

**PROEN Corp Public Company Limited and Subsidiaries**  
**Management Discussion and Analysis Yearly**  
**Ending 31 December 2023**

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**Business overview**

PROEN Corp Public Co., Ltd. and its subsidiaries (“the Group of Companies”) 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 Group of Companies also provides Telecommunication and Infrastructure Service, which has a continual growth of revenue. The Group of Companies 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**

In 2023, the Group of Companies reported total revenue of 776.75 million Baht, decreased by 49.83% YoY, net profit was 16.32 million Baht, decreased by 74.92% YoY. This is because E-Commerce customers are 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, due to recognition of revenue from ongoing projects upon the completion of majority works in 2022. However, in 2023 the Company recognized revenue from 5 additional new projects.



## Business Operation Analysis

Business operation for the year ended December 31, 2023 comparing with 2022, which can be summarized as follows.

Operating Result  (Unit : million Baht)	YE 2023 ( Jan - Dec )		YE 2022 ( Jan - Dec )		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Revenue from Sale and Service	763.31	100.00%	1,531.38	100.00%	(768.07)	(50.16%)
Cost of Sale and Service	603.00	79.00%	1,326.07	86.59%	(723.07)	(54.53%)
Gross profit	160.31	21.00%	205.31	13.41%	(45.00)	(21.92%)
Other income	13.44	1.76%	16.98	1.11%	(3.54)	(20.85%)
Selling expenses	24.13	3.16%	21.75	1.42%	2.38	10.94%
Administrative expenses	93.93	12.31%	102.30	6.68%	(8.37)	(8.18%)
Share of loss of associate	9.70	1.27%	-	-	9.70	100.00%
Profit before interest and income tax expense	45.99	6.03%	98.24	6.42%	(52.25)	(53.19%)
Finance costs	25.51	3.34%	30.06	1.96%	(4.55)	(15.14%)
Profit before income tax expense	20.48	2.68%	68.18	4.45%	(47.70)	(69.96%)
Income tax (income) expense	4.16	0.54%	3.11	0.20%	1.05	33.76%
Profit for the period	16.32	2.14%	65.07	4.25%	(48.75)	(74.92%)

Business operation for the Quarter 4 ended December 31, 2023 comparing with 2022, which can be summarized as follows.

Operating Result  (Unit: million Baht)	Quarter 4/2023 ( 3 months )		Quarter 4/2022 ( 3 months )		Change
	MB.	%	MB.	%	Increase (Decrease)
Revenue from Sale and Service	200.67	100.00%	296.59	100.00%	(95.92)
Cost of Sale and Service	161.58	80.52%	244.10	82.30%	(82.52)
Gross profit	39.09	19.48%	52.49	17.70%	(13.40)
Other income	10.81	5.39%	0.84	0.28%	9.97
Selling expenses	5.59	2.79%	4.62	1.56%	0.97
Administrative expenses	24.44	12.18%	30.83	10.39%	(6.39)
Share of loss of associate	6.86	3.42%	-	-	6.86
Profit before interest and income tax expense	13.01	6.48%	17.88	6.03%	(4.87)
Finance costs	4.78	2.38%	8.78	2.96%	(4.00)
Profit before income tax expense	8.23	4.10%	9.10	3.07%	(0.87)
Income tax (income) expense	0.92	0.46%	(1.31)	(0.44%)	2.23
Profit for the period	7.31	3.64%	10.41	3.51%	(3.10)



For the year ended December 31, 2023, the Group of Companies reported net profit of 16.32 million Baht, decreased by 74.92% YoY, due to a decrease of revenue in ICT business and infrastructure business.

In Q4/2023 (Oct-Dec), the Group of Companies reported net profit of 7.31 million Baht, decreased by 29.78% YoY, due to a decrease of revenue in ICT business.

### Revenue, Cost, and Gross Profit

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	YE 2023	YE 2022	Increase (Decrease)	%	YE 2023	YE 2022	Increase (Decrease)	%	YE 2023	YE 2022	Increase (Decrease)	%
<b>ICT Business:</b>												
Revenue from sale	149.88	626.91	(477.03)	(76.09%)	132.18	597.55	(465.37)	(77.88%)	17.70	29.36	(11.66)	(39.71%)
Revenue from service	392.93	317.10	75.83	23.91%	271.76	212.62	59.14	27.81%	121.17	104.48	16.69	15.97%
<b>Total revenue from ICT business</b>	<b>542.81</b>	<b>944.01</b>	<b>(401.20)</b>	<b>(42.50%)</b>	<b>403.94</b>	<b>810.17</b>	<b>(406.23)</b>	<b>(50.14%)</b>	<b>138.87</b>	<b>133.84</b>	<b>5.03</b>	<b>3.76%</b>
<b>Infrastructure construction business:</b>												
Revenue from construction contracts	220.50	587.37	(366.87)	(62.46%)	199.06	515.90	(316.84)	(61.42%)	21.44	71.47	(50.03)	(70.00%)
<b>Total revenue from main business</b>	<b>763.31</b>	<b>1,531.38</b>	<b>(768.07)</b>	<b>(50.16%)</b>	<b>603.00</b>	<b>1,326.07</b>	<b>(723.07)</b>	<b>(54.53%)</b>	<b>160.31</b>	<b>205.31</b>	<b>(45.00)</b>	<b>(21.92%)</b>

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Quarter 4/2023 (3 months)	Quarter 4/2022 (3 months)	Increase (Decrease)	%	Quarter 4/2023 (3 months)	Quarter 4/2022 (3 months)	Increase (Decrease)	%	Quarter 4/2023 (3 months)	Quarter 4/2022 (3 months)	Increase (Decrease)	%
<b>ICT Business:</b>												
Revenue from sale	5.96	143.95	(137.99)	(95.86%)	5.35	136.37	(131.02)	(96.08%)	0.61	7.58	(6.97)	(91.95%)
Revenue from service	102.48	93.99	8.49	9.03%	76.33	56.02	20.31	36.25%	26.15	37.97	(11.82)	(31.13%)
<b>Total revenue from ICT business</b>	<b>108.44</b>	<b>237.94</b>	<b>(129.50)</b>	<b>(54.43%)</b>	<b>81.68</b>	<b>192.39</b>	<b>(110.71)</b>	<b>(57.54%)</b>	<b>26.76</b>	<b>45.55</b>	<b>(18.79)</b>	<b>(41.25%)</b>
<b>Infrastructure construction business:</b>												
Revenue from construction contracts	92.23	58.65	33.58	57.25%	79.90	51.71	28.19	54.52%	12.33	6.94	5.39	77.67%
<b>Total revenue from main business</b>	<b>200.67</b>	<b>296.59</b>	<b>(95.92)</b>	<b>(32.34%)</b>	<b>161.58</b>	<b>244.10</b>	<b>(82.52)</b>	<b>(33.81%)</b>	<b>39.09</b>	<b>52.49</b>	<b>(13.40)</b>	<b>(25.53%)</b>

### Revenue

For the year ended December 31, 2023, the Group of Companies had revenue from the main business of 763.31 million Baht, decreased by 50.16% YoY, mainly due to a decrease in sale of 76.09% as the major customer in E-Commerce business waiting for investment in the new IDC in Q2/2024. Revenue from construction contracts decreased by 62.46%, due to revenue from infrastructure projects on hand already being recognized upon the completion of majority works in 2022. However, in 2023 the Group of Companies recognized revenue from 5 additional new



projects. Revenue from service increased by 23.91%, due to the expansion of revenue from cloud service.

In Q4/2023 (Oct-Dec), the Group of Companies had revenue from the main business of 200.67 million Baht, decreased by 32.34% YoY, mainly due to a decrease in sale of 137.99% as the major customer in E-Commerce business waiting for investment in the new IDC in Q2/2024. However, the revenue from construction contracts increased by 57.25%, due to in 2023 the Company recognized revenue from 5 additional new projects, therefore the Group of Companies recognized of revenue for the completion of majority works in Quarter 4. Revenue from service increased by 9.03%, due to the expansion of revenue from cloud service.

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

For the year ended December 31, 2023, cost of sales decreased according to revenue proportion, resulting in 160.31 million Baht of gross profit or decreased by 21.92%.

In Q4/2023 (Oct-Dec), cost of sales decreased according to revenue proportion, resulting in 39.09 million Baht of gross profit or decreased by 25.53%.

### **Selling and administrative expenses**

For the year ended December 31, 2023, the Group of Companies had selling and administrative expenses of 24.13 million Baht, increased by 10.94%, due to marketing expenses paid for launching new products to the market. Administrative expenses were 93.93 million Baht, decreased by 8.18 % YoY. In 2023, the Group of Companies recognized share loss of associates of 9.70 million Baht.

In Q4/2023 (Oct-Dec), the Group of Companies had selling and administrative expenses of 5.59 million Baht, increased by 21%, administrative expenses were 24.44 million Baht, decreased by 20.73% YoY. The Group of Companies recognized share loss of associates of 6.86 million Baht in Q4/2023 (Oct-Dec).



### Other income

For the year ended December 31, 2023, the Group of Companies had other income of 13.44 million Baht, decreased by 20.85% YoY, due to the Group of Companies had profit from assets sold in 2022 and a recognition of profit from digital asset value adjustment.

In Q4/2023 (Oct-Dec), the Group of Companies had other income of 10.81 million Baht, increased by 1,186.90% YoY, due to in Q4/2023 (Oct-Dec) the Group of Companies had profit of 9.19 million Baht from the changing the status of an investment in an associate to a financial asset measured at fair value through other comprehensive income.

### Finance cost

For the year ended December 31, 2023, the Group of Companies had a financial cost of 25.51 million Baht, decreased by 15.14% YoY.

In Q4/2023 (Oct-Dec), the Group of Companies had a financial cost of 4.78 million Baht, decreased by 45.56%. 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 year ended December 31, 2023, the Group of Companies had corporate income tax of 4.16 million Baht, increased by 33.76% YoY.

In Q4/2023 (Oct-Dec), the Group of Companies had corporate income tax of 0.92 million Baht, increased by 170.23% YoY, from the calculation of taxes according to the corporate income tax rate and the recognition of deferred tax assets.



## Statement of financial position

Statement of Financial Position (Unit: million Baht)	31 Dec 23	31 Dec 22	Increase (decrease)	%Increase (decrease)
<b>Assets</b>				
Current assets	1,024.21	1,280.34	(256.13)	(20.00%)
Non-current assets	776.92	310.04	466.88	150.59%
<b>Total assets</b>	<b>1,801.13</b>	<b>1,590.38</b>	<b>210.75</b>	<b>13.25%</b>
<b>Liabilities and Equity</b>				
Current liabilities	1,036.47	552.29	484.18	87.67%
Non-current liabilities	205.36	566.20	(360.84)	(63.73%)
<b>Total liabilities</b>	<b>1,241.83</b>	<b>1,118.49</b>	<b>123.34</b>	<b>11.03%</b>
Equity	559.30	471.89	87.41	18.52%
<b>Total liabilities and equity</b>	<b>1,801.13</b>	<b>1,590.38</b>	<b>210.75</b>	<b>13.25%</b>

As of December 31, 2023, the Group of Companies had total assets of 1,024.21 million Baht, decreased by 256.13 million Baht or 20.00% from December 31, 2022. The decrease was because of a significant item, which was cash and cash equivalents, decreased by 327.92 million Baht as the fund applied for the new IDC construction. Current liabilities increased by 87.67%, which was an item of long-term debenture recorded as debenture due within one year (due in March 2024). As of December 31, 2023, liquidity ratio was 0.99 times, D/E Ratio Net Cash was 1.82 times, and Interest-Bearing D/E Ratio Net Cash was 0.95 times.



## Statement of Cash Flow

Statement of Cash Flows (Unit : million Baht)	31 Dec 23	31 Dec 22	Increase (decrease)	%Increase (decrease)
Net cash used in operating activities	(60.88)	(12.93)	(47.96)	371.03%
Net cash generated from (used in) investing activities	(510.52)	85.87	(596.39)	(694.53%)
Net cash generated from financing activities	243.37	354.44	(111.07)	(31.34%)
<b>Net increase in cash and cash equivalents</b>	<b>(328.04)</b>	<b>427.38</b>	<b>(755.42)</b>	<b>(176.75%)</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>222.53</b>	<b>550.57</b>	<b>(328.04)</b>	<b>(59.58%)</b>

As of December 31, 2023, the Group of Companies had cash and cash equivalents of 222.53 million Baht, net cash used in operating activities was 60.88 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 510.52 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 243.37 million Baht, gained from advance payment of shares from warrants (PROEN-W1) exercising was 105.75 million Baht, and received money from short-term loans and long-term from a financial institution in the amount of 208.76 million baht. However, long-term loans were repaid 14.48 million baht and dividends were paid during the year 38.03 million baht.

