



T.K.S. TECHNOLOGIES PUBLIC COMPANY LIMITED



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Management Discussion and Analysis (MD&A)

Operating Performance and Financial Position

For the 2nd quarter ended June 30, 2022



8 August 2022

Management Discussion and Analysis
For the 2nd quarter ended June 30, 2022

T.K.S. Technologies Public Company Limited (“the Company”) and its subsidiaries would like to report the operating performance and financial position for the 2nd quarter ended June 30, 2022 as reviewed by the authorized Company auditor as follows:

1. Operating Performance Analysis
Financial Performance for the 2nd quarter ended June 30, 2022

Unit: Million THB	Quarter	Quarter	Quarter	YoY	QoQ
	2/2021	1/2022	2/2022	% +(-)	% +(-)
Revenue from sales and services	489.7	398.1	356.3	(27.2)	(10.5)
Cost of sales and services	(346.8)	(267.6)	(247.5)	(28.6)	(7.5)
Gross profits	142.9	130.5	108.8	(23.9)	(16.6)
Selling and administrative expense	(103.3)	(73.8)	(80.9)	(21.7)	9.6
Other income	3.1	5.3	33.6	983.9	534.0
EBIT	42.7	62.0	61.5	44.2	(0.8)
Finance cost	(8.8)	(7.2)	(7.0)	(20.5)	(2.8)
Income tax	1.6	(11.5)	(6.6)	512.5	(42.6)
Net profits from operations	35.5	43.3	47.9	34.9	10.6
Profits sharing from investment in associates and joint ventures	81.3	99.5	93.8	15.4	(5.7)
Net profit for the period	116.8	142.8	141.7	21.3	(0.8)
Depreciation & amortization	(47.2)	(30.1)	(30.6)	(35.2)	1.7
EBITDA	89.9	92.1	92.1	2.4	0.0
Gross profit margin	29.2	32.8	30.5	1.3	(2.3)
EBITDA margin	18.4	23.1	22.5	4.1	(0.6)
Net profit margin	23.9	35.9	39.8	15.9	3.9
Earnings per share (THB)	0.25	0.30	0.29	17.9	(4.7)



Summary of operating performance

The Company's net profit for the 2nd quarter ended June 30, 2022 was amount THB 141.7 million, an increase from the same period of the previous year (YoY) by THB 24.9 million or 21.3%, as a result of 2 major factors as below:

- An increase in operating profit of THB 12.4 million or 34.9% was a result of efficient management of both cost production and operating expenses and the recognition of gains from sales of non-current assets classified as held for sale.
- An increase in profit sharing from investment in associates and joint ventures by THB 12.5 million or 15.4% which mainly came from profit sharing from investment in Plus Tech Innovation Public Company Limited ("PTECH")

When compared to Q1/2022 (QoQ), the Company had a slightly decreased net profit for the period by THB 1.1 million or 0.8%.

Revenue from sales and services

The Company had revenue from sales and services in amount THB 356.3 million, a decrease from the same period of the previous year (YoY) amounting to THB 133.4 million or 27.2%, mainly due to a decrease in sales of the plastic card business unit which was disposed by the Company since Q3/2021. When compared to Q1/2022 (QoQ), the Company's revenue from sales and services decreased by THB 41.8 million or 10.5% from the postpone of sales in security printing solutions.

Gross profit

The Company had gross profit of THB 108.8 million, decreased from the same period of last year (YoY) amounting to THB 34.1 million or 23.9%, but the gross profit margin was shown at 30.5%, an increase from the same period last year (YoY), which has a gross profit margin of 29.2%, as a result of efficient management of cost production and focus on expanding on the potential growth business which can generate higher gross profit margin. While comparing to Q1/2022 (QoQ), the Company's gross profit decreased by THB 21.7 million or 16.6%, mainly due to lower in sales.

Selling and administrative expense

The Company had selling and administrative expenses of THB 80.9 million, a decrease from the same period of the previous year (YoY) amounting to THB 22.4 million or 21.7%, mainly due to the efficient control of operating expenses and a decrease in selling and administrative expenses in the plastic card business unit.



While comparing to Q1/2022 (QoQ), the Company's selling and administrative expenses increased by THB 7.1 million or 9.6% due to the recognition of loss from impairment of plant and equipment and intangible assets.

Finance cost

The Company had finance cost of THB 7.0 million, a decrease from the same period of the previous year (YoY) by THB 1.8 million or 20.5% due to a decrease in long-term borrowings from financial institutions from gradual repayment during the period. While comparing to Q1/2022 (QoQ), the Company's finance cost slightly decreases due to a decline in short-term loans from financial institutions.

Income tax

The Company had income tax of THB 6.6 million, an increase from the same period of the previous year (YoY) by THB 8.2 million or 512.5% since the Company did not recognize any income tax due to the utilization of tax loss carried forward during the period Q2'21. While comparing to Q1/2022 (QoQ), the Company's income tax decreased by THB 4.9 million or 42.6% due to the recognition of deferred tax assets in respect of unused tax losses carried forward amounting to THB 6.15 million.

1.2 Financial Performance for the six-month period ended June 30, 2022

Unit: Million THB	6M/2021	6M/2022	YoY
			% +(-)
Revenue from sales and services	960.1	754.4	(21.4)
Cost of sales and services	(683.4)	(515.1)	(24.6)
Gross profits	276.7	239.3	(13.5)
Selling and administrative expense	(198.9)	(154.8)	(22.2)
Other income	7.3	38.8	431.5
EBIT	85.1	123.3	44.9
Finance cost	(17.0)	(14.1)	(17.1)
Income tax	2.7	(18.1)	770.4
Net profits from operations	70.8	91.1	28.7
Profits sharing from investment in associates and joint ventures	153.1	193.4	26.3
Net profit for the period	223.9	284.5	27.1
Depreciation & amortization	(95.7)	(60.7)	(36.6)
EBITDA	180.8	184.0	1.8
Gross profit margin	28.8	31.7	2.9
EBITDA margin	18.8	22.8	4.0
Net profit margin	23.3	37.7	14.4
Earnings per share (THB)	0.48	0.60	26.0



Summary of operating performance

The Company's net profit for the six-month period ended June 30, 2022 was amount THB 284.5 million, an increase from the same period of the previous year (YoY) by THB 60.6 million or 27.1%, as a result of 2 major factors as below:

- An increase in operating profit of THB 20.3 million or 28.7% was a result of efficient management of both cost production and operating expenses and the recognition of gains from sales of non-current assets classified as held for sale.
- An increase in profit sharing from investment in associates and joint ventures by THB 40.3 million or 26.3% which mainly came from an increment in profit sharing from investment in Plus Tech Innovation Public Company Limited ("PTECH") during the period. In addition, the Company also recognized higher profit sharing of investment in Synnex (Thailand) PCL ("Synnex")

Revenue from sales and services

The Company had revenue from sales and services in amount THB 754.4 million, a decrease from the same period of the previous year (YoY) amounting to THB 205.7 million or 21.4%, mainly due to a decrease in sales of the plastic card business unit which was disposed by the Company since Q3/2021 and the postpone of sale in the security printing solutions.

Gross profit

The Company had gross profit of THB 239.3 million, decreased from the same period of last year (YoY) amounting to THB 37.4 million or 13.5%, a gross profit for the period is 31.7%, an increase from the same period last year (YoY), which has a gross profit margin of 28.8%, as a result of efficient management of cost production and focus on expanding on the potential growth business which can generate high gross margin.

Selling and administrative expense

The Company had selling and administrative expenses of THB 154.8 million, a decrease from the same period of the previous year (YoY) amounting to THB 44.1 million or 22.2%, the main reasons came from the efficient control of operating expenses and a decrease in selling and administrative expenses in the plastic card business unit.



Finance cost

The Company had finance cost of THB 14.1 million, a decrease from the same period of the previous year (YoY) by THB 2.9 million or 17.1% due to a decrease in long-term borrowings from financial institutions from gradual repayment during the period.

Income tax

The Company had income tax of THB 18.1 million, an increase from the same period of the previous year (YoY) by THB 20.8 million or 770.4% since the Company did not recognize any income tax due to the utilization of tax loss carried forward during the six-month period ended Q2'21.

2. Financial Position Analysis

2.1 Statement of Financial Position and Key Financial Ratio

Description	Financial Position as of					
	30 June 2022		31 December 2021		Change	
	MB	%	MB	%	MB	%
Total assets	6,284.6	100.0	7,807.4	100.0	(1,522.8)	(19.5)
Total liabilities	1,508.2	24.0	2,666.0	34.1	(1,157.8)	(43.4)
Total shareholder's equity	4,776.4	76.0	5,141.4	65.9	(365.0)	(7.1)
Key financial ratio						
Debt to Equity ratio	0.32		0.52			
Interest Bearing Debt to Equity ratio	0.20		0.19			

Assets

As of June 30, 2022, the Company had total asset of THB 6,284.6 million, decreased by 19.5% at THB 1,522.8 million from December 31, 2021 and the change of total assets were described as follows:

- Cash and cash equivalent and other current assets decrease by THB 1,025 million from share receivable from selling of investment in subsidiary totaling of THB 1,020 million, while trade accounts receivable tends to decrease from sale decrement in Q2/2022.
- Investment in associates and joint venture increase by THB 103 million which mainly came from the additional investment in the capital increase in PTECH of 10,209,711 shares (par value of 1 Baht per share) at the price per share 10 Baht, totaling of THB 102.1 million and the recognition of profit sharing



from Synnex and PTECH during the period. While in May 2022, the Company received the dividend from Synnex in amounting to THB 170 million.

- Property, plant and equipment and investment properties decrease by THB 7 million, mainly due to depreciation during the period and the sale of investment property. During the period, the Company has consecutively invested in CAPEX for operations in the growth business units of THB 67 million.
- Other non-current assets decrease by THB 594 million from the recognition of losses from fair value measurement of investments in Sabuy Technology Public Company Limited (“SABUY”) which was recognized through other components of equity.

Liabilities

As of June 30, 2022, the Company had total liabilities of THB 1,508.2 million, decreased by 43.4% at THB 1,157.8 million from December 31, 2021 and details of the significant decrease were described as follows:

- Other liabilities decreased by THB 1,131 million from repayment the share payable from internal group restructuring totaling of THB 1,020 million and a reduction in deferred tax liabilities from the recognition of losses on fair value measurement and the book value of investments in SABUY.
- Interest-bearing debt decreased by THB 27 million, mainly due to the gradual repayment long-term loans during the period.

Shareholder's Equity

As of June 30, 2022, the Company had total shareholder's equity of THB 4,776.4 million, decreased by THB 365.0 million or 7.1% from December 31, 2021 which mainly came from net profit for the period amounting to THB 284.5 million and loss from fair value measurement in equity instruments (net of deferred tax liabilities) through other components of equity totaling of THB 510.8 million. In May 2022, the Company paid dividends for the year 2021 totaling THB 184.9 million, which paid in cash of THB 138.7 million and issued a stock dividend and allocated to shareholders of THB 46.2 million.

Debt to Equity ratio

The debt-to-equity ratio as of Jun 30, 2022 was 0.32, decreased from 0.52 as of December 31, 2021 due to decrease in share payables from the group restructuring which was paid during the period. While the interest bearing debt to equity ratio as of June 30, 2022 was at 0.20, slightly increased from the end of the previous year due to the decrease in shareholders' equity during the period.



2.2 Cashflows statement

Cash flows (Unit : THB million)	For the six-month period ended June 30, 2022
Net cashflows provided by operating activities	182.3
Net cashflows provided by investing activities	57.1
Net cashflows used in financing activities	(180.9)
Net increase in cash and cash equivalents during the period	58.5
Cash and cash equivalents at the beginning of the period	108.5
Cash and cash equivalents at the ending of the period	167.0

The Company had total cash and cash equivalents of THB 167.0 million, a increase of THB 58.5 million from the previous year which can be described as following cashflow activities:

- Net cashflows provided by operating activities of THB 182.3 million, mainly caused by the net profit for the period of THB 221.9 million against with the tax payment of THB 39.6 million.
- Net cashflows provided by investing activities of THB 57.1 million, mainly from the Company received cash dividends from Synnex and SABUY totaling THB 173.6 million against with the cash paid for capital increase in associate PTECH of THB 102.1 million and cash paid for acquisition other non-current financial assets of THB 20.0 million.
- Net cashflows used in financing activities of THB 180.9 million, mainly due to net cash paid for loans during the period of THB 42.8 million and cash paid for dividends of THB 138.6 million.

Please kindly be informed accordingly.

Sincerely yours,

(Jutiphan Mongkolsuthree)

Chief Executive Officer