

No. ADD 3/2023

22 February 2023

Subject: Management discussion and analysis for the performance for the year ended 31 December 2022

To: President

The Stock Exchange of Thailand

AddTech Hub Public Company Limited's (the "Company") Board of Directors Meeting No. 1/2023 held on 22 February 2023 passed a resolution to certify the financial statements and the performance for the year ended 31 December 2022 which was audited by the auditor.

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

Performance

Unit: THB Million

Performance (Statement of Comprehensive Income)	For the year ended 31 December			
	2021	2022	Inc.(Dec.)	% Inc.(Dec.)
Services income	515.00	331.18	(183.82)	-35.69%
Cost of rendering of services	(355.37)	(238.78)	116.59	-32.81%
Gross profit	159.63	92.40	(67.23)	-42.11%
Other income	0.69	2.90	2.21	320.40%
Services expenses	(6.83)	(5.10)	1.73	-25.35%
Administrative expenses	(39.92)	(37.10)	2.82	-7.06%
Profit from operating activities	113.57	53.11	(60.47)	-53.24%
Share of profit on investments in associate	0.13	0.71	0.58	443.81%
Finance costs	(0.34)	(0.23)	0.11	-32.54%
Profit before income tax expense	113.36	53.59	(59.78)	-52.73%
Income tax expense	(14.62)	(8.57)	6.04	-41.34%
Profit for the year	98.75	45.01	(53.74)	-54.42%
Other comprehensive income	-	0.15	0.15	N/A
Total comprehensive income for the year	98.75	45.16	(53.58)	-54.26%
Gross profit margin	31.00%	27.90%		
Net profit margin	19.17%	13.59%		

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	For the year ended 31 December			
	2021	2022	Inc.(Dec.)	% Inc.(Dec.)
Digital content via telecommunication channels				
Services income	442.40	274.80	(167.60)	-37.88%
Cost of rendering of services	(322.06)	(200.45)	121.61	-37.76%
Gross profit	120.35	74.35	(45.99)	-38.22%
Gross profit margin	27.20%	27.06%		
Information technology solutions for electronic devices				
Services income	72.11	55.38	(16.73)	-23.21%
Cost of rendering of services	(30.60)	(35.48)	(4.88)	15.94%
Gross profit	41.51	19.90	(21.61)	-52.06%
Gross profit margin	57.57%	35.93%		
Online advertising for products and services				
Services income	0.48	1.00	0.52	108.12%
Cost of rendering of services	(2.71)	(2.85)	(0.14)	5.15%
Gross profit	(2.23)	(1.85)	0.38	-17.10%
Gross profit margin	-462.79%	-184.34%		

Services income from digital content via telecommunication channels

In 2022, the Company had services income from digital content via telecommunication channels of THB 274.80 million, decreased by THB 167.60 million or -37.88% 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 2022 was 6.07 million, up from the average users per month in 2021 which was 4.75 million, representing an average increase of 1.32 million or an increase of 27.76%. 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 74.35 million, decreased by THB 45.99 million or -38.22% YoY. The gross profit margin in 2022 was 27.06%, decreased from 27.20% in 2021.

Services income from information technology solutions for electronic devices

In 2022, the Company had services income from information technology solutions for electronic devices of THB 55.38 million, decreased by THB 16.73 million or -23.21% 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 19.90 million, decreased by THB 21.61 million or -52.06% YoY. The gross profit margin in 2022 was 35.93%, decreased from 57.57% in 2021 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 of mobile operators during this period, as a result, each mobile operator has slowed down the activation of additional systems that the Company has developed and focusing on retaining and increasing the number of users on each operator's networks.

Services income from online advertising for products and services

In 2022, the Company had services income from providing online advertising for products and services of THB 1.00 million, increased by THB 0.52 million or +108.12% YoY as clients in property development sector increased their media spending. In addition, gross loss was THB 1.85 million as high proportion of the costs was employee-related costs which were fixed costs.

Other income

In 2022, other income was THB 2.90 million, increase by THB 2.21 million or + 320.40% YoY, mainly due to the increase in interest income. In addition, in 2022, the Company had a gain from a bargain purchase on investments in subsidiary of THB 0.48 million and received a gain on disposals investment in associated company of THB 0.50 million.

Services expenses

In 2022, services expenses were THB 5.10 million, decreased by THB 1.73 million or -25.35% YoY. The decrease was because, during 2021, the Company has organized activities to publicize the Company's information during the initial public offering (IPO) of ordinary shares in May 2021.

Administrative expenses

In 2022, administrative expenses were THB 37.10 million, decreased by THB 2.82 million or -7.06% 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 2022, profit from operating activities were THB 53.11 million, decreased by THB 60.47 million or -53.24% YoY, mainly due to the decrease in services income from digital content via telecommunication channels.

Share of profit of investments in associate

In 2022, share of profit of investments in associate was THB 0.71 million, increased by THB 0.58 million or +443.81% YoY. This was mainly due to the company beginning to recognize the share of profit of investment in Seven Connect Advisory Company Limited ("7C"), an associate company in which the Company holds 46.73% of shares, including affiliates of 7C.

Finance costs

In 2022, finance costs were THB 0.23 million, decreased by THB 0.11 million or -32.54% YoY.

Income tax expense

In 2022, income tax expense was THB 8.57 million, decreased by THB 6.04 million or -41.34% YoY due to the decrease in profit before income tax expense.

Profit for the year and Total comprehensive income for the year

In 2022, profit for the year was THB 45.01 million, a decrease of THB 53.74 million from 2021 or -54.42% YoY, and total comprehensive income for the year was THB 45.16 million, a decrease of THB 53.58 million or -54.26% YoY. This was mainly due to the decrease in services income from digital content services via telecommunication channels.

Financial Position

Unit: THB Million

Financial Position	As at 31 December 2021	As at 31 December 2022	Increase/ (Decrease)	% Inc.(Dec.)
Total assets	649.62	606.12	(43.50)	-6.70%
Total liabilities	99.83	73.57	(26.26)	-26.31%
Total equity	549.79	532.56	(17.24)	-3.13%

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 31 December 2022, total assets were THB 649.62 million and THB 606.12 million, respectively. Total assets decreased by THB 43.50 million or -6.70% mainly due to trade and other receivables and contract assets decreased by THB 51.58 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 31 December 2022, total liabilities were THB 99.83 million and THB 73.57 million, respectively. Total liabilities decreased by THB 26.26 million or -26.31% mainly due to the decrease in trade and other payables of THB 30.81 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 31 December 2022 were THB 549.79 million and THB 532.56 million, respectively. Total equity decreased by THB 17.24 million or -3.13% due to the Company's total comprehensive income for the year ended 31 December 2022 was THB 45.16 million while the Company paid dividends to shareholders of THB 67.20 million in 2022.

Sincerely yours,

-Sompoch Tanutantivong-

(Mr. Sompoch Tanutantivong)

Director and Chief Financial Officer