

Executive Summary

Financial Result Summary Q3/ 2019	Q3/19	Q3/18	Change + /(-)	9M/19	9M/18	Change + /(-)
(in THB mm)			YoY			9M
Revenue from Sales and Services	57.4	54.3	6%	146.9	147.9	-1%
Cost of Sales and Services	(29.3)	(28.7)	2%	(84.3)	(73.7)	14%
Gross Profit	28.1	25.6	10%	62.6	74.2	-16%
EBITDA	35.6	22.4	59%	55.6	59.8	-7%
EBIT	31.6	18.5	71%	43.8	49.1	-11%
Net Profit	28.4	19.3	47.2%	41.3	49.3	-16.2%
Gross Profit Margin (%)	49.0%	47.1%	1.8%	42.6%	50.2%	-7.6%
EBITDA margin (%)	62.0%	41.3%	20.8%	37.8%	40.4%	-2.6%
EBIT margin (%)	55.1%	34.1%	21.0%	29.8%	33.2%	-3.4%
Net Profit Margin (%)	49.5%	35.5%	13.9%	28.1%	33.3%	-5.2%

Revenue from Sales and Services

- Yggdrazil Group Public Company Limited (“Company”) has total revenue from sales and services equivalent to THB 57.4mm in Q3/2019 and THB 146.9mm for the 9-month/2019, a 6% increase Q-on-Q from Q3/2018 and a 1% decrease in comparison from 9-month/2019 respectively
- The majority of the changes in Q3/2019 is attributed to the revenue from VR services (under Game segment) with portfolio distribution shifted more onto animation and game segment in comparison to the previous performance period

Gross Profit and Gross Profit Margin

- Gross profit of the Company in Q3/2019 and for the 9-month period 2019 is THB 28.1mm and THB 62.6mm respectively, an increase of 10% from Q3/2018 from the increase in revenue and a decrease of 16% from 9-month/2018 which results from the reallocation of certain SG&A expenses (e.g. electricity, rental expenses, etc) in the previous year into the COGS categories resulting in less gross profit
- Gross profit margin in Q3/2019 increases by 1.8% from Q3/2018 and the gross profit margin of 9-month/2019 decreases by 7.6% in comparison to the previous reporting period of 2018
- The decrease of the gross profit margin mainly results from the increase in cost of sales and services of the human resources expenses and the reallocation of expenses type in Q3 which used to be categorized in SG&A expenses and redistributed into COGS in 2019 resulting in the decreases of gross profit and gross profit margin accordingly

**EBIT and EBITDA margin**

- EBITDA and EBIT in Q3/2019 is equivalent to THB 35.6mm and THB 31.6mm and for 9-month/2019 is equivalent to THB 55.6mm and THB 43.8mm respectively. The EBITDA and EBIT in Q3/2019 increases due to the reversal of doubtful debt allowance in the amount of THB 11mm. The EBITDA and EBIT for 9-month/2019 decreases from the increase of COGS and from the loss from foreign exchanges in 2019
- EBITDA and EBIT margin in Q3/2019 increases significantly from the reversal of the doubtful debt allowance in the amount of THB 11mm and decreases for the 9-month reporting period from the increase of COGS and loss from foreign exchanges in 2019

Net Profit and Net Profit Margin

- Net profit of the Company in Q3/2019 and for the 9-month/2019 are equivalent to THB 28.4mm THB 41.3mm respectively, an increase of 47.2% from Q3/2018 and a 16.2% decreases from 9-month/2561
- Net profit margin in Q3/2019 increases by 13.9% from Q3/2018 and decreases by 5.2% for the 9-month/2019 in comparison to that of the 9-month/2018
- Net profit and net profit margin of Q3/2019 increases mostly from that of Q3/2018 from the reversal of doubtful debt allowance of THB 11mm. The decrease of net profit and net profit margin for the 9-month/2019 from 9-month/2018 results from the increases in COGS and the loss from foreign exchanges in 2019

Financial Performance

Yggdrazil Group Public Company Limited (“the Company”) are rendering services to produce computer graphics for advertisements, music videos and movies and to produce animation including rendering services to produce and sale games which divided in three categories :

1. Visual Effects
2. Animation Movie
- 3 Game & Production including innovation technology such as Virtual Reality (VR)

	Q3/2018	Q3/2019	Change	9-month 2018	9-month 2019	Change
Unit : THB mm	Total	Total	+/-	Total	Total	+/-
VFX	13.65	16.21	19%	47.76	36.64	-23%
Animation	26.71	18.79	-30%	48.3	73.63	52%
Game	14.07	22.74	62%	51.88	36.64	-29%
Total	54.43	57.74	6%	147.93	146.91	-1%

Q3/2019 VS Q3/2018

>> Revenue from VFX in Q3/2562 increases by 19% from Q3/2561 as the Company has been awarded a relatively large project for the local market and from the increases in international clients in comparison to the same quarter of previous year

>> Revenue from Animation in Q3/2562 decreases by 30% in comparison to Q3/2561 as manpower from Animation team has been allocated to conduct the work for Game (VR) and VFX segment and the project value decreases from the previous year

>> Revenue from Game in Q3/2562 increases by 62% from Q3/2561 as the Company has been awarded the VR production project and also from the revenue sharing for game licensing

9M/2019 VS 9M/2018

>> Revenue from VFX for the 9-month/2562 is equivalent to THB 36.64mm in comparison to THB 47.76mm for the 9-month/2561, a 23% decreases as the Company has expanded into the segment of Animation and Game with the trade-off of local VFX market

>> Revenue from Animation for the 9-month/2562 increases by 52% in comparison to 9-month/2561 as more project value has been awarded as the Company gradually gains the recognition in the Animation industry in Asia

>> Revenue from Game for the 9-month/2562 decreases by 29% in comparison to 9-month/2561 as the Company has less project than 2561 since the new project remains under discussion and negotiation for terms and conditions

Cost of Sales and Services	Q3/2018	Q3/2019	Change	9-month 2018	9-month 2019	Change
	Unit: THB mm Total	Total	+/-	Total	Total	+/-
Human Resources Expenses	20.68	20.41	-1%	57.87	61.85	7%
Depreciation and Amortization	3.2	3.31	3%	8.38	9.71	16%
Office and Equipment Rental	0.67	0.75	12%	0.67	2.25	236%
Outsource	1.93	2.23	16%	3.38	3.51	4%
Other Expenses	2.21	2.59	17%	3.38	7.02	108%
Total	28.69	29.29	2%	73.68	84.34	14%

Q3/2019 VS Q3/2018

- >> Office and Equipment rental expenses increases from rental of temporary serviced servers
- >> Outsource expenses increase from VFX department as in Q3 2562 there has been increased volume of international client and certain projects must be outsourced for parts of the projects
- >> Other expenses from electricity and network increases as a function of increasing headcount

9M/2019 VS 9M/2018

- >> Cost of human resources increases as operation team increases from 158 persons to 178 persons resulting in increases in expenses especially for animation segment in which the Company anticipates increases in workload in the future
- >> Increase in depreciation from the purchase of new servers, computers and programs for new employees
- >> Re-classification of office and equipment rental expenses and other expenses such as electricity, employee benefit from SG&A into COGS resulting in material increase in 2562

SG&A	Q3/2018	Q3/2019	Change	9-month 2018	9-month 2019	Change
Unit: THB mm	Total	Total	+/-	Total	Total	+/-
Human Resources Expenses	2.76	3.45	25%	8.13	9.85	21%
Depreciation and Amortization	0.71	0.71	0%	2.34	2.11	-10%
Office and Equipment Rental	0.29	0.29	0%	2.18	0.88	-60%
Outsources	0.02	0.11	450%	0.31	0.12	-61%
Employee Benefit	0.05	0.07	40%	0.59	0.23	-61%
Professional Fee	0.57	1.02	79%	3.13	2.41	-23%
Doubtful Debt Allowance (Reversal)	1.19	-11.31	-1050%	3.28	-4.13	-226%
Others	1.24	1.46	18%	5.93	4.02	-32%
Total	6.83	-4.2	-161%	25.89	15.49	-40%

Q3/2019 VS Q3/2018

- >> Human Resources expenses increase from the increase in salary base and employment of supporting team in line with increase in operation
- >> Increase in professional fee from Financial Advisor engagement in accordance to submission of filing
- >> Allowance for doubtful debt reversal from major customer which payment has been received in the quarter resulting in the reversal of such allowance

9M/2019 VS 9M/2018

- >> Human Resources expenses increase from the increase in salary base and employment of supporting team in line with increase in operation
- >> Decrease in depreciation and amortization as certain equipment have been fully depreciated and no purchase of material new equipment
- >> Decrease in rental of offices and equipment from the reclassification into COGS
- >> Increase in professional fee from Financial Advisor engagement in accordance to submission of filing
- >> Allowance for doubtful debt reversal from major customer which payment has been received in the quarter resulting in the reversal of such allowance
- >> Reclassification of expenses including electricity, utilities and employee benefit from SG&A into COGS resulting in material decrease in SG&A



SG&A Expenses	Q3/2018	Q3/2019	Change	9-month 2018	9-month 2019	Change
Unit: THB mm	Total	Total	+/-	Total	Total	+/-
Selling Expenses	0.37	1.1	197%	1.52	1.78	17%

Q3/2019 VS Q3/2018

>> Increase in selling expenses from the promotion of game: Home Sweet Home 1 prior to the launch of Home Sweet Home 2

9M/2019 VS 9M/2018

>> Increase in selling expenses from the promotion of game: Home Sweet Home 1 prior to the launch of Home Sweet Home 2

>> Decrease in commission collected for sales of Home Sweet Home 1 as the sales of game gradually decrease across time

Other Expenses	Q3/2018	Q3/2019	Change	9-month 2018	9-month 2019	Change
Unit: THB mm	Total	Total	+/-	Total	Total	+/-
Other Expenses	0.05	0.56	1020%	0.08	2.29	2763%

Q3/2019 VS Q3/2018

>> Majority of other expenses is driven by the loss in foreign exchanges from strengthening of the Thai Baht in 2019

9M/2019 VS 9M/2018

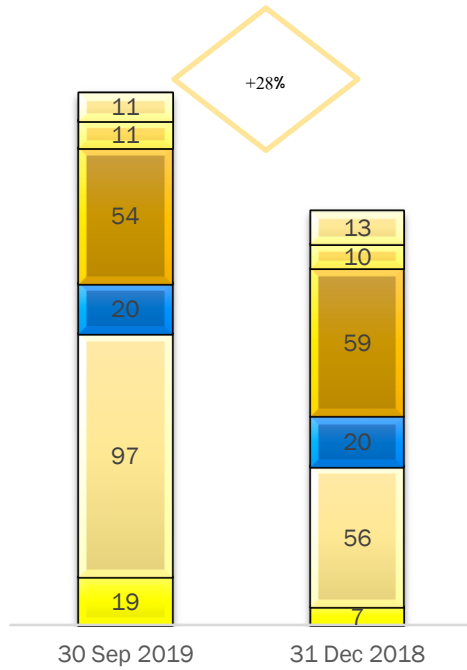
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Financial position

Asset

- Others
- Computer software
- Leasehold improvement and equipment
- Restricted fixed deposits
- Trade and other receivables
- Cash and cash equivalents



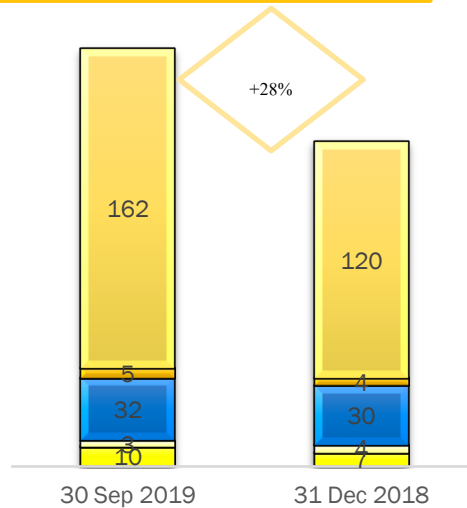
Asset

Account receivable and other receivable increase by THB 41mm (73%) from the undertaking of larger and longer-duration project size of which majority of the increase is from contract asset which most of the payment term is for the next quarter

Cash and equivalent increases by THB 12mm from the payment of customer in late Q3

Liabilities and Shareholder's Equity

- Equities
- Employee benefit obligations
- Borrowings
- Other current liabilities
- Trade and other payables



Liabilities and Shareholder's Equity

Interest-bearing debt increases from the utilization of OD facility for short-term cash management

Shareholder's equity increases by 35% equivalent to THB 42mm from the net profit of 9-month performance