

BTW 2566/013
Subject Management Discussion and Analysis for the 3rd quarter and the nine-month period ending 30 September 2023
To The President of The Stock Exchange of Thailand
14 November 2023
Management Discussion and Analysis (“MD&A”)
Business Overview
Performance for the 3rd quarter and the nine-month period ending 30 September 2023

	Unit :Million THB					
	For 3rd quarter ended 30 SEP			For nine-month period ended 30 SEP		
	2023	2022	Change	2023	2022	Change
Revenue from Fabrication Work	16.96	702.66	(685.70)	514.92	1,719.03	(1,204.10)
Cost of Fabrication Work	148.50	680.44	(531.95)	861.67	1,596.99	(735.32)
Gross Profit Margin	(131.54)	22.22	(153.76)	(346.74)	122.04	(468.78)
<i>% Gross Profit Margin</i>	<i>-775.77%</i>	<i>3.16%</i>	<i>-778.93%</i>	<i>-67.34%</i>	<i>7.10%</i>	<i>-74.44%</i>
Other Income	31.19	5.01	26.19	50.81	22.26	28.55
Administrativ Expenses	39.08	48.88	(9.81)	173.12	117.73	55.39
Profit (loss) from operation activity	(139.43)	(21.66)	(117.77)	(469.06)	26.57	(495.62)
Finance Cost-net	(5.31)	(3.76)	(1.55)	(15.84)	(10.38)	(5.46)
Income Tax income (expense)	(1.09)	(2.69)	1.61	(3.91)	(2.32)	(1.59)
Profit (loss) for the period	(145.83)	(28.12)	(117.71)	(488.81)	13.86	(502.67)
Attributable to non-controlling interest of subsidiaries	(0.13)	0.16	(0.29)	(1.91)	0.01	(1.92)
Profit (loss) for the period for the Company	(145.70)	(28.28)	(117.42)	(486.90)	13.85	(500.75)
EBITDA	(120.50)	(1.37)	(119.13)	(409.23)	86.83	(496.05)

Performance for the 3rd quarter of 2023

The company reported an operating result for the third quarter of 2023 with a total net loss of 145.83 million baht, an increase from the same period in the previous year by 117.71 million baht. A gross loss for the third quarter of 2023 with the amount of 31.54 million baht, which is a result of the economic slowdown both domestically and internationally. There were no new projects in the first three quarters of this year, resulting in the company's revenue from fabrication works and services in this quarter to shrink significantly. The cost of fabrication works and services for the third quarter of 2023 is accounted for 875.77% of the revenue from fabrication works and services, which is approximately 778.93% higher than the same period last year. Most of the costs of fabrication works and services were fixed cost salary and

wages, which accounted for 47% of the cost of fabrication works and services. During the third quarter of this year, the company recorded an increase in allowance for an anticipated loss from fabrication work projects of 59.91 million baht

Other income for the third quarter of 2023 increased from the same period in 2022 by 26.19 million baht, mainly from transportation income, scrap sales income, and an income of assets or equipment sales such as cars, scaffolding, etc.

Administrative expenses consist of employee expenses, rental and other service fees, consulting fees, exchange rate gains (losses), and anticipated credit loss expenses, etc. Administrative expenses for the third quarter of 2023 amounted to 39.08 million baht, a decrease from the same period of 2022 by 9.81 million baht, mainly from Employee expenses which decreased by 4.40 million baht.

Results for the nine-month period ending 30 September 2023

The company's operating results for the first nine-month period of 2023 presented a gross loss and a net loss of 346.74 million baht and 488.81 million baht respectively. The revenue from fabrication works and services of the first nine-month period of 2023 decreased by 70.05% from the same period of 2022 due to no new projects commenced during the first nine months of 2023. In addition, the number of projects that are expected to be recognized or not completed (backlog) has also decreased dramatically. 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 nine months of 2023 increased from the same period in 2022, the ratio of costs of fabrication work and services to revenue from manufacturing at 167.34% and 92.90%, 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 nine months of 2023, the company has recorded allowance for loss on fabrication work projects value totaling 16.86 million baht, which is the reason for the company's gross loss in the nine months of 2023.

Administrative expenses of the company include of staff expenses, rent, consulting fees and expected credit losses expenses, rent, consulting fees and expected credit losses expenses, etc. For the nine months of 2023, administrative expenses were higher than the same period of 2022 in the amount of 55.39 million baht or 47.05%, mainly due to increase in legal advisor fees in the amount of 17.30 million baht, and setting up expected credit losses expenses in the amount of 50 million baht, Loss from impairment of assets in the amount of 5.57 million baht and Loss from product sales in the amount of 27.64 million baht.

Finance costs for the first nine months of 2023 increased by 5.46 million baht, 52.58% 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 increasing of the company's financial costs.

Financial Position

	Unit :Million THB		
	30 June 2023	31 December 2022	Change
Total Current Assets	599.13	1,280.03	(680.90) -53%
Total Non-Current Assets	536.12	622.84	(86.72) -14%
Total Assets	1,135.25	1,902.87	(767.62) -40%
Total Current Liabilities	536.00	811.32	(275.32) -34%
Total Non-Current Liabilities	43.37	46.85	(3.49) -7%
Total Liabilities	579.37	858.17	(278.80) -32%
Total Shareholder's Equity	555.89	1,044.70	(488.82) -47%

As of 30 September 2023, the company had total assets of 1,135.25 million baht, a decrease of 767.62 million baht or 40.34% from 31 December 2022, mainly due to a decrease in cash and bank deposits, trade, and other receivable inventories and raw materials.

The company's total liabilities as of 30 September 2023 decreased from 31 December 2022 by 278.80 million baht or 32.49%, mainly due to short-term loans from financial institutions and a decrease in trade and other payables.

Shareholders' equity as of 30 September 2023 decreased from 31 December 2022 by 488.82 million baht or 46.79% from the realization of operating losses of the Group during the first nine months of 2023.

Financial Ratio

Liquidity Ratios	30 September 2023	31 December 2022
Current Ratio (times)	1.12	1.58
Quick Ratio (times)	0.89	1.30
Activity Ratios	30 September 2023	30 September 2022
Account Receivable Turnover (times)	0.33	7.70
Average Collection Period (days)	1,075.71	46.74
Account Payable Turnover (times)	0.96	8.53
Average Payment Period (days)	374.75	42.18
Cash Cycle (days)	900.49	45.50
Inventory Turnover (times)	1.80	8.79
Inventory Turnover Period (days)	199.53	40.94
Total Assets Turnover (times)	0.05	1.29
Leverage Ratios	30 September 2023	31 December 2022
Interest Coverage Ratio (times)	(14.92)	8.07
Debt / Equity Ratio (times)	1.04	0.82
Profitability Ratios	30 September 2023	30 September 2022
Gross Profit Margin (%)	- 775.77	7.10
Net Profit Margin (%)	- 302.88	0.80
Return on Assets or ROA (%)	- 14.80	1.03
Return on Equity or ROE (%)	- 23.19	1.38

The company's liquidity ratio as of 30 September 2023 against 31 December 2022 was 1.12 times to 1.58 times respectively. The liquidity ratio for the first nine months of 2023 was lower than at the end of 2022 as a result of current assets such as cash, bank deposits, trade and other receivables, unbilled income, and inventories which all decreased significantly from the end of 2022 along with current liabilities such as loans from financial institutions and trade payables, which have also decreased.

For the first nine months of 2023, the Company had an operating loss before interest and income tax of 469.06 million baht, resulting in a decrease in the 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 nine-month period of 2023 has increased according to the overall economic situation, resulting in the company receiving more interest expenses than before. Therefore, the Company's interest coverage ratio for the first six months of 2023 decreased.

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

Backlog

Total backlog as of 30 September 2023 is 56 million baht, most of the remaining works are modularization which is expected to be completed in the future or within one year.

Factors affecting the Group's future performance

The global and domestic economic downturn has resulted in a slowdown of investment in the industrial sector. This situation has significantly affected the Group's financial position, operating results, and cash flows. During the nine-month period ending 30 September 2023, the Group has a net operating loss of 488.80 million baht, negative cashflow of 16.59 million baht, and a balance of cash and cash equivalent to 102.48 million baht. Currently, the management is in the process of implementing various measures to modify business plans, seek additional sources of funds, and negotiate with business partners and financial institutions to extend the debt settlement period, roll forward new promissory notes to replace former promissory notes, and reduce expense to maintain the Group's liquidity and its cash flows. Therefore, the management believes that aforementioned procedures will allow the Group to continue its operations. However, the mentioned situation indicates that an uncertainty that may cast substantial doubts on the Group's ability to continue its operations exists. Nevertheless, the success of business plans depends on the favorable outcome of negotiations with the Group's business partners and financial institutions, the roll-forward of new promissory notes to replace former promissory notes, the identification of new source of funds, and the effective implementation of new operation 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 with interest and returning 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 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 14 million baht. The subsidiary made payment the cash guarantee to the counterparty on 10 February 2023. However, the consensus of the compensation was not reached. The Court has set a date for evidence collection and witnesses' examination 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. Therefore, the Group did not record the provision in its accounts.

Yours sincerely,



Mr. Chotic Russamitinakornkul

Chief Executive Officer

BT Wealth Industries Public Company Limited