

PROEN Corp Public Company Limited

Management Discussion and Analysis Yearly

Ending 31 December 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 government support to drive government agencies to perform the government's electronic work. In addition, the private sectors 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 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 2022, the Group of Companies had a continuous growth from the recovery of the economics, the investment in the Government sector and public sector, resulted in the revenue from service business and business growth regarding the Country's infrastructure. In addition, the Group of Companies designed cloud products and services in order to support the growing customer adaptability. As a result, The Group of Companies had total revenue of 1,548.36 million Baht, increased by 45.86% YoY. Net Profit was 65.07 million Baht, increased by 123.12% YoY.



PROEN Corp Public Company Limited

72 NT Bangrak Building 4th, 18th Fl.,
Charoen Krung Rd. Bang Rak
Bangkok 10500

☎ 0 2690 3888
☎ 0 2691 1898

f PROENInternet
www.proen.co.th



ISO/IEC 27001:2013



ISO 9001:2015

Operating Result Analysis of the Group of Companies

Operating result for Q4/2022 (Oct.-Dec.) compared with Q4/2021 can be summarized as follows:

Operating Result (Unit: million Baht)	Quarter 4/2022 (Oct.-Dec.)		Quarter 4/2021 (Oct.-Dec.)		Change YoY	
	MB.	% Total revenue	MB.	% Total revenue	Increase (Decrease)	% Increase (Decrease)
Total revenue from sales and services	296.59	99.72%	365.39	99.73%	(68.80)	(18.83)
Other revenue	0.84	0.28%	1.01	0.27%	(0.17)	(16.46)
Total revenue	297.43	100.00%	366.40	100.00%	(68.97)	(18.82)
Cost of sales and services	244.10	82.07%	319.24	87.13%	(75.15)	(23.54)
Gross profit	52.49	17.65%	46.15	12.60%	6.34	13.74
Selling expenses	4.62	1.55%	8.31	2.27%	(3.69)	(44.39)
Administrative expenses	30.83	10.36%	23.13	6.31%	7.70	33.27
Profit (Loss) before interest and income tax	17.88	6.01%	15.72	4.29%	2.17	13.80
Financial costs	8.78	2.95%	2.23	0.61%	6.55	293.45
Profit (Loss) before income tax expense	9.11	3.06%	13.49	3.68%	(4.38)	(32.46)
Corporate income tax	(1.30)	-0.44%	5.10	1.39%	(6.39)	(125.49)
Net profit	10.41	3.50%	8.39	2.29%	2.02	24.03

Operating result for FY2022 compared with FY2021 can be summarized as follows:

Operating Result (Unit: million Baht)	FY2022 (Jan.-Dec.)		FY2021 (Jan.-Dec.)		Change YoY	
	MB.	% Total revenue	MB.	% Total revenue	Increase (Decrease)	% Increase (Decrease)
Total revenue from sales and services	1,531.38	98.90%	1,058.48	99.71%	472.89	44.68
Other revenue	16.98	1.10%	3.08	0.29%	13.91	451.54
Total revenue	1,548.36	100.00%	1,061.56	100.00%	486.80	45.86
Cost of sales and services	1,326.07	85.64%	912.46	85.95%	413.61	45.33
Gross profit	205.31	13.26%	146.02	13.76%	59.28	40.60
Selling expenses	21.75	1.40%	20.43	1.92%	1.32	6.45
Administrative expenses	102.30	6.61%	81.72	7.70%	20.58	25.18
Profit (Loss) before interest and income tax	98.24	6.34%	46.95	4.42%	51.30	109.27
Financial costs	30.06	1.94%	9.77	0.92%	20.30	207.78
Profit (Loss) before income tax expense	68.18	4.40%	37.18	3.50%	31.00	83.38
Corporate income tax	3.11	0.20%	8.01	0.75%	(4.91)	(61.21)
Net profit	65.07	4.20%	29.16	2.75%	35.90	123.12



For the operating results of the Group of Companies in Q4/2022, net profit was 10.41 million Baht, increased by 24.03% YoY. The increase was mainly due to the increase of revenue from sales of server computers, IT equipment, and Cloud service products.

For the operating results of the Group of Companies in FY2022, net profit was 65.07 million Baht, increased by 123.12% from the corresponding period in the prior year, mainly due to the increase of sale of server computers, 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 disposal of assets and material waste of the completed infrastructure projects totaling 16.98 million Baht.

Income, Cost, and Gross Profit

Income, Cost, and Gross Profit for Q4/2022 (Oct.-Dec. 2022) compared with Q4/2021 as follows:

Operating Result (Unit: million Baht)	Total Income In Quarter 4				Total Cost In Quarter 4				Total Gross Profit In Quarter 4			
	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%
ICT business group:												
Sale	143.95	127.11	16.84	13.25	136.37	112.38	23.99	21.34	7.58	14.73	(7.15)	(48.52)
Service	93.99	68.02	25.96	38.16	56.02	55.09	0.93	1.69	37.96	12.93	25.03	193.51
Total Revenue from sales and services	237.94	195.14	42.80	21.93	192.39	167.47	24.92	14.88	45.55	27.67	17.88	64.63
Infrastructure business:												
Infrastructure work	58.65	170.26	(111.61)	(65.55)	51.71	151.77	(100.07)	(65.93)	6.95	18.49	(11.54)	(62.43)
Total revenue from main business	296.59	365.39	(68.80)	(18.83)	244.10	319.24	(75.15)	(23.54)	52.49	46.15	6.34	13.74



Income, Cost, and Gross Profit for FY2022 compared with FY2021 as follows:

Operating Result (Unit: million Baht)	Total Income Fiscal Year				Total Cost Fiscal Year				Total Gross Profit Fiscal Year			
	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%	2022	2021	Increase (decrease)	%
ICT business group:												
Sale	626.91	528.37	98.54	18.65	597.55	484.63	112.92	23.30	29.36	43.74	(14.38)	(32.87)
Service	317.10	300.57	16.53	5.50	212.62	219.84	(7.23)	(3.29)	104.48	80.72	23.76	29.43
Total Revenue from sales and services	944.01	828.93	115.08	13.88	810.16	704.47	105.96	15.00	133.84	124.46	9.38	7.54
Infrastructure business:												
Infrastructure work	587.37	229.55	357.81	155.88	515.90	207.99	307.91	148.04	71.46	21.56	49.90	231.44
Total revenue from main business	1,531.38	1,058.48	472.89	44.68	1,326.07	912.46	413.61	45.33	205.31	146.02	59.28	40.60

Income

In Q4/2022 (Oct.-Dec.), the Group of Companies had revenue from the main business in an amount of 296.59 million Baht, decreased by 18.83%, because the revenue from public utility infrastructure business group had previously been recognized according to the completion of work, resulted in a decrease of revenue recognition in Q4/2022. However, revenue from sale increased due to the new investment of customer and increasing Cloud service product sale.

In FY2022, revenue from main business was 1,531.38 million Baht, increased by 44.68%, mainly due to an increase in sale of server computers, IT equipment, according to the expansion of technology group customers, and an increase of revenue from the public utility infrastructure business. In 2022, the Group of Companies develops new cloud service product so that the revenue increased.



Cost of Sales and Gross Profit

In Q4/2022, cost of sales increased according to revenue proportion, resulted in gross profit of 52.49 million Baht, increased by 13.74% YoY according to revenue proportion.

In FY2022, cost of sales increased according to revenue proportion, resulted in profit of 205.31 million Baht, increased by 40.60% YoY according to revenue proportion.

Selling Expenses and Administrative Expenses

Selling Expenses

In Q4/2022, selling expenses were 4.62 million Baht, decreased by 44.39%, according to sales proportion.

In FY2022, selling expenses were 21.75 million Baht, increased by 6.45%, according to sales proportion. The increase was from marketing activity expenses and an increase of sale commission payment.

Administrative Expenses

In Q4/2022, Administrative Expenses were 30.83 million Baht, increased by 33.27% YoY due to the expense of hiring a financial advisor to perform financial advisory regarding an acquisition transaction of a new business.

In FY2022, Administrative Expenses were 102.30 million Baht, increased by 25.18% YoY, mainly due to the hiring of a financial advisor and the adjustment of the employee pay rate that increased according to business expansion.

Other Revenue

In Q4/2022 and FY2022, other revenue were 0.84 million Baht and 16.98 million Baht respectively. In Q4/2022, other revenue decreased by 16.46% from the corresponding period in the prior year and increased by 451.54% in 2022 due to the profit from assets disposal, waste material disposal, and interest receivables.

Financial Cost

In Q4/2022 and FY2022, Financial Cost were 8.78 million Baht and 30.06 million Baht respectively, increased by 293.45% and 207.78% YoY. The key factor of the 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 for the purpose of working capital. 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 when the money is paid for the project.



Tax Expense (Tax Income)

In Q4/2022 and the FY2022, Tax Expense (Tax Income) was (1.30) million Baht and 3.11 million Baht respectively, decreased by 125.49% and 61.20% YoY, according to the payment rate of corporate income tax and the recognition of deferred tax assets of the accumulated losses.

Statement of Financial Position

Consolidated Financial Statements (Unit: million Baht)	31-Dec.-22	31-Dec.-21	Increase (Decrease)	% Increase (Decrease)	% Proportion per total assets as of 31-Dec.-22
Assets					
Current asset	1,280.34	825.49	454.86	55.10	80.51
Non-current asset	310.04	253.12	56.92	22.49	19.49
Total assets	1,590.38	1,078.61	511.77	47.45	100.00
Liabilities and shareholders' equity					
Current liabilities	552.29	581.31	- 29.03	- 4.99	34.73
Non-current liabilities	566.21	77.51	488.69	630.48	35.60
Shareholders' equity	471.89	419.78	52.11	12.41	29.67
Total liabilities and shareholders' equity	1,590.38	1,078.61	511.77	47.45	100.00

As of 31 December 2022, total assets were 1,590.38 million Baht, increased by 511.77 million Baht, or increased by 47.45% from 31 December 2021, mainly due to an increase of cash and cash equivalents of 425.62 million Baht as the company obtained funds from the issuance of debentures amounting to 500 million Baht. Accounts receivable increased by 273.32 million Baht from the increase of project works for the pending payments collectable by installments. Liabilities were 1,118.49 million Baht, increased by 459.67 million Baht, or increased by 69.77% from 31 December 2021, mainly due to the issuance of debentures in an amount of 500 million Baht for the purpose of the new IDC construction and investment in various projects of the Company, and the increase of accounts payable of 57.51 million Baht according to the expansion of contract works of infrastructure projects increased in 2022. As of 31 December 2022, shareholders' equity was 471.89 million Baht, increased by 52.11 million Baht from the profit of FY2022, and decreased from the dividend payment of 18.22 million Baht. As of 31 December 2022, Liquidity Ratio was 2.32 times, D/E Ratio Net cash was 1.20 times, Interest-Bearing D/E Ratio Net cash was 0.04 times.



Statement of Cash Flow

Statement of Cash Flow (Unit: Million Baht)	31-Dec.-22	31-Dec.-21	Increase (decrease) value	% Increase (decrease)
Net Cash From (Used In) Operating Activities	(14.85)	26.63	(41.48)	(155.77)
Net Cash From (Used In) Investing Activities	85.87	(181.59)	267.46	147.29
Net Cash From (Used In) Financing Activities	356.36	205.47	150.89	73.44
Net Increase (Decrease) In Cash And Cash Equivalent	427.38	50.51	376.87	746.16
Cash And Cash Equivalents, Beginning Balance	123.19	72.68	50.51	69.50
Cash And Cash Equivalents, Ending Balance	550.57	123.19	427.38	346.94

As of 31 December 2022, the Group of Companies had Cash and Cash Equivalents of 550.57 million Baht, Net Cash Used In Operating Activities was (14.85) million Baht, increased from items of accounts receivable of customer group of project business. Net Cash From Investing Activities was 85.87 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 356.36 million Baht from the Debentures issuance amounting to 500 million Baht and used in the repayment of loans from financial institutions and dividend payment for shareholders.

