.7
Cash and cash equivalents at the ending of the period	69.8

For the nine-month period ended September 30, 2021, the Company had cashflow activities as follows:

- Cashflow provided by operating activities of THB 107.9 million, mainly caused by profit for the period after adjustments to reconcile profit to cash receipts of THB 269.3 million and cash paid from operations and tax payment of THB 161.4 million.
- Cashflow provided by investing activities of THB 5.4 million from the net cash received between cash received from the sale of investment in TBSP company of THB 889 million and dividend received from Synnex of THB 189 million against with cash paid for investment in Sabuy and other financial assets of THB 1,018 million.
- Cashflow used in financing activities of THB 206.2 million, mainly caused by dividends paid during the period of 138.5 million THB and the repayment of long-term loans totaling of THB 126 million.

As a result, as of September 30, 2021 the Company had total cash and cash equivalent and investment of THB 69.8 million, decreased by THB 92.9 million.

Please kindly be informed accordingly.

Sincerely yours,

(Jutiphan Mongkolsuthree)
Managing Director