

## PROEN Corp Public Company Limited and Subsidiaries Management Discussion and Analysis Quarter 3 of 2023

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### Business overview

PROEN Corp Public Co., Ltd. (“the Company”) conducts the business of Information Communication and Technology (ICT), Internet Data Center (IDC), Internet Service Provider (ISP), and Cloud Service, collectively called ICT business, which is the main revenue. The Company also provides Telecommunication and Infrastructure Service, which has a continual growth of revenue. The Company are investing in a new data center construction project with an area of 10,000 sq. m., to support a capacity of not less than 1,000 racks, located on Rama 9 - Srinagarindra road. It is projected that the new IDC will be able to generate revenue for the Company in Q2/2024 to meet the growing customer demands.

### Operating result

For the quarter 3 of 2023 (Q3/2023), the Company reported total revenue of 565.27 million Baht, decreased by 54.81% YoY, net profit was 9.01 million Baht, decreased by 83.52% YoY. In Q3/2023, total revenue was 236.09 million Baht, decreased by 45.37%, net profit was 5.68 million Baht, decreased by 77.85% YoY. This is because E-Commerce customers waiting for investment in all new equipment in the Company’s new IDC building which is projected to be completed in Q2/2024. Revenue from construction contract works decreased by 75.74%, due to recognition of revenue from ongoing projects upon the completion of majority works in the 2022 and recognition of revenue from 3 additional projects in Q3/2023.



## Business Operation Analysis

Business operation for the 9-month period ending September 30, 2023 comparing with 2022, which can be summarized as follows.

| Operating Result<br><br>(Unit : million Baht) | Jan - Sep 2023<br>( 9 months) |         | Jan - Sep 2022<br>( 9 months) |         | Change YoY             |          |
|---|-------------------------------|---------|-------------------------------|---------|------------------------|----------|
|   | MB.                           | %       | MB.                           | %       | Increase<br>(Decrease) | %        |
| Revenue from Sale and Service                 | 562.64                        | 100.00% | 1,234.79                      | 100.00% | (672.15)               | (54.43%) |
| Cost of Sale and Service                      | 441.42                        | 78.46%  | 1,081.97                      | 87.62%  | (640.55)               | (59.20%) |
| Gross profit                                  | 121.22                        | 21.54%  | 152.82                        | 12.38%  | (31.60)                | (20.68%) |
| Other income                                  | 2.63                          | 0.47%   | 16.14                         | 1.31%   | (13.51)                | (83.71%) |
| Selling expenses                              | 18.54                         | 3.30%   | 17.13                         | 1.39%   | 1.41                   | 8.23%    |
| Administrative expenses                       | 69.49                         | 12.35%  | 71.47                         | 5.79%   | (1.98)                 | (2.77%)  |
| Share of loss of associate                    | 2.84                          | 0.50%   | -                             | -       | 2.84                   | 100.00%  |
| Profit before interest and income tax expense | 32.98                         | 5.86%   | 80.36                         | 6.51%   | (47.38)                | (58.96%) |
| Finance costs                                 | 20.73                         | 3.68%   | 21.29                         | 1.72%   | (0.56)                 | (2.63%)  |
| Profit before income tax expense              | 12.25                         | 2.18%   | 59.07                         | 4.78%   | (46.82)                | (79.26%) |
| Income tax (income) expense                   | 3.24                          | 0.58%   | 4.41                          | 0.36%   | (1.17)                 | (26.53%) |
| Profit for the period                         | 9.01                          | 1.60%   | 54.66                         | 4.43%   | (45.65)                | (83.52%) |

Business operation for the quarter 3 ending September 30, 2023 comparing with 2022, which can be summarized as follows.

| Operating Result<br><br>(Unit: million Baht)  | Quarter 3/2023<br>( 3 months) |         | Quarter 3/2022<br>( 3 months) |         | Change YoY             |          |
|---|-------------------------------|---------|-------------------------------|---------|------------------------|----------|
|   | MB.                           | %       | MB.                           | %       | Increase<br>(Decrease) | %        |
| Revenue from Sale and Service                 | 234.68                        | 100.00% | 416.75                        | 100.00% | (182.07)               | (43.69%) |
| Cost of Sale and Service                      | 190.96                        | 81.37%  | 362.76                        | 87.04%  | (171.80)               | (47.36%) |
| Gross profit                                  | 43.72                         | 18.63%  | 53.99                         | 12.96%  | (10.27)                | (19.02%) |
| Other income                                  | 1.41                          | 0.60%   | 15.43                         | 3.70%   | (14.02)                | (90.86%) |
| Selling expenses                              | 5.00                          | 2.13%   | 5.89                          | 1.41%   | (0.89)                 | (15.11%) |
| Administrative expenses                       | 25.88                         | 11.03%  | 22.33                         | 5.36%   | 3.55                   | 15.90%   |
| Share of loss of associate                    | 1.69                          | 0.72%   | -                             | -       | 1.69                   | 100.00%  |
| Profit before interest and income tax expense | 12.56                         | 5.35%   | 41.20                         | 9.89%   | (28.64)                | (69.51%) |
| Finance costs                                 | 5.23                          | 2.23%   | 9.35                          | 2.24%   | (4.12)                 | (44.06%) |
| Profit before income tax expense              | 7.33                          | 3.12%   | 31.85                         | 7.64%   | (24.52)                | (76.99%) |
| Income tax (income) expense                   | 1.65                          | 0.70%   | 6.21                          | 1.49%   | (4.56)                 | (73.43%) |
| Profit for the period                         | 5.68                          | 2.42%   | 25.64                         | 6.15%   | (19.96)                | (77.85%) |



For the 9-month period (Jan-Sep) of 2023, the Company reported net profit of 9.01 million Baht, decreased by 83.52% YoY, due to a decrease of revenue in ICT business and infrastructure business.

In Q3/2023 (Jul-Sep), the Company reported net profit of 5.68 million Baht, decreased by 77.85% YoY, due to a decrease of revenue in ICT business and infrastructure business.

### Revenue, Cost, and Gross Profit

| Operating Result<br>(Unit: million Baht)     | Revenue                      |                              |                        |                 | Cost                         |                              |                        |                 | Gross Profit                 |                              |                        |                 |
|--|------------------------------|------------------------------|------------------------|-----------------|------------------------------|------------------------------|------------------------|-----------------|------------------------------|------------------------------|------------------------|-----------------|
|  | Jan - Sep 2023<br>(9 months) | Jan - Sep 2022<br>(9 months) | Increase<br>(Decrease) | %               | Jan - Sep 2023<br>(9 months) | Jan - Sep 2022<br>(9 months) | Increase<br>(Decrease) | %               | Jan - Sep 2023<br>(9 months) | Jan - Sep 2022<br>(9 months) | Increase<br>(Decrease) | %               |
| <b>ICT Business:</b>                         |                              |                              |                        |                 |                              |                              |                        |                 |                              |                              |                        |                 |
| Revenue from sale                            | 143.92                       | 482.96                       | (339.04)               | (70.20%)        | 126.83                       | 461.18                       | (334.35)               | (72.50%)        | 17.09                        | 21.78                        | (4.69)                 | (21.53%)        |
| Revenue from service                         | 290.45                       | 223.11                       | 67.34                  | 30.18%          | 195.43                       | 156.59                       | 38.84                  | 24.80%          | 95.02                        | 66.52                        | 28.50                  | 42.84%          |
| <b>Total revenue from ICT business</b>       | <b>434.37</b>                | <b>706.07</b>                | <b>(271.70)</b>        | <b>(38.48%)</b> | <b>322.26</b>                | <b>617.77</b>                | <b>(295.51)</b>        | <b>(47.83%)</b> | <b>112.11</b>                | <b>88.30</b>                 | <b>23.81</b>           | <b>26.96%</b>   |
| <b>Infrastructure construction business:</b> |                              |                              |                        |                 |                              |                              |                        |                 |                              |                              |                        |                 |
| Revenue from construction contracts          | 128.27                       | 528.71                       | (400.44)               | (75.74%)        | 119.17                       | 464.20                       | (345.03)               | (74.33%)        | 9.10                         | 64.51                        | (55.41)                | (85.89%)        |
| <b>Total revenue from main business</b>      | <b>562.64</b>                | <b>1,234.78</b>              | <b>(672.14)</b>        | <b>(54.43%)</b> | <b>441.43</b>                | <b>1,081.97</b>              | <b>(640.54)</b>        | <b>(59.20%)</b> | <b>121.21</b>                | <b>152.81</b>                | <b>(31.60)</b>         | <b>(20.68%)</b> |

| Operating Result<br>(Unit: million Baht)     | Revenue                         |                                 |                        |                 | Cost                            |                                 |                        |                 | Gross Profit                    |                                 |                        |                 |
|--|---------------------------------|---------------------------------|------------------------|-----------------|---------------------------------|---------------------------------|------------------------|-----------------|---------------------------------|---------------------------------|------------------------|-----------------|
|  | Quarter<br>3/2023<br>(3 months) | Quarter<br>3/2022<br>(3 months) | Increase<br>(Decrease) | %               | Quarter<br>3/2023<br>(3 months) | Quarter<br>3/2022<br>(3 months) | Increase<br>(Decrease) | %               | Quarter<br>3/2023<br>(3 months) | Quarter<br>3/2022<br>(3 months) | Increase<br>(Decrease) | %               |
| <b>ICT Business:</b>                         |                                 |                                 |                        |                 |                                 |                                 |                        |                 |                                 |                                 |                        |                 |
| Revenue from sale                            | 47.22                           | 191.79                          | (144.57)               | (75.38%)        | 41.62                           | 185.70                          | (144.08)               | (77.59%)        | 5.60                            | 6.09                            | (0.49)                 | (8.05%)         |
| Revenue from service                         | 114.54                          | 81.97                           | 32.57                  | 39.73%          | 88.08                           | 52.70                           | 35.38                  | 67.13%          | 26.46                           | 29.27                           | (2.81)                 | (9.60%)         |
| <b>Total revenue from ICT business</b>       | <b>161.76</b>                   | <b>273.76</b>                   | <b>(112.00)</b>        | <b>(40.91%)</b> | <b>129.70</b>                   | <b>238.40</b>                   | <b>(108.70)</b>        | <b>(45.60%)</b> | <b>32.06</b>                    | <b>35.36</b>                    | <b>(3.30)</b>          | <b>(9.33%)</b>  |
| <b>Infrastructure construction business:</b> |                                 |                                 |                        |                 |                                 |                                 |                        |                 |                                 |                                 |                        |                 |
| Revenue from construction contracts          | 72.92                           | 142.99                          | (70.07)                | (49.00%)        | 61.26                           | 124.36                          | (63.10)                | (50.74%)        | 11.66                           | 18.63                           | (6.97)                 | (37.41%)        |
| <b>Total revenue from main business</b>      | <b>234.68</b>                   | <b>416.75</b>                   | <b>(182.07)</b>        | <b>(43.69%)</b> | <b>190.96</b>                   | <b>362.76</b>                   | <b>(171.80)</b>        | <b>(47.36%)</b> | <b>43.72</b>                    | <b>53.99</b>                    | <b>(10.27)</b>         | <b>(19.02%)</b> |

### Revenue

For the 9-month period (Jan-Sep) of 2023, the Company had revenue from the main business of 562.64 million Baht, decreased by 54.43% YoY, mainly due to a decrease in sale of 70.20% as the major customer in E-Commerce business waiting for investment in the new IDC in Q2/2024. Revenue from construction contracts decreased by 75.74%, due to revenue from infrastructure projects on hand already recognized upon the completion of majority works in 2022. In Q3/2023, the Company had 3 more projects for recognition of revenue. Revenue from service increased by 30.18%, due to the expansion of revenue from cloud service.



In Q3/2023 (Jul-Sep), the Company had revenue from the main business of 234.68 million Baht, decreased by 43.69% YoY, mainly due to a decrease in sale of 75.38% as the major customer in E-Commerce business waiting for investment in the new IDC in Q2/2024. Revenue from construction contracts decreased by 49%, due to revenue from infrastructure projects on hand already recognized upon the completion of majority works in 2022. In Q3/2023, the Company had 3 more projects for revenue recognition. Revenue from service increased by 39.73%, due to the expansion of revenue from cloud service.

### **Cost of sales and gross profit**

For the 9-month period (Jan-Sep) of 2023, cost of sales decreased according to revenue proportion, resulting in 121.22 million Baht of gross profit or decreased by 20.68%.

For the 3-month period (Jul-Sep), cost of sales decreased according to revenue proportion, resulting in 43.72 million Baht of gross profit or decreased by 19.02%.

### **Selling and administrative expenses**

For the 9-month period (Jan-Sep) of 2023, the Company had selling and administrative expenses of 18.54 million Baht, increased by 8.23%, due to marketing expenses paid for launching new products to the market. Administrative expenses were 69.49 million Baht, decreased by 2.77% YoY. In Q3/2023, the Company recognized share loss of associates of 2.84 million Baht.

In Q3/2023 (Jul-Sep), the Company had selling and administrative expenses of 5.00 million Baht, decreased by 15.11%, administrative expenses were 25.88 million Baht, increased by 15.90% YoY. The Company recognized share loss of associates of 1.69 million Baht in Q3/2023 (Jul-Sep).



### Other income

For the 9-month period (Jan-Sep) of 2023, the Company had other income of 2.63 million Baht, decreased by 83.71% YoY. In Q3/2023 (Jul-Sep 2023), the Company had other income of 1.41 million Baht, decreased by 90.86%, due to a profit from assets sold in Q3/2022 and a recognition of profit from digital asset value adjustment.

### Finance cost

For the 9-month period (Jan-Sep) of 2023, the Company had a financial cost of 20.73 million Baht, decreased by 2.63% YoY. In Q3/2023 (Jul-Sep 2023), the Company had a financial cost of 5.23 million Baht, decreased by 44.06%. The main factor contributing to the increase in interest is a debenture offering of 500 million Baht for the purpose of new IDC construction and for working capital. The interest incurred from the construction project is recorded in assets under construction of the new IDC. When making payments to the project, the interest paid in the income statement will decrease.

### Income tax expense

For the 9-month period (Jan-Sep) of 2023, the Company had corporate income tax of 3.24 million Baht, decreased by 26.53% YoY.

In Q3/2023 (Jul-Sep) of 2023, the Company had corporate income tax of 1.65 million Baht, decreased by 73.43% YoY, decreased in the same direction of net profit.



## Statement of financial position

| Statement of Financial Position<br>(Unit: million Baht) | 30 Sep 23       | 31 Dec 22       | Increase<br>(decrease) | %Increase<br>(decrease) |
|---|-----------------|-----------------|------------------------|-------------------------|
| <b>Assets</b>   |                 |                 |                        |                         |
| Current assets  | 967.89          | 1,280.34        | (312.45)               | (24.40%)                |
| Non-current assets                                      | 611.00          | 310.04          | 300.96                 | 97.07%                  |
| <b>Total assets</b>                                     | <b>1,578.89</b> | <b>1,590.38</b> | <b>(11.49)</b>         | <b>(0.72%)</b>          |
| <b>Liabilities and Equity</b>                           |                 |                 |                        |                         |
| Current liabilities                                     | 970.35          | 552.29          | 418.06                 | 75.70%                  |
| Non-current liabilities                                 | 59.45           | 566.20          | (506.75)               | (89.50%)                |
| <b>Total liabilities</b>                                | <b>1,029.80</b> | <b>1,118.49</b> | <b>(88.69)</b>         | <b>(7.93%)</b>          |
| Equity  | 549.09          | 471.89          | 77.20                  | 16.36%                  |
| <b>Total liabilities and equity</b>                     | <b>1,578.89</b> | <b>1,590.38</b> | <b>(11.49)</b>         | <b>(0.72%)</b>          |

As of September 30, 2023, the Company had total assets of 1,578.89 million Baht, decreased by 11.49 million Baht or 0.72% from December 31, 2022. The decrease was because of a significant item, which was cash and cash equivalents, decreased by 445.76 million Baht as the fund applied for the new IDC construction. Current liabilities increased by 75.70%, which was an item of long-term debenture recorded as debenture due within one year (due in March 2024). As of September 30, 2023, liquidity ratio was 1.00 times, D/E Ratio Net Cash was 1.68 times, and Interest-Bearing D/E Ratio Net Cash was 0.81 times.





## Statement of Cash Flow

| Statement of Cash Flows<br>(Unit : million Baht)       | 30 Sep 23       | 30 Sep 22     | Increase<br>(decrease) | %Increase<br>(decrease) |
|--|-----------------|---------------|------------------------|-------------------------|
| Net cash used in operating activities                  | (170.07)        | (96.71)       | (73.36)                | 75.85%                  |
| Net cash generated from (used in) investing activities | (321.64)        | 95.03         | (416.67)               | (438.44%)               |
| Net cash generated from financing activities           | 45.30           | 419.89        | (374.59)               | (89.21%)                |
| <b>Net increase in cash and cash equivalents</b>       | <b>(446.40)</b> | <b>418.22</b> | <b>(864.62)</b>        | <b>(206.74%)</b>        |
| Opening balance of cash and cash equivalents           | 550.57          | 123.19        | 427.38                 | 346.94%                 |
| <b>Closing balance of cash and cash equivalents</b>    | <b>104.17</b>   | <b>541.41</b> | <b>(437.24)</b>        | <b>(80.76%)</b>         |

As of September 30, 2023, the Company had cash and cash equivalents of 104.17 million Baht, net cash used in operating activities was 170.07 million Baht, increased from the expansion of accounts receivable of the project business group and payments for account payable. Net cash used in investing activities was 321.64 million Baht, due to an investment in an associate and an item of cash used for the new IDC construction. Net cash generated from financing activities was 45.30 million Baht, gained from advance payment of shares from warrants (PROEN-W1) exercising 105.75 million Baht. However, the Company paid an interim dividend in cash for 38.04 million Baht.

