

PROEN Corp Public Company Limited
Management Discussion and Analysis
Quarter 1 of 2023

Business overview

PROEN Corp Public Co., Ltd. and its subsidiaries (“the Company”) conduct the business of Information Communication and Technology (ICT), Internet Data Center (IDC), Internet Service Provider (ISP), and Cloud Service, collectively called ICT business, which is the main revenue. The Company also provides Telecommunication and Infrastructure Service project, which has a continual growth of revenue. In the quarter 1 of 2023, the Company invested in Gateway Service Co., Ltd., a provider of E-Visa On Arrival platform providing information check services for foreigners traveling to Thailand. The Company are investing in a new data center construction project with an area of 10,000 sq. m., to support a capacity of not less than 1,000 racks, located on Rama 9 - Srinagarindra road. It is projected that the new IDC will be able to generate revenue for the Company at the end of 2023 to meet the growing customer demands.

Operating result

In Q1/2023, the Company reported total revenue of 201.56 million Baht, decreased by 60.37% YoY, due to a decrease in revenue for 63.58%. This is because E-Commerce customers waiting to invest in all new equipment in the Company’s new IDC building which is projected to be completed at the end of 2023. Revenue from construction contract works decreased by 79.26%, due to recognition of revenue from ongoing projects upon the completion of majority works in the previous period and under the process of new project bidding in Q2/2023 and of debenture interest payment for 8.09 million Baht in Q1/2023. As a result, the company reported net loss of 1.73 million Baht, which increased by 111.93% YoY (In Q1/2022, net profit was 14.54 million Baht).

Business Operation Analysis

Business operation for Q1/2022 comparing with Q1/2023, which can be summarized as follows.

Item (Unit : Million Baht)	Q1/2022 (Jan.-Mar.)		Q1/2023 (Jan.-Mar.)		Change YoY	
	MB.	% : Total revenue	MB.	% : Total revenue	Increase (Decrease)	%
Revenue from Sales and Services	508.32	99.95%	201.34	99.89%	(306.98)	(60.39)
Other revenue	0.28	0.05%	0.22	0.11%	(0.06)	(20.58)
Total revenue	508.59	100.00%	201.56	100.00%	(307.04)	(60.37)



Item (Unit : Million Baht)	Q1/2022 (Jan.-Mar.)		Q1/2023 (Jan.-Mar.)		Change YoY	
	MB.	% : Total revenue	MB.	% : Total revenue	Increase (Decrease)	%
Cost of sales and services	458.02	90.06%	169.18	83.94%	(288.83)	(63.06)
Gross profit	50.30	9.89%	32.15	15.95%	(18.15)	(36.08)
Selling expenses	5.37	1.06%	6.69	3.32%	1.31	24.41
Administrative expenses	23.47	4.61%	19.46	9.66%	(4.01)	(17.07)
Profit (Loss) before interest and income tax	21.74	4.27%	6.23	3.09%	(15.51)	(71.36)
Financial costs	2.79	0.55%	8.09	4.01%	5.30	190.14
Profit (Loss) before income tax expense	18.95	3.73%	(1.86)	-0.92%	(20.81)	(109.83)
Corporate income tax	4.40	0.87%	(0.13)	-0.06%	(4.53)	(102.90)
Net profit	14.54	2.86%	(1.73)	-0.86%	(16.28)	(111.93)

In Q1/2023, the Company reported net loss of 1.73 million Baht, an increase over the same period of last year by 111.93% (In Q1/2022, net profit was 14.54 million Baht). This is due to a decrease in revenue from sale of computer server and IT equipment as the major customer in E-Commerce business waiting for the investment in the new IDC that is projected to be completed at the end of 2023, and a decrease in revenue from project work on hand that already recognized revenue upon the completion of majority work in the previous period and under the process of new project bidding in Q2/2023. Revenue from service increased by 12.85% from the expansion of cloud service. In Q1/2023, there was an expense from debenture issuance for the new IDC construction.

Revenue, Cost, and Gross Profit

Revenue, cost, and gross profit comparing between Q1/2022 and Q1/2023 (Jan.-Mar.) are as follows:



Operating Result (Unit: million Baht)	Total Income In Quarter 1				Total Cost In Quarter 1				Total Gross Profit In Quarter 1			
	2022	2023	Increase (decrease)	%	2022	2023	Increase (decrease)	%	2022	2023	Increase (decrease)	%
ICT business group:												
Sale	212.46	77.81	(134.65)	(63.38)	200.32	69.52	(130.80)	(65.30)	12.14	8.29	(3.85)	(31.73)
Service	67.96	76.26	8.30	12.21	51.95	54.16	2.21	4.24	16.01	22.10	6.10	38.08
Total Revenue from sales and services	280.42	154.07	(126.35)	(45.06)	252.27	123.67	(128.60)	(50.98)	28.15	30.39	2.24	7.97
Infrastructure business:												
Infrastructure work	227.90	47.27	(180.62)	(79.26)	205.74	45.51	(160.23)	(77.88)	22.15	1.76	(20.39)	(92.05)
Total revenue from main business	508.32	201.34	(306.98)	(60.39)	458.02	169.18	(288.83)	(63.06)	50.30	32.15	(18.15)	(36.08)

Revenue

In Q1/2023 (Jan.-Mar. 2023), the Company had revenue from the main business of 201.34 million Baht, decreased by 60.39% YoY, mainly due to a decrease in sale of 63.38% as the major customer in E-Commerce business waiting to invest in the new IDC at the end of 2023 and a decrease in revenue from infrastructure project on hand that already recognized revenue upon the completion of majority work in the previous period. Revenue from service increased by 12.21%, due to the expansion of revenue from cloud service.

Cost of sales and gross profit

In Q1/2023, cost of sales decreased according to revenue proportion, resulting in 32.15 million Baht of gross profit, decreased by 36.08% YoY according to revenue proportion.

Selling and administrative expenses

In Q1/2023, the Company had selling and administrative expenses of 6.69 million Baht, increased by 24.41%, due to marketing expenses paid for launching new products to the market. In Q1/2023, administrative expenses were 19.46 million Baht, decreased by 17.07% YoY, due to an expense for hiring a financial advisor to express opinions on the new business acquisition.



Other revenue

In Q1/2023, the Company had other revenue of 0.22 million Baht, decreased by 20.58% YoY, which was revenue from interest receivable.

Financial cost

In Q1/2023, the Company had a financial cost of 8.09 million Baht, increased by 190.14% YoY. The main factor contributing to the increase in interest is a debenture offering of 500 million Baht for the purpose of new IDC construction and for working capital. The interest incurred from the construction project is recorded in assets under construction of the new IDC. When making payments to the project, the interest paid in the income statement will decrease.

Corporate income tax

In Q1/2023, the Company had corporate income tax of (0.13) million Baht, decreased by 102.90% YoY, due to the calculation of corporate income tax and the recognition of deferred tax assets.

Statement of financial position

Item (Unit: Million Baht)	31-Dec.22	31-Mar.23	Increase (Decrease)	%Increase (Decrease)
Assets				
Current asset	1,280.34	1,064.98	(215.37)	(16.82)
Non-current asset	310.04	457.98	147.94	47.72
Total assets	1,590.38	1,522.96	(67.42)	(4.24)
Liabilities and shareholders' equity				
Current liabilities	552.29	986.87	434.59	78.69
Non-current liabilities	566.21	65.93	(500.27)	(88.36)
Total liabilities	1,118.49	1,052.80	(65.69)	(5.87)
Shareholders' equity	471.89	470.15	(1.73)	(0.37)
Total liabilities and shareholders' equity	1,590.38	1,522.96	(67.42)	(4.24)



As of 31 March 2023, the Company had total assets of 1,522.96 million Baht, decreased by 67.42 million Baht or 4.24% from 31 December 2022. The decrease was because of a significant item, which was cash and cash equivalents, decreased by 301.73 million Baht as the fund applied for the new IDC construction and for the investment in Gateway Service Co., Ltd., a provider of E-Visa On Arrival platform providing information check services for foreigners traveling to Thailand. Current liabilities increased by 47.72%, which was an item of long term debenture recorded as debenture due within one year (due in March 2023). As of 31 March 2023, liquidity ratio was 1.08 times, D/E Ratio Net Cash was 1.71 times, and Interest-Bearing D/E Ratio Net Cash was 0.67 times.

Statement of Cash Flow

Item (Unit : Million Baht)	31-Dec.-22	31-Mar.-23	Increase (decrease) Value	% Increase (decrease)
Net Cash From (Used In) Operating Activities	(14.85)	(184.08)	(169.23)	(1,139.36)
Net Cash From (Used In) Investing Activities	85.87	(107.46)	(193.33)	(225.14)
Net Cash From (Used In) Financing Activities	356.37	(8.91)	(365.28)	(102.50)
Cash Balance for the period	427.38	(300.45)	(727.84)	(170.30)
Cash And Cash Equivalents, Beginning Balance	123.19	550.57	427.38	346.94
Cash And Cash Equivalents, Ending Balance	550.57	250.11	(300.45)	(54.57)

As of 31 March 2023, the Company had cash and cash equivalents of 250.11 million Baht, net cash used in operating activities was (184.08) million Baht, increased from the expansion of accounts receivable of the project business group and payments for account payable. Net cash used in investing activities was 107.46 million Baht, due to an investment in an associate and an item of cash used for the new IDC construction. Net cash used in financing activities was 8.91 million Baht.

