

25 October 2023

Subject Management Discussion and Analysis for the six months ended 30 June 2023

Attention Director and Management

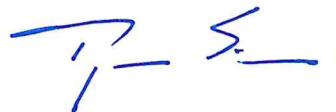
Stock Exchange of Thailand

Market Connections Asia Public Company Limited (collectively called “the Company”) would like to submit to financial statement for the six months ended 30 June 2023, which has been reviewed by Certified Public Account, to the Stock Exchange of Thailand.

Please see further details in the Management's discussion and Analysis of the Financial Statement as attached.

Please be informed accordingly,

Sincerely yours,



(Mr. Piyaphol Siriwattanaaksorn)

Chief Financial Officer

Market Connections Asia Public Company Limited

Management Discussion and Analysis for the six months ended 30 June 2023

Statement of income

(Unit: THB Million)	6M2022		6M2023		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue from Services	180.17	99.94	210.29	99.79	30.12	16.72
Other income	0.11	0.06	0.45	0.21	0.34	309.09
Total Revenue	180.28	100.00	210.73	100.00	30.45	16.89
Cost of Services	140.63	78.01	163.05	77.37	22.42	15.94
Gross Profit	39.54	21.93	47.23	22.41	7.69	19.45
Service Expenses	10.84	6.02	11.19	5.31	0.35	3.23
Administrative Expenses	19.49	10.81	20.53	9.74	1.04	5.34
Operating Profit	9.32	5.17	15.96	7.57	6.64	71.24
Expected Credit Loss	-	-	0.16	0.08	0.16	n/a
Finance Cost	0.36	0.20	0.61	0.29	0.25	69.44
Profit before income tax expense	8.96	4.97	15.18	7.20	6.22	69.42
Tax Expense	1.74	0.96	2.92	1.39	1.18	67.82
Net Profit for the year	7.23	4.01	12.26	5.82	5.03	69.57

Revenue Structure

(Unit: THB Million)	6M2022		6M2023	
	Amount	%	Amount	%
Revenue from Services				
Marketing Activities and Digital	64.80	35.94	82.81	39.30
Packing and Logistics	4.86	2.69	7.55	3.58
Product Consultant	40.77	22.62	46.63	22.13
Merchandiser	69.74	38.69	73.30	34.78
Total Revenue from Services	180.17	99.94	210.29	99.79
Other Income ¹	0.11	0.06	0.45	0.21
Total Revenue	180.28	100.00	210.73	100.00

Note: ¹ Other income includes interest received, discounts from credit cards, deposit refunds for leased working equipment, and service fees. For the six months of the year 2023, the company had additional income, which was profit from the sale of assets (vehicles), in the amount of 0.31 million Baht.

Revenue from Services

For the first half year of the year 2023, there was a service revenue of 210.29 million Baht, which increased by 12.91 million Baht, representing a 16.72% increase when compared to the same period in 2022. The increase was primarily due to the growth in service revenue from marketing activities and digital, driven by customer demand during important holiday seasons at the beginning of the year 2023. The increase was significant when compared to the same period in 2022 when there were still COVID-19 prevention measures in place, limiting the ability to conduct activities in their full form.

Cost of Services

For the first half year of the year 2023, the Company had service costs amounting to 163.05 million Baht, which increased by 22.42 million Baht, representing a 15.94% increase when compared to the same period in the previous year, where the amount was 140.63 million Baht. The main reason for this increase was the rise in wages and compensation for employees (merchandiser and product consultant employees), totaling 9.83 million Baht. The increase is in line with the growth in revenue from services provided by product consultant employees and shared merchandisers. There was also an increase in expenses related to operational staff (operations department) of 4.55 million Baht due to the Company expanding its workforce to support the expansion of the shared merchandiser service and an increase in production costs of 4.31 million Baht, which aligns with the growth in revenue from marketing activities and digital.

Gross Profit and Gross Profit Margin

For the first half year of the year 2023, the Company had an initial profit of 47.23 million Baht, which increased slightly by 7.69 million Baht, or approximately 19.45%, when compared to the same period in the previous year. Additionally, the Company had an initial profit rate of 22.46%, which increased when compared to the same period in the previous year, where the rate was 21.94%. The primary reason for this increase is attributed to the revenue generated from marketing activities and digital, as well as packing and logistics which are high-profit margin service sectors. These sectors experienced a slight increase in their proportion during the first half of the year.

Selling Expenses

For the first half year of the year 2023, the Company's selling expenses amounted to 11.19 million Baht, which increased by 0.35 million Baht or 3.23% when compared to the same period in the previous year when it was 10.84 million Baht. The increase was primarily due to the expansion of the business development team to support the Company's service expansion plan. However, the proportion of selling expenses to revenue from services decreased to 5.32% when compared to the same period in the previous year when it was 6.02%. The reduction in the expense-to-revenue ratio was because the rate of revenue increase from services was higher than the rate of increase in selling expenses.

Administrative Expenses

For the first half year of the year 2023, the Company's management expenses amounted to 20.53 million Baht, which increased by 1.04 million Baht, representing a 5.34% increase when compared to the same period in the previous year when it was 19.49 million Baht. The increase was primarily due to expenses related to consultants involved in the registration process in the securities market. These consultants include accountants, internal control auditors, legal advisors, financial advisors, and others, and their expenses increased by 0.50 million Baht. Additionally, other expenses such as government fees and stamp duty amounted to 0.39 million Baht. However, the proportion of management expenses to revenue from services decreased to 9.76% when compared to the same period in the previous year when it was 10.82%. The reduction in the expense-to-revenue ratio was due to the growth in revenue across all service sectors. The Company was able to effectively manage its overall expenses, particularly those related to employees, which remained relatively stable.

Net Profit

For the first half year of the year 2023, the Company had a net profit of 12.26 million Baht, which increased by 5.03 million Baht, representing a percentage increase of 69.57% compared to the same period in the previous year. The increase is consistent with the initial profit increase of 7.69 million Baht. However, the Company has seen an increase in selling expenses and management expenses due to the expansion of its workforce to support the company's business growth and expenses related to preparing for the securities market.

Summary of Statement of Financial Position

(Unit: THB Million)	December 31, 2022		June 30, 2023		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current Assets	88.13	54.68	99.44	57.17	11.31	12.83
Non-Current Assets	73.05	45.32	74.50	42.83	1.45	1.98
Total Assets	161.18	100.00	173.94	100.00	12.76	7.92
Current Liabilities	47.46	29.45	45.31	26.05	(2.15)	(4.53)
Non-Current Liabilities	15.35	9.52	20.07	11.54	4.72	30.75
Total Liabilities	62.81	38.97	65.38	37.59	2.57	4.09
Shareholders' Equity	98.37	61.03	108.56	62.41	10.19	10.36

Assets

As of June 30, 2023, the Company had fixed assets, including trade receivables, land, buildings, equipment, and other non-current assets, with a total value of 173.94 million Baht. This amount increased by 12.76 million Baht, which is approximately a 7.92% increase when compared to the previous year.

Liabilities

As of June 30, 2023, the Company had core liabilities, including trade payables, other payables, long-term loans from financial institutions, and other current liabilities, with a total value of 65.38 million Baht. This amount increased by 2.57 million Baht, which is approximately a 4.09% increase when compared to the previous year.

Shareholder's Equity

As of June 30, 2023, the Company's shareholder's equity amounted to 108.56 million Baht. The increased by 10.19 million Baht, which represents a 10.36% increase. The increase in shareholders' equity was driven by an increase in retained earnings of 12.26 million Baht, which partially offset by the payment of dividends amounting to 2.07 million Baht.

Furthermore, during the Company's 4th Board of Directors Meeting of 2023 held on August 25, 2023, the board approved the distribution of interim dividends from undistributed profits before the initial public offering (IPO) of ordinary shares, amounting to 15.05 million Baht at a rate of 0.08854 Baht per share. The dividends were scheduled to be paid on September 24, 2023. The Company's board considered the Company's financial position and performance and determined that the Company had sufficient profits and liquidity to distribute these dividends.

Regarding the financial impact on the financial statements as of June 30, 2023, due to the distribution of these dividends, it can be summarized as follows in the table below. Note that the previous dividend payouts do not necessarily indicate amount of dividends to be paid in the future.

Items affected by the payment of interim dividends	June 30, 2023 (million Baht)	Change Increase (Decrease) (million Baht)	After Dividend Payment (million Baht)
Cash and cash equivalent	0.93	(0.93)	-
Total liabilities	65.38	14.12	79.50
Retained earnings – Unappropriated	15.06	(15.05)	0.01
Shareholder's equity	108.56	(15.57)	92.99
Debt to equity ratio (D/E) (time)	0.60	0.25	0.86
Interest bearing debts to equity (IBD/E) (time)	0.20	0.18	0.38
Current ratio (time)	2.19	(0.54)	1.66

Items affected by the payment of interim dividends	June 30, 2023 (million Baht)	Change Increase (Decrease) (million Baht)	After Dividend Payment (million Baht)
Interest Bearing Debt to EBITDA Ratio (time)	0.67	0.45	1.12
Interest coverage ratio (ICR) (time)	28.94	(9.32)	19.63
Debt service coverage ratio (DSCR) (time)	3.54	(2.17)	1.37

Note: Citing the assumption that cash and cash equivalents amount to 0.93 million Baht and that O/D amounts to 14.12 million Baht are a source of funding for dividend payments without a cash inflow, considering an interest rate that might arise from the O/D, which amounts to 0.52 million Baht (Assumption 1. MOR interest rate 2. a loan period for the overdraft of 183 days with the principle of caution (Conservative Basis), as if the borrowing occurred from July 1, 2023, to December 31, 2023.

Current Ratio

As of June 30, 2023, the Company had a current ratio of 2.19, indicating that the Company's liquidity was in a healthy position. The current ratio had increased, primarily driven by the increase in the value of trade receivables and other receivables in line with the growth of revenue from service provision.

Debt to Equity Ratio

As of June 30, 2023, the Company had a debt-to-equity ratio of 0.60. This ratio had changed due to adjustments in the core liabilities, including trade payables, other payables, long-term loans from financial institutions, and other current liabilities. The increase in the debt-to-equity ratio was a result of borrowing long-term loans from financial institutions to use as working capital for the Company's operations. It is important to note that the Company has not defaulted on its debt payments or violated financial terms, and it currently does not have any restrictions on the debt-to-equity ratio imposed by financial institutions.