

# MGC → ASIA™



## MANAGEMENT DISCUSSION & ANALYSIS Q2, 2023

# FINANCIAL OVERVIEW Q2 / 2023

Millennium Group Corporation (Asia) Public Company Limited

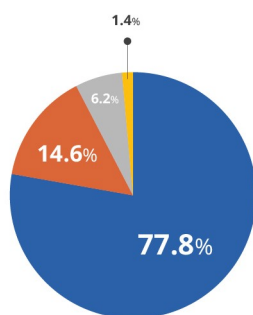
## EXECUTIVE SUMMARY

Unit : Million Baht	Three-month period		YoY (%)	Six-month period		YoY (%)
	Q2/22	Q2/23		Q2/22	Q2/23	
Total revenue	6,154	6,896	12%	10,694	12,275	15%
Profit from operating activities	170	215	27%	305	426	40%
Net profit	103	117	14%	165	198	20%
Net profit excluding Interest on loan relating to long-term lease and sublease agreements	103	125	21%	165	225	36%

In April 2023, the subsidiary repaid a loan from financial institution which was utilized for entering into long-term lease and sublease agreements with the related company for land and buildings as the Group's mobility showroom in September 2022. Consequently, during Q2 2023, there was interest on loan from financial institution arising from this item approximately 27 million Baht for the six-month period and approximately 8 million Baht for the three-month period while there was no interest on loan from this transaction during Q2 2022. However, if this item has not been included, the company's net profit would have been 225 million Baht for the six-month period and 125 million Baht for the three-month period, reflecting 36% and 21% YoY increase respectively.

## REVENUE BY SEGMENTS

**12,275**  
Million Baht



Q2 / 2023

- Business for sale of automobiles, accessories, decorations, and related apparel
- Business for providing after sales services, sale of automotive parts and maintenance services for independent cars
- Business for providing cars and drivers for rental services
- Other Businesses

## Significant Events

- In April 2023, the Company offered 280 million ordinary shares to the initial public offering (IPO) from issuance of new shares. The new shares were sold at a price of Baht 7.95 per share
- The Company paid for additional shares to Alpha X Co., Ltd., totaling of Baht 375 million
- Business expansion: 4 new branches of independent car maintenance service of MMS Bosch Car Services & Tire and Suratthani Branch of Millennium Auto
- The revenue from sales and services increased by 14.8% YoY. This is mainly due to an increase in revenue of the mobility retail by BMW, Rolls Royce, Azimut yacht, and Chris Craft boat, which has a relatively high profit margin
- Revenue recognition from Tesla's body and paint since Q2'23

**Back order of car/yacht/boat as at 30 June 2023** (Excluded sales for the 2nd half-year, the Company is joining Big Auto Sales, Mobility Carnival, BMW Expo and Motor Expo with new model launching in Q3 and Q4 that expected to significantly increase sales)

BRAND	NO. OF CAR / YACHT / BOAT
	17
	361
	66
	35
	614
	165
	2
	1

## ALPHA X Enhanced management of finance costs has further contributed to positive outcomes

The company experienced a reduction in Pre-Provision Operating Loss during the second quarter, marking a substantial decline of approximately 30% compared to the corresponding period in the previous year. This improvement is attributed to increased revenues resulting from the expansion of the Marine Financing business, which represents an extension of the group ecosystem. Furthermore, the introduction of Wealth Lending services to affluent clients has yielded higher returns with lower associated risks compared to automobile financing. The company's enhanced management of financial and operational costs has further contributed to these positive outcomes, leading to enhanced profitability. In line with its strategic objectives, the company aims to achieve a composition wherein Marine Financing and Wealth Lending collectively account for no less than 75% of the total loan portfolio within 2-3 years. This initiative is intended to foster sustainable growth and enduring profitability in the long term.

Total Revenue

**12,275**  
Million Baht

↑ 15% YoY

Total Asset

**12,695**  
Million Baht

↑ 3% YoY

EBITDA

**823**  
Million Baht

↑ 23% YoY

Net Profit

**198**  
Million Baht

↑ 20% YoY

## Summary of financial position as at June 30, 2023

Consolidated financial position	December 31, 2022		June 30, 2023		Change increase / (decrease)	
	Million Baht	Per total assets	Million Baht	Per total assets	Million Baht	Percent
<b>Assets</b>	12,328.2	100.0	12,694.5	100.0	366.3	3.0
<b>Liabilities</b>	11,049.9	89.6	9,047.0	71.3	(2,002.9)	(18.1)
<b>Equity</b>	1,278.3	10.4	3,647.5	28.7	2,369.2	185.3

### Assets

As of December 31, 2022, and June 30, 2023, the Company had total assets of Baht 12,328.2 million and **Baht 12,694.5 million**, respectively. There was increased of Baht 366.3 million or 3.0 percent, mainly from

- Increased in cash and cash equivalents from the Company offered and selling of new ordinary shares to the initial public offering (IPO) in April 2023;
- Increased in investment in joint venture, the Company paid for additional shares to Alpha X Co., Ltd.;
- Decreased in trade and other accounts receivable of MAG and SHA due to sales of new cars in June 2023 was decrease when compared to sales in December 2022, and the accrued bonus support from BMW Thailand in 2022 was settled in 2023

### Liabilities

As of December 31, 2022, and June 30, 2023, the Company had total liabilities of Baht 11,049.9 million and **Baht 9,047.0 million** respectively, was decreased by Baht 2,002.9 million or 18.1 percent. The change was primarily due to:

- The decrease in long-term loans from financial institutions as loans were repaid after initial public offering to comply with the use of proceed statement;
- 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;
- The decrease in trade and other accounts payable because of the decline in cars sold in June 2023 compared to December 2022;
- The increase in finance lease liabilities due to the ascending short-term and long-term car rental services of MCR and MDS;
- The increase in credit payables of inventories for display of MAG, which was in line with the higher volume of automotive orders in preparation for sale

### Shareholders' Equity

As of December 31, 2022, and June 30, 2023, the Company had a shareholders' equity of Baht 1,278.3 million and **Baht 3,647.5 million** respectively. This signified an increase of Baht 2,369.2 million or 185.3 percent, which resulted from the increase in share capital and share premium as the Company offered 280 million newly issued ordinary shares to the initial public offering in April 2023. The new shares were sold at a price of Baht 7.95 per share.

### Summary of financial performance for the three-month period ended June 30, 2023

Consolidated financial statement of comprehensive income	For the three-month ended				Change	
	June 30, 2022		June 30, 2023		increase / (decrease)	
	Million Baht	Per total revenue	Million Baht	Per total revenue	Million Baht	Percent
Revenue form sales and services	5,906.3	96.0	6,620.5	96.0	714.2	12.1
Revenue from providing cars and drivers for rental services	210.5	3.4	234.3	3.4	23.8	11.3
<b>Total revenue</b>	<b>6,153.6</b>	<b>100.0</b>	<b>6,895.9</b>	<b>100.0</b>	<b>742.3</b>	<b>12.1</b>
<b>Cost fo sales</b>	<b>5,281.8</b>	<b>85.8</b>	<b>5,880.3</b>	<b>85.3</b>	<b>598.5</b>	<b>11.3</b>
Cost of rendering of services	183.4	3.0	189.9	2.8	6.5	3.6
Direct costs of rental and services from operating leases	154.0	2.5	170.2	2.5	16.2	10.5
<b>Gross profit</b>	<b>499.8</b>	<b>8.2</b>	<b>614.3</b>	<b>8.9</b>	<b>114.5</b>	<b>22.9</b>
Profit from operating activities	169.5	2.8	214.9	3.1	45.4	26.8
<b>Profit for the period</b>	<b>103.2</b>	<b>1.7</b>	<b>116.7</b>	<b>1.7</b>	<b>13.5</b>	<b>13.1</b>
Profit attributable to owners of the parent	107.4	1.7	117.2	1.7	9.9	9.2

**Revenue structure**

Business	Consolidated financial statement for the three-month ended				Change increase / (decrease)	
	June 30, 2022		June 30, 2023		Million Baht	Percent
	Million Baht	Per total revenue	Million Baht	Per total revenue		
Mobility retail business	5,004.5	81.3	5,592.1	81.1	587.6	11.7
After sales and independent car maintenance service business <sup>(1)</sup>	795.8	12.9	905.3	13.1	109.5	13.8
Car rental and driver service business	307.2	5.0	351.2	5.1	44.0	14.3
Information and technology (IT) service and others <sup>(2)</sup>	11.5	0.2	6.1	0.1	(5.4)	(47.0)
<b>Total revenue from sales and services</b>	<b>6,119.0</b>	<b>99.4</b>	<b>6,854.7</b>	<b>99.4</b>	<b>735.7</b>	<b>12.0</b>
Other revenue <sup>(3)</sup>	34.6	0.6	41.2	0.6	6.6	19.1
<b>Total revenue</b>	<b>6,153.6</b>	<b>100.0</b>	<b>6,895.9</b>	<b>100.0</b>	<b>742.3</b>	<b>12.1</b>

- 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 June 30, 2022 and 2023, the Group generated revenue from sales and services of Baht 6,119.0 million and **Baht 6,854.7 million**, respectively. This signifies an increase of Baht 735.7 million or 12.0 percent. This is mainly due to the increase in revenue of the mobility retail. Sales of BMW by MAG was increased by increase in average price. Sales of Honda by SHA was increased by 163 units, from 520 units for the three-month period ended 30 June 2022 to 683 units for the three-month period ended June 30, 2022, sales of Harley-Davidson by USM was increased by 55 units, from 52 units for the three-month period ended June 30, 2022 to 107 units for the three-month period ended June 30, 2023 and sales of Chris Craft boat by MGC Marine was increased by 2 units for three-month period ended June 30, 2023.

### Gross profit

For the three-month period ended June 30, 2022 and 2023, the Group had gross profit of Baht 499.8 million, accounting for gross profit margin by 8.2 percent and **Baht 614.3 million, accounting for gross profit margin by 8.9 percent**, respectively. This signifies an increase of Baht 114.5 million or 22.9 percent. The Gross profit and gross profit margin were increased in 2023 was mainly from (1) the increase in electric vehicles sold in the period, which has a relatively high profit margin (2) the increase in margin of Chris Craft boat 2 units in the period.

### Net profit

For the three-month period ended June 30, 2022 and 2023, the Group had net profit of Baht 103.2 million, accounting for gross profit margin by 1.7 percent and **Baht 116.7 million, accounting for gross profit margin by 1.7 percent**, respectively. The net profit was increased by Baht 13.5 million or 13.1 percent compared to June 30, 2022. This is mainly due to an increase in revenue from sales and services, revenues from rendering of services and an increase in the gross profit margin as described earlier. The ratio of distribution costs and administrative expenses to total revenue were slightly increasing.

**Summary of financial performance for the six-month period ended June 30, 2023**

Consolidates financial statement of comprehensive income	For the six-month ended				Change increase / (decrease)	
	June 30, 2022		June 30, 2023		Million Baht	Percent
	Million Baht	Per total revenue	Million Baht	Per total revenue		
Revenue form sales and services	10,234.5	95.7	11,737.2	95.6	1,502.7	14.7
Revenue from providing cars and drivers for rental services	406.1	3.8	474.9	3.9	68.8	16.9
<b>Total revenue</b>	<b>10,694.3</b>	<b>100.0</b>	<b>12,275.1</b>	<b>100.0</b>	<b>1,580.8</b>	<b>14.8</b>
Cost fo sales	9,039.2	84.5	10,293.1	83.9	1,253.9	13.9
Cost of rendering of services	346.9	3.2	383.9	3.1	37.0	10.7
Direct costs of rental and services from operating leases	296.1	2.8	338.7	2.8	42.5	14.4
<b>Gross profit</b>	<b>962.8</b>	<b>9.0</b>	<b>1,201.5</b>	<b>9.8</b>	<b>238.7</b>	<b>24.8</b>
Profit from operating activities	305.3	2.9	426.3	3.5	121.0	39.6
<b>Profit for the period</b>	<b>164.6</b>	<b>1.5</b>	<b>197.9</b>	<b>1.6</b>	<b>33.3</b>	<b>20.2</b>
Profit attributable to owners of the parent	171.7	1.6	198.9	1.6	27.2	15.8

**Revenue structure**

Business	Consolidated financial statement for the six-month ended				Change increase / (decrease)	
	June 30, 2022		June 30, 2023		Million Baht	Percent
	Million Baht	Per total revenue	Million Baht	Per total revenue		
Mobility retail business	8,465.2	79.2	9,714.3	79.1	1,249.1	14.8
After sales and independent car maintenance service business <sup>(1)</sup>	1,557.8	14.6	1,769.8	14.4	212.0	13.6
Car rental and driver service business	601.9	5.6	716.0	5.8	114.1	18.9
Information and technology (IT) service and others <sup>(2)</sup>	20.0	0.2	17.1	0.1	(2.9)	(14.7)
<b>Total revenue from sales and services</b>	<b>10,645.0</b>	<b>99.5</b>	<b>12,217.2</b>	<b>99.5</b>	<b>1,572.2</b>	<b>14.8</b>
Other revenue <sup>(3)</sup>	49.3	0.5	57.9	0.5	8.6	17.6
<b>Total revenue</b>	<b>10,694.3</b>	<b>100.0</b>	<b>12,275.1</b>	<b>100.0</b>	<b>1,580.8</b>	<b>14.8</b>

- Note:
- (1) Included 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 six-month period ended June 30, 2022 and 2023, the Group generated revenue from sales and services of Baht 10,645.0 million and **Baht 12,217.2 million**, respectively. This signifies an increase of Baht 1,572.2 million or 14.8 percent. This is mainly due to the increase in revenue of the mobility retail. Sales of BMW by MAG increased by 160 units from 1,815 units to 1,975 units and sales of Azimut yacht and Chris Craft boat by MGC Marine increased by 3 units in the six-month period ended June 30, 2023.

### Gross profit

For the six-month period ended June 30, 2022 and 2023, the Group had a gross profit of Baht 962.8 million, accounting for gross profit margin 9.0 percent and **Baht 1,201.5 million, accounting for gross profit margin 9.8 percent**, respectively. This signifies an increase of Baht 238.7 million or 24.8 percent in June 2023. The increase in gross profit margin in June 2023 was primarily due to

- The increase in electric vehicles sold in the period, which has a relatively high profit margin.
- The increase in margin of Azimut yacht and Chris Craft boat by MGC Marine 3 units in the period.
- 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.

### Net profit

- For the six-month period ended June 30, 2022 and 2023, the Group had net profit of Baht 164.6 million, accounting for net profit margin 1.5 percent and Baht 197.9 million, accounting for net profit margin 1.6 percent, respectively. For the six-month period ended June 30, 2023, the Group realized higher net profit of Baht 33.3 million or 20.2 percent. This is mainly due to an increase in revenue from sales and services, providing cars and drivers for rental services, including the increase of gross profit margin.

## Financial ratios

Financial ratios	Unit	Consolidated financial statement	
		for the six-month ended	
		June 30, 2022	June 30, 2023
<b><u>Liquidity ratio</u></b>			
Liquidity ratio	times	0.79	0.90
Cash cycle	days	10.4	11.7
<b><u>Profitability ratio</u></b>			
Gross profit margin <sup>(1)</sup>	percent	9.0	9.8
Earning per share (EPS) <sup>(2)</sup>	Baht/Share	0.2	0.2
Net profit margin	percent	1.5	1.6
Return on equity <sup>(3)</sup>	percent	36.4	16.2
<b><u>Efficiency ratio</u></b>			
Return on asset <sup>(4)</sup>	percent	3.1	3.2
<b><u>Financial policy ratio</u></b>			
Debt to equity ratio (D/E)	times	11.0	2.5
Interest bearing debt to equity (IBD/E) ratio <sup>(5)</sup>	times	8.7	1.8
Interest bearing debt (excluding interest-free lease liabilities) to equity (IBD/E) ratio	times	7.8	0.9

- 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.
  - (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 six-month period ended June 30, 2022, and 2023, the liquidity ratio increased from 0.79 times in 2022 to **0.90 times** in 2023, mainly due to the decrease in current assets at a lower proportion than decrease in current liabilities. Current assets as of June 30, 2023 decreased from lower trade and other accounts receivable and inventories, while current liabilities decreased from lower bank overdrafts and short-term loans from financial institutions, trade and other accounts payable, and current portion of long-term loans from financial institutions.

### Cash cycle

For the six-month period end June 30, 2022 and 2023, cash cycle increased from 10.4 days to **11.7 days**, primarily due to the increase in average inventory period from 35.4 days to 40.0 days, offset the decrease in average collection period from 15.2 days to 13.6 days, and the increase in average payment period from 40.3 days to 41.8 days.

### Return on equity

For the six-month period ended June 30, 2022 and 2023, the return on equity decreased from 36.4 percent to **16.2 percent**, primarily due to the increase in net profit at a lower proportion than the increase in average shareholders' equity in 2023 (average of total shareholders' equity at the end of December 2022 and June 2023) as a result of higher retained earnings from operating performance in 2023 and the increase of the Company's share capital and share premium from the initial public offering.

### Return on assets

For the six-month period ended June 30, 2022 and 2023, the return on assets increased from 3.1 percent to **3.2 percent**, 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 June 2023) compared to average total assets in 2022 (average of total assets at the end of December 2021 and June 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 six-month period ended June 30, 2022 and 2023, the debt-to-equity ratio decreased from 11.0 times in 2022 to **2.5 times** in 2023, the interest-bearing debt to equity ratio decreased from 8.7 times in 2022 to 1.8 times in 2023, and the interest-bearing debt (excluding non-interest lease liabilities) to equity ratio decreased from 7.8 times in 2022 to 0.9 times in 2023, respectively. This was mainly due to the increase in shareholders' equity while total liabilities decreased as long-term loans from financial institutions were repaid after the initial public offering to comply with the use of proceed statement.