



DEXON

*Inspection for a sustainable future*

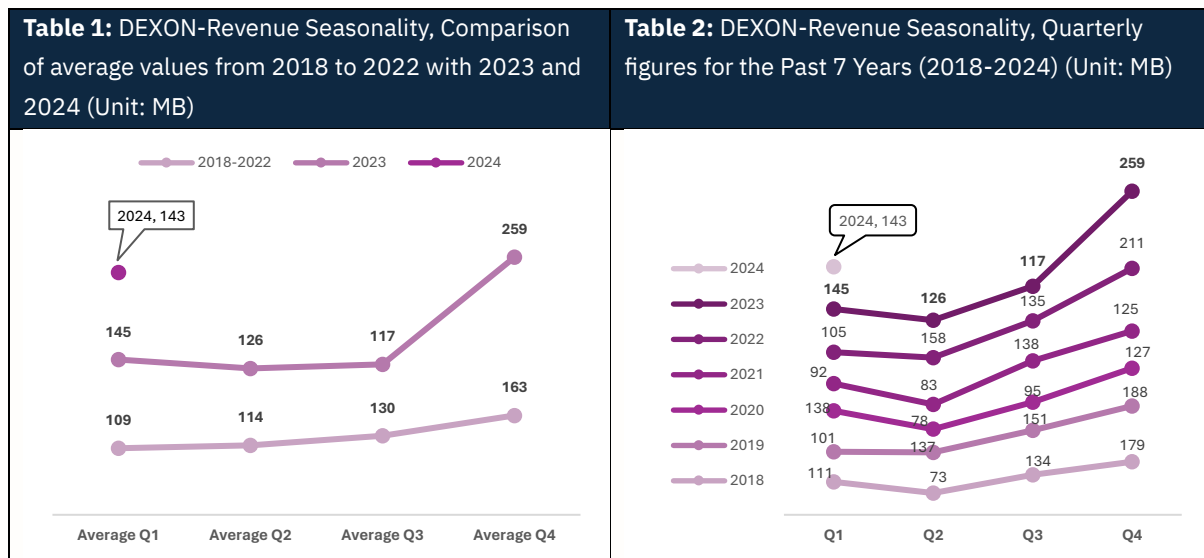
We are Dexon Technology  
More than 30 Years of Inspection Experience

**DEXON Technology Public Company Limited  
Management Discussion and Analysis  
For the 1st Quarter of 2024**

## Executive Summary

### Performance Overview for the 1<sup>st</sup> Quarter

In the first quarter of 2024, Dexon Technology Public Company Limited ("the Company") had total revenue of 143 million baht, a decrease of 2 million baht from the first quarter of 2023 of 145 million baht, or a decrease of 1.9%. The Company's revenue is cyclical and seasonal in nature due to the Company's service business both domestic and international market, usually generate lower income during the first half of the year compared to the second half. As we can see from the revenue in Q4/23, the Company's has recorded an all-time high income of 260 million baht. This can be seen from the accompanying table and explanations as follows:



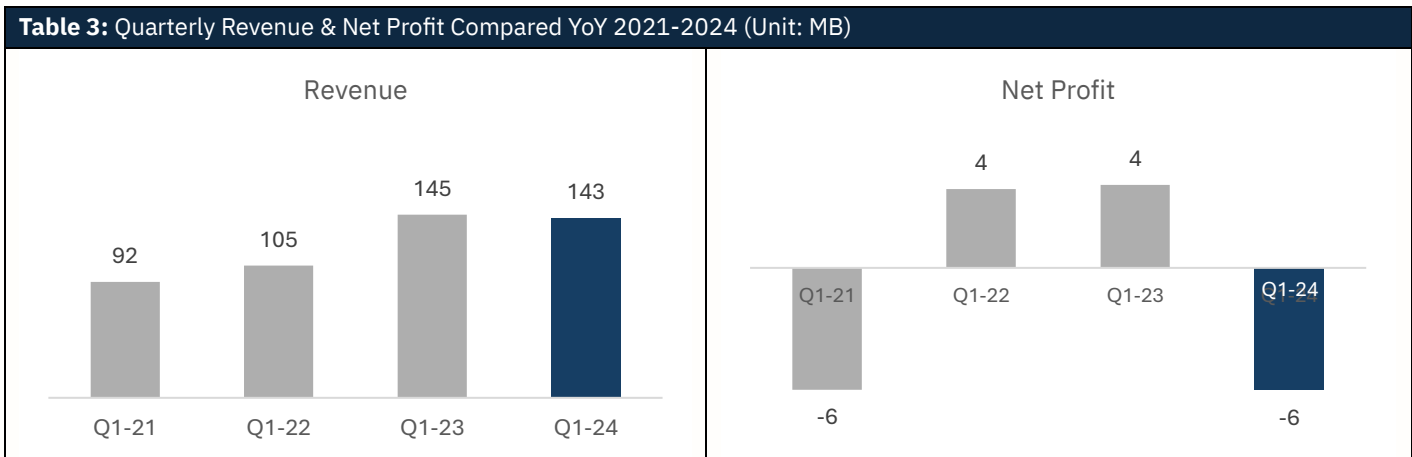
The nature of the Company's core customers' businesses is engaged mainly in the energy and infrastructure sectors, factory shutdowns and/or machine downtime for maintenance, inspections, and repairs are typically scheduled during low-volume periods, such as the end of the year. As a result, the Company's service business is concentrated in the third and fourth quarters of each year.

While total revenue in the first quarter of 2024 was within the target range of 140-145 million baht it has increase by 30.0%, comparing to the Company's average first-quarter revenue of 109 million baht during (2018-2022) and increase to 145 million baht in 2023.

The Company has plan to increase overall revenue and enhance the revenue stability and lower revenue seasonality through expanding to overseas markets, finding the strategic partnerships, and diversifying into other businesses such as Dexon Training Center (DTC) and Dexon Mechanical Solutions (DMS).

The Company incurred a net loss of 6 million baht, or a decrease of 247.2%YoY. These was primarily due to a 4.9% increase in service cost and 11.0% increase in selling and administrative expenses. The Company’s financial cost was decreased by 59.8%. The increase in these costs was due mainly to the following factors:

1. Cost of Services increased by 5 million baht, or 4.9% YoY, due to the variable cost of Company’s service. This includes project costs for inspection services, personnel costs, and equipment costs.
2. SG&A expenses increased by 5 million baht, or 11.0% YoY, due to an establishment of a subsidiary in Germany. This includes company setup costs and personnel costs.
3. Financial costs decreased by THB 2 million YoY or 59.8% due to repayment of short-term and long-term debts.



- In Q1/2024, the Company generated revenue of 143 million baht, representing a 36.2% increase from 105 million baht in revenue in Q1/2022. However, revenue was a slight drop of 1.9% from 145 million baht from Q1/2023but it is within the company’s target range.
- The Company incurred a net loss of 6 million baht in Q1/2024, versus a net profit of 4 million baht or 247.2% decreased from the same period last year. The net loss was primarily due to an increase in service costs and selling and administrative expenses (SG&A) at the newly established subsidiary in Germany. These expenses were related to company setup costs, rent, personnel costs, and other expenses incurred before the subsidiary began generating revenue.



## **Company Strategy Overview to Achieve Revenue Target of 704 Million Baht**

The Company has developed a long-term proactive strategy and is focused on diversifying revenue streams and reducing reliance on seasonal factors. They can be achieved by expansion into recurring revenue business to provide the company with more predictable and stable revenue growth. In the meantime, the company's existing customer base and expertise provide a strong foundation for success in our new target markets.

### **Key Strategies include:**

- **Expand into Recurring Revenue Businesses:** The Company is expanding into businesses with recurring revenue streams, for example, Dexon Training Center. This service provides training directly to both internal and external clients and allow the company to increase its market share in this market segment, offering a consistent revenue stream. Next, Dexon Mechanical Solutions (DMS), provides mechanical support to existing customers who want to improve their production processes and operations to increase efficiency, reduce costs, and enhance productivity. These services create long-term business value for our customers.
- **Leverage Existing Customer Relationships:** The Company is leveraging existing customer base to expand into these new businesses, offering complementary services to the company's established clients.
- **Attract New Customer Segments:** The Company is also targeting new customer segments with these new businesses, broadening the market reach and revenue opportunities.

### **Our Current Status**

As of the end of the 1st quarter of 2024, revenue from these two new business segments still accounts for less than 5% of the Company's total revenue. However, the Company is confident that this strategic plan including the more aggressive international market expansion will contribute significant revenue to achieving the overall sales target of 704 million baht.

## Financial Performance Overview

Unit : MB	Q1/2024	Q1/2023	Change
			YoY
Revenues	143	145	-1.9%
EBITDA (Earnings before interest, tax, depreciation & amortization)	29	34	-14.1%
Net Profit	-6	4	-247.2%
EPS (baht/share)	-0.013	0.011	

## Balance Sheet as of 31 March 2024

Item (Unit: MB)	Q1/24	%	2023	%	Increase/ Decrease (Amount)	%Change (YoY)
Cash and cash equivalents	178	17.5%	149	14.4%	29	19.5%
Trade and other receivables	137	13.4%	141	13.6%	-4	-2.8%
Contract assets	75	7.4%	114	11.0%	-39	-34.2%
Inventories	59	5.8%	60	5.8%	-1	-1.7%
Property, plant, and equipment	459	45.0%	448	43.3%	11	2.5%
Intangible assets	63	6.2%	61	5.9%	2	3.3%
Other assets	49	4.8%	62	6.0%	-13	-21.0%
<b>Total assets</b>	<b>1,020</b>	<b>100.0%</b>	<b>1,035</b>	<b>100.0%</b>	<b>-15</b>	<b>-1.4%</b>
Trade and other payables	52	5.1%	69	6.7%	-17	-24.6%
Loans from financial institution	55	5.4%	57	5.5%	-2	-3.5%
Employee benefit obligations	26	2.5%	25	2.4%	1	4.0%
Other liabilities	31	3.0%	25	2.4%	6	24.0%
<b>Total liabilities</b>	<b>164</b>	<b>16.1%</b>	<b>176</b>	<b>17.0%</b>	<b>-12</b>	<b>-6.8%</b>
Paid-up share capital	238	23.3%	238	23.0%	0	0.0%
Retained Earnings	154	15.1%	160	15.5%	-6	-3.8%
Others	464	45.5%	461	44.5%	3	0.7%
<b>Total equity</b>	<b>856</b>	<b>83.9%</b>	<b>858</b>	<b>82.9%</b>	<b>-2</b>	<b>-0.2%</b>
<b>Total equity and shareholders' equity</b>	<b>1,020</b>	<b>100.0%</b>	<b>1,035</b>	<b>100.0%</b>	<b>-15</b>	<b>-1.4%</b>

**Assets:** The Company had total assets of 1,020 million baht, a decrease of 15 million baht or 1.4% from December 31, 2023.

- Contract assets (representing 7.4% of total assets)** Decreased by 39 million baht from 2023, or 34.2%. In Q1/2024, the company was able to collect more revenue from projects that were completed in Q4/2023. This led to a decrease in contract assets, as these assets represent the amount of revenue that has been earned but not yet collected and the company has been able to collect payments from customers more efficiently. As a result of these factors, the company's trade receivables also decreased by 2.8%, at the end of Q1/2024.

- 2) **Property, plant, and equipment (representing 45.0% of total assets)** Increased by 11 million baht from 2023, or 2.5% due mainly to an investment in expanding the R&D building to accommodate growing research activities.
- 3) **Cash and cash equivalents (representing 17.5% of total assets)** Increased by 29 million baht from 2023, or 19.5% and resulting from higher cash flow from operations.

**Liabilities** The company's liabilities amount to 164 million baht, decreasing by 12 million baht from 2023, or a 6.8% decrease, attributed to the repayment of loans from financial institutions during Q1/2024.

**Total equity** As for the owner's equity, it stands at 856 million baht, a decrease by 2 million baht or a 0.2%.

### **Cash Flow as of 31 March 2024**

<b>Cash flow Statement (Unit: MB)</b>	<b>Q1/2024</b>	<b>Q1/2023</b>	<b>%Change</b>
<b>Profit before income tax</b>	-6	4	-250.0%
Net Cash flow from operating	59	46	28.3%
Net Cash flow from investing	-29	-32	-9.4%
Net cash flow from financing	-5	537	-100.9%
<b>Net change in cash flow</b>	25	552	-95.5%
Others adjustment	4	-1	-500.0%
<b>Cash at the beginning of the period</b>	149	26	473.1%
<b>Cash at the ending of the period</b>	178	577	-69.2%

As of March 31, 2024, the company's had cash at the end of the period equivalents to 178 million baht, a decrease of 69.2% from the same period last year. In 1Q/2023 the company's had large amount of cash remaining from an IPO activity. the company had net cash from operating activities amounting to 59 million baht. Cash was used for investing activities amounting to -29 million baht, primarily in building expansion in the R&D building to accommodate growing research activities. Lastly, the company also had net cash from financing activities of -5 million baht.

## Key Financial Ratio

Key Financial Ratio	Unit	2021	2022	2023	Q1/24
<b>Liquidity Ratio</b>					
Current Ratio	x	0.9x	0.9x	3.4x	3.7x
Quick Ratio	x	0.8x	0.8x	2.9x	3.1x
<b>Profitability Ratio</b>					
Gross Profit Margin	%	31.1%	42.2%	34.9%	28.9%
EBITDA Margin	%	23.6%	34.1%	26.6%	20.3%
Net Profit Margin	%	4.2%	17.2%	7.8%	-4.2%
ROE	%	9.6%	44.2%	8.9%	-0.7%
<b>Efficiency Ratio</b>					
ROA	%	3.3%	17.5%	6.0%	-0.6%
Fixed Assets Turnover	%	1.5 x	2.1 x	1.8 x	0.3x
<b>Leverage and Solvency Ratio</b>					
Debt/Equity	x	1.8 x	1.4 x	0.2 x	0.2x
Cost of Debt	%	4.1%	4.1%	4.1%*	1.3%

Remark: \*Financial costs are calculated based on the average Interest-Bearing Debt (IBD) at the beginning and end of the period.

## Financial Ratio Analysis

- Liquidity Ratio:** The Company's liquidity ratio has improved significantly from its historical average of 0.9x to 3.4x in 2023 and 3.7x in Q1 2024. This improvement is driven by an increase in cash from operating activities.
- Profitability Margins:** The Company's gross profit margin, EBITDA margin, and net profit margin declined in Q1/2024 compared to the previous year. This decline is due to higher selling and administrative expenses (SG&A) associated with an expansion of overseas subsidiaries and the seasonal impact on revenue in the early part of the year.
- Debt-to-Equity Ratio:** The Company's debt-to-equity ratio remained at 0.2x in Q1/2024, consistent with the end of 2023. This is due to the repayment of short-term and long-term loans to financial institutions and the maintenance of short-term loans at a level of 75 million baht, slightly lower than the 78 million baht at the end of the previous year.
- Finance Cost:** The Company's finance cost decreased from 4% in 2023 to 1.3% in 2024 due to the repayment of short-term and long-term loans at the end of 2023. As a result, the Company's outstanding loans with interest expense are now 75 million baht, down from 78 million baht at the end of 2023.