

VGI PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION & ANALYSIS 2Q 2023/24 ENDED 30 SEPTEMBER 2023

10 NOVEMBER 2023

2Q 2023/24 BUSINESS HIGHLIGHTS

- VGI reported revenue from services and sales of THB 1,083mn, a decrease of 11.4% YoY, mainly from the decrease in revenue of Distribution business. Whereas, revenue from Advertising business demonstrated a steady growth from the same period last year.
- Other income was THB 583mn, mainly from the gain on sale of investment in Rabbit-LINE Pay Company Limited on 31 August 2023.
- In 2Q 2023/24, VGI recorded a net profit of THB 166mn.

KEY BUSINESS AND STRATEGIC UPDATES

1) ADVERTISING

- During the first half of 2023/24, VGI launched a new media package named 'TURTLE LED'. This package is the collaboration between VGI and Super Turtle Company Limited ("TURTLE") aimed at fostering mutually beneficial synergy. For VGI, the Company will benefit from more media capacity from the installation of new 59 additional digital screens at the front of Turtle shop on 15 BTS stations, while TURTLE will be able to promote their products and draw attention of the BTS commuters.

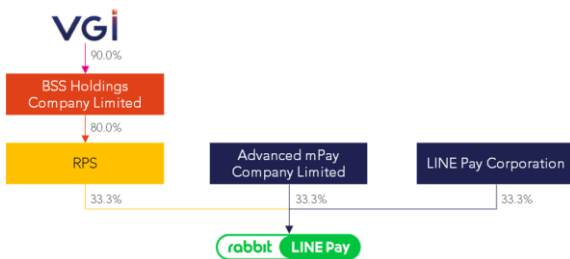


2) DIGITAL SERVICES

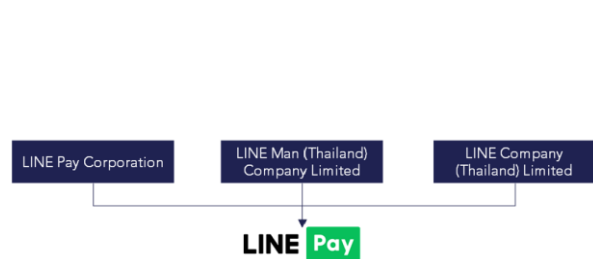
The disposal of Rabbit LINE Pay

- On 31 August 2023, RabbitPay System Company Limited ("RPS"), a subsidiary of BSS Holdings Company Limited, executed the sale of its entire shareholding in Rabbit-LINE Pay Company Limited ("RLP") to: 1) LINE Man (Thailand) Company Limited and 2) LINE Company (Thailand) Limited. The decision to divest from the online payment business was prompted by intensified competition within the e-payment market. The surge in competition was driven by the introduction of Prompt Pay and the rapid expansion of other contenders in the market.
- Notably, despite this divestment, RPS remains firmly committed to enhancing its e-payment infrastructure. This strategic focus is designed to strengthening and advancing the Company's close-loop payment business, ensuring it continues to meet the evolving needs of its client.
- Following the transaction, RPS recorded a gain on sales of investment in RLP of THB 537mn in the profit and loss statement in 2Q 2023/24.

Pre-transaction



Post-transaction



Rabbit Care

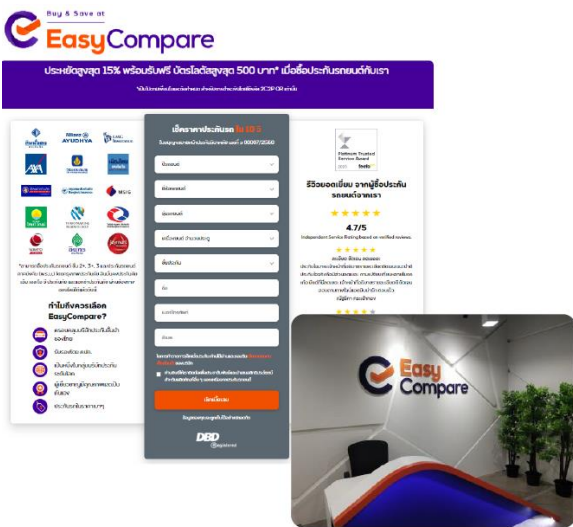
Broadening the online insurance and financial client-base through a new business acquisition

- On 26 September 2023, Rabbit Care Broker Company Limited, a subsidiary of Rabbit Care Company Limited (“RCare”), took a significant step towards broadening its presence in the car insurance brokerage sector. It has successfully acquired Easy Compare (Thailand) Company Limited’s (“EasyCompare”) broker business. This transaction will provide RCare access to a customer base of over 30,000 active clients and at least 400,000 users.

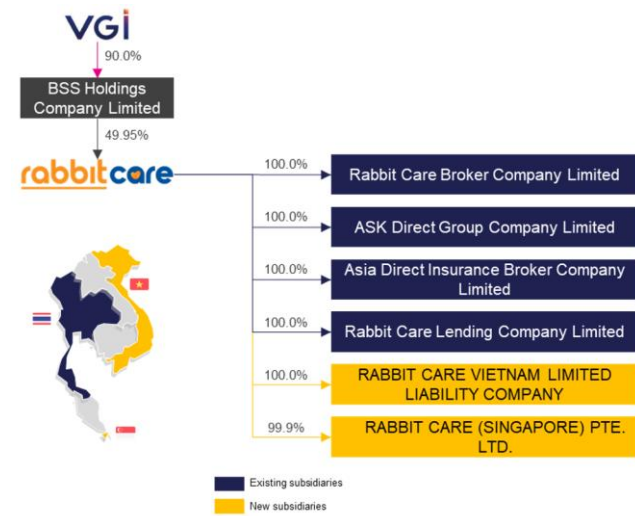
Expanding into other markets through incorporation of new subsidiaries

- RCare has expanded into the Vietnam and Singapore markets, by incorporating new subsidiaries under, RABBIT CARE VIETNAM LIMITED LIABILITY COMPANY on 18 September 2023 and RABBIT CARE (SINGAPORE) PTE. LTD. on 20 October 2023. These new subsidiaries will replicate RCare’s business model in Thailand by providing online insurance and financial products comparison services to new customers.

EasyCompare



Current RCare’s company structure



Rabbit Cash

- As of 30 September 2023, Rabbit Cash Company Limited has an outstanding loan of THB 474mn, with the contribution from Nano loans of 74.3% and welfare loans of 25.7%.

Rabbit Card

- As of 30 September 2023, the number of Rabbit Cards reached 16.9mn cards, an increase of 8.2% YoY.

3) DISTRIBUTION

TURTLE

Expanding TURTLE’s services across BTS network

- TURTLE has continued to expand its Turtle shop and SuperRich Turtle branch across the BTS network. In addition, TURTLE also made significant progress on the refurbishment of the merchandising spaces. These developments are expected to significantly increase TURTLE’s revenue from the higher customer base and the uptick in occupancy rate of the leasing spaces.

The networks are summarised as per the table below: -

	Number of network
Turtle shop	<ul style="list-style-type: none"> 15 BTS stations 16 shops
SuperRich Turtle	<ul style="list-style-type: none"> 5 branches
Refurbished station	<ul style="list-style-type: none"> 20 BTS stations

(Please find more details in TURTLE’s 3Q 2023 MD&A: <https://hub.optiwise.io/en/documents/98523/turtle-mdna-3q2023-en.pdf>)

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CONSOLIDATED P&L SNAPSHOT

THB (mn)	2Q	2Q	YoY (%)	1Q	QoQ (%)
	2023/24	2022/23		2023/24	
Revenue from services and sales	1,083	1,223	-11.4%	1,123	-3.5%
Cost of services and sales	(808)	(940)	-14.1%	(772)	4.7%
Gross profit	275	283	-2.7%	352	-21.7%
Other income	583	300	94.6%	40	1370.4%
SG&A	(525)	(491)	6.9%	(552)	-4.9%
EBIT (excl. share of loss from investments)	334	92	264.4%	(161)	307.8%
Share of loss from investments	(99)	(51)	-93.7%	(274)	63.8%
EBIT	235	40	480.5%	(435)	154.0%
Interest expenses	(6)	(7)	-14.0%	(5)	8.6%
Tax	(19)	(61)	-69.2%	(16)	15.9%
Net profit (loss)¹	166	68	145.5%	(367)	145.3%
EBITDA (excl. share of loss from investments)	489	215	127.1%	(23)	2205.9%
Gross profit margin	25.4%	23.1%		31.3%	
EBIT margin	21.7%	3.3%		-38.7%	
Net profit (loss) margin	15.3%	5.5%		-32.6%	
EBITDA (excl. share loss from investments) margin	45.1%	17.6%		-2.1%	

¹As shown in financial statement, excluding minority interest

Remark: Share of loss from investments refers to share of loss from investments in joint ventures and associates.

Revenue Breakdown

(THB mn)	2Q	2Q	YoY (%)	1Q	QoQ (%)
	2023/24	2022/23		2023/24	
Advertising	471	436	8.0%	486	-3.0%
Transit	439	414	6.2%	451	-2.7%
Office & Others	32	23	41.6%	35	-7.3%
Digital Services	370	379	-2.5%	367	0.9%
Distribution	242	408	-40.5%	271	-10.5%
Total revenue from services and sales	1,083	1,223	-11.4%	1,123	-3.5%

% Contribution to total revenue from services and sales

Advertising	43.5%	35.7%	43.3%
Transit	40.5%	33.8%	40.2%
Office and Other	3.0%	1.9%	3.1%
Digital Services	34.1%	31.0%	32.6%
Distribution	22.4%	33.3%	24.1%
Total revenue from services and sales	100.0%	100.0%	100.0%

PERFORMANCE ANALYSIS (2Q 2023/24 vs 2Q 2022/23)

In 2Q 2023/24, the Company reported **revenue from services and sales** of THB 1,083mn, a decrease of 11.4% YoY, mainly from the decrease in revenue of Fanslink Communications Company Limited ("Fanslink") which recorded under Distribution business. Whereas, Advertising revenue demonstrated a steady growth from the same period last year. In terms of revenue contribution, Advertising, Digital Services and Distribution revenue contributed 43.5%, 34.1% and 22.4%, respectively.

Advertising revenue increased by 8.0% YoY to THB 471mn, representing an increase in occupancy rate to 43.8% from 40.6% in the same period last year. The growth was from higher revenue from both Transit media and Office and Other media, which resulted from the increase in number of eyeballs in BTS SkyTrain network and more people in office building network.

- **Transit media revenue** was THB 439mn, an increase of 6.2% YoY.
- **Office and Other media revenue** was THB 32mn, an increase of 41.6% YoY.

Digital Services revenue was THB 370mn, a decrease of 2.5% YoY. The decrease was mainly due to lower lead generation revenue from Rabbit Care Company Limited.

Distribution revenue was THB 242mn, a decrease of 40.5% YoY. The decrease in Distribution revenue was mainly from the change in product mix as Fanslink selected to sell high margin products. Nevertheless, the decrease was partially offset by an increase in revenue from Retail business of Super Turtle Public Company Limited ("TURTLE").

Other income was THB 583mn, an increase of 94.6% YoY. This was due to the recognition of gain on disposal of investment in Rabbit LINE Pay Company Limited of THB 537mn in 2Q 2023/24.

Cost of services and sales decreased to THB 808mn, a decrease of 14.1% YoY. This was mainly due to the lower cost of sales of Fanslink, which in line with the increase in revenue of its business unit. **Cost-to-sales ratio** decreased to 74.6% (76.9% in the same period last year) as cost of services and sales decrease in higher rate than revenue from services and sales. This resulted in a higher **gross profit margin** of 25.4% opposed to 23.1% in the same period last year.

Meanwhile, **selling, general and administrative expenses ("SG&A")** increased to THB 525mn, an increase of 6.9% YoY, mainly resulted from the expansion of Turtle shop across BTS stations. Therefore, **SG&A to revenue ratio** increased to 48.4% (40.1% in the same period last year).

In this quarter, the Company recorded a **share of loss from investments in joint ventures and associates** of THB 99mn (Share of loss of THB 51mn in the same period last year). The recognition of share of loss was primarily from higher loss from Kerry Express (Thailand) Public Company Limited and less profit from Jaymart Group Holdings Public Company Limited.

Altogether, the Company recorded a **net profit** of THB 166mn, representing a **net profit margin** of 15.3%.

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FINANCIAL POSITION

ASSETS

ASSETS BREAKDOWN	30 SEPTEMBER 2023		31 MARCH 2023	
	(THB mn)	% out of total	(THB mn)	% out of total
Cash & cash equivalents and current financial assets	7,013	21.4%	7,747	23.0%
Trade & other receivables	1,307	4.0%	1,120	3.3%
Loans to customers and accrued interest	414	1.3%	91	0.3%
Inventory – net	251	0.8%	215	0.6%
Equipment – net	1,519	4.6%	1,101	3.3%
Investment in JVs, associates and other non-current financial assets	19,101	58.3%	20,216	60.1%
Goodwill	391	1.2%	391	1.2%
Other assets	2,792	8.5%	2,753	8.2%
Total assets	32,788	100.0%	33,636	100.0%

Total assets were THB 32,788mn on 30 September 2023, a decrease of THB 848mn from THB 33,636mn on 31 March 2023.

Total current assets were THB 9,877mn, a decrease of THB 139mn, primarily from a decrease in 1) cash & cash equivalents and other current financial assets of THB 734mn. However, the decrease was offset by an increase in 2) loans to customers and accrued interest of THB 304mn, 3) trade & other receivables of THB 187mn and 4) inventory – net of THB 36mn.

Total non-current assets were at THB 22,911mn, a decrease of THB 708mn, mainly due to a decrease in investment in JVs and associates and other non-current financial assets of THB 1,115mn. However, this was partially offset by an increase in equipment – net of THB 418mn.

Trade and other receivables were THB 1,307mn, an increase of THB 187mn. As of 30 September 2023, the allowance for expected credit losses was THB 176mn. The average collection period at end of this quarter was 92 days, increased from 79 days as of 31 March 2023.

AGING OF TRADE RECEIVABLES (THB mn)	30 SEPTEMBER 2023	31 MARCH 2023
Not yet due	547	602
Up to 6 months	142	193
Over 6 months	187	181
Allowance for expected credit losses	176	173
Total	700	803
% of total trade and other receivables	53.6%	71.7%

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND EQUITY BREAKDOWN	30 SEPTEMBER 2023		31 MARCH 2023	
	(THB mn)	% out of total	(THB mn)	% out of total
Trade & other payables	712	2.2%	709	2.1%
Accrued expenses	509	1.6%	368	1.1%
Other current liabilities	937	2.9%	962	2.9%
Other non-current liabilities	862	2.6%	945	2.8%
Total liabilities	3,021	9.2%	2,985	8.9%
Shareholders' equity	29,767	90.8%	30,651	91.1%
Total liabilities and equity	32,788	100.0%	33,636	100.0%

Total liabilities were THB 3,021mn, an increase of THB 36mn from THB 2,985mn on 31 March 2023, mainly from 1) accrued expenses of THB 141mn. However, the increase was partially offset by a decrease in 2) deferred tax liabilities of THB 76mn.

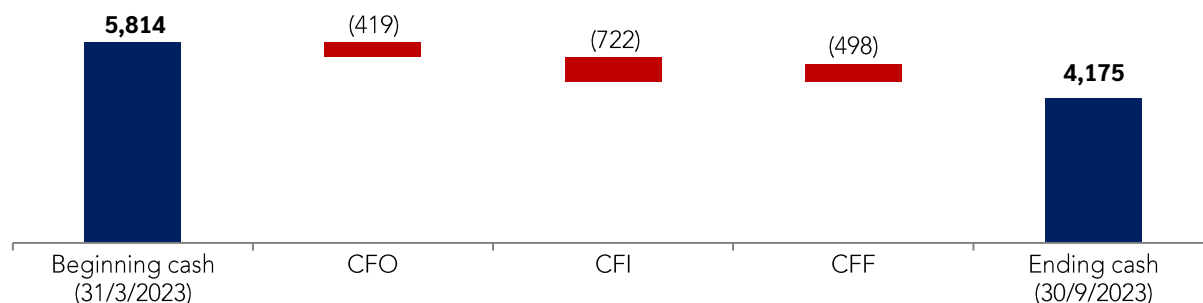
Total equity was THB 29,767mn, a decrease of THB 884mn, mainly from a decrease in 1) retained earnings of THB 579mn and 2) other components of shareholders' equity of THB 296mn.

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LIQUIDITY AND CASH FLOW (THB mn)



For the six months, ended 30 September 2023, **net cash used in operating activities** was THB 419mn. **Net cash used in investing activities** was THB 722mn mainly from cash paid for 1) purchases of financial instruments – net of THB 793mn and 2) capital expenditures of THB 657mn. However, this was partially offset by the cash received from 3) net sales of investment in subsidiary, associates and joint ventures of THB 414mn and 4) dividend income of THB 138mn. **Net cash used in financing activities** was THB 498mn, mainly from dividend payment of THB 448mn.

FINANCIAL RATIOS

Profitability Ratios		2Q 2023/24	2Q 2022/23	Liquidity Ratios		30 SEP 2023	31 MAR 2023
Gross profit	(%)	25.4%	22.8%	Current ratio	(times)	4.6	4.9
Operating EBITDA	(%)	45.1%	17.6%	Quick ratio	(times)	2.8	3.7
Cash-to-net profit	(%)	-71.9%	-209.6%	Account receivable turnover	(times)	4.0	4.6
Net profit (loss) (excl. NCI)	(%)	10.0%	4.4%	Average collection period	(days)	91.7	78.7
Return on equity	(%)	-1.3%	-0.1%	Payable days	(days)	115.4	117.1
Efficiency Ratios							
Return on assets	(%)	-1.1%	-0.1%	Liability to equity	(times)	0.1	0.1
Return on fixed assets	(%)	4.7%	32.1%	Debt to equity	(times)	0.0	0.0
Assets turnover	(times)	0.3	0.2				

Remark: Financial ratios were calculated based on the Stock Exchange of Thailand and the Securities and Exchange Commission's formula.

MANAGEMENT OUTLOOK

The world economy continues to remain sluggish, following the COVID-19 pandemic and Russia's invasion of Ukraine. In addition, the recent escalation of the Israel-Palestine conflict, has created further uncertainty towards the global economic outlook. In response to these factors, the World Bank revised down its global economic growth forecast to 3.0% in 2023, a decrease from the 3.5% growth in 2022. With the slowdown of the global economy, coupled with domestic market conditions from the rise of inflation and interest rate hike, the Bank of Thailand also adjusted down its economic growth forecast to 2.8% in 2023, compared to the growth of 3.6% seen in 2022.

With the unfavorable market conditions and non-consolidated operations of our associates and joint ventures, the Company faces a challenging task for 2023/24. Consequently, the Company has decided to adjust its full-year revenue target guideline range to THB 5,000 – 5,500mn (from THB 6,000 – 6,500mn). Despite these challenges, our core operations – the Advertising business has demonstrated consistent improvement, as we recorded net profit for the first 6 months of 2023/24 of THB 273mn in the separated financial statements. Moreover, our cash position has remained strong. Going forward, we anticipate our performances to recover across all our business units and our Advertising business is poised to benefit from the launch of the Yellow and Pink line, which is expected to increase VGI's media capacity.

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Chitkasem Moo-Ming
(Chief Financial Officer)
VGI Public Company Limited