

25 April 2023

Subject Management Discussion and Analysis for the year ending December 31, 2022

To President
The Stock Exchange of Thailand

Millennium Group Corporation (Asia) Public Company Limited (“the Company”) would like to inform the analysis of financial position, financial performance, and financial ratio for year ending December 31, 2022. The details are as follows:

Summary of Financial Position for the Year Ending December 31, 2022

Consolidated Statement of Financial Position

Financial Position	Consolidated Financial Statement for the Year Ending				Change	
	December 31, 2021		December 31, 2022		Increase / (Decrease)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Total Asset	10,326.3	100.0	12,328.2	100.0	2,001.9	19.4
Total Liabilities	9,417.7	91.2	11,049.9	89.6	1,632.2	17.3
Total Equity	908.5	8.8	1,278.3	10.4	369.7	40.7

Total Assets

As of December 31, 2021 and 2022, the Company had total assets of Baht 10,326.3 million and Baht 12,328.2 million, respectively, increased by Baht 2,001.9 million or 19.4% at the end of 2022 primarily due to (1) the increase in right-of-use assets from the entering of MAG and SHA into long-term lease and/or sublease agreements for land and buildings with MA and PHA respectively, in order to use the areas as the Group's mobility showroom, as well as the entering into additional long-term lease agreement with third parties for Huamark Branch due to the expiry of the existing contract; (2) the increase in inventories and inventories for display due to the improving situation of COVID-19 pandemic, leading to higher volume of automotive order in preparation for sales; (3) the increase in property, plant and equipment from the construction of BMW - Pattanakarn - Srinakarin Branch, Honda - New Bang Na Branch, and Harley-Davidson - Rama 5 Branch; and (4) the increase in investments in associates and joint ventures as a result of the investment in Alpha X. Such aforementioned increase in investments were offset by (1) the decrease in short-term loans to related parties due to the Group received repayment of all loans from MA and PHA; and (2) the decrease in trade and other accounts receivable due to a decrease in the volume of new vehicles sold in December 2022 compared to that of December 2021.

Total Liabilities

As of December 31, 2021 and 2022, the Company had total liabilities of Baht 9,417.7 million and Baht 11,049.9 million respectively, increased by Baht 1,632.2 million or 17.3% at the end of 2022 primarily due to (1) the increase in long-term loans from financial institutions to pay upfront payment to MA and PHA for the entering into long-term lease and/or sublease agreement for land and buildings with MAG and SHA for use as the Group's mobility showroom; and (2) the increase in trade and other account payable, including credit payables of inventories for display, which was in line with the higher volume of automotive orders in preparation for sale. Such increase in liabilities were offset by (1) the decrease in lease liabilities due to the change of the Showroom Lease Agreements to long term lease and/or sublease of land and buildings from MA and PHA and the payment of most of rents and service fee in form of upfront payment, which such proceed was from loans from financial institutions; and (2) the decrease in bank overdrafts and short-term loans from financial institutions from the conversion of short-term loans to long-term loans by SHA and the partial repayment of short-term loans to financial institutions by MAG.

Shareholders' Equity

As of December 31, 2021 and 2022, the Company had shareholders' equity of Baht 908.5 million and Baht 1,278.3 million respectively, increased by Baht 369.7 million or 40.7% at the end of 2022 primarily due to an increase in retained earnings from operating performance in 2022 and an increase in the Company's registered capital of Baht 100.0 million (paid-up capital as of December 31, 2022 was Baht 420.0 million). Such increase in shareholders' equity was offset by the decrease in capital surplus from disposal of interests in subsidiaries from additional investment in MMS in June 2022 and dividend payment of Baht 210.0 million.

Summary of Financial Performance for the Year Ending December 31, 2022**Statement of Comprehensive income**

Statement of Comprehensive income	Pro-forma Consolidated Financial Statement for the Year Ending		Consolidated Financial Statement for the Year Ending		Change Increase / (Decrease)	
	December 31, 2021		December 31, 2022			
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Revenue form sales and services	21,270.4	99.6	22,981.0	99.6	1,710.6	8.0
Total revenue	21,350.3	100.0	23,076.2	100.0	1,725.9	8.1
Cost fo sales	18,272.7	85.6	19,293.3	83.6	1,020.6	5.6
Cost of rendering of services	650.7	3.0	735.0	3.2	84.3	13.0
Direct costs of rental and services from operating leases	555.2	2.6	650.6	2.8	95.4	17.2
Gross profit	1,791.8	8.4	2,302.1	10.0	510.3	28.5
Profit from operating activities	590.2	2.8	904.5	3.9	314.4	53.3
Profit (Loss) for the year	295.5	1.4	595.6	2.6	300.1	101.6
Profit (Loss) attributable to owners of the parent	281.4	1.3	603.5	2.6	322.1	114.4

Revenue Structure

Revenue Structure	Pro-forma Consolidated Financial Statement for the Year Ending		Consolidated Financial Statement for the Year Ending		Change Increase / (Decrease)	
	December 31, 2021		December 31, 2022			
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Mobility Retail Business	17,081.0	80.0	18,152.9	78.7	1,072.0	6.3
After Sales and Independent Car Maintenance Service Business ⁽¹⁾	2,909.6	13.6	3,418.5	14.8	508.9	17.5
Car Rental and Driver Service Business	1,245.6	5.8	1,368.0	5.9	122.4	9.8
Information and Technology (IT) Service and Others ⁽²⁾	34.3	0.2	41.5	0.2	7.2	21.1

Revenue Structure	Pro-forma Consolidated Financial Statement for the Year Ending		Consolidated Financial Statement for the Year Ending		Change Increase / (Decrease)	
	December 31, 2021		December 31, 2022			
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Total Revenue from Sales and Services	21,270.4	99.6	22,981.0	99.6	1,710.6	8.0
Other Revenue ⁽³⁾	79.8	0.4	95.2	0.4	15.3	19.2
Total Revenue	21,350.3	100.0	23,076.2	100.0	1,725.9	8.1

- Note:
- (1) After Sales and Independent Car Maintenance Service Business includes sales of automotive parts, accessories, lifestyle products and others.
 - (2) Other services include Shared Service.
 - (3) Other Revenue mainly consists of (1) Investment income which are interest earning (2) Profit from selling assets (3) Revenue from car reservation and security deposit forfeit (4) Revenue from early termination fines for car rental service (5) Rental and services income from the major shareholders' companies and (6) Other income such as profit (loss) from exchange rate, compensation, credit card fee and sold scrap.

Revenue from Sales and Services

For the years ended December 31, 2021 and 2022, the Company generated revenue from sales and services of Baht 21,270.4 million and Baht 22,981.0 million, respectively, increased by Baht 1,710.6 million or 8.0% compared to that of 2021, mainly due to the increase in revenue of the mobility retail business as a result of the ongoing improvement of COVID-19 pandemic. Sales of BMW and Mini cars by MAG and sales of Rolls-Royce cars by GW increased from 3,800 units, 633 units, and 20 units in 2021 to 3,866 units, 667 units, and 21 units in 2022. In addition, average price of Rolls-Royce cars in 2022 was higher than that of 2021 as the car sold in 2022 was Phantom Extended, the flagship model of Rolls-Royce. Besides, USM sold more of Harley-Davidson motorcycle from 201 units in 2021 to 310 units in 2022, of which the average price of Harley-Davidson motorcycles in 2022 was slightly increased.

Gross Profit

For the years ended December 31, 2021 and 2022, the Company had gross profit of Baht 1,791.8 million and Baht 2,302.1 million respectively, increased by Baht 510.3 million or 28.5% in 2022. Gross profit margin was equal to 8.4% and 10.0%, respectively. The increase in gross profit margin in 2022 was primarily due to (1) the limited supply of BMW cars in 2022, which resulted in reduced price competition in the market; (2) the sale of BMW Special Lot used at APEC 2022 meetings, which has a relatively high profit margin, and (3) the ascending short-term car rental service of MCR as tourism business recovers, which generate better gross profit margin than long-term car rental services.

Net Profit

For the years ended December 31, 2021 and 2022, the Company had net profit of Baht 295.5 million and Baht 595.6 million, respectively. Net profit margin was equal to 1.4% and 2.6%, respectively. In 2022, the Company realized higher net profit of Baht 300.1 million or 101.6% compared to that of 2021, mainly due to an increase in revenue from sales and services and gross profit margin. The ratio of distribution costs and administrative expenses to total revenue slightly increased, of which the higher distribution costs was the result of (1) Higher marketing expenses: The Group incurred higher cost of product exhibitions, such as "The 13th Bangkok Used Car Show" organized by MAG, as COVID-19 pandemic situation improved in 2022 and (2) Higher commission: The commission expenses increased as a result of the increase in revenue from sales and sales volume of MAG's BMW and Mini new cars from 3,800 units and 633 units in 2021 to 3,866 units and 667 units in 2022, equivalent to an increase of 1.7% and 5.4% year-on-year basis.

Meanwhile, the higher administrative expenses were from (1) The increase in employee benefits due to the commencement of directors and sub-committee remuneration of the Company in 2022 and the employment of additional executives and employees to support the Group's business expansion and (2) The increase in other expenses, which are the increase in expenses related to listing preparation on the SET, payment of leasehold registration fees under long-term lease and/or sublease agreements of land and buildings in 2022, and payment of property and local taxes at normal rates compared to 2021 when the land and building tax rate has been reduced by 90% due to COVID-19 situation.

In addition, the Group's income tax expenses decreased from Baht 74.7 million in 2021 to Baht 34.2 million in 2022, as a result of the recognition of deferred tax assets of MCR of approximately Baht 75.6 million in 2022 as MCR is expected to realize profit in the future and will be able to benefit from tax loss carryforwards. However, MMS, a subsidiary that engages in independent car maintenance service business, continued to incur losses as it still under branch and customer base expansion in order to increase maintenance workloads and spare parts sales volumes to reach break-even level.

Financial Ratios

Financial Ratios	Unit	Pro-forma Consolidated Financial Statement for the Year Ending	Consolidated Financial Statement for the Year Ending
		December 31, 2021	December 31, 2022
<u>Liquidity Ratio</u>			
Liquidity ratio	times	0.8	0.8
Cash Cycle Period	days	12.2	11.5
<u>Profitability Ratio</u>			
Gross profit margin ⁽¹⁾	%	8.4	10.0
Earning per share (EPS) ⁽²⁾	Baht/Share	0.45	0.76
Net profit margin	%	1.4	2.6
Return on equity ⁽³⁾	%	41.6	54.5
<u>Efficiency Ratio</u>			
Return on asset ⁽⁴⁾	%	2.7	5.3
<u>Financial Policy Ratio</u>			
Debt to equity ratio (D/E)	times	10.4	8.6
Interest bearing debt to equity (IBD/E) ratio ⁽⁵⁾	times	7.6	6.5
Interest bearing debt (excluding interest-free lease liabilities) to equity (IBD/E) ratio	times	6.0	5.9

- Note:
- (1) Gross profit calculated from the total revenue from sales and services of 4 business groups, namely (1) Mobility retail business (2) After sales and independent car maintenance service business (3) Car rental and driver service business (4) Information Technology (IT) and other services business, deduct the cost of sales, cost of rendering of services and direct costs of rental and services from operating leases.
 - (2) Earning per share is calculated from profit (Loss) attributable to owners of the parent divided by the number of ordinary shares under the weighted average method after changing the par value to Baht 0.50 per share.
 - (3) Calculated from net profit (loss) for the period divided by the average of shareholders' equity.
 - (4) Calculated from net profit (loss) divided by the average of total assets.
 - (5) Interest bearing debt to equity ratio is calculated from Interest Bearing Debt divided to shareholders' equity. The Interest Bearing Debt is an interested loan in the Company's consolidated financial statement, as of December 31, 2022, including 6 items, namely (1) bank overdrafts and short-term loan from financial institutions (2) credit payables of inventories for display (3) short-term loans from related parties (4) short-term loans from others (5) long-term loans from financial institutions and (6) lease liabilities

Liquidity Ratio

For the years ended December 31, 2021 and 2022, the liquidity ratio decreased from 0.83 time in 2021 to 0.78 time in 2022, mainly due to the decrease in current assets while the current liabilities increased. Current assets as of December 31, 2022 decreased from lower trade and other accounts receivable and short-term loans to related parties, while current liabilities increased from higher trade and other accounts payable, credit payables of inventories for display, and current portion of long-term loans from financial institutions.

Cash Cycle

For the years ended December 31, 2021 and 2022, cash cycle decreased from 12.2 days to 11.5 days, primarily due to the decrease in average collection period from 20.8 days to 15.1 days and the decrease in average inventory period from 49.5 days to 40.6 days, and offset the decrease in average payment period from 58.1 days to 44.2 days.

Return on Equity

For the years ended December 31, 2021 and 2022, the return on equity increased from 41.6% to 54.5%, primarily due to the increase in net profit at higher proportion than the increase in average shareholders' equity in 2022 (average of total shareholders' equity at the end of 2021 and 2022) as a result of higher retained earnings from operating performance in 2022 and the increase of the Company's registered capital.

Return on Assets

For the years ended December 31, 2021 and 2022, the return on assets increased from 2.7% to 5.3%, primarily due to the increase in net profit at higher proportion than the increase in average total assets in 2022 (average of total assets at the end of 2021 and 2022) compared to average total assets in 2021 (average of total assets at the end of 2020 and 2021).

Debt to Equity Ratio, Interest-Bearing Debt to Equity Ratio, and Interest-Bearing Debt (Excluding Interest-Free Lease Liabilities) to Equity Ratio

For the years ended December 31, 2021 and 2022, the debt to equity ratio decreased from 10.4 times in 2021 to 8.6 times in 2022, the interest-bearing debt to equity ratio decreased from 7.6 times in 2021 to 6.5 times in 2022, and the interest-bearing debt (excluding non-interest lease liabilities) to equity ratio decreased from 6.0 times in 2021 to 5.9 times in 2022, respectively. This was mainly due to the increase in shareholders' equity in accordance with the increase in retained earnings and the Company's registered capital. Shareholders' equity increased in higher proportion than the increase in total liabilities as a result of the increase in total interest-bearing debt from long-term loans from financial institutions to pay upfront payment for long-term lease and/or sublease of land and buildings by MAG and SHA.

Please be informed accordingly,

Sincerely yours,

-Dr. Sunhavut Thamchuanviriya-

(Dr. Sunhavut Thamchuanviriya)
Group Chief Executive Officer