

PROEN Corp Public Company Limited

Management Discuss and Analysis Quarter 1 of 2022

Business Overview

PROEN Corp Public Co., Ltd. and its subsidiaries (“the Group of Companies”) conduct the following business (1) Information Communication and Technology (ICT), Internet Data Center (IDC), and Cloud Service, collectively called ICT business, which was the main revenue for Q1/2022, accounting for 55.14% (2) Telecommunication and Infrastructure Service Business, accounting for 44.81%, and (3) Other revenue, accounting for 0.05%.

Operating Result

In Q1/2022, the Group of Companies had gross profit of 14.54 million Baht, increased 60.79% YoY, reflecting the profitability with continuity during the fluctuation while the Global and Domestic economic slowdown. The ongoing Russia-Ukraine war and the Covid-19 pandemic were positive factors for the technology business expansion. The Internet Data Center business beneficial from the supporting factors; the change of consumer behavior to the new normal lifestyle, the technology adoption to improve business in organization level, and the Government authorities accelerated their infrastructure development projects of the country to make Thailand to be ASEAN Digital Hub. As a result, the Group of Companies’ revenue rose from ICT business and infrastructure construction business, which had a good business operation and generated cash flow continually. EBITDA in Q1/2022 was 31.53 million Baht, increased by 48.07% YoY.

Business Operation Analysis

Business operation for the Quarter 1 comparing Year-over-Year ended 31 March 2022 and 2021, which can be summarized as follows.



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ISO/IEC 27001:2013

ISO 9001:2015

Operating Result (Unit: million Baht)	Quarter 1/2022		Quarter 1/2021		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Total revenue from sales and services	508.32	100.00%	202.85	100.00%	305.47	150.58%
Total cost of sales and services	458.02	90.10%	173.83	85.69%	284.19	163.48%
Gross profit	50.30	9.90%	29.02	14.31%	21.28	73.33%
Other revenue	0.28	0.05%	0.37	0.18%	(0.09)	(25.68%)
Selling expenses	5.37	1.06%	3.83	1.89%	1.54	40.40%
Administrative expenses	23.47	4.61%	12.17	6.00%	11.30	92.83%
Profit (Loss) before interest and income tax	21.74	4.28%	13.39	6.60%	8.35	62.29%
Financial costs	2.79	0.55%	2.98	1.47%	(0.19)	(6.54%)
Profit (Loss) before income tax expense	18.95	3.73%	10.41	5.13%	8.54	82.01%
Corporate income tax	4.41	0.87%	1.37	0.67%	3.04	222.44%
Net profit	14.54	2.86%	9.04	4.46%	5.50	60.79%

For the business operation in Q1/2022, the Group of Companies had gross profit of 14.54 million Baht, due to an increase of revenue from sales of ICT products and revenue from infrastructure construction contracts.

Revenue, Cost, and Gross profit

(unit: million Baht)	Revenue				Cost				Net Profit			
	Q1/22	Q1/21	Increase (decrease)	%	Q1/22	Q1/21	Increase (decrease)	%	Q1/22	Q1/21	Increase (decrease)	%
ICT Business:												
Revenue from sale	212.46	99.83	112.63	112.81%	200.32	94.96	105.36	110.96%	12.14	4.87	7.27	148.86%
Revenue from service	67.96	69.24	(1.28)	(1.85%)	51.95	49.82	2.13	4.27%	16.01	19.42	(3.41)	(17.55%)
Total revenue from ICT business	280.42	169.07	111.35	65.86%	252.27	144.78	107.49	74.25%	28.15	24.29	3.86	15.87%
Infrastructure construction business:												
Revenue from construction contracts	227.90	33.78	194.12	574.66%	205.75	29.05	176.70	608.16%	22.15	4.73	17.42	368.73%
Total revenue from sales and services	508.32	202.85	305.47	150.58%	458.02	173.83	284.19	163.48%	50.30	29.02	21.28	73.33%



Revenue

In Q1/2022, the Group of Companies had revenue from sales and services of 508.32 million Baht, increased by 305.47 million Baht or 150.58% YoY, which can be clarified as follows:

Revenue from ICT business increased by 111.35 million Baht or 65.86%, due to the sales of IT products, such as Server computer, Bitcoin Mining Machine, and other network equipment sold to the client group of E-Commerce, Cloud, Bitcoin Mining, and Social media. Revenue from services decreased by 1.28 million Baht or -1.85%, due to a decrease in revenue from internet service provided for a government agency, which the contract has been expired, decreased by 7 million Baht. Revenue from client group of Colocation service, E-Commerce, and Cloud Gaming, increased by 6 million Baht. The construction business for the country's infrastructure comprised of the construction of Mass Rapid Transit station, and the project of replacement of overhead power line and communication line with underground power cable system. In Q1/2022, revenue increased by 194.12 million Baht or 574.66% YoY, because the Company obtained more contract works from government authorities and private sectors, according to the Government's acceleration plan for the infrastructure development program.

Cost of Sales and Gross Profit

In Q1/2022, cost of sales was 458.02 million Baht, increased by 284.19 million Baht or 163.48%, due to the increased revenue. Gross profit in Q1/2022 was 50.30 million Baht, increased by 21.28 million Baht or 73.33% YoY, as an increase of revenue proportion.

Selling Expenses and Administrative Expenses

In Q1/2022, selling expenses were 5.37 million Baht, increased by 1.54 million Baht or 40.40% YoY, due to the sales commission policy.

In Q1/2022, administrative expenses were 23.47 million Baht, increased by 11.30 million Baht or 92.83% YoY. The increase was from fees and consultancy fee for making the Mergers and Acquisitions (M&A) transaction in an amount of 1.3 million Baht. In the same period of the previous year, there were the reversing entries of credit loss amounting to 4.19 million Baht, resulted in the increase of administrative expenses in Q1/2022.



Other Revenue

In Q1/2022, the Group of Companies reported other revenue of 0.28 million Baht, decreased by 0.09 million Baht or -25.68% YoY, which was interest receivable gained from financial institutions. Other revenue decreased in proportion to deposits at financial institutions.

Financial Cost

In Q1/2022, financial cost was 2.79 million Baht, decreased by 0.19 million Baht or -6.54% YoY, the decrease was from the financial management in terms of credit facilities applied from financial institutions.

Corporate Income Tax

In Q1/2022, corporate income tax was 4.41 million Baht, increased by 3.04 million Baht or 222.44% YoY, the increase was from the increased profit in Q1/2022.

Statement of Financial Position

Item (Unit: million Baht)	Financial Information		Increase	
	31-Mar-22	31-Dec-21	Increase (Decrease)	%
Assets	1,749.91	1,078.61	671.30	62.24%
Liabilities	1,314.51	658.83	655.68	99.52%
Equity	435.40	419.78	15.62	3.72%

As of 31 March 2022, total assets were 1,749.91 million, increased by 671.30 million Baht or 62.24% YoY. The increase was from an important item, which was cash and cash equivalents increased by 551.90 million Baht, because the company gained funding from the debentures offering amounting to 500 million Baht. Account receivable increased by 135.82 million, increased from the installment of electricity project for Mass Rapid Transit construction and the project of replacement of overhead communication line with the underground cable system. In Q1/2022, liabilities were 1,314.51 million Baht, increased by 655.68 million Baht or 99.52% from 31 December 2021. The main item increased from the debentures offering of 500 million Baht, in order to apply



for the construction of the new Internet Data Center and for the investment in projects of the Company, and increases from applying credit facilities with financial institutions amounting to 90.35 million Baht. Account payable increased by 58.05 million Baht, due to an increase of basic infrastructure construction works in 2022. As of 31 March 2022, equity was 435.40 million Baht, increased by 15.62 million Baht, due to an increase of net profit in Q1/2022 and an allotment of legal reserve. As of March 31, 2022, net debt to equity was 3.02 times, Interest-Bearing D/E Ratio was 1.79 times.

Cash Flow Statement

Item (Unit : million Baht)	Financial information
	As of 31/3/2022
Net cash from (used in) operating activities	(24.95)
Net cash from (used in) investing activities	(11.30)
Cash from financing activities	590.13
Net increase (decrease) in cash and cash equivalents	553.88
Cash and cash equivalents, beginning balance	123.19
Cash and cash equivalents, ending balance	677.07

As of 31 March 2022, the Group of Companies had cash and cash equivalents of 677.07 million Baht. Net cash from (used in) operating activities was 24.95 million Baht, due to an increase of account receivable in construction business. Net cash from (used in) investing activities was 11.30 million Baht, which applied for the investment in Internet Data Center equipment. Cash from financing activities was 590.13 million Baht, which gained from the debentures offering amounting to 500 million Baht and fund received from financial institutions of 104 million Baht used as working capital for construction project works obtained from government agencies.

