



บริษัท ไอแอนดีไอ กรุ๊ป จำกัด (มหาชน)
I&I Group Public Company Limited
475 Siripinyo Building, Unit 1801, 18th Fl., Si Ayutthaya Road,
Thanon Phaya Thai, Ratchathewi, Bangkok 10400 Thailand
T (+66) 2-248-3745-6 F (+66) 2-248-3747 W www.ii.co.th

No. IIG 003/2020

11 November 2020

Subject: Management discussion and analysis for the 9 months ended September 30, 2020

Attn: Governors and President Market for Alternative Investment (MAI)

I&I Group Public Company Limited ("the Company") would like to submit the management discussion and analysis of the operating results for the nine months of 2020 ended September 30, 2020 as follows:

Overall Group Performance

Unit : million Baht

	Jan - Sept 2020	%	Jan - Sept 2019	%	Change	%YoY
Sales and Services Revenues	382.82	99.4	250.79	99.6	132.03	52.6
Other income	2.33	0.6	0.94	0.4	1.39	147.5
Total income	385.14	100.0	251.73	100.0	133.41	53.0
Cost of sales and services	275.58	71.6	176.02	69.9	99.56	56.6
Gross margin (exclude other income)	107.24	27.8	74.77	29.7	32.46	43.4
Selling and Administration Expense	63.31	16.4	45.08	17.9	18.22	40.4
Profit before finance costs and income tax	46.25	12.0	30.63	12.2	15.63	51.0
Finance costs	(0.03)	(0.0)	(0.16)	(0.1)	0.13	(78.9)
Profit before tax	46.22	12.0	30.47	12.1	15.75	51.7
Income tax	(9.30)	(2.4)	(7.40)	(2.9)	(1.90)	(25.6)
Net profit after tax	36.92	9.6	23.07	9.2	13.85	60.1

Total Revenues

Our group total revenue includes Sales and Services and Other Income. Overall, the Revenue for the first 9 months of Y.2020 was 385.14Mb an increase of 133.41 Mb or 53.0% YOY, attributable to Sales and Services increased 132.03Mb and 1.39Mb increased in other income.

Sales and Services Revenues

For the first 9 months, our group achieved total sales and services revenue of 382.82Mb. Revenue from Salesforce CRM contributed the most with an increase of 60.92 Mb or 35.3% followed by Oracle ERP of 59.22 Mb or 77.3%. Our newly setup business units drove Marketing Cloud and Customer Experience Management Sales to 13.37 Mb, an increase of 11.89 Mb or 800.4% YOY. We foresee a significant growth in these new Business Units in line with our planned strategy to offer end-to-end solutions to our new and existing customers.



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Cost of Sales and Services

Overall cost of sales and service increased in line with our sales increases. Cost of Sales and Services for the first 9 months of Y.2020 was 275.58 Mb. or 71.6% vs. 176.02 Mb or 69.9% in the same period last year increased 1.7 points or 2.4% which was in line with our incremental rates. We adjusted employee salary to remain competitive in the labour market. We hired more staff to be prepared for new big projects in the first quarter of Y.2020 and for the sales and implementation of the new products from Salesforce. With our strong workforce, our company is prepared to enjoy an Economy of Scale.

Selling and Administration Expense

For the first 9 months of Y.2020 our SG&A stood at 63.31 Mb or 16.4% compared to the first 9 months of Y.2019 we recorded SG&A of 45.08Mb or 17.9% an increase of 18.22Mb; compared YOY our SG&A decreased by 1.5% points. This 18.22Mb included one-offs expenses for IPO of 8Mb plus 10.22Mb increase attributed to upgraded IT expenses, more staff for business expansion, salary increased for staff, recruitment fee for recruiting talents, and an increase of professional fee/audit fee.

Net Profit

For the first 9 months of 2020, our net profit after tax stood at 36.92 Mb or 9.6% increased by 13.85Mb or 60.1% compared to the same period last year. Our net profit was negatively impacted by TAS12 of .9 Mb, the tax amount of taxable underwriting fee expenses. Without the TAS12, our net profit after tax would be 14.75Mb or an increase of 63.94% YOY.



Revenue Structure

Unit : million Baht

Revenue Types	Jan - Sept 2020	%	Jan - Sept 2019	%	Change	%YoY
1. Revenue from Customer Relationship Management (CRM)						
1.1 Salesforce software subscription	124.35	32.3	84.06	33.4	40.29	47.9
1.2 Implementation & AMS	95.91	24.9	69.29	27.5	26.62	38.4
1.3 Placement Service	13.36	3.5	19.36	7.7	(6.00)	(31.0)
Total Revenue from Customer Relationship Management (CRM)	233.62	60.7	172.71	68.6	60.92	35.3
2. Revenue from Enterprise Resource Planning (ERP)						
2.1 Oracle software subscription	27.30	7.1	14.70	5.8	12.60	85.7
2.2 Implementation & AMS	104.50	27.1	59.11	23.5	45.39	76.8
2.3 Oracle license	4.03	1.0	2.79	1.1	1.24	44.3
Total Revenue from Enterprise Resource Planning(CRM)	135.82	35.3	76.60	30.4	59.22	77.3
3. Revenue from Customer Experience Management (CEM)						
3.1 Consulting service & implementationn	13.37	3.5	1.49	0.6	11.89	800.4
Total Revenue from Customer Experience Management (CEM)	13.37	3.5	1.49	0.6	11.89	800.4
4. Other revenue	2.33	0.6	0.94	0.4	1.39	147.5
Total Revenue	385.14	100.0	251.73	100.0	133.41	53.0

Revenue from Software Subscription from Salesforce

For the first 9 months of 2020, revenue from subscription fee of Salesforce increased by 40.29 Mb. or 47.9% compared to the first 9 months of 2019. This is due to the fact that businesses in the banking and insurance sectors began to bring technology into their business operations, resulting in a significant increase in revenue compared with the same period last year.

Revenue from Implementation and Application Management Service for CRM System

For the first 9 months of 2020, revenue from implementation and application management service for CRM system significantly increased by 35.47 Mb. or 51.2% compared to the first 9 months of 2019. This is mainly due to the



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company (iiG) winning a big project in the Insurance Industry. In addition to that, the company has launched a new product, Marketing Cloud, to offer end-to-end solution to our customers.

This new business unit contributed 8.85 Mb for the first 9 months of Y.2020. Our subsidiary, IIXP, is our subcontractor. If we were to exclude this revenue generated by our subsidiary, our revenue increased 26.62 Mb or 38.4% compared to the same period last year.

Revenue from Placement Service

For the first 9 months of 2020, revenue from placement service declined by 6 Mb or 31.0% compared YOY. This mainly a result of a significant reduction in service personnel by a major client, due to COVID 19, and is expected to recover in the near future. This client has recently listed our company in their formal vendor registry, plus we have added new major clients in energy and banking segments.

Revenue from Software Subscription and the Grant of License from Oracle

For the first 9 months of 2020, revenue from subscription fees and one-time license from Oracle significantly increased by 13.84 Mb or 79.13% compared to the first 9 months of 2019. (The acquisition of ICE, appointed Reseller of Oracle, completely finished on 27th March 2019). We are focusing to increase new Subscriptions licenses of Oracle ERP rather than selling a legacy Oracle on premises one. This will significantly generate a recurring income to ICE in the near future.

Revenue from Implementation and Application Management Service for ERP System

For the first 9 months of 2020, revenue from implementation and application management services for ERP system increased by 45.39 Mb or 76.8% compared with the first 9 months of 2019. This is mainly due to the continuous works from end of Y.2019 for an important project in the insurance industry which will be closed out by the end of Y.2020. (Our subsidiary, ICE, appointed Reseller of Oracle, was acquired on 27th March 2019). In addition to Oracle ERP, ICE has launched a new product to penetrate the small to middle-end segment, Oracle Net Suite. This has started to significantly contributed to Y.2020 sales increase.

Revenue from Consulting Service and Implementation specialized in Brand Strategy Planning, Customer Experience Management and Digital Marketing

I&I Experience Company Limited (the subsidiary) was established on June 25, 2019. The main business is to provide consulting service in strategic planning, branding, customer experience management, and digital marketing. For the first 9 months of 2020, revenue from consulting service and implementation was 13.37 Mb or an increase of 800.4% YOY. This amount included services rendered to its parent company (iiG) of 8.85 Mb. The organic revenue earned from 3rd party customers equalled 4.52Mb.



The recurring and non-recurring income

Unit : million Baht

Revenue from Customer Relationship Management (CRM)	Jan - Sept 2020	%	Jan - Sept 2019	%	Change	%YoY
Revenues-Recurring	147.15	63.0	112.43	65.1	34.72	30.9
Revenues-Non Recurring	86.47	37.0	60.28	34.9	26.19	43.5
Total Revenues	233.62	100.0	172.71	100.0	60.92	35.3

Revenue from Enterprise Resource Planning (ERP)	Jan - Sept 2020	%	Jan - Sept 2019	%	Change	%YoY
Revenues-Recurring	42.79	31.5	28.52	37.2	14.27	50.0
Revenues-Non Recurring	93.04	68.5	48.08	62.8	44.95	93.5
Total Revenues	135.82	100.0	76.60	100.0	59.22	77.3

Revenue from Customer Experience Management (CEM)	Jan - Sept 2020	%	Jan - Sept 2019	%	Change	%YoY
Revenues-Non Recurring	13.37	100.0	1.49	100.0	11.89	800.4
Total Revenues	13.37	100.0	1.49	100.0	11.89	800.4

Total Revenues	Jan - Sept 2020	%	Jan - Sept 2019	%	Change	%YoY
Grand Total -Recurring	189.94	49.6	140.95	56.2	48.99	34.8
Grand Total -Non Recurring	192.88	50.4	109.84	43.8	83.03	75.6
Grand Total Revenues	382.82	100.0	250.79	100.0	132.03	52.6

Recurring and non-recurring income

The company recurring income significantly increased by 48.99 Mb or 34.8% compared YOY. This was mainly due to a big order from our new clients in the Insurance segment. In addition, our existing customer doubled renewable user licenses due to a merger. We also acquired a new customer with substantial renewable user licenses. Both clients have signed long term contracts. Therefore, our company is confident our recurring incomes will continually contribute to a significant portion of our revenue.

Overall non-recurring income of the group increased 83.03Mb or 75.6% compared to the same period last year, attributed to big projects which have significantly progressed to meet the deployment deadline by the end of Y.2020. As soon as the projects are completed, they will help generate other recurring incomes.



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Financial Position

Unit : million Baht

	As of 30 Sept 2020	%	As of 31 Dec 2020	%	Change	%YoY
Assets						
Cash and cash equivalents	198.27	30.8	34.69	7.8	163.58	471.5
Trade and Other receivables, net	64.29	10.0	105.71	23.9	(41.42)	(39.2)
Unbilled receivables	57.73	9.0	22.65	5.1	35.08	154.9
Prepaid software license fees	80.71	12.5	36.16	8.2	44.55	123.2
Other current assets	3.76	0.6	1.62	0.4	2.14	131.9
Total Non-current assets	238.79	37.1	242.31	54.7	(3.52)	(1.5)
Total assets	643.55	100.0	443.14	100.0	200.41	45.2
Liabilities						
Current liabilities	160.56	24.9	127.26	28.7	33.30	26.2
Non-current liabilities	19.91	3.1	17.60	4.0	2.31	13.1
Total liabilities	180.46	28.0	144.85	32.7	35.61	24.6
Equity	463.08	72.0	298.28	67.3	164.80	55.2
Total liabilities and equity	643.55	100.0	443.14	100.0	200.41	45.2

As of 30 September 2020 and 31 December 2019, the Company (iiG) and ICE/iiXP (the subsidiaries), recorded the total Assets of 643.55 Mb. and 443.14 Mb respectively. The current assets presented in the audited financial statement consist of cash and cash equivalent, trade receivables, other receivables, prepaid cost of software license which is recorded in accordance with the nature of the business. The significant increase in current assets is mainly attributed to cash received from IPO of 160.46 Mb. The key item of Non-Current Assets shown on the financial statement is Goodwill, that will be tested for impairment at least on a yearly basis. The Goodwill is the amount recorded from company valuation/appraisal from the purchase price allocation of ICE, (which completed restructuring on March 27, 2019). We have no concerns for the impairment of Goodwill due to our good performance and solid cashflow status.

As of 30 September 2020 and 31 December 2019, the Company and its subsidiaries recorded total liabilities of 180.46 Mb. and 144.85 Mb or 28.03% and 32.69% of total assets respectively. Current liabilities included Current Portion of Unearned Revenue (bill and collected in advance) which will be recognized within 1 year, Trade Payables, Other Payables, Corporate Tax Liabilities, which arose from normal Company business. The company and its subsidiaries had no outstanding loans as of September 2020. Non-current liability included



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Unearned Revenue which will be recognized after 1 year, Lease Liability, and Long Term Employee Benefit obligations (TAS19).

As of 30 September 2020 and 31 December 2019, the Company and its subsidiaries had shareholder's equity of 463.08Mb and 298.28Mb. or 71.96% and 67.31% of total assets respectively. As of 30 September 2020, the unappropriated retained earnings closed at 23.50 Mb. vs. 21.32 Mb shown in the audited financial statement at the year ended 2019.

Cashflow

Unit : million Baht

	Jan - Sept 2020	Jan - Sept 2019
Net cash provided by (used in)		
Cash Flow from Operating	37.14	22.48
Cash Flow from Investing	(2.49)	12.34
Cash Flow from Financing	126.98	(9.47)
Net increase in cash and cash equivalents	161.63	25.35

Cashflow from Operating Activities

The company and its subsidiaries show cash flow from operations of 37.14Mb for the end of September 2020, increased 14.66 Mb YoY. The solid cash flow status is attributed to a strong business performance of the group and an effective credit management for both customers and suppliers.

Cash Flow from Investing Activities

As of 30 September 2020, the company and its subsidiaries recorded a cash outflow in investing activities of 2.49Mb. This included 1.95 Mb restricted cash for Letter of guarantees and purchasing of Office Equipment of 0.54 Mb.

Cash Flow from Financing Activities

As of 30 September 2020, vs 30 September 2019, the company and its subsidiaries presented cash flow from Financing Activities of 126.98 Mb vs -9.5 Mb. The significant increase was mainly due to new subscriptions in



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Ordinary shares from IPO of 160.46Mb minus dividend payment of 33Mb. After completed IPO, we have sufficient cashflow for growing our business without any need to borrow from the banks.

Please be informed accordingly.

Sincerely Yours,

(Mr. Somchai Mekasuvanroj)
Chief Executive Officer
I&I Group Public Company Limited