

## L-WAVE ENT 4/2022

28 February 2022

Subject: Report on reasons of change to profit (loss) and management discussion and analysis for the year 2021

To: President, Stock Exchange of Thailand

**The Company would like to clarify the following reasons for changes to profit (loss) in the consolidated financial statements for the year 2021**

Based on the consolidated financial statements audited by the auditor of Wave Entertainment Public Company Limited, the results were as follows:

### Operating Results

The spread of coronavirus (Covid-2019) that started since the end of the year 2019 has prompted the declaration of the Emergency Decree on Public Administration in Emergency Situations B.E. 2548 to control the spread of Covid-19, forcing closure of services from the end of Quarter 1/2020 to Quarter 4/2021, has adverse impact on the Group's revenues. Even though the government has relaxed its measures in the third quarter, where certain businesses could resume their activities but controls must be in place and comply with measures imposed by the government, there are still impacts on consumer spending and the Group's operating results in the year 2021.

As the Group is to set to divest the restaurant business, completion of which is expected in Quarter 1/2022, the Group is required to disclose the restaurant business accounting and finance information under the "non-current assets for sale" heading, and "liability directly related to the non-current assets for sale" in accordance to the IFRS 5 "Non-current assets for sale of businesses under cessation."

In the year 2021, the Group had total revenues of THB 286.04 million, a decrease of THB 168.94 million. Cost of sales and rendering of services was THB 214.29 million, a decrease of THB 76.98 million compared to that of the previous year. Gross margin was THB 71.75 million or 25% of total revenues. Selling and administrative expenses was at THB 131.64 million, a decrease of THB 55.41 million. Financial costs were at THB 229.58 million, slightly decreased by THB 3.50 million compared to that of the previous year. Sharing from associated companies was THB 25.26 million. The Group has amortized and set provision for business from COVID-19 impact at THB 644.42 million, resulting in a THB 692.76 million operating loss for the year 2021.

### Sale and service revenue

The Group's English language school business has been closed for COVID-19 for 8 months under the government's decree. In addition, the economy had not recovered and, therefore, private sector, retailers and consumers are cautious of their spending. As a result, the Group's cash sale from English language school decreased by 38%. THB 286.04 million of revenue has been recognized, down by THB 168.94 million, a 37% decrease compared to the prior year. The Group has modified its strategy by offering more courses online in order to respond to the change in consumer behavior. To reduce costs and administrative expenses and manage them effectively and efficiently, the Group has relocated its branches

with high lease expense to a more suitable location, area with reasonable lease expense, reduced the operating areas for a more manageable rent, and closed the Ladprao branch upon expiration of contract. As a result, there are now 13 branches under the Group's operation.

Since the Group was granted the exclusive right as master franchisee of English language school business under the name "Wall Street English" in Thailand, Kingdom of Cambodia and Lao People's Democratic Republic, the Group has officially opened its first franchisee branch in Khon Kaen Province at the end of the year 2019 and has a plan to open one new branch in the Northeastern region of Thailand within the year 2022.

### **Other income**

Other income was THB 46.50 million, an increase of THB 38.67 million from the year before due to the rent discount received during the time of COVID-19.

### **Cost of service and gross profit**

The Group had a total service costs of THB 214.29 million, or 26% decrease year-on-year. The decrease in revenue is due to a 4-month operating time for the year, resulting in a gross profit of THB 71.75 million (25% of the total revenues compared to 36% for the prior year), a decrease of THB 91.96 million compared to that of the previous year, or a 56% drop from 2020.

### **Overall expenses**

The selling and administrative expenses was THB 131.64 million, a decrease of THB 55.41 million or 30% drop year-on-year from continuous efforts of the Group to control and reduce costs in all business units. The Group targets to control and reduce costs every year in order to improve its performance. In addition, the Group had financial costs of THB 22.96 million, a slight decrease of 13% owing to partial loan repayment in 2021.

### **Profit from associated companies and others**

The Group has received share of profit from associated companies at a total of THB 25.26 million in 2021. As the Group is to set to sell the restaurant business, completion of which is expected in Quarter 1/2022, the Group is required to disclose the restaurant business accounting and finance information under the "non-current assets for sale" heading, and "liability directly related to the non-current assets for sale" in accordance with the Accounting Report Standard number 5 "Non-current assets for sale of businesses under cessation." As a result, the Group has set a provision for business from COVID-19 impact at THB 644.42 million.

## **Financial Positions**

### **Assets**

As at end of 2021 the Group had a total asset of THB 877.23 million, a decrease of THB 1,051.75 million, of which 26% was from current asset and 74% from non-current asset as a result of the impairment provision on subsidiary businesses that were adversely impacted by Covid-19

#### **Cash and cash equivalents and short-term investments**

The Group had cash and cash equivalents and short-term investments of THB 6.35 million in aggregate or 1% of total assets, a decrease of THB 7.73 million year-on-year.

- Financial assets measured at fair value through profit or loss

This item consisted of investment in subsidiary which conducts creative and marketing communication management service business due to the Group in the amount of THB 5 million.

- Trade and other receivables – net

As at the end of the year 2021, the Group had net trade and other receivables of THB 11.64 million or 1% of total assets, a decrease of THB 15.45 million year-on-year due to decrease in revenues in the year 2021.

- Inventories and other non-current assets

At the end of 2021, the Group had remaining inventories of THB 0.43 million or 1% of the total assets, and other non-current assets of THB 10.47 million, a decrease of THB 13.36 million or 56% drop compared to the last year due to the decrease in undue input VAT and withholding taxes.

- Non-current assets classified as held-for-sale

As the Group is to set to sell the restaurant business, completion of which is expected in Quarter 1/2022, the Group is required to disclose the restaurant business accounting and finance information under the “non-current assets for sale” heading, and “liability directly related to the non-current assets for sale” in accordance to the IFRS 5 “Non-current assets for sale and Discontinued Operations.” As at end of 2021, the Group has non-current assets for sale at THB 196.52 million, a decrease of THB 99.20 million from last year’s THB 295.73 million.

- Investment in associates

Investment in associates was THB 308.53 million or 35% of the total assets, an increase of THB 25.26 million due to a share of profit from such associate company.

- Improvement on property, plant and equipment

Property, plant and equipment was THB 25.92 million or 3% of the total assets, a decrease of THB 45.56 million compared to that of the previous year’s THB 71.47 million. The decrease was mainly due to depreciation and transfer to the “non-current assets held for sale” in the restaurant business.

- Right-of-use assets

Right-of-use assets was THB 66.55 million or 8 % of the total assets decreased from THB 93.71 million due to depreciation and the transfer to the “non-current assets held for sale” in the restaurant business. This is a new classification in accordance with IFRS 16 – Leases, which was implemented in the year 2020.

- Intangible assets

This item is written off as expense each year with respect to copyrights, computer programs, and trademarks. The Group had intangible assets of THB 21.37 million or 2% of the total assets, a decrease of THB 133.85 million due to the amortization and impairment provision on trademark of businesses impacted by COVID-19.

- Goodwill

Goodwill is the value expected to be returned to the Company from its acquired businesses. At the end of 2021, the Group had goodwill of THB 180 million, a decrease of THB 518.14 million, representing 21% of total assets due to impairment of restaurant business and a COVID-19 provision in Educational business.

### ○ Deferred tax assets

This item is the estimated tax on recognition of profit on investment in associated companies. The Group has realized such income at the amount of THB 32.86 million during the year 2021, leaving THB 0.97 million at the end of the year.

### ○ Other non-current assets

Other non-current assets was THB 23.20 million or 3% of total assets, a decrease of THB 44.72 million due to decrease in rental deposit.

### Liabilities

As at 31 December 2021, the Group had total liabilities of THB 746.95 million, a decrease of THB 362.87 million compared to the previous year. The current liabilities were THB 645.31 million, a decrease of THB 118.39 million compared to the previous year due to decrease in trade payables, advanced income and loans. The non-current liabilities were THB 101.65 million, a decrease of THB 244.48 million compared to the previous year, mainly due to decrease in long term loans.

### Shareholders' equity

As at 31 December 2020, shareholders' equity of the Group was THB 130.23 million, a decrease of THB 688.91 million compared to the previous year due to the net loss in the year 2021.

The capital structure of the Group is as follows:

- Shareholders' equity of THB 130.23 million or 15% of the total assets;
- Total liabilities of THB 746.95 million or 85% of the total assets.

Key financial ratios are as follows:

- Debt to equity ratio of 5.74 times, an increase compared to the previous year ratio of 1.35 times;
- Interest-bearing debt to shareholders' equity of 2.40 times, an increase from the previous year ratio of 0.77 times;
- Book value of net assets is THB 0.17 per share, a decrease from the previous year value which was equivalent to THB 1.04 per share;
- Basic loss per share from continuing operations of THB 0.88, a decrease from the last year basic earnings per share from continuing operations of THB 0.43.

### Cashflows

In 2021, the Company and its subsidiaries had cash and cash equivalents of THB 6.35 million, a decrease of THB 7.73 million compared to the previous year. Details of cash spent on each business activity are as follows:

- In respect of operating activities, the Group had net cash flows generated from operating activities of THB 78.60 million or a decrease of THB 150.68 million compared to the previous year due to a drop in cash from operation.
- In respect of investing activities, the Group had net cash flows from investing activities of THB 213.35 million from the sale of an associated company.
- In respect of financing activities, the Group had net cash flows used in financing activities of THB 321.88 million from repayment of loan due in the year 2021.

Please be informed accordingly

Yours sincerely,

- Mr. Matthew Kichodhan -

Mr. Matthew Kichodhan

Chairman of the Board of Directors and CEO