

MGC → ASIA™



MANAGEMENT DISCUSSION & ANALYSIS Q3, 2023

FINANCIAL OVERVIEW Q3 / 2023

Millennium Group Corporation (Asia) Public Company Limited

EXECUTIVE SUMMARY

Unit : Million Baht	Nine-Month Period		YoY (%)
	Q3 / 22	Q3 / 23	
Total revenue	16,657	18,449	11%
Profit from operating activities	554	558	1%
Net profit	299	228	-24%
Net profit excluding interest on loan relating to long-term lease and sublease agreements and APEC transactions	276	255	-8%

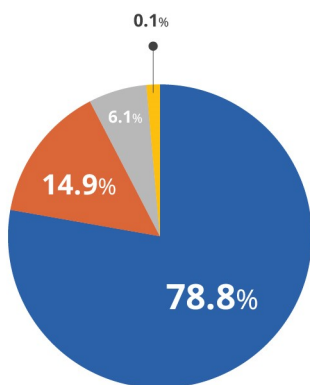
In April 2023, the subsidiary repaid a loan from financial institution which was utilized for entering into long-term lease and sublease agreements with the related company for land and buildings as the Group's mobility showroom in September 2022. Consequently, during Q3 2023, there was interest on loan from financial institution arising from this item approximately 27 million Baht for the nine-month period while there was no interest on loan from this transaction during Q3 2022.

In Q3 2022, there was profit from sale, car rental and driver service business of APEC approximately Baht 23.0 million whereas there was no such transaction in 2023. Therefore, if these items have not been included, the Group would have had net profit of Baht 255.0 million for the nine-month period ended September 30, 2023, decreased by 8 percent YoY.

REVENUE BY SEGMENTS

18,449

Million Baht



Q3 / 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 for Baht 125 million in September 2023, totaling of Baht 750 million, resulting to remains 49.99% shareholdings
- 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 10.7% YoY. This is mainly due to an increase in revenue of the mobility retail by BMW, Rolls Royce, Honda, Azimut yacht, and Chris Craft boat, which has a relatively high profit margin
- Profit generated from Tesla's body and paint since Q3'23, along with the improved performance of maintenance services for independent cars results in continuous reduction of losses for MMS
- High business competition in automotive retail and deceleration of purchasing power caused the Group to leverage more marketing activities to attract customers and maintain market share. Also, there were supply shortages of Honda and Harley Davidson in July and August leading to the net profit drop. However, sales is expected to rise in the next quarter as Q4 is the high season

Back order of car/yacht/boat

BRAND	NO. OF CAR / YACHT / BOAT
	18
	150
	69
	64
	445
	112
	4
	1

ALPHA X

The company experienced a consistent decline in Pre-Provision Operating Loss in Q3, showing a significant decrease of 30% year over year and an 11% decrease quarter over quarter. This reduction was led by the expansion of the Marine Financing and Wealth Lending services that offer higher returns and lower risks compared to the auto loan-related business and efficient financial and operational costs management, resulting in consistently improving profitability. The company is still dedicated to further increasing its wallet share in Marine Financing and Wealth Lending to foster sustained growth and profitability in the long run.

Total Revenue

18,449
Million Baht

↑ 11% YoY

Total Asset

14,228
Million Baht

↑ 15% YoY

EBITDA

1,100
Million Baht

↓ 6% YoY

Net Profit

228
Million Baht

↓ 24% YoY

Summary of financial position as at September 30, 2023

Consolidated financial position	December 31, 2022		September 30, 2023		Change increase / (decrease)	
	Million Baht	Per total assets	Million Baht	Per total assets	Million Baht	Percent
Assets	12,328.2	100.0	14,228.4	100.0	1,900.2	15.4
Liabilities	11,049.9	89.6	10,550.8	74.2	(499.1)	(4.5)
Equity	1,278.3	10.4	3,677.6	25.8	2,399.3	187.7

Assets

As of December 31, 2022, and September 30, 2023, the Group had total assets of Baht 12,328.2 million and **Baht 14,228.4 million**, respectively. There was an increase of Baht 1,900.2 million or 15.4 percent, mainly from

- Increase in cash and cash equivalents from the Company offering and selling of new ordinary shares to the initial public offering (IPO) in April 2023
- Increase in investment in joint venture, the Company paid for additional shares to Alpha X
- Increase in right-of-use assets due to the ascending short-term and long-term car rental services of MCR and MDS
- Increase in inventories and inventories for display from higher volume of automotive order in preparation for sales in the next quarter

Liabilities

As of December 31, 2022, and September 30, 2023, the Group had total liabilities of Baht 11,049.9 million and **Baht 10,550.8 million** respectively, which was decreased by Baht 499.1 million or 4.5 percent. The change was primarily due to

- Decrease in long-term loans from financial institutions as loans were repaid after initial public offering to comply with the use of proceed statement
- Decrease in bank overdrafts and short-term loans from financial institutions from the partial repayment of short-term loans to financial institutions by MAG, offset by
- Increase in trade and other accounts payable, including credit payables of inventories for display which was in line with the higher volume of automotive orders in preparation for sale in the next quarter, and advance received for goods from customers of AZM in which going to be delivered in the next year

- Increase in finance lease liabilities due to the ascending short-term and long-term car rental services of MCR and MDS

Shareholders' Equity

As of December 31, 2022, and September 30, 2023, the Group had a shareholders' equity of Baht 1,278.3 million and **Baht 3,677.6 million** respectively. This signified an increase of Baht 2,399.3 million or 187.7 percent, which resulted from the increase in share capital and share premium as the Group 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 September 30, 2023

Consolidated financial statement of comprehensive income	For the three-month ended				Change	
	September 30, 2022		September 30, 2023		increase / (decrease)	
	Million Baht	Per total revenue	Million Baht	Per total revenue	Million Baht	Percent
Revenue form sales and services	5,719.2	95.9	5,907.0	95.7	187.8	3.3
Revenue from providing cars and drivers for rental services	224.6	3.8	244.9	4.0	20.3	9.0
Total revenue	5,963.0	100.0	6,174.0	100.0	211.0	3.5
Cost of sales	5,015.9	84.1	5,250.3	85.0	234.4	4.7
Cost of rendering of services	183.9	3.1	202.1	3.3	18.2	9.9
Direct costs of rental and services from operating leases	159.1	2.7	182.2	3.0	23.1	14.5
Gross profit	584.9	9.8	517.2	8.4	(67.7)	(11.6)
Profit from operating activities	248.4	4.2	132.0	2.1	(116.4)	(46.9)
Profit for the period	134.8	2.3	30.1	0.5	(104.7)	(77.7)
Profit attributable to owners of the parent	139.4	2.3	30.0	0.5	(109.4)	(78.5)

Revenue structure

Business	Consolidated financial statement for the three-month ended				Change increase / (decrease)	
	September 30, 2022		September 30, 2023		Million Baht	Percent
	Million Baht	Per total revenue	Million Baht	Per total revenue		
Mobility retail business	4,688.9	78.6	4,768.6	77.2	79.7	1.7
After sales and independent car maintenance service business ⁽¹⁾	896.9	15.0	972.8	15.8	75.9	8.5
Car rental and driver service business	349.7	5.9	401.6	6.5	51.9	14.9
Information and technology (IT) service and others ⁽²⁾	8.4	0.1	8.9	0.1	0.5	6.7
Total revenue from sales and services	5,943.9	99.7	6,151.9	99.6	208.1	3.5
Other revenue ⁽³⁾	19.1	0.3	22.1	0.4	2.9	14.9
Total revenue	5,963.0	100.0	6,174.0	100.0	211.0	3.5

- 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 September 30, 2022 and 2023, the Group generated revenue from sales and services of Baht 5,943.9 million and **Baht 6,151.9 million**, respectively. This signified **an increase of Baht 208.1 million or 3.5 percent** which mainly came from an increase in revenue of the mobility retail. Sales of BMW by MAG was increased by the increase in average price of Battery Electric Vehicle (BEV), and sales of Honda by SHA was increased by the delivery of All-new Honda CR-V Gen 6 in September 2023 for more than 200 units. Moreover, the increase was from after-sales and independent car maintenance service business because of branch and customer base expansion during the year.

Gross profit

For the three-month period ended September 30, 2022 and 2023, the Group had gross profit of Baht 584.9 million and **Baht 517.2 million**, accounting for gross profit margin of 9.8 percent and **8.4 percent** respectively, which was increased by **Baht 67.6 million or 11.6 percent**.

Net profit

For the three-month period ended September 30, 2022 and 2023, the Group had net profit of Baht 134.8 million and **Baht 30.1 million**, accounting for gross profit margin of 2.3 percent and **0.5 percent** respectively. The net profit was decreased by **Baht 104.7 million or 77.7 percent** compared to September 30, 2022. This was mainly due to decreasing of gross profit margin and increasing of distribution costs and administrative expenses as following; (1) Increase in employee benefits due to the employment of additional executives and employees to support the Group's business expansion (2) High business competition in automotive retail and deceleration of purchasing power, causing the Group to leverage more marketing activities to attract customers. Also, there were supply shortages of Honda and Harley Davidson in July and August, and (3) Increase in other expenses including depreciation and utilities.

Summary of financial performance for the nine-month period ended September 30, 2023

Consolidates financial statement of comprehensive income	For the nine-month ended				Change	
	September 30, 2022		September 30, 2023		increase / (decrease)	
	Million Baht	Per total revenue	Million Baht	Per total revenue	Million Baht	Percent
Revenue form sales and services	15,953.7	95.8	17,644.2	95.6	1,690.5	10.6
Revenue from providing cars and drivers for rental services	635.1	3.8	725.0	3.9	89.8	14.1
Total revenue	16,657.3	100.0	18,449.1	100.0	1,791.8	10.8
Cost fo sales	14,055.1	84.4	15,543.4	84.3	1,488.3	10.6
Cost of rendering of services	530.8	3.2	586.0	3.2	55.2	10.4
Direct costs of rental and services from operating leases	455.3	2.7	520.9	2.8	65.6	14.4
Gross profit	1,547.7	9.3	1,718.8	9.3	171.1	11.1
Profit from operating activities	553.7	3.3	558.3	3.0	4.6	0.8
Profit for the period	299.4	1.8	228.0	1.2	(71.4)	(23.8)
Profit attributable to owners of the parent	311.0	1.9	228.9	1.2	(82.2)	(26.4)

Revenue structure

Business	Consolidated financial statement for the nine-month ended				Change increase / (decrease)	
	September 30, 2022		September 30, 2023		Million Baht	Percent
	Million Baht	Per total revenue	Million Baht	Per total revenue		
Mobility retail business	13,154.1	79.0	14,482.9	78.5	1,328.8	10.1
After sales and independent car maintenance service business ⁽¹⁾	2,454.7	14.7	2,742.6	14.9	287.9	11.7
Car rental and driver service business	951.6	5.7	1,117.6	6.1	166.0	17.4
Information and technology (IT) service and others ⁽²⁾	28.4	0.2	26.0	0.1	(2.4)	(8.4)
Total revenue from sales and services	16,588.9	99.6	18,369.2	99.6	1,780.3	10.7
Other revenue ⁽³⁾	68.4	0.4	79.9	0.4	11.5	16.8
Total revenue	16,657.3	100.0	18,449.1	100.0	1,791.8	10.8

- 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 nine-month period ended September 30, 2022 and 2023, the Group generated revenue from sales and services of Baht 16,588.9 million and **Baht 18,369.1 million**, respectively. This signified **an increase of Baht 1,780.3 million or 10.7 percent** which mainly came from an increase in revenue of the mobility retail. Sales of BMW by MAG was increased by 184 units from 2,795 to 2,979 units, sales of All-new Honda CR-V Gen 6 by SHA which was delivered more than 200 units, and sales of Azimut Yacht and Chris Craft boat by MGC Marine was increased by 3 units. Moreover, the increase was from after-sales and independent car maintenance service business because of branch and customer base expansion during the year.

Gross profit

For the nine-month period ended September 30, 2022 and 2023, the Group had a gross profit of Baht 1,547.7 million and **Baht 1,718.8 million**, accounting for gross profit margin of 9.3 percent and **9.3 percent** respectively. This signified **an increase of Baht 171.1 million or 11.1 percent**. The increase in gross profit margin was primarily due to

- Increase in electric vehicles sold during the period, which has a relatively high profit margin
- Increase in margin of Azimut yacht and Chris Craft boat by MGC Marine by 3 units
- Ascending short-term car rental service of MCR as tourism business recovers, which generated relatively higher gross profit margin than long-term car rental service

Net profit

For the nine-month period ended September 30, 2022 and 2023, the Group had net profit of Baht 299.4 million and **Baht 228.0 million**, accounting for net profit margin of 1.8 percent and **1.2 percent** respectively. The net profit was decreased by **Baht 71.4 million or 23.8 percent**, mainly due to the increase in distribution costs and administrative expenses as following; (1) Increase in employee expenses due to the employment of addition executives and employees to support the Group's business expansion (2) Increase in commission expenses which in line with revenue from sales, and (3) Increase in other expenses related to new branch expansion of MAG SHA USM and MMS such as depreciation and utilities.

However, in 2022 there was profit from sale, car rental and driver service business of APEC (Asia-Pacific Economic Cooperation) approximately Baht 23.0 million whereas there was no such transaction in 2023. Moreover, in 2023 there were long-term loans from financial institutions for upfront payments which were repaid in April 2023, causing the interest expense of approximately Baht 23.0 million in 2023. Therefore, if these items have not been included, the Group would have had net profit of Baht 276.4 million and Baht 255.0 million for the nine-month period ended September 30, 2022 and 2023 respectively. The decrease would have been Baht 21.4 million or 7.7 percent.

Financial ratios

Financial ratios	Unit	Consolidated financial statement	
		for the nine-month ended	
		September 30, 2022	September 30, 2023
<u>Liquidity ratio</u>			
Liquidity ratio	times	0.76	0.89
Cash cycle	days	11.0	9.3
<u>Profitability ratio</u>			
Gross profit margin ⁽¹⁾	percent	9.3	9.4
Earning per share (EPS) ⁽²⁾	Baht/Share	0.4	0.2
Net profit margin	percent	1.8	1.2
Return on equity ⁽³⁾	percent	41.1	12.3
<u>Efficiency ratio</u>			
Return on asset ⁽⁴⁾	percent	3.7	2.3
<u>Financial policy ratio</u>			
Debt to equity ratio (D/E)	times	9.9	2.9
Interest bearing debt to equity (IBD/E) ratio ⁽⁵⁾	times	7.8	2.0
Interest bearing debt (excluding credit payables of inventories for display and lease liabilities) to equity (IBD/E) ratio	times	4.6	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 September 30, 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 nine-month period ended September 30, 2022, and 2023, the liquidity ratio increased from 0.76 times in 2022 to **0.89 times** in 2023, mainly due to the increase in current assets at a higher proportion than the increase in current liabilities. Current assets as of September 30, 2023 increased from trade and other accounts receivable and inventories, while current liabilities increased from trade and other accounts payable, and credit payables of inventories for display.

Cash cycle

For the nine-month period ended September 30, 2022 and 2023, cash cycle decreased from 11.0 days to **9.3 days**, primarily due to the decrease in average collection period from 14.6 days to 13.9 days, and the increase in average payment period from 41.7 days to 48.7 days, offset by the increase in average inventory period from 38.1 days to 44.0 days.

Return on equity

For the nine-month period ended September 30, 2022 and 2023, the return on equity decreased from 41.1 percent to **12.3 percent**, primarily due to the decrease 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 September 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 nine-month period ended September 30, 2022 and 2023, the return on assets increased from 3.7 percent to **2.3 percent**, primarily due to the decrease 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 September 2023) compared to average total assets in 2022 (average of total assets at the end of December 2021 and September 2022).

Debt to equity ratio, interest-bearing debt to equity ratio, and interest-bearing debt (excluding excluding credit payables of inventories for display and lease liabilities) to equity ratio

For the nine-month period ended September 30, 2022 and 2023, the debt-to-equity ratio decreased from 9.9 times in 2022 to **2.9 times** in 2023, the interest-bearing debt to equity ratio decreased from 7.8 times in 2022 to **2.0 times** in 2023, and the interest-bearing debt (excluding credit payables of inventories for display and lease liabilities) to equity ratio decreased from 4.6 times in 2022 to **0.9 times** in 2023, respectively. This was mainly due to the increase in shareholders' equity while interest-bearing liabilities decreased as long-term loans from financial institutions were repaid after the initial public offering to comply with the use of proceed statement.