

14 September 2023

Subject Management Discussion and Analysis for the nine months ended 30 September 2023

Attention Director and Management

Stock Exchange of Thailand

Market Connections Asia Public Company Limited ("the Company") would like to submit to financial statement for the nine-months period ended 30 September 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 nine-months period ended 30 September 2023

Statement of Income

(Unit: THB Million)	9M2022		9M2023		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue from sale and services	266.86	100.00	322.05	100.00	55.19	20.68
Cost of sale and services	207.86	77.89	246.14	76.43	38.28	18.42
Gross profit	59.00	22.10	75.91	23.57	16.91	28.66
Other incomes	0.11	0.04	0.48	0.15	0.37	336.36
Service expenses	16.44	6.16	18.78	5.83	2.34	14.23
Administrative expenses	29.33	10.99	33.63	10.44	4.30	14.66
Operating profit	13.34	5.00	23.98	7.44	10.64	79.76
Expected credit loss	-	-	0.16	0.05	0.16	n/a
Finance cost	0.65	0.24	0.92	0.29	0.27	41.54
Profit before income tax expense	12.69	4.76	22.90	7.10	10.21	80.46
Tax expense	2.46	0.92	4.42	1.37	1.96	79.67
Net profit for the period	10.24	3.83	18.48	5.74	8.24	80.47

Revenue Structure

(Unit: THB Million)	9M2022		9M2023	
	Amount	%	Amount	%
Revenue from sale and services				
Marketing activities and digital	84.16	31.53	116.51	36.12
Packing and logistics	8.51	3.19	11.84	3.67
Product consultant	76.67	28.72	90.88	28.18
Merchandiser	97.52	36.52	97.34	30.18
Distributor	-	-	5.48	1.70
Total revenue from sale and services	266.86	99.96	322.05	99.85
Other income ¹	0.11	0.04	0.48	0.15
Total revenue	266.97	100.00	322.53	100.00

Note: ¹ Other income includes interest income, discounts from credit cards, write-off from deposit refunds for leased working equipment, and service fees. For the nine-month of the year 2023, the Company had additional other income, which was profit from the sale of assets (vehicles), in the amount of Baht 0.31 million.

For the three-months period during date 1 July 2023 to 30 September 2023

Statement of Income

(Unit: THB Million)	3M2022		3M2023		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue from sale and services	86.69	100.00	111.77	100.00	25.08	28.93
Cost of sale and services	67.23	77.55	83.09	74.34	15.86	23.59
Gross profit	19.46	22.45	28.68	25.66	9.22	47.38
Other incomes	0.00	0.00	0.03	0.03	0.03	866.67
Service expenses	5.63	6.49	7.58	6.78	1.95	34.64
Administrative expenses	9.85	11.36	13.10	11.72	3.25	32.99
Operating profit	3.98	4.59	8.03	7.18	4.05	101.58
Expected credit loss	0.00	-	0.00	0.00	n/a	n/a
Finance cost	0.26	0.30	0.31	0.28	0.05	20.23
Profit before income tax expense	3.73	4.30	7.72	6.91	3.99	107.19
Tax expense	0.72	0.83	1.50	1.34	0.78	108.33
Net profit for the period	3.01	3.47	6.22	5.56	3.21	106.92

Revenue structure

(Unit: THB Million)	3M2022		3M2023	
	Amount	%	Amount	%
Revenue from sale and services				
Marketing activities and digital	21.10	24.34	33.70	30.15
Packing and logistics	3.65	4.21	4.27	3.82
Product consultant	25.79	29.76	33.66	30.11
Merchandiser	36.13	41.69	34.64	30.99
Distributor	-	n/a	5.48	4.90
Total revenue from sale and services	86.67	100.00	111.75	99.97
Other income ¹	0.00	0.00	0.03	0.03
Total revenue	86.67	100.00	111.78	100.00

Note: ¹ Other income includes interest income, discounts from credit cards, write-off from deposit refunds for leased working equipment, and service fees.

Revenue from sale and services

For the nine-month period ended of the year 2023, there was a sale and service revenue of Baht 322.05 million, which increased by Baht 55.19 million, representing 20.68% increase when compared to the same period in 2022. This is primarily due to a significant increase in service revenue from marketing activities and digital, driven by customer demand during important holidays at the beginning of the year 2023, compared to the same period in 2022. Another factor of sale and service revenue growth is the relaxation of applying COVID-19 prevention measure and returning to normal life, meaning that the product consultants are more capable of advising and suggesting the products.

For the third quarter in 2023 (July – Sep 2023), there was a sale and service revenue of Baht 111.77 million, which increased by Baht 25.08 million, representing 28.93% increase when compared to the same period in 2022.

Furthermore, the Company has some more new pilot projects, namely, Distributor business of which the Company is a Principal of distributor. The initial income in the third quarter in the year 2023 (July – September 2023) is Baht 5.48 million.

Cost of sale and services

For the nine-month of the year 2023, the Company had service costs amounting to Baht 246.14 million, which increased by Baht 38.28 million, representing 18.42% increase when compared to the same period in 2022. The main reason for this increase was the rise in wages and compensation for employees (merchandiser and product consultant employees). There was also an increase in expenses related to operational staff (operations department) due to the Company expanding its workforce to support the expansion of the shared merchandiser service and an increase in production costs which aligns with the growth in revenue from marketing activities and digital.

For the third quarter in 2023 (July – Sep 2023), there was a cost of sale and services of Baht 83.09 million, which increased by Baht 15.86 million, representing 23.59% increase when compared to the same period in 2022.

Moreover, the Company had cost of sale which initially occurred in the third quarter in the year 2023 (July - September 2023) as Distributor business. Such the cost of sale in line with revenue from sale.

Gross profit and Gross profit margin

For the nine-month period of the year 2023, the Company had gross profit of Baht 75.91 million, which increased by Baht 16.91 million, representing 28.66%, when compared to the same period in 2022. Additionally, the Company had a gross profit rate of 23.57%, which increased when compared to the same period in 2022, where the rate was 22.10%. The main reason came from increasing revenue from marketing

activities and digital and packing and logistics which are high-profit margin service sectors. Including the rate of the business margins derived from the merchandiser business which is a result of economies of scales. Moreover, the margin of the Distributor business has played a part in supporting an increase in 2023 nine-month period's gross profit.

For the third quarter in 2023 (July – Sep 2023), there was a gross profit and gross profit margin of Baht 28.68 million, which increased by Baht 9.22 million, representing 47.38% increase when compared to the same period in 2022.

Selling expenses

For the nine-month period of the year 2023, the Company's selling expenses amounted to Baht 18.78 million, which increased by Baht 2.34 million or 14.23% when compared to the same period in 2022. The increase was primarily due to the salary and other benefits increase of the business development department according to the increase of number of business development staffs that support the Company's service expansion plan such as merchandiser business, distributor business, etc., However, the proportion of selling expenses to revenue from services decreased to 5.83% when compared to the same period in 2022 when it was 6.16%. The reduction in the expense-to-revenue rate due to the rate of revenue increase from services was higher than the rate of increase in selling expenses.

Administrative expenses

For the nine-month period of the year 2023, the Company's administrative expenses amounted to Baht 33.63 million, which increased by Baht 4.30 million, representing 14.66% when compared to the same period in 2022 when it was Baht 29.33 million. The increase was primarily due to expenses related to consultants involved in the registration process in the securities market. These consultants include public relation to IPO to investors, accountants, internal control auditors, legal advisors, financial advisors, and others, and their expenses. Additionally, other expenses such as government fees and stamp duty. However, the proportion of administrative expenses to revenue from services decreased to 10.44% when compared to the same period in 2022 when it was 10.99%. 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 nine-month period of the year 2023, the Company had a net profit of Baht 18.48 million, which increased by Baht 8.24 million, representing 80.47% compared to the same period in 2022. The increase is consistent with the increase in gross profit. However, the Company has seen an increase in selling expenses and administrative expenses due to the expansion of its workforce to support the company's business growth and expenses related to preparing for the securities market.

Statement of Financial Position

(Unit: THB Million)	December 31, 2022		September 30, 2023		Change Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current assets	88.13	54.68	100.03	56.97	11.90	13.50
Non-current assets	73.05	45.32	75.54	43.03	2.49	3.41
Total assets	161.18	100.00	175.57	100.00	14.39	8.93
Current liabilities	47.46	29.45	56.86	32.39	9.40	19.81
Non-current liabilities	15.35	9.52	18.98	10.81	3.63	23.65
Total liabilities	62.81	38.97	75.84	43.20	13.03	20.75
Shareholders' equity	98.37	61.03	99.73	56.80	1.36	1.38

Assets

As of September 30, 2023, the Company had core assets, including trade account receivables, property, plant and equipment, and other non-current assets (prepaid expenses, prepaid tax expense and deposits) with a total value of Baht 175.57 million. This amount increased to Baht 14.39 million, representing 8.93% increase when compared to the year ended of 2022. The main reason came from the increase in trade account receivables and other non-current assets.

Liabilities

As of September 30, 2023, the Company had core liabilities, including trade account payables, other payables, long-term loans from financial institutions, and other current liabilities, with a total value of Baht 75.84 million. This amount increased by Baht 13.03 million, which is approximately a 20.75% increase when compared to the year ended of 2022. The main reason came from the increase in trade account payables and other payables and long-term loans from financial institutions. Such an increase in line with the growth of revenue.

Shareholder's equity

As of September 30, 2023, the Company's shareholder's equity amounted to Baht 99.73 million. The increased by 1.36 million Baht, which represents a 1.38% increase when compared to the year ended of 2022. The increase in shareholders' equity was driven by an increase in total comprehensive profit of Baht 18.48 million, which partially offset by the payment of dividends amounting to Baht 17.11 million.

Current ratio

As of September 30, 2023, the Company had a current ratio of 1.76 decrease when compared to year ended of 2022 that was 1.86, The main reason came from the increase in current liabilities such as bank overdraft and trade account payables and other payables. However, trade account receivables and other receivables also increased, in line with revenue.

Debt to Equity ratio

As of September 30, 2023, the Company had a debt-to-equity ratio of 0.76 when compared to year ended of 2022 that was 0.64. The changes came from trade account payables and other payables and long-term loans from financial institutions. By the way, 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.