

12 May 2022

Subject: Management Discussion and Analysis - For the three-month period ended 31 March 2021

To: The President of Stock Exchange of Thailand

MFEC Public Company Limited (“the Company”) would like to notify the operating results that the Company reported net profit’s equity owner of the parent for the three-month period ended 31 March 2022 of Baht 52 million, net profit increase by Baht 2.9 million or 5.9% compared to the same period of last year which net profit were Baht 49.1 million, due reason to the following reasons:

Overall Operating results

Description	Q1-2022		Q1-2021		Change	
	Mil THB	%	Mil THB	%	Mil THB	%
Revenue from Sales and Services	1,251.3	100.0%	1,135.7	100.0%	115.6	10.2%
Cost of Sales and Services	(1,026.0)	-82.0%	(937.1)	-82.5%	(88.9)	9.5%
Gross Profit, before Operating Expenses	225.3	18.0%	198.6	17.5%	26.7	13.4%
Gain on derivative at Fair value	-	0.0%	22.8	2.0%	(22.8)	-100.0%
Other Income	4.4	0.4%	2.9	0.3%	1.5	51.7%
Selling and Administrative Expenses	(161.2)	-12.9%	(159.0)	-14.0%	(2.2)	1.4%
Profit from Operating, before interest and Tax	68.5	5.5%	65.3	5.7%	3.2	4.9%
Share of Profit (loss) from Associates	(0.2)	0.0%	3.2	0.3%	(3.4)	-106.3%
Financial Costs	(3.3)	-0.3%	(2.7)	-0.2%	(0.6)	22.2%
Net Profit, Before Corporate Tax	65.0	5.2%	65.8	5.8%	(0.8)	-1.2%
Corporate Income Tax	(13.6)	-1.1%	(17.6)	-1.5%	4.0	-22.7%
Net Profit	51.4	4.1%	48.2	4.2%	3.2	6.6%
Profit Attributed to Non-Controlling Interests	0.6	0.0%	0.9	0.1%	(0.3)	-33.3%
Net Profit, Parent portion	52.0	4.2%	49.1	4.3%	2.9	5.9%

Although the impact from COVID-19 virus within Thailand were decline affected, since the mortality rate per infected person has dropped compared to the previous strains. The government began to relax measures to control the disease by starting to relax immigration rules to help stimulate the country's tourism industry. As a result, the economy gradually began to recover. However, prolonged Russia - Ukraine conflict, and rising inflation pose negative impact for the global economic recovery, including Thailand.

Revenue recognition from several large projects newly acquired during the late of last year were resulted in revenue increase by 10% compared to the same period of last year. The Group’s net profit growth by 5.9% year-on-year basis.

At the end of first quarter of current year, the Group remains backlog project that allow recognition of revenue carrying until the end of projects of up to 5 years, with total backlog value of Baht 6,668 million. The Group maintained higher value on backlog projects which increase by Baht 284 million, from the end of last year.

1. Revenue from sales and services increase from the same period of last year by Baht 115.6 million or 10.2% due following to:

Revenue from Business segment	Q1-2022		Q1-2021		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	324.7	85.9%	407.8	88.9%	65.9	6.5%
System maintenance services	536.8		397.2			
IT Professional services	213.9		204.5			
Cloud solution service	163.5	13.1%	117.6	10.4%	45.9	39.0%
Other business	12.4	1.0%	8.6	0.8%	3.8	44.2%
Total sales and services	1,251.3	100.0%	1,135.7	100.0%	115.6	10.2%

Revenue from 3 core business segments for the current year is representing 85.9% of total revenue from sales and services. The Group's revenue generated from these core business segments increased Baht 65.9 million with revenue growth by 6.5% year-on-year. Revenue composition from these core businesses decrease when compare with last year since the expansion from Cloud service segment which continuing expand growth since the year 2021.

Cloud Solution Service revenue growth by 39% year-on-year basis with revenue proportion of 13.1% of total revenue. Cloud solution service is grow steadily reflected good response from leading enterprise customers to enhance data management using Cloud technology. The Company focuses on expanding customer base in this business segment for further growth in future.

2. Cost of sales and service increase by Baht 88.8 million or 9.5% compared to last year.

Description	Q1-2022	Q1-2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,251.3	1,135.7	115.6	10.2%
Cost of sales and services	1,025.9	937.1	88.8	9.5%
Gross Profit	225.4	198.6	26.8	13.5%

Gross Profit (%)	18.0%	17.5%	+0.5%
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Cost of sales and services for the first quarter of current year were Baht 1,025.9 million. The increase in cost of sales and services is representing direct proportion to revenue growth during current period. Although, severe price competition within IT service sector along since last year. The Group remains gross profit margin for the current year of 18.0% with Gross Profit rate increase by 0.5% year-on-year basis. An increase in revenue from sales and services of 10.2%, is resulted in the Group's gross profit increased by Baht 26.8 million or 13.5%, increment from the same period of last year.

3. Selling and Administrative expenses slightly increase by Baht 2.2 million or 1.4% compared to the same period of last year.

Description	Q1-2022	Q1-2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	27.3	27.6	(0.3)	(1.1%)
Administrative expenses	132.2	119.4	12.8	10.7%
Loss on exchange rate	1.7	12.0	(10.3)	(85.8%)
Total Selling and Administrative Expenses	161.2	159.0	2.2	1.4%

The Company is continuing to conduct operating costs efficiency policy. Most operating expenses are recurring which some comprised fixed by cost nature for support business expansion. The Group focused on cost management to maximize cost utilization with efficiency. As a result, overall operating expenses is at similarly level when compared to the same period of the last year. Selling and Administrative expenses as percentage to total revenue was 12.9%, decrease from last year which was 14.0%.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer