

MGC → ASIA™



**MANAGEMENT DISCUSSION & ANALYSIS
FOR THE FIRST QUARTER OF 2023**

Summary of Financial Position as at March 31, 2023

Consolidated Statement of Financial Position

Financial Position	Consolidated Financial Statement as at				Change	
	December 31, 2022		March 31, 2023		Increase / (Decrease)	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Total Assets	12,328.2	100.0	12,142.8	100.0	(185.4)	(1.5)
Total Liabilities	11,049.9	89.6	10,783.4	88.8	(266.5)	(2.4)
Total Equity	1,278.3	10.4	1,359.4	11.2	81.1	6.3

Total Assets

As of December 31, 2022, and March 31, 2023, the Company had total assets of Baht 12,328.2 million and Baht 12,142.8 million, respectively. There was a decrease of Baht 185.4 million or 1.5% on March 31, 2023, primarily due to decrease of MAG's new cars sold in March 2023 when compared to the amount in December 2022, and the decreasing of accrued bonus support in line with the cars sold, leading to a decrease in trade and other account receivables.

Total Liabilities

As of December 31, 2022, and March 31, 2023, the Company had total liabilities of Baht 11,049.9 million and Baht 10,783.4 million respectively. This is a decrease of Baht 266.5 million or 2.4% as of March 31, 2023, primarily due to (1) the decrease in trade and other account payable because of the decline in cars sold in March 2023 compared to December 2022. (2) the decrease in bank overdrafts and short-term loans from financial institutions from the partial repayment of short-term loans to financial institutions by MAG. Such decrease in liabilities were offset by (1) the increase in long-term loans from financial institutions for capital increase in ALPHAX. (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. (3) the increase in finance lease liabilities due to the ascended short-term and long-term car rental service of MCR.

Shareholders' Equity

As of December 31, 2022, and March 31, 2023, the Company had a shareholders' equity of Baht 1,278.3 million and Baht 1,359.4 million respectively. This signified an increase of Baht 81.1 million or 6.3%, which is in line with the operating performance for the three-month period ended in March 31, 2023.

Summary of Financial Performance for the three-month period ended March 31, 2023

Statement of Comprehensive income

Statement of Comprehensive income	Consolidated Financial Statement for the Three-Month Ended		Consolidated Financial Statement for the Three-Month Ended		Change Increase / (Decrease)	
	March 31, 2022		March 31, 2023			
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Revenue form sales and services	4,328.2	95.3	5,116.7	95.1	788.5	18.2
Revenue from providing cars and drivers for rental services	195.6	4.3	240.6	4.5	45.0	23.0
Total revenue	4,540.6	100.0	5,379.2	100.0	838.6	18.5
Cost fo sales	3,757.4	82.8	4,412.8	82.0	655.4	17.4
Cost of rendering of services	163.5	3.6	194.0	3.6	30.5	18.7
Direct costs of rental and services from operating leases	142.1	3.1	168.4	3.1	26.3	18.5
Gross profit	463.0	10.2	588.9	10.9	125.9	27.2
Profit from operating activities	135.8	3.0	211.4	3.9	75.6	55.7
Profit (Loss) for the period	61.3	1.4	81.1	1.5	19.8	32.4
Profit (Loss) attributable to owners of the parent	64.3	1.4	81.7	1.5	17.4	27.0

Revenue Structure

Revenue Structure	Consolidated Financial Statement for the three-month ended		Consolidated Financial Statement for the three-month ended		Change Increase / (Decrease)	
	March 31, 2022		March 31, 2023			
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Mobility Retail Business	3,460.7	74.6	4,122.3	74.9	661.5	19.1
After Sales and Independent Car Maintenance Service Business ⁽¹⁾	762	16.4	864.6	15.7	102.5	13.5
Car Rental and Driver Service Business	294.7	6.4	364.7	6.6	70.0	23.8
Information and Technology (IT) Service and Others ⁽²⁾	8.5	0.2	11.9	0.2	3.4	39.7
Total Revenue from Sales and Services	4,526.0	97.6	5,363.5	97.5	837.5	18.5
Other Revenue ⁽³⁾	14.6	0.3	15.7	0.3	1.0	7.2
Total Revenue	4,540.6	100.0	5,379.2	100.0	838.6	18.5

- 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 three-month period ended March 31, 2022 and 2023, the Company generated revenue from sales and services of Baht 4,526.0 million and Baht 5,363.5 million respectively. This signifies an increase of Baht 837.5 million or 18.5%. This is mainly due to the increase in revenue of the mobility retail. Sales of BMW by MAG increased from 643 units to 826 units and sales of Azimut yacht by MGC Marine increased by 1 unit in the three-month period ended March 31, 2023, compared to that of 2022.

Gross Profit

For the three-month period ended March 31, 2022 and 2023, the Company had a gross profit of Baht 463.0 million and Baht 588.9 million respectively. This signifies an increase of Baht 125.9 million or 27.2% in March 31, 2023. The Gross profit margin was equal to 10.2% and 11.0%, respectively. The increase in gross profit margin in March 31, 2023 was primarily due to (1) the increase in Electric vehicles sold in the period, which has a relatively high profit margin (2) the increase in margin of Azimut yacht 1 unit in the period. (3) the ascended short-term car rental service of MCR as tourism business recovers, which generated better gross profit margin than long-term car rental services. (4) the increase in margin from used cars sold in this period.

Net Profit

For the three-month period ended March 31, 2022 and 2023, the Company had net profit of Baht 61.3 million and Baht 81.1 million, respectively. Net profit margin was equal to 1.4% and 1.5%, respectively. For the three-month period ended March 31, 2023, the Company realized higher net profit of Baht 19.8 million or 32.4% compared to that of March 31, 2022. This is mainly due to an increase in revenue from sales and services, providing cars and drivers for rental services and gross profit margin including gain on reversal of impairment loss determined in accordance with TFRS9. The ratio of distribution costs and administrative expenses to total revenue slightly increased, of which the higher distribution costs was the result of (1) The increase in employee benefits due to the employment of additional executives and employees to support the Group's business expansion (2) Higher commission: the commission expenses increased as a result of the increase in revenue from sales and sales volume. (3) The increase in other expenses, which are the increase in expenses related to new branches expansion of MAG SHA USM and MMS i.e. depreciation and utilities.

Financial Ratios

Financial Ratios	Unit	Consolidated Financial Statement for the three-month ended	Consolidated Financial Statement for the three-month ended
		March 31, 2022	March 31, 2023
<u>Liquidity Ratio</u>			
Liquidity ratio	times	0.80	0.77
Cash Cycle Period	days	15.6	13.2
<u>Profitability Ratio</u>			
Gross profit margin ⁽¹⁾	%	10.2	11.0
Earning per share (EPS) ⁽²⁾	Baht/Share	0.1	0.1
Net profit margin	%	1.4	1.5
Return on equity ⁽³⁾	%	26.8	24.6
<u>Efficiency Ratio</u>			
Return on asset ⁽⁴⁾	%	2.4	2.7
<u>Financial Policy Ratio</u>			
Debt to equity ratio (D/E)	times	10.2	7.9
Interest bearing debt to equity (IBD/E) ratio ⁽⁵⁾	times	8.0	6.4
Interest bearing debt (excluding interest-free lease liabilities) to equity (IBD/E) ratio	times	6.3	5.8

- 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 March 31, 2023, 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 three-month period ended March 31, 2022, and 2023, the liquidity ratio decreased from 0.80 in 2022 to 0.77 in 2023. This is mainly due to the increase in current liabilities at a higher proportion than the increase in current assets. Current assets as of March 31, 2023, increased from higher inventories, while current liabilities increased from higher bank overdrafts and short-term loans from financial institutions, short-term loans from others, and current portion of long-term loans from financial institutions.

Cash Cycle

For the three-month period ended March 31, 2022 and 2023, cash cycle decreased from 15.6 days to 13.2 days. This is primarily due to the increase in average payment period from 49.9 days to 52.4 days, and the offset in the increase in average collection period from 15.8 days to 15.9 days and the increase in average inventory period from 49.6 days to 49.7 days.

Return on Equity

For the three-month period ended March 31, 2022 and 2023, the return on equity decreased from 26.8% to 24.6%, primarily due to the increase in average shareholders' equity in 2023 (average of total shareholders' equity at the end of December 2022 and March 2023) at a higher proportion than the increase in net profit.

Return on Assets

For the three-month period ended March 31, 2022 and 2023, the return on assets increased from 2.4% to 2.7%. This is primarily due to the increase in net profit at higher proportion than the increase in average total assets in 2023 (average of total assets at the end of December 2022 and March 2023) compared to average total assets in 2022 (average of total assets at the end of December 2021 and March 2022).

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

For the three-month period ended March 31, 2022 and 2023, the debt-to-equity ratio decreased from 10.2 times in 2022 to 7.9 times in 2023. The interest-bearing debt to equity ratio decreased from 8.0 times in 2022 to 6.4 times in 2023, and the interest-bearing debt (excluding non-interest lease liabilities) to equity ratio decreased from 6.3 times in 2022 to 5.8 times in 2023, respectively. This was mainly due to the increase in shareholders' equity in accordance with the increase in retained earnings. Shareholders' equity increased in higher proportion than the increase in total liabilities due to 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.