

SBNEXT.IR. 009/2567

29 February 2024

Subject: Management Discussion & Analysis for the Year 2023

To: President

The Stock Exchange of Thailand

Sabuy Connex Tech Public Company Limited ("Company" or "SBNEXT") and its subsidiaries ("Group of Companies") hereby provide a summary of the operational results for the year ended 31 December 2023, as audited by the Certified Public Accountant. The details are as follows:

Important changes that occurred during the year 2023

- The company has undergone a name change from the previous Thien Surat Public Company Limited ("TSR") to the new name Sabuy Connex Tech Public Company Limited ("SBNEXT").
- Increasing the capital in Thien Surat Leasing Limited ("TSRL") from 100 million baht to 300 million baht to support the expansion of various credit-related business activities.
- The group of companies has outlined the management direction for sales channels into 4 business groups as follows:
 - The Direct Sales business group employs an efficient direct sales team structure that covers every province nationwide. This ensures the delivery of products and services directly to consumers at their doorstep.
 - The Tele Sales and Online to Offline (O2O) business group utilizes modern technology, coupled with a systematic Customer Relationship Management (CRM) database, in its telephone sales and online operations. This approach is aimed at effectively managing customer relationships and creating continuous sales opportunities.
 - The Corporate and SME Business group focuses on developing new products tailored to the needs of customers in each organization. Additionally, the group has the capability to undertake contract manufacturing for organizations (OEM) and expand its business to international markets (IBP). This expansion is in response to the growing economic opportunities, offering products suitable for each country.
 - The Retail Business group sells products through large-scale retail agents (Modern Trade) and individual distributor stores located in various areas (Traditional Trade). This is achieved by carefully selecting distributor representatives who are well-known and have coverage in every region of the country.

- The company has leveraged the knowledge and experience in managing Non-Performing Loans (NPL) from SABUY, which has been engaged in the business of selling top-up kiosks and automatic vending machines for an extended period. With expertise in debt management, repossession of assets, refurbishment, and reissuing of products after repairs, the company has effectively applied these practices in handling non-performing loans within the group of companies.
- The company has expanded its business plan related to vending machines to align with the strategic plan of the parent company (SABUY) by establishing a subsidiary named Vending Connect Tech Limited ("VCT"). The parent company holds 100% of the shares in VCT. VCT is engaged in the general sale of products and the management of automatic vending machines. The business operation of vending machines commenced in August 2023.
- The company has acquired operational vending machines, totaling no more than 2,522 units, from Asia Vending Machine Operation Limited ("AOC"), a subsidiary of the parent of the Osotspa group. These machines are categorized into 1,113 units of beverage vending machines and 971 units of light meal and snack vending machines. They are located at various locations, approximately 2,084 units, with the remaining units stored in the warehouse and ready for deployment.
- The company has expanded its product line to offer a variety of products that cater to the diverse needs of customers at all levels. New products include hot-water dispensers, water heaters, and air purifiers under the brand name "SAFE."

Summary of 2023 Operating Performance

Revenue

For the year 2023, Sabuy Connex group of companies generated total revenue of 1,689.95 million Baht. This marks an increase of 285.42 million Baht or 20.32% from the previous year. The detailed breakdown of the revenue is as follows:

- Revenue from sales: The revenue from sales for the year 2023 amounted to 1,378.83 million Baht, showing an increase of 195.22 million Baht or 16.49%. This increase is attributed to higher sales in the electrical appliances group, combined with an increase in sales of automated vending machine products.
- Interest Income from Lease Contracts: The interest income from lease contracts for the year 2023 was 191.98 million Baht, an increase of 6.97 million Baht or 3.77% from the previous year. This increase is a result of expanding sales channels and adjusting the wholesale sales structure, leading to the acquisition of new customers with higher quality and the potential for increased payment capacity.

- Interest Income from Credit Receivables: The interest income from credit receivables for the year 2023 amounted to 26.32 million Baht, increasing by 10.73 million Baht or 68.82% from the previous year. This increase is a result of adjusting the structure of credit provision to customers.

Cost of Goods Sold

The Cost of Goods Sold for Sabuy Connex group of companies for the year 2023, amounted to 687.23 million Baht. This represents an increase of 238.47 million Baht or 53.14 % from the previous year. The cost of goods sold as a percentage of sales revenue for the year 2023 increased to 49.84% compared to 37.91% in 2022. This increase is attributed to the higher sales volume of the group's filtration products and SME product group, which initially resulted in lower profit margins due to the sale of products with lower unit prices compared to the water filtration product group with a reduced sales proportion.

Distribution Costs

The distribution costs for Sabuy Connex group of companies for the year 2023 amounted to 516.21 million Baht, increasing from the previous year's figure of 96.79 million Baht, representing a percentage increase of 23.08%. The proportion of distribution costs to sales revenue is at 37.44%, compared to 35.44% in the previous year. This slight adjustment reflects a minor increase from the previous year.

Administrative expenses

Administrative expenses for Sabuy Connex group of companies for the year 2023 amounted to 397.34 million Baht, showing an increase from the previous year's figure of 127.85 million Baht, representing a percentage increase of 47.44%. The proportion of administrative expenses to total revenue also increased from 19.19% in the previous year to 23.51% in 2023. This increase is mainly attributed to the company's strategic planning for business development and expansion, resulting in an increase in employee-related expenses. Additionally, the company recorded a loss from the fair value measurement of land amounting to 43.25 million Baht in the year 2023.

Expected Credit Loss

For the year 2023, Sabuy Connex group of companies incurred an expected credit loss of 129.95 million Baht, a decrease from the previous year's loss of 37.50 million Baht, representing a reduction of 22.40%. This reduction is attributed to the effective management of water filtration equipment repossessed, which could be utilized through sales and leasing. Additionally, there was a decrease in the provision for doubtful debts resulting from improvements in the proactive quality assessment process of debtors.

Net Profit (Loss)

For the year 2023, Sabuy Connex group of companies reported a net loss of 86.49 million Baht (compared to a net profit of 73.37 million Baht in 2022). The net loss margin for the year 2023 is at 5.12% of total revenue, as explained by the reasons mentioned earlier.

Financial Position

Asset

As of 31 December 2023, Sabuy Connex group of companies reported total assets amounting to 3,172.43 million Baht, reflecting an increase of 1,354.98 million Baht or 74.55% compared to 31 December 2022. This substantial growth in assets can be attributed to the following key factors:

- Expansion of the group's accounts receivable from lease contracts and credit-related receivables, resulting in an increase of 156.33 million Baht.
- Other non-current financial assets, contributing to an increment of 327.93 million Baht.
- Fair value appreciation of land, buildings, equipment, and investment properties, leading to an increase of 407.86 million Baht.

Liabilities

As of 31 December 2023, Sabuy Connex group of companies reported total liabilities of 2,011.39 million Baht, an increase of 1,608.07 million Baht from 31 December 2022. This increase in liabilities was primarily attributed to:

- Borrowings from financial institutions and other business entities, which increased by 622.29 million Baht.
- Short-term borrowings from major companies within the group, amounting to 922.85 million Baht.

The shareholder's equity

As of 31 December 2023, Sabuy Connex group of companies had total equity of 1,161.04 million Baht, compared to 1,414.13 million Baht on 31 December 2022. This represents a decrease of 253.09 million Baht or a reduction of 17.90 %, mainly due to the net loss incurred from the business operations in the fiscal year 2023.

As of 31 December 2023, the company's debt-to-equity ratio was 1.73 times (as of 31 December 2022, the debt-to-equity ratio was 0.29 times), while the book value per share was 1.92 Baht. (As of 31 December 2022, the book value per share was 2.57 Baht per share.)

This information is provided for your reference regarding the company's financial performance and position.

Kindly be informed.

Your truly,

-Kittipol Thanasit-

(Mr. Kittipol Thanasit)

Chief Executive Officer

