

Subject : Management Discussion and Analysis for 2019

To : Director and the President, The stock Exchange of Thailand

Yggdrazil Group Public Company Limited (“Company”) would like to provide Management Discussion and Analysis for the year ended 2019 as follows:

Overview of the operating result for 2019

The company’s total revenue for year ended 2019 was THB 196.60 million, increased by THB 23.1 million from 2018. The company’s profit for the year was THB 48.6 million, increased by THB 27.5 million, and its profit margin for the year was increased 130.6% from 2018. The main reasons for the increase were mainly due to increased revenue from animation segment and reverse allowance for doubtful account from 2018

Analysis of operating result

Revenue

Business categories/Segments	For the year ended				% Change
	2019		2018		
	THB Mil	%	THB Mil	%	
Revenue from sales or services					
1. Visual effect	53.6	27.3	57.6	33.2	-6.9
2. Animation movie	94.2	47.9	57.5	33.1	63.8
3. Game & Production	47.9	24.4	55.6	32.0	-13.8
Total revenue from sales or services	195.7	99.5	170.7	98.4	14.6
Other income	0.9	0.5	2.8	1.6	-67.9
Total	196.6	100.0	173.5	100.0	13.3

- The company’s revenue from visual effect for year ended 2019 was THB 53.6 million, decreased 6.9% which amounting to THB 4 million due to the fact that online segment was closed in 2019 from market price had been declined significantly. Thus, revenue from this segment decreased.
- The company’s revenue from animation movie for year ended 2019 was THB 94.2 million, increased 63.8% which amounting to THB 36.7 million due to the fact that Company has continuous long-term project. Thus, revenue from this segment increased.
- The company’s revenue from Game & Production for year ended 2019 was THB 47.9 million, decreased 13.8% which amounting to THB 7.7 million 2561 due to the fact that in 2019 Company did not have long-term project from this segment.
- The company’s revenue other income for year ended 2019 was THB 0.9 million, decreased 67.9% which amounting to THB 1.9 million due to the fact that in 2018 Company had gain from exchange rate and advertising revenue.



Cost of sales or service and Gross profit

Unit : THB million	For the year ended	
	2019	2018
Revenue from sales or services	195.7	170.7
Cost of sales or services	(114.2)	(105.6)
Gross profit	81.5	65.1
Gross Profit margin (%)	41.6	38.1

The company's revenue gross profit for year ended 2019 was THB 81.5 million or 41.6%, slightly higher than 38.1% in last year. The main reason was the efficiency in human capital management and better margin in international client. For cost of sales or services for year ended 2019 was THB 114.2 million, increased THB 8.6 million due to the fact that animation department increased manpower.

Selling expenses

- Selling expense mainly consist of commission vis platform sales, advertisement and marketing expenses.
- For year ended 2019 was THB 2.5 million , increased THB 0.6 million from Home Sweet Home 2 announcement.

Administrative expenses

- For year ended 2019 and 2018, The administrative expenses were THB 26.9 million and THB 47.3 million respectively which decreased THB 20.4 million or 42.2%. Rising part of THB 20.9 million was brought by reserve allowance for doubtful from pause project and delay payment. But if we excluded this reserve, administrative expense would decrease from some IPO expenditure could deduct premium in paid-up capital.

Other expenses

- Other expenses mainly consist of loss from exchange rate, loss from disposal of assets which were not key operating result.
- For 2019, The other expenses was THB 2.6 million, increased THB 2.5 million from last year due to the fact that Company had mainly international client which used Dollar currency and last year Thai Baht currency was appreciation so Company had loss from exchange rate.

Finance costs

The finance costs was THB 1.5 million, increased THB 0.4 million from last year due to the fact that during September 2018, Company entered into Long-term loan amounting to THB 15.0 million so finance costs in 2019 had calculated full year unlike 2018.

Net profit and profit margin

Unit : THB million	For the year ended	
	2019	2018
Total revenues	196.6	173.5
Total expenses	(114.2)	(105.6)
Net profit	48.6	21.1
Net profit margin (%)	24.7	12.2

• For year ended 2019 and 2018, Company's net profit were THB 48.6 million and THB 21.1 million respectively or net profit margin 24.7% and 12.2% which increased 130.3% from last year due to the fact that Company had reserve from allowance for doubtful THB 20.9 million but reverse allowance for doubtful THB 4.1 million in 2019. Thus, net profit and net profit margin in 2018 seemed lower 2019 significantly.

Analysis of Financial Position

Assets

Cash and Cash equivalents

• As of YE 2019 and 2018, Cash and Cash equivalents were THB 231.1 million and 6.9 million respectively. The THB 225 million increase from initial public offering during December 2019.

Trade and other receivables

• As of YE 2019 and 2018, Trade and other receivables were THB 43.0 million and THB 48.3 million respectively. The THB 5.3 million decrease from receipt from account receivables

Contract assets

• As of YE 2019 and 2018, Contract assets were THB 56.1 million and THB 7.8 million respectively. The THB 48.3 million increase from work in progress at the end of year and were waiting for issuance of invoices

Other current assets

- As of YE 2019 and 2018, Other current assets were THB 4.5 million and THB 0.6 million respectively. The THB 3.9 million increase from withholding tax reimbursement

Leasehold improvement and equipment

As of YE 2019 and 2018, Leasehold improvement and equipment were THB 50.8 million and THB 59.1 million respectively. The THB 8.3 million decrease from last year due to the fact that in 2018 Company purchased equipment about THB 19 million while 2018 purchased about THB 6 million. When computed depreciation of assets, net equipment decreased

Liabilities

Bank overdrafts

- As of YE 2019 and 2018, Bank overdrafts were THB 7.2 million and THB 0.0 million respectively. The THB 7.2 million increase from Company had the undrawn bank overdraft for managing working capital during December

Trade and other payables

- As of YE 2019 and 2018, Trade and other payables were THB 17.7 million and THB 5.2 million respectively. The THB 12.5 million increase from accrued IPO expenditure at the end of year about THB 11 million such as underwrite fee, roadshow cost and etc.

Current portion of long-term borrowings

- As of YE 2019 and 2018, Current portion of long-term borrowings were THB 19.1 million and THB 24.9 million respectively. The THB 5.8 million decrease from loan principle payment of all agreements

Employee benefit obligations

- As of YE 2019 and 2018, Employee benefit obligations were THB 5.5 million and THB 4.1 million respectively. The THB 1.4 million increase from higher manpower in 2019.



Equity

- As of YE 2019 and 2018, Equity were THB 360.7 million and THB 120.3 million respectively. The rising portion were from increase in share capital THB 12.6 million, initial public offering THB 225 million and net profit THB 48.6 million, deducted by THB 37.5 million dividend payment and share issue cost THB 8.2 million.

Please be informed accordingly

Yours sincerely,

(Mr. Tanat Juwiwat)

Chief Executive Officer