



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 3rd quarter ended September 30, 2023



Executive Summary

Revenue from sales and services THB 1,159.1 million Increase 1.1% YoY	Net profits from operation THB 85.8 million Decrease 23.2% YoY	Profit sharing from associates THB 140.0 million Decrease 49.1% YoY
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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 nine-month period ended September 30, 2023. The Company had revenue from sales and services in amount THB 1,159.1 million, an increase from the same period of the previous year (YoY) amounting to THB 12.5 million or 1.1%, mainly due to an increase in sales of the security printing solution and the expansion of export revenue in security label business. GP margin was 29.5%, a decrease from the same period of the previous year, which has a gross margin of 30.6% mainly due to the rising of paper raw material and production cost when compared to the same period of the previous year.

The Company had a net profit from operations of THB 85.8 million, a decrease of THB 26.0 million or 23.2% from the same period of the previous year which mainly came from a decrease in gross margin and an increase in selling and administrative expenses. In addition, the Company also recognized the profit sharing from investments in associates decreased by THB 136.0 million or 49.1% from decrease in profit sharing from SYNEX.

Total assets as of September 30, 2023 was at THB 5,345.1 million, a decrease of THB 448.9 million or 7.7% 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 0.29.

As of September 30, 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;



Sustainability Development at T.K.S. Group

- Selected by the Stock Exchange of Thailand (SET) as a sustainable stock or **SET ESG Ratings for the year 2023 at A rating** (Previously known as THSI Sustainable Stocks)
- ISB INITIATOR Award** from the **IEA-T Sustainable Business Awards 2023 (ISB Awards)**, a project to develop social achievement criteria for sustainable development of the Industrial Estate Authority of Thailand (IEAT)
- CSR-DIW Award 2023** from the project to promote industrial factories to have social and community responsibility for sustainable development goals
- Corporate Governance Rating (CGR) 'Excellence' 2023** and a member of the Thai Private Sector Collective Action against Corruption (CAC) from Thai Institute of Directors (IOD)
- 3Rs Award** for the project "Improving Industrial Waste Management Efficiency Towards **Zero Waste to Landfill**" for the year 2023
- Trophy of **Eco Factory Excellence Award** from the Federation of Thai Industries
- Trophy and certificate of honor for **the Outstanding Greenhouse Gas Reduction Network Factory for the year 2023** from the Industrial Estate Authority of Thailand (IEAT)

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”)



Operating Performance Analysis

Financial Performance for the 3rd quarter 2023

Revenue and Gross Profit

The Company had revenue from sales and services in amount of THB 373.1 million, an decrease from the same period of the previous year (YoY) amounting to THB 19.2 million or 4.9%, mainly due to decline in sales of a special project in security printing solution and sales of digital printing solution. While comparing to Q2/2023 (QoQ), The Company had revenue from sales and services decrease by amounting to THB 6.6 million or 1.7% from the seasonal decline in sales of digital printing solution such as credit bureau printing.

A gross profit for the period was 29.3%, a increase from the same period last year (YoY), which had a gross profit margin of 28.4% mainly due to there was a special project in security label business which has a higher gross profit margin than a normal sales. While gross profit was slightly decreased when comparing to Q2/2023 (QoQ) due to lower sales.

Selling and administrative expense

The Company had selling and administrative expenses of THB 72.0 million, an increase from the same period of the previous year (YoY) amounting to THB 4.9 million or 7.3% due to the increase in selling expense related to higher sales volume of export revenue in security label business. While comparing to Q2/2023 (QoQ), the Company had selling and administrative expenses decrease of THB 3.5 million or 4.6% related to lower sales.

Finance cost and Income Tax

The Company had finance cost of THB 7.9 million, an increase from the same period of the previous year (YoY) by THB 1.1 million or 16.2% and comparing to Q2/2023 (QoQ), the Company's finance cost increase in the same direction from drawdown of short-term loans from financial institutions to reserve for income tax paid during the period.

The Company had income tax of THB 5.0 million, an decrease from the same period of the previous year (YoY) by THB 5.8 million or 53.7% and comparing to Q2/2023 (QoQ), the Company's income tax decrease in line with a declining in the net profits from operations. In addition, during the Q3/2023, the Company received additional tax benefits from the Board of Investment Certificate (BOI) for improving production efficiency from the renewable energy.

Profit sharing from investment in associates and dividend received from investment

The Company recognized the profit sharing from investments in associates of THB 54.9 million, a decrease from the same period of the previous year (YoY) of THB 28.7 million or 34.3%, mainly due to decrement in the profit sharing from SYNEX from 3 main factors: (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) an increase selling and administrative expenses. While comparing to Q2/2023 (QoQ), The Company recognized the profit sharing from investments in associates increase from SYNEX, as a result of positive signs from IT products having purchasing power returning to accept projects from the private sector and the government that has issued measures to stimulate the economy.

However, during the Q3/2023, the Company received dividends from its investments from AIT, in the total amount of THB 7.2 million, which partially compensated for the decrease in profit sharing from associates.

Gain (loss) from extraordinary items

During the Q3/2023 and Q2/2023, The Company recognized losses from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 11.1 million and amounting to THB 21.8 million, respectively. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, the Company had professional fee related to investing activities. Thus, totaling a loss from extraordinary items was THB 12.6 million and THB 23.2 million, respectively.

While in 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.



Operating Performance Analysis (Cont'd)

Financial Performance for the nine-month period ended September 30, 2023

Revenue and Gross Profit

The Company had revenue from sales and services in amount of THB 1,159.1 million, an increase from the same period of the previous year (YoY) amounting to THB 12.5 million or 1.1%, mainly due to the selling of security printing solution such as examination, passbook, the government project and the expansion of export revenue in security label business.

A gross profit for the period was 29.5%, a decrease from the same period last year (YoY), which had a gross profit margin of 30.6%, mainly due to (1) the same period of the previous year, there was a special project in security label business which has a higher gross profit margin than a normal project (2) the rising of paper raw material and production cost when compared to the same period of the previous year.

Selling and administrative expense

The Company had selling and administrative expenses of THB 226.7 million, an increase from the same period of the previous year (YoY) amounting to THB 19.9 million or 9.6% due to selling expense related to higher sales volume of security printing & export revenue in security label business.

Finance cost and Income Tax

The Company had finance cost of THB 22.1 million, an increase from the same period of the previous year (YoY). The Company drawdown of short-term loans to reserve for income tax paid during the period and gradually repaid some of the long-term loans from cash received from operations and dividend received from investments. Amidst the rising market interest rate situation, the Company has continued to find sources of loans and focused on working capital optimization in order to maintain financial cost at an appropriate level.

The Company had income tax of THB 20.3 million, a decrease from the same period of the previous year (YoY) by THB 8.6 million or 29.7% due to a decrease in the net profits from operations. In addition, during the Q3/2023, the Company received additional tax benefits from the Board of Investment Certificate (BOI) for improving production efficiency from the renewable energy.

Profit sharing from investment in associates and dividend received from investment

The Company recognized the profit sharing from investments in associates of THB 141.0 million, a decrease from the same period of the previous year (YoY) of THB 136.0 million or 49.1%. Such decrement mainly came from declining in the profit sharing from SYNEX due to the economic situation and lower in consumer purchasing power and the profit sharing from PTECH decreased from the gain on asset disposal recognized in the same period of the previous year.

However, during the 9M/2023, the Company received dividends from its investments from SABUY, MSC and AIT, in the total amount of THB 41.4 million, which partially compensated for the decrease in profit sharing from associates.

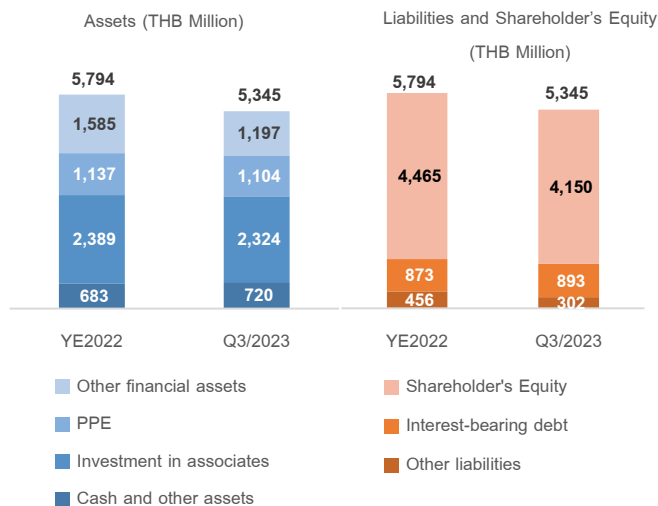
Gain (loss) from extraordinary items

For the nine-month period ended September 30, 2023, The Company recognized losses from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 35.6 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, the Company had professional fee related to investing activities amounting to THB 5.9 million. Thus, totaling a loss from extraordinary items was THB 41.5 million.

While in the nine-month period ended September 30, 2022, The Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 201.3 million and recognized gains from sales of non-current assets classified as held for sale net from loss of impairment of intangible assets amounting to THB 11.8 million. Thus, totaling a gain from extraordinary items was THB 213.1 million.



Financial Position Analysis



Assets

As of September 30, 2023, the Company had total assets of THB 5,345.1 million, decreased by 7.7% at THB 448.9 million from December 31, 2022 and the major decrement of total assets were described as follows:

- Cash and cash equivalent and other assets increase by THB 37 million, mainly due to an increase in deferred tax assets from the recognition of losses from changes in fair value measurement to book value of equity investments.
- Investment in associates decreased by 65 million which mainly due to the dividend received from SYNEX amounting of THB 202 million and the recognition of profit sharing from SYNEX and PTECH during the period.
- Other financial assets decreased by THB 388 million from the recognition loss from the changing in fair value measurement of investments in equity instrument which was recognized through other components of equity amounting to THB 430 million and recognized loss from fair value measurement of derivative instrument – warrant amounting to THB 44 million in profit/loss. During the period, the Company exercise the right to convert 28.96 million units of AIT-W2 warrants to AIT shares and made additional investments through Next Ventures, totaling of THB 86 million.

Liabilities

As of September 30, 2023, the Company had total liabilities of THB 1,194.6 million, decreased by THB 134.3 million or 10.1% from December 31, 2022 and details of the significant decrease were described as follows:

- Other liabilities decreased by THB 154 million from the payment of goods and the payment of tax payable during the period.
- Interest-bearing debt increased by THB 20 million, mainly due to the increase in short-term loans during the period

Shareholder's Equity

As of September 30, 2023, the Company had total shareholder's equity of THB 4,150.6 million, decreased by THB 314.6 million or 7.0% from December 31, 2022 which mainly came from net profit for the period amounting to THB 226.7 million and loss from fair value measurement in equity instruments (net of deferred tax liabilities) through other components of equity totaling of THB 348.1 million. The Company paid dividends for the year 2022 totaling of THB 152.5 million and an interim cash dividend for the year 2023 of THB 40.7 million in May 2023 and September 2023 respectively.

Debt to Equity Ratio

The debt-to-equity ratio as of September 30, 2023 was 0.29x, slightly decreased from as of December 31, 2022. While the interest-bearing debt to equity ratio as of September 30, 2023 was at 0.22x, slightly increased from the ended of the previous year.

Fair value

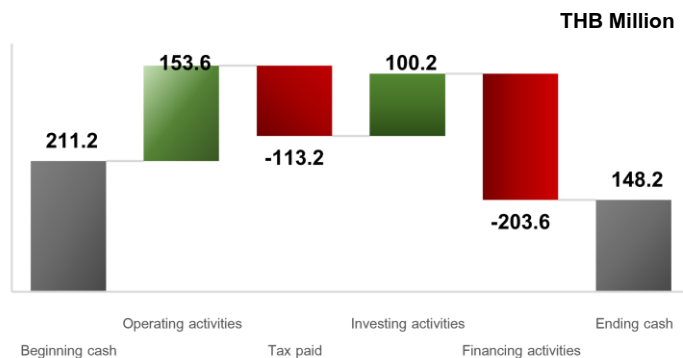
The following table presents the carrying amount and fair value of assets measured at fair value or disclosed in the consolidated financial statements and notes to financial statements as at September 30, 2023.

	Unit: THB million	
	Carrying Amount	Fair Value
Assets measured at fair value		
Investment in equity securities and derivative	1,197	1,197
Assets disclosed fair value		
Investment in associates	2,324**	4,706

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



Cash flows statement



The Company had total cash and cash equivalents of THB 148.2 million, a decrease of THB 63.0 million from the previous year which can be described as following cash flows activities:

- Net cash flows provided by operating activities of THB 153.6 million from operating profit for the period.
- Net cash flows used in income tax payment during the period of THB 113.2 million.
- Net cash flows provided by investing activities of THB 100.2 million, mainly from the Company received cash dividends from SYNEX and other investments such as SABUY, MSC, AIT in the totaling of THB 244 million. While there was a cash paid for the purchase of fixed assets of THB 52 million and cash paid in order to exercise the right to exercise of AIT-W2 warrants to AIT shares and made additional investments through Next Ventures, totaling of THB 86 million.
- Net cash flows used in financing activities of THB 203.6 million, mainly due to net cash paid from received against and repayment loans during the period of THB 10.5 million and cash paid for dividends of THB 193.1 million.



Financial Information

Financial Performance for the 3rd quarter ended September 30, 2023

Unit: THB Million	Quarter*	Quarter*	Quarter	YoY	QoQ
	3/2022	2/2023	3/2023	% +(-)	% +(-)
Revenue from sales and services	392.3	379.7	373.1	(4.9%)	(1.7%)
Cost of sales and services	(280.9)	(267.9)	(263.8)	(6.1%)	(1.5%)
Gross profits	111.4	111.8	109.3	(1.9%)	(2.2%)
Selling and administrative expense	(67.1)	(75.5)	(72.0)	7.3%	(4.6%)
Other income	9.7	6.0	3.9	(60.2%)	(35.1%)
EBIT	54.0	42.3	41.2	(23.8%)	(2.6%)
Finance cost	(6.8)	(7.7)	(7.9)	16.2%	2.6%
Income tax	(10.8)	(7.8)	(5.0)	(53.7%)	(35.9%)
Net profits from operations	36.4	26.8	28.3	(22.4%)	5.6%
Profits sharing from investment in associates	83.6	33.9	54.9	(34.3%)	63.4%
Dividend received from investment	-	34.2	7.2	100.0%	(78.8%)
Gain (loss) from extraordinary items **	201.3	(23.2)	(12.6)	(106.3%)	45.7%
Net profit for the period	321.3	71.6	77.8	(75.8%)	8.7%
Depreciation & amortization	(31.0)	(31.1)	(31.3)	1.0%	0.6%
EBITDA	85.0	73.4	72.5	(14.8%)	(1.2%)
Gross profit margin (%)	28.4%	29.4%	29.3%	0.9%	(0.1%)
EBITDA margin (%)	21.7%	19.3%	19.4%	(2.3%)	(0.1%)
Operating profit margin (%)	9.3%	7.0%	7.6%	(1.7%)	(0.6%)
Earnings per share (THB)	0.63	0.14	0.15	(76.2%)	(7.1%)

* Reclassified the presentation of prior periods for the comparison purpose

** Gain (loss) from extraordinary items comprise of:

- Q2'2023 and Q3'2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 21.8 million and amounting to THB 11.1 million, respectively. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, during Q1'2023 and Q2'2023, the Company had professional fee related to investing activities amounting to THB 1.4 million and amounting to THB 1.5 million, respectively. Thus, totaling a loss from extraordinary items was THB 23.2 million and THB 12.6 million, respectively.
- 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, 2023

Unit: THB Million	9M 2022*	9M 2023	YoY
			% +(-)
Revenue from sales and services	1,146.6	1,159.1	1.1%
Cost of sales and services	(796.0)	(817.0)	2.6%
Gross profits	350.6	342.1	(2.4%)
Selling and administrative expense	(206.8)	(226.7)	9.6%
Other income	17.8	12.8	(28.0%)
EBIT	161.6	128.2	(20.7%)
Finance cost	(20.9)	(22.1)	5.7%
Income tax	(28.9)	(20.3)	(29.7%)
Net profits from operations	111.8	85.8	(23.2%)
Profits sharing from investment in associates	277.0	141.0	(49.1%)
Dividend received from investment	3.9	41.4	956.1%
Gain (loss) from extraordinary items **	213.1	(41.5)	(119.5%)
Net profit for the period	605.8	226.7	(62.6%)
Depreciation & amortization	(91.7)	(93.9)	2.4%
EBITDA	253.3	222.1	(12.3%)
Gross profit margin (%)	30.6%	29.5%	(1.1%)
EBITDA margin (%)	22.1%	19.2%	(2.9%)
Operating profit margin (%)	9.8%	7.4%	(2.4%)
Earnings per share (THB)	1.19	0.44	(63.0%)

* Reclassified the presentation of prior periods for the comparison purpose

** Gain (loss) from extraordinary items comprise of:

- For the nine-month period ended September 30, 2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 35.6 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, the Company had professional fee related to investing activities amounting to THB 5.9 million. Thus, totaling a loss from extraordinary items was THB 41.5 million.
- For the nine-month period ended September 30, 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. Moreover, The Company recognized gains from sales of non-current assets classified as held for sale net from loss of impairment of plant and equipment and intangible assets amounting to THB 11.8 million. Thus, totaling a gain from extraordinary items was THB 213.1 million.



Financial Information (Cont'd)

Statement of Financial Position and Key Financial Ratio

Description	Financial Position as of					
	30 September 2023		31 December 2022		Change	
	MB	%	MB	%	MB	%
Total assets	5,345.1	100.0%	5,794.0	100.0%	(448.9)	(7.7%)
Total liabilities	1,194.6	22.3%	1,328.9	22.9%	(134.3)	(10.1%)
Total shareholder's equity	4,150.5	77.7%	4,465.1	77.1%	(314.6)	(7.0%)
Key financial ratio						
Debt to Equity ratio	0.29x		0.30x			
Interest Bearing Debt to Equity ratio	0.22x		0.20x			

Cash flows statement

Cash flows (Unit: THB million)	For the nine-month period ended 30 September 2023	For the nine-month period ended 30 September 2022
Net cash flows provided by (used in) operating activities	40.4	284.0
• Cash flows from operation	218.1	257.5
• Change in working capital	(64.5)	63.2
• Net tax paid	(113.2)	(36.7)
Net cash flows provided by investing activities	100.2	76.0
Net cash flows used in financing activities	(203.6)	(353.7)
Net increase (decrease) in cash and cash equivalents during the period	(63.0)	6.3
Cash and cash equivalents at the beginning of the period	211.2	108.5
Cash and cash equivalents at the ending of the period	148.2	114.8

Please kindly be informed accordingly.

Sincerely yours,

(Jutiphan Mongkolsuthree)

Chief Executive Officer