

BPS Technology Public Company Limited

Management Discussion and Analysis (MD&A) Yearly 2024



Ac.004/2025

February 18, 2025

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

Executive Summary

BPS Technology Public Company Limited operates the business as a distributor of connection equipment of electrical equipment inside buildings and solar cell equipment, including procuring, designing, and installing services of electrical systems, solar cells, and fiber optic system. The Company plans to expand its business to products that provide convenience and safety inside the home and industrial factories by employing a 24/7 Monitoring System as a detection aid for energy consumption and safety with real-time analysis.

Currently, the economic situation in the construction industry and the housing industry has slowed down, affecting the Company's operations. This has led to rather high competition in terms of price, along with an increase in the number of new competitors in the market. Manufacturing factories are starting to compete in the market as well. Therefore, the Company has planned to expand its business from sales of electrical equipment (Trade) to more technology-orientation (Tech) to cope with the state of competition and the slowdown in the construction and housing industries.

Summary of important events and developments

1. The Company has signed a Memorandum of Agreement on Cooperation with Security Best Group Co., Ltd. to jointly develop the service-related business by integration of CCTV, security system and usage of 24/7 Monitoring System of BPS.
2. The Company has signed a Memorandum of Agreement on Cooperation with Dahua Technology (Thailand) Co., Ltd. to develop Green Home Solution to support the integrated housing technology with 24/7 Monitoring System of BPS.

Key financial information

Overview of the Company's operating results

Summary of operating results in 2024

Unit: Million Baht

	Quarter 4/2024			Year 2024			Quarter 3/2024		
	Amount	Increase (Decrease)	% Increase (Decrease)	Amount	Increase (Decrease)	% Increase (Decrease)	Amount	Increase (Decrease)	% Increase (Decrease)
Operating revenue	127.71	(37.12)	(22.52%)	531.51	(207.26)	(28.05%)	116.58	11.13	9.55%
Cost of sales and services	105.08	(34.56)	(24.75%)	441.48	(187.78)	(29.84%)	96.25	8.83	9.17%
Net profit (loss)	3.61	0.92	34.20%	7.59	(12.65)	(62.50%)	0.63	2.98	473.02%

Operating results in the 4th quarter of 2024

The Company had a total operating revenue of Baht 127.71 million or a decrease of Baht 37.12 million or 22.52% from Q4/2023. The primary reason was due to a decrease in revenue from sales of electrical products by Baht 7.50 million or 5.73%. This was due to a decrease in energy products by Baht 8.01 million or 89.20%, and a decrease from rooftop solar cell installation services by Baht 20.96 million or 94.33%. This was mainly due to the slowdown in the real estate sector, which led to reduced demand for electrical and energy system products in large-scale construction projects. Additionally, the Company secured smaller-scale rooftop solar installation projects compared to those in Q4/2023. The total operating revenue in Q4/2024 increased by Baht 11.13 million or 9.55% from Q3/2024, primarily due to an increase in product and service sales of Baht 10.40 million or 8.93%, along with an additional of other income from interest earned on fixed deposits of Baht 0.70 million. Meanwhile, in Q3/2024, the Company incurred a foreign exchange loss.

The Company's total cost of sales and services of Baht 105.08 million, a decrease of Baht 34.56 million or 24.75% compared to Q4/2023. Meanwhile, the cost of sales and services increased by Baht 8.83 million or 9.17% from Q3/2024, fluctuating in line with revenue.

The Company had a net profit of Baht 3.61 million, an increase of Baht 0.92 million or 34.20% compared to Q4/2023, primarily due to a decrease in selling expenses, administrative expenses, and financial costs. Additionally, the net profit for Q4/2024 increased by Baht 2.98 million, or 4.73 times, compared to Q3/2024, due to a higher revenue from product sales and a reduction in selling and administrative expenses.

Operating results for 2024

For the period ended December 31, 2024, total operating revenue amounted to Baht 531.51 million, a decrease of Baht 207.26 million or 28.05% from 2023. Revenue from product sales declined across all categories, including a decrease in electrical system products by Baht 103.32 million or 17.50%, energy group products by Baht 19.13 million or 49.64%, technology and communication group products by Baht 3.98 million or 91.49%, and other product groups by Baht 3.41 million or 69.31%. Moreover, the revenue from solar power system installation services and other services decreased by Baht 72.52 million or 77.26%, except for the additional revenue from communication signal FTTx services introduced in 2024. Other income decreased by Baht 2.65 million or 57.99%

The Company's cost of sales and services for the period ended December 31, 2024, amounted to Baht 441.48 million, a decrease of Baht 187.78 million or 29.84% from 2023, fluctuating in line with the decline in revenue.

The Company had a net profit of Baht 7.59 million, a decrease of Baht 12.65 million or 62.50% from 2023, primarily due to a significant decline in revenue. Meanwhile, distribution and administrative expenses decreased only slightly relative to the decline in revenue of only 3.65%, which was due to the Company's early-stage expansion into the technology and communication sector and required hiring specialized personnel to support these operations, leading to additional distribution and administrative costs. Furthermore, advertising expenses, promotional costs, and travel expenses increased as the Company sought new raw material sources to reduce product costs. In part of the decreased expenses, they are variable expenses based on sales volume, including entertainment expenses, transportation costs, fuel costs, and packaging expenses.

Operating revenue for 2024

Unit: Million Baht

Revenue from the main business	2024	2023	% Increase (Decrease) YTD	Q3- 2024	Q4- 2024	Q4- 2023	% Increase (Decrease) QoQ	% Increase (Decrease) YoY
Revenue from sales of electrical connection products and solar rooftop products	508.22	640.19	(20.61%)	115.53	125.02	141.06	8.21%	(11.37%)
Revenue from installation services of solar rooftop projects and interior electrical connection systems	21.35	94.01	(77.29%)	0.90	1.79	22.49	98.89%	(92.04%)
Total revenue from the main business	529.57	734.20	(27.87%)	116.43	126.81	163.55	8.92%	(22.46%)
Other incomes	1.94	4.57	(57.55%)	0.16	0.89	1.27	456.00%	(29.92%)
Total revenue	531.51	738.77	(28.06%)	116.59	127.61	164.82	9%	(22.58%)

In 2024, the Company generated total product sales revenue of Baht 508.22 million, a decrease of Baht 131.97 million or 20.61% from 2023, primarily due to:

- Revenue from electrical system product sales amounted to Baht 486.93 million, a decrease of Baht 103.32 million or 17.50% from Baht 590.25 million in 2023, due to a reduction in product orders across all customer groups, including real estate developers, contractors, retail stores, and modern trade businesses, resulting from economic contraction, rising household debt, increased labor costs, and higher raw material prices for construction equipment, which led to slow down of both high-rise and low-rise construction projects of medium and small scale.
- Revenue from energy product sales amounted to Baht 19.41 million, a decrease of Baht 19.13 million or 49.64% from Baht 38.54 million in 2023, due to contractors of rooftop solar installation for factories not securing new contracts, leading to a reduction in product orders. However, revenue from rooftop solar installation for residential customers increased by Baht 1.19 million.
- Revenue from technology and communication product sales amounted to Baht 0.37 million, a decrease of Baht 3.98 million from Baht 4.35 million in 2023, due to a 82.79% decline in Home Automation product sales and installation, as well as a decline in Data Center product sales.
- Revenue from other product sales (construction equipment and furniture sales) amounted to Baht 1.51 million, a decrease of Baht 3.41 million or 69.31% from 2023.

Revenue from product sales in Q4/2024 amounted to Baht 125.02 million, a decrease of Baht 16.04 million or 11.37% compared to the same period in the previous year, which increased by Baht 9.49 million or 8.21% from Q3/2024.

Revenue from installation services of solar rooftop projects and indoor electrical connection systems

In 2024, the Company's revenue amounted to Baht 21.35 million, a decrease of Baht 72.66 million or 77.29% from Baht 94.01 million in 2023, due to the Company securing smaller-scale rooftop solar installation projects for industrial customers compared to the previous year. Revenue from installation services in Q4/2024 amounted to Baht 1.79 million, a decrease of 92.04% from Baht 22.49 million in the same period of the previous year, and an increase of Baht 0.89 million or 98.89% from Q3/2024, as the Company received additional rooftop solar installation and bus duct repair projects.

Other incomes

In 2024, other incomes amounted to Baht 1.94 million, a decrease of Baht 2.63 million or 57.55% from Baht 4.57 million in 2023, due to foreign exchange gains of Baht 2.77 million in 2023, while in 2024, the Company had only Baht 0.24 million in foreign exchange gains. Compared to Q3/2024, other income increased 4.56 times, as there was no interest income in Q3/2024, and the Company incurred a foreign exchange loss of Baht 0.09 million. In contrast, in Q4/2024, the Company had interest income from fixed deposits of Baht 0.44 million and foreign exchange gains of Baht 0.19 million.

Profitability

Unit: Million Baht

	2024	2023	% Increase (Decrease) YTD	Q3-2024	Q4-2024	Q4-2023	% Increase (Decrease) QoQ	% Increase (Decrease) YoY
Gross profit (sales)	86.44	100.72	(14.18%)	20.07	21.18	22.19	5.53%	(4.55%)
Gross profit (services)	1.65	4.22	(60.90%)	0.10	0.55	1.72	450.00%	(68.02%)
Profit before tax	9.77	25.73	(62.03%)	1.44	5.32	4.38	269.44%	21.46%
EBIDA	21.77	37.50	(41.95%)	3.74	7.62	6.59	54.55%	15.63%

The Company had a gross profit from product sales of Baht 86.44 million in 2024, a decrease of 14.28% from Baht 100.72 million in the previous year. The gross profit from product sales in Q4/2024 was Baht 21.18 million, a decrease of 4.55% compared to the same period last year due to lower product sales revenue. However, it increased by 5.53% from Q3/2024, driven by increased sales from contractor group customers.

The Company's gross profit from services in 2024 was Baht 1.65 million, a decrease of 60.69% from Baht 4.22 million in the previous year. In Q4/2024, the gross profit from services was Baht 0.55 million, a decrease of 68.02% compared to the same period last year, as the number and scale of project installations were lower. However, the gross profit from services increased 4.5 times compared to Q3/2024, due to additional rooftop solar installation and busduct repair projects.

The Company's profit before tax for 2024 was Baht 9.77 million, a decrease of Baht 15.96 million or 62.03% from the previous year, primarily due to lower operating revenue. As the Company is in the early stages of expanding into the technology and communication sector, additional specialized personnel were recruited, leading to higher distribution and administrative expenses. However, the profit before tax for Q4/2024 was Baht 5.32 million, an increase of 21.46% compared to the same period last year, due to a decrease in administrative expenses in part of consultancy fees and issuance and offering of ordinary shares in the Stock Exchange in Q4/2023, and an increase of 2.69 times compared to Q3/2024 due to an increase in revenue from sales and a decrease in distribution expenses and administrative expenses.

The Company's EBIDA for 2024 amounted to Baht 21.77 million, a decrease of Baht 15.73 million or 41.95% from the previous year. However, the EBITDA for Q4/2024 increased by 15.63% compared to the same period last year and by 54.55% from Q3/2024, as operating profit in Q4/2024 was higher due to increased sales and decreased administrative expenses.

Operating expenses and financial cost

Unit: Million Baht

	2024	2023	% Increase (Decrease) YTD	Q3-2024	Q4-2024	Q4-2023	% Increase (Decrease) QoQ	% Increase (Decrease) YoY
Distribution expenses	35.72	36.67	(2.57%)	8.59	8.09	9.76	(5.82%)	(12.36%)
Administrative expenses	41.72	43.74	(4.62%)	10.29	9.21	11.05	(10.50%)	(16.65%)
Financial cost	2.83	3.53	(19.83%)	0.58	0.74	0.81	27.59%	(8.64%)
Income tax expenses	2.18	5.49	(60.29%)	0.34	1.08	0.94	217.65%	14.89%

Distribution expenses

The Company had distribution expenses for 2024 of Baht 35.72 million, a decrease of 2.57% from the previous year. The distribution expenses in Q4/2024 amounted to Baht 8.09 million, a decrease of 12.36% compared to the same period last year, as lower sales resulted in a reduction of related distribution expenses, including transportation costs, entertainment expenses, fuel costs, and packaging costs. For Q4/2024, expenses also decreased by 5.82% from Q3/2024, due to a reduction in annual bonus allocations and a reclassification of interest on employee benefit reserves as financial costs.

Administrative expenses

The Company had administrative expenses of Baht 41.72 million in 2024, a decrease of 4.62% from the previous year. The administrative expenses in Q4/2024 amounted to Baht 9.21 million, a decrease of 16.65% compared to the same period last year, primarily due to reduced expenses for legal consultants, system development consultants, and financial advisors (FA), as the Company's entry into the Stock Exchange was completed in 2024. Additionally, administrative expenses in Q4/2024 decreased by 10.50% from Q3/2024, for the same reasons as the reduction in distribution expenses, including a downward adjustment in annual bonus allocations due to performance not meeting targets and the classification of interest on employee benefit reserves as financial costs.

Financial expenses

The Company had financial expenses of Baht 2.83 million in 2024, a decrease of 19.83% from Baht 3.53 million in the previous year, and a decrease of 8.64% compared to the same period last year. This decline was due to improved liquidity, as the Company did not take on additional loans from financial institutions, reduced the use of overdraft facilities, and did not issue promissory notes for debt payments to foreign creditors, resulting in lower interest expenses on promissory notes. However, financial costs in Q4/2024 increased by 27.59% due to the reclassification of interest on employee benefit reserves as financial costs.

Income tax expenses

The Company had income tax expenses of Baht 2.18 million in 2024, a decrease of 60.29% from Baht 5.49 million in the previous year, due to a decrease in operating profit. However, income tax expenses in Q4/2024 increased by 14.89% compared to the same period last year, as operating expenses decreased. Additionally, income tax expenses increased 2.17 times from Q3/2024, as higher sales revenue and lower operating expenses resulted in a higher operating profit compared to Q3/2024.

Summary of financial position

Assets/liabilities and shareholders' equity

Unit: Million Baht

	December 31, 2024	December 31, 2023	Increase (Decrease)	% Increase (Decrease)
Current assets	289.95	204.19	85.76	42.00%
Non-current assets	156.09	149.87	6.22	4.17%
Total assets	446.04	354.06	91.98	25.98%
Current liabilities	123.87	138.99	(15.11)	(10.87%)
Non-current liabilities	35.43	41.13	(5.70)	(13.86%)
Total liabilities	159.30	180.11	(20.81)	(11.55%)
Shareholders' equity	286.75	173.94	112.81	64.86%

Assets

Total assets as of December 31, 2024, amounted to Baht 446.04 million, an increase of Baht 91.98 million or 25.98% compared to total assets of Baht 354.06 million as of December 31, 2023. The increase was primarily due to a rise in bank deposits of Baht 113.58 million, while trade and other receivables decreased by Baht 19.53 million and inventory decreased by Baht 8.38 million, in line with the decreased sales volume, leading to a decrease in trade receivables and a decrease in stock replenishment for sales. Additionally, fixed deposits pledged as collateral with banks increased by Baht 10 million.

Asset quality

Trade receivables

Unit: Million Baht

	Consolidated Financial Statements	
	December 31, 2024	December 31, 2023
Trade receivables	95.04	104.36
Less Allowance for expected credit loss	(8.79)	(8.76)
Total trade receivables-net	86.25	95.60

As of December 31, 2024, and December 31, 2023, the Company recorded allowance for expected credit loss of Baht 8.79 million and Baht 8.76 million, respectively. The Company recognized expected credit loss on trade receivables without the necessity to wait for a credit impairment event to occur first. The Company will provide a method for calculating allowance for credit loss by calculating according to the ECL Table in consideration of allowance for expected credit loss throughout the age of trade receivables and the Company's insurance of receivables for risk mitigation.

Inventory

Unit: Million Baht

	Consolidated Financial Statements	
	December 31, 2024	December 31, 2023
Inventory	77.48	84.38
Less Allowance for product impairment	(9.81)	(8.34)
Inventory-net	67.67	76.04

As of December 31, 2024, the Company recorded the cost price as net realizable value of inventory for Baht 1.47 million from the same period of the previous year. The Company has estimated net realizable value of inventory from the change of selling prices or costs which are directly related to the event occurred after the end of the period (NRV) and taken into account the movement of inventory and the existing economy (Aging). The Management believes that the write-down of inventory to net realizable value currently in place is sufficient.

Total liabilities

Total liabilities as of December 31, 2024, amounted to Baht 159.30 million, a decrease of Baht 20.81 million or 11.55% compared to total liabilities of Baht 180.11 million as of December 31, 2023. The decrease was mainly due to a reduction in short-term loans from financial institutions by Baht 13.81 million, a decrease in trade and other payables by Baht 0.86 million, and a reduction in corporate income tax payable by Baht 0.77 million, resulting from a decreased in the Company's net profit. Additionally, long-term loans decreased by Baht 6.00 million, lease liabilities decreased by Baht 0.93 million, while non-current liabilities for employee benefits increased by Baht 1.23 million.

Shareholders' equity

Shareholders' equity as of December 31, 2024, amounted to Baht 286.75 million, an increase of Baht 112.81 million or 64.86% compared to Baht 173.94 million as of December 31, 2023. The increase was primarily due to capital raising through the issuance of 120 million common shares in the stock 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 on capital increase expenses of Baht 0.68 million and an increase from operating profit for the six-month period of Baht 7.52 million).

Appropriateness of capital structure

Debt-to-equity ratio as of December 31, 2024, was 0.56 times, a decrease compared to the debt-to-equity ratio as of December 31, 2023, which was 1.04 times, resulting from a decrease in debt and an increase in shareholders' equity from the registered capital increase, including the premium on shares received from the offering of ordinary shares.

Cash Flows		For the period ended December 31, 2024, cash and cash equivalents increased by a net amount of Baht 113.58 million. The Company’s net cash balance brought forward at the beginning of the period amounted to Baht 11.86 million, and a net cash balance at the end of Baht 125.47 million. The details of cash flow for each category are as follows:
(Unit: Million Baht)	2024	
Net cash provided by operating activities	46.82	
Net cash (used in) in investing activities	(13.63)	
Net cash provided by financing activities	80.39	
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Net increase in cash and cash equivalents	113.58	Cash flows from operating activities of Baht 46.82 million from a decrease in trade receivables of Baht 19.65 million, trade payables of Baht 0.56 million, inventory of Baht 6.90 million and income tax payments of Baht 2.76 million.
Cash and cash equivalents at the beginning of the period	11.86	
Cash equivalents at the end of the period	125.47	

Cash flows used in investing activities amounted to Baht 13.63 million, mostly used in payment of the purchase of assets to install solar cells on the warehouse roof and build a training center for solar cell installation for Baht 4.04 million, used in guarantee of opening a credit line with a financial institution for Baht 10 million, and provided from fixed deposit interest for Baht 0.54 million.

Cash flows from financing activities amounted to Baht 80.39 million, mostly provided from the issuance and offering of ordinary shares for Baht 108 million, and used from the issuance and offering of ordinary shares for Baht 3.38 million, and used in repayment of short-term and long-term loans and the payment of lease liabilities in total amount of Baht 24.22 million.

Key financial ratios

	YTD	YTD	
Return Rate (%)	2024	2023	
Return on Asset (ROA)	1.70	5.67	Return on asset and return on equity decreased from 2023 as a result from a decrease in operating profit in 2024.
Return on Equity (ROE)	2.65	11.55	
Liquidity Ratio (times)			Current ratio and quick ratio increased from 2023 due to an increase in current assets in part of cash and cash equivalents.
Current Ratio	2.37	1.47	
Quick Ratio	1.79	0.92	
Asset and Liability Management(days)			
Average Collection Period	63	58	Average collection period increased by 5 days from 58 days to 63 days. Nevertheless, the Company has a policy of granting trade credit and considering credit limits according to the appropriateness of the customer.
Average Inventory Period	60	44	
Average Payment Period	80	72	
Debt Ratio Analysis (times)			
Times Interest Earned	4.45	8.26	Average inventory period increased by 16 days from the previous year from 44 days to 60 days in 2024
DSCR	2.17	4.96	from calling products according to the scheduled calling plan but selling less products.
Loans from Financial Institutions to Debt	13%	15%	
Debt to Equity Ratio Analysis (times)			
Total Debt to Equity (D/E Ratio)	0.56	1.04	Average payment period increased from 72 days in the previous year to 80 days in 2024 due to advanced payment of product cost of Baht 10 million.

Remark: The asset and liability management is calculated from 366 days.

Debt Ratio Analysis Times interest earned ratio decreased from 8.26 times in the previous year to 4.45 times in 2024 due to a decrease in operating profit. However, the debt service coverage ratio (DSCR) decreased from 4.96 times in the previous year to 2.17 times in 2024 due to a decrease in operating profit.

Debt to Equity Ratio Analysis Total debt to equity (D/E Ratio) decreased from 1.04 times in the previous year to 0.56 times in 2024 due to the Company's capital increase from the offering of shares in the Stock Exchange of Baht 108 million.

Please kindly be informed accordingly.

Respectfully yours,

Ms.Pattaraporn Kaewpoca
Chief Financial Officer