

PROEN Corp Public Company Limited and Subsidiaries Management Discussion and Analysis Quarter 1 of 2024

Business overview

PROEN Corp Public Co., Ltd. and its subsidiaries (“the Group”) conduct 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 Q3/2024 to meet the growing customer demands.

Operating result

For the first quarter of 2024 (Q1/2024), the Group reported total revenue of 138.67 million Baht, which decreased by 62.67 million Baht or 31.13% YoY. Gross profit increase was 0.69 million Baht or 2.15% YOY, due to the company's improved cost control over infrastructure projects, the Group reported net loss of 3.35 million Baht, increased losses by 93.64% YOY. This increase was primarily due to higher administrative expenses resulting from the reversal of doubtful accounts in the previous year. Additionally, during the first quarter of 2024, the company incurred other losses of 3.48 million baht due to the change in cash flow from debentures by extending the maturity date of the debentures for another 2 years and increasing the interest rate on the debentures from 6.50% to 7.00% per annum.



Business Operation Analysis

Business operation for the first quarter ending March 31, 2024 comparing with 2023, which can be summarized as follows.

Operating Result (Unit : million Baht)	Quarter 1/2024 (Jan - Mar)		Quarter 1/2023 (Jan - Mar)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Total revenues	138.67	100.00%	201.34	100.00%	(62.67)	(31.13%)
Total costs	105.82	76.31%	169.18	84.03%	(63.36)	(37.45%)
Gross profit	32.85	23.69%	32.16	15.97%	0.69	2.15%
Other income	1.66	1.20%	0.22	0.11%	1.44	654.55%
Other losses	3.48	2.51%	-	-	3.48	100.00%
Selling expenses	5.67	4.09%	6.69	3.32%	(1.02)	(15.25%)
Administrative expenses	26.95	19.43%	19.46	9.67%	7.49	38.49%
Profit before interest and income tax expense	(1.59)	(1.15%)	6.23	3.09%	(7.82)	(125.52%)
Finance costs	2.60	1.87%	8.09	4.02%	(5.49)	(67.86%)
Profit before income tax expense	(4.19)	(3.02%)	(1.86)	(0.92%)	(2.33)	125.27%
Income tax (income) expense	(0.84)	(0.61%)	(0.13)	(0.06%)	(0.71)	546.15%
(Loss) profit for the period	(3.35)	(2.42%)	(1.73)	(0.86%)	(1.62)	93.64%

For the first quarter of 2024 (Q1/2024), the Group reported net loss of 3.35 million Baht, increased losses by 93.64% YOY. This increase was primarily due to higher administrative expenses resulting from the reversal of doubtful accounts in the previous year. Additionally, during the first quarter of 2024, the company incurred other losses of 3.48 million baht due to the change in cash flow from debentures by extending the maturity date of the debentures for another 2 years and increasing the interest rate on the debentures from 6.50% to 7.00% per annum.



Revenue, Cost, and Gross Profit

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Q1/2024	Q1/2023	Increase (Decrease)	%	Q1/2024	Q1/2023	Increase (Decrease)	%	Q1/2024	Q1/2023	Increase (Decrease)	%
ICT Business:												
Revenue from sale	5.77	77.81	(72.04)	(92.58%)	5.11	69.52	(64.41)	(92.65%)	0.66	8.29	(7.63)	(92.04%)
Revenue from service	73.18	76.26	(3.08)	(4.04%)	49.32	54.16	(4.84)	(8.94%)	23.86	22.10	1.76	7.96%
Total revenue from ICT business	78.95	154.07	(75.12)	(48.76%)	54.43	123.68	(69.25)	(55.99%)	24.52	30.39	(5.87)	(19.32%)
Infrastructure construction business:												
Revenue from construction contracts	59.72	47.27	12.45	26.34%	51.39	45.50	5.89	12.95%	8.33	1.77	6.56	370.62%
Total revenue from main business	138.67	201.34	(62.67)	(31.13%)	105.82	169.18	(63.36)	(37.45%)	32.85	32.16	0.69	2.15%

Revenue

For the first quarter of 2024 (Q1/2024), the Group had revenue from the main business of 138.67 million Baht, decreased by 31.13% YoY, mainly due to a decrease in sale of 72.04 million Baht or 92.58% as the major customer in E-Commerce business waiting for investment in the new IDC in Q3/2024. However, revenue from construction contracts increased by 26.34%, due to the projects in 2566, revenue was recognized base on progress in the first quarter of 2024. Furthermore, an additional new project was undertaken during this period

Cost of sales and gross profit

For the first quarter of 2024 (Q1/2024), cost of sales decreased according to revenue proportion, resulting in 32.85 million Baht of gross profit or increased by 2.15%. Although income decreased, the company was able to control costs from infrastructure projects better.

Selling and administrative expenses

For the first quarter of 2024 (Q1/2024), the Group had selling expenses of 5.67 million Baht, decreased of 1.02 million Baht or 15.25%. Administrative expenses of 26.95 million Baht, increased of 7.49 million Baht or 38.49% YoY. due to reversal of doubtful debts from the previous year.



Other income

For the first quarter of 2024 (Q1/2024), the Group had other income of 1.66 million Baht, increase of 1.44 million Baht or 654.55% YoY, from interest income.

Other losses

The company recognized other losses of 3.48 million baht due to the change in cash flow from debentures by extending the maturity date of the debentures for another 2 years and increasing the interest rate on the debentures from 6.50% to 7.00% per annum

Finance cost

For the first quarter of 2024 (Q1/2024), the Group had a financial cost of 2.60 million Baht, decreased of 5.49 million baht or 67.86% YoY. The main factor contributing to the decrease 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 first quarter of 2024 (Q1/2024), the Group had corporate income tax of 0.84 million Baht, increased by 546.15% 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 Mar 24	31 Dec 23	Increase (decrease)	%Increase (decrease)
Assets				
Current assets	909.17	1,024.21	(115.04)	(11.23%)
Non-current assets	893.63	776.92	116.71	15.02%
Total assets	1,802.80	1,801.13	1.67	0.09%
Liabilities and Equity				
Current liabilities	716.76	1,036.47	(319.71)	(30.85%)
Non-current liabilities	530.08	205.36	324.72	158.12%
Total liabilities	1,246.84	1,241.83	5.01	0.40%
Equity	555.96	559.30	(3.34)	(0.60%)
Total liabilities and equity	1,802.80	1,801.13	1.67	0.09%

As of March 31, 2024, the Group had total assets of 1,802.80 million Baht, decreased by 1.67 million Baht or 0.09% from December 31, 2023. The decrease was because of a significant item, which was cash and cash equivalents, decreased by 154.09 million Baht as the fund applied for the new IDC construction. Current liabilities increased by 5.01 million Baht or 0.40%, due to the increase in trade payables and borrowings from financial institutions. However, during the first quarter of 2024, the company repaid debentures totaling 100 million Baht. As of March 31, 2024, liquidity ratio was 1.27 times, D/E Ratio Net Cash was 2.12 times, and Interest-Bearing D/E Ratio Net Cash was 1.15 times.



Statement of Cash Flow

Statement of Cash Flows (Unit : million Baht)	31 Mar 24	31 Mar 23	Increase (decrease)	%Increase (decrease)
Net cash generated from (used in) operating activities	20.79	(184.08)	204.87	(111.29%)
Net cash used in investing activities	(122.93)	(107.46)	(15.47)	14.39%
Net cash used in from financing activities	(68.28)	(8.91)	(59.37)	666.13%
Net increase in cash and cash equivalents	(170.42)	(300.45)	130.03	(43.28%)
Opening balance of cash and cash equivalents	222.53	550.57	(328.04)	(59.58%)
Closing balance of cash and cash equivalents	52.11	250.11	(198.00)	(79.17%)

As of March 31, 2024, the Group had cash and cash equivalents of 52.11 million Baht, net cash from operating activities was 20.79 million Baht, from the expansion of trade payable. Net cash used in investing activities was 122.93 million Baht, due to cash used for the new IDC construction. Net cash used in from financing activities was 68.28 million Baht, primarily from the repayment of debentures, transaction costs related to debenture issuance, and the repayment of long-term loans from financial institutions amounting to 102.86 million baht and 3.70 million baht, respectively. Nevertheless, there was a receipt of funds from borrowing from financial institutions totaling 42.20 million baht.

