



BPS Technology Public Company Limited

Management Discussion and Analysis (MD&A) Q2/2024



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August 9, 2024

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

Significant Financial Information

BPS's Performance Overview

Results for the Three-Month and Six-Month Periods Ended June 30, 2024 and 2023

Unit: million

	For Three-Month Period				For Six-Month Period			
	2024	2023	Increase (Decrease)	% Increase (Decrease)	2024	2023	Increase (Decrease)	% Increase (Decrease)
sales and services Income	124.48	161.57	(37.10)	(22.97%)	286.33	345.85	(59.52)	(17.21%)
sales and services cost	103.90	135.82	(31.90)	(23.49%)	240.14	293.33	(53.19)	(18.14%)
Net profit (loss)	(0.65)	5.24	(5.90)	(112.41%)	3.34	10.45	(7.11)	(68.04%)

The Company generated income from sales and services for the three-month period ended June 30, 2024, amounting to Baht 124.48 million, a decrease of Baht 37.10 million or 22.97% compared to the income from sales and services for the three-month period ended June 30, 2023, which was Baht 161.57 million. This decrease was due to the slowdown in the medium and small-sized real estate market conditions caused by inflation and increased household debt burden. As a result, banks have reduced lending for medium and small-sized real estate, leading to a decline in the Company's core income across all customer segments as follows: the Contractor group decreased by Baht 16.44 million, the Real Estate Development Companies group decreased by Baht 11.55 million, the Retail Stores group decreased by Baht 1.75 million, the Modern Trade group decreased by Baht 1.03 million, the Industrial/Corporate group decreased by Baht 1.33 million, the Residential group decreased by Baht 2.69 million, and the Foreign Customers group decreased by Baht 2.31 million.

The Company had a cost of sales and services for the three-month period ended June 30, 2024, amounting to Baht 103.90 million, a decrease of Baht 31.90 million or 23.49% compared to the cost of sales and services for the three-month period ended June 30, 2023, which was Baht 135.82 million. This change corresponded to the decrease in income.

The Company incurred a net loss for the three-month period ended June 30, 2024, amounting to Baht 0.65 million, compared to a net profit of Baht 5.24 million for the three-month period ended June 30, 2023, representing a decrease of Baht 5.90 million or 112.41%. This was due to a significant decrease in income and an increase in distribution and administrative expenses, such as promotional expenses, advertising costs, and annual salary increases for employees.

The Company generated income from sales and services for the six-month period ended June 30, 2024, amounting to Baht 286.33 million, a decrease of Baht 59.52 million or 17.21% compared to the income from sales and services for the six-month period ended June 30, 2023, which was Baht 345.85 million. This decrease was due to the slowdown in the medium and small-sized real estate market conditions caused by inflation and increased household debt burden. As a result, banks have reduced lending for medium and small-sized real estate, leading to a decline in the Company's core income across customer segments as follows: the Contractor group decreased by Baht 29.84 million, the Real Estate Development Companies group decreased by Baht 25.38 million, the Retail Stores group decreased by Baht 3.19 million, the Modern Trade group decreased by Baht 1.52 million, the Residential group decreased by Baht 3.54 million, the Foreign Customers group decreased by Baht 2.31 million, and the Industrial/Corporate group increased by Baht 6.26 million.

The Company had a cost of sales and services for the six-month period ended June 30, 2024, amounting to Baht 240.14 million, a decrease of Baht 53.19 million or 18.14% compared to the total cost for the six-month period ended June 30, 2023, which was Baht 293.33 million. This change corresponded to the decrease in income.

The Company had a net profit for the six-month period ended June 30, 2024, amounting to Baht 3.34 million, a decrease of Baht 7.11 million or 68.04% compared to the net profit for the six-month period ended June 30, 2023, which was Baht 10.45 million. This decrease was due to a significant decrease in income and an increase in distribution and administrative expenses, including advertising costs, promotional expenses, operational expenses related to the public offering of shares with the Stock Exchange of Thailand, and the annual salary increases for employees across all departments.

Income Analysis for the Three-Month and Six-Month Periods Ended June 30, 2024

Unit: million

Business Income	For Three-Month Period						For Six-Month Period					
	2024		2023		Increase (Decrease)		2024		2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Income from Core Business												
Income from the sales of electrical connection products and rooftop solar energy products	121.42	97.23%	154.88	95.32%	(33.46)	(21.61%)	267.67	93.20%	328.61	94.74%	(60.92)	(18.54%)
Income from installation services for rooftop solar energy projects and building electrical connection systems	3.06	2.45%	6.69	4.12%	(3.63)	(54.26)%	18.66	6.50%	17.24	4.97%	1.42	8.24%
Total Income from Core Business	124.48	99.70%	161.57	99.87%	(37.09)	(22.96%)	286.33	99.69%	345.85	99.71%	59.52	(17.24%)
Other Income	0.41	0.32%	0.92	0.56%	(0.51)	55.44%	0.89	0.31%	1.03	0.30%	(0.14)	(13.60%)
Total Income	124.89	100%	162.49	100%	(37.60)	(23.14%)	287.22	100%	346.88	100%	(59.66)	(17.20%)

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

The Company generated income from the sale of electrical connection products and rooftop solar energy products for the three-month period ended June 30, 2024, amounting to Baht 121.42 million, a decrease of Baht 33.46 million or 21.61% compared to the same period of the previous year, which was Baht 154.88 million. This decrease was due to a reduction in orders from real estate development companies and contractors. The real estate development companies have changed their policy and structure to build houses based on sales volume rather than maintaining stock for sale. This change is due to the decline in house sales caused by the current economic situation, where household debt has increased, making it more difficult for banks to approve housing loans. Consequently, the main customer segment, which typically involves houses priced under Baht 3 million, has decreased. For the contractor segment, the decline was due to the Company's increased focus on credit assessment to mitigate future bad debt risks. Most sales to this group are either made in cash or with a 30-day credit term.

The Company generated income from the sale of electrical connection products and rooftop solar energy products for the six-month period ended June 30, 2024, amounting to Baht 267.69 million, a decrease of Baht 60.92 million or 18.54% compared to the same period of the previous year. The main reason for this decrease was the slowdown in the real estate business sector due to rising inflation and increased household debt, making it more difficult for banks to approve loans for medium and small-sized houses. This situation impacted customer orders, leading customers to reduce the construction of houses for stock and change their policy to build based on actual sales volume.

Income from installation services for rooftop solar energy projects and building electrical connection systems

The Company generated income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings for the three-month period ended June 30, 2024, amounting to Baht 3.06 million, a decrease of Baht 3.63 million compared to the same period of the previous year, which was Baht 6.69 million. The decrease was due to receiving fewer installation projects for rooftop solar energy from small industrial factories in the 2nd quarter of 2024 compared to the same period of the previous year. Additionally, the overall income from providing installation services for solar panels on model homes and interior decoration and renovation services for homeowners also decreased.

The Company generated income from providing installation services for rooftop solar energy projects and electrical connection systems in buildings for the six-month period ended June 30, 2024, amounting to Baht 18.66 million, an increase of Baht 1.42 million or 8.24% compared to the same period of the previous year, which was Baht 17.24 million. This increase was due to the recognition of income from the installation of rooftop solar energy projects for large industrial factories in the first quarter of 2024, project completion for three projects. In contrast, during the same period of the previous year, only one rooftop solar energy project had begun installation.

Other Income

The Company generated other income for the three-month period ended June 30, 2024, amounting to Baht 0.41 million, a decrease of Baht 0.51 million or 55.44% compared to the same period of the previous year, which was Baht 0.92 million. The reason was that in 2023, there was a profit from foreign exchange of Baht 0.71 million, whereas in 2024, the profit from foreign exchange was Baht 0.01 million.

For other income for the six-month period ended June 30, 2024, amounting to Baht 0.89 million, a decrease of Baht 0.14 million or 13.60% compared to the same period of the previous year, which was Baht 1.03 million. The reason was that in 2023, there was a profit from foreign exchange of Baht 0.48 million, whereas in 2024, the profit from foreign exchange was Baht 0.16 million.

Gross Profit and Gross Profit Margin for Three-Month and Six-Month Periods Ended June 30, 2024

Unit: million

Business Income	For Three-Month Period						For Six-Month Period					
	2024		2023		Increase (Decrease)		2024		2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Income from Core Business												
Income from the sales of electrical connection products and rooftop solar energy products	20.14	16.59%	25.28	16.33%	(5.14)	(20.34%)	45.19	16.89%	51.34	15.63%	(6.15)	(11.98%)
Income from installation services for rooftop solar energy projects and building electrical connection systems	0.44	14.10%	0.48	7.18%	(0.04)	(8.34%)	1.00	5.36%	1.18	6.85%	(0.18)	(15.26%)
Total Gross Profit	20.58	16.54%	25.76	15.95%	(5.18)	(20.11%)	46.19	16.14%	52.52	15.19	(6.33)	(12.06%)

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

The gross profit from the sales of electrical connection products and rooftop solar energy products for the three-month period ended June 30, 2024, amounting to Baht 20.14 million, a decrease of Baht 5.14 million or 20.34% compared to the same period of the previous year, which had a gross profit of Baht 25.28 million. This decrease is consistent with the reduction in income.

The gross profit from the sales of electrical connection products and rooftop solar energy products for the six-month period ended June 30, 2024, amounted to 45.19 million, a decrease of Baht 6.15 million or 11.98% compared to the same period of the previous year, which had a gross profit of Baht 51.34 million. This decrease aligns with the reduction in income.

The gross profit margin for the three-month period ended June 30, 2024, increased from 16.33% to 16.59% because the Company has implemented a policy to increase the gross profit margin for each product and has sought new sources of product distribution to achieve lower costs.

The gross profit margin for the six-month period ended June 30, 2024, increased from 15.63% to 16.89%. This increase is primarily due to the Company's policy of improving the gross profit margin on sales and sourcing products at lower costs, which has resulted in higher gross profit.

Income from installation services for rooftop solar energy projects and building electrical connection systems

The gross profit from providing installation services for rooftop solar energy projects and electrical connection systems in buildings for the three-month period ended June 30, 2024, amounted to Baht 0.44 million, a decrease of Baht 0.04 million or 8.34% compared to the same period of the previous year, which had a gross profit of Baht 0.48 million. For the six-month period ended June 30, 2024, the gross profit amounted to Baht 1.00 million, a decrease of Baht 0.18 million or 15.26% compared to the same period of the previous year. This decrease was due to the Company providing other services in 2023, such as electrical connection services in buildings and industrial factories and interior decoration services for homeowners, which generated higher service income than in 2024, when the Company only provided rooftop solar energy installation services for factories, which involved smaller projects.

The gross profit margin for the three-month period ended June 30, 2024, increased from 7.18% to 14.10% due to the Company setting higher gross profit margins for project engagements in 2024. Additionally, the Company received service work related to busduct repairs and the installation of small-scale solar energy projects, which had a higher gross profit margins compared to the large-scale rooftop solar energy installation projects undertaken in 2023.

The gross profit margin for the six-month period ended June 30, 2024, slightly decreased from 6.85% to 5.36%. This decrease was due to the income from the installation of large-scale solar energy projects, which was carried over from 2023 at the beginning of the year.

Expenses for the Three-Month and Six-Month Periods Ended June 30, 2024

Unit: million

	For Three-Month Period				For Six-Month Period			
	2024	2023	Increase (Decrease)	%	2024	2023	Increase (Decrease)	%
Selling Expenses	9.87	9.10	0.77	8.47%	19.04	17.66	1.38	7.82%
Administrative Expenses	11.16	10.06	1.10	10.94%	22.22	20.94	1.28	6.12%
Financial Expenses	0.65	0.87	(0.22)	(25.29%)	1.51	1.73	(0.22)	(12.72%)
Income (Expenses) from Income Tax	0.04	(1.40)	(1.44)	(138.47%)	(0.98)	(2.77)	(1.79)	(64.62%)

Selling Expenses

Selling expenses for the three-month period ended June 30, 2024, amounted to Baht 9.87 million, an increase of Baht 0.77 million or 8.47% compared to the same period of the previous year, which was Baht 9.10 million. For the six-month period ended June 30, 2024, selling expenses amounted to Baht 19.04 million, an increase of Baht 1.38 million or 7.82%. This increase was due to the recruitment of additional personnel in the Sales and Marketing Department for future market expansion and sales growth. Additionally, there were increased promotional activity expenses to boost online sales, advertising expenses related to the Company's products, and annual salary adjustments for employees in 2024.

Administrative Expenses

Administrative expenses for the three-month period ended June 30, 2024, amounted to Baht 11.16 million, an increase of Baht 1.10 million or 10.94%. For the six-month period ended June 30, 2024, administrative expenses amounted to Baht 22.22 million, an increase of Baht 1.28 million or 6.12% compared to the same period of the previous year. This increase was due to annual salary adjustments for staff in the Management Department in 2024, additional training expenses for employees, increased office service expenses related to the Company's stock market listing activities, advertising expenses, bank fees for arranging additional credit facilities with Siam Commercial Bank, and fees for registering land mortgages as collateral with Siam Commercial Bank.

Financial Expenses

Financial expenses for the three-month period ended June 30, 2024, amounted to Baht 0.65 million, a decrease of Baht 0.22 million or 25.29%. For the six-month period ended June 30, 2024, financial expenses amounted to Baht 1.51 million, a decrease of Baht 0.22 million or 12.72% compared to the same period of the previous year. This decrease was due to the Company's strong liquidity, which eliminated the need for additional borrowing from financial institutions. The Company reduced the use of overdraft credit facilities and utilized funds from the Initial Public Offering (IPO) to pay off debts to creditors instead of issuing promissory notes, resulting in a reduction in interest expenses on promissory notes.

Expenses from income tax

Income (expenses) from income tax for the three-month period ended June 30, 2024, amounted to Baht 0.04 million, a decrease of Baht 1.44 million or 138.47% compared to the same period of the previous year, which was Baht 1.40 million. This decrease was due to the loss in operating results for the three-month period.

Income tax expense for the six-month period ended June 30, 2024, amounted to Baht 0.98 million, a decrease of Baht 1.79 million or 64.62% compared to the same period of the previous year, which was Baht 2.77 million. This decrease was due to the Company's reduced income and increased selling and administrative expenses, resulting in lower profits.

Financial Position

Assets

Unit: million

	June 30, 2024	December 31, 2023	Increase (Decrease)	% Increase (Decrease)
Current Assets	277.92	204.19	73.73	36.11%
Non-current Assets	158.99	149.87	9.12	6.09%
Total Assets	436.91	354.06	82.85	23.40%

Total assets as of June 30, 2024, amounted to Baht 436.91 million, an increase of Baht 82.85 million or 23.40% compared to total assets as of December 31, 2023, which were Baht 354.06 million. The increase was due to an increase in bank deposits of Baht 89.78 million received from the sale of ordinary shares. Trade receivables and other receivables decreased by Baht 16.26 million, in line with the decrease in sales compared to the period from October to December 2023. Additionally, there was an increase of Baht 10 million in fixed deposits pledged as collateral with the bank.

Asset Quality

Trade Receivables

Unit: million

	Consolidated Financial Statements	
	June 30, 2024	December 31, 2023
Trade Receivables	96.13	104.36
Less Allowance for expected credit losses	(9.02)	(8.76)
Total trade Receivables-Net	87.11	95.60

As of June 30, 2024, and December 31, 2023, the Company recorded allowances for expected credit losses of Baht 9.02 million and Baht 8.76 million, respectively. The Company recognizes expected credit losses on trade receivables without waiting for an actual credit impairment event to occur. The Company uses the ECL (Expected Credit Loss) calculation table to determine the allowance for expected lifetime credit losses on trade receivables. Additionally, the Company has taken credit insurance for debtors to mitigate risk.

Inventory

Unit: million

	Consolidated Financial Statements	
	June 30, 2024	December 31, 2023
Inventory	85.14	84.38
<u>Less</u> Allowance for Depreciated Goods	(9.00)	(8.34)
Inventory-Net	76.14	76.04

As of June 30, 2024, and December 31, 2023, the Company recorded a reduction in the cost to net realizable value (NRV) amounting to Baht 0.66 million. The Company estimates the NRV of inventory based on changes in selling prices or costs directly related to events occurring after the reporting period, taking into account inventory turnover and current economic conditions (Aging). Management believes that the current reduction in inventories to net realizable value are adequate.

Sources of Funding

Unit: million

	June 30, 2024	December 31, 2023	Increase (Decrease)	% Increase (Decrease)
Current Liabilities	115.82	138.98	(23.16)	(16.67%)
Non-current Liabilities	38.51	41.13	(2.62)	(6.37%)
Total Liabilities	154.33	180.11	(25.78)	(14.32%)
Shareholders' Equity	282.57	173.94	108.63	62.46%

Total Liabilities

Total liabilities as of June 30, 2024, amounted to Baht 154.33 million, a decrease of Baht 25.78 million or 14.32% compared to total liabilities as of December 31, 2023, which were Baht 180.11 million. This decrease was due to a reduction in trade payables and other payables amounting to Baht 7.59 million, resulting from a decrease in customer orders and a subsequent reduction in purchases of goods for sale. Additionally, corporate income tax payable decreased by Baht 1.92 million due to the reduction in the Company's net profit and excess withholding tax over corporate income tax payable. Short-term and long-term borrowings from financial institutions also decreased by Baht 16.81 million.

Shareholders' Equity

Shareholders' equity as of June 30, 2024, amounted to Baht 282.57 million, an increase of Baht 108.63 million or 62.46% compared to shareholders' equity as of December 31, 2023, which was Baht 173.94 million. This increase was due to capital increase from the offering of 120 million ordinary shares on the stock exchange market, with a par value of Baht 0.50 per share and an offering price of Baht 0.90 per share, totaling Baht 105.29 million. (net of capital increase expenses of Baht 3.39 million and income tax related to capital increase expenses of Baht 0.68 million) and an increase in operating profit of Baht 3.34 million for the six-month period.

Appropriateness of Capital Structure

The debt-to-equity ratio as of June 30, 2024, was 0.55 times, a decrease from the debt-to-equity ratio of 1.04 times as of December 31, 2023. This decrease resulted from a reduction in debt and an increase in shareholders' equity due to the registered capital increase, including the excess share value received from the offering of ordinary shares.

Liquidity

Cash Flow

Unit: million

Cash Flow	Consolidated Financial Statements		Separate Financial Statements	
	For Six-Month Period		For Six-Month Period	
	2024	2023	2024	2023
Cash flows from (used in) operating activities	16.60	(6.62)	16.60	(7.73)
Cash flows from (used in) investment activities	(12.50)	(0.51)	(12.50)	2.49
Cash flows from (used in) financing activities	85.69	(3.68)	85.69	(1.68)

Cash flow from operating activities for the six-month periods ended June 30, 2024, and June 30, 2023, amounted to Baht 16.60 million, an increase of Baht 23.22 million compared to the same period of the previous year. This increase is mainly due to a decrease in the Company's trade receivables and trade payables. Cash flow used for the six-month period ended June 30, 2023, amounted to Baht 6.62 million, primarily used to pay off the Company's debts for products.

Cash flow used in investment activities for the six-month period ended June 30, 2024, amounted to Baht 12.50 million, Spent increase by Baht 11.99 million compared to the same period of the previous year, which was Baht 0.51 million. This increase was primarily due to investments in assets for the installation of rooftop solar cells at a warehouse and the construction of a training center for learning about rooftop solar cell installation. Additionally, funds were used to guarantee the opening of a credit line with a financial institution in the amount of Baht 10 million.

Cash flow from financing activities for the six-month period ended June 30, 2024, amounted to Baht 85.69 million, an increase of Baht 89.37 million compared to the same period of the previous year. Most of the cash flow was from the issuance of ordinary shares totaling Baht 108 million, and from the issuance of additional ordinary shares amounting to Baht 3.38 million, including the repayment of short-term and long-term loans totaling Baht 16.81 million. Cash flow from

financing activities for the six-month period ended June 30, 2023, amounted to Baht 3.68 million, resulting from the use of short-term loans by the Company and the return of capital from the dissolution of a subsidiary.

Liquidity Ratio

The current ratio as of June 30, 2024, was 2.40 times, higher than the current ratio as of December 31, 2023, which was 1.47 times, due to the Company receiving proceeds from the issuance of additional ordinary shares.

Please kindly be informed accordingly.

Respectfully yours,

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a long, sweeping flourish that extends upwards and to the right.

(Mr. Suraphong Sarechaphan)

Chief Executive Officer