

No. SICT 015/2023

10 November 2023

Subject: Management Discussion and Analysis for Quarter 3/2023

Attn: Governors and President Market for Alternative Investment (mai)

Silicon Craft Technology Public Company Limited ("the Company") would like to submit the Management Discussion and Analysis of the operating results for Quarter 3/2023, as the details follows:

(Million Baht)

Statements of Comprehensive Income	Quarter3/2023	Quarter3/2022	Increase (Decrease)	
			Million Baht	%
Revenue from sales and services	135.8	146.7	(10.9)	-7.4%
Costs of sales or services	(71.9)	(65.8)	6.1	9.3%
Gross profits	63.8	80.9	(17.1)	-21.1%
Other income	(0.3)	0.4	(0.7)	Na
Distribution costs	(8.7)	(9.4)	(0.7)	-7.5%
Administrative expenses	(32.1)	(25.8)	6.3	24.2%
Other expenses	0.3	(2.2)	(2.5)	Na
Other gains (losses)	3.0	(25.0)	28.0	Na
Profit (loss) from operating activities	26.0	18.9	7.1	37.5%
Finance income	0.08	0.11	(0.03)	-22.8%
Finance costs	(0.95)	(0.10)	(0.85)	890.4%
Profit (loss) before tax expense	25.1	18.9	6.2	32.8%
Tax income (expense)	(0.5)	(2.4)	(1.8)	-77.0%
Profit (loss) for the year	24.5	16.5	8.0	48.6%

Revenue from sales and services

For Quarter 3/2023, the Company's revenue from sales and services accounted for 135.8 million Baht, decreasing 10.9 million Baht or 7% from the same period last year. Immobilizer group and Industrial IoT group contributed a decreased amount of Quarter 3/2023, which decreased by 10.6 million Baht or 25% and 6.3 million Baht or 14% respectively, compared to Quarter 3/2022.



(Million Baht)

Revenue breakdown by product application	Quarter3/2023	Quarter3/2022	Increase (Decrease)	
			Million Baht	%
Revenue from Animal identification group	60.9	57.0	3.9	7%
Revenue from Immobilizer group	31.8	42.4	-10.6	-25%
Revenue from Industrial IoT group	37.8	44.1	-6.5	-14%
Revenue from NFC and others group	5.3	3.2	2.3	66%
Profit (loss) for the period	135.8	146.7	-10.9	-7%

Revenue Structure

For Quarter 3/2023, the Company's revenues are derived from 4 product groups: Animal identification group accounted for 60.9 million Baht, representing 45% of total revenue, Immobilizer group accounted for 31.8 million Baht, representing 23% of total revenue, Industrial IoT group accounted for 37.8 million Baht, representing 28% of total revenue, and NFC and others group accounted for 5.3 million Baht, representing 4% of total revenue.

A decline in the Company's revenue in Quarter 3/2023 was due to a decrease in revenue from the Immobilizer group and Industrial IoT group. Compared to Quarter 3/2022, Revenue from the Immobilizer group dropped by 25% mainly due to the slowdown in revenue from key customer in US resulting from a high level of inventory. Revenue from the Industrial IoT group decreased by 14% from the same period last year, partly due to a slowdown in revenue from customers in China caused by macroeconomic challenges. However, revenue from the Animal identification group increase by 7% due to expansion of the market from the progress in the enforcement of electronic identification tags for sheep and goats in Australia and the trend to use electronic identification tags in other nations, partly from the increasing need for viral disease control and management in livestock business. Revenue from the innovative NFC group rose 66% compared to Quarter 3/2022, mainly from the growth of NFC Authentication products.



(Unit: Million USD)

Revenue breakdown by product application	Quarter3/2023	Quarter3/2022	Increase (Decrease)	
			Million Dollars	%
Revenue from Animal identification group	1.74	1.57	0.17	11%
Revenue from Immobilizer group	0.81	1.14	-0.33	-29%
Revenue from Industrial IoT group	1.08	1.23	-0.15	-12%
Revenue from NFC and others group	0.23	0.09	0.14	152%
Profit (loss) for the period	3.86	4.03	-0.17	-4%

However, excluding the impact of currency fluctuations by comparing revenues in US dollars, which is the company's primary operating currency, for Quarter 3/2023, the company's revenue from sales and services were accounted for 3.86 million USD, decreasing 0.17 million USD or 4% from the same period last year.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for Quarter 3/2023 accounted for 71.9 million Baht, increasing 6.1 million Baht or 9% from Quarter 3/2022, mainly due to higher cost of raw materials compared to the same period last year.

Gross Profit in Quarter 3/2023 was at 63.8 million Baht, decreasing 17.1 million Baht or 21% from the same period last year. Gross Profit Margin in Quarter 3/2023 stood at 47%, which decreased from 55% in Quarter 3/2022. The decrease in Gross Profit Margin in Quarter 3/2023 was mainly from an increase of the raw material prices, manufacturing service and product testing charges for goods production, an increase of the employee costs, and changes in product mix.

Two main major challenges in H2, 2023 are from global macroeconomic and geopolitics uncertainties as well as rising inventory levels in the market, driven by the acceleration of inventory buildup due to a supply shortage situation during COVID19-pandemic period (2021-2022). Towards such challenges, the company has actively monitored key customers' situations, and implemented a cost management plan to cope timely with the uncertain situations, such as maintaining a well-balanced level between selling prices and increasing costs and driving more initiatives in COGS reduction program. With recent introduction of new products, the overall gross profit margin has been continuously improved to the 2023 estimated level.



Other Income

In Quarter 3/2023, the company had a loss of 0.3 million Baht in the other income account, shifting from a profit of 0.4 million Baht in Quarter 3/2022, due to the recognition of a realized loss from the foreign exchange rate.

Selling and Administrative Expenses

Selling expenses in Quarter 3/2023 were at 8.7 million Baht, decreasing 0.7 million Baht or 8% compared to the same period last year from a decrease in sales staff compensation, in line with the company's revenue in this quarter.

Administrative expenses in Quarter 3/2023 accounted for 32.1 million Baht, increasing 6.3 million Baht or 24% compared to Quarter 3/2022, due mainly to an increase in the number of company employees and research expenses aligned with the future company's plan.

Other Expenses

In Quarter 3/2023, the company had a profit of 0.3 million Baht in the other expenses account, shifting from a loss of 2.2 million Baht in Quarter 3/2022, due to the recognition of a realized gain from the foreign exchange rate.

Other Gains (Losses)

This is the net unrealized gain (loss) from the foreign exchange forward contracts that do not designate as a qualify for hedge accounting and the net unrealized gain (loss) from adjusting the value of assets and liabilities in foreign currency at the end of the quarter.

For Quarter 3/2023, the Company had other gains of 3 million Baht, which increased from the loss of 25 million Baht in the same period last year. This increase was due to the reduction in the volume of held foreign exchange forward contracts, aligning with the nature of the company's business and the current volatile condition. Additionally, the gains resulted from adjustments in the value of assets and liabilities in foreign currency at the end of the quarter.

However, the company has processed the plans and policies for the exchange rate in the long term, by balancing expenses and income in the same currency and the same period. Together with closely monitored the economic situation and interest rate trends from the Bank of Thailand and commercial banks, in order to minimize the long-term impact on the company as much as possible.



Finance costs

Finance costs in Quarter 3/2023 accounted for 0.95 million Baht, increasing 0.85 million Baht or 890% compared to Quarter 3/2022, due to an increase in short-term loans from financial institutions, which are in line with the Company's plan.

Tax income (expense)

Tax expense in Quarter 3/2023 were at 0.5 million Baht, decreasing 1.8 million Baht or 77% compared to the same period last year, as the majority of revenue from sales and services in this period was primarily granted rights and benefits from the Board of Investment (BOI).

Net Profit

The Company had a Quarter 3/2023 net profit of 24.5 million Baht, growing 8.0 million Baht or 49% compared to the same period last year, representing a net profit margin of 18%, increasing from 11% in Quarter 3/2022 from effective risk management of fluctuations in foreign exchange rates.

Statement of Financial Position

Total assets of the company at the end of Quarter 3/2023 were 952.8 million Baht, increasing 301.5 million Baht from 651.3 million Baht at the end of 2022. Current assets increased around 288.9 million Baht, mainly due to an increase in inventory aligned with a sales order from key customers in Animal ID group, and to support production during the transition to more advanced node technology, in line with our long-term strategic plans for the company. Non-current assets increased around 12.5 million Baht, from an increase in other intangible assets.

The Company had total liabilities at the end of Quarter 3/2023 equal to 318.9 million Baht, increasing 182.4 million Baht from the end of 2022, which was 136.5 million Baht. The rise was primarily due to an increase in short-term loans from financial institutions, and an increase in trade payables in accordance with the orders for production materials which are in line with the Company's plan.

The Company's shareholders' equity at the end of Quarter 3/2023 was at 633.9 million Baht, rising 119 million Baht from the end of 2022 which was 514.9 million Baht. The rise was due mainly to an increase in the unappropriated retained earnings at the end of Quarter 3/2023 of around 78.2 million Baht from the end of 2022, which is based on the results of operations in the past period, and an increase in paid-up share capital of approximately 40 million Baht which is in line with the stock dividend payment according to the 2023 Annual General Meeting of shareholders.



Please be informed accordingly.

Best regards

(Dr. Bodin Kasemset)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

