



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 010/2567

August 13th, 2024

Subject : Management Discussion and Analysis for the 3-month and 6-month period ended June 30, 2024

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, 2024, with details as follow.

unit: million Baht

Items	Q2/2024		Q2/2023		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods and rendering of services	141.99	100.00	109.69	100.00	32.30	29.45
Cost of sales of goods and rendering of services	106.39	74.93	88.13	80.34	18.26	20.72
Gross profit	35.60	25.07	21.56	19.66	14.04	65.12
Other income	1.12	0.79	0.75	0.68	0.37	49.33
Gain from exchange rate	0.14	0.10	0.00	0.00	0.14	NA
Profit before expenses, finance cost and taxes	36.86	25.96	22.31	20.34	14.55	65.22
Distribution costs	5.04	3.55	4.96	4.52	0.08	1.61
Administrative expenses	13.43	9.46	11.14	10.16	2.29	20.56
Loss on exchange rate	0.00	0.00	0.07	0.06	(0.07)	(100.00)
Profit from operating activities	18.39	12.95	6.14	5.60	12.25	199.51
Finance Cost	(1.17)	(0.82)	(1.10)	(1.00)	(0.07)	6.36
Reversal of impairment loss	0.01	0.01	0.18	0.16	(0.17)	(94.44)
Profit before income tax expenses	17.23	12.13	5.22	4.76	12.01	230.08
Income tax expense	2.08	1.46	0.52	0.47	1.56	300.00
Net profit	15.15	10.67	4.70	4.28	10.45	222.34



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Items	6M/2024		6M/2023		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods and rendering of services	295.29	100.00	277.36	100.00	17.93	6.46
Cost of sales of goods and rendering of services	222.69	75.41	229.09	82.60	(6.40)	(2.79)
Gross profit	72.60	24.59	48.27	17.40	24.33	50.40
Other income	2.09	0.71	1.55	0.56	0.54	34.84
Gain on exchange rate	0.22	0.07	0.07	0.03	0.15	214.29
Profit before expenses, finance cost and taxes	74.91	25.37	49.89	17.99	25.02	50.15
Distribution costs	9.83	3.33	9.01	3.25	0.82	9.10
Administrative expenses	26.36	8.93	21.48	7.74	4.88	22.72
Profit from operating activities	38.72	13.11	19.40	6.99	19.32	99.59
Finance Cost	(2.07)	(0.70)	(2.17)	(0.78)	0.10	(4.61)
Reversal of impairment loss	0.18	0.06	0.18	0.06	-	-
Profit before income tax expenses	36.83	12.47	17.41	6.28	19.42	111.55
Income tax expense	5.24	1.77	1.73	0.62	3.51	202.89
Net profit	31.59	10.70	15.68	5.65	15.91	101.47

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

For the 3-month period ending on June 30, 2024, the Company and its subsidiaries generated sales and service revenue of 141.99 million Baht, an increase of 32.30 million Baht, or 29.45% compared to the same period in 2023. In this quarter, sales revenue increased for almost every product, except for dozer blades, where sales slightly declined. The significant increase in sales was primarily due to a low base in 2023, and the continuous growth in the Plough implement set, driven by a major customer transferring their previous orders from another supplier to the company. This resulted in sales growth for the quarter, which contrasts with a 1.5% contraction in the agricultural economy compared to the same period in 2023, as the overall situation continues to be affected by the El Niño phenomenon.



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For the six-month period ending June 30, 2024, the Company and its subsidiaries generated sales and service revenue of 295.29 million Baht, an increase of 17.93 million Baht, or 6.46% compared to the same period in 2023. The increase in revenue for the six-month period was due to the same factors that contributed to the revenue growth in the second quarter, particularly the Plough implement set product group, which saw a 40.80% growth in sales compared to the previous year. Additionally, the screw flight product group experienced a significant growth of 93.43%, benefiting from a very low base in the previous year. The rotary blade group also saw a 50.94% growth, driven by the increasing popularity of the Pegasus brand, which allowed for further market expansion this year.

2. Cost of sales of goods and Expenses

- 2.1. For the three-month period ending June 30, 2024, the cost of sales and services increased by approximately 20.72% compared to the same period of the previous year, amounting to 18.26 million Baht. This increase aligns with the rise in sales revenue but at a lower rate, as the gross profit margin in Q2/2024 improved to 25.07%, compared to 19.66% in Q2/2023. The main reasons for this improvement were the decrease in raw material costs and the increased proportion of screw flight sales. Similarly, the cost of sales and services for the six-month period ending June 30, 2024, amounted to 222.69 million Baht, a decrease of 2.79% or 6.40 million Baht compared to the same period last year. This decrease contrasts with the increase in sales revenue for the six-month period, as the gross profit margin improved from 17.40% to 24.59% this year. Although overall production costs remain high due to factors such as wage increases and other production expenses, the significant increase in screw flight sales and the continuous growth of the online market have been positive factors that led to an improvement in the company's gross profit margin during this period.
- 2.2. For the three-month and six-month periods ending June 30, 2024, distribution costs increased slightly compared to the same periods in the previous year. The main reason for this increase was the expenses incurred from participating in the Agritechnica Asia exhibition, held at the BITEC Exhibition Center, Bangna, from May 22 to 24, 2024. In the same period last year, there were no such exhibition expenses.
- 2.3. For the three-month period ending June 30, 2024, administrative expenses amounted to 13.43 million Baht, an increase of 2.29 million Baht, or 20.56%, compared to the same period in 2023. For the six-month period ending June 30, 2024, administrative expenses amounted to 26.36 million Baht, an increase of 4.88 million Baht, or 22.72%. The increase in expenses this year was mainly due to employee-related costs, including salaries, benefits, and bonuses, resulting from the addition of manpower in the R&D department, which took place in Q3 2023. Additionally, there were expenses from a subsidiary that held



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a factory opening event in March and rented space for an herbal extraction facility in Samut Sakhon Province. This led to an increase in depreciation expenses for right-of-use assets, contributing to higher administrative expenses in both the three-month period of Q2 and the six-month period of this year.

3. Finance costs

Finance costs for the three-month and six-month periods ending June 30, 2024, amounted to 1.17 million Baht and 2.07 million Baht, respectively. The total amount for both periods remained largely unchanged from 2023. This is because the company has been trying to control the purchase of raw materials from abroad to a reasonable level, which has resulted in limited utilization of short-term credit facilities from financial institutions during this period.

4. Net Profit

For the three-month period ending June 30, 2024, the Company and its subsidiaries recorded a net profit of 15.15 million Baht, with a net profit margin of 10.67%. This represents an increase of 10.45 million Baht, or 222.34%, compared to the same period last year.

For the six-month period ending June 30, 2024, the Company and its subsidiaries recorded a net profit of 31.59 million Baht, with a net profit margin of 10.70%, an increase of 15.91 million Baht, or 101.47%, compared to the same period last year.

The increase in net profit for both the three-month and six-month periods this year was driven by the increase in sales revenue and a significant improvement in the company's profitability, despite the rise in distribution costs and administrative expenses. These factors contributed to the growth in net profit during these periods.

5. Statement of financial positions

Items	30 June 2024	31 Dec 2023	Changes	
	Million Baht	Million Baht	Million Baht	%
Total Assets	678.72	629.47	49.25	7.82
Cash and cash equivalents	151.73	99.59	52.14	52.35
Trade and other account receivables	101.00	76.62	24.38	31.82
Inventories	170.16	202.41	(32.25)	(15.93)
Property, plant, and equipment	215.85	220.5	(4.65)	(2.11)
Right-of-use assets	32.75	25.38	7.37	29.04
Other non-current assets	4.24	2.05	2.19	106.83
Total Liabilities	159.21	113.22	45.99	40.62
Short-term borrowings from financial institutions	51.02	31.86	19.16	60.14



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Items	30 June 2024	31 Dec 2023	Changes	
	Million Baht	Million Baht	Million Baht	%
Trade and other account payables	49.89	28.17	21.72	77.10
Current portion of long-term loan	10.79	10.52	0.27	2.57
Current portion of lease liabilities	7.59	5.79	1.80	31.09
Long-term loan	11.81	17.28	(5.47)	(31.66)
Lease liabilities	19.23	14.17	5.06	35.71
Total shareholders' equity	519.51	516.25	3.26	0.63

As of June 30, 2024, the Company and its subsidiaries' total assets was in the amount of 678.72 million Baht, increased by 49.25 million Baht when compared to total assets as of December 31, 2023. A change in total assets of the Company and its subsidiaries came from details as follow.

Cash and cash equivalent increased by 52.14 million Baht or 52.35% from December 31, 2023. The Company and its subsidiaries had net cash provided by operating activities amounting to 79.79 million Baht and cash used in investing activities amounting to 7.81 million Baht. Additionally, the company had cash outflows of 19.84 million Baht for financing activities, which included the repayment of short-term and long-term loans as well as interest payments and dividend payment.

Trade and other account receivables as of June 30, 2024 was in the amount of 101.00 million Baht increased by 24.38 million Baht or 31.82% when compared to the trade and other account receivables as of December 31, 2023. A rise in trade receivables resulting from higher sales during the second quarter of 2024 compared to the end of 2023.

As of June 30, 2024, the inventory had a total inventory value of 170.16 million Baht, reflecting a decrease of 32.25 million Baht when compared to the year-end of 2023. This decrease is due to an increased demand for products during the soil preparation season, resulting in a reduction in inventory by 15.93% compared to the end of 2023.

As of June 30, 2024, the company and its subsidiaries had right-of-use assets valued at 32.75 million baht, an increase of 7.37 million baht, or 29.04%. This increase was due to the extension of additional lease agreements in Q1 for the distribution center of a subsidiary, as well as new lease agreements for the herbal extraction facility in Samut Sakhon Province of a subsidiary, resulting in an increase in right-of-use assets at the end of the period.



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As of June 30, 2024, the company and its subsidiaries had total liabilities of 159.21 million Baht, comprising the following significant items:

As of June 30, 2024, the short-term borrowings from financial institutions amounted to 51.02 million baht, an increase of 19.16 million baht from the end of 2023. This increase was due to the utilization of credit lines for purchasing raw materials from abroad to replenish stock to appropriate levels, following significant usage of raw materials for production and sales during the first half of the year, which aligns with the sales season.

Trade and other payables as of June 30, 2024, amounted to 49.89 million Baht, reflecting an increase of 21.72 million Baht compared to the year-end balance in 2023. 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 June 30, 2024 was in the amount of 22.60 million Baht, decreased by 5.20 million Baht from the end of 2023. The decrease can be attributed to the gradual repayment throughout the period.

Total lease liabilities as of June 30, 2024 was in the amount of 26.82 million Baht, increased from last year amounting to 6.86 million Baht. The increment in lease liabilities is a consequence of the extension of lease agreement concerning the distribution center of one of the subsidiaries and the leasing of the herbal extraction facility in Samut Sakhon Province in 2024.

Total shareholder's equity of the Company and its subsidiaries as of June 30, 2024, was in the amount of 519.51 million Baht, increased by 3.26 million Baht from the end of 2023. This increase was due to the company's operational profit of 31.59 million baht for the six-month period, offset by a dividend payment of 28.33 million baht made in May 2024, resulting in a 0.63% increase in shareholders' equity.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited