

No. ADD 31/2022

8 November 2022

Subject: Management discussion and analysis for the performance for the nine-month period ended 30 September 2022

To: President

The Stock Exchange of Thailand

AddTech Hub Public Company Limited's (the "Company") Board of Directors Meeting No. 6/2022 held on 8 November 2022 passed a resolution to certify the financial statements and the performance for the nine-month period ended 30 September 2022 which was reviewed by the auditor.

The Company's overall performance can be summarized as follows:

Performance

Unit: THB Million

Performance (Statement of Comprehensive Income)	Three-month Period				Nine-month Period			
	3Q2021	3Q2022	Inc.(Dec.)	% Inc.(Dec.)	9M2021	9M2022	Inc.(Dec.)	% Inc.(Dec.)
Services income	124.30	72.11	(52.19)	-41.99%	387.08	262.20	(124.88)	-32.26%
Cost of rendering of services	(86.64)	(51.49)	35.15	-40.57%	(266.34)	(185.16)	81.18	-30.48%
Gross profit	37.66	20.62	(17.04)	-45.24%	120.73	77.04	(43.69)	-36.19%
Other income	0.06	0.31	0.24	370.85%	0.21	1.60	1.38	655.19%
Services expenses	(1.25)	(1.31)	(0.06)	4.62%	(5.59)	(3.84)	1.75	-31.38%
Administrative expenses	(9.68)	(8.59)	1.09	-11.28%	(30.12)	(25.84)	4.28	-14.21%
Profit from operating activities	26.79	11.03	(15.76)	-58.83%	85.23	48.96	(36.27)	-42.56%
Share of gain(loss) on investments in associate	0.03	(0.04)	(0.08)	-223.42%	0.10	2.85	2.75	2679.11%
Finance costs	(0.09)	(0.04)	0.04	-51.31%	(0.25)	(0.18)	0.07	-29.06%
Profit before income tax expense	26.74	10.95	(15.79)	-59.07%	85.08	51.63	(33.46)	-39.32%
Income tax expense	(3.53)	(1.65)	1.87	-53.13%	(10.81)	(7.47)	3.34	-30.91%
Profit for the period	23.21	9.29	(13.92)	-59.97%	74.27	44.16	(30.11)	-40.55%
Total comprehensive income for the period	23.21	9.29	(13.92)	-59.97%	74.27	44.16	(30.11)	-40.55%
Gross profit margin	30.3%	28.6%			31.2%	29.4%		
Net profit margin	18.7%	12.9%			19.2%	16.8%		

Services income and Cost of rendering of services

Services income can be grouped in 3 segments: 1. Digital content via telecommunication channels  
2. Information technology solutions for electronic devices 3. Online advertising for products and services. The details of Services income and Cost of rendering of services are as follows:

Services income and Cost of rendering of services

Unit: THB Million

Services income and Cost of rendering of services	3-month period				9-month period			
	2Q2021	3Q2022	Inc./ (Dec.)	% Inc./ (Dec.)	9M2021	9M2022	Inc./ (Dec.)	% Inc./ (Dec.)
<b>Digital content via telecommunication channels</b>								
Services income	106.99	58.67	(48.32)	-45.16%	333.01	216.33	(116.68)	-35.04%
Cost of rendering of services	(77.56)	(41.75)	35.81	-46.17%	(242.38)	(157.35)	85.03	-35.08%
Gross profit	29.43	16.92	(12.51)	-42.50%	90.63	58.98	(31.65)	-34.92%
Gross profit margin	27.5%	28.8%			27.2%	27.3%		
<b>Information technology solutions for electronic devices</b>								
Services income	17.24	13.18	(4.05)	-23.51%	53.81	45.13	(8.68)	-16.13%
Cost of rendering of services	(8.41)	(9.03)	(0.63)	7.46%	(21.94)	(25.68)	(3.73)	17.02%
Gross profit	8.83	4.15	(4.68)	-52.99%	31.86	19.45	(12.41)	-38.96%
Gross profit margin	51.2%	31.5%			59.2%	43.1%		
<b>Online advertising for products and services</b>								
Services income	0.07	0.26	0.18	245.53%	0.26	0.74	0.48	181.80%
Cost of rendering of services	(0.67)	(0.71)	(0.03)	5.03%	(2.02)	(2.13)	(0.11)	5.49%
Gross profit	(0.60)	(0.45)	0.15	-25.02%	(1.76)	(1.39)	0.37	-20.88%
Gross profit margin	-800.2%	-173.6%			-668.3%	-187.6%		

Services income from digital content via telecommunication channels

In 3Q2022, the Company had services income from digital content via telecommunication channels of THB 58.67 million, decreased by THB 48.32 million or -45.16% YoY. This was due to the decline in average user spending on digital content services. Even though the average number of digital content users per month in 3Q2022 was 5.79 million, up from the average users per month in 3Q2021 which was 5.09 million, representing an average increase of 0.70 million or an increase of 13.66%. The main reason for the decline in user spending was the inflationary situation of the country's economy, causing the consumer purchasing power to decrease, together with the concerns of users about future inflation. As a result, users were more cautious in their spending. The gross profit from digital content via telecommunication channels was THB 16.92 million, decreased by THB 12.51 million or -42.50% YoY. The gross profit margin in 3Q2022 was 28.84%, increased from 27.51% in 3Q2021.

In 9M2022, the Company had services income from digital content via telecommunication channels of THB 216.33 million, decreased by THB 116.68 million or -35.04% YoY. This was due to the decline in average user spending on digital content services. Even though the average number of digital content users per month in 9M2022 was 6.44 million, up from the average users per month in 9M2021 which was 4.30 million, representing an average increase of 2.14 million or an increase of 49.67%. The main reason for the decline in spending was the inflationary situation of the country's economy, causing the consumer purchasing power to decrease, together with the concerns of users about future inflation. As a result, users were more cautious in their spending. The gross profit from digital content via telecommunication channels was THB 59.98 million, decreased by THB 31.65 million or -34.92% YoY. The gross profit margin in 9M2022 was 27.26%, increased from 27.22% in 9M2021.

#### Services income from information technology solutions for electronic devices

In 3Q2022, the Company had services income from information technology solutions for electronic devices of THB 13.18 million, decreased by THB 4.05 million or -23.51% YoY, due to the decline in user spending through the solutions that the Company provided for clients in mobile operator sector. In addition, gross profit from information technology solutions for electronic devices was THB 4.15 million, decreased by THB 4.68 million or -52.99% YoY. The gross profit margin in 3Q2022 was 31.48%, decreased from 51.22% in 3Q2021 due to the increase in employee-related costs to support the planned increase of scale and scope of services to be provided by the Company and clients in mobile operator sector, in accordance with the Company's target to consistently launch new service projects every year. However, due to the uncertainty of the merger situation between mobile operators during this period, each mobile operator has slowed down the activation of additional solutions that the Company has developed and instead focused on retaining and increasing the number of users on their networks.

In 9M2022, the Company had services income from information technology solutions for electronic devices of THB 45.13 million, decreased by THB 8.68 million or -16.13% YoY, due to the decline in user spending through the solutions that the Company provided for clients in mobile operator sector. In addition, gross profit from information technology solutions for electronic devices was THB 19.45 million, decreased by THB 12.41 million or -38.96% YoY. The gross profit margin in 9M2022 was 43.10%, decreased from 59.22% in 9M2021 due to the increase in employee-related costs to support the planned increase of scale and scope of services to be provided by the Company and clients in mobile operator sector, in accordance with the Company's target to consistently launch new service projects every year. However, due to the uncertainty of the merger situation between mobile operators during this period, each mobile operator has slowed down the activation of additional solutions that the Company has developed and instead focused on retaining and increasing the number of users on their networks.

#### Services income from online advertising for products and services

In 3Q2022, the Company had services income from providing online advertising for products and services of THB 0.26 million, increased by THB 0.18 million or +245.53% YoY as clients in property development sector increased their media spending. In addition, gross loss was THB 0.45 million as high proportion of the costs was employee-related costs which were fixed costs. Consequently, in 9M2023, the Company had services income from providing online advertising for products and services of THB 0.74 million, increased by THB 0.48 million or +181.80% YoY, and gross loss of THB 1.39 million, decreased from the same period of previous year which had gross loss of THB 1.76 million.

#### **Services expenses**

In 3Q2022, services expenses were THB 1.31 million, increased by THB 0.06 million or +0.06% YoY. Consequently, in 9M2022, services expenses were THB 3.84 million, decreased by THB 1.75 million or -31.38% YoY. The decrease was because, during 2Q2021, the Company had conducted activities to promote the Company's information during the initial public offering (IPO) in May 2021.

#### **Administrative expenses**

In 3Q2022, administrative expenses were THB 8.59 million, decreased by THB 1.09 million or -11.28% YoY. In 9M2022, administrative expenses were THB 25.84 million, decreased by THB 4.28 million or -14.21% YoY mainly due to lower credit losses in line with the decrease in services income from digital content via telecommunication channels.

#### **Profit from operating activities**

In 3Q2022, profit from operating activities were THB 11.03 million, decreased by THB 15.76 million or -58.83% YoY mainly due to the decrease in services income from digital content via telecommunication channels. In 9M2022, profit for the period and total comprehensive income for the period were THB 48.96 million, decreased by THB 36.27 million or -42.56% YoY mainly due to the decrease in services income from digital content via telecommunication channels.

#### Share of gain(loss) of investments in associate

In 3Q2022, share of gain(loss) of investments in associate was loss of THB 0.04 million, decreased by THB 0.08 million or -223.42% YoY mainly due to Seven Connect Advisory Company Limited (“7C”), an associate company in which the Company holds 46.73% shares, as well as the companies within 7C Group delivered fewer projects than usual during this period. Consequently, in 9M2022, share of gain(loss) of investments in associate was THB 2.85 million, increased by THB 2.75 million or +2679.11% YoY. This was mainly due to the Company beginning to recognize the share of gain of investments in 7C.

#### Finance costs

In 3Q2022, finance costs were THB 0.04 million, decreased by THB 0.04 million or -51.31% YoY. In 9M2022, finance costs were THB 0.18 million, decreased by THB 0.07 million or -29.06% YoY.

#### Income tax expense

In 3Q2022, income tax expense was THB 1.65 million, decreased by THB 1.87 million or -53.13% YoY due to the decrease in profit before income tax expense. In 9M2022, income tax expense was THB 7.47 million, decreased by THB 3.34 million or -30.91% YoY due to the decrease in profit before income tax expense.

#### Profit for the period and Total comprehensive income for the period

In 3Q2022, profit for the period and total comprehensive income for the period were THB 9.29 million, decreased by THB 13.92 million or -59.97% YoY mainly due to the decrease in services income from digital content via telecommunication channels. In 9M2022, profit for the period and total comprehensive income for the period were THB 44.16 million, decreased by THB 30.11 million or -40.55% YoY mainly due to the decrease in services income from digital content via telecommunication channels.

**Financial Position**

Unit: THB Million

Financial Position	As at 31 December 2021	As at 30 September 2022	Increase/ (Decrease)	% Inc.(Dec.)
Total assets	649.62	632.87	(16.75)	-2.65%
Total liabilities	99.83	99.72	(0.11)	-0.11%
Total equity	549.79	533.15	(16.64)	-3.12%

**Total assets**

Total assets were mainly consisted of cash and cash equivalents, investment in associate and trade and other receivables and contract assets. As at 31 December 2021 and 30 September 2022, total assets were THB 649.62 million and THB 632.87 million, respectively. Total assets decreased by THB 16.75 million or -2.65% mainly due to trade and other receivables and contract assets decreased by THB 12.21 million in line with the decrease in services income from digital content via telecommunication channels

**Total liabilities**

Total liabilities were mainly consisted of trade and other payables. As at 31 December 2021 and 30 September 2022, total liabilities were THB 99.83 million and THB 99.72 million, respectively. Total liabilities decreased by THB 0.11 million or +0.11% mainly due to the decrease in trade and other payables of THB 4.56 million in line with the decrease in services income from digital content via telecommunication channels

**Total equity**

Total equity as at 31 December 2021 and 30 September 2022 were THB 549.79 million and THB 533.15 million, respectively. Total equity decreased by THB 16.64 million or -3.12% due to the Company's net profit for the nine-month period ended 30 September 2022 was THB 44.16 million while the Company paid dividends to shareholders of THB 60.80 million in the first nine-month period of 2022.

Sincerely yours,

*-Sompoch Tanutantivong-*

(Mr. Sompoch Tanutantivong)

Director and Chief Financial Officer