



February 29, 2023

Subject: Management Discussion and Analysis of the operating results for the year ended December 31, 2023

To President
The Stock Exchange of Thailand

Asphere Innovation Public Company Limited has submitted its financial statements, which include the results of its subsidiaries, for the year ending on December 31, 2023. These statements were reviewed by Mazars Limited, the auditor, and approved by the Board of Directors on February 29, 2023.

Key Highlights for Q4/2023 vs Q3/2023

- Revenue decreased by 8.1%
- Gross profit decreased by 4.1%
- Net profit decreased by 23.3%

Summary of Q4/2023 and for the year ended 2023

Although there was a drop in the group's revenue in 2023 due to the postponement of new game launching in Q4/2023, the group could still generate net profit.

Unit: Million Baht	Profit & Loss for 3-month ended December 31, 2023 and 2022 and 30 September 2023									
Financial Statement	Q4/2023	%	Q3/2023	%	Q4/2022	%	Variance QoQ	%	Variance YoY	%
Revenues from sales and services	388.9	100.0%	423.2	100.0%	368.7	100.0%	(34.4)	(8.1%)	20.2	5.5%
Cost of sales and services	180.4	46.4%	206.0	48.7%	195.2	53.0%	(25.5)	(12.4%)	(14.8)	(7.6%)
Gross Profit (Loss)	208.4	53.6%	217.3	51.3%	173.5	47.0%	(8.8)	(4.1%)	35.0	20.2%
Selling & Admin Expenses	139.7	35.9%	177.2	41.9%	133.6	36.2%	(37.6)	(21.2%)	6.1	4.6%
Operating Profit (Loss) *	68.8	17.7%	40.0	9.5%	39.9	10.8%	28.7	71.8%	28.9	72.4%
Others	(5.4)	(1.4%)	42.6	10.1%	(30.0)	(8.1%)	(48.0)	(112.6%)	24.7	(82.1%)
Net Profit (Loss) **	63.4	16.3%	82.6	19.5%	9.8	2.7%	(19.2)	(23.3%)	53.5	543.7%

Remark:

* Profit (Loss) after the one-time expense

** Net Profit (Loss) on parent company



Unit : Million Baht	Profit & Loss for Year ended December 31, 2023 and 2022					
Financial Statement	2023	%	2022	%	Variance YoY	%
Revenues from sales and services	1,449.2	100.0%	1,575.7	100.0%	(126.5)	(8.0%)
Cost of sales and services	725.9	50.1%	803.9	51.0%	(78.0)	(9.7%)
Gross Profit (Loss)	723.3	49.9%	771.8	49.0%	(48.5)	(6.3%)
Selling & Admin Expenses	535.1	36.9%	528.0	33.5%	7.1	1.3%
Operating Profit (Loss) *	188.2	13.0%	243.9	15.5%	(55.6)	(22.8%)
Others	30.1	2.1%	24.7	1.6%	5.4	21.8%
Net Profit (Loss) **	218.3	15.1%	268.6	17.0%	(50.2)	(18.7%)

Remark:

* Profit (Loss) after the one-time expense

** Net Profit (Loss) on parent company

Unit: Million Baht	Revenue by Country for 3 months ended December 31, 2023, and 2022 and 30 September 2023									
Revenue by country	Q4/2023	%	Q3/2023	%	Q4/2022	%	Variance QoQ	%	Variance YoY	%
Thai	143.9	37.0%	157.8	37.3%	116.2	31.5%	(14.0)	(8.8%)	27.7	23.8%
Singapore	178.4	45.9%	158.2	37.4%	144.0	39.1%	20.2	12.7%	34.4	23.9%
Malaysia	0.0	0.0%	33.9	8.0%	28.1	7.6%	(33.9)	(100.0%)	(28.1)	(100.0%)
Philippines	52.5	13.5%	53.2	12.6%	55.2	15.0%	(0.8)	(1.4%)	(2.7)	(4.9%)
Vietnam	14.1	3.6%	20.0	4.7%	25.2	6.8%	(5.9)	(29.5%)	(11.1)	(44.1%)
Total	388.9	100.0%	423.2	100.0%	368.7	100.0%	(34.4)	(8.1%)	20.2	5.5%

Unit: Million Baht	Revenues by Country for Year Ended December 31, 2023 and 2022					
Revenue by country	2023	%	2022	%	Variance YoY	%
Thai	452.6	31.2%	515.9	32.7%	(63.2)	(12.3%)
Singapore	619.1	42.7%	584.4	37.1%	34.8	5.9%
Malaysia	89.2	6.2%	142.4	9.0%	(53.2)	(37.4%)
Philippines	199.4	13.8%	217.8	13.8%	(18.4)	(8.5%)
Vietnam	88.7	6.1%	115.1	7.3%	(26.4)	(22.9%)
Total	1,449.2	100.0%	1,575.7	100.0%	(126.5)	(8.0%)



1. Revenues

In the fourth quarter of 2023, the revenues from sales and services of the group decreased from **THB 423.2 mil** to **THB 388.9 mil** or declined by **8.1%** compared to the previous quarter. In addition, **63.0%** of revenue was from overseas, while **37.0%** was from domestic.

The revenue from Vietnam, Thailand and The Philippines dropped by **29.5%**, **8.8%**, and **1.4%**, respectively, compared to the previous quarter. The decline in revenue is due to the postponement of launching 2 new games, Black Moon and Wandering Ark from Q4/2023 to Q1/2024, which will be operated in Thailand, Singapore, Malaysia, The Philippines, and Vietnam. Moreover, there was no revenue recognition from Malaysia since the group sold its subsidiary firm in Malaysia including games under its operation. The postponement of launching 2 new games, had led to no revenue recognition from Malaysia in Q4/2023. Although revenue from many countries was declining, the revenue from Singapore was growing strongly with **12.7%** growth.

When categorized revenue by platform, the revenue from PC was **74.0%** of total revenue, declining from **75.7%**, while the revenue from mobile was **26.0%** of total revenue, increasing from **24.3%** and aligning to expand market share in the mobile platform.

The revenue in 2023 declined from **THB 1,575.7 mil** to **THB 1,449.2 mil** or decreased by **8.0%**. Most of the declining revenue was from Malaysia with a decreasing **37.4%** since the group sold its subsidiary in Malaysia, and the delay of new games launching in Q4/2023 as mentioned earlier, resulted in the drop in revenue in 2023. Moreover, there were only 6 games that were launched in 2023, while there were 8 games that were launched in 2022, these were other reasons for revenue declining.

In addition, **31.2%** of revenue was from domestically and **68.8%** was from overseas, when compared to 2022, **32.7%** was from domestically and **67.3%** was from overseas, this revenue category is similar to the previous year. When categorized as a platform, **79.4%** of revenue was from PC and **20.6%** was from mobile while in 2022, **75.4%** was from PC and **24.6%** was from mobile.

2. Cost of Goods Sold

The costs of goods sold in the fourth quarter of 2023 were **THB 180.4 mil** which decreased from **THB 206.0 mil** or declined by **12.4%**. For the year 2023, the costs of goods sold were **THB 725.9 mil** which declined by **9.7%** from **THB 803.9 mil** in 2022. The decline in the costs of goods sold was from the decrease in royalty fees due to the drop in revenue.



3. Gross Profit

Gross profit for the fourth quarter of 2023 was **THB 208.4 mil**, slightly decreased by **4.1%** or from **THB 217.3 mil** compared to the previous quarter. The gross profit in 2023 was **THB 723.3 mil** which declined by **6.3%** from **THB 771.8 mil**. One of the reasons of declining in gross profit due to the postponement of 2 new games from Q4/2023 to Q1/2024 that were to be launched in Thailand, Singapore, Malaysia, The Philippines, and Vietnam. Another reason was that there was no revenue recognition from Malaysia in Q4/2023, resulting in slightly lower gross profit than the previous quarter and the previous year.

4. Selling and Admin Expenses

Selling and admin expenses for the fourth quarter of 2023 were **THB 139.7 mil** or drop by **21.2%** from **THB 177.2 mil** in the previous quarter. Most of the decline in these expenses was from the decrease in marketing expenses since there was no new game launching in this quarter. However, the channel fees from the App Store and Play Store increased by **6.3%** or from **THB 29.4 mil** to **THB 31.2 mil** which is in line with the rise in revenue from the mobile platform that was increased from **24.3%** to **26.0%** in this quarter. In addition, there was **THB 16.1 mil** of a game write-off due to those games not generating revenue as expected.

For the selling and admin expenses in 2023, **THB 535.1 mil** slightly increased by **1.3%** or from **THB 528.0 mil**. These expenses increased because of the rise in a game impairment amount of **THB 28.9 mil** and game write-off expenses amount of **THB 69.7 mil**, while in the previous year, a game impairment was only **THB 1.2 mil**, and a game write-off was only **THB 4.3 mil**. However, the channel fees from the App Store and Play Store declined by **29.5%** or from **THB 146.0 mil** to **THB 102.9 mil** because the revenue from the mobile platform in 2023 was lower than in 2022. The marketing expenses were **THB 112.9 mil** lower than **THB 136.7 mil** in 2022 or decreased by **17.4%** due to the number of new games launching in 2023 was less than in 2022.

5. Net Profit (Loss)

In the fourth quarter of 2023, the group had a net profit of **THB 63.4 mil** or **16.3%** of revenues, which decreased from **THB 82.6 mil** or by **23.3%** compared to the previous quarter. Despite the operating profit in this quarter being **THB 68.8 mil**, higher than in the last quarter, which was **THB 40.0 mil**, the recognition of gain on selling CIB Development Sdn. Bhd., a subsidiary company in Malaysia amounting to **THB 66.4 mil**, led to a lower net profit in this quarter.



Net profit in 2023 was **THB 218.3 mil** decreased by **18.7%** from **THB 268.6 mil** in 2022. The decline in net profit mostly from the number of new games launching in 2023 was less than in 2022 and the postponement of new games launching from Q4/2023 to Q1/2024 led to non-revenue recognition from Malaysia in Q4/2023. Moreover, there was **THB 28.9 mil** of a game impairment and **THB 69.7 mil** of a game write-off which was higher than in 2022 where a game impairment and a game write-off was only **THB 1.2 mil** and **THB 4.3 mil**, respectively.

Kindly be informed accordingly.

Yours faithfully,

Mr. Chawanin Tritavornyueng
Group Finance and Account Director