



# 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 011/2566

August 11st, 2023

Subject : Management Discussion and Analysis for the 3-month and 6-month period ended June 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 6-month period ended June 30, 2023, with details as follow.

unit: million Baht

| Items   | Q2/2022 |        | Q2/2023 |        | Changes |          |
|---|---------|--------|---------|--------|---------|----------|
|   | Amount  | %      | Amount  | %      | Amount  | %        |
| Revenue from sales of goods and rendering of services | 155.08  | 100.00 | 109.69  | 100.00 | (45.39) | (29.27)  |
| Cost of sales of goods and rendering of services      | 130.20  | 83.96  | 88.13   | 80.34  | (42.07) | (32.31)  |
| Gross profit  | 24.87   | 16.04  | 21.56   | 19.66  | (3.32)  | (13.34)  |
| Other income  | 1.61    | 1.04   | 0.75    | 0.68   | (0.86)  | (53.42)  |
| Profit before expenses, finance cost and taxes        | 26.49   | 17.08  | 22.31   | 20.34  | (4.18)  | (15.78)  |
| Distribution costs                                    | 3.74    | 2.41   | 4.96    | 4.52   | 1.22    | 32.62    |
| Administrative expenses                               | 9.29    | 5.99   | 11.14   | 10.16  | 1.85    | 19.91    |
| Loss on exchange rate                                 | 0.03    | 0.02   | 0.07    | 0.06   | 0.04    | 133.33   |
| Profit from operating activities                      | 13.44   | 8.67   | 6.14    | 5.60   | (7.29)  | (54.28)  |
| Finance Cost  | (1.74)  | (1.12) | (1.10)  | (1.00) | 0.64    | (36.78)  |
| Reversal of impairment loss                           | 0.01    | 0.01   | 0.18    | 0.16   | 0.17    | 1,700.00 |
| Profit before income tax expenses                     | 11.70   | 7.54   | 5.22    | 4.76   | (6.48)  | (55.38)  |
| Income tax expense                                    | 0.82    | 0.53   | 0.52    | 0.47   | (0.30)  | (36.59)  |
| Net profit  | 10.88   | 7.02   | 4.70    | 4.28   | (6.18)  | (56.80)  |



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unit: million Baht

| Items   | 6M/2022      |              | 6M/2023      |              | Changes        |                |
|---|--------------|--------------|--------------|--------------|----------------|----------------|
|   | Amount       | %            | Amount       | %            | Amount         | %              |
| Revenue from sales of goods and rendering of services | 330.44       | 100.00       | 277.36       | 100.00       | (53.08)        | (16.06)        |
| Cost of sales of goods and rendering of services      | 274.82       | 83.17        | 229.09       | 82.60        | (45.73)        | (16.64)        |
| Gross profit  | 55.62        | 16.83        | 48.27        | 17.40        | (7.35)         | (13.21)        |
| Other income  | 3.08         | 0.93         | 1.55         | 0.56         | (1.53)         | (49.68)        |
| Gain on exchange rate                                 | 0.06         | 0.02         | 0.07         | 0.03         | 0.01           | 16.67          |
| <b>Profit before expenses, finance cost and taxes</b> | <b>58.76</b> | <b>17.78</b> | <b>49.89</b> | <b>17.99</b> | <b>(8.87)</b>  | <b>(15.10)</b> |
| Distribution costs                                    | 7.85         | 2.38         | 9.01         | 3.25         | 1.17           | 14.92          |
| Administrative expenses                               | 19.17        | 5.80         | 21.48        | 7.74         | 2.31           | 12.05          |
| <b>Profit from operating activities</b>               | <b>31.74</b> | <b>9.61</b>  | <b>19.40</b> | <b>6.99</b>  | <b>(12.35)</b> | <b>(38.90)</b> |
| Finance Cost  | (3.17)       | (0.96)       | (2.17)       | (0.78)       | 1.01           | (31.76)        |
| Reversal of impairment loss                           | 0.38         | 0.11         | 0.18         | 0.06         | (0.20)         | (52.63)        |
| <b>Profit before income tax expenses</b>              | <b>28.95</b> | <b>8.76</b>  | <b>17.41</b> | <b>6.28</b>  | <b>(11.54)</b> | <b>(39.86)</b> |
| Income tax expense                                    | 2.19         | 0.66         | 1.73         | 0.62         | (0.46)         | (21.00)        |
| <b>Net profit</b>                                     | <b>26.76</b> | <b>8.10</b>  | <b>15.68</b> | <b>5.65</b>  | <b>(11.08)</b> | <b>(41.41)</b> |

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

For the 3-month period ending on June 30, 2023, the Company and its subsidiaries generated a total revenue of 109.69 million Baht from sales of goods and rendering of services, a decrease of 45.39 Million Baht or a decrease of 29.27 percent compared to the sales revenue in the same period of 2022. The decrease in sales revenue was observed across almost all products, particularly in Disc and Dozer Blade, which experienced a significant decline in sales. This was mainly due to lower rainfall and water levels in reservoirs and water sources compared to the previous year. However, the revenue from the sale of screw flight did experience a slight increase from the first quarter of 2023, though it still decreased by 16.69 percent compared to the same quarter of the previous year. Nevertheless, in the second quarter of 2023, it was found that there was an increase in sales of the Rotary blade product group. The proportion of sales of Rotary blade increased to almost 5 percent of the total sales in the second



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quarter of 2023, whereas in the same quarter of 2022, the proportion of sales for Rotary blade was only 1.12 percent. This significant improvement was largely attributed to effective marketing efforts through social media platforms, which received favorable responses from end-user customers.

For the 6-month period ending on June 30, 2023, the Company and its subsidiaries generated a total revenue of 277.36 million Baht from sales and services, experiencing a decrease of 53.08 million Baht or a decrease of 16.06 percent compared to the sales revenue in the same period of 2022. The main factors that have impacted the company's sales revenue this year are the severe drought conditions, which have significantly affected both water quantity and volatile weather conditions. Additionally, there have been policy adjustments by the government in water management, encouraging farmers to shift towards cultivating crops that require less water. These are all risk factors that need to be closely monitored, particularly the patterns of rainfall distribution and the potential emergence of El Niño phenomena towards the end of the year, which could lead to prolonged drought conditions.

## 2. Cost of sales of goods and Expenses

- 2.1. Cost of sales of goods and rendering of services for the 3-month period ended June 30, 2023, increased from the same period of the previous year by approximately 32.31 percent or an equivalent value of 42.07 million Baht. This corresponds with the decrease in revenue from sales. Nevertheless, the gross profit margin for the second quarter of 2023 shows an improving trend, at 19.66 percent, compared to a gross profit margin of 16.04 percent in the same quarter of 2022. Mainly due to a decreasing steel raw material price, even though the production costs of other components remain at a high level.

For the cost of sales of goods and rendering of services, in the 6-month period ended June 30, 2023, the value stood at 229.09 million Baht, marking a decrease of 16.64 percent from the same period of the previous year, equivalent to a reduction of 45.73 million Baht. This reduction in costs exceeded the decline in sales, resulting in a slight increase in the gross profit margin for the six-month period. In 2023, the gross profit margin reached 17.40 percent, while in the corresponding period of 2022, it was at 16.83 percent. This is due to the same reason as the aforementioned slight improvement in the gross profit margin for the second quarter of 2023.

- 2.2. The distribution costs for the three-month and six-month periods ending on June 30, 2023, have increased from the same periods of the previous year. The significant factor contributing to this change is the expenses related to overseas market surveys, particularly in the CLMV group. Additionally, there has been an increase in advertising costs in this period, driven by a focus on online promotions through various channels. This includes expenses for the new Customer Relationship Management (CRM) program that was implemented this year, aimed at enhancing sales management. These factors collectively led to an increase in distribution costs during the specified periods.



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2.3. The administrative expenses for the three-month period ending on June 30, 2023, amounted to 11.14 million Baht, showing an increase of 1.85 million Baht or 19.91 percent when compared to the same period in 2022. For the six-month period ending on June 30, 2023, the administrative expenses totaled 21.48 million Baht, reflecting an increase of 2.31 million Baht or 12.05 percent.

The primary reason for this increase stems from elevated costs associated with organizing activities for employees, as well as the expansion of new office space as the company established a fourth branch. Additionally, the subsidiary company also incurred expenses related to renting space for use as a extraction facility, leading to higher depreciation expenses for the right-of-use assets in the current year. Consequently, administrative expenses have risen during both the three-month period of the second quarter and the six-month period of this year.

### 3. Finance costs

The financial costs for the three-month and six-month periods ending on June 30, 2023, amounted to 1.10 million Baht and 2.17 million Baht, respectively. Both of these figures represent significant decreases from the year 2022. The main reason for this decrease is attributed to a reduction in the importation of raw materials since the latter part of 2022. This reduction has led to an overall decrease in the burden of short-term debt obligations, including loans from financial institutions. As a result, the financial costs have decreased in this reporting period.

### 4. Net Profit

For the three-month period ending on June 30, 2023, the company and its subsidiaries reported a net profit of 4.70 million Baht, equivalent to a net profit margin of 4.28 percent. This represents a decrease from the same period of the previous year when the net profit was 6.18 million baht, resulting in a net profit margin decrease of 56.80 percent.

In the case of the six-month period ending on June 30, 2023, the company and its subsidiaries recorded a net profit of 15.68 million Baht, with a net profit margin of 5.65 percent. This reflects a decrease from the same period of the previous year when the net profit was 11.08 million baht, resulting in a net profit margin decrease of 41.41 percent.

The reduction in net profit for both the three-month and six-month periods of this year is primarily due to a decrease in sales revenue. Despite the improvement in the gross profit margin, the increased costs of distribution and administrative expenses have ultimately led to a decrease in net profit for this period.



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## 5. Statement of financial positions

| Items   | 31 Dec 2022  | 30 June 2023 | Changes      |         |
|---|--------------|--------------|--------------|---------|
|   | Million Baht | Million Baht | Million Baht | %       |
| Total Assets                                      | 645.76       | 646.99       | 1.23         | 0.19    |
| Cash and cash equivalents                         | 28.26        | 118.46       | 90.20        | 319.18  |
| Trade and other account receivables               | 72.94        | 63.02        | (9.92)       | (13.60) |
| Inventories                                       | 291.35       | 209.83       | (81.52)      | (27.98) |
| Property, plant, and equipment                    | 223.65       | 221.58       | (2.07)       | (0.93)  |
| Right-of-use assets                               | 24.13        | 28.78        | 4.65         | 19.27   |
| Other non-current assets                          | 1.98         | 1.85         | (0.13)       | (6.57)  |
| Total Liabilities                                 | 146.62       | 139.98       | (6.64)       | (4.53)  |
| Short-term borrowings from financial institutions | 63.98        | 51.80        | (12.18)      | (19.04) |
| Trade and other account payables                  | 20.78        | 25.66        | 4.88         | 23.48   |
| Current portion of long-term loan                 | 10.33        | 10.32        | (0.01)       | (0.10)  |
| Current portion of lease liabilities              | 5.67         | 6.37         | 0.70         | 12.35   |
| Long-term loan                                    | 27.65        | 22.57        | (5.08)       | (18.37) |
| Lease liabilities                                 | 13.57        | 17.09        | 3.52         | 25.94   |
| Total shareholders' equity                        | 499.14       | 507.01       | 7.87         | 1.58    |

As of June 30, 2023, the Company and its subsidiaries' total assets was in the amount of 646.99 million Baht, increased by 1.23 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 decreased by 90.20 million Baht or 319.18 percent from December 31, 2022. The Company and its subsidiaries had net cash provided by operating activities amounting to 127.92 million Baht and cash used in investing activities amounting to 7.18 million Baht used for the acquisition of Laser machine in the Plough production line. Additionally, the company had cash outflows of 30.54 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 June 30, 2023 was in the amount of 63.02 million Baht decreased by 9.92 million Baht or 13.60% when compared to the trade and other account receivables as of December 31, 2022. This reduction is primarily attributed to a decrease of other receivables, particularly in the



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form of advances for importation of raw material purchases, which decreased slightly in the second quarter of 2023 when compared to the balance at the end of 2022.

As of June 30, 2023, the inventory value stood at 209.83 million Baht, marking a decrease of 81.52 million Baht compared to the year-end 2022 figure. This reduction was influenced by strategic inventory management, including optimizing the timing of raw material disbursement during the High Season and delaying raw material procurement, ensuring a more appropriate level of remaining inventory. This has led to a relatively decrease in inventory by the end of the second quarter of 2023 when compared to the late 2022 period.

As of June 30, 2023, the company and its subsidiaries held Right-of-use assets valued at 28.78 million Baht, showing an increase of 4.65 million Baht or an increase of 19.27 percent. This increase is attributed to the 2 additional lease agreements for expanded office space and subsidiary extraction facilities entered into during this year, resulting in a higher value of ROU assets by the end of this reporting period.

As of June 30, 2023, the company and its subsidiaries held short-term borrowings from financial institutions amounting to 51.80 million Baht, marking a decrease from the year-end 2022 figure of 12.18 million Baht, or a decrease of 19.04 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.

Trade and other payables as of June 30, 2023, amounted to 25.66 million Baht, reflecting an increase of 4.88 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, in line with increased sales of this product group.

Overall of Long-term loan as of June 30, 2023 was in the amount of 32.89 million Baht, decreased by 5.09 million Baht from the end of 2022. The decrease can be attributed to the gradual repayment throughout the period.

Total shareholder's equity of the Company and its subsidiaries as of June 30, 2023 was in the amount of 507.01 million Baht, increased by 7.87 million baht or 1.58 percent from the end of 2022. The change came from profit from operating activities of the first 6 months of 2023, subscription for purchase of shares 19.76 million Baht and the dividend payment in May 2023 amounting to 27.57 million Baht.



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Please be informed accordingly

Yours sincerely

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Miss Tiya Phon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited