

Stars Microelectronics (Thailand) Public
Company Limited
Management Discussion and Analysis
(MD&A)
Year Ending December 31, 2023

Stars Microelectronics (Thailand) Public Company Limited

Executive Summary

The electronics industry still continued to encounter difficulties from soft demand in the market which not fully recovered yet and uncertainty in the global economy and war situation. This uncertainty led to a significant impact on businesses, leading them to change their activities by reducing their inventory levels, delaying orders, and extending the production lead times.

Stars Microelectronics (Thailand) Public Company Limited (“The Company”) still operated as its plan by focusing on high-quality customer groups, diversifying revenue streams across various business segments, expanding its customer base to multiple countries worldwide, and consistently developing modern and high-quality products. As a result of these efforts, the company reported of 2,580.44 million baht in total revenue and 236.01 million baht in net profit in the year 2023.

In conclusion, the management team remains confident that our expertise in business segment and the strategies chosen by the management team will support and maintain company’s sustainable growth.

Sincerely

Stars Microelectronic (Thailand) Public Company Limited)

(Mr. Chaiyot Thaveeratitham)
Chief Financial Officer

Management Discussion and Analysis

The operation results of the company and its subsidiary for year ended 2023 reported the net profit of 236.01 million baht, decreased 67.80 million Baht or 22.32%, compared with net profit of 303.81 million Baht in 2022.

- The operating results in 2023 in comparison with 2022

Income Statement	2023		2022		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and service income						
- Sales from IC	853,937	33.09	1,261,308	44.48	-407,371	-32.30
- Sales from PCBA and BOXBUILD	649,962	25.19	804,652	28.38	-154,690	-19.22
- Sales from OPTICS	1,076,542	41.72	769,501	27.14	307,041	39.90
Total sales and service income	2,580,440	100.00	2,835,461	100.00	-255,021	-8.99
Cost of sales and services	2,083,685	80.75	2,244,485	79.16	-160,800	-7.16
Gross Profit (loss)	496,756	19.25	590,976	20.84	-94,220	-15.94
Selling Expenses	64,349	2.49	91,650	3.23	-27,301	-29.79
Administrative Expenses	244,552	9.48	227,975	8.04	16,577	7.27
Loss on derivatives	0	0.00	6,973	0.25	-6,973	-100.00
Operating Profit (loss)	187,855	7.28	264,378	9.32	-76,523	-28.94
Other income						
Revenue from scrap sales	16,527	0.64	30,043	1.06	-13,516	-44.99
Gain (loss) on exchange	(4,732)	-0.18	-	-	-4,732	-
Gain (loss) on derivatives	7,129	0.28	-	-	7,129	-
Bad debt recovery	0	0.00	29,291	1.03	-29,291	-100.00
Compensation from insurance	8,973	0.35	9,380	0.33	-407	-4.34
Others	34,145	1.32	13,159	0.46	20,986	159.48
Profit (loss) before finance cost and income tax expenses	249,897	9.68	346,251	12.21	-96,354	-27.83
Finance income	229	0.01	98	0.00	131	133.84
Finance cost	9,723	0.38	29,138	1.03	-19,415	-66.63
Profit (loss) before income tax expenses	240,403	9.32	317,212	11.19	-76,809	-24.21
Income tax benefits (expenses)	-4,397	-0.17	-13,407	-0.47	9,010	-67.20
Profit (loss) for the year	236,006	9.15	303,805	10.71	-67,799	-22.32
Depreciation and amortization	213,942	8.29	227,459	8.02	-13,517	-5.94
EBITDA	463,840	17.98	573,711	20.23	-109,871	-19.15

The performance results for 2023 compared with 2022, as a result from the following factors:

Sales and Service income

The Company and its subsidiaries reported revenue from sales and service of 2,580.44 million Baht, decreased 255.02 million Baht, or 8.99%, from the previous year. The revenues from OPTICS divisions increased by 39.90%, despite the economic slowdown, the global chip shortage circumstance, and conflict between countries.

Cost of Sales and Gross Profit

Total cost of sales and service were 2,083.69 million Baht, decreased 160.80 million Baht, or 7.16% from the corresponding period of the previous year. The cost decreased in line with revenue decreased and efficiency of cost management all year round.

Gross profit of 2023 was 496.76 million Baht, decreased 94.22 million Baht, or 15.94% from the same period of the previous year along with decreased revenue.

Selling and Administrative Expenses

Selling and administration expenses of 2023 were 308.90 million Baht, decreased 10.72 million Baht or 3.36% from the same period of previous year in the same direction with gross profit.

Other incomes

The Company and its subsidiaries reported other incomes of 62.04 million Baht, decreased 19.83 million Baht or 24.22%, compared with the corresponding period of the previous year, primarily causes from other income and scrap sales.

Financial cost

The Company and its subsidiaries reported financial costs of 9.72 million Baht, decreased 19.42 million Baht, or 66.63% compared with the same period of the previous year. The main reason came from principal prepayment following to the growth of the company.

Income tax

The Company and its subsidiaries reported tax expenses of 4.40 million Baht, decreased 9.01 million Baht compared with the corresponding period from the last year, reported tax expenses of 13.41 million baht.

Earnings before Interests, Taxes, Depreciation and Amortization (EBITDA)

The Company and its subsidiaries reported EBITDA of 2023 were 463.84 million Baht, decreased 109.87 million Baht or 19.15% from the same period of previous year.

- **Financial Position**

At the end of 31 December 2023, the Company and subsidiaries reported assets, liabilities and shareholder's equity compared to 31 December 2022 as below.

Balance Sheet	2023		2022		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Cash and cash equivalents	128,261	5.37	119,258	4.39	9,003	7.55
Trade and other receivables	283,048	11.86	370,060	13.62	-87,012	-23.51
Inventories	599,477	25.11	712,040	26.21	-112,563	-15.81
Total current assets	1,032,035	43.23	1,211,699	44.60	-179,664	-14.83
Property, plant and equipment	1,301,239	54.51	1,446,330	53.24	-145,091	-10.03
Total non-current assets	1,355,002	56.77	1,504,907	55.40	-149,905	-9.96
Total assets	2,387,037	100.00	2,716,606	100.00	-329,569	-12.13
Bank overdrafts and short-term loans from financial institutions	0	0.00	25,893	0.95	-25,893	-100.00
Trade and other payables	238,432	9.99	388,546	14.30	-150,114	-38.63
Current portion of long-term loans	0	0.00	154,382	5.68	-154,382	-100.00
Total current liabilities	250,197	10.48	585,677	21.56	-335,480	-57.28
Long-term loans, net of current portion	0	0.00	174,362	6.42	-174,362	-100.00
Lease liabilities, net of current portion	751	0.03	438	0.02	313	71.37
Total non-current liabilities	70,090	2.94	241,727	8.90	-171,637	-71.00
Total liabilities	320,286	13.42	827,404	30.46	-507,118	-61.29
Total shareholders' equity	2,066,751	86.58	1,889,202	69.54	177,549	9.40
Total liabilities & shareholders' equity	2,387,037	100.00	2,716,606	100.00	-329,569	-12.13

Asset

At the end of 2023, the Company and its subsidiaries reported assets of 2,387.04 million Baht, decreased 329.57 million Baht or 12.13% compared to at the year end of 2022.

The Company and its subsidiaries reported trade and other receivables of 283.05 million baht in 2023, of which 264.63 million baht were net trade receivables. Referring to the mention amount from net trade receivables, the amount of net trade receivables which age is over 12 months was 238.83 million Baht, and the Company already reserved the amount of 233.98 million baht as allowance for doubtful. It decreased from the previous year by 1.01 million Baht. (See additional details in financial statements note 8)

In 2023, the Company and its subsidiaries reported the inventories of 599.48 million Baht, decreased 112.56 million baht or 15.81% compared with the corresponding period in the previous year in order to serve the production plan which decrease in line with revenue growth. (See additional details in financial statements 2023 note 9)

Liabilities and shareholders' equity

At the end of 2023, the Company reported liabilities of 320.29 million Baht, decreased 507.12 million Baht or 61.29% compared to 2022 mainly from principal prepayment. Meanwhile, shareholders' equity was 2,066.75 million Baht, increased 177.55 million Baht or 9.40% compared with at the year end of 2022.

- Sources and Uses of Fund

Cash flow statement	2023	2022	Increase (Decrease)
	Thousand Baht	Thousand Baht	Thousand Baht
Net cash flows from (used in) operating activities	511,637	527,446	-15,810
Net cash flows from (used in) investing activities	-61,306	-34,089	-27,217
Net cash flows from (used in) financing activities	-441,328	-409,200	-32,128
Net increase (decrease) in cash and cash equivalents	9,003	83,594	-74,591
Cash and cash equivalents at beginning of year	119,258	35,663	83,595
Cash and cash equivalents at end of year	128,261	119,258	9,003

The Company and its subsidiaries reported net cash in the year 2023 of 128.26 million Baht, increased 9.00 million Baht from the year 2022.

The Company and its subsidiaries reported 2023 net cash flows from operating activities of 511.64 million Baht, decrease 15.81 million Baht while net cash flows from investing activities of 61.31 million Baht, increased from previous year of 27.22 million Baht. Besides, The Company and its subsidiaries reported net cash flows used in financing activities of 441.33 million Baht, increased 32.13 million Baht from the last year due to payment of long-term debt and dividend payment.

- **อัตราส่วนทางการเงินที่สำคัญ (Financial Ratio)**

Financial Ratio	2023	2022	Unit
1.Current Ratio	2.07	1.87	times
2.Quick Ratio	0.84	0.66	times
3.Number of Days Receivables	45.07	50.90	days
4.Numbr of Days Inventory	110.47	108.78	days
5.Number of Days Payables	60.48	62.93	days
6.Cash cycle	95.06	96.76	days
7.Gross profit margin	20.84	19.33	%
8.EBITDA margin	20.23	20.64	%
9.EBIT margin	12.21	9.22	%
10.Net profit margin	10.71	9.63	%
11.Debt-to-Equity ratio	0.44	0.75	times
12.Interest Coverage ratio	11.92	6.71	times
13.Return on Assets	12.64	7.46	%
14.Return on Equity (1)	17.55	14.47	%
15.Earning per share(2)	0.36	0.25	Baht
16.Book value per share	2.18	1.79	Baht

Remark

(1) Return on Equity = Profit (loss) for the year / average total shareholders' equity

(2) Earnings per share = Net profit (loss) attributable to equity holders of the company / number to issued and fully paid share

In 2023, the company and its subsidiaries reported current ratio of 4.12, increased from 2.07 in 2022, reflected in efficiency in liquidity management.

Cash conversion cycle increased from 95.06 days in the year 2022 to 106.15 days in 2023 due to decrease in numbers of days payable and increased in number of days receivables.

Gross profit margin was 19.25% in 2023, slightly decreased from 20.84% in 2022, mainly from raising in sales and service income of OPTICs divisions growing 39.90%.

Debt to equity ratio in the year 2023 was 0.15, decreased from 2022 of 0.44 as a result from prepayment of debts, led to lower debt level.

Interest coverage ratio in 2023 was 25.72, increased from 2022 of 11.92 mainly from increase in revenues and operating profits and decrease in interest expenses.

Return on asset in 2023 was at 9.79%, decreased from 2022 of 12.64%, still reflected in efficiency of asset management to generate incomes.

Return on equity in 2023 was at 11.93%, decreased from 17.55% in 2022, still indicated company's profitability and well management in capital from shareholders.