



T.K.S. TECHNOLOGIES PUBLIC COMPANY LIMITED

# TECH ECOSYSTEM BUILDER FOR SUSTAINABLE GROWTH



T.K.S. TECHNOLOGIES PUBLIC COMPANY LIMITED

Management Discussion and Analysis (MD&A)

Operating Performance and Financial Position

For the 1<sup>st</sup> quarter ended March 31, 2023



## Executive Summary

<p><b>Revenue from sales and services</b>  <b>THB 406.4 million</b>  <b>Increase 2.1% YoY</b></p>	<p><b>Net profits from operation</b>  <b>THB 30.8 million</b>  <b>Decrease 28.9% YoY</b></p>	<p><b>Profit sharing from associates</b>  <b>THB 52.2 million</b>  <b>Decrease 47.5% YoY</b></p>
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T.K.S. Technologies Public Company Limited (“the Company”) and its subsidiaries would like to report the operating performance and financial position for the 1<sup>st</sup> quarter ended March 31, 2023. The Company had revenue from sales and services in amount THB 406.4 million, an increase from the same period of the previous year (YoY) amounting to THB 8.3 million or 2.1%, mainly due to an increase in sales of the security printing solution. GP margin was 29.8%, a decrease from the same period of the previous year, which has a gross margin of 32.8% since there was special project in security label business during last year which has higher gross profit margin than security printing business.

The Company had a net profit from operations of THB 30.8 million, a decrease of THB 12.5 million or 28.9% from the same period of the previous year. This is the result of a decrease in GP margin and an increase in selling and administrative expenses. In addition, the Company also recognized the profits sharing from investments in associates and joint ventures decreased by THB 47.3 million or 47.5%.

Total assets as of March 31, 2023 was at THB 5,917.2 million, an increase of THB 123.2 million or 2.1% from December 31, 2022, mainly due to the change in fair value measurement of investments in equity securities. The company’s financial position is still strong with debt to equity ratio at 0.30.

As of March 31, 2023, 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;



## Operating Performance Analysis

## 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 (“SYNNEX”)
- 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”) and Advanced Information Technology Public Company Limited (“AIT”)

**Financial Performance for the 1<sup>st</sup> quarter 2023****Revenue and Gross Profit**

The Company had revenue from sales and services in amount of THB 406.4 million, an increase from the same period of the previous year (YoY) amounting to THB 8.3 million or 2.1%, mainly due to the selling of security printing solution such as examination and the export revenue expansion. While comparing to Q4/2022 (QoQ), The Company had revenue from sales and services decrease by amounting to THB 28.7 million or 6.6% from the decrease in special projects.

A gross profit for the period was 29.8%, a decrease from the same period last year (YoY), which had a gross profit margin of 32.8% since there was special project in security label business during last year which has higher gross profit margin than security printing business while the Company still continued its efficiency production cost management which result in a slight increase in GP when comparing to Q4/2022 (QoQ).

**Selling and administrative expense**

The Company had selling and administrative expenses of THB 79.2 million, an increase from the same period of the previous year (YoY) amounting to THB 5.4 million or 7.3% While comparing to Q4/2022 (QoQ), the Company had selling and administrative expenses increase of THB 5.0 million or 6.7% due to selling expense related to higher sales volume of security printing & digital printing solution.

**Finance cost and Income Tax**

The Company had finance cost of THB 6.5 million, a decrease from the same period of the previous year (YoY) by THB 0.7 million or 9.7% due to a decrease in long-term borrowings from financial institutions. While comparing to Q4/2022 (QoQ), the Company's finance cost slightly decreases due to a partial loan repayment.

The Company had income tax of THB 7.6 million, a decrease from the same period of the previous year (YoY) by THB 3.9 million or 33.9% due to a decrease in the net profits from operations. While comparing to Q4/2022 (QoQ), the Company's income tax slightly decreased due to the recognized deferred income tax from impairment loss of plant and equipment in Q4/2022.

**Profits sharing from investment in associates**

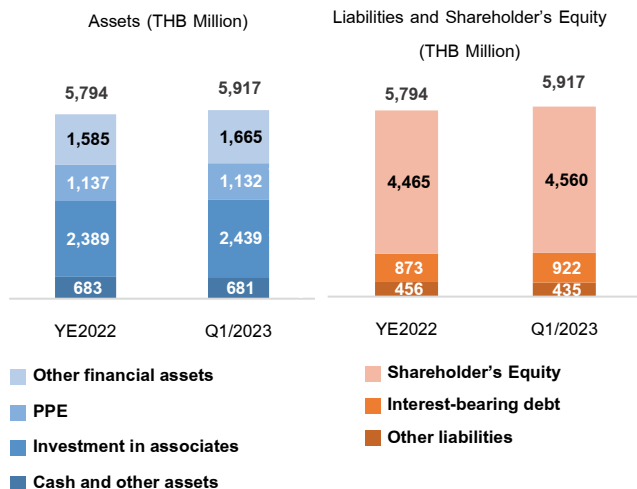
The Company recognized the profits sharing from investments in associates of THB 52.2 million, a decrease from the same period of the previous year (YoY) of THB 47.3 million or 47.5%. While comparing to Q4/2022 (QoQ), declining in the profit sharing from associates mainly came from SYNEX due to 3 main reasons: (1) a decrease in sales and gross profit from the economic situation and lower in consumer purchasing power (2) an increase in finance cost due to higher in policy interest rates; and 3) a decrease in gains on foreign exchange rate gains due to the volatility of Baht currency.

**Loss from extraordinary items**

During the Q1/2023 and Q4/2022, The Company recognized losses from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 2.7 million and amounting to THB 40.0 million, respectively. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, during Q1/2023, the Company had professional fee related to investing activities amounting to THB 3 million. Thus, totaling loss from extraordinary items was THB 5.7 million.



## Financial Position Analysis



### Assets

As of March 31, 2023, the Company had total assets of THB 5,917.2 million, increased by 2.1% at THB 123.2 million from December 31, 2022 and the major increment of total assets were described as follows:

- Investment in associates and joint venture increased by 50 million which mainly came from the recognition of profit sharing from SYNEX during the period.
- Other financial assets increased by THB 80 million from the changing in fair value measurement of investments in equity instrument which was recognized through other components of equity amounting to Baht 22 million and advanced payment of Baht 57.9 million in order to reserve the right to exercise 28,968,900 units of AIT-W2 warrants to AIT shares.

### Liabilities

As of March 31, 2023, the Company had total liabilities of THB 1,357.0 million, increased by THB 28.1 million or 2.1% from December 31, 2022 and details of the significant increase were described as follows:

- Other liabilities decreased by THB 21 million from the payment of goods and the payment of accrued expense during the period.
- Interest-bearing debt increased by THB 49 million, mainly due to the increase in short-term loans during the period.

### Shareholder's Equity

As of December 31, 2022, the Company had total shareholder's equity of THB 4,560.2 million, increased by THB 95.1 million or 2.1% from December 31, 2022 which mainly came from net profits from operations of Q1/2023 amounting to THB 77.3 million and gain from fair value measurement in equity instruments (net of deferred tax liabilities) through other components of equity totaling of THB 20.5 million.

### Debt to Equity Ratio

The debt-to-equity ratio as of March 31, 2023 was 0.30x as equal to December 31, 2022. While the interest-bearing debt to equity ratio as of March 31, 2023 was at 0.20x, as equal to the ended previous year.

### Fair value

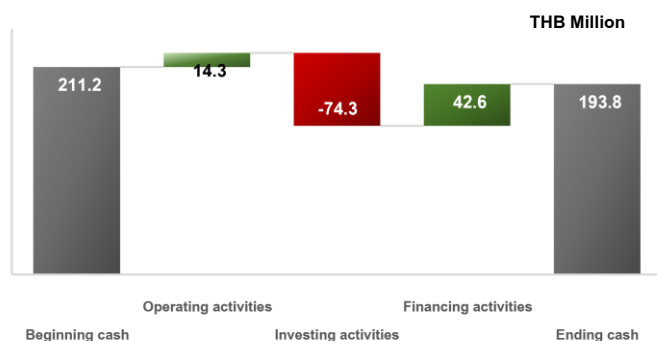
The following table presents the carrying amount and fair value of assets measured at fair value or disclosed in the consolidated financial statements and notes to financial statements as at 31 March 2023.

	Unit : THB million	
	Carrying Amount	Fair Value
<b>Assets measured at fair value</b>		
Investment in equity securities and derivative	1,608	1,608
<b>Assets disclosed fair value</b>		
Investment in associates	2,439**	6,125

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



## Cashflows statement



The Company had total cash and cash equivalents of THB 193.8 million, a decrease of THB 17.4 million from the previous year which can be described as following cashflow activities:

- Net cashflows provided by operating activities of THB 14.3 million, mainly caused by the net cash from operation for the period of THB 19.0 million against with the income tax payments during the period of THB 5.5 million. The major decrease in net cash from operation during the period mainly came from the purchase of raw material for supporting sales in the future of THB 22.6 million and the payment of accrued expense during the period of THB 26.8 million.
- Net cashflows used in investing activities of THB 74.3 million, mainly from the net cash paid from purchase and sale of fixed assets of THB 16.5 million during the period and cash paid for order to reserve the right to exercise of AIT-W2 warrants to AIT shares of Baht 57.9 million.
- Net cashflows provided by financing activities of THB 42.6 million, mainly due to net cash received loans during the period.



**Financial Information**

**Financial Performance for the 1<sup>st</sup> quarter ended March 31, 2023**

Unit: THB Million	Quarter	Quarter	Quarter	YoY	QoQ
	1/2022	4/2022	1/2023	% +(-)	% +(-)
Revenue from sales and services	398.1	435.1	406.4	2.1%	(6.6%)
Cost of sales and services	(267.6)	(305.7)	(285.3)	6.6%	(6.7%)
Gross profits	130.5	129.4	121.1	(7.2%)	(6.4%)
Selling and administrative expense	(73.8)	(74.2)	(79.2)	7.3%	6.7%
Other income	5.3	(1.3)	3.0	(43.4%)	330.8%
EBIT	62.0	53.9	44.9	(27.6%)	(16.7%)
Finance cost	(7.2)	(6.6)	(6.5)	(9.7%)	(1.5%)
Income tax	(11.5)	(7.8)	(7.6)	(33.9%)	(2.6%)
Net profits from operations	43.3	39.5	30.8	(28.9%)	(22.0%)
Profits sharing from investment in associates	99.5	70.7	52.2	(47.5%)	(26.2%)
Loss from extraordinary items **	-	(40.0)	(5.7)	(100.0%)	85.8%
Net profit for the period	142.8	70.2	77.3	(45.9%)	10.1%
Depreciation & amortization	30.1	34.1	31.5	4.7%	(7.6%)
EBITDA	92.1	88.0	76.4	(17.0%)	(13.2%)
Gross profit margin (%)	32.8%	29.7%	29.8%	(3.0%)	0.1%
EBITDA margin (%)	23.1%	20.2%	18.8%	(4.3%)	(1.4%)
Operating profit margin (%)	10.9%	9.1%	7.6%	(3.3%)	(1.5%)
Earnings per share (THB)	0.30	0.13	0.15	(50.0%)	15.4%

\*\* Loss from extraordinary items comprise of :

- Q4'2022 and Q1'2023 : the Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 40.0 million and amounting to THB 2.7 million, respectively. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, during Q1'2023, the Company had professional fee related to investing activities amounting to THB 3 million. Thus, totaling loss from extraordinary items was THB 5.7 million.





**Financial Information (Cont'd)**

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

Description	Financial Position as of					
	31 March 2023		31 December 2022		Change	
	MB	%	MB	%	MB	%
Total assets	5,917.2	100.0%	5,794.0	100.0%	123.2	2.1%
Total liabilities	1,357.0	22.9%	1,328.9	22.9%	28.1	2.1%
Total shareholder's equity	4,560.2	77.1%	4,465.1	77.1%	95.1	2.1%
<b>Key financial ratio</b>						
Debt to Equity ratio	0.30x		0.30x			
Interest Bearing Debt to Equity ratio	0.20x		0.20x			

**Cashflows statement**

Cashflows (Unit : THB million)	For the three-month period ended 31 March 2023	For the three-month period ended 31 March 2022
Net cashflows provided by operating activities	14.3	72.9
• Cashflow from operation	74.0	91.6
• Change in working capital	(54.2)	(9.9)
• Net tax paid	(5.5)	(8.8)
Net cashflows used in investing activities	(74.3)	(116.9)
Net cashflows used in financing activities	42.6	40.5
Net (decrease) in cash and cash equivalents during the period	(17.4)	(3.5)
Cash and cash equivalents at the beginning of the period	211.2	108.5
Cash and cash equivalents at the ending of the period	193.8	105.0

Please kindly be informed accordingly.

Sincerely yours,

(Jutiphan Mongkolsuthree)

Chief Executive Officer