

No. ADD 20/2023

10 August 2023

Subject: Management discussion and analysis for the performance for the six-month period ended 30 June 2023

To: President

The Stock Exchange of Thailand

AddTech Hub Public Company Limited's (the "Company") Board of Directors Meeting No. 6/2023 held on 10 August 2023 passed a resolution to certify the financial statements and the performance for the six-month period ended 30 June 2023 which was reviewed by the auditor.

The Company's overall performance can be summarized as follows:

Performance

Unit: THB Million

Performance (Statement of comprehensive income)	Three-month Period				Six-month Period			
	2Q2022	2Q2023	Inc.(Dec.)	% Inc.(Dec.)	6M2022	6M2023	Inc.(Dec.)	% Inc.(Dec.)
Services income	79.61	62.06	(17.55)	-22.05%	190.09	126.87	(63.22)	-33.26%
Cost of rendering of services	(56.68)	(49.49)	7.19	-12.69%	(133.67)	(100.51)	33.16	-24.81%
Gross profit	22.94	12.58	(10.36)	-45.18%	56.42	26.36	(30.06)	-53.29%
Other income	0.70	0.25	(0.44)	-63.83%	1.29	0.55	(0.74)	-57.25%
Services expenses	(1.23)	(1.14)	0.09	-7.25%	(2.53)	(2.34)	0.18	-7.17%
Administrative expenses	(7.95)	(9.36)	(1.42)	17.85%	(15.79)	(18.47)	(2.68)	16.98%
Other expenses	(1.54)	(1.10)	0.44	-28.39%	(1.47)	(2.25)	(0.79)	53.66%
Profit from operating activities	12.91	1.22	(11.70)	-90.58%	37.93	3.84	(34.09)	-89.88%
Share of gain on investments in associate	2.86	(1.44)	(4.30)	-150.28%	2.89	(1.61)	(4.50)	-155.77%
Finance costs	(0.07)	(0.07)	(0.00)	2.63%	(0.13)	(0.14)	(0.00)	2.07%
Profit before income tax expense	15.70	(0.30)	(16.00)	-101.88%	40.68	2.09	(38.59)	-94.87%
Income tax expense	(2.06)	(0.54)	1.53	-74.00%	(5.82)	(0.99)	4.83	-82.95%
Profit for the period	13.64	(0.83)	(14.47)	-106.11%	34.87	1.10	(33.77)	-96.86%
Other comprehensive income for the period	-	-	-	N/A	-	-	-	N/A
Total comprehensive income for the period	13.64	(0.83)	(14.47)	-106.11%	34.87	1.10	(33.77)	-96.86%
Gross profit margin	28.81%	20.26%			29.68%	20.77%		
Net profit margin	17.13%	-1.34%			18.34%	0.86%		

Services income and Cost of rendering of services

Services income can be grouped in 3 segments: 1. Digital content 2. Information technology solutions 3.

Online advertising. The details of Services income and Cost of rendering of services are as follows:

Services income and Cost of rendering of services

Unit: THB Million

Services income and Cost of rendering of services	Three-month Period				Six-month Period			
	2Q2022	2Q2023	Inc.(Dec.)	% Inc.(Dec.)	6M2022	6M2023	Inc.(Dec.)	% Inc.(Dec.)
Providing digital content								
Services income	66.28	52.79	(13.49)	-20.35%	157.66	107.05	(50.61)	-32.10%
Cost of rendering of services	(47.70)	(39.01)	8.69	-18.22%	(115.60)	(79.23)	36.37	-31.46%
Gross profit	18.58	13.78	(4.80)	-25.82%	42.06	27.82	(14.24)	-33.85%
Gross profit margin	28.03%	26.11%			26.68%	25.99%		
Providing information technology solutions								
Services income	13.15	9.21	(3.94)	-29.95%	31.95	19.44	(12.51)	-39.15%
Cost of rendering of services	(8.27)	(9.77)	(1.50)	18.18%	(16.65)	(19.84)	(3.19)	19.17%
Gross profit	4.88	(0.56)	(5.44)	-111.52%	15.30	(0.40)	(15.70)	-102.61%
Gross profit margin	37.11%	-6.10%			47.89%	-2.05%		
Providing online advertising								
Services income	0.18	0.06	(0.13)	-68.73%	0.48	0.38	(0.11)	-22.15%
Cost of rendering of services	(0.71)	(0.70)	0.00	-0.26%	(1.43)	(1.44)	(0.02)	1.26%
Gross profit	(0.52)	(0.65)	(0.12)	23.85%	(0.94)	(1.07)	(0.12)	13.25%
Gross profit margin	-283.96%	-1124.53%			-195.14%	-283.86%		

Services income from digital content

In 2Q2023, the Company had services income from digital content of THB 52.79 million, decreased by THB 13.49 million or -20.35% YoY. This was due to the decline in average user spending on digital content services. The main reason for the decline in user spending was the inflationary situation of the country's economy, causing the consumer purchasing power to decrease, together with the concerns of users about future inflation. As a result, users were more cautious in their spending. In addition, the Company had gross profit from digital content of THB 13.78 million, decreased by THB 4.80 million or -25.82% YoY. The gross profit margin in 2Q2023 was 26.11%, decreased from 28.03% in 2Q2022.

In 6M2023, the Company had services income from digital content of THB 107.05 million, decreased by THB 50.61 million or -32.10% YoY. This was due to the decline in average user spending on digital content services.

The main reason for the decline in user spending was the inflationary situation of the country's economy, causing the consumer purchasing power to decrease, together with the concerns of users about future inflation. As a result, users were more cautious in their spending. The gross profit from digital content was THB 27.82 million, decreased by THB 14.24 million or -33.85% YoY. The gross profit margin in 6M2023 was 25.99%, decreased from 26.68% in 6M2022.

Services income from information technology solutions

In 2Q2023, the Company had services income from information technology solutions of THB 9.21 million, decreased by THB 3.94 million or -29.95% YoY, due to the decline in user spending through the solutions that the Company provided for clients in mobile operator sector. In addition, gross loss from information technology solutions was THB 0.56 million, decreased by THB 5.44 million or -111.52% YoY. The gross loss margin in 2Q2023 was 6.10%, decreased from the gross profit margin of 37.11% in 2Q2022 due to the increase in employee-related costs to support the expansion of the team according to the number and scope of services that have increased. The additional services have been available since late June 2023 and are expected to start generating revenue clearly in 3Q2023.

In 6M2023, the Company had services income from information technology solutions of THB 19.44 million, decreased by THB 12.51 million or -39.15% YoY, due to the decline in user spending through the solutions that the Company provided for clients in mobile operator sector. In addition, gross loss from information technology solutions was THB 0.40 million, decreased by THB 15.70 million or -102.61% YoY. The gross loss margin in 6M2023 was 2.05%, decreased from the gross profit margin of 47.89% in 6M2022 due to the increase in employee-related costs to support the expansion of the team according to the number and scope of services that have increased. The additional services have been available since late June 2023 and are expected to start generating revenue clearly in 3Q2023.

Services income from online advertising

In 2Q2023, the Company had services income from providing online advertising of THB 0.06 million, decreased by THB 0.13 million or -68.73% YoY as clients in property development sector decreased their media spending. In addition, gross loss was THB 0.65 million as high proportion of the costs was employee-related costs which were fixed costs. Consequently, in 6M2023, the Company had services income from providing online advertising of THB 0.38 million, decreased by THB 0.11 million or -22.15% YoY, and gross loss of THB 1.07 million, increased from the same period of previous year which the Company had gross loss of THB 0.94 million.

Services expenses

In 2Q2023, services expenses were THB 1.14 million, decreased by THB 0.09 million or -7.25% YoY. The main reason was a decrease in marketing expenses. Consequently, in 6M2023, services expenses were THB 2.34 million, decreased by THB 0.18 million or -7.17% YoY.

Administrative expenses

In 2Q2023, administrative expenses were THB 9.36 million, increased by THB 1.42 million or +17.85% YoY. This was mainly due to the increase in office rent due to office relocation. Consequently, in 6M2023, administrative expenses were THB 18.47 million, increased by THB 2.68 million or +16.98% YoY.

Other expenses

In 2Q2023, other expenses were THB 1.10 million, decreased by THB 0.44 million or -28.39% YoY mainly due to the decrease in credit loss from digital content services. In 6M2023, other expenses were THB 2.25 million, increased by THB 0.79 million or +53.66% YoY mainly due to the increase in credit loss in 1Q2023.

Profit from operating activities

In 2Q2023, profit from operating activities was THB 1.22 million, decreased by THB 11.70 million or -90.58% YoY, mainly due to the decrease in income from digital content services and income from information technology solutions. As a result, in 6M2023, profit from operating activities was THB 3.84 million, a decrease from the same period of last year of THB 34.09 million or -89.88% YoY.

Share of gain of investments in associate

In 2Q2023, share of loss of investments in associate was THB 1.44 million, decreased by THB 4.30 million or -150.28% YoY. This was mainly due to the Company's amortization of intangible assets arising from the purchase of investments in associated companies and the result of associated companies' delayed revenue recognition due to the delay in delivery of work. Consequently, in 6M2023, share of loss of investments in associate was THB 1.61 million, decreased from share of gain of investments in associate of THB 2.89 million in 6M2022.

Finance costs

In 2Q2023, finance costs were THB 0.07 million, which was close to the same period of last year. In 6M2023, finance costs were THB 0.14 million, which was also close to the same period of last year.

Income tax expense

In 2Q2023, income tax expense was THB 0.54 million, decreased by THB 1.53 million or -74.00% YoY due to the decrease in profit before income tax expense. In 6M2023, income tax expense was THB 0.99 million, decreased by THB 4.83 million or -82.95% YoY due to the decrease in profit before income tax expense.

Profit/(Loss) for the period

In 2Q2023, the Company's loss for the period was THB 0.83 million, decreased by THB 14.47 million or -106.11% YoY mainly due to the decrease in services income and share of loss of investments in associate. Consequently, in 6M2023, profit for the period was THB 1.10 million, decreased by THB 33.77 million or -96.86% YoY.

Financial Position

Unit: THB Million

Financial Position	As at 31 December 2022	As at 30 June 2023	Increase/ (Decrease)	% Inc.(Dec.)
Total assets	606.12	585.78	(20.34)	-3.47%
Total liabilities	73.57	64.93	(8.64)	-13.31%
Total equity	532.56	520.85	(11.70)	-2.25%

Total assets

Total assets were mainly consisted of cash and cash equivalents, investment in associate and trade and other receivables and contract assets. As at 31 December 2022 and 30 June 2023, total assets were THB 606.12 million and THB 585.78 million, respectively. Total assets decreased by THB 20.34 million or -3.47% mainly due to trade and other receivables and contract assets decreased by THB 21.81 million in line with the decrease in services income from digital content services.

Total liabilities

Total liabilities were mainly consisted of trade and other payables. As at 31 December 2022 and 30 June 2023, total liabilities were THB 73.57 million and THB 64.93 million, respectively. Total liabilities decreased by THB 8.64 million or -13.31% mainly due to the decrease in trade and other payables of THB 6.06 million in line with the decrease in cost of digital content services.

Total equity

Total equity as at 31 December 2022 and 30 June 2023 were THB 532.56 million and THB 520.85 million, respectively. Total equity decreased by THB 11.70 million or -2.25% due to the Company's net profit for the six-month period ended 30 June 2023 was THB 1.10 million while the Company paid dividends to shareholders of THB 12.80 million in the first six-month period of 2023.

Sincerely yours,

-Sompoch Tanutantivong-

(Mr. Sompoch Tanutantivong)

Director and Chief Financial Officer