



IIG 003/2023

26 February 2024

Subject: Management discussion and analysis for the year ended December 31, 2023

Attn: Governors and President Market for Alternative Investment (MAI)

I&I Group Public Company Limited (“the Company”) would like to submit the management discussion and analysis of the operating results for the year ended December 31, 2023, as follows:

| Overall Group Performance | For the three months ended | | | | | | Change | | Change | |
|--|----------------------------|--------|---------------------------|--------|--------------------------|-------|---------------------------|---------|---------------------------|-----------|
| | 31 December 2023 (Q4'23) | | 30 September 2023 (Q3'23) | | 31 December 2022 (Q4'22) | | Increase/(Decrease) (QoQ) | | Increase/(Decrease) (YoY) | |
| | THB mm | % | THB mm | % | THB mm | % | THB mm | % | THB mm | % |
| Sales and Services Revenues | 233.81 | 98.7 | 243.98 | 99.1 | 248.80 | 98.1 | (10.17) | (4.17) | (14.99) | (6.0) |
| Other Revenue | 3.20 | 1.3 | 2.29 | 0.9 | 4.91 | 1.9 | 0.91 | 39.71 | (1.71) | (34.8) |
| Total Revenue | 237.01 | 100.0 | 246.27 | 100.0 | 253.71 | 100.0 | (9.3) | (3.8) | (16.70) | (6.6) |
| Cost of Sales and Services | 260.33 | 109.8 | 247.73 | 100.6 | 203.60 | 80.2 | 12.6 | 5.1 | 56.73 | 27.9 |
| Gross Margin (Exclude Other Income) | (26.52) | (11.2) | (3.75) | (1.5) | 45.20 | 17.8 | (22.8) | 607.1 | (71.72) | (158.7) |
| Selling Expenses | 13.20 | 5.6 | 11.58 | 4.7 | 12.44 | 4.9 | 1.6 | 14.0 | 0.76 | 6.1 |
| Administrative Expenses | 30.62 | 12.9 | 45.49 | 18.5 | 19.03 | 7.5 | (14.9) | (32.7) | 11.59 | 60.9 |
| Administrative Expenses (One-time Expense) | 106.72 | 45.0 | - | - | - | - | 106.7 | - | 106.72 | - |
| Profit Before Finance Costs and Income Tax | (173.86) | (73.4) | (58.53) | (23.8) | 18.64 | 7.3 | (115.3) | 197.0 | (192.50) | (1,032.7) |
| Finance Costs | (6.43) | (2.7) | (5.18) | (2.1) | (1.22) | (0.5) | (1.2) | 24.1 | (5.21) | 426.9 |
| Profit Before Tax | (180.29) | (76.1) | (63.71) | (25.9) | 17.42 | 6.9 | (116.6) | 183.0 | (197.71) | (1,135.0) |
| Income Tax | 9.07 | 3.8 | 11.98 | 4.9 | (3.10) | (1.2) | (2.91) | (24.33) | 12.17 | (392.4) |
| Net Profit After Tax | (171.23) | (72.2) | (51.73) | (21.0) | 14.31 | 5.6 | (119.5) | 231.0 | (185.54) | (1,296.6) |



Statement of comprehensive income for the year ended 31 December (12M YoY)

| Overall Group Performance | For the year ended 31 December | | | | Change | |
|---|--------------------------------|---------------|---------------|--------------|---------------------|----------------|
| | 2023 | | 2022 | | Increase/(Decrease) | |
| | THB mm | % | THB mm | % | THB mm | % |
| Sales and Services Revenues | 935.82 | 98.6 | 947.77 | 98.8 | (11.95) | (1.3) |
| Other Revenue | 12.81 | 1.4 | 11.66 | 1.2 | 1.14 | 9.8 |
| Total Revenue | 948.63 | 100.0 | 959.44 | 100.0 | (10.80) | (1.1) |
| Cost of Sales and Services | 982.19 | 103.5 | 731.86 | 76.3 | 250.33 | 34.2 |
| Gross Margin (Exclude Other Income) | (46.37) | (4.9) | 215.91 | 22.5 | (262.28) | (121.5) |
| Selling Expenses | 49.22 | 5.2 | 45.72 | 4.8 | 3.51 | 7.7 |
| Administrative Expenses | 136.82 | 14.4 | 71.34 | 7.4 | 65.48 | 91.8 |
| Administrative Expenses (One-time Expense) | 106.72 | 11.3 | - | - | 106.72 | - |
| Profit Before Finance Costs and Income Tax | (326.32) | (34.4) | 110.52 | 11.5 | (436.85) | (395.3) |
| Finance Costs | (17.13) | (1.8) | (3.01) | (0.3) | (14.11) | 468.2 |
| Profit Before Tax | (343.45) | (36.2) | 107.51 | 11.2 | (450.96) | (419.5) |
| Income Tax | 40.96 | 4.3 | (21.94) | (2.3) | 62.90 | (286.6) |
| Net Profit After Tax | (302.50) | (31.9) | 85.56 | 8.9 | (388.06) | (453.5) |

Summary of Performance

Sales and Services Revenues (12M YoY)

For the year ended 31 December 2023, the Company recorded total sales and service revenue of THB 935.82 million. This is equal to a slight decrease of 1.3% YoY. Mainly from Service revenue of Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) due to the major project delay in delivery.



Table 1: Sales and Services Revenues by type of service for the Year ended 31 December (12M YoY)

| Revenue Types | For the Year ended 31 March | | | | Change | |
|---|-----------------------------|--------------|---------------|--------------|---------------------|--------------|
| | 2023 | | 2022 | | Increase/(Decrease) | |
| | THB mm | % | THB mm | % | THB mm | % |
| 1. Revenue from Customer Relationship Management (CRM) ^{/1} | 381.29 | 40.2 | 521.08 | 54.3 | (139.79) | (26.8) |
| 2. Revenue from Enterprise Resource Planning (ERP) | 244.64 | 25.8 | 379.66 | 39.6 | (135.02) | (35.6) |
| 3. Revenue from Consulting services of Customer Experience Management (CEM) and Digital Marketing | 25.23 | 2.7 | 23.57 | 2.5 | 1.66 | 7.0 |
| 4. Revenue from Placement Service | 255.79 | 27.0 | 23.46 | 2.5 | 232.33 | 990.3 |
| 5. Revenue from Software Development | 28.87 | 3.0 | - | 0.0 | 28.87 | - |
| Sales and Services Revenues | 935.82 | 98.7 | 947.77 | 98.8 | (11.95) | (1.3) |
| Other Revenue | 12.81 | 1.4 | 11.67 | 1.2 | 1.14 | 9.8 |
| Total Revenue | 948.63 | 100.0 | 959.44 | 100.0 | (10.81) | (1.1) |

Note: ^{/1}Revenue from Customer Relationship Management (CRM) included Revenue from Data Analytics (iiG Data)

1. Revenue from Customer Relationship Management (CRM)

For the year ended 31 December 2023, the Revenue from Customer Relationship Management (CRM) decreased by 26.8% YoY. The main reason is that revenue from implementation and application management services for CRM systems decreased by 69.5% YoY. However, the revenue from the subscription service of Salesforce software increased 16.7% YoY, mainly from last year's customer base.

2. Revenue from Enterprise Resource Planning (ERP)

For the year ended 31 December 2023, the revenue from Enterprise Resource Planning (ERP) decreased by 35.6% YoY, mainly from the decrease in revenue from Implementation and Application Management Services for ERP Systems by 51.0%. However, the revenue from Software Subscription & MA and the Grant of License from Oracle increased by 28.2%, mainly from last year's customer base.



3. Revenue from Consulting services of Customer Experience Management (CEM) and Digital Marketing

For the year ended 31 December 2023, the revenue from consulting services and implementation specialized in brand strategy planning, customer experience management, and digital marketing increased by 7.0% compared to the same period of last year, from providing a service to customers in commercial bank, hospital, and pharmaceutical manufacturing.

4. Revenue from Placement Service

For the year ended 31 December 2023, the revenue from placement service increased THB 232.33 million or 990.0% compared to the same period of last year, mainly from a new revenue stream growth from acquired shares of Lansing Business System Co., Ltd. Since 5 Jan 2023.

5. Revenue from Software Development

For the year ended 31 December 2023, the revenue from Software Development of THB 28.87 million or 3.0% of total revenue, compared to the same period of last year, mainly from a new revenue stream growth from acquired shares of Lansing Business System Co., Ltd.

Table 2: Sales and Services Revenues by type of recurring and non-recurring (12M YoY)

| Revenue Types | For the year ended 31 December | | | | Change | |
|-----------------------------|--------------------------------|-------|--------|-------|---------------------|--------|
| | 2023 | | 2022 | | Increase/(Decrease) | |
| | THB mm | % | THB mm | % | THB mm | % |
| Revenues- Recurring | 695.06 | 73.3 | 390.42 | 40.7 | 304.64 | 78.0 |
| Revenues- Non-Recurring | 240.76 | 25.4 | 557.35 | 58.1 | (316.59) | (56.8) |
| Sales and Services Revenues | 935.82 | 98.7 | 947.77 | 98.8 | (11.95) | (1.3) |
| Other Revenue | 12.81 | 1.4 | 11.67 | 1.2 | 1.14 | 9.8 |
| Total Revenue | 948.63 | 100.0 | 959.44 | 100.0 | (10.81) | (1.1) |

Cost of Sales and Services

For the year ended 31 December 2023, the Company's cost of sales and services mainly came from the cost of consultation and Implementation system. For the year ended 31 December 2023, the Company recorded a cost of sales and services of THB 982.19 million or 103.5% of sales (For the year ended 31 December 2022: THB 731.86 million or 76.3% of sales.), increased 34.2% YoY. The main reason came from the challenge of managing a big project.



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Selling Expenses

For the year ended 31 December 2023, the Company recorded selling expenses of THB 49.22 million or 5.2% of total revenues (For the year ended 31 December 2022: THB 45.72 million or 4.8% of total revenues). It was slightly increased. The main reason came from the Sale Commission.

Selling and Administrative Expenses

For the year ended 31 December 2023, the Company recorded selling and administrative expenses of THB 243.54 million or 25.7% of total revenues (For the year ended 31 December 2022: THB 71.34 million or 7.4% of total revenues). It was increased by THB 172.20 million. The main reason came from 1). An expense from the newly acquired business of Lansing Business System Co., Ltd. Early this year was equal to 18% of the increased expense. 2). Management fee 3). Employee, and 4). Expected credit losses from the delayed project (One-time Expense) amounting to 106.77 million or 62% of increased expense.

Net Profit (Loss) After Tax

For the year ended 31 December 2023, Net Loss after tax of THB 302.50 million or (31.9%) of total revenues decreased by 453.5% compared to the same period of last year. This is mainly due to the decrease in service revenue from Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP).



Statement of Financial Position ended 31 December 2023

| Financial Position | 31 December 2023 | | 31 December 2022 | | Change Increase/(Decrease) | |
|---|------------------|--------------|------------------|--------------|-------------------------------|-------------|
| | THB mm | % | THB mm | % | THB mm | % |
| Assets | | | | | | |
| Cash and cash equivalents | 83.20 | 5.4 | 114.47 | 10.0 | (31.27) | (27.3) |
| Trade and Other receivables, net | 245.41 | 16.0 | 222.49 | 19.5 | 22.92 | 10.3 |
| Unbilled receivables | 228.66 | 14.9 | 354.05 | 31.1 | (125.39) | (35.4) |
| Prepaid software license fees | 96.08 | 6.3 | 77.93 | 6.8 | 18.15 | 23.3 |
| Other current assets | 41.67 | 2.7 | 9.56 | 0.8 | 32.11 | 335.9 |
| Deposits at the bank used as collateral | 110.58 | 7.2 | 64.05 | 5.6 | 46.53 | 72.6 |
| Goodwill | 514.97 | 33.6 | 251.72 | 22.1 | 263.25 | 104.6 |
| Other non-current assets | 212.74 | 13.9 | 45.59 | 4.0 | 167.15 | 366.6 |
| Total assets | 1,533.31 | 100.0 | 1,139.86 | 100.0 | 393.45 | 34.5 |
| Liabilities | | | | | | |
| Current liabilities | 791.87 | 51.6 | 491.30 | 43.1 | 300.57 | 61.2 |
| Non-current liabilities | 85.14 | 5.6 | 46.55 | 4.1 | 38.59 | 82.9 |
| Total liabilities | 877.01 | 57.2 | 537.85 | 47.2 | 339.16 | 63.1 |
| Equity | 656.30 | 42.8 | 602.01 | 52.8 | 54.29 | 9.0 |
| Total liabilities and equity | 1,533.31 | 100.0 | 1,139.86 | 100.0 | 393.45 | 34.5 |

Total Assets

Total assets as of 31 December 2023 is THB 1,533.31 million, increased THB 393.45 million or 34.5% compared to total assets as of 31 December 2022. The main reason was the increase in goodwill of THB 263.25 million. Goodwill will be tested for impairment at least on a yearly basis. Goodwill is the amount recorded from company valuation/appraisal from the purchase price allocation and not impaired in this period due to the good performance and solid cash flow status.

Total Liabilities

Total liabilities as of 31 December 2023 is THB 877.01 million, increased by 339.16 or 63.1% compared to total liabilities as of 31 December 2022 due to the short-term loans from the Bank and related parties increased by THB 227.06 million, and 25.00 million, respectively.



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Equity

Total equity as of 31 December 2023 is THB 656.30 million, an increase of THB 54.29 million or 9.0%, mainly due to the transaction of an acquired share of Lansing Business System Co., Ltd. Early this year.

AR Turnover and Collection Period

The standard credit term for our clients runs between 30-120 days, depending on the type of sales and service. Most of the company's and its subsidiaries' credit terms are 30 days. As of 31 December 2023, the DSO (Day Sales Outstanding) was 91 days on average, a slight increase of 22 days from 69 days as of 31 December 2022.

Please be informed accordingly.

Sincerely Yours,

Mr. Somchai Mekasuvanroj
Chief Executive Officer

I&I Group Public Company Limited