

No. SICT 009/2024

13 May 2024

Subject: Management Discussion and Analysis for Quarter 1/2024

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 1/2024, as the details follows:

(Million Baht)

Statements of Comprehensive Income	Quarter1/2024	Quarter4/2023	Quarter1/2023	Change	
				%YoY	%QoQ
Revenue from sales and services	205.2	141.9	217.4	-6%	45%
Costs of sales or services	(117.8)	(79.5)	(120.6)	-2%	48%
<b>Gross profits</b>	<b>87.4</b>	<b>62.3</b>	<b>96.9</b>	<b>-10%</b>	<b>40%</b>
Other income	5.7	1.3	1.3	343%	330%
Distribution costs	(8.8)	(9.8)	(9.7)	-9%	-10%
Administrative expenses	(33.1)	(34.9)	(28.6)	16%	-5%
Other expenses	0.00	0.0	0.00	Na	Na
Other gains (losses)	(1.7)	1.1	2.2	Na	Na
<b>Profit (loss) from operating activities</b>	<b>49.6</b>	<b>20.1</b>	<b>62.0</b>	<b>-20%</b>	<b>146%</b>
Finance income	0.09	0.12	0.10	-9%	-24%
Finance costs	(2.0)	(1.5)	(0.5)	299%	33%
Share of loss from joint ventures	(0.1)	-	-	Na	Na
<b>Profit (loss) before tax expense</b>	<b>47.6</b>	<b>18.8</b>	<b>61.7</b>	<b>-23%</b>	<b>154%</b>
Tax income (expense)	0.2	0.7	(2.2)	Na	-71%
<b>Profit (loss) for the year</b>	<b>47.8</b>	<b>19.5</b>	<b>59.5</b>	<b>-20%</b>	<b>146%</b>

\*The financial statement from Quarter1/2567 onwards will be presented with "Share of loss of associate accounted for using equity method".

Profitability Ratios	Quarter1/2024	Quarter4/2023	Quarter1/2023
Gross profit margin	43%	44%	45%
Net profit margin	23%	14%	27%



### Revenue from sales and services

For Quarter 1/2024, the Company's revenue from sales and services accounted for 205.2 million Baht, decreasing 12.3 million Baht or 6% from the same period last year mainly due to a drop of the Immobilizer group's revenue of 32.7 million Baht or 57% compared to Quarter 1/2023 due to high inventory level from customers. Meanwhile, revenue from Animal identification group, which contributes the largest revenue portion, increased 19.4 million Baht or 21% compared to Quarter 1/2023. Revenue from Industrial IoT group rose 4.9 million Baht or 8% from Quarter 1/2023. Lastly, Revenue from NFC and others group was down 3.9 million Baht or 85% from the same period last year.

Looking on the slower business in H2, 2023, the revenue in this quarter indicates a clear improvement on business situation amid several uncertainties remaining under the current challenging macroeconomic and geo-political situations.

(Million Baht)

Revenue breakdown by product application	Quarter 1/2024	Revenue proportion	Quarter 4/2023	Revenue proportion	Quarter 1/2023	Revenue proportion	Change	
							%YoY	%QoQ
Revenue from Animal identification group	113.0	55%	73.9	52%	93.6	43%	21%	53%
Revenue from Immobilizer group	25.1	12%	11.5	8%	57.7	27%	-57%	118%
Revenue from Industrial IoT group	66.4	32%	55.2	39%	61.5	28%	8%	20%
Revenue from NFC and others group	0.7	0.3%	1.2	1%	4.6	2%	-85%	-41%
<b>Profit (loss) for the year</b>	<b>205.2</b>	<b>100%</b>	<b>141.9</b>	<b>100%</b>	<b>217.4</b>	<b>100%</b>	<b>-6%</b>	<b>45%</b>

### Revenue Structure

For Quarter 1/2024, the Company's revenues are derived from 4 product groups: Animal identification group accounted for 113.0 million Baht, representing 55% of total revenue, Immobilizer group accounted for 25.1 million Baht, representing 12% of total revenue, Industrial IoT group accounted for 66.4 million Baht, representing 32% of total revenue, and NFC and others group accounted for 0.7 million Baht, representing 0.3% of total revenue.



The decline in the Company's revenue in Quarter 1/2024 was mainly due to a decrease in **revenue from the Immobilizer group** of 57% compared to Quarter 1/2023. However, this revenue portion improved from Q4, 2023 by 118%. This result reflects the improvement quarter to quarter on worldwide soften demands and the reducing level of global inventory, especially in US and China as seen in the 2<sup>nd</sup> half of 2023.

**Revenue from Animal identification group** has clearly increased year-by-year since 2022 and led to 21% increase from the same period last year, driven by revenue growth from key customers in Europe on the expansion of the animal identification market due to advancements in the enforcement of Electronic Identification tag regulations for sheep and goat markets in Australia as well as new market expansion of the company. Furthermore, certain states in Australia have announced schemes to support the adoption of electronic animal identification tags and the installation of related systems, both through capital subsidies and discounts for tag operators. There is also a trend towards additional support announcements in other Australian states to drive nationwide adoption in the future. Additionally, there are supportive factors for increased adoption trends of electronic animal registration tags in other country groups.

**Revenue from Industrial IoT group** increased 8% from the same period last year, driven by increased revenue from customers in China and expanding proportion of revenue from new products. This is in line with the focus of the company in launching new products in Industrial IoT applications. Lastly, **revenue from NFC and others group** decreased 85% from Quarter 1/2023, due to a decrease in revenue from customers in Europe which mostly consists of anti-counterfeiting products. Nevertheless, the company has plans to continuously develop new products in the NFC group in collaboration with customers, particularly in the Industrial NFC, Authentication, and Sensors groups, to drive revenue growth from these product groups in the future according to long-term development plan.

#### Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for Quarter 1/2024 accounted for 117.8 million Baht, decreasing 2.8 million Baht or 2% from Quarter 1/2023, partly aligned with the decrease in revenue in Quarter 1/2023. However, there is a pressure on the overall costs of the Company due to cost increases from both raw materials, and manufacturing and transportation charges.

Gross Profit in Quarter 1/2024 was at 87.4 million Baht, decreasing 9.5 million Baht or 10% from the same period last year. Gross Profit Margin in Quarter 1/2024 stood at 43%, which decreased from 45% in Quarter 1/2023. The decrease in Gross Profit Margin in Quarter 1/2024 is attributed to changes in the product mix and increasing overall costs. However, the company has continuously implemented a cost management plan which includes maintaining a balance between selling prices and costs, implementing both short term and long term cost reduction initiatives to the existing products as well as in the upcoming products, and accelerating the launch of new products to enhance gross profit margins to the levels planned by the company.



### Other Income

In the Quarter1/2024, the company had other income 5.7 million baht, increasing 4.4 million baht or 343% from Quarter1/2023 due to an increase in gains from realized exchange rate from the depreciation of Thai baht during the quarter.

### Selling and Administrative Expenses

Selling expenses in Quarter 1/2024 were at 8.8 million Baht, decreasing 0.9 million Baht or 9% compared to the same period last year from a decrease in sales commission expenses.

Administrative expenses in Quarter 1/2024 accounted for 33.1 million Baht, increasing 4.5 million Baht or 16% compared to Quarter 1/2023, due mainly to an increase in research expenses aligned with the company's strategy to focus on investing in research and development. This aims to drive the continuous launch of new products into the market in the future for sustainable long-term growth of the company.

### Other Expenses

The company had no other expenses in Quarter 1/2024.

### 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 1/2024, the Company had other losses of 1.7 million Baht, shifting from the gains of 2.2 million Baht in the same period last year. The main reason is due to the recognition of losses from adjusting 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 1/2024 accounted for 2 million Baht, increasing 1.5 million Baht or 299% compared to Quarter 1/2023, aligned with an increase in short-term loans from financial institutions for ordering raw materials during the past year.



### Share of loss from joint ventures

The company had share of losses from joint venture in Quarter 1/2024 of 0.1 million Baht from Adaptrix Company Limited which Silicon Craft Technology PLC holds 25% of shares.

### Tax income (expense)

In Quarter 1/2024, the company had tax income of 0.2 million Baht, turning from the tax expense of 2.2 million Baht from the same period last year, as revenue from sales and services in this quarter was subject to the rights and benefits from the Board of Investment (BOI), resulting in no tax expense for the company. Instead, there was a tax income due to the recognition of revenue from deferred tax assets.

### Net Profit

In Quarter 1/2024, the Company had a net profit of 47.8 million Baht, decreasing 11.7 million Baht or 20% compared to the same period last year, resulting from a decrease in revenue from sales and services, an increase in proportion of costs of sales and services compared to revenue, and an increase in research expenses aligned with the company's plan, with a net profit margin of 23%, down from the same period last year at 27%.

### Statement of Financial Position

Total assets of the company at the end of Quarter 1/2024 were 1,076.0 million Baht, decreasing 84.1 million Baht from 1,160.1 million Baht at the end of 2023. Current assets decreased around 82.0 million Baht, mainly due to the reduction in inventory level, resulting from the delivery of products to customers, which is in line with the collaborative plans between the Company and customers, and a decrease in cash and cash equivalents from increasing cash used in the company operating activities. Non-current assets decreased 2.1 million Baht, mainly due to a decline in other non-current financial assets, resulting from a decrease in fixed deposits at bank with obligations. However, other intangible assets increased due to an increase in the Company's development projects to support future growth.

The Company had total liabilities at the end of Quarter 1/2024 equal to 373.6 million Baht, decreasing 131.7 million Baht from the end of 2023, which was 505.2 million Baht, primarily due to a reduction in trade and other current payables, which resulted from repayments to the Company's suppliers/vendors.

The Company's shareholders' equity at the end of Quarter 1/2024 was at 702.4 million Baht, increasing 47.6 million Baht from the end of 2023 which was 654.9 million Baht. The rise was due mainly to an increase in the unappropriated retained earnings at the end of Quarter 1/2024 of around 47.8 million Baht from the end of 2023.



Please be informed accordingly.

Best regards

(Dr. Bodin Kasemset)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

