



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 012/2566

November 13th, 2023

Subject : Management Discussion and Analysis for the 3-month and 9-month period ended September 30, 2023

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, 2023, with details as follow.

unit: million baht

| Items | 3-Month Period Ended September 30 | | | | Changes | |
|---|-----------------------------------|--------|--------|--------|---------|---------|
| | 2022 | | 2023 | | | |
| | Amount | % | Amount | % | Amount | % |
| Revenue from sales of goods and rendering of services | 62.26 | 100.00 | 68.32 | 100.00 | 6.06 | 9.73 |
| Cost of sales of goods and rendering of services | 47.22 | 75.84 | 52.32 | 76.58 | 5.10 | 10.80 |
| Gross profit | 15.04 | 24.16 | 16.00 | 23.42 | 0.96 | 6.38 |
| Other income | 1.09 | 1.75 | 0.80 | 1.17 | (0.29) | (26.61) |
| Profit before expenses, finance cost and taxes | 16.13 | 25.91 | 16.80 | 24.59 | 0.67 | 4.15 |
| Distribution costs | 3.06 | 4.91 | 3.34 | 4.89 | 0.28 | 9.15 |
| Administrative expenses | 8.82 | 14.17 | 10.63 | 15.56 | 1.81 | 20.52 |
| Loss on exchange rate | 0.15 | 0.24 | 0.19 | 0.28 | 0.04 | 26.67 |
| Profit before finance cost and taxes | 4.10 | 6.59 | 2.64 | 3.86 | (1.46) | (35.61) |
| Finance Cost | (1.73) | 2.78 | (1.05) | 1.54 | (0.68) | (39.31) |
| Profit before income tax expenses | 2.37 | 3.81 | 1.60 | 2.34 | (0.77) | (32.49) |
| Income tax expense | 0.66 | 1.06 | 0.77 | 1.13 | 0.11 | 16.67 |
| Net profit | 1.70 | 2.73 | 0.83 | 1.21 | (0.88) | (51.46) |



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unit: million baht

| Items | 9-Month Period Ended September 30 | | | | Changes | |
|---|-----------------------------------|--------|--------|--------|---------|---------|
| | 2022 | | 2023 | | | |
| | Amount | % | Amount | % | Amount | % |
| Revenue from sales of goods and rendering of services | 392.70 | 100.00 | 345.69 | 100.00 | (47.01) | (11.97) |
| Cost of sales of goods and rendering of services | 322.04 | 82.01 | 281.42 | 81.41 | (40.62) | (12.61) |
| Gross profit | 70.66 | 17.99 | 64.27 | 18.59 | (6.39) | (9.04) |
| Other income | 4.17 | 1.06 | 2.36 | 0.68 | (1.81) | (43.41) |
| Profit before expenses, finance cost and taxes | 74.83 | 19.06 | 66.63 | 19.27 | (8.20) | (10.96) |
| Distribution costs | 10.91 | 2.78 | 12.35 | 3.57 | 1.44 | 13.20 |
| Administrative expenses | 27.99 | 7.13 | 32.11 | 9.29 | 4.12 | 14.72 |
| Loss on exchange rate | 0.10 | 0.03 | 0.13 | 0.04 | 0.03 | 30.00 |
| Profit before finance cost and taxes | 35.83 | 9.12 | 22.04 | 6.38 | (13.79) | (38.49) |
| Finance Cost | (4.90) | 1.25 | (3.22) | 0.93 | (1.68) | (34.29) |
| Reversal of impairment loss | 0.38 | 0.10 | 0.18 | 0.05 | (0.20) | (52.63) |
| Profit before income tax expenses | 31.31 | 7.97 | 19.01 | 5.50 | (12.30) | (39.28) |
| Income tax expense | 2.85 | 0.73 | 2.50 | 0.72 | (0.35) | (12.28) |
| Net profit | 28.46 | 7.25 | 16.51 | 4.78 | (11.95) | (41.99) |

1. Revenue from sales of goods and rendering of services.

For the 3-month period ending on September 30, 2023, the company and its subsidiaries generated a total revenue of 68.32 million Baht, which was a slight increase of 6.06 million Baht or approximately 9.73% compared to the sales revenue for the same period in 2022. This increase was driven by the growth of the Plough implement set and Rotary product groups. The boost in Plough implement set sales in this quarter was primarily due to increased promotion of heavy-duty tractors by major customers. In 2022, the production of tractors faced some challenges related to parts shortages, which affected the normal sales of Plough implement set products, as they are typically sold alongside new tractors entering the market. However, in 2023, major customers resolved their Supply Chain issues, enabling them to push the sales of heavy-duty tractors further. As a result, the company's Plough implement set sales increased in this quarter, despite it being the Low Season for Plough implement set, Disc and Dozer blade product groups.



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As for the Rotary product group, sales increased through one of the subsidiary companies that focused on marketing to end-users, particularly through online channels. In this three-month period, nearly half of all Rotary blade sales were made online.

However, for the third quarter of 2023, the sales of the Screw Flight product group were slightly lower than the same period in the previous year. This was primarily due to dry and drought conditions, which led to the anticipation of reduced agricultural production this year, resulting in a decreased demand for harvesting-related products.

As of the 9-month period ended September 30, 2023, the company and its subsidiaries reported sales revenue of 345.69 million Baht, which decreased by 47.01 million Baht or approximately 11.97% compared to the sales revenue for the same period in the previous year. Sales declined across all product categories, with the Screw Flight and Disc plough sales dropping by around 15-17%. However, the Plough implement set and Rotary product groups saw increased sales for the same reasons as the changes in the three-month period. It should be noted that the reduced sales in this year were primarily due to the significant impact of prolonged drought conditions. These conditions included lower rainfall compared to the previous year and decreasing water levels in reservoirs and natural water sources. Additionally, the long-lasting hot and dry weather from the beginning of the year until May 2023, along with periods of inadequate rainfall, adversely affected crop growth. It is expected that the drought situation caused by the El Niño phenomenon will persist through 2024.

2. Cost of sales of goods and rendering of services and Expenses

- 2.1. For the 3-month period ending on September 30, 2023, the cost of sales of goods and rendering services increased by approximately 10.80% compared to the same period in the previous year, amounting to 5.10 million Baht. This increase was in line with the growth in sales during the 3-month period. The gross profit margin in the third quarter of 2023 slightly decreased by 23.42%, while in the third quarter of 2022, it was 24.16%. This was a result of the reduced proportion of Screw Flight in the third quarter of 2023 accounting for 21.88% of total sales revenue, compared to 24.26% in the previous year.

For the 9-month period ending on September 30, 2023, the cost of sales of goods and rendering services decreased by 40.62 million Baht, equivalent to a reduction of 12.61%, when compared to the selling costs for the same period in the previous year. This reduction aligns with the downward adjustment of sales and service revenue. The gross profit margin for the 9-month period of this year slightly improved to 18.59%, while in the same period of the previous year, it was 17.99%. A significant



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reason for this improvement was the decreasing price of steel raw materials, even though the production costs for other components remained relatively high.

- 2.2. The distribution costs for the third quarter of 2023 increased by 0.28 million Baht, or approximately 9.15%, when compared to the third quarter of 2022. This increase is consistent with the rise in sales for the three-month period in this year.

For the 9-month period ending on September 30, 2023, the distribution costs increased by 1.44 million Baht, representing a 13.20% increase. The primary reasons for this increase were expenses related to market surveys in the CLMV region and increased marketing and advertising costs due to a focus on online advertising channels. Additionally, the costs of CRM program services, which were initiated this year to aid in sales management, contributed to the rise in distribution costs.

- 2.3. Administration expenses for the 3-month period ending on September 30, 2023, had a total value of 10.63 million Baht, which increased by 1.81 million Baht or approximately 20.52% when compared to the same period in 2022. As for the 9-month period ending on September 30, 2023, the management expenses amounted to 32.11 million Baht, representing an increase of 4.12 million Baht or approximately 14.72%. The significant reasons for these increases were from the growth in expenses related to employee activities, including the addition of personnel in the research and development department since July 2023. This led to increased labor and employee welfare costs. Moreover, the company's decision to lease additional office space for the establishment of a third branch. Additionally, one of subsidiary companies also leased additional space for use as an Extraction facility, resulting in higher depreciation expenses for right-of-use assets in the current year.

These factors contributed to the overall increase in administrative expenses for both the 3-month period of the third quarter and the 9-month period of this year.

3. Finance costs

The financial costs for the 3-month and 9-month periods ended on September 30, 2023, amounted to 1.05 million Baht and 3.22 million Baht, respectively. In both cases, these figures decreased from the previous year in 2022. The significant reason for this decrease was the reduction in the import of raw materials since late 2022. This reduction led to an overall decrease in short-term debt obligations and interest expenses from financial institutions, resulting in lower financial costs for these periods.



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4. Net Profit

For the 3-month period ending on September 30, 2023, the Company and its subsidiaries reported a net profit of 0.83 million Baht, which represents a net profit margin of 1.21%. This figure decreased by 0.88 million Baht or 51.46% compared to the same period in the previous year. The reduction in net profit for the 3-month period can be attributed to increased distribution costs and management expenses.

For the 9-month period ending on September 30, 2023, the Company and its subsidiaries reported a net profit of 16.51 million Baht, with a net profit margin of 4.78%. This figure decreased by 11.95 million Baht, or 41.99%, from the same period in the previous year. The decline in net profit for the 9-month period resulted from reduced sales revenue. Although the gross profit margin showed signs of improvement, the increase in distribution costs and administrative expenses led to a corresponding decrease in net profit.

5. Statement of financial positions

| Items | 31 Dec 2022 | 30 Sep 2023 | Changes | |
|---|--------------|--------------|--------------|---------|
| | Million Baht | Million Baht | Million Baht | % |
| Total Assets | 645.76 | 639.54 | (6.22) | (0.96) |
| Cash and cash equivalents | 28.26 | 97.99 | 69.73 | 246.74 |
| Trade and other account receivables | 72.94 | 61.96 | (10.98) | (15.05) |
| Inventories | 291.35 | 224.67 | (66.68) | (22.89) |
| Property, plant, and equipment | 223.65 | 220.61 | (3.04) | (1.36) |
| Right-of-use assets | 24.13 | 27.28 | 3.15 | 13.05 |
| Other non-current assets | 1.98 | 3.34 | 1.36 | 68.69 |
| Total Liabilities | 146.62 | 129.23 | (17.39) | (11.86) |
| Short-term borrowings from financial institutions | 63.98 | 42.36 | (21.62) | (33.79) |
| Trade and other account payables | 20.78 | 29.16 | 8.38 | 40.33 |
| Current portion of long-term loan | 10.33 | 10.41 | 0.08 | 0.77 |
| Current portion of lease liabilities | 5.67 | 6.06 | 0.39 | 6.88 |
| Long-term loan | 27.65 | 19.94 | (7.71) | (27.88) |
| Lease liabilities | 13.57 | 15.64 | 2.07 | 15.25 |
| Total shareholders' equity | 499.14 | 510.31 | 11.17 | 2.24 |



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As of September 30, 2023, the Company and its subsidiaries' total assets was in the amount of 639.54 million Baht, decreased by 6.22 million Baht when compared to total assets as of December 31, 2022. A change in total assets of the Company and its subsidiaries came from details as follow.

Cash and cash equivalent increased by 69.73 million Baht or 246.74 percent from December 31, 2022. The Company and its subsidiaries had net cash provided by operating activities amounting to 124.10 million Baht and cash used in investing activities amounting to 11.50 million Baht used for the acquisition of Laser machine in the Plough production line. Additionally, the company had cash outflows of 42.86 million Baht for financing activities, which included the repayment of short-term and long-term loans as well as interest payments, dividend payments, and subscription for purchase of shares.

Trade and other account receivables as of September 30, 2023 was in the amount of 61.96 million Baht decreased by 10.98 million Baht or 15.05% when compared to the trade and other account receivables as of December 31, 2022. This reduction is primarily attributed to a decrease in trade receivables due to reduced sales in the current quarter compared to the year-end of 2022. Additionally, receivables in the form of advance payments for importation of raw material purchases also decreased in the third quarter of 2023 when compared to the balance at the end of 2022.

As of September 30, 2023, the inventory had a total value of 224.67 million Baht, reflecting a decrease of 66.68 million Baht when compared to the year-end of 2022. This reduction is a consequence of product liquidation throughout the entire period, including reducing the procurement of raw materials for inventory management to maintain an optimal level throughout the current year. Consequently, the remaining inventory at the end of the 3rd quarter of 2023 decreased compared to the late 2022 period.

As of September 30, 2023, the company and its subsidiaries held Right-of-use assets valued at 27.28 million Baht, showing an increase of 3.15 million Baht or an increase of 13.05 percent. This increase is attributed to the 2 additional lease agreements for expanded office space and subsidiary extraction facility entered into during this year, resulting in a higher value of ROU assets by the end of this reporting period.

As of September 30, 2023, the company and its subsidiaries held short-term borrowings from financial institutions amounting to 42.36 million Baht, marking a decrease from the year-end 2022 figure of 21.62 million Baht, or a decrease of 33.79 percent. This reduction is attributed to prudent management practices, including delaying raw material procurement to optimize inventory management and utilizing credit facilities judiciously. Additionally, the company has gradually settled the payments for imported goods, leading to a marginal decline in short-term borrowings at the end of the period.



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Trade and other payables as of September 30, 2023, amounted to 29.16 million Baht, reflecting an increase of 8.38 million Baht compared to the year-end balance in 2022. This increase can be attributed to a higher volume of orders for raw materials for Plough implement set, in line with increased sales of this product group.

Overall of Long-term loan as of September 30, 2023 was in the amount of 30.35 million Baht, decreased by 7.63 million Baht from the end of 2022. The decrease can be attributed to the gradual repayment throughout the period.

Total lease liabilities as of September 30, 2023 was in the amount of 21.70 million Baht, increased from last year amounting to 2.46 million Baht. The increment in lease liabilities is a consequence of the expanded lease agreements concerning the new office spaces and extraction facility that the Company initiated in 2023.

Total shareholder's equity of the Company and its subsidiaries as of September 30, 2023 was in the amount of 510.31 million Baht, increased by 11.17 million baht or 2.24 percent from the end of 2022. The change came from profit from operating activities of the first 9 months of 2023 amounting to 16.51 million Baht, subscription for purchase of shares 19.76 million Baht and the dividend payment in May 2023 amounting to 27.57 million Baht.

Please be informed accordingly.

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited