

## PROEN Corp Public Company Limited

### Management Discuss and Analysis Quarter 3 and 9-month Period (Jan-Sep) of 2022

#### Business Overview

The overview economics concerning technology is expanding and trends to expand continually. The factors were from the demand of e-commerce service, electronic payment, and digital content streaming, including new services in providing conveniences to consumers. There is the government support to drive government agencies to perform the government's electronic work. The private sector adopt new technology in order to improve competitiveness. Therefore, the investment in technology and the use of technology services have increased.

PROEN Corp Public Co., Ltd. and its subsidiaries ("the Group of Companies") conduct the following business: Information Communication and Technology (ICT), Internet Data Center (IDC), Internet Service Provider (ISP), and Cloud Service, collectively called ICT business, which was the main revenue, and conduct Telecommunication and Infrastructure Service Business, which had a continuous expansion of income. In Q3/2022, the Group of Companies was in the process of investing in the new Internet Data Center (IDC) construction project with a capacity of at least 1,000 racks, located on Phra Ram 9-Srinagarindra road. The new IDC is expected to generate income at the end of 2023 in order to meet the growing customer demand.

#### Operating Result

In Q3/2022, the Group of Companies had total revenue of 432.18 million Baht, increased by 78.31% YoY. The increase was mainly due to an increase of revenue from sale of Server Computer and IT equipment, Telecommunication infrastructure projects, infrastructure projects, the project of replacing overhead communication and transmission lines system with underground lines system. As a result, Net profit was 25.64 million Baht, increased by 4,560.16% YoY. For the 9-month period (Jan-Sep) of 2022, The Group of Companies had total revenue of 1,250.93 million Baht, increased by 79.95% YoY. It was mainly from an increase in revenue from sales regarding IT service from the Cloud service product, revenue from telecommunication project, basic infrastructure, resulting in net profit of 54.66 million Baht, increased by 163.14% YoY.



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ISO/IEC 27001:2013



ISO 9001:2015

### Operating Result Analysis of the Group of Companies

Operating result for Q3/2022 (Jul-Sep) 2022 compared with 2021 can be summarized as follows:

Operating Result (Unit: million Baht)	Quarter 3/2022 (Jul-Sep)		Quarter 3/2021 (Jul-Sep)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	% Increase (Decrease)
Total revenue from sales and services	416.75	96.43%	242.01	99.85%	174.74	72.61
Other income	15.43	3.57%	0.37	0.15%	15.06	4,052.58
Total revenue	432.18	100.00%	242.38	100.00%	189.80	78.31
Cost of sales and services	362.76	83.94%	212.58	87.71%	150.17	70.54
Gross profit	53.99	12.49%	29.42	12.14%	24.57	83.50
Selling expenses	5.89	1.36%	4.19	1.73%	1.71	40.76
Administrative expenses	22.34	5.17%	22.36	9.23%	(0.03)	(0.13)
Profit (Loss) before interest and income tax	41.20	9.53%	3.25	1.34%	37.95	1,169.39
Financial costs	9.35	2.16%	2.02	0.84%	7.32	361.73
Profit (Loss) before income tax expense	31.85	7.37%	1.22	0.50%	30.53	2,508.02
Corporate income tax	6.22	1.44%	0.67	0.28%	5.54	856.06
Net profit	25.64	5.93	0355	0.23%	25.09	4,560.16

Operating result for the 9-month period (Jan-Sep) of 2022 compared with 2021 can be summarized as follows:

Operating Result (Unit: million Baht)	9-Month 2022 (Jan-Sep)		9-Month 2021 (Jan-Sep)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	% Increase (Decrease)
Total revenue from sales and services	1,234.79	98.71%	693.09	99.70%	541.70	78.16
Other income	16.14	1.29%	2.07	0.30%	14.07	679.03
Total revenue	1,250.93	100.00%	695.16	100.00%	555.77	79.95
Cost of sales and services	1,081.97	86.49%	593.22	85.34%	488.75	82.39
Gross profit	152.82	12.22%	99.87	14.37%	52.94	53.01
Selling expenses	17.13	1.37%	12.12	1.74%	5.01	41.30
Administrative expenses	71.47	5.71%	58.59	8.43%	12.88	21.98
Profit (Loss) before interest and income tax	80.36	6.42%	31.23	4.49%	49.13	157.31
Financial costs	21.29	1.70%	7.54	1.08%	13.75	182.42
Profit (Loss) before income tax expense	59.07	4.72%	23.69	3.41%	35.38	149.32
Corporate income tax	4.41	0.35%	2.92	0.42%	1.49	51.00
Net profit	54.66	4.37%	20.77	2.99%	33.89	163.14



In Q3/2022, the Group of Companies had Net profit of 25.64 million Baht, increased by 4,560.16% YoY. The increase was mainly due to revenue from sales of server computer, IT equipment, obtaining infrastructure project for the replacing overhead communication and transmission lines system with underground lines system, together with revenue from assets disposal and waste material disposal of the completed infrastructure projects amounting to 15.43 million Baht.

For the 9-month period (Jan-Sep) of 2022, the Group of Companies had net profit of 54.66 million Baht, increased by 163.14% YoY, mainly due to the sale of server computer, IT equipment, Cloud service product, and obtaining telecommunication and infrastructure work in replacing overhead communication and transmission lines system with underground communication and transmission lines system, together with revenue from assets disposal and material waste of the completed infrastructure projects totaling 16.14 million Baht.

### **Revenue, Cost, and Gross Profit**

Revenue, Cost, and Gross Profit for the Q3/2022 (Jul-Sep) 2022 compared with 2021 as follows:

Operating Result (Unit: million Baht)	Total Revenue In Q3				Total Cost In Q3				Total Gross Profit In Q3			
	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%
<b>ICT business group:</b>												
Sale	191.79	177.58	14.21	8.00	185.70	163.31	22.39	13.71	6.10	14.28	(8.18)	(57.28)
Service	81.97	64.36	17.60	27.35	52.70	47.34	5.36	11.33	29.26	17.03	12.24	71.87
<b>Total Revenue from sales and services</b>	<b>273.76</b>	<b>241.95</b>	<b>31.81</b>	<b>13.15</b>	<b>238.40</b>	<b>210.65</b>	<b>27.75</b>	<b>13.17</b>	<b>35.36</b>	<b>31.30</b>	<b>4.06</b>	<b>12.97</b>
<b>Infrastructure business:</b>												
Infrastructure work	142.99	0.06	142.93	238,222.02	124.36	1.94	122.42	6,316.93	18.63	(1.88)	20.51	1,092.14
<b>Total revenue from main business</b>	<b>416.75</b>	<b>242.01</b>	<b>174.74</b>	<b>72.21</b>	<b>362.76</b>	<b>212.58</b>	<b>150.17</b>	<b>70.64</b>	<b>53.99</b>	<b>29.42</b>	<b>24.57</b>	<b>83.50</b>



Revenue, Cost, and Gross Profit for the period of 9 months, Jan-Sep between 2022 and 2021 as follows:

Operating Result (Unit: million Baht)	Total Revenue 9-month (Jan-Sep)				Total Cost 9-month (Jan-Sep)				Total Gross Profit 9-month (Jan-Sep)			
	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%
<b>ICT business group:</b>												
Sale	482.96	401.25	81.70	20.36	461.18	372.25	88.93	23.89	21.78	29.01	(7.23)	(24.93)
Service	223.11	232.54	(9.43)	(4.05)	156.59	164.75	(8.16)	(4.95)	66.52	67.79	(1.27)	(1.87)
<b>Total Revenue from sales and services</b>	<b>706.07</b>	<b>633.80</b>	<b>72.28</b>	<b>11.40</b>	<b>617.77</b>	<b>537.00</b>	<b>80.77</b>	<b>15.04</b>	<b>88.30</b>	<b>96.80</b>	<b>(8.50)</b>	<b>(8.78)</b>
<b>Infrastructure business:</b>												
Infrastructure work	528.71	59.29	469.42	791.69	464.20	56.22	407.98	725.71	64.52	3.08	61.44	1997.54
<b>Total revenue from main business</b>	<b>1,234.79</b>	<b>693.09</b>	<b>541.70</b>	<b>78.16</b>	<b>1,081.97</b>	<b>593.22</b>	<b>488.75</b>	<b>82.39</b>	<b>152.82</b>	<b>99.87</b>	<b>52.94</b>	<b>53.01</b>

## Revenue

In Q3/2022, Jul.-Sep., the Group of Companies had revenue from main business of 416.75 million Baht, increased by 72.21%, mainly due to an increase in sale of server computer, IT equipment according to the expansion of technology group customer, and an increase of revenue from the public utility infrastructure business group according to the expansion of government investment of the public utility of the country and the project of replacing overhead communication and transmission lines system with underground lines system.

In the 9-month period (Jan-Sep) of 2022, revenue from main business was 1,234.79 million Baht, increased by 78.16%, mainly due to an increase in sale of server computer, IT equipment, and the Bitcoin Mining machine during Q1/2022, according to the expansion of technology group customer, and an increase of revenue from the public utility infrastructure business. In 2022, the Group of Companies develops new cloud service product, resulted in an increase in revenue.



### **Cost of Sales and Gross Profit**

In Q3/2022, cost of sales increased according to revenue proportion, resulted in gross profit of 53.99 million Baht, increased by 83.50% YoY according to revenue proportion.

In the 9-month period (Jan-Sep) of 2022, cost of sales increased according to revenue proportion, resulted in profit of 152.82 million Baht, increased by 53.01% YoY according to revenue proportion.

### **Selling Expenses and Administrative Expenses**

#### **Selling Expenses**

In Q3/2022, selling expenses were 5.89 million Baht, increased by 40.76% according to sales proportion. The increase were from marketing activity expenses for new product launch and an increase of sale commission payment.

In the 9-month period (Jan-Sep) of 2022 selling expenses was 17.13 million Baht, increased by 41.30% according to sales proportion. The increase were from marketing activity expenses and an increase of sale commission payment.

#### **Administrative Expenses**

In Q3/2022, Administrative Expenses were 22.34 million Baht, decreased by 0.13% YoY due to the reservation of the expected credit loss decreased according to the financial reporting standard, amounting to 1.17 million Baht, and an increase from the adjustment of employee pay rate, increased by 1.14 million Baht according to business expansion.

In the 9-month period of (Jan-Sep) 2022, Administrative Expenses were 71.47 million Baht, increased by 21.98% YoY, mainly due to the adjustment of employee pay rate increased according to business expansion.

#### **Other Income**

In Q3/2022 and the 9-month period (Jan-Sep) of 2022, Other Income was 15.43 million Baht and 16.14 million Baht, increased by 4,052.58% and 679.03% from the corresponding period in the prior year due to the profit from asset disposal and waste material disposal.



### Financial Cost

In Q3/2022 and the 9-month period (Jan-Sep) of 2022, Financial Cost was 9.35 million Baht and 21.29 million Baht, increased by 361.73% and 182.42% YoY. The key factor of increased interest payable was the debentures issuance amounting to 500 million Baht for the purpose of Preparing for the Construction of the new IDC and using as working capital. From Q3/2022 onwards, when the funds are used for construction, the cost of funds used for construction can be recorded as a transaction of assets for new IDC Construction, and will result in a decrease in interest payable in the statement of income.

### Tax Expense (Tax Income)

In Q3/2022 and the 9-month period (Jan-Sep) of 2022, Tax Expense (Tax Income) was 6.22 million Baht and 4.41 million Baht, increased by 826.06% and 51.00% YoY, according to the payment rate of corporate income tax and the recognition of assets from differed tax of the accumulated losses.

### Statement of Financial Position

Consolidated Financial Statements (Unit: million Baht)	30-Sep-22	31-Dec-21	Increase (Decrease)	% Increase (Decrease)	% Proportion per total assets as of 30-Sep-22
<b>Assets</b>					
Current asset	1,370.43	825.49	544.94	66.01	81.61
Non-current asset	308.79	253.12	55.67	21.99	18.39
<b>Total assets</b>	<b>1,679.21</b>	<b>1,078.61</b>	<b>600.61</b>	<b>55.68</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>					
Current liabilities	650.89	581.31	69.58	11.97	38.76
Non-current liabilities	570.16	77.51	492.64	635.58	33.95
Shareholders' equity	458.17	419.78	38.39	9.14	27.28
<b>Total liabilities and shareholders' equity</b>	<b>1,679.21</b>	<b>1,078.61</b>	<b>600.61</b>	<b>55.68</b>	<b>100.00</b>

As of 30 September 2022, total assets were 1,679.21 million Baht, increased by 600.61 million Baht, or increased by 55.68% from 31 December 2021, mainly due to an increase of cash and cash equivalents of 416.43 million Baht as the company obtained funds from the issuance of debentures amounting to 500 million Baht. Accounts receivable increased by 365.19 million Baht from the construction installments under the Mass Rapid Transit project contract and the project of underground communication line system construction.





Liabilities were 1,221.05 million Baht, increased by 562.22 million Baht, or increased by 85.34% from 31st December 2021, mainly due to the issuance of debentures in an amount of 500 million Baht for the purpose of new IDC construction and investment in various projects of the Company and increase from accounts payable of 102.80 million Baht according to the expansion of infrastructure projects increased in 2022. As of 30 September 2022, shareholders' equity was 458.17 million Baht, increased by 38.39 million Baht from the total comprehensive income of the 9-month period of 2022, and decrease from the dividend payment of 18.22 million Baht. As of 30 September 2022, Liquidity Ratio was 2.11 times, D/E Ratio was 1.48 times, Interest-Bearing D/E Ratio was 0.20 times.

### Statement of Cash Flow

Statement of Cash Flow ( Unit : Million Baht)	30-Sep-22	30-Sep-21
Net Cash From (Used In) Operating Activities	(96.71)	(44.98)
Net Cash From (Used In) Investing Activities	95.03	(170.79)
Net Cash From (Used In) Financing Activities	419.89	153.83
Net Increase (Decrease) In Cash And Cash Equivalent	418.22	(61.93)
Cash And Cash Equivalents, Beginning Balance	123.19	72.68
<b>Cash And Cash Equivalents, Ending Balance</b>	<b>541.41</b>	<b>10.75</b>

As of 30 Sep. 2022, the Group of Companies had Cash and Cash Equivalents of 541.41 million Baht, Net Cash Used In Operating Activities was 96.71 million Baht, increased from an item of accounts receivable of project customer group and from the interest payable of debentures issuance. Net Cash From Investing Activities was 95.03 million Baht, from the disposal of investments in debt securities amounting to 146.83 million Baht, and used in the construction of new IDC and investment in equipment for the current IDC. Net Cash From Financing Activities was 419.89 million Baht from the Debentures issuance amounting to 500 million Baht and used in the repayment of loans from financial institutions and dividends payment for shareholders amounting to 18.22 million Baht.

