

BTW 2566/010
Subject Management Discussion and Analysis for the 2nd quarter and the six-month periods ended 30 June 2023
**To The President
The Stock Exchange of Thailand**
15 August 2023
Management Discussion and Analysis (“MD&A”)
Business Overview
Performance for the 2nd quarter and the six-month periods ended 30 June 2023
Unit : THB Million

	For 2nd quarter ended 30 June			For six-month period ended 30 June		
	2023	2022	Change	2023	2022	Change
Revenue from Fabrication Work	160.73	584.70	(423.97)	497.97	1,016.37	(518.40)
Cost of Fabrication Work	374.21	529.67	(155.46)	713.17	916.55	(203.38)
Gross Profit Margin	(213.48)	55.03	(268.51)	(215.20)	99.82	(315.02)
<i>% Gross Profit Margin</i>	<i>-132.82%</i>	<i>9.41%</i>	<i>-142.23%</i>	<i>-43.22%</i>	<i>9.82%</i>	<i>-53.04%</i>
Other Income	15.75	2.76	12.99	19.62	17.25	2.37
Administrativ Expenses	105.51	32.76	72.76	134.04	68.85	65.20
Profit (loss) from operation activity	(303.24)	25.04	(328.28)	(329.62)	48.23	(377.85)
Finance Cost-net	(5.44)	(3.12)	(2.32)	(10.54)	(6.62)	(3.92)
Income Tax income (expense)	(2.22)	1.22	(3.44)	(2.82)	0.37	(3.19)
Profit (loss) for the period	(310.90)	23.14	(334.04)	(342.98)	41.98	(384.96)
Attributable to non-controlling interest of subsidiaries	1.60	0.10	1.50	1.79	0.17	1.62
Profit (loss) for the period for the Company	(309.30)	23.04	(332.34)	(341.19)	41.81	(383.00)
EBITDA	(282.84)	45.20	(328.04)	(288.72)	88.20	(376.92)

Performance for the 2nd quarter of 2023

The company has reported operating results for the second quarter of 2023 with a total net loss of 310.90 million baht, an increase from the same period of the previous year in the amount of 334.04 million baht and a gross loss for the second quarter of 2023 in the amount of 213.48 million baht, which is a result, due to the economic slowdown both domestically and internationally. There were no new projects in the first-half of this year, resulting in the company's revenues from fabrication work and services in this quarter dropping significantly. Costs of fabrication work and services for the second quarter of 2023 accounted for 233% of revenue from fabrication work and services, which was about 156.04% higher than the same period last year. Most of the costs of fabrication work and services were salary and wages, which accounted for 41% of the cost of fabrication work and services. During the second quarter of this year, the company

recorded an increase in allowance for loss on fabrication work projects of 78.19 million baht and an allowance for reduction of inventories to net realizable value in the amount of 5.94 million baht.

Other income for the second quarter of 2023 increased from the same period in 2022 in the amount of 12.99 million baht, mainly from the sale of scrap, and sale of assets or equipment such as cars, scaffolding, etc.

Administrative expenses consist of employee expenses, rental and other service fees, consulting fees, gain (loss) on exchange rate and expected credit losses expenses, etc. Administrative expenses for the second quarter of 2023 amounted to 105.51 million baht, an increase from the same period of 2022, amounting to 72.76 million baht, mainly from legal advisor fees of 12.7 million and an expected credit losses expenses of 57.89 million baht.

Results for the six-month period ended 30 June 2023

The company's operating results for the first six months of 2023 showed a gross loss and a net loss for the period of 215.20 million baht and 342.98 million baht, respectively. The revenue from fabrication work and services in the first six months of 2023 decreased by 51% from the same period of 2022 due to no new projects being generated during the first six months of 2023. In addition, the number of projects that are expected to be recognized or not completed (backlog) has also decreased significantly. Most of the revenue recognized in the period came from fabrication and assembly (Modularization) of the refinery project. In addition, costs of fabrication work and services for the first six months of 2023 increased from the same period in 2022, the ratio of costs of fabrication work and services to revenue from manufacturing at 143% and 90%, respectively. The main reason is that the cost of wages for contractors (manpower supply) and production costs (overhead) increased from the previous year. In addition, in the first half of 2023, the company has recorded allowance for loss on fabrication work projects and an allowance for reduction of inventories to net realizable value totaling 84.33 million baht, which is the reason for the company's gross loss in the first-half of 2023.

Administrative expenses of the company consist of staff expenses, rent and other service fees, consulting fees and gain (loss) on exchange rates and expected credit losses expenses, etc. For the first half of 2023, administrative expenses were higher than the same period of 2022 in the amount of 65.20 million baht or 94.70%, mainly due to increase in legal advisor fees and setting up expected credit losses expenses.

Finance costs for the first six months of 2023 increased by 3.92 million baht or 59.1% from the same period in 2022, mainly due to financial institutions raising interest rates on loans, trust receipts or short-term loans, resulting in the company's financial costs increasing.

Financial Position

Unit : THB Million

	30 June 2023	31 December 2022	Change	
Total Current Assets	915.26	1,280.03	(364.77)	-28%
Total Non-Current Assets	577.53	622.84	(45.31)	-7%
Total Assets	1,492.79	1,902.87	(410.08)	-22%
Total Current Liabilities	742.23	811.32	(69.09)	-9%
Total Non-Current Liabilities	48.85	46.85	2.00	4%
Total Liabilities	791.08	858.17	(67.09)	-8%
Total Shareholder's Equity	701.71	1,044.70	(342.99)	-33%

As of 30 June 2023, the company had total assets of 1,492.79 million baht, a decrease of 410.08 million baht or 22% from 31 December 2022, mainly due to a decrease in cash and bank deposits, trade and other receivables Inventories and raw materials.

The company's total liabilities as of 30 June 2023 decreased from 31 December 2022 in the amount of 67.09 million baht or 8%, mainly due to short-term loans from financial institutions, a decrease in trade and other payables

Shareholders' equity as of 30 June 2023 decreased from 31 December 2022 in the amount of 342.99 million baht or 33% from the recognition of operating losses of the Group in the first-half of 2023.

Financial Ratio
Liquidity Ratios

	30 June 2023	31 December 2022
Current Ratio (times)	1.23	1.58
Quick Ratio (times)	1.03	1.30

Activity Ratios

	30 June 2023	30 June 2022
Account Receivable Turnover (times)	1.71	7.59
Average Collection Period (days)	210.66	47.44
Account Payable Turnover (times)	3.25	8.42
Average Payment Period (days)	110.76	42.73
Cash Cycle (days)	166.85	60.32
Inventory Turnover (times)	5.38	6.47
Inventory Turnover Period (days)	66.95	55.62
Total Assets Turnover (times)	0.22	1.18

Leverage Ratios

	30 June 2023	31 December 2022
Interest Coverage Ratio (times)	(47.92)	8.07
Debt / Equity Ratio (times)	1.13	0.82

Profitability Ratios	30 June 2023	30 June 2022
Gross Profit Margin (%)	(132.82)	9.82
Net Profit Margin (%)	(176.18)	4.06
Return on Assets or ROA (%)	(38.72)	2.40
Return on Equity or ROE (%)	(36.27)	4.10

The company's liquidity ratio as of 30 June 2023 and 31 December 2022 was 1.23 times and 1.58 times, respectively. The liquidity ratio for the first-half of 2023 was lower than at the end of 2022 as a result of current assets such as cash and cash at bank, trade and other receivables, unbilled income and inventories decreased significantly from the end of 2022, as well as current liabilities such as loans from financial institutions and trade payables also decreased.

For the first six months of 2023, the Company had an operating loss before interest and income tax of 329.62 million baht, resulting in a decrease in ability to pay interest for the first half of 2023 compared to the end of 2022. In addition, the interest rate on the promissory note for the six-month period of 2023 has increased according to the overall economic situation, resulting in the company having more interest expenses than before. Therefore, resulting in a decrease in the interest coverage ratio for the first six months of 2023.

As of 30 June 2023, the Company's debt to equity ratio was higher than the end of 2022 as a result of the Company's shareholders' equity decreased significantly from the loss for the first six months of 2023. As a result, the company's debt to equity ratio as of 30 June 2023 was higher than the end of last year.

Backlog

Backlog as of 30 June 2023, totaling 167 million baht, most of the remaining works are modularization. It is expected to be completed in the future or within 1 years.

Factors effecting the Group's performance in the future

The global and domestic economic downturn has resulted in slowdown of investment in an industrial sector. This situation has significantly affected the Group's financial position, operating results and cash flows. During the six-month period ended 30 June 2023, the Group has a net operating loss of 343 million baht, negative cashflows of 80 million baht and a balance of cash and cash equivalent of 6 million baht. Currently, the management is in the process of implementing various measures to modify business plans, seek additional sources of funds, negotiate with a business partnership and a financial institution to extend debt payment settlement period, roll forward new promissory notes to replace former promissory notes and reduce expense to manage the Group's liquidity and its cashflows. Therefore, the management believes that the Group will be able to continue as a going concern from above procedures. However, the about-mentioned situation indicates that a material uncertainty exists that may cast substantial doubt on the Group's ability to continue as a going concern. The success of business plans depends on the favorable outcome of negotiations with the business partner, the financial institution, the roll-forward of new promissory notes to replace former promissory notes, the identification of new source of funds, and the effective implementation of operational improvements.

On 29 June 2022, a subsidiary was sued by a counterparty under a consortium contract (“counterparty”) for breach of the contract, with the counterparty claiming the compensation of approximately 50.6 million baht, together with interest, and the return of a cash guarantee of approximately 20 million baht. On 27 July 2022, the subsidiary countersued the counterparty, claiming the compensation of approximately 3.4 million baht, together with interest, for breach of the consortium contract. On 25 October 2022 and 18 January 2023, the subsidiary and the counterparty held negotiations at the Dispute Mediation Center. The counterparty proposed that to settle the dispute the subsidiary pay compensation of approximately 15 million baht and return the cash guarantee after deduction a decrease of the contract value, amounting to approximately Baht 14 million. The subsidiary made payment the cash guarantee to the counterparty on 10 February 2023. However, the consensus regarding the compensation was not reached. The Court set a date for taking of evident and examination of witnesses of both sides to be held in May 2024. The Group’s management and the legal advisor consider that the case is groundless and will not result in losses that are material to the Group’s operating results or financial position. The Group therefore has not recorded provision in its accounts.

Please be informed accordingly.

Yours sincerely,



Mr. Chotic Russamitinakornkul

Chief Executive Officer

BT Wealth Industries Public Company Limited