



BPS Technology Public Company Limited

Management Discussion and Analysis (MD&A) Q1/2024



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Subject: Financial Status Discussion and Analysis and Performance
 Attention: Directors and Managers
 Stock Exchange of Thailand

Significant Financial Information

BPS Performance Overview

Unit: Million Baht

	Q1/2024	Q1/2023	Increase (Decrease)	% Increase (Decrease)
Total Income	161.85	184.28	(22.43)	(12.%)
Total Cost	136.23	157.51	(21.28)	(14.%)
Net Profit	4.00	5.21	(1.21)	(23.%)

The Company's total income in Q1/2024 amounted to Baht 161.85 million, decreasing by Baht 22.43 million or 12.17% compared to the total income in Q1/2023 of Baht 184.28 million. This decrease was primarily due to a reduction in income among customers of real estate development companies, amounting to Baht 15.28 million. Such a reduction can be resulted from changes in the policies and structures of real estate development companies, which base house constructions on sales volume and allow contractors to manage the products. Additionally, there was a decrease in income within the contractor group, amounting to Baht 9.06 million.

The Company's total costs in Q1/2024 amounted to Baht 136.23 million, decreasing by Baht 21.28 million or 13.51% compared to the total costs in Q1/2023 of Baht 157.51 million. This variance correlates with the decrease in income.

The Company recorded a net profit of Baht 4.00 million in Q1/2024, decreasing by Baht 1.21 million or 23.22% compared to the net profit of Baht 5.21 million in Q1/2023. This decline was primarily due to the increase in distribution expenses that relates to the compensation paid to additional personnel, aimed at expanding the market and driving future sales growth.

Income Analysis

Business Income	Q1/2024		Q1/2023		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Income from Main Businesses						
Income from sales of electrical connection products and rooftop solar energy products	146.24	90.09%	173.73	94.15%	(27.49)	(15.82%)
Income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings	15.61	9.61%	10.55	5.72%	5.06	47.96%
Total Income from Main Businesses	161.85	99.70%	184.28	99.87%	(22.43)	(12.17%)
Other Income	0.48	0.30%	0.24	0.13%	0.24	100%
Total Income	162.33	100%	184.52	100%	(22.19)	(12.03%)

Income from sales of electrical connection products and rooftop solar energy products

The Company has an income from sales of electrical connection products and rooftop solar energy products in Q1/2024 amounting to Baht 146.24 million, decreasing by Baht 27.49 million compared to the same period of the previous year, which totaled Baht 173.73 million. This decline can be due to a decrease in orders from real estate development companies and contractor groups. The customer base of real estate development companies has shifted its policy and structure towards building houses based on sales volume rather than pre-built houses for sale. This change is a response to reduced home sales resulting from the current economic situation, characterized by higher household debt among the population, making it more challenging for banks to grant housing loans, resulting in the decrease in the customer group whose house prices do not exceed Baht 3 million. The contractor customer group has decreased as the Company has considered the risk of bad debt in the future; therefore, the Company has focused more on considering the credit for the customer base of the contractor group. The Company is predominantly selling products on a cash basis or with a 30-day credit term, leading to a reduction in contractor customers.

Income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings

The Company generated income of Baht 15.61 million in 1Q/2024 from providing installation services for rooftop solar energy projects and electrical connection systems in buildings. This marks an increase of Baht 5.06 million compared to the same period of the previous year, which amounted to Baht 10.55 million. This increase can be attributed to the overlap between Q3/2023 and 1Q/2024 when the Company secured a contract to install a rooftop solar energy project for a large industrial customer, which was larger than the project acquired in 1Q/2023. This resulted in higher income for the Company.

Gross Profit and Gross Profit Margin

Business Income	Q1/2024		Q1/2023		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Income from Main Businesses						
Income from sales of electrical connection products and rooftop solar energy products	25.04	17%	26.06	15%	(1.02)	(4%)
Income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings	0.58	4%	0.71	7%	(0.13)	(18%)
Total Gross Profit	25.62	16%	26.77	15%	(1.15)	(4%)

Income from sales of electrical connection products and rooftop solar energy products

In Q1/2024, the gross profit from the sale of electrical connection products and rooftop solar energy products amounted to Baht 25.04 million, decreasing by Baht 1.02 million or 4% compared to the same period in the previous year, which recorded a gross profit of Baht 26.06 million. This decline corresponds to the reduction in income.

In Q1/2024, the gross profit margin increased from 15% to 17% because the Company implemented a policy aimed at raising the gross profit margin for each product sold. This included efforts to find new sources of product distribution to achieve lower costs.

Income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings

In Q1/2024, the gross profit from providing installation services for rooftop solar energy projects and electrical connection systems in buildings amounted to Baht 0.58 million. This reflects a decrease of Baht 0.13 million, or 18%, compared to the same period of the previous year, which saw a gross profit of Baht 0.71 million. The reduction in gross profit can be attributed to the fact that in Q1/2023, the Company provided other services such as electrical connection services in buildings and industrial plants, as well as interior decoration services for residents. These services boasted a higher gross profit margin than the margin for rooftop solar energy project installation services. However, in Q1/2024, the Company solely generated income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings.

Expense

	Q1/2024	Q1/2023	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	%
Sales Expenses	9.16	8.56	0.6	7%
Administrative Expenses	11.06	11.11	0.05	-
Financial Expenses	0.86	0.86	-	-
Income Tax Expenses	1.02	1.37	(0.35)	(26%)

Sales Expense

In Q1/2024, sales expenses amounted to Baht 9.16 million, reflecting an increase of Baht 0.60 million, or 7%, compared to the same period of the previous year, which totaled Baht 8.56 million. This increase was primarily due to the recruitment of additional personnel for the Sales and Marketing Department, aimed at expanding the market and boosting future sales, including organizing more promotional activities.

Administrative Expenses

In Q1/2024, administrative expenses amounted to Baht 11.06 million, representing a slight increase of Baht 0.05 million compared to the same period of the previous year. There have been no significant changes.

Financial Expenses

In Q1/2024, financial expenses amounted to Baht 0.86 million, consistent with the same period of the previous year. This is due to the Company's robust liquidity position, as it has not sought additional loans from financial institutions.

Income Tax Expenses

In Q1/2024, income tax expenses amounted to Baht 1.02 million, decreasing by Baht 0.35 million compared to the same period of the previous year, which was Baht 1.37 million. This decline is in line with lower profits.

Financial Status

Assets

Unit: Million Baht

	March 31, 2024	December 31, 2023	Increase (Decrease)	% Increase (Decrease)
Current Assets	238.39	204.19	34.20	17%
Non-current Assets	149.49	149.87	(0.38)	-
Total Assets	387.88	354.06	33.82	10%

As of March 31, 2024, total assets amounted to Baht 387.88 million, representing an increase of Baht 33.82 million or 9% compared to the total assets of Baht 354.06 million as of December 31, 2023. This increase was primarily from a rise in bank deposits amounting to Baht 14.10 million, an increase of Baht 13.40 million in trade receivables reflecting consistent sales growth compared to the period between October and December 2023, and a further increase of Baht 10.58 million in inventory.

Quality of Asset

Accounts Receivable

Unit: Million Baht

	Consolidated Financial Statements	
	March 31, 2024	December 31, 2023
Accounts Receivable	118.28	104.36
<u>Less</u> Allowance for Expected Credit Loss	(9.27)	(8.76)
Total Account Receivable - Net	109.01	95.60

As of March 31, 2024, and December 31, 2023, the Company recorded an allowance for expected credit losses of Baht 9.27 million and Baht 8.76 million, respectively. The Company recognized expected credit losses on accounts receivable without waiting for a credit impairment event to occur first. The Company employed a method of calculating the allowance for credit losses based on the Expected Credit Loss (ECL) table, considering the allowance for expected credit losses throughout the lifespan of accounts receivables. Additionally, the Company mitigated risk by maintaining insurance on accounts receivable.

Inventory

Unit: Million Baht

	Consolidated Financial Statements	
	March 31, 2024	December 31, 2023
Inventory	95.09	84.38
<u>Less</u> Allowance for Goods Losses	(8.47)	(8.34)
Inventory - Net	86.62	76.04

As of March 31, 2024, and December 31, 2023, the Company recorded a reduction in the cost price to the expected net realizable value of inventories in the amount of Baht 0.13 million. The Company has estimated the net realizable value of inventories based on changes in selling prices or costs directly related to events that occur after the Net Realizable Value (NRV) date, taking into account the movement of inventories and the existing economic situation (aging). Management believes that the current reduction in inventories to the expected net realizable value is sufficient.

Source of Funds

Unit: Million Baht

	March 31, 2024	December 31, 2023	Increase (Decrease)	% Increase (Decrease)
Current Liabilities	169.84	139.98	30.86	22%
Non-current Liabilities	40.10	41.13	(1.03)	3%
Total Liabilities	209.94	180.11	29.83	17%
Shareholder's Equity	177.94	173.94	4.00	2%

Total Liabilities

As of March 31, 2024, the total liabilities amounted to Baht 209.94 million, increasing by Baht 29.83 million, or a 17% rise compared to the total liabilities as of December 31, 2023, which was at Baht 180.11 million. This increase is primarily attributed to higher accounts payable, arising from the normal operations of the Company.

Shareholder's Equity

As of March 31, 2024, shareholders' equity amounted to Baht 177.94 million, reflecting an increase of Baht 4.00 million, or 2%, compared to shareholders' equity as of December 31, 2023, which was at Baht 173.94 million. This increase was driven by the net profit generated from operations in Q1/2024.

Appropriateness of Capital Structure

As of March 31, 2024, the debt-to-equity ratio was at 1.18 times, showing an increase from the ratio of 1.04 times as of December 31, 2023. This rise was primarily driven by an increase in debt rather than an increase in shareholders' equity.

Liquidity

Cash Flow

Unit: Million Baht

	Q1/2024	Q1/2023
Cash Flow from (used in) Operating Activities	22.08	(9.96)
Cash Flow from (used in) Investment Activities	(1.07)	(0.50)
Cash Flow from (used in) Financing Activities	(6.92)	2.48

In Q1/2024, cash flow from operating activities amounted to Baht 22.08 million, increasing by Baht 32.04 million compared to the same period of the previous year. This increase was primarily due to a rise in accounts payable. In contrast, in Q1/2023, the cash flow used amounted to Baht 9.96 million, primarily allocated to debt repayment for the business's products.

In Q1/2024, cash flow used in investment activities amounted to Baht 1.07 million, increasing by Baht 0.57 million compared to the same period of the previous year, when it totaled Baht 0.50 million. This increase was primarily due to investments in assets for installing solar cells on the warehouse rooftop and establishing a training center for learning how to install solar cells on rooftops.

In Q1/2024, cash flow used in financing activities amounted to Baht 6.92 million, increasing by Baht 9.40 million compared to the same period of the previous year. This increase is primarily due to the repayment of short-term and long-term loans. In contrast, the cash flow from financing activities for Q1/2023, totaling Baht 2.48 million, was predominantly sourced from the business's short-term borrowing.

Liquidity Ratios

As of March 31, 2024, the working capital ratio was 1.40 times, which was close to the working capital ratio of December 31, 2023, which was 1.47 times.

Please kindly be informed accordingly.

Respectfully yours,


(Mr. Surapong Sareetchaphan)
Chief Executive Officer