

Stars Microelectronics (Thailand) Public Company Limited

Management Discussion and Analysis (MD&A)
Quarter 1 Ending March 31, 2024

Stars Microelectronics (Thailand) Public Company Limited

Executive Summary

The electronics industry still continued to encounter difficulties from soft demand in the market which not fully recovered yet and uncertainty in the global economy and war situation. This still uncertainty led to a significant impact on businesses, leading them to change their activities by reducing their inventory levels, delaying orders

Stars Microelectronics (Thailand) Public Company Limited (“The Company”) still operated as its plan by focusing on high-quality customer groups, diversifying revenue streams across various business segments, expanding its customer base to multiple countries worldwide, and consistently developing modern and high-quality products. As a result of these efforts, the company reported of 473.30 million baht in total revenue and 28.4 million baht in net profit in the first quarter of year 2024.

In conclusion, the management team remains confident that our expertise in business segment and the strategies chosen by the management team will support and maintain company’s sustainable growth.

Sincerely

Stars Microelectronic (Thailand) Public Company Limited)

(Mr. Chaiyot Thaveeratitham)
Chief Financial Officer

Management Discussion and Analysis

The operation results of the company and its subsidiary for Q1/2024 reported the net profit of 28.40 million baht, decreased 44.98 million Baht or 61.30%, compared with net profit of 73.38 million Baht in Q1/2023.

- The operating results in Q1/2024 in comparison with Q1/2023

Income Statement	Q1 / 2024		Q1 / 2023		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and service income						
- Sales from IC	141,550	29.91	266,113	44.48	-124,563	-46.81
- Sales from PCBA and BOXBUILD	201,461	42.57	169,408	28.38	32,054	18.92
- Sales from OPTICS	130,287	27.53	210,437	27.14	-80,151	-38.09
Total sales and service income	473,298	100.00	645,958	100.00	-172,660	-26.73
Cost of sales and services	425,701	89.94	489,875	75.84	-64,174	-13.10
Gross Profit (loss)	47,597	10.06	156,083	24.16	-108,486	-69.51
Selling Expenses	11,412	2.41	20,566	3.18	-9,154	-44.51
Administrative Expenses	56,585	11.96	67,047	10.38	-10,462	-15.60
Loss on derivatives	6,928	1.46	0	0.00	6,928	>100.00
Operating Profit (loss)	-27,328	-5.77	68,470	10.60	-95,798	-140.0
Other income						
Revenue from scrap sales	2,479	0.52	4,817	0.75	-2,338	-48.54
Gain (loss) on exchange	17,059	3.60	0	0.00	17,059	>100.00
Gain (loss) on derivatives	-	-	-	-	-	-
Bad debt recovery	0	0.00	7,162	1.11	-7,162	-100.00
Compensation from insurance	-	-	-	-	-	-
Others	42,180	8.91	7,121	1.10	35,059	492.33
Profit (loss) before finance cost and income tax expenses	34,390	7.27	87,570	13.56	-53,180	-60.73
Finance income	272	0.06	15	0.00	257	>100.00
Finance cost	-39	-0.01	-4,759	-0.74	-4,720	-99.19
Profit (loss) before income tax expenses	34,623	7.32	82,826	12.82	-48,203	-58.20
Income tax benefits (expenses)	-6,223	-1.31	-9,447	-1.46	-3,224	-34.13
Profit (loss) for the year	28,400	6.00	73,379	11.36	-44,979	-61.30
Depreciation and amortization	52,512	11.09	53,880	8.34	-1,368	-2.54
EBITDA	86,902	18.36	141,450	21.90	-54,548	-38.56

The performance results for Q1/2024 compared with Q1/2023, as a result from the following factors:

Sales and Service income

The Company and its subsidiaries reported revenue from sales and service of 473.30 million Baht, decreased 172.66 million Baht, or 26.73%, from the previous year. The revenues from PCBA and BOXBUILD divisions increased by 18.92%, despite the economic slowdown, the global chip shortage circumstance, and conflict between countries.

Cost of Sales and Gross Profit

Total cost of sales and service were 425.70 million Baht, decreased 64.17 million Baht, or 13.10% from the corresponding period of the previous year. The cost decreased in line with revenue decreased.

Gross profit of Q1/2024 was 47.60 million Baht, decreased 108.49 million Baht, or 69.51% from the same period of the previous year along with decreased revenue.

Selling and Administrative Expenses

Selling and administration expenses of Q1/2024 were 67.99 million Baht, decreased 19.62 million Baht or 22.39% from the same period of previous year according to cost management.

Other incomes

The Company and its subsidiaries reported other incomes of 42.18 million Baht, increased 35.06 million Baht, compared with the corresponding period of the previous year. This is a result of the recognition of income from consulting projects in India for Stage 1. (See additional details in financial statements Q1/2024 note 9.1)

Financial cost

The Company and its subsidiaries reported financial costs of 0.04 million Baht, decreased 4.72 million Baht, or 99.19% compared with the same period of the previous year. The main reason came from principal prepayment following to the growth of the company.

Income tax

The Company and its subsidiaries reported tax expenses of 6.22 million Baht, decreased 3.22 million Baht compared with the corresponding period from the last year, reported tax expenses of 9.45 million baht.

Earnings before Interests, Taxes, Depreciation and Amortization (EBITDA)

The Company and its subsidiaries reported EBITDA of Q1/2024 were 86.90 million Baht, decreased 54.55 million Baht or 38.56% from the same period of previous year.

- **Financial Position**

At 31 March 2024, the Company and subsidiaries reported assets, liabilities and shareholder's equity compared to 31 December 2023 as below.

Balance Sheet	31 March 2024		31 December 2023		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Cash and cash equivalents	200,171	7.92	128,261	5.37	71,910	56.07
Trade and other receivables	340,577	13.48	267,452	11.20	73,125	27.34
Inventories	643,954	25.48	599,477	25.11	44,477	7.42
Total current assets	1,186,946	46.96	1,016,439	42.58	170,507	16.77
Property, plant and equipment	1,273,367	50.38	1,301,239	54.51	-27,872	-2.14
Total non-current assets	1,340,390	53.04	1,355,002	56.77	-14,612	-1.08
Total assets	2,527,336	100.00	2,387,037	100.00	140,299	5.88
Bank overdrafts and short-term loans from financial institutions	-	0.00	0	0.00	0	0.00
Trade and other payables	348,415	13.79	238,432	9.99	109,983	46.13
Current portion of long-term loans	-	0.00	0	0.00	0	0.00
Total current liabilities	370,473	14.66	250,197	10.48	120,276	48.07
Long-term loans, net of current portion	-	0.00	0	0.00	0	0.00
Lease liabilities, net of current portion	1,891	0.07	751	0.03	1,140	151.93
Total non-current liabilities	73,767	2.92	70,090	2.94	3,677	5.25
Total liabilities	444,240	17.58	320,286	13.42	123,954	38.70
Total shareholders' equity	2,083,096	82.42	2,066,751	86.58	16,345	0.79
Total liabilities & shareholders' equity	2,527,336	100.00	2,387,037	100.00	140,299	5.88

Asset

At the end of Q1/2024, the Company and its subsidiaries reported assets of 2,527.34 million Baht, increased 140.30 million Baht or 5.88% compared to at the year end of 2023.

The Company and its subsidiaries reported trade and other receivables of 340.58 million baht in Q1/2024, of which 299.03 million baht were net trade receivables. Referring to the mention amount from net trade receivables, the amount of net trade receivables which age is over 12 months was 239.26 million Baht, and the Company already reserved the amount of 235.06 million Baht as allowance for doubtful. It increased from the previous year by 1.08 million Baht. (See additional details in financial statements note 3)

At the end of Q1/2024, the Company and its subsidiaries reported the inventories of 632.05 million Baht, increased 32.58 million baht or 5.43% compared with the corresponding period in the previous year in proportion to the slowdown in sales. (See additional details in financial statements 2024 note 4)

Liabilities and shareholders' equity

At the end of Q1/2024, the Company reported liabilities of 444.24 million Baht, increased 123.96 million Baht or 38.70% compared to the end of 2023 mainly from trade credit. Meanwhile, shareholders' equity was 2,083.10 million Baht, increased 16.35 million Baht or 0.79% compared with at the year end of 2023.

● Sources and Uses of Fund

Cash flow statement	Q1/2024	Q1/2023	Increase (Decrease)
	Thousand Baht	Thousand Baht	Thousand Baht
Net cash flows from (used in) operating activities	101,641	75,686	25,955
Net cash flows from (used in) investing activities	(17,324)	(13,386)	3,938
Net cash flows from (used in) financing activities	(12,407)	(142,114)	-129,707
Net increase (decrease) in cash and cash equivalents	71,910	(79,814)	151,724
Cash and cash equivalents at beginning of year	128,261	119,258	9,003
Cash and cash equivalents at end of year	200,171	39,444	160,727

The Company and its subsidiaries reported net cash in Q1/ 2024 of 200.17 million Baht, increased 160.73 million Baht from Q1/2023.

The Company and its subsidiaries reported Q1/2024 net cash flows from operating activities of 101.64 million Baht, increased 25.96 million Baht, while net cash flows used for investing activities of 17.32 million Baht, increased from previous year of 3.94 million Baht. Besides, The Company and its subsidiaries reported net cash flows used in financing activities of 12.41 million Baht, decreased 129.71 million Baht from the last year due to payment of long-term debt and dividend payment.

- อัตราส่วนทางการเงินที่สำคัญ (Financial Ratio)

Financial Ratio	Q1/2024	Q1/2023	Unit
1.Current Ratio	3.20	4.06	times
2.Quick Ratio	1.47	1.67	times
3.Number of Days Receivables	58.61	42.95	days
4.Numbr of Days Inventory	133.27	115.81	days
5.Number of Days Payables	62.90	54.66	days
6.Cash cycle	128.98	104.10	days
7.Gross profit margin	10.06%	24.16%	%
8.EBITDA margin	18.36%	21.90%	%
9.EBIT margin	7.27%	13.56%	%
10.Net profit margin	6.00%	11.36%	%
11.Debt-to-Equity ratio	0.21	0.15	times
12.Interest Coverage ratio	897.63	18.40	times
13.Return on Assets (1.1)	7.57%	12.74%	%
14.Return on Equity (1.2)	9.17%	18.00%	%
15.Earning per share(2)	0.03	0.09	Baht
16.Book value per share	2.46	2.44	Baht

Remark

(1.1) Return on Assets = Profit (loss) for the year / average total asset

(1.2) Return on Equity = Profit (loss) for the year / average total shareholders' equity

(2) Earnings per share = Net profit (loss) attributable to equity holders of the company / number to issued and fully paid share

In Q1/2024, the company and its subsidiaries reported current ratio of 3.20, reflected in efficiency in liquidity management.

Cash conversion cycle increased from 104.10 days in Q1/2023 to 128.98 days in Q1/2024 due to increase in numbers of days inventory and number of days receivables.

Gross profit margin was 10.06% in Q1/2024, decreased from 24.16% in Q1/2023, mainly from raising in sales and service income of PCBA & BOXBUILD division which has lower gross margin than other divisions, growing 18.92%.

Debt to equity ratio in Q1/2024 was 0.21, decreased from the end of 2023, 0.15 as a result from trade payables increased.

Interest coverage ratio in Q1/2024 was 897.63, increased from Q1/2023 of 18.40 mainly from lower debt led to decrease in interest expenses.

Return on asset in Q1/2024 was at 7.57%, decreased from Q1/2023 of 12.74%, still reflected in efficiency of asset management to generate incomes.

Return on equity in Q1/2024 was at 9.17%, decreased from 18.00% in Q1/2023, still indicated company's profitability and well management in capital from shareholders.