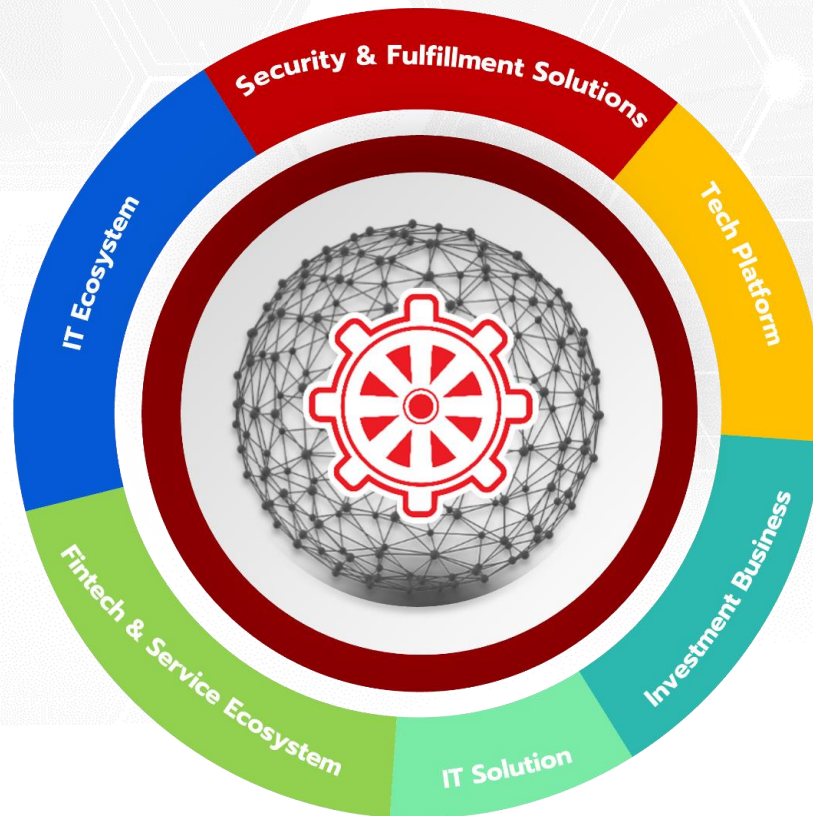




# T.K.S. Technologies Public Company Limited



T.K.S. TECHNOLOGIES PUBLIC COMPANY LIMITED

Management Discussion and Analysis (MD&A)

Operating Performance and Financial Position

For the 3<sup>rd</sup> quarter ended September 30, 2022



**Executive Summary**

<b>Revenue from sales and services</b> THB 1,146.6 million Decrease 16.5% YoY	<b>Net profits from operation</b> THB 127.5 million Increase 80.9% YoY	<b>Profit sharing from associates</b> THB 277.0 million Increase 20.3% YoY
---	--	--

T.K.S. Technologies Public Company Limited (“the Company”) and its subsidiaries would like to report the operating performance and financial position for the 3<sup>rd</sup> quarter ended September 30, 2022. The Company had revenue from sales and services in amount THB 1,146.6 million, a decrease from the same period of the previous year (YoY) amounting to THB 226.8 million or 16.5%, mainly due to a decrease in sales of the plastic card business unit which was disposed by the Company since Q3/2021. However, the decline was partially offset by revenue from the Growth Business, which has strong gross margins. The Company can also manage production costs effectively. GP margin was 30.6 %, an increase from the same period last year. which has a gross margin of 28.7 %.

The Company had a net profits from operations of THB 127.5 million, an increase of THB 57.0 million or 80.9% from the same period last year. This is the result of effective control of selling and administrative expenses. In addition, the Company also recognized the profits sharing from investments in associates and joint ventures increased by THB 46.8 million or 20.3%.

Total assets as of September 30, 2022 was at THB 5,854.5 million, a decrease of THB 1,952.9 million or 25.0% from December 31, 2021, mainly due to the change in fair value measurement of investments in equity securities and warrants. The company's financial position is still strong with debt to equity ratio at 0.30x.

The net asset value of the Company (NAV) based on the consolidated financial statements compared to the Company's market capitalization and the book value adjusted by the fair value of the investment in associates net with deferred tax liabilities was shown as follows;



**Sustainability Development at T.K.S. Group**

- Selected by the Stock Exchange of Thailand (SET) as a **sustainable stock or Thailand Sustainability Investment (THSI) for the year 2022**
- Selected to be included in **Universe of the Securities Group ESG100 for the year 2022** by selecting from 851 listed securities with outstanding performance in environment, society and good governance by the ESG Rating Unit of Thaipat Institute.
- ISB INITIATOR Award from the I-EA-T Sustainable Business Awards 2022 (ISB Awards)**, a project to develop social achievement criteria for sustainable development of the Industrial Estate Authority of Thailand (IEAT)
- CSR-DIW Award 2022** from the project to promote industrial factories to have social and community responsibility for sustainable development goals
- Corporate Governance Rating (CGR) ‘Excellence’ 2022** from Thai Institute of Directors (IOD)



**Overview Business Strategy - Tech Ecosystem Builder**

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 6 major businesses as below :-

- Security & Fulfillment Solution Business – through an investment in T.K.S. Siampress Management Company Limited (“SPM”)
- Technology Platform Business- through an investment in Gofive Company Limited (“Gofive”)
- Corporate Venture Capital in Tech Startup Company through an investment in Next Ventures Company Limited (“NEXT VENTURES”)
- IT Trading & Distribution Business - through an investment in Synnex Public Company Limited (“SYNEX”)
- Fintech and services through own ecosystem - through an investment in Sabuy Technology Public Company Limited (“SABUY”) and Plus Tech Innovation Public Company Limited (“PTECH”)
- Fully integrated IT solutions and services - through an investment in Metro Systems Corporation Public Company Limited (“MSC”)



## Key events and development during 9M 2022

### January 2022 : Established new subsidiary company named Next Ventures Company Limited

According to the Board of Directors meeting of the Company No.7/2021 was held on 22 December 2021 has resolved to approve the establishment of new subsidiary. The establishment of a subsidiary company with the Department of Business Development Ministry of Commerce was completed on 27 January 2022, with the objective of investment in potential business or digital technology business to achieve the Company's strategy and build sustainability growth. The registered capital was THB 50 million.

### February 2022 : Investment in capital increase of Plus Tech Innovation Public Company Limited ("PTECH") formerly named TBSP Public Company Limited ("TBSP")

According to the Board of Directors meeting of the Company No.7/2021 was held on 22 December 2021 has resolved to approve purchase 10,209,711 newly issued ordinary shares offered to the existing shareholders in proportion to their shareholding (Right Offering) of PTECH with a par value of 1.00 THB per share at a price of not more than 10.00 THB per share totaling an amount not more than THB 102.09 million. The Company completely acquired the said ordinary shares in February 2022 where the entering into such transaction would result in TKS maintaining the shareholding of PTECH in the proportion of 25 % of the total number of sold shares of PTECH.

### April 2022 : Stock and Cash Dividend Payment from net profit FY2021

The 2022 Annual General Meeting of Shareholders, which was held on April 21, 2022 has resolved to approve the stock dividend payment of 46,223,000 ordinary shares of the Company with a par value of 1 THB per share to shareholders at the rate of 10 existing shares per 1 share, a total dividend of THB 46.22 million and cash dividend payment at the rate 0.40 THB per share, totaling THB 184.89 million. The company has paid an interim dividend for the first-half year operating of 2021 on September 7, 2021, at the rate of 0.10 THB per share, and the remaining dividend of the year 2021 will be paid at the rate of 0.30 THB per share.

### May 2022 : New Company's registered capital increase shares start trading on the Stock Exchange of Thailand

According to the 2022 Annual General Meeting of Shareholders, which was held on April 21, 2022 has resolved to approve the increase of registered capital and the allocation of new shares by increasing the registered capital from 462,226,467 THB to 508,449,467 THB by issuing 46,223,000 ordinary shares with a par value of 1 THB and allotting 46,223,000 new shares to support the dividend payment of ordinary shares. The company has registered for such capital increase. and 46,221,972 additional shares began trading on the Stock Exchange of Thailand on May 12, 2022.

### June 2022 : Investment in capital increase of Next Ventures Company Limited

According to the Board of Directors meeting of the Company No.1/2022 was held on 24 February 2022 has resolved to approve the increase the registered capital of Next Ventures Company Limited, a subsidiary, by another THB 50 million from the original registered capital of THB 50 million to THB 100 million at a par value of 10 THB by issuing 5,000,000 new ordinary shares at a par value of 10 THB per share. Such capital increase was completed on June 22, 2022.

### July 2022 : the Disposal of Ordinary Shares of Sabuy Technology Public Company Limited ("SABUY") and the Acquisition of Ordinary Shares of Metro Systems Corporation Public Company Limited ("MSC")

According to the Board of Directors meeting of the Company No. 3/2022 was held on 14 July 2022 has resolved to approve the following matters;

1. Approved the sales of ordinary shares of SABUY in the amount of 25,000,000 shares, representing 1.75% of the total paid-up shares of SABUY, at a price 18.01 THB per share and the total value of the transaction is THB 450.25 million. After the sales of SABUY shares, the Company will remain shares in SABUY 5.94 % of the total paid-up shares of SABUY
2. Approved the purchase ordinary shares of MSC in the amount of 32,400,000 shares, or equal to 9.00 % of the total paid-up shares of MSC, at a price 12.50 THB per share, and the total value of the transaction is THB 405 million. Such transaction will expand the Company's portfolio investment to potential growth businesses like fully integrated IT solutions and services through turnkey sales, including consultation, system designs, installation and maintenance, as well as training and sales of office supplies in order to cover all customers' requirements with global leading brands. The foregoing has been corresponding to the new vision of the Company as part of Tech Ecosystem Builder

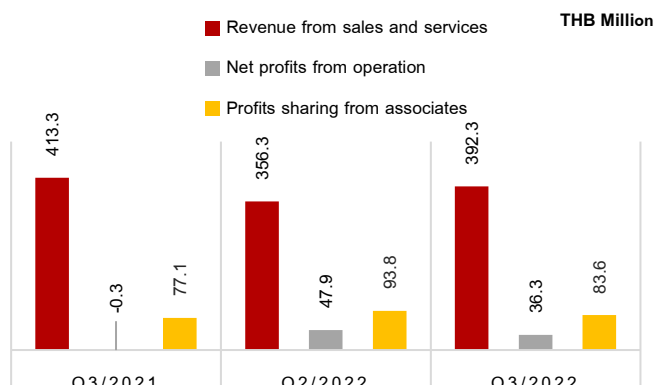
### August 2022 : Interim Cash Dividend Payment from net profits 6M FY 2022

According to the Board of Directors meeting of the Company No.4/2022 was held on 8 August 2022 has resolved to approve the interim dividend payment at the rate of 0.12 THB per share from the results for the first 6 months of the year 2022 amounting to 508,448,439 shares, totaling THB 61.01 million.



**Operating Performance Analysis**

**Financial Performance for the 3<sup>rd</sup> quarter 2022**



**Revenue and Gross Profit**

The Company had revenue from sales and services in amount of THB 392.3 million, a decrease from the same period of the previous year (YoY) amounting to THB 21.0 million or 5.1%, mainly due to a decrease in sales of the plastic card business unit which was disposed by the Company since Q3/2021. While comparing to Q2/2022 (QoQ), The Company had revenue from sales and services increase by amounting to THB 36.0 million or 10.1% from recovery of the security printing solutions. A gross profit for the period was 28.4%, a slight decrease from the same period last year (YoY), which had a gross profit margin of 28.6%. While comparing to Q2/2022 (QoQ), a decrease in GP mainly came from an increment of security printing solution (Main Business) which has GP margin lower than Growth Business.

**Selling and administrative expense**

The Company had selling and administrative expenses of THB 67.1 million, a decrease from the same period of the previous year (YoY) amounting to THB 31.6 million or 32.0%, 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. While comparing to Q2/2022 (QoQ), The Company had selling and administrative expenses decrease of THB 13.8 million or 17.1% due to an impairment loss of plant and equipment and intangible assets in Q2/2022.

**Finance cost and Income Tax**

The Company had finance cost of THB 6.8 million, a decrease from the same period of the previous year (YoY) by THB 1.2 million or 15.0% due to a decrease in long-term borrowings from financial institutions from gradual repayment during the period. While comparing to Q2/ 2022 (QoQ), the Company's finance cost slightly decreases due to a decline in short-term loans from financial institutions.

The Company had income tax of THB 10.8 million, a decrease from the same period of the previous year (YoY) by THB 5.6 million or 34.1%, due to the company had income tax expenses from group restructuring in Q3/2021. While comparing to Q2/ 2022 (QoQ), the Company's income tax increased by THB 4.2 million or 63.6% from the recognition of deferred tax assets in respect of unused tax losses carried forward amounting to THB 6.15 million in Q2/2022.

**Profits sharing from investment in associates**

The Company recognized the profits sharing from investments in associates of THB 83.6 million, an increase from the same period of the previous year (YoY) of THB 6.5 million or 8.4%, from the profits sharing of SYNEX. While comparing to Q2/2022 (QoQ), declining in the profit sharing from associates mainly came from PTECH.

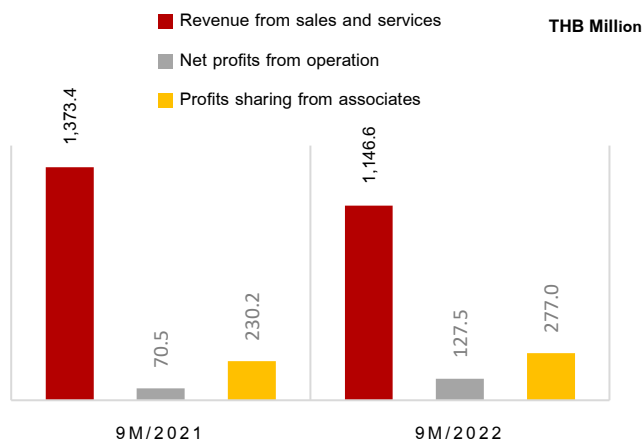
**Gain from extraordinary items**

During the Q3/2022, the Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 201.3 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss. While in the Q3/2021, the Company recognized gains from business restructuring from selling of the plastic card business unit (Net with restructuring expenses) amounting to THB 776.1 million.



## Operating Performance Analysis (Cont'd)

### Financial Performance for the nine-month period FY2022



### Revenue and Gross Profit

The Company had revenue from sales and services in amount THB 1,146.6 million, a decrease from the same period of the previous year (YoY) amounting to THB 226.8 million or 16.5 %, mainly due to a decrease in sales of the plastic card business unit which was disposed by the Company since Q3/2021 and slightly declining in the security printing solutions. A gross profit for the period was 30.6%, an increase from the same period last year (YoY), which has a gross profit margin of 28.7%, 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 221.8 million, a decrease from the same period of the previous year (YoY) amounting to THB 75.7 million or 25.4%, 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 and Income Tax

The Company had finance cost of THB 20.9 million, a decrease from the same period of the previous year (YoY) by THB 4.1 million or 16.4% due to a decrease in long-term borrowings from financial institutions from gradual repayment during the period. The Company had income tax of THB 28.9 million, an increase from the same period of the previous year (YoY) by THB 15.1 million or 109.4 % since the Company did not recognize any

income tax due to the utilization of tax loss carried forward during the nine-month period ended Q3/2021.

### Profits sharing from investment in associates

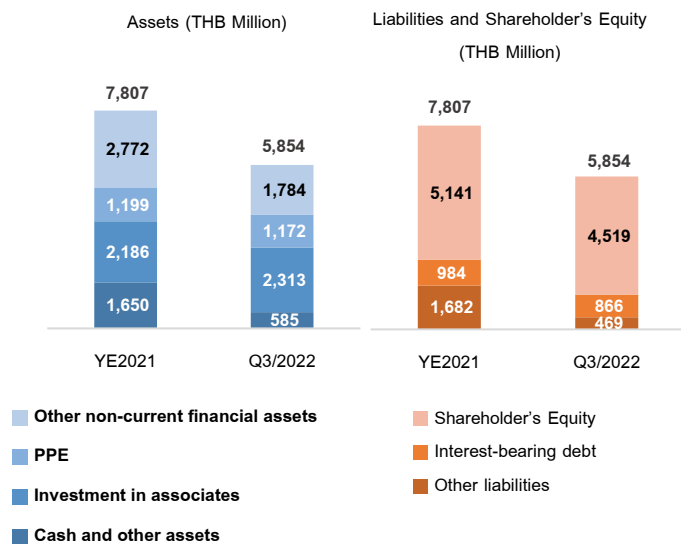
The Company recognized the profits sharing from investment in associates of THB 277.0 million, an increase from the same period of the previous year (YoY) of THB 46.8 million or 20.3%, mainly due to an increment of profits sharing from PTECH.

### Gain from extraordinary items

During the Q3/2022, the Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 201.3 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss. While in the Q3/2021, the Company recognized gains from business restructuring from selling of the plastic card business unit (Net with restructuring expenses) amounting to THB 776.1 million.



## Financial Position Analysis



### Assets

As of September 30, 2022, the Company had total asset of THB 5,854.5 million, decreased by 25.0% at THB 1,952.9 million from December 31, 2021 and the major declining of total assets were described as follows:

- Cash and cash equivalent and other assets decreased by THB 1,065 million from share receivable from selling of investment in subsidiary totaling of THB 1,020 million.
- Investment in associates and joint venture increase by THB 127 million which mainly came from the additional investment in the capital increase in PTECH of 10,209,711 shares (par value of 1 THB per share) at the price per share 10 THB, totaling of THB 102.1 million and the recognition of profit sharing from SYNEX and PTECH during the period. During the period, the Company received the dividend from SYNEX in amounting to THB 228 million.
- Property plant and equipment, investment property and intangible assets decreased by THB 27 million mainly due to depreciation during the period and the sale of investment property. In addition, the Company has purchased assets for operations in the growth business group of THB 83 million.

- Other non-current assets decrease by THB 988 million from the changing in fair value measurement of investments in equity instrument which was recognized through other components of equity. In addition, the Company recognized warrant as a derivative instrument of THB 251.60 million

### Liabilities

As of September 30, 2022, the Company had total liabilities of THB 1,336.0 million, decreased by THB 1,330 million or 49.9% from December 31, 2021 and details of the significant decrease were described as follows:

- Other liabilities decreased by THB 1,212 million from the repayment of share payable from internal group restructuring totaling of THB 1,020 million and a reduction in deferred tax liabilities from the changing in fair value measurement of investments in equity instrument.
- Interest-bearing debt decreased by THB 118 million, mainly due to the gradual repayment long-term loans during the period.

### Shareholder's Equity

As of September 30, 2022, the Company had total shareholder's equity of THB 4,518.5 million, decreased by THB 622.9 million or 12.1% from December 31, 2021 which mainly came from loss from fair value measurement in equity instruments (net of deferred tax liabilities) through other components of equity totaling of THB 1,030.2 million. During the period, 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 and paid an interim cash dividend for the year 2022 of THB 61.0 million. All such declining were offset with the net profit for the period amounting to THB 605.8 million and

### Debt to Equity Ratio

The debt-to-equity ratio as of September 30, 2022 was 0.30x decreased from 0.52x 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 Sep 30, 2022 was at 0.19x, equivalent with year ended 2021.

## Financial Position Analysis (Cont'd)



### Fair value

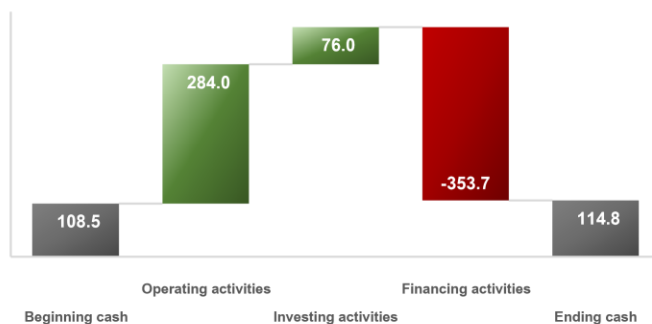
The following table presents the carrying amount and fair value of assets measured at fair value or disclosed in the consolidated financial statements and notes to financial statements as at 30 September 2022.

	Unit : THB million	
	Carrying Amount	Fair Value
<b>Assets measured at fair value</b>		
Investment in equity securities and derivative	1,784	1,784
<b>Assets disclosed fair value</b>		
Investment in associates	2,313**	6,922

\*\* The carrying amount of investments in associates was measured using the equity method in accordance with applicable accounting standards.

- Net cashflows provided by investing activities of THB 76.0 million, mainly from the Company received cash dividends from SYNEX and SABUY totaling THB 232.4 million against with the cash paid for capital increase in associate PTECH of THB 102.1 million, net cash paid from purchase and sale of fixed assets of THB 38.1 million and cash paid for acquisition other non-current financial assets of THB 16.9 million.
- Net cashflows used in financing activities of THB 353.7 million, mainly due to net cash paid for loans during the period of THB 154 million and cash paid for dividends of THB 199.7 million.

### Cashflows statement



The Company had total cash and cash equivalents of THB 114.8 million, an increase of THB 6.3 million from the previous year which can be described as following cashflow activities:

- Net cashflows provided by operating activities of THB 284 million, mainly caused by the net profit for the period of THB 319.4 million against with the tax payment of THB 36.7 million.



**Financial Information**

**Financial Performance for the 3<sup>rd</sup> quarter ended September 30, 2022**

Unit: THB Million	Quarter 3/2021	Quarter 2/2022	Quarter 3/2022	YoY	QoQ
				% +(-)	% +(-)
Revenue from sales and services	413.3	356.3	392.3	(5.1)	10.1
Cost of sales and services	(295.2)	(247.5)	(280.9)	(4.8)	13.5
Gross profits	118.1	108.8	111.4	(5.7)	2.4
Selling and administrative expense	(98.7)	(80.9)	(67.1)	(32.0)	(17.1)
Other income	4.7	33.6	9.7	106.4	(71.1)
EBIT	24.1	61.5	54.0	124.1	(12.2)
Finance cost	(8.0)	(7.0)	(6.8)	(15.0)	(2.9)
Income tax	(16.4)	(6.6)	(10.8)	(34.1)	63.6
Net profits from operations	(0.3)	47.9	36.4	(12,233.3)	(24.0)
Profits sharing from investment in associates	77.1	93.8	83.6	8.4	(10.9)
Gain from extraordinary items **	776.1	-	201.3	(74.1)	100.0
Net profit for the period	852.9	141.7	321.3	(62.3)	126.7
Depreciation & amortization	(44.4)	(30.6)	(31.0)	(30.2)	1.3
EBITDA	68.5	92.1	85.0	24.0	(7.7)
Gross profit margin	28.6	30.5	28.4	(0.2)	(2.1)
EBITDA margin	16.6	25.8	21.7	5.1	(4.2)
Net profit margin	206.4	39.8	81.9	(124.5)	42.1
Earnings per share (THB)	1.67	0.29	0.63	(62.3)	117.2

\*\* Gain from extraordinary items comprise of :

- Q3'2021: the Company recognized net gain from business restructuring (offset with SG&A restructuring cost) THB 776.1 million
- Q3'2022: the Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 201.3 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss.





**Financial Information (Cont'd)**

**Financial Performance for the nine-month period ended September 30, 2022**

Unit: THB Million	9M/2021	9M/2022	YoY
			% +(-)
Revenue from sales and services	1,373.4	1,146.6	(16.5)
Cost of sales and services	(978.6)	(796.0)	(18.7)
Gross profits	394.8	350.6	(11.2)
Selling and administrative expense	(297.5)	(221.8)	(25.4)
Other income	12.0	48.5	304.2
EBIT	109.3	177.3	62.2
Finance cost	(25.0)	(20.9)	(16.4)
Income tax	(13.8)	(28.9)	(109.4)
Net profits from operations	70.5	127.5	80.9
Profits sharing from investment in associates	230.2	277.0	20.3
Gain from extraordinary items **	776.1	201.3	(74.1)
Net profit for the period	1,076.8	605.8	(43.7)
Depreciation & amortization	(140.1)	(91.7)	(34.5)
EBITDA	249.40	269.00	7.9
Gross profit margin	28.7	30.6	1.8
EBITDA margin	18.2	23.5	5.3
Net profit margin	78.4	52.8	(25.6)
Earnings per share (THB)	2.11	1.19	(43.6)

\*\* Gain from extraordinary items comprise of :

- Q3'2021: the Company recognized net gain from business restructuring (offset with SG&A restructuring cost) THB 776.1 million
- Q3'2022: the Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 201.3 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss.



**Financial Information (Cont'd)**

**Statement of Financial Position and Key Financial Ratio**

Description	Financial Position as of					
	30 September 2022		31 December 2021		Change	
	MB	%	MB	%	MB	%
Total assets	5,854.5	100.0	7,807.4	100.0	(1,952.9)	(25.0)
Total liabilities	1,336.0	22.8	2,666.0	34.1	(1,330.0)	(49.9)
Total shareholder's equity	4,518.5	77.2	5,141.4	65.9	(622.9)	(12.1)
<b>Key financial ratio</b>						
Debt to Equity ratio	0.30x		0.52x			
Interest Bearing Debt to Equity ratio	0.19x		0.19x			

**Cashflows statement**

Cashflows (Unit : THB million)	For the nine-month period ended September 30, 2022
Net cashflows provided by operating activities	284.0
Net cashflows provided by investing activities	76.0
Net cashflows used in financing activities	(353.7)
Net increase in cash and cash equivalents during the period	6.3
Cash and cash equivalents at the beginning of the period	108.5
Cash and cash equivalents at the ending of the period	114.8