

## PROEN Corp Public Company Limited and Subsidiaries

### Management Discussion and Analysis Quarter 2 of 2023

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#### **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, which has a continual growth of revenue. In the quarter 2 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, and Jumpbox Co., Ltd., a provider of training and consultation service on educational technology and human resource service. 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 first quarter of the year 2024 to meet the growing customer demands.

#### **Operating result**

For the 6-month period (Jan-Jun) of 2023, the Company reported total revenue of 329.18 million Baht, decreased by 59.79% YoY, net profit was 3.33 million Baht, decreased by 88.53% YoY. In Q2/2023, total revenue was 127.62 million Baht, decreased by 58.85%, net profit was 5.06 million Baht, decreased by 65.06% YoY. 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 first quarter of the year 2024 Revenue from construction contract works decreased by 85.65%, due to recognition of revenue from ongoing projects upon the completion of majority works in the 2022 and under the process of new project bidding in Q3/2023.



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ISO/IEC 27001:2013



ISO 9001:2015

## Business Operation Analysis

Business operation for the 6 - month period ending June 30, 2023 comparing with 2022, which can be summarized as follows.

Operating Result  (Unit : million Baht)	Jan - Jun 2023 ( 6 months)		Jan - Jun 2022 ( 6 months)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Revenue from Sale and Service	327.96	100.00%	818.03	100.00%	(490.07)	(59.91%)
Cost of Sale and Service	250.47	76.37%	719.21	87.92%	(468.74)	(65.17%)
Gross profit	77.49	23.63%	98.82	12.08%	(21.33)	(21.58%)
Other income	1.22	0.37%	0.71	0.09%	0.51	71.83%
Selling expenses	13.53	4.13%	11.24	1.37%	2.29	20.37%
Administrative expenses	43.61	13.30%	49.14	6.01%	(5.53)	(11.25%)
Share of loss of associate	1.15	0.35%	-	-	1.15	100.00%
Profit before interest and income tax expense	20.42	6.23%	39.15	4.79%	(18.73)	(47.84%)
Finance costs	15.50	4.73%	11.94	1.46%	3.56	29.82%
Profit before income tax expense	4.92	1.50%	27.21	3.33%	(22.29)	(81.92%)
Income tax (income) expense	1.59	0.48%	(1.81)	(0.22%)	3.40	(187.85%)
Profit for the period	3.33	1.02%	29.02	3.55%	(25.69)	(88.53%)

Business operation for the quarter 2 ending June 30, 2023 comparing with 2022, which can be summarized as follows.

Operating Result  (Unit: million Baht)	Quarter 2/2023 ( 3 months)		Quarter 2/2022 ( 3 months)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Revenue from Sale and Service	126.62	100.00%	309.72	100.00%	(183.10)	(59.12%)
Cost of Sale and Service	81.28	64.19%	261.20	84.33%	(179.92)	(68.88%)
Gross profit	45.34	35.81%	48.52	15.67%	(3.18)	(6.55%)
Other income	1.00	0.79%	0.44	0.14%	0.56	127.27%
Selling expenses	6.85	5.41%	5.87	1.90%	0.98	16.70%
Administrative expenses	24.15	19.07%	25.67	8.29%	(1.52)	(5.92%)
Share of loss of associate	1.15	0.91%	-	-	1.15	100.00%
Profit before interest and income tax expense	14.19	11.21%	17.42	5.62%	(3.23)	(18.54%)
Finance costs	7.42	5.86%	9.15	2.95%	(1.73)	(18.91%)
Profit before income tax expense	6.77	5.35%	8.27	2.67%	(1.50)	(18.14%)
Income tax (income) expense	1.71	1.35%	(6.21)	(2.01%)	7.92	(127.54%)
Profit for the period	5.06	4.00%	14.48	4.68%	(9.42)	(65.06%)



For the 6-month period (Jan-Jun) of 2023, the Company reported net profit of 3.33 million Baht, decreased by 88.53% YoY, due to a decrease in technology business and infrastructure business.

In Q2/2023 (Apr-Jun), the Company reported net profit of 5.06 million Baht, decreased by 65.06% YoY, due to a decrease in technology business and infrastructure business.

### Revenue, Cost, and Gross Profit

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Jan - Jun 2023	Jan - Jun 2022	Increase	%	Jan - Jun 2023	Jan - Jun 2022	Increase	%	Jan - Jun 2023	Jan - Jun 2022	Increase	%
	(6 months)	(6 months)	(Decrease)		(6 months)	(6 months)	(Decrease)		(6 months)	(6 months)	(Decrease)	
<b>ICT Business:</b>												
Revenue from sale	96.70	291.16	(194.46)	(66.79%)	85.22	275.49	(190.27)	(69.07%)	11.48	15.67	(4.19)	(26.74%)
Revenue from service	175.92	141.15	34.77	24.63%	107.35	103.89	3.46	3.33%	68.57	37.26	31.31	84.03%
<b>Total revenue from ICT business</b>	<b>272.62</b>	<b>432.31</b>	<b>(159.69)</b>	<b>(36.94%)</b>	<b>192.57</b>	<b>379.38</b>	<b>(186.81)</b>	<b>(49.24%)</b>	<b>80.05</b>	<b>52.93</b>	<b>27.12</b>	<b>51.24%</b>
<b>Infrastructure construction business:</b>												
Revenue from construction contracts	55.34	385.72	(330.38)	(85.65%)	57.90	339.84	(281.94)	(82.96%)	(2.56)	45.88	(48.44)	(105.58%)
<b>Total revenue from main business</b>	<b>327.96</b>	<b>818.03</b>	<b>(490.07)</b>	<b>(59.91%)</b>	<b>250.47</b>	<b>719.22</b>	<b>(468.75)</b>	<b>(65.17%)</b>	<b>77.49</b>	<b>98.81</b>	<b>(21.32)</b>	<b>(21.58%)</b>

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Quarter 2/2023	Quarter 2/2022	Increase	%	Quarter 2/2023	Quarter 2/2022	Increase	%	Quarter 2/2023	Quarter 2/2022	Increase	%
	(3 months)	(3 months)	(Decrease)		(3 months)	(3 months)	(Decrease)		(3 months)	(3 months)	(Decrease)	
<b>ICT Business:</b>												
Revenue from sale	18.89	78.71	(59.82)	(76.00%)	15.70	75.17	(59.47)	(79.11%)	3.19	3.54	(0.35)	(9.89%)
Revenue from service	99.66	73.19	26.47	36.17%	53.19	51.94	1.25	2.41%	46.47	21.25	25.22	118.68%
<b>Total revenue from ICT business</b>	<b>118.55</b>	<b>151.90</b>	<b>(33.35)</b>	<b>(21.96%)</b>	<b>68.89</b>	<b>127.11</b>	<b>(58.22)</b>	<b>(45.80%)</b>	<b>49.66</b>	<b>24.79</b>	<b>24.87</b>	<b>100.32%</b>
<b>Infrastructure construction business:</b>												
Revenue from construction contracts	8.07	157.82	(149.75)	(94.89%)	12.39	134.09	(121.70)	(90.76%)	(4.32)	23.73	(28.05)	(118.20%)
<b>Total revenue from main business</b>	<b>126.62</b>	<b>309.72</b>	<b>(183.10)</b>	<b>(59.12%)</b>	<b>81.28</b>	<b>261.20</b>	<b>(179.92)</b>	<b>(68.88%)</b>	<b>45.34</b>	<b>48.52</b>	<b>(3.18)</b>	<b>(6.55%)</b>

### Revenue

For the 6-month period (Jan-Jun) of 2023, the Company had revenue from the main business of 327.96 million Baht, decreased by 59.91% YoY, mainly due to a decrease in sale of 66.79% as the major customer in E-Commerce business waiting to invest in the new IDC in the quarter 1 of 2024. Revenue from service increased by 24.63%, due to the expansion of revenue from cloud service.

In Q2/2023 (Apr-Jun), the Company had revenue from the main business of 126.62 million Baht, decreased by 59.12% YoY, mainly due to a decrease in sale of 76.00% 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 2022. Revenue from service increased by 36.17%, due to the expansion of revenue from cloud service.



### Cost of sales and gross profit

For the 6-month period (Jan-Jun) of 2023, cost of sales decreased according to revenue proportion, resulting in 77.49 million Baht of gross profit or decreased by 21.58%.

In Q2/2023 (Apr-Jun), cost of sales decreased according to revenue proportion, resulting in 45.34 million Baht of gross profit or decreased by 6.55%

### Selling and administrative expenses

For the 6-month period (Jan-Jun) of 2023, the Company had selling expenses of 13.53 million Baht, increased by 20.37%, due to marketing expenses paid for launching new products to the market. Administrative expenses were 43.61 million Baht, decreased by 11.25% YoY, due to an expense for hiring a financial advisor to express opinions on the new business acquisition. In Q2/2022, the Company recognized share of other comprehensive income from associates of 1.15 million Baht.

In Q2/2023(Apr-Jun), the Company had selling expenses of 6.85 million Baht, increased by 16.70%, administrative expenses were 24.15 million Baht, decreased by 5.92% YoY, due to an expense for hiring a financial advisor to express opinions on the new business acquisition. In Q2/2022 (Apr-Jun), the Company recognized share of other comprehensive income from associates of 1.15 million Baht.

### Other income

For the 6-month period (Jan-Jun) of 2023, the Company had other income of 1.22 million Baht, increased by 71.83% YoY. In Q2/2023 (Apr-Jun 2023), the Company had other revenue of 1.00 million Baht, increased by 127.27% from interest on loans to associated companies.

### Finance costs

For the 6-month period (Jan-Jun) of 2023, the Company had a finance cost of 15.50 million Baht, increased by 29.82% 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. In Q2/2023 (Apr-Jun), the Company had a financial cost of 7.42 million Baht, decreased by 18.91%.



### Expenses (income) tax

For the 6-month period (Jan-Jun) of 2023, the Company had expenses tax of 1.59 million Baht, increased by 187.85% YoY. In Q2/2023 (Apr-Jun), the Company had corporate income tax of 1.71 million Baht, increased by 127.54% YoY, due to the recognition of deferred tax assets of the accumulated losses that can be deducted to offset future tax profits.

### Statement of financial position

Statement of Financial Position (Unit: million Baht)	30 Jun 23	31 Dec 23	Increase (decrease)	%Increase (decrease)
<b>Assets</b>				
Current assets	1,030.84	1,280.34	(249.50)	(19.49%)
Non-current assets	505.34	310.04	195.30	62.99%
<b>Total assets</b>	<b>1,536.18</b>	<b>1,590.38</b>	<b>(54.20)</b>	<b>(3.41%)</b>
<b>Liabilities and Equity</b>				
Current liabilities	930.31	552.29	378.02	68.45%
Non-current liabilities	62.95	566.20	(503.25)	(88.88%)
<b>Total liabilities</b>	<b>993.26</b>	<b>1,118.49</b>	<b>(125.23)</b>	<b>(11.20%)</b>
Equity	542.92	471.89	71.03	15.05%
<b>Total liabilities and equity</b>	<b>1,536.18</b>	<b>1,590.38</b>	<b>(54.20)</b>	<b>(3.41%)</b>

As of 30 June 2023, the Company had total assets of 1,536.18 million Baht, decreased by 54.20 million Baht or 19.49% from 31 December 2022. The decrease was because of a significant item, which was cash and cash equivalents, decreased by 314.05 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 68.45%, which was an item of long term debenture recorded as debenture due within one year (due in March 2024). As of 30 June 2023, liquidity ratio was 1.11 times, D/E Ratio Net Cash was 1.39 times, and Interest-Bearing D/E Ratio Net Cash was 0.59 times.



### Statement of Cash Flow

Statement of Cash Flows (Unit : million Baht)	30 Jun 23	31 Dec 23	Increase (decrease)	%Increase (decrease)
Net cash used in operating activities	(159.60)	(88.76)	(70.84)	79.81%
Net cash generated from (used in) investing activities	(206.45)	14.39	(220.84)	(1,534.39%)
Net cash generated from financing activities	54.17	429.52	(375.35)	(87.39%)
<b>Net increase in cash and cash equivalents</b>	<b>(311.88)</b>	<b>355.15</b>	<b>(667.03)</b>	<b>(187.82%)</b>
Opening balance of cash and cash equivalents	550.57	123.19	427.38	346.94%
<b>Closing balance of cash and cash equivalents</b>	<b>238.69</b>	<b>478.34</b>	<b>(239.65)</b>	<b>(50.10%)</b>

As of 30 June 2023, the Company had cash and cash equivalents of 238.69 million Baht, net cash used in operating activities was 159.60 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 206.45 million Baht, due to an investment in an associate and an item of cash used for the new IDC construction. Net cash generated from financing activities was 54.17 million Baht, gained from advance payment of shares from warrants (PROEN-W1) exercising.

