



# K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

(Translation)

KWM 013/2563

November 12th, 2020

Subject : Management Discussion and Analysis for the 3-month and 9-month period ended September 30, 2020

To : President

The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the "Company") would like to submit management discussion and analysis of significant changes for the 3-month and 9-month period ended September 30, 2020 with details as follow;

unit: million baht

Items	Q3/2019		Q3/2020		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	61.37	100.00	72.39	100.00	11.02	17.96
Cost of sales of goods	46.37	75.56	47.73	65.93	1.36	2.93
Gross profit	15.00	24.44	24.66	34.06	9.66	64.00
Other income	1.99	3.24	0.57	0.79	(1.42)	(71.35)
Gain on exchange rate	0.00	0.00	0.05	0.07	0.05	NA
Profit before expenses, finance cost and taxes	16.99	27.68	25.28	34.92	8.29	48.79
Distribution costs	1.74	2.83	1.92	2.65	0.18	10.34
Administrative expenses	9.39	15.30	8.86	12.24	(0.53)	(5.64)
Loss on exchange rate	0.05	0.08	0.00	0.00	(0.05)	(100.00)
Profit before finance cost and taxes	5.81	9.47	14.50	20.03	8.69	149.57
Finance Cost	0.68	1.11	0.58	0.80	(0.10)	(14.71)
Profit before income tax expenses	5.13	8.36	13.92	19.23	8.79	171.35
Income tax expense	0.22	0.36	1.36	1.88	1.14	518.18
Net profit	4.91	8.00	12.55	17.34	7.64	155.60



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Items	9M/2019		9M/2020		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	261.62	100.00	266.32	100.00	4.33	1.65
Cost of sales of goods	204.46	78.04	195.06	73.24	(9.40)	(4.60)
Gross profit	57.53	21.96	71.26	26.76	13.73	23.87
Other income	3.90	1.49	1.81	0.68	(2.09)	(53.59)
Gain on exchange rate	0.28	0.11	0.26	0.10	(0.02)	(7.14)
Profit before expenses, finance cost and taxes	61.71	23.55	73.33	27.53	11.26	18.83
Distribution costs	6.23	2.38	6.54	2.46	0.31	4.98
Administrative expenses	29.03	11.08	26.96	10.12	(2.07)	(7.13)
Profit before finance cost and taxes	26.45	10.10	39.83	14.96	13.38	50.59
Finance Cost	2.42	0.92	2.03	0.76	(0.39)	(16.12)
Profit before income tax expenses	24.03	9.17	37.80	14.19	13.77	57.30
Income tax expense	1.48	0.56	3.43	1.29	1.95	131.76
Net profit	22.55	8.61	34.37	12.91	11.82	52.42

## 1. Revenue from sales of goods

For the 3-month period ended September 30, 2020, the Company and its subsidiary's revenue from sales of goods was in the amount of 72.39 million baht, increased by 11.02 million baht or 17.96% of the same period of sales in 2019. This resulted from an increase in Sales of the product Screw Flight by 6.34 million baht or 42.36% from screw flight sales of last year, Disc plough's sales also increased by 4.85 million baht or 16.75% when compares to the sales of disc plough from same period of last year, this was due the raining season has started and the water situation was getting better and the trend of agriculture production expected to grow more than last year. Since the northeastern region of Thailand was hit by the tropical storm 'Podul' that caused a serious damaged to paddy productions and directly resulted to a drop of sales in Screw Flight during quarter 3 of 2019 while the situation of screw flight market is back to normal this year resulting to higher sales in this quarter. Moreover, the Company started selling new product line of fresh fruit which is a premium grade of Avocado. The reason that the Company expand in this field is because the Company has a strong connection to farmers in several areas which allows the Company to select premium quality products from high standard farms and



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distribute to the market through online channel. The sales in this quarter was around 0.38 million baht.

However, as for the 9-month period ended September 30, 2020 the Company and its subsidiary's revenue from sales of goods was in the amount of 266.32 million baht, slightly increased by 4.33 million baht or 1.65% of the same period of sales in 2019.

## 2. Cost of sales of goods and Expenses

2.1. Cost of sales of goods for the 3-month period ended September 30, 2020 increased from the same period of last year around 2.93% or in the amount of 1.36 million baht, the gross profit margin of Q3/2020 was significantly increased to 34.06% while Q3/2019 was only 24.44%. The main reason was from an increased from sales proportion of Screw flight to 29.19% of total sales while last year was only 23.59%, screw flight is the highest gross profit margin products of the Company. Moreover, lessen in sales of Plough that has the lowest in gross profit margin among all the products also resulted to a higher in overall gross profit margin in this quarter.

Cost of sales of goods for the 9-month period ended September 30, 2020 was in the amount of 195.06 million baht decreased by 4.06% or in the amount of 9.40 million baht contrary to a rise of sales for 9-month period of 2020. This was due to the change in sales portion of Screw flight and Plough as mentioned above. Therefore, the gross profit margin for the 9-month period of 2020 was at 26.76% while it was 21.96% last year.

2.2. Distribution costs for 3-month and 9-month period ended September 30, 2020 had slightly change due to the ongoing of COVID-19 pandemic situation, the Company could not hold a promotional event such as factory visit for customers therefore there was not much change in selling expenses.

2.3. Administration expenses for the 3-month period ended September 30, 2020, was in the amount of 8.86 million baht, dropped by 0.53 million baht or 5.64% when compared to the same period of last year. As for the 9-month period ended September 30, 2020 the administration expense was in the amount of 26.96 million baht, decreased by 2.07 million baht or 7.13% with a decreased in depreciation expenses of Factory 2 that used to recognized as administration expense while this quarter the Company adjusted the utilization rate in accordance to the actual production so the depreciation expense was less recognized in administration expense. There was also financial support policy from Social Security Board for COVID-19 by reduced 5% employer's monthly contribution to 4% in March to May and down to 2% in September to November. Moreover, in 2019 there was loss in disposal of fixed assets while there is no such expense in this quarter.



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### 3. Finance costs

Finance cost for the 3-month and 9-month period ended September 30, 2020 was 0.58 million baht and 2.03 million baht accordingly. Only a slight dropped from 2019 which mainly came from the fact that the Company made repayments to short-term loan amounting of 2.00 million baht in early of 2020 and the Monetary Policy Committee lowered down the policy rate to 0.50% in May 2020.

### 4. Net Profit

For the 3-month period ended September 30, 2020 the Company financial statement represents net profit in the amount of 12.55 million baht or considered as net profit margin of 17.34%, increased by 7.64 million baht or 155.60% from the same period of last year. A rise in net profit was from an increase of sales, a higher in gross profit margin and a less in administration expenses and finance cost in this period.

For the 9-month period ended September 30, 2020 the Company financial statement represents net profit in the amount of 34.37 million baht or considered as net profit margin of 12.91%, increased from last year by 11.82 million baht or 52.42% of the same period of last year. Even though there was only a slightly increased in sales for the 9-month period but with a better performance in gross profit margin and a less in administration expenses and finance cost in this period which resulted to a significantly increase in net profit.

### 5. Statement of financial positions

Items	31 Dec 2019	30 Sep 2020	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	429.19	440.76	11.57	2.70
Cash and cash equivalents	67.72	104.83	37.11	54.80
Trade and other account receivables	58.62	47.16	(11.46)	(19.55)
Inventories	123.14	118.98	(4.16)	(3.38)
Property, plant, and equipment	172.74	150.53	(22.21)	(12.86)
Right-of-use assets	0.00	14.25	14.25	NA
Other non-current assets	4.83	2.90	(1.93)	(39.96)
Total Liabilities	84.16	86.56	2.40	2.85
Short-term borrowings from financial institutions	49.59	45.85	(3.74)	(7.54)
Trade and other account payables	17.23	26.63	9.40	54.56
Current portion of lease liabilities	4.16	3.89	(0.27)	(6.49)



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Items	31 Dec 2019	30 Sep 2020	Changes	
	Million baht	Million baht	Million baht	%
Lease liabilities	5.61	2.78	(2.83)	(50.45)
Total shareholders' equity	345.03	354.20	9.17	2.66

As of September 30, 2020, the Company and its subsidiary's total assets was in the amount of 440.76 million baht, increased by 11.57 million baht when compared to total assets as of December 31, 2019. A change in total assets of the Company and its subsidiary came from details as follow.

Cash and cash equivalent increased by 37.11 million baht or 54.80% from December 31, 2019. The Company and its subsidiary had cash from operating activities amounting to 82.26 million baht and cash used in investing activities amounting to 9.05 million baht. The Company also paid dividend in the amount of 25.20 million baht combined with cash paid in short-term borrowings from financial institutions, long term loan and financial lease resulting to net cash used in financing activities in the amount of 36.10 million baht.

Trade and other account receivables as of September 30, 2020 was in the amount of 47.16 million baht, decreased by 11.46 million baht from December 31, 2019. Due to lessen in sales of this quarter compares to sales in Q4/19 resulted to a declined in trade and other account receivables at the end of this period.

Property, plant and equipments as of September 30, 2020 was in the amount of 150.53 million baht declined from last year in the amount of 22.21 million baht or 12.86%. This year the Company has adopted Thai Financial Reporting Standards no. 16 Lease, resulted to a reclassification of Right-of-use assets under all leases (except short-term leases and leases of low-value assets) to presented separately under the account name as "Right-of-use assets" which was in the amount of 14.25 million baht as of September 30, 2020.

As of September 30, 2020, the Company and its subsidiary had a drop in short-term borrowing from financial institutions in the amount of 3.74 million baht or 7.54% when compare to the end of 2019. This quarter there was a higher in demand of the product Screw Flight that raw materials can be sourcing from local suppliers which resulted to less used of short-term borrowing from financial institutions. In contrary, there was an increased in Trade and other account payables as of September 30, 2020 in the amount of 9.40 million baht or 54.56% from the end of 2019 due to more local purchases of raw materials for Screw Flight products.



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Total shareholder's equity of the Company and its subsidiary as of September 30, 2020 was in the amount of 354.20 million baht, decreased by 9.17 million baht or 2.66%. The change came from an increase in net profit from the Company's performance of the first 9 months of 2020 and the dividend payment of 25.20 million baht in May 2020.

Please be informed accordingly

Yours sincerely

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Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited