

13 February 2023

Subject Management Discussion and Analysis for the nine months ended September 30, 2022

Attention President

The Stock Exchange of Thailand

Meb Corporation Public Company Limited and subsidiaries (collectively called the “**Company**”) would like to inform the analysis of financial performance, financial positions and financial ratio for the nine months ended September 30, 2022. The details are as follows:

A summary of the key financial information for the nine months ended September 30, 2022

Profit & Loss Statement	For the nine months ended September 30,			
	2021		2022	
	THB mm	%	THB mm	%
Revenue from Sales of Goods and Services ⁽¹⁾	1,023.08	99.15	1,251.92	99.08
Total Revenue ⁽¹⁾	1,031.80	100.00	1,263.54	100.00
Cost of Sales and Services	732.79	71.63	877.70	70.11
Gross Profit ⁽²⁾	290.29	28.37	374.22	29.89
Operating Profit ⁽¹⁾	244.00	23.65	301.64	23.87
Profit for the year ⁽¹⁾	195.30	18.93	241.85	19.14

Remark: (1) Percentage of Total Revenue

(2) Percentage of Revenue from Sales & Services

Total Revenue

For the year ended December 31, 2020 and 2021, the Company had total revenue of THB 1,004.68 million and THB 1,456.38 million, respectively, representing an increase of 44.96% in 2021 when comparing to previous year. Most of the total revenue come from revenue from the sales of goods and rendering of services, which accounted for 99.62% and 99.18% of total revenue for the years 2020 and 2021, respectively. Therefore, the increase in the total revenue of the Company was mainly a result of an increase in revenue from sales and services.

Total Revenue	For the nine months ended September 30,			
	2021		2022	
	THB mm	%	THB mm	%
1. Revenue from sales of goods and rendering of services				
1.1 E-Book ⁽¹⁾	960.80	93.12	1,153.75	91.31
- Fiction	765.90	74.23	952.94	75.42
- Other categories ⁽²⁾	194.89	18.89	200.81	15.89
1.2 readAwrite Platform ⁽³⁾	40.65	3.94	60.10	4.76
1.3 Others ⁽⁴⁾	21.63	2.10	38.07	3.01
Total Revenue from sales of goods and rendering of services	1,023.08	99.15	1,251.92	99.08
2. Investment income	0.48	0.05	0.84	0.07
3. Other income	8.25	0.80	10.78	0.85
Total Revenue	1,031.80	100.00	1,263.54	100.00

Remark: (1) Revenue from the sale of E-Books from meb, Hytexts and Hibrary platforms is the income before deducting writer contribution.

(2) such as Cartoon, Light novels, Magazines, and Newspapers

(3) Revenue from the readAwrite platform is net revenue after deducting writer contribution

(4) such as revenue from E-Buffer, Audio Book and E-Reader etc

Total Revenue from Sales of Goods and Services

For the nine months ended September 30, 2022, the Company's revenue from sales and services increased by THB 228.84 million, or equivalent to an increase of 22.37% compared to the same period in the previous year which was mainly from the increase in revenue from the sale of electronic books (E-Book) from both meb and readAwrite platforms. The MAU of the meb platform increased from 0.50 million users/month in the nine months ended September 30, 2021 to 0.58 million users/month in the nine months ended September 30, 2022 and the MAU of the readAwrite platform increased from 4.35 million users/month in the nine months ended September 30, 2021 to 5.71 million users/month in the nine months ended September 30, 2022 as a result of marketing activities and promotional items and the result of increasing interest in online literature especially during the COVID-19 epidemic situation. In addition, the revenue per MAU of both meb and readAwrite platforms has also increased where the annual revenue per MAU of the meb platform increased from THB 1,922 per person in the nine months ended September 30, 2021 to THB 2,001 per person in the nine months ended September 30, 2022, and the annual revenue per MAU of the readAwrite platform increased from THB 9 per person in the nine months ended September 30, 2021 to THB 11 per person in the nine months ended September 30, 2022 due to the increasing popularity among readers. The revenue contribution from readAwrite has been growing steadily in recent times from 3.94% of the Company's total revenue in the nine months ended September 30, 2021 to 4.76% of the Company's total revenue in the nine months ended September 30, 2022.

Monthly Active User

Monthly Active User or "MAU" ⁽¹⁾	For the nine months of 2021	For the nine months of 2022
Meb (Million MAU/month)	0.50	0.58
readAwrite (Million MAU/month)	4.35	5.71

Revenue per MAU for the year/period⁽²⁾ (THB per person)

Revenue per MAU for the year/period ⁽²⁾ (THB per MAU)	For the nine months of 2021	For the nine months of 2022
meb Platform ⁽³⁾	1,922	2,001
readAwrite Platform ⁽⁴⁾	9	11

Remark: (1) Data for 2021 and 2022 monthly average of data from January to December and January to September

(2) Calculated from per period revenue divided by Monthly Active Users for the relevant period

(3) Calculated from the sale of E-books which includes revenue from Meb Hytexts and Hibrary platforms divided by Meb's average monthly subscriber

(4) Revenue of readAwrite is according to the financial statements, which is the Revenue after deducting the contribution to the author (NMV)

Cost of Sales & Services, Gross Profit and Gross Profit Margin

Items	Unit	For the nine months ended September 30,	
		2021	2022
Cost of Sales & Services	THB mm	732.79	877.70
Gross Profit	THB mm	290.29	374.22
Gross Profit Margin	%	28.37	29.89

For the nine months ended September 30, 2021 and 2022, the Company's cost of sales and services are equal to THB 732.79 million and THB 877.70 million respectively, accounting for 71.63% and 70.11% of revenue from sales and services, respectively.

For the nine months ended September 30, 2021 and 2022, the Company's cost of sales and services mainly including Publishers and Writers Compensation and other costs such as employee benefit expenses, mainly for programmer employees, server cost, and literary translation fees, etc.

For the nine months ended September 30, 2021 and 2022, the cost of sales and services of the Company increased by THB 144.91 million or equivalent to an increase of 19.78% compared to the same period of the previous year. This was mainly due to an increase in publishers and writers' remuneration and is in accordance with the increase in revenue from sales and services. The Company's gross profit margin for the nine months ended September 30, 2022 was 29.89% which increased from 28.37% compared to the same period in the previous year. This was mainly due to some semi-fixed expenses that did not increase in the same proportion as revenue from sales and services, such as employee benefit expenses and server cost which is in line with the nature of the Company's business.

Net Profit for the year and Net Profit Margin

Items	Unit	For the nine months ended September 30,	
		2021	2022
Net Profit for the year	THB mm	195.30	241.85
Net Profit Margin	%	18.93	19.14

For the nine months ended September 30, 2021 and 2022, the Company's net profit for the year/period was THB 195.30 million and THB 241.85 million respectively, representing a net profit margin of 18.93% and 19.14%, respectively.

In the nine months ended September 30, 2022, the Company's profit for the year increased by THB 46.55 million, representing an increase of 23.84% compared to the same period of the previous year. The Company's net profit margin for the nine months ended September 30, increased from 18.93% to 19.14% in 2021 and 2022, respectively, mainly due to the increase in sales and service income the Company was able to manage costs and expenses more efficiently.

Financial Positions

Total Assets

Balance Sheet	For the year ended 31 December		For the nine months ended September 30,	
	2021		2022	
	THB mm	%	THB mm	%
Assets				
Current Assets				
Cash and cash equivalents	612.71	90.42	362.35	83.37
Trade receivables	40.19	5.93	41.12	9.46
Other receivables	12.10	1.79	13.71	3.16
Inventories	1.81	0.27	2.55	0.59
Total Current Assets	666.80	98.41	419.73	96.58
Non-Current Assets				
Building improvement & equipment	2.14	0.32	2.06	0.47
Right-of-use assets	1.89	0.28	6.32	1.45
Goodwill	3.58	0.53	3.58	0.82
Intangible assets	1.33	0.20	1.09	0.25
Deferred tax assets	0.62	0.09	0.50	0.11
Other non-current assets	1.23	0.18	1.32	0.30
Total Non-Current Assets	10.78	1.59	14.88	3.42
Total Assets	677.59	100.00	434.61	100.00

As of December 31, 2021, and September 30, 2022 the Company has total assets of THB 677.59 million and THB 434.61 million, respectively. Total assets mainly consisting of cash and cash equivalents, trade receivables, and other receivables representing 98.14% and 95.99% of total assets, respectively.

Total Liabilities

Balance Sheet	For the year ended 31 December		For the nine months ended September 30,	
	2021		2022	
	THB mm	% ⁽¹⁾	THB mm	% ⁽¹⁾
Liabilities				
Current Liabilities				
Trade payables	115.04	54.68	121.26	58.68
Other payables	21.16	10.06	23.04	11.15
Contract liabilities	21.85	10.39	27.55	13.33
Current portion of lease liabilities	1.45	0.69	2.82	1.36
Income tax payable	47.70	22.67	26.34	12.75
Total Current Liabilities	207.20	98.49	201.01	97.28
Non-Current Liabilities				
Lease liabilities	0.47	0.22	3.54	1.71
Non-current provisions for employee benefits	2.71	1.29	2.09	1.01
Total Non-Current Liabilities	3.18	1.51	5.62	2.72
Total Liabilities	210.39	100.00	206.63	100.00

Remark: (1) Percentage of total liabilities

As of December 31, 2021 and September 30, 2022, the Company has total liabilities of THB 210.39 million and THB 206.63 million respectively. Total liabilities mainly comprise of trade accounts payables, deferred tax liabilities, lease liabilities and other liabilities, which accounted for 97.80% and 95.92% of total liabilities as of December 31, 2021 and September 30, 2022, respectively.

Equity

As of December 31, 2021 and September 30, 2022, the Company equity was THB 467.20 million and THB 227.98 million, respectively.

Shareholders' equity as of September 30, 2022 decreased by THB 239.22 million or equivalent to a decrease of 51.20% from December 31, 2021, mainly due to a decrease in retained earnings from dividend payment of THB 625.30 million, offset by total net profit (part of the parent company) for the nine months period ended September 30, 2022 in the amount of THB 242.58 million and the capital increase to existing shareholders in proportion to their shareholding of the Company in the amount of THB 143.49 million.

Interim dividend payment

The Board of Directors' Meeting No. 3/2022 held on December 6, 2022 resolved to approve the interim dividend payment from unappropriated retained earnings according to the Company's separate financial statements as of November 30, 2022 (which is Financial statements prepared by the Company (management account) and reviewed by an auditor) before the initial public offering of newly issued ordinary shares in the amount of THB 130.43 million. The Board of Directors has set the list of shareholders who are entitled to receive the interim dividend on December 21, 2022 and the dividend payment to be scheduled on January 5, 2023. The source of fund for dividend payment comes from the Company's cash and cash equivalents.

The table below shows the Company's financial information as of September 30, 2022, which has been adjusted to show the impact of the financial information, under the assumption that there is an interim dividend payment of THB 130.43 million, funding from cash and cash equivalents of the Company as if the transaction occurred on September 30, 2022, excluding the expected proceeds from the initial public offering of newly issued ordinary shares. However, such calculations are not intended to represent the Company's performance if such transaction occurred on the specified date and not intended to estimate the Company's performance in any future.

Adjusted Selected Financial Information ⁽¹⁾			
Items (THB Million)	As in the financial statement as of September 30, 2022	Adjustment	Result after adjustment as of September 30, 2022
Cash and cash equivalents	362.35	(130.43)	231.92
Total Assets	434.61	(130.43)	304.18
Total Liabilities	206.63	-	206.63
Total equity of the parent company	227.00	(130.43)	96.57
Total Equity	227.98	(130.43)	97.55
Financial ratio calculated based on information in the financial statements			
Debt-to-equity ratio (time) ⁽²⁾	0.91	-	2.12
Book value per share (THB per share) ⁽³⁾	0.76	-	0.32

Remark: (1) The financial information shown in the table above has been prepared for the purpose of explaining the impact of such transaction if it happened on September 30, 2022 only and is not intended to reflect the Company's operating results if such transaction actually occurred on the specified date and is not intended to estimate the Company's future performance. In addition, investors should consider the above information together with other information address in this document.

(2) Liability/Equity Ratio is calculated as total liabilities divided by shareholder's equity

(3) Calculated from the total equity of the parent company divided by the number of shares of the Company amounting to 300,000,000 shares after the initial public offering

Please be informed accordingly,

Sincerely yours,

(Mr. Phantep Luangwiriya)
Chief Financial Officer