

Stars Microelectronics (Thailand) Public Company Limited

Management Discussion and Analysis (MD&A) Quarter 2 Ending June 30, 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 our customers 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 487.11 million baht in total revenue and 63.22 million baht in net loss in the second quarter of year 2024 as the result of mentioned reasons.

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 Q2/2024 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 Q2/2023 as the result of 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 our customers to change their activities by reducing their inventory levels, delaying orders

- The operating results in Q2/2024 in comparison with Q2/2023

Income Statement	Q2 / 2024		Q2 / 2023		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and service income						
- Sales from IC	150,923	30.98%	230,570	32.99%	(79,647)	-11.40%
- Sales from PCBA and BOXBUILD	165,890	34.06%	185,470	26.54%	(19,580)	-2.80%
- Sales from OPTICS	170,296	34.96%	282,780	40.47%	(112,484)	-16.10%
Total sales and service income	487,109	100.00%	706,377	100.00%	-219,268	-31.04%
Cost of sales and services	500,179	102.68%	548,702	77.68%	-48,523	-8.84%
Gross Profit (loss)	-13,070	-2.68%	157,675	22.32%	-170,745	-108.29%
Selling Expenses	14,085	2.89%	25,316	3.58%	-11,231	-44.36%
Administrative Expenses	52,766	10.83%	50,896	7.21%	1,870	3.67%
Loss on derivatives	0	0.00%	3,818	0.54%	-3,818	-100.00%
Operating Profit (loss)	-79,921	-16.41%	77,645	10.99%	-157,566	-202.93%
Other income						
Revenue from scrap sales	2,980	0.61%	4,488	0.64%	-1,508	-33.60%
Gain (loss) on exchange	1,406	0.29%	559	0.08%	847	151.52%
Gain (loss) on derivatives	2,101	0.43%	0	0.00%	2,101	>100.00
Bad debt recovery	0	0.00%	0	0.00%	0	0.00%
Compensation from insurance	0	0.00%	0	0.00%	0	0.00%
Others	2,079	0.43%	13,496	1.91%	-11,417	-84.60%
Profit (loss) before finance cost and income tax expenses	-71,355	-14.65%	96,188	13.62%	-167,543	-174.18%
Finance income	1,953	0.40%	84	0.01%	1,869	2,225.00%
Finance cost	-41	-0.01%	-3,321	-0.47%	3,280	-98.77%
Profit (loss) before income tax expenses	-69,443	-14.26%	92,951	13.16%	-162,394	-174.71%
Income tax benefits (expenses)	6,223	1.28%	-8,199	-1.16%	14,422	-175.90%
Profit (loss) for the year	-63,220	-12.98%	84,752	12.00%	-147,972	-174.59%

The performance results for Q2/2024 compared with Q2/2023, as a result from the following factors:

Sales and Service income

The Company and its subsidiaries reported revenue from sales and service of 487.11 million Baht, decreased 219.27 million Baht, or 31.04%, from the previous year, 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 500.18 million Baht, decreased 48.52 million Baht, or 8.84% from the corresponding period of the previous year. The cost decreased less than revenue decreased because of fixed cost structure.

Gross profit of Q2/2024 was (13.07) million Baht along with decreased revenue.

Selling and Administrative Expenses

Selling and administration expenses of Q2/2024 were 66.85 million Baht, decreased 9.36 million Baht or 12.28% from the same period of previous year according to cost management.

Financial cost

The Company and its subsidiaries reported financial costs of 0.01 million Baht, decreased 3.28 million Baht, or 98.77% compared with the same period of the previous year. The main reason came from company has no long-term loan outstanding.

Financial Position

At 30 June 2024, the Company and subsidiaries reported assets, liabilities and shareholder's equity compared to 31 December 2023 as below.

Balance Sheet	30 June 2024		31 December 2023		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Cash and cash equivalents	113,258	4.89%	128,261	5.37%	-15,003	-11.70%
Trade and other receivables	320,276	13.84%	267,452	11.20%	52,824	19.75%
Inventories	562,498	24.31%	599,477	25.11%	-36,979	-6.17%
Total current assets	1,007,921	43.56%	1,016,439	42.58%	-8,518	-0.84%
Property, plant and equipment	1,236,745	53.44%	1,301,239	54.51%	-64,494	-4.96%
Total non-current assets	1,306,208	56.44%	1,355,002	56.77%	-48,794	-3.60%
Total assets	2,314,129	100.00%	2,387,037	100.00%	-72,908	-3.05%
Bank overdrafts and short-term loans from financial institutions	0	0.00%	0	0.00%	0	0.00%
Trade and other payables	268,163	11.59%	238,432	9.99%	29,731	12.47%
Current portion of long-term loans	0	0.00%	0	0.00%	0	0.00%
Total current liabilities	280,293	12.11%	250,197	10.48%	30,096	12.03%
Long-term loans, net of current portion	0	0.00%	0	0.00%	0	0.00%
Lease liabilities, net of current portion	1,582	0.07%	751	0.03%	831	110.76%
Total non-current liabilities	75,955	3.28%	70,090	2.94%	5,865	8.37%
Total liabilities	356,248	15.39%	320,286	13.42%	35,962	11.23%
Total shareholders' equity	1,957,881	84.61%	2,066,751	86.58%	-108,870	-5.27%
Total liabilities & shareholders' equity	2,314,129	100.00%	2,387,037	100.00%	-72,908	-3.05%

Asset

At the end of Q2/2024, the Company and its subsidiaries reported assets of 2,314.13 million Baht, decreased 72.91 million Baht or 3.05% compared to at the year end of 2023.

The Company and its subsidiaries reported trade and other receivables of 320.28 million baht in Q2/2024, of which 277.28 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 232.80 million

Baht, and the Company already reserved the amount of 233.54 million Baht as allowance for doubtful. It decreased from the previous year by 0.35 million Baht. (See additional details in Q2/2024 financial statements note 3)

At the end of Q2/2024, the Company and its subsidiaries reported the inventories of 562.50 million Baht, decreased 36.98 million baht or 6.17% compared with the corresponding period in the previous year in proportion to the slowdown in sales. (See additional details in Q2/2024 financial statements note 4)

Liabilities and shareholders' equity

At the end of Q2/2024, the Company reported liabilities of 356.25 million Baht, increased 35.96 million Baht or 11.23% compared to the end of 2023 mainly from trade credit. Meanwhile, shareholders' equity was 1,957.88 million Baht, decreased 108.87 million Baht or 5.27% compared with at the year end of 2023.

- Sources and Uses of Fund

Cash flow statement	Q2/2024	Q2/2023	Increase (Decrease)
	Thousand Baht	Thousand Baht	Thousand Baht
Net cash flows from (used in) operating activities	90,270	245,973	-155,703
Net cash flows from (used in) investing activities	(30,572)	(22,385)	8,187
Net cash flows from (used in) financing activities	(74,701)	(303,326)	-228,625
Net increase (decrease) in cash and cash equivalents	(15,003)	(79,738)	64,735
Cash and cash equivalents at beginning of year	128,261	119,258	9,003
Cash and cash equivalents at end of year	113,258	39,520	73,738

The Company and its subsidiaries reported net cash in Q2/ 2024 of 113.26 million Baht, increased 73.74 million Baht from Q2/2023.

The Company and its subsidiaries reported Q2/2024 net cash flows from operating activities of 90.27 million Baht, decreased 155.70 million Baht, while net cash flows used for investing activities of 30.57 million Baht, increased from previous year of 8.19 million Baht. Besides, The Company and its subsidiaries reported net cash flows used in financing activities of 74.70 million Baht, decreased 228.63 million Baht from the last year due to payment of long-term debt and dividend payment.

- อัตราส่วนทางการเงินที่สำคัญ (Financial Ratio)

Financial Ratio	Q2/2024	Q2/2023	Unit
1.Current Ratio	3.60	4.06	Times
2.Quick Ratio	1.59	1.67	Times
3.Number of Days Receivables	55.05	37.96	Days
4.Numbr of Days Inventory	105.99	96.62	Days
5.Number of Days Payables	46.21	42.12	Days
6.Cash cycle	114.83	92.46	Days
7.Gross profit margin	-2.68%	22.32%	%
8.EBIT margin	-14.65%	13.62%	%
9.Net profit margin	-12.98%	12.00%	%
10.Debt-to-Equity ratio	0.18	0.15	Times
11.Interest Coverage ratio	-1,692.73	28.99	Times
12.Return on Assets (1.1)	-12.14%	16.37%	%
13.Return on Equity (1.2)	-12.57%	16.85%	%
14.Earning per share (2)	-0.07	0.10	Baht
15.Book value per share	2.32	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 Q2/2024, the company and its subsidiaries reported current ratio of 3.60, reflected in efficiency in liquidity management.

Cash conversion cycle increased from 92.46 days in Q2/2023 to 114.83 days in Q2/2024 due to increase in numbers of days inventory and number of days receivables.

Gross profit margin was -2.68% in Q2/2024, decreased from 22.32% in Q2/2023, mainly from decreasing in sales and service income.

Debt to equity ratio in Q2/2024 was 0.18, slightly increased from the end of 2023, 0.15 as a result from trade payables increased.