

KC 013/66

February 27, 2023

Subject: Management discussion and analysis (MD&A) of operating results for the fourth quarter ended December 31, 2022

To President

The Market for Alternative Investment (MAI)

Kumwell Corporation Public Company Limited (“company”) would like to submit MD&A of operating results for the fourth quarter ended December 31, 2022, with details as follows:

## 1. Revenues

The revenue structure of company and its subsidiaries for the fourth quarter of the year 2022 and the year 2021 divided by types of products was as shown in the following table;

	Q4 2022		Q4 2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	60.15	35.71%	41.37	29.19%	18.78	45.39%
Lightning System	96.89	57.53%	77.06	54.37%	19.83	25.73%
Solution & Innovation	11.38	6.76%	23.31	16.45%	- 11.93	-51.17%
<b>Total</b>	<b>168.42</b>	<b>100.00%</b>	<b>141.74</b>	<b>100.00%</b>	<b>26.68</b>	<b>18.82%</b>

The company and the subsidiaries have total sales amount 60.15 million baht in grounding system in the 4th quarter. The number has increased 45.39 percent compared to the same period of the previous year (2021) same as the sales of lightning protection systems, the number has 25.73 percent increase; from 77.06 million baht to 96.69 million baht while the revenue from Solution & Innovation declined 11.38 million baht from 23.31 million baht when compared to the same period of the previous year.

	Q4 2022		Q4 2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	149.89	89.00%	124.37	87.75%	25.52	20.52%
Foreign	18.53	11.00%	17.37	12.25%	1.16	6.68%
<b>Total</b>	<b>168.42</b>	<b>100.00%</b>	<b>141.74</b>	<b>100.00%</b>	<b>26.68</b>	<b>18.82%</b>

The demand for products increased from the dealer led to 20.52 percent domestic sales increase in the 4th quarter of 2022, which was 149.89 million baht, from the same period last year. While the total sales in foreign countries were 18.52 million baht, increased 6.64 percent, resulting in a total sale of 18.82 percent from 141.74 million baht to 168.42 million baht as the company has created promotions with dealers and marketing both domestic and export sales.

	2022		2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	183.53	32.91%	164.99	35.44%	18.54	11.23%
Lightning System	335.59	60.18%	253.44	54.44%	82.15	32.41%
Solution & Innovation	38.56	6.91%	47.13	10.12%	- 8.57	-18.18%
<b>Total</b>	<b>557.68</b>	<b>100.00%</b>	<b>465.56</b>	<b>100.00%</b>	<b>92.12</b>	<b>19.79%</b>

In 2022, the sales of grounding systems were 183.53 million baht, rose by 11.23 percent compared to the same period in 2021. While sales of lightning protection systems were 335.59 million baht or 32.41 percent increasing and the revenue from Solution & Innovation declined 18.18 percent compared to the same period of the previous year.

	2022		2021		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	474.73	85.13%	393.67	84.56%	81.06	20.59%
Foreign	82.95	14.87%	71.90	15.44%	11.05	15.38%
<b>Total</b>	<b>557.68</b>	<b>100.00%</b>	<b>465.57</b>	<b>100.00%</b>	<b>92.11</b>	<b>19.79%</b>

The total amount of domestic sales in 2022 were 474.73 million baht, rose by 20.59% due to increased demand from the company's distributors, and the export sales was 82.95 million baht, increased 15.38% compared to the same period of the previous year. The total sales of 2022 increased 19.79 percent which was 557.68 million baht from the same period of the previous year due to the company and the dealer promotions and marketing in both domestic and export sales.

## **2. Cost of Goods Sold (COGS)**

The cost of goods sold in the fourth quarter of 2022 was 100.75 million baht, increased 23.70 percent from the same period in 2021 at the amount of 81.44 million baht, related to the sales growth.

In 2022, the gross profit margin decreased from 42.54 percent in the fourth quarter of 2021 to 40.18 percent due to rising of raw material prices, including the minimum wage adjustments.

In 2022, the cost of sales and services was 339.28 million baht, rose by 27.77 percent from the same period of the previous year, caused by the increase in raw material prices in 2022. Moreover, the cost of services increased, including the minimum wage adjustments.

## **3. Cost of distribution**

During the fourth quarter of 2022, the company and the subsidiaries had distribution costs of 7.44 million baht, an increase of 21.19% compared to the same period of 2021. In 2022, the cost of distribution was 36.40 million baht, an increase of 31.27% from the same period of the previous year at 27.73 million baht. Which increased from the salary adjustment and sales benefits along with the cost of advertising, public relations, sales promotion, including changes in accounting records which was the salaries of the System Solution department. It was previously recorded as administrative expenses then distribution costs.

## **4. Administrative expense**

The company and the subsidiaries had administrative expenses in the fourth quarter of 2022 which was 26.33 million baht. A decrease of 5.25% from the same period of the previous year, was 27.79 million baht. In 2022, the Company and the subsidiaries had administrative expenses at the total of 105.83 million baht, increased 0.41 percent close to the same period of the previous year.

## **5. Net profit**

In the fourth quarter of 2022, the company had a net profit of 27.41 million baht which increased 24.53 percent when compared to the same period last year. While the net profit in 2022 has 7.12 percent increase from the previous year, up to 61.81 million baht.

## Statements of Financial Position

Consolidated Financial Statement						
Balance Sheet	2022		2021		Growth	
	MB.	% of TA	MB.	% of TA	MB.	%
Cash and cash equivalents	26.24	2.87%	30.31	4.39%	(4.07)	-13.43%
A/R & Other Receivables	158.16	17.28%	148.46	21.50%	9.70	6.53%
Inventories	234.71	25.65%	180.87	26.19%	53.84	29.77%
Other current financial assets	0.70	0.08%	-	0.00%	0.70	100.00%
Total current assets	419.80	45.87%	359.64	52.07%	60.16	16.73%
Other non-current financial assets	20.20	2.21%	25.15	3.64%	(4.95)	-19.68%
Property, plant and equipment	450.57	49.23%	277.32	40.16%	173.25	62.47%
Right-of-use assets	11.69	1.28%	14.86	2.15%	(3.17)	-21.38%
Non-current assets	12.92	1.41%	13.66	1.98%	(0.74)	5.42%
Total non-current assets	495.38	54.13%	330.99	47.93%	164.39	49.66%
Total assets	915.18	100.00%	690.63	100.00%	224.55	32.51%

### Assets

As of 31 December 2022, total assets of company and its subsidiaries were 915.18 million baht, increasing by 224.55 million baht or 32.51 percent compared with 31 December 2021, mainly from the net effect as follows:

Current assets increased by 60.16 million baht or 16.73 percent mainly from the following:

- A/R & Other Receivables increased by 9.70 million baht or 6.53 percent due to Accounts receivable that are not due.
- Inventories increased by 53.84 million baht or 29.77 percent due to materials by 8.47 million baht finished goods by 26.71 million baht price and semi-finished products by 17.48 million baht to support increased sales.

Non-current assets increased by 164.39 million baht or 49.66 percent mainly from the following:

- Property, plant and equipment increased by 173.25 million baht or 62.47 percent mainly from head office building under construction.

Consolidated Financial Statement (Continued)						
Balance Sheet	2022		2021		Growth	
	MB.	% of TA	MB.	% of TA	MB.	%
Bank overdraft and short-term loans	19.12	2.09%	-	0.00%	19.12	100.00%
A/P & Other Payables	88.48	9.67%	43.94	6.36%	44.54	101.37%
Current portion of long-term loans	41.67	4.55%	17.07	2.47%	24.60	144.15%
current liabilities	11.32	1.24%	10.31	1.49%	1.01	9.78%
Total current liabilities	160.60	17.55%	71.32	10.33%	89.28	125.18%
Long-term loans	175.92	19.22%	74.94	10.85%	100.98	134.76%
Lease liabilities	9.82	1.07%	13.12	1.90%	(3.30)	-25.15%
Total non-current liabilities	200.56	21.92%	102.74	14.88%	97.82	95.22%
Total liabilities	361.16	39.46%	174.06	25.20%	187.10	107.50%
Paid-up share capital	215.00	23.49%	215.00	31.13%	-	0.00%
Premium on ordinary shares	519.69	56.79%	519.69	75.25%	-	0.00%
Deficit of business combination	- 460.92	-50.36%	(460.92)	-66.74%	-	0.00%
RE-Legal Reserved	21.50	2.35%	21.50	3.11%	-	0.00%
RE-Unappropriated	241.07	26.34%	203.62	29.48%	37.45	18.39%
Total shareholders' equity	554.02	60.54%	516.57	74.80%	37.45	7.25%
Total Liabilities and shareholder's equity	915.18	100.00%	690.6	100.00%	224.55	32.51%

## Liabilities

As of 30 December 2022, company and its subsidiaries had total liabilities 361.16 million baht, increasing by 187.10 million baht or 107.50 percent from 31 December 2021, mainly from the net effect as follows:

- Bank overdraft and short-term loans up 19.12 million baht or 100.00 percent.
- Trade and other payables increased by 44.54 million baht or 101.37 percent due to accrued expenses.
- Loans from financial institutions increased by 100.98 million baht or 134.76 percent due from withdrawing loans to pay for the construction of a new head office building.

## **Shareholders' equity**

As of 30 December 2022, company and its subsidiaries had total shareholders' equity 544.02 million baht, by 37.45 million baht or 7.25 percent from 31 December 2021, due to during 2022, the company has paid dividend at the rate of 0.06 baht per share, totaling 25.80 million baht, while the of 2022, net profit according to the financial statement was 61.81 million baht.

Yours Sincerely,

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Mr. Boonsak Kiatjaroonlert

Chief Executive Officer

Kumwell Corporation Public Company Limited