

## PROEN Corp Public Company Limited and its Subsidiaries

### Management Discuss and Analysis Quarter 2 of 2022

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#### **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 Q2/2022, accounting for 48.97% (2) Telecommunication and Infrastructure Service Business, accounting for 50.89%, and (3) Other income, accounting for 0.14%.

#### **Operating Result**

In the first half (January-June) of 2022, the Group of Companies had gross profit of 818.74 million Baht, increased by 80.83%, net profit of 29.02 million Baht, increased by 43.53%. In Q2/2022, total revenue was 310.16 million Baht, increased by 24.28%, net profit of 14.48 million Baht, increased by 29.56% YoY. The factors that support the growth were from the expansion of technology products, Internet Data Center Service, continual growth of Cloud Service, and the growth of infrastructure construction with high growth from the factor of investment of the Government’s infrastructure in the development of the country's public utilities.

#### **Business Operation Analysis**

Business operation for the six-month period, comparing Year-over-Year ended 30 June 2022 and 2021, which can be summarized as follows.



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Operating Result  (Unit: million Baht)	Quarter 2/2022 (6 months)		Quarter 2/2021 (6 months)		Year-over-Year Change	
	MB.	%	MB.	%	Increase (Decrease)	% Increase (Decrease)
Total revenue from sales and services	818.03	100.00%	451.08	100.00%	366.95	81.35%
Total cost of sales and services	719.21	87.92%	380.63	84.38%	338.58	88.95%
Gross profit	98.82	12.08%	70.45	15.62%	28.37	40.28%
Other income	0.71	0.09%	1.70	0.38%	(0.99)	(58.09%)
Selling expenses	11.24	1.37%	7.94	1.76%	3.30	41.58%
Administrative expenses	49.14	6.01%	36.23	8.04%	12.91	35.63%
Profit before interest and income tax expense	39.15	4.79%	27.98	6.20%	11.17	39.93%
Finance costs	11.94	1.46%	5.51	1.22%	6.43	116.59%
Profit before income tax expense	27.21	3.33%	22.47	4.98%	4.74	21.13%
Income tax (income) expense	(1.81)	(0.22%)	2.25	0.50%	(4.06)	(180.42%)
Net profit	29.02	3.55%	20.22	4.48%	8.80	43.53%

Business operation for the three-month period, comparing Year-over-Year ended 30 June 2022 and 2021, which can be summarized as follows.

Operating Result  (Unit: million Baht)	Quarter 2/2022 (3 months)		Quarter 2/2021 (3 months)		Year-over-Year Change		Change from Q1/2022	
	MB.	%	MB.	%	Increase (Decrease)	%	Increase (Decrease)	%
Total revenue from sales and services	309.72	100.00%	248.23	100.00%	61.49	24.77%	(198.60)	(39.07%)
Total cost of sales and services	261.20	84.33%	206.80	83.31%	54.40	26.30%	(196.82)	(42.97%)
Gross profit	48.52	15.67%	41.43	16.69%	7.09	17.12%	(1.78)	(3.55%)
Other income	0.44	0.14%	1.33	0.54%	(0.89)	(67.14%)	0.16	58.33%
Selling expenses	5.87	1.89%	4.11	1.66%	1.76	42.68%	0.49	9.15%
Administrative expenses	25.67	8.29%	24.06	9.69%	1.61	6.70%	2.20	9.36%
Profit before interest and income tax expense	17.42	5.63%	14.59	5.88%	2.83	19.41%	(4.31)	(19.84%)
Finance costs	9.15	2.96%	2.53	1.02%	6.62	261.71%	6.37	228.35%
Profit before income tax expense	8.27	2.67%	12.06	4.86%	(3.79)	(31.43%)	(10.68)	(56.36%)
Income tax (income) expense	(6.21)	(2.01%)	0.88	0.36%	(7.09)	(804.49%)	(10.62)	(241.04%)
Net profit	14.48	4.68%	11.18	4.50%	3.30	29.56%	(0.06)	(0.42%)



For the business operation in the six-month period of January-June 2022, the Group of Companies had gross profit of 29.02 million Baht, increased by 43.53% YoY, due to an increase of revenue from sales of ICT business and revenue from infrastructure construction contracts.

For the business operation in Q2/2022, the Group of Companies had gross profit of 14.48 million Baht, increased by 29.56% YoY, due to the revenue from infrastructure construction contracts.

### Revenue, Cost, and Gross Profit

Operating Result (unit: million Baht)	Revenue				Cost				Gross Profit			
	Q2/22	Q2/21	Increase (decrease)	%	Q2/22	Q2/21	Increase (decrease)	%	Q2/22	Q2/21	Increase (decrease)	%
ICT Business:												
Revenue from sale	78.70	123.84	(45.13)	(36.45%)	75.17	113.98	(38.82)	(34.06%)	3.54	9.85	(6.32)	(64.11%)
Revenue from service	73.19	98.94	(25.75)	(26.03%)	51.94	67.59	(15.65)	(23.16%)	21.25	31.35	(10.10)	(32.21%)
Total revenue from ICT business	151.89	222.77	(70.88)	(31.82%)	127.10	181.57	(54.47)	(30.00%)	24.79	41.20	(16.41)	(39.84%)
Infrastructure construction business:												
Revenue from construction contracts	157.82	25.45	132.37	520.03%	134.09	25.23	108.87	431.55%	23.73	0.23	23.50	10,320%
Total revenue from sales and services	309.72	248.23	61.49	24.77%	261.20	206.80	54.40	26.30%	48.52	41.43	7.09	17.12%

### Revenue

In the six-month period of January-June 2022, the Group of Companies had revenue from sales and services of 818.03 million Baht, increased by 81.35% YoY, mainly due to the sales of Server computer equipment, Bitcoin Mining Machine in accordance with the Technology client group expansion and the increase of revenue from construction contracts of public utility infrastructure works according to the Government's investment in the country's basic public utility transport system and the project of replacing overhead communication and transmission lines system with underground communication and transmission lines system. In Q2/2022, the Group of Companies had revenue from sales and services of 309.72 million Baht, increased by 61.49 million Baht YoY, or increased by 24.77%, mainly increased by the construction contracts of public utility works.



### Cost and Gross Profit

In the period of 6 months of January-June 2022, Total costs was 719.21 million Baht, increased by 88.95% YoY, due to the increased revenue proportion regarding cost and the projects of public utility infrastructure. In Q2/2022, Total costs was 261.20 million Baht, increased by 26.30%, due to the increased revenue proportion regarding cost and the projects of public utility infrastructure.

In the six-month period of January-June 2022, Gross profit was 98.82 million Baht, increased by 40.28% YoY, as an increase of revenue proportion. In Q2/2022, Gross profit was 48.52 million Baht, increased by 17.12%, as an increase of revenue proportion.

### Selling Expenses and Administrative Expenses

In the six-month period of January-June 2022, selling expenses were 11.24 million Baht, increased by 41.58% YoY, due to the increased sales proportion. In Q2/2022, selling expenses were 5.87 million Baht, increased by 42.68% YoY, due to the sales proportion according to the sales commission payment policy and marketing expense for new products and services.

In the six-month period of January-June 2022, administrative expenses were 49.14 million Baht, increased by 35.63%. In Q2/2022, administrative expenses were 25.67 million Baht, increased by 6.70% YoY, due to an increase of employment rate for new employees and Administrative Expenses for business expansion.

### Other Income

In the six-month period of January-June 2022, the Group of Companies reported other income of 0.71 million Baht, decreased by 58.09%. In Q2/2022, other income was 0.44 million Baht, decreased by 67.14% YoY. Because the Company gained profit from disposing of unused assets of the Company in the same period of 2021.



## Finance Cost

In the six-month period of January-June 2022, finance cost was 11.94 million Baht, increased by 116.59% YoY.

In Q2/2022, finance cost was 9.15 million Baht, increased by 6.62 million Baht or increased by 261.71% YoY.

The main factor of increased interest payable was from the debenture offering in the amount of 500 million Baht to be used for preparing for the construction of the new Internet Data Center and to be used as the Company's circulating capital. From the quarter 3 onwards, when there is an expenditure for the construction, the finance cost used in the construction can be recorded in asset item of the new Internet Data Center construction. As a result, interest payable item recorded in the consolidated financial statements will be reduced.

## Income tax (income) expense

In the six-month period, corporate income tax (income) was (1.81) million Baht. In Q2/2022 income tax (income) was (6.21) million Baht, decreased by 7.09 million Baht YoY, due to the recognition of Deferred Tax Assets of an accumulated loss item that can be brought to cover future taxable profits.

## Statement of Financial Position

Statement of Financial Position (Unit: million Baht)	30 Jun 22	31 Dec 21	Increase (decrease)	%Increase (decrease)	%proportion per total assets
<b>Assets</b>					
Current assets	1,341.52	825.49	516.03	62.51%	82.55%
Non-current assets	283.52	253.12	30.40	12.01%	17.45%
<b>Total assets</b>	<b>1,625.04</b>	<b>1,078.61</b>	<b>546.43</b>	<b>50.66%</b>	<b>100.00%</b>
<b>Liabilities and Equity</b>					
Current liabilities	620.84	581.32	39.52	6.80%	38.20%
Non-current liabilities	572.54	77.51	495.03	638.65%	35.24%
Equity	431.66	419.78	11.88	2.83%	26.56%
<b>Total liabilities and equity</b>	<b>1,625.04</b>	<b>1,078.61</b>	<b>546.43</b>	<b>50.66%</b>	<b>100.00%</b>



As of 30 June 2022, total assets were 1,625.04 million Baht, increased by 546.43 million Baht or 50.66% from 31 December 2021. The increase was from an important item, which was cash and cash equivalents, increased by 353.73 million Baht, because the company gained funding from the debenture offering amounting to 500 million Baht. Account receivable increased by 218.75 million Baht, the increase was from the installment of electricity project for Mass Rapid Transit construction and the project of replacement of overhead communication line system with the underground cable system. In Q2/2022, liabilities were 1,193.38 million Baht, increased by 534.55 million Baht or 81.14% from 31 December 2021. The main item increased was from the debenture offering amounting to 500 million Baht, to be applied for the construction of the new Internet Data Center and applying for revolving investments in various projects of the Company, and the increase from account receivable of 75.31 million Baht, due to an increase of basic infrastructure construction works in 2022. As of 30 June 2022, equity was 431.66 million Baht, increased by 11.88 million Baht, due to an increase of net profit in the six-month period of 2022 in an amount of 30.10 million Baht. The net profit decrease from dividend payout in an amount of 18.22 million Baht. As of June 30, 2022, net debt to equity was 2.76 times, Interest-Bearing D/E Ratio was 1.48 times.

### Statement of Cash Flows

Statement of Cash Flows (Unit : million Baht)	As of 30/6/2022	As of 30/6/2021
Net cash used in operating activities	(88.76)	(30.84)
Net cash generated from (used in) investing activities	14.39	(18.20)
Net cash generated from financing activities	429.52	159.51
Net increase in cash and cash equivalents	355.15	110.47
Opening balance of cash and cash equivalents	123.19	72.68
<b>Closing balance of cash and cash equivalents</b>	<b>478.34</b>	<b>183.15</b>





As of 30 June 2022, the Group of Companies had cash and cash equivalents of 478.34 million Baht. Net cash from (used in) operating activities was 88.76 million Baht, due to an increase of account receivable in the construction business and the debenture interest payable. Net cash from (used in) investing activities was 14.39 million Baht, which was from the disposition of debt securities in an amount of 50 million Baht and applying for the investment in Internet Data Center equipment. Cash from financing activities was 429.52 million Baht, which gained from the debenture offering amounting to 500 million Baht and used for the repayment of loan from financial institutions and dividend payment to shareholders in an amount of 18.22 million Baht.



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