

10 November 2022

Subject: Management Discussion and Analysis - For the three-month period ended 30 September 2022

To: The President of Stock Exchange of Thailand

MFEC Public Company Limited (“the Company”) would like to notify the operating results that the Company reported net profit’s equity owner of the parent for the three-month period ended 30 September 2022 of Baht 49.7 million, net profit decrease by Baht 10.9 million or 18% compared to the same period of last year which net profit were Baht 60.6 million, due reason to the following reasons:

Overall Operating results

Description	Q3-2022		Q3-2021		Change	
	Mil THB	%	Mil THB	%	Mil THB	%
Revenue from Sales and Services	1,455.1	100.0%	1,258.4	100.0%	196.7	15.6%
Cost of Sales and Services	(1,211.5)	-83.3%	(1,039.5)	-82.6%	(172.0)	16.5%
Gross Profit, before Operating Expenses	243.6	16.7%	218.9	17.4%	24.7	11.3%
Other Income	2.6	0.2%	3.4	0.3%	(0.8)	-23.5%
Selling and Administrative Expenses	(180.0)	-12.4%	(147.8)	-11.7%	(32.2)	21.8%
Profit from Operating, before interest and Tax	66.2	4.5%	74.5	5.9%	(8.3)	-11.1%
Share of Profit (loss) from Associates	2.1	0.1%	4.2	0.3%	(2.1)	-50.0%
Financial Costs	(4.8)	-0.3%	(3.0)	-0.2%	(1.8)	60.0%
Net Profit, Before Corporate Tax	63.5	4.4%	75.7	6.0%	(12.2)	-16.1%
Corporate Income Tax	(11.6)	-0.8%	(14.5)	-1.2%	2.9	-20.0%
Net Profit	51.9	3.6%	61.2	4.9%	(9.3)	-15.2%
Profit Attributed to Non-Controlling Interests	(2.2)	-0.2%	(0.6)	0.0%	(1.6)	266.7%
Net Profit, Parent portion	49.7	3.4%	60.6	4.8%	(10.9)	-18.0%

Thai economy in the third quarter of 2022 continued to improve from the previous quarter. Private consumption and investment indicators increased in conjunction with the manufacturing production which picked up and improved in shortage problems of production parts. The service sector also continued to recover on the back of improving foreign tourist figures. Labor market gradually improved in line with the economic development. Headline inflation declined trend due to lower domestic retail oil prices. On exchange rates, the Thai Baht against the US dollar depreciated as the US dollar appreciated rapidly during the third quarter of this year after the US Federal Reserve signaled tightening monetary policy stance. (source: Bank of Thailand).

Revenue recognition from several large projects newly acquired during the late of last year were resulted in revenue and gross profit increase compared to the same period of last year, by 15.6% and 11.3%, respectively. Revenue composition recognized from System Implementation project (SI) in the current year declined mainly due to chip shortage

problem. As a result, many SI projects have adjusted by extended a bit longer in delivery period, thus revenue recognition from SI delay. However, deliveries of most delay SI projects in the 3rd quarter are expected to be completed within the end of 2022. Operating expenses increased, especially personnel and staff related expenses due to higher number of employments to support business expansion. Consequently, net profit fell 18% from the same period of last year.

At the end of third quarter of current year, the Group remains backlog project that allow recognition of revenue carrying until the end of projects of up to 5 years, with total backlog value of Baht 7,221 million. The Group maintained higher value on backlog projects which increase by Baht 837 million, from the end of last year.

1. Revenue from sales and services increase from the same period of last year by Baht 196.7 million or 15.6% due following to:

Revenue from Business segment	Q3-2022		Q3-2021		Increase (decrease)	
	Million Baht	% to total revenue	Million Baht	% to total revenue	Million Baht	% Change
System Integration services	247.2	83.3%	404.4	87.1%	115.8	10.6%
System maintenance services	685.9		450.6			
IT Professional services	278.8		241.1			
Cloud solution service	221.7	15.2%	150.8	12.0%	70.9	47.0%
Other business	21.4	1.5%	11.5	0.9%	9.9	86.1%
Total sales and services	1,455.0	100.0%	1,258.4	100.0%	196.7	15.6%

Revenue from 3 core business segments for the current year is representing 83.3% of total revenue from sales and services. The Group's revenue generated from these core business segments increased Baht 115.8 million with revenue growth by 10.6% year-on-year, especially revenue from maintenance services which are recurring income in nature. Revenue composition from these core businesses decrease when compare with last year since the expansion from Cloud service segment which continuing expand growth since the year 2021.

Cloud solution service revenue growth by 47% year-on-year basis with revenue proportion of 15.2% of total revenue. Cloud solution service is grow steadily reflected good response from leading enterprise customers to enhance data management using Cloud technology. The Company focuses on expanding customer base in this business segment for further growth in future.

2. Cost of sales and service increase by Baht 172 million or 16.5% compared to last year.

Description	Q3-2022	Q3-2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,455.1	1,258.4	196.7	15.6%
Cost of sales and services	1,211.5	1,039.5	172.0	16.5%
Gross Profit	243.6	218.9	24.7	11.3%

Gross Profit (%)	16.7%	17.4%	-0.7%
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Cost of sales and services for the third quarter of current year were Baht 1,455.1 million. The increase in cost of sales and services is representing direct proportion to revenue growth during current period. Although, severe price competition within IT service sector along since last year. The Group gross profit margin for the current year was 16.7% with Gross Profit rate decrease by 0.7% year-on-year basis. The postponement of the delivery of many SI projects due to chip shortage problem. Nevertheless, revenue growth from Cloud service has improved, reflected significantly revenue growth by 47% in Cloud segment, however, the lower rate in gross profit from Cloud segment compared to revenue from other segment. Therefore, gross profit recognized in the current period is slightly low since the delay in profit recognized from SI project later than original expectation plan.

An increase in revenue from sales and services of 15.6%, is resulted in the Group's gross profit increased by Baht 24.7 million or 11.3%, from the same period of last year.

3. Selling and Administrative expenses increase by Baht 32.2 million or 21.8% compared to the same period of last year.

Description	Q3-2022	Q3-2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	31.1	25.5	5.6	22.0%
Administrative expenses	148.0	117.8	30.2	25.6%
Loss on exchange rate	0.9	4.5	(3.6)	(80.0%)
Total Selling and Administrative Expenses	180.0	147.8	32.2	21.8%

Administrative expenses increased by 25.6% due to personnel expenses since more new hire number of employment staffs to support post-Covid business expansion plan in line with economic recovery. The Company is continuing to conduct operating costs efficiency policy. Most operating expenses are recurring which some comprised fixed by cost nature for support business expansion. Overall operating expenses is at similarly level when compared to the same period of the last year. Selling and Administrative expenses as percentage to total revenue was 12.4% slightly increase from last year which was 11.7%.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer