

Stars Microelectronics (Thailand) Public Company Limited

Management Discussion and Analysis (MD&A)
Quarter 3 Ending September 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. However, the company reported of 492.29 million baht in total revenue and 82.62 million baht in net loss in the third 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 Q3/2024 reported the net loss of 82.62 million baht, compared with net profit of 84.17 million Baht in Q3/2023 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 Q3/2024 in comparison with Q3/2023

Income Statement	Q3 / 2024		Q3 / 2023		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and service income						
- Sales from IC	148,217	30.11%	190,378	44.48	-42,161	-22.15%
- Sales from PCBA and BOXBUILD	231,754	47.08%	159,521	28.38	72,233	45.28%
- Sales from OPTICS	112,322	22.82%	353,134	27.14	-240,811	-68.19%
Total sales and service income	492,293	100.00%	703,033	100.00%	-210,740	-29.98%
Cost of sales and services	496,939	100.94%	562,027	79.94%	-65,088	-11.58%
Gross Profit (loss)	-4,646	-0.94%	141,006	20.06%	-145,652	-103.29%
Selling Expenses	9,250	1.88%	5,448	0.77%	3,802	69.79%
Administrative Expenses	53,644	10.90%	61,314	8.72%	-7,670	-12.51%
Loss on derivatives	1,092	0.22%	3,503	0.50%	-2,411	-68.83%
Operating Profit (loss)	-68,632	-13.94%	70,741	10.06%	-139,373	-197.02%
Other income						
Revenue from scrap sales	2,653	0.54%	3,581	0.51%	-928	-25.91%
Gain (loss) on exchange	-20,177	-4.10%	5,077	0.72%	-25,254	-497.42%
Gain (loss) on derivatives	0	0.00%	0	0.00%	0	0.00%
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	3,697	0.75%	6,975	0.99%	-3,278	-47.00%
Profit (loss) before finance cost and income tax expenses	-82,459	-16.75%	86,374	12.29%	-168,833	-195.47%
Finance income	526	0.11%	28	0.00%	498	1,778.57%
Finance cost	-54	-0.01%	-1,620	-0.23%	1,566	-96.67%
Profit (loss) before income tax expenses	-81,987	-16.65%	84,782	12.06%	-166,769	-196.70%
Income tax benefits (expenses)	-637	-0.13%	-609	-0.09%	-28	4.60%
Profit (loss) for the year	-82,624	-16.78%	84,173	11.97%	-166,797	-198.16%

The performance results for Q3/2024 compared with Q3/2023, as a result from the following factors:

Sales and Service income

The Company and its subsidiaries reported revenue from sales and service of 492.29 million Baht, decreased 210.74 million Baht, or 29.98%, 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 496.94 million Baht, decreased 65.09 million Baht, or 11.58% from the corresponding period of the previous year. The cost decreased less than revenue decreased because of fixed cost structure.

Gross profit of Q3/2024 was (4.65) million Baht along with decreased revenue.

Selling and Administrative Expenses

Selling and administration expenses of Q3/2024 were 62.89 million Baht, decreased 3.87 million Baht or 5.79% from the same period of previous year according to cost management.

Financial cost

The Company and its subsidiaries reported financial costs of 0.05 million Baht, decreased 1.57 million Baht, or 96.67% 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 September 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	138,351	5.90%	128,261	5.37%	10,090	7.87%
Trade and other receivables	317,256	13.54%	267,452	11.20%	49,804	18.62%
Inventories	599,636	25.59%	599,477	25.11%	159	0.03%
Total current assets	1,077,154	45.97%	1,016,439	42.58%	60,715	5.97%
Property, plant and equipment	1,194,368	50.97%	1,301,239	54.51%	-106,871	-8.21%
Total non-current assets	5,926	54.03%	1,355,002	56.77%	-89,076	-6.57%
Total assets	2,343,080	100.00%	2,387,037	100.00%	-43,957	-1.84%
Bank overdrafts and short-term loans from financial institutions	36,500	1.56%	0	0.00%	36,500	0.00%
Trade and other payables	340,422	14.53%	238,432	9.99%	101,990	42.78%
Current portion of long-term loans	1,229	0.05%	0	0.00%	1,229	100.00%
Total current liabilities	390,989	16.69%	250,197	10.48%	140,792	56.27%
Long-term loans, net of current portion	0	0.00%	0	0.00%	0	0.00%
Lease liabilities, net of current portion	1,271	0.05%	751	0.03%	520	69.33%
Total non-current liabilities	77,269	3.30%	70,090	2.94%	7,179	10.24%
Total liabilities	468,258	19.98%	320,286	13.42%	147,972	46.20%
Total shareholders' equity	1,874,822	80.02%	2,066,751	86.58%	-191,929	-9.29%
Total liabilities & shareholders' equity	2,343,080	100.00%	2,387,037	100.00%	-43,957	-1.84%

Asset

At the end of Q3/2024, the Company and its subsidiaries reported assets of 2,343.09 million Baht, decreased 43.96 million Baht or 1.84% compared to at the year end of 2023.

The Company and its subsidiaries reported trade and other receivables of 317.26 million baht in Q3/2024, of which 314.29 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 229.04 million

Baht, and the Company already reserved the amount of 229.78 million Baht as allowance for doubtful. It decreased from the previous year by 4.19 million Baht. (See additional details in Q3/2024 financial statements note 3)

At the end of Q3/2024, the Company and its subsidiaries reported the inventories of 599.64 million Baht, decreased 0.16 million baht or 0.03% compared with the corresponding period in the previous year in proportion to the slowdown in sales. (See additional details in Q3/2024 financial statements note 4)

Liabilities and shareholders' equity

At the end of Q3/2024, the Company reported liabilities of 468.26 million Baht, increased 147.97 million Baht or 46.20% compared to the end of 2023 mainly from trade credit. Meanwhile, shareholders' equity was 1,874.82 million Baht, decreased 191.93 million Baht or 9.29% compared with at the year end of 2023.

- Sources and Uses of Fund

Cash flow statement	Q3/2024	Q3/2023	Increase (Decrease)
	Thousand Baht	Thousand Baht	Thousand Baht
Net cash flows from (used in) operating activities	94,457	414,759	(320,302)
Net cash flows from (used in) investing activities	(45,867)	(54,903)	(9,036)
Net cash flows from (used in) financing activities	(38,500)	(425,148)	(386,648)
Net increase (decrease) in cash and cash equivalents	10,090	(65,292)	75,382
Cash and cash equivalents at beginning of year	128,261	119,258	9,003
Cash and cash equivalents at end of year	138,351	53,966	84,385

The Company and its subsidiaries reported net cash in Q3/ 2024 of 138.35 million Baht, increased 10.09 million Baht from Q3/2023.

The Company and its subsidiaries reported Q3/2024 net cash flows from operating activities of 94.46 million Baht, decreased 320.30 million Baht, while net cash flows used for investing activities of 45.87 million Baht, decreased from previous year of 9.04 million Baht. Besides, The Company and its subsidiaries reported net cash flows used in financing activities of 38.50 million Baht, decreased 387.65 million Baht from the last year due to payment of long-term debt and dividend payment.

- อัตราส่วนทางการเงินที่สำคัญ (Financial Ratio)

Financial Ratio	Q3/2024	Q3/2023	Unit
1.Current Ratio	2.75	4.06	Times
2.Quick Ratio	1.22	1.67	Times
3.Number of Days Receivables	54.19	37.95	Days
4.Numbr of Days Inventory	110.09	97.34	Days
5.Number of Days Payables	53.15	46.99	Days
6.Cash cycle	111.14	88.30	Days
7.Gross profit margin	-0.94%	20.06%	%
8.EBIT margin	-16.75%	12.29%	%
9.Net profit margin	-16.78%	11.97%	%
10.Debt-to-Equity ratio	0.25	0.15	Times
11.Interest Coverage ratio	N/A	53.33	Times
12.Return on Assets (1.1)	-5.97%	16.03%	%
13.Return on Equity (1.2)	-5.37%	12.53%	%
14.Earning per share (2)	-0.10	0.10	Baht
15.Book value per share	2.22	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 Q3/2024, the company and its subsidiaries reported current ratio of 2.75, reflected in efficiency in liquidity management.

Cash conversion cycle increased from 88.30 days in Q3/2023 to 111.14 days in Q3/2024 due to increase in numbers of days inventory and number of days receivables.

Gross profit margin was -0.94% in Q3/2024, decreased from 20.06% in Q3/2023.

Debt to equity ratio in Q3/2024 was 0.25, slightly increased from the end of 2023, 0.15 as a result from trade payables increased.