



August 11, 2023

Subject: Management Discussion and Analysis of the operating results for the period ended June 30, 2023

To President
The Stock Exchange of Thailand

Asphere Innovation Public Company Limited has submitted its financial statements, including the results of its subsidiaries, for the period ending June 30, 2023. These statements were reviewed by Mazars Limited, the auditor, and approved by the Board of Directors on August 11, 2023.

Key Highlights for Q2/2023 vs Q1/2023

- Revenue decreased by 1.0%
- Gross profit increased by 1.6%
- Net profit decreased by 33.5%

Summary of Q2/2023

For the second quarter of 2023, the revenue declined by 1.0%, though the gross profit increased by 1.6%, the net profit decreased by 33.5% due to the increase in marketing expenses from launching 3 new games in this quarter.

Unit : Million Baht	Profit & Loss for 3 months ended June 30, 2023 and 2022 and 31 Mar 2023									
	Q2/2023	%	Q1/2023	%	Q2/2022	%	Variance QoQ	%	Variance YoY	%
Revenues from sales and services	317.0	100.0%	320.1	100.0%	399.0	100.0%	(3.1)	(1.0%)	(82.0)	(20.6%)
Cost of sales and services	(167.0)	(52.7%)	(172.5)	(53.9%)	(195.9)	(49.1%)	(5.4)	(3.1%)	(28.9)	(14.7%)
Gross Profit (Loss)	150.0	47.3%	147.7	46.1%	203.1	50.9%	2.3	1.6%	(53.1)	(26.2%)
Selling & Admin Expenses	(114.8)	(36.2%)	(103.4)	(32.3%)	(112.0)	(28.1%)	11.4	11.0%	2.8	2.5%
Operating Profit (Loss) *	35.2	11.1%	44.3	13.8%	91.1	22.8%	(9.0)	(20.4%)	(55.9)	(61.4%)
Others	(6.3)	(2.0%)	(0.8)	(0.3%)	(0.1)	(0.0%)	5.5	686.9%	6.2	4210.6%
Net Profit (Loss) **	28.9	9.1%	43.4	13.6%	91.0	22.8%	(14.6)	(33.5%)	(62.1)	(68.2%)



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Unit : Million Baht	Profit & Loss for 6 months ended June 30, 2023 and 2022					
Financial Statement	6 months 2023	%	6 months 2022	%	Variance YoY	%
Revenues from sales and services	637.1	100.0%	802.8	100.0%	(165.7)	(20.6%)
Cost of sales and services	(339.5)	(53.3%)	(391.3)	(48.7%)	(51.8)	(13.2%)
Gross Profit (Loss)	297.6	46.7%	411.5	51.3%	(113.8)	(27.7%)
Selling & Admin Expenses	(218.2)	(34.2%)	(260.4)	(32.4%)	(42.3)	(16.2%)
Operating Pro fit (Loss) *	79.5	12.5%	151.0	18.8%	(71.6)	(47.4%)
Others	(7.1)	(1.1%)	39.9	5.0%	(32.8)	(82.2%)
Net Profit (Loss)**	72.3	11.4%	190.9	23.8%	(118.6)	(62.1%)

Remark:

* Profit (Loss) before the one-time expense

** Net Profit (Loss) on parent company

1. Revenues

Unit: Million Baht	Pro fit & Loss for 3 months ended June 30, and 2022 and 31 March, 2023									
Revenue by country	Q2/2023	%	Q1/2023	%	Q2/2022	%	Variance QoQ	%	Variance YoY	%
Thai	72.7	23%	78.2	24%	125.9	32%	(5.4)	(6.9%)	(53.1)	(42.2%)
Singapore	130.8	41%	151.7	47%	145.1	36%	(20.9)	(13.8%)	(14.3)	(9.9%)
Malaysia	31.9	10%	23.2	7%	47.4	12%	8.7	37.4%	(15.5)	(32.6%)
Philippines	54.5	17%	39.2	12%	53.6	13%	15.3	39.1%	0.9	1.6%
Vietnam	27.1	9%	27.6	9%	27.0	7%	(0.6)	(2.0%)	0.1	0.2%
Total	317.0	100%	320.0	100%	399.0	100%	(3.0)	(0.9%)	(82.0)	(20.6%)

In the second quarter 2023, the company earned THB 317.0 million in revenues from sales and services, decreased from THB 320.1 million, or decreased by 1.0% from the previous quarter. While 77% of revenues were from overseas and 23% was from domestic. This drop was primarily caused by declining markets in Singapore 13.8%, Thailand 6.9%, and Vietnam 2.0%. However, the revenues in the Philippines and Vietnam continued to grow by 39.1% and 37.4%, respectively. The company has launched 3 new games in this quarter, two of them have been launched in the late April, which are Onmyoji Arena that was operated in Vietnam and StreetBallers that was operated in Thailand, Singapore, Malaysia, the Philippines, and Vietnam. Another game is Legend of Savage that has been operated only in Thailand. However, the company could not fully recognize the revenues of these games due to the delay of operational plan. Moreover, the revenue structures between PC and Mobile platform were 86.9% and 13.1%, while the previous quarter was 83.2% and 16.8%, however, the company could strongly continue to maintain the PC market shares.



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In addition, in the 6 months ended June 30, 2023, the revenues were THB 637.1 million, decreased from THB 802.2 million, or decreased by 20.6% from the previous year. Moreover, the 6 months' revenues in 2023 between domestic and overseas were 76% and 24% while the previous year was 64% and 36%. However, the company still has new games to launch in quarter 3 and quarter 4 which will be launched both domestically and overseas, this will improve the revenues in the second half of the year.

2. Cost of Goods Sold

The costs of goods sold for the second quarter of 2023 were THB 167.0 million, a decrease from THB 172.5 million, or declining by 3.1%. However, this decline was due to the decrease in royalty sharing due to drop in revenues.

In addition, in the 6 months ended June 30, 2023, the costs of goods sold were THB 339.5 million decreased from THB 391.3 million, or 1.0% from the previous year.

3. Gross Profit

Gross profit for the second quarter of 2023 was THB 150.0 million, increased from THB 147.7 million or 1.6% from the previous quarter due to the declined in royalty fees as mentioned earlier.

In addition, in the 6 months ended June 30, 2023, the gross profit was THB 297.6 million decreased from THB 411.5 million or 27.7% from the previous year, mainly from the decrease of revenues from the previous year.

4. Selling and Admin Expenses

Selling and admin expenses for the second quarter of 2023 were THB 114.8 million, an increase from THB 103.4 million or 11.0% from the previous quarter. The rise in these expenses was mainly from the increase in marketing expenses according to the launching of 3 new games during the second quarter. These games have been operated both domestically and overseas. The marketing expenses for new game launches represent around 70-80% of the total game marketing budget during the first 1-2 months of the game launch. Additionally, channel fees from AppStore and Play Store were THB 21.7 million from 13.1% of revenues from the mobile platform. Furthermore, there was one-time expense from write-off game from Philippines for Baht16 million

In addition, in the 6 months that ended June 30, 2023, selling and admin expenses were THB 218.2 million, a decrease from THB 260.4 million or 16.2% from the previous year.



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5. Net Profit (Loss)

In the second quarter of 2023, the group had a net profit of THB 28.9 million or 9.1% of revenues, which decreased from THB 43.4 million or 33.5% from the previous quarter due to the decrease in revenue and the write-off of license fees THB 16.3 million which was the one-time expense. Also, there is a higher in marketing expenses due to the launch new games in this quarter.

In addition, in the 6 months ended June 30, 2023, net profit was THB 72.3 million, decreased from THB 190.9 million or 62.1% from the previous year, mainly from the decrease in revenues.

Kindly be informed accordingly.

Yours faithfully,

Mr. Chawanin Tritavornyuenyong
Group Finance and Account Director