

25 October 2023

Subject Management Discussion and Analysis for the year ended December 31, 2022

Attention Director and Management
Stock Exchange of Thailand

Market Connections Asia Public Company Limited (collectively called “the Company”) would like to submit the Company’s financial statement for the year 2022, which has been audited by Certified public accountant, to the Stock Exchange of Thailand.

The Company’s performance for the fiscal year ended 2022, the Company’s net profit is 16.51 million Baht. The Company would like to inform the Company’s performance as the following details.

Please be informed accordingly,

Sincerely yours,



(Mr. Piyaphol Siriwattanaaksorn)

Chief Financial Officer

Market Connections Asia Public Company Limited

Management Discussion and Analysis for the year ended 31 December, 2022

Statement of Income

(Unit: THB Million)	2021		2022		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue from Services	224.07	99.46	372.65	99.97	148.58	66.31
Other income	1.23	0.54	0.12	0.03	(1.11)	(90.24)
Total Revenue	225.30	100.00	372.77	100.00	147.46	65.45
Cost of Services	165.22	73.34	289.77	77.73	124.55	75.38
Gross Profit	58.85	26.12	82.88	22.23	24.03	40.83
Selling Expenses	19.00	8.42	22.26	5.97	3.26	17.16
Administrative Expenses	37.17	16.50	39.41	10.57	2.24	6.03
Operating Profit	3.91	1.74	21.33	5.72	17.42	445.52
Finance Cost	0.85	0.38	0.84	0.23	(0.01)	(0.01)
Profit before income tax expense	3.06	1.36	20.49	5.50	17.43	569.61
Tax Expense	0.32	0.14	3.98	1.07	3.66	1,143.75
Net Profit for the year	2.74	1.22	16.51	4.43	13.77	502.55

Revenue Structure

(Unit: THB Million)	2021		2022	
	Amount	%	Amount	%
Revenue from Services				
Marketing Activities and Digital	45.70	20.29	126.95	34.06
Packing and Logistics	6.83	3.03	12.16	3.26
Product Consultant	82.90	36.80	89.39	23.98
Merchandiser	88.64	39.34	144.15	38.67
Total Revenue from Services	224.07	99.46	372.65	99.97
Other Income ¹	1.23	0.54	0.12	0.03
Total Revenue	225.30	100.00	372.77	100.00

Remark: ¹ Other income includes interest received, discounts from credit cards, deposit refunds for leased working equipment, and service fees. In 2019, the Company had additional other income from the adjustment of profits from the sale of assets (vehicles) in 2019 amounting to 3.98 million Baht. In 2021, the Company had additional other income from social security compensation for employers, amounting to 1.20 million Baht.

Revenue from Services

In the year 2022, the Company had a service revenue of 372.65 million Baht, which increased by 148.58 million Baht or 66.31% compared to the year 2021. The growth was due to a recovery in business activities, driven by the relaxation of government measures to control the spread of the COVID-19 virus since the second quarter of 2022 which led to a significant resurgence in marketing activities and resulted in increased service revenue across all service categories.

Cost of Services

In the year 2022, the Company had a service cost of 289.77 million Baht, which increased by 124.55 million Baht or 75.38% compared to the previous year. The main reasons for the increase were the rise in wages and employee compensation for employees involved in merchandiser and product consultant, amounting to 38.40 million Baht, as well as employee-related expenses amounting to 30.84 million Baht. The increase was primarily due to the hiring of operational staff (in the operational department and customer management department) and additional compensation for employees transferred from client companies, both existing and new, in the service of merchandiser, outsourcing key account services, facility costs amounting to 26.79 million Baht, production costs of 11.37 million Baht, and transportation costs of 9.48 million Baht. The cost increase aligns with the growth in revenue across all service categories.

Gross Profits and Gross Profit Margin

In the year 2022, the Company had an initial profit of 82.88 million Baht, which increased by 24.03 million Baht or 40.83% compared to the previous year. The increase is in line with the growth in revenue that started to recover significantly in all business groups after the government relaxed measures to control the spread of the COVID-19 virus. However, the Company's initial profit margin was 22.24%, which decreased compared to the previous year's margin of 26.26%. The main reason for the decrease is the limited budget allocation by clients and increased competition in each service group, particularly in marketing activities and digital services. Additionally, the Company expanded its service offerings, especially in the area of merchandiser services, including the provision of shared merchandiser services, which took a greater proportion compared to the previous year.

Selling Expenses

In the year 2022, the Company incurred selling expenses amounting to 22.26 million Baht, which increased by 3.26 million Baht or 17.16% compared to the previous year. The main reason for the increase was the rise in employee-related expenses, totaling 2.67 million Baht. The increase was primarily due to the hiring of additional staff in the business development and planning and design departments to accommodate the increasing workload of service operations following the relaxation of government measures. Furthermore, the proportion of service expenses to service revenue decreased due to the significant increase in service revenue.

Administrative Expenses

In the year 2022, the Company had administrative expenses amounting to 39.41 million Baht, which increased by 2.24 million Baht or 6.03% compared to the previous year. The increase was primarily due to the rise in employee-related expenses, mainly resulting from the hiring of additional staff to accommodate the increasing service workload following the relaxation of various government measures.

Net Profit

In the year 2022, the Company had a net profit of 16.51 million Baht, which increased by 13.77 million Baht or 502.55%, showing a significant increase compared to the previous year. The significant increase was primarily due to the growth in revenue and initial profit, with substantial support coming from the relaxation of measures to control the spread of the COVID-19 virus in the second quarter of 2022.

Summary of Statement of Financial Position

(Unit: THB Million)	December 31, 2021		December 31, 2022		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current Assets	69.13	49.82	88.13	54.68	19.00	27.48
Non-Current Assets	69.63	50.18	73.05	45.32	3.42	4.91
Total Assets	138.76	100.00	161.18	100.00	22.42	16.16
Current Liabilities	37.44	26.98	47.46	29.45	10.02	26.76
Non-Current Liabilities	16.30	11.75	15.35	9.52	(0.95)	(5.83)
Total Liabilities	53.74	38.73	62.81	38.97	9.07	16.88
Shareholders' Equity	85.02	61.27	98.37	61.03	13.35	15.70

Assets

As of December 31, 2022, the Company's main assets include accounts receivable, land, buildings, equipment, and other non-current assets (prepaid expenses, income tax prepaid, and security deposits). The total assets amounted to 161.18 million Baht, which increased by 22.42 million Baht or 16.16% compared to the previous year. The increase in total assets was primarily due to the growth in accounts receivable and other non-current assets.

Liabilities

As of December 31, 2022, the Company's primary liabilities include trade payables, other payables, long-term loans from financial institutions, and other current liabilities (withholding income tax, value-added tax to be remitted, and other advanced receipts). The total liabilities amounted to 62.81 million Baht, which

increased by 9.07 million Baht or 16.88% compared to the previous year. The increase in total liabilities was primarily due to the growth of trade payables and other payables.

Shareholder's Equity

As of December 31, 2022, the Company's equity amounted to 98.37 million Baht, which increased by 13.35 million Baht or 15.70%. This increase was primarily driven by retained earnings for the year of 16.51 million Baht, offset by the payment of dividends during the year amounting to 22.17 million Baht and an increase from registered capital issued and fully paid of 19.00 million Baht.

Current Ratio

As of December 31, 2022, the Company had a current ratio of 1.86, which increased from the previous year, 2021 which was 1.85. The primary reason for this increase was the support from the improved economic conditions, which led to an increase in working capital and resulted in customers making more on-time payments in accordance with credit terms, and the Company's cash cycle improved.

Debt to Equity Ratio

As of December 31, 2022, the Company had a debt-to-equity ratio of 0.64, which changed based on the categories of primary liabilities, including trade payables, other payables, long-term loans from financial institutions, and other current liabilities. The adjustment in the debt-to-equity ratio was the result of securing long-term loans from financial institutions to use as working capital for the Company's operations. The Company has a good track record of meeting debt obligations and financial terms. Currently, there are no specific financial institution-imposed limitations on the debt-to-equity ratio for the Company.