



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 year-ended December 31, 2023



**Executive Summary**

<b>Revenue from sales and services</b> <b>THB 1,488.3 million</b> <b>Decrease 5.9% YoY</b>	<b>Net profits from operation</b> <b>THB 108.1 million</b> <b>Decrease 26.0% YoY</b>	<b>Profit sharing from associates</b> <b>THB 193.5 million</b> <b>Decrease 44.3% YoY</b>
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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 year-ended December 31, 2023. The Company had revenue from sales and services in amount THB 1,488.3 million, a decrease from the previous year (YoY) amounting to THB 93.5 million or 5.9%, mainly due to decline in sales of a special project in security printing solution and sales of digital printing solution. GP margin was 29.6%, a decrease from the previous year, which has a gross margin of 30.8% mainly due to the rising of paper raw material and production cost when compared to the previous year.

The Company had a net profit from operations of THB 108.1 million, a decrease of THB 37.9 million or 26.0% from 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 154.1 million or 44.3% from decrease in profit sharing from SYNEX.

Total assets as of December 31, 2023 was at THB 5,096.1 million, a decrease of THB 697.9 million or 12.0% 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 December 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;



**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 4<sup>th</sup> quarter 2023

#### Revenue and Gross Profit

The Company had revenue from sales and services in the amount of THB 329.1 million, a decrease from the same period of the previous year (YoY) amounting to THB 106.0 million or 24.4%, mainly due to decline in sales of a special project in security printing solution. While comparing to Q3/2023 (QoQ), The Company had revenue from sales and services decrease by amounting to THB 44.0 million or 11.8% from a decline in sales in security printing solution such as examination and sales of a special project in security label business.

A gross profit for the period was 29.9%, nearly from the same period last year (YoY), which had a gross profit margin of 30.0% and comparing to Q3/2023 (QoQ), the Company's gross profit increase, as a result of efficient management of cost production and focus on expanding on the potential growth business which can generate a high gross margin.

#### Selling and administrative expense

The Company had selling and administrative expenses of THB 63.5 million, a decrease from the same period of the previous year (YoY) amounting to THB 11.6 million or 15.5% and comparing to Q3/2023 (QoQ), the Company had selling and administrative expenses decrease of THB 8.5 million or 11.8%, due to selling expense related to lower sales.

#### Finance cost and Income Tax

The Company had finance cost of THB 8.3 million, an increase from the same period of the previous year (YoY) by THB 1.7 million or 25.8% and comparing to Q3/2023 (QoQ), the Company's finance cost increase in the same direction from drawdown of short-term loans from financial institutions to reserve for operating expenses paid during the period.

The Company had income tax of THB 4.7 million, a decrease from the same period of the previous year (YoY) by THB 3.1 million or 39.6% and comparing to Q3/2023 (QoQ), the Company's income tax decrease in line with a declining in the net profits from operations.

#### Profit sharing from investment in associates and dividend received from investment

The Company recognized the profit sharing from investments in associates of THB 52.5 million, a decrease from the same period of the previous year (YoY) of THB 18.2 million or 25.8%, mainly due to decrement in the profit sharing from SYNEX from 2 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. While comparing to Q3/2023 (QoQ), The Company recognized the profit sharing from investments in associates a slight decrease from PTECH.

#### Loss from extraordinary items

During the Q4/2023 and Q3/2023, The Company recognized losses from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 10.0 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, the Company had professional fee related to investing activities. Thus, totaling a loss from extraordinary items was THB 10.0 million and THB 12.6 million, respectively.

While in the Q4/2022, the Company recognized losses from fair value measurement of derivative instrument – warrant net from income tax expenses and recognized gains from sales of other financial assets. Thus, totaling a loss from extraordinary items was THB 36.8 million.



## Operating Performance Analysis (Cont'd)

### Financial Performance for the year ended December 31, 2023

#### Revenue and Gross Profit

The Company had revenue from sales and services in amount of THB 1,488.3 million, a decrease from the previous year (YoY) amounting to THB 93.5 million or 5.9%, mainly due to decline in sales of a special project in security printing solution and sales of digital printing solution. However, export revenue in security label business, which is the business group that the company is interested in, continues to expand.

A gross profit for the period was 29.6%, a decrease from the previous year (YoY), which had a gross profit margin of 30.8%, mainly due to (1) the previous year, there was a special project in security printing 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 previous year.

#### Selling and administrative expense

The Company had selling and administrative expenses of THB 290.2 million, an increase from the previous year (YoY) amounting to THB 2.3 million or 0.8% due to selling expense related to higher sales volume of export revenue in security label business & digital printing solution such as shipping and postage cost.

#### Finance cost and Income Tax

The Company had finance cost of THB 30.4 million, an increase from the previous year (YoY). The Company drawdown of short-term loans to reserve for income tax paid during the year 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 25.1 million, a decrease from the previous year (YoY) by THB 11.6 million or 31.5% 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 193.5 million, a decrease from the previous year (YoY) of THB 154.1 million or 44.3%. 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 previous year.

However, during the year, 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.

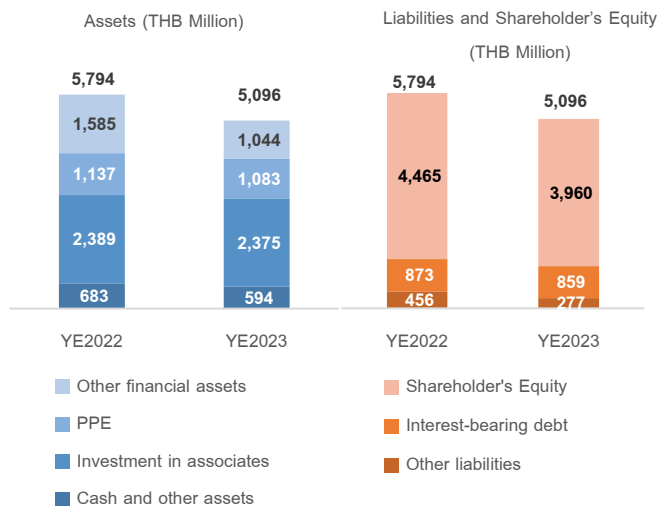
#### Gain (loss) from extraordinary items

For the year ended December 31, 2023, The Company recognized losses from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 45.5 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 51.4 million.

While in the year ended December 31, 2022, The Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 161.3 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 17.2 million. Thus, totaling a gain from extraordinary items was THB 178.5 million.



## Financial Position Analysis



### Assets

As of December 31, 2023, the Company had total assets of THB 5,096.1 million, decreased by 12.0% at THB 697.9 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 89 million, mainly form trade accounts receivable tends to decrease from sale decrement in Q4/2023.
- Investment in associates decreased by 14 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 year.
- Other financial assets decreased by THB 541 million from the recognition loss form the changing in fair value measurement of investments in equity instrument which was recognized through other components of equity amounting to THB 613 million and recognized loss from fair value measurement of derivative instrument – warrant amounting to THB 53 million in profit/loss. During the year, 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 125 million.

### Liabilities

As of December 31, 2023, the Company had total liabilities of THB 1,136.2 million, decreased by THB 192.7 million or 14.5% from December 31, 2022 and details of the significant decrease were described as follows:

- Other liabilities decreased by THB 179 million from the payment of goods and the payment of tax payable during the period.
- Interest-bearing debt decreased by THB 14 million, mainly due to the gradual repayment of long-term loans from financial institutions during the year.

### Shareholder's Equity

As of December 31, 2023, the Company had total shareholder's equity of THB 3,959.9 million, decreased by THB 505.2 million or 11.3% from December 31, 2022 which mainly came from net profit for the year amounting to THB 291.6 million and loss from fair value measurement in equity instruments (net of deferred tax liabilities) through other components of equity totaling of THB 603.6 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 December 31, 2023 was 0.29x, slightly decreased from as of December 31, 2022. While the interest-bearing debt to equity ratio as of December 31, 2023 was at 0.22x, slightly increased from the ended of the previous year.

### Fair value

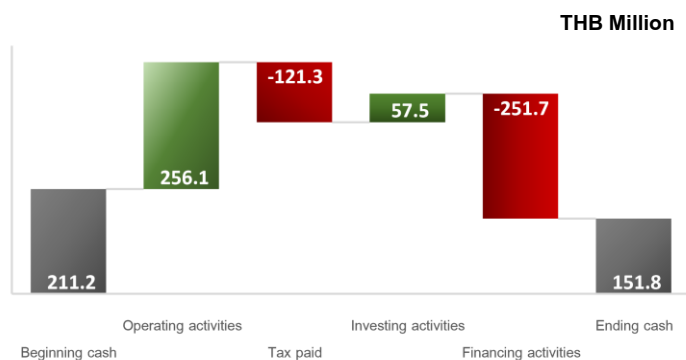
The following table presents the carrying amount and fair value of assets measured at fair value or disclosed in the consolidated financial statements and notes to financial statements as at December 31, 2023.

	Unit: THB million	
	Carrying Amount	Fair Value
<b>Assets measured at fair value</b>		
Investment in equity securities and derivative	1,044	1,044
<b>Assets disclosed fair value</b>		
Investment in associates	2,375**	4,209

\*\* 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 151.8 million, a decrease of THB 59.4 million from the previous year which can be described as following cash flows activities:

- Net cash flows provided by operating activities of THB 256.1 million from operating profit for the year.
- Net cash flows used in income tax payment during the period of THB 121.3 million.
- Net cash flows provided by investing activities of THB 57.5 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 57 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 125 million.
- Net cash flows used in financing activities of THB 251.7 million, mainly due to net cash paid from received against and repayment loans during the year of THB 58.6 million and cash paid for dividends of THB 193.1 million.



**Financial Information**

**Financial Performance for the 4<sup>th</sup> quarter ended December 31, 2023**

Unit: THB Million	Quarter*	Quarter	Quarter	YoY	QoQ
	4/2022	3/2023	4/2023	% +(-)	% +(-)
Revenue from sales and services	435.1	373.1	329.1	(24.4%)	(11.8%)
Cost of sales and services	(304.8)	(263.8)	(230.8)	(24.3%)	(12.5%)
Gross profits	130.3	109.3	98.3	(24.6%)	(10.1%)
Selling and administrative expense	(75.1)	(72.0)	(63.5)	(15.5%)	(11.8%)
Other income	(4.5)	3.9	0.6	114.3%	(83.4%)
EBIT	50.7	41.2	35.4	(30.1%)	(13.9%)
Finance cost	(6.6)	(7.9)	(8.3)	25.8%	5.1%
Income tax	(7.8)	(5.0)	(4.7)	(39.6%)	(5.7%)
Net profits from operations	36.3	28.3	22.4	(38.3%)	(20.6%)
Profits sharing from investment in associates	70.7	54.9	52.5	(25.8%)	(4.4%)
Dividend received from investment	-	7.2	-	0.0%	(100.0%)
Loss from extraordinary items **	(36.8)	(12.6)	(10.0)	72.8%	20.4%
Net profit for the period	70.2	77.8	64.9	(7.6%)	(16.6%)
Depreciation & amortization	(34.1)	(31.3)	(32.7)	(4.1%)	4.5%
EBITDA	84.8	72.5	68.1	(19.7%)	(6.0%)
Gross profit margin (%)	30.0%	29.3%	29.9%	(0.1%)	(0.6%)
EBITDA margin (%)	19.5%	19.4%	20.7%	1.2%	1.3%
Operating profit margin (%)	8.4%	7.6%	6.8%	(1.6%)	(0.8%)
Earnings per share (THB)	0.13	0.15	0.12	(5.4%)	(18.0%)

\* Reclassified the presentation of prior periods for the comparison purpose

\*\* Loss from extraordinary items comprise of:

- Q3'2023 and Q4'2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 11.1 million and amounting to THB 10.0 million, respectively. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, during Q3'2023, the Company had professional fee related to investing activities amounting to THB 1.5 million. Thus, totaling a loss from extraordinary items was THB 12.6 million and THB 10.0 million, respectively.
- Q4'2022: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses and recognized gains from sales of other financial assets. Thus, totaling a loss from extraordinary items was THB 36.8 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss.



**Financial Information (Cont'd)**

**Financial Performance for the year ended December 31, 2023**

Unit: THB Million	FY2022*	FY2023	YoY
			% +(-)
Revenue from sales and services	1,581.8	1,488.3	(5.9%)
Cost of sales and services	(1,094.8)	(1,047.8)	(4.3%)
Gross profits	487.0	440.5	(9.5%)
Selling and administrative expense	(287.9)	(290.2)	0.8%
Other income	11.1	13.3	19.3%
EBIT	210.2	163.6	(22.2%)
Finance cost	(27.6)	(30.4)	10.1%
Income tax	(36.7)	(25.1)	(31.5%)
Net profits from operations	146.0	108.1	(26.0%)
Profits sharing from investment in associates	347.6	193.5	(44.3%)
Dividend received from investment	3.9	41.4	956.1%
Gain (loss) from extraordinary items **	178.5	(51.4)	(128.8%)
Net profit for the year	676.0	291.6	(56.9%)
Depreciation & amortization	(125.8)	(126.6)	0.6%
EBITDA	336.0	290.2	(13.6%)
Gross profit margin (%)	30.8%	29.6%	(1.2%)
EBITDA margin (%)	21.2%	19.5%	(1.7%)
Operating profit margin (%)	9.2%	7.3%	(1.9%)
Earnings per share (THB)	1.32	0.56	(57.6%)

\* Reclassified the presentation of prior year for the comparison purpose

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

- FY2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 45.5 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 51.4 million.
- FY2022: The Company recognized gains from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 161.3 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 17.2 million. Thus, totaling a gain from extraordinary items was THB 178.5 million.





**Financial Information (Cont'd)**

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

Description	Financial Position as of					
	31 December 20223		31 December 2022		Change	
	MB	%	MB	%	MB	%
Total assets	5,096.1	100.0	5,794.0	100.0	(697.9)	(12.0)
Total liabilities	1,136.2	22.3	1,328.9	22.9	(192.7)	(14.5)
Total shareholder's equity	3,959.9	77.7	4,465.1	77.1	(505.2)	(11.3)
<b>Key financial ratio</b>						
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 year ended December 31, 2023	For the year ended December 31, 2022
Net cash flows provided by (used in) operating activities	134.8	403.4
• Cash flows from operation	287.5	352.1
• Change in working capital	(31.4)	96.3
• Net tax paid	(121.3)	(45.0)
Net cash flows provided by investing activities	57.5	56.0
Net cash flows used in financing activities	(251.7)	(356.7)
Net increase (decrease) in cash and cash equivalents during the year	(59.4)	102.7
Cash and cash equivalents at the beginning of the year	211.2	108.5
Cash and cash equivalents at the ending of the year	151.8	211.2

Please kindly be informed accordingly.

Sincerely yours,

(Jutiphan Mongkolsuthree)

Chief Executive Officer