

14 May 2024

Subject: Management Discussion and Analysis - For the three-month period ended 31 March 2024

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 31 March 2024 of Baht 47.5 million, net profit decrease by Baht 597.7 million or 92.6% compared to the same period of last year which net profit were Baht 645.3 million, due reason to the following reasons:

Overall Operating results

Description	Q1-2024		Q1-2023		Change	
	Mil THB	%	Mil THB	%	Mil THB	%
Revenue from Sales and Services	1,780.6	100.0%	1,492.3	100.0%	288.3	19.3%
Cost of Sales and Services	(1,497.2)	-84.1%	(1,242.5)	-83.3%	(254.7)	20.5%
Gross Profit, before Operating Expenses	283.4	15.9%	249.8	16.7%	33.6	13.5%
Gain on entire business transfer of the subsidiary	-	0.0%	649.6	43.5%	(649.6)	-100.0%
Profit from derivative assets at fair value	14.8	0.8%	0.2	0.0%	14.6	6904.3%
Other income	12.6	0.7%	13.8	0.9%	(1.3)	-9.1%
Selling and Administrative Expenses	(236.4)	-13.3%	(204.8)	-13.7%	(31.6)	15.4%
Profit from Operating, before interest and Tax	74.3	4.2%	708.7	47.5%	(634.4)	-89.5%
Share of profit (loss) from JV & associates	(2.8)	-0.2%	1.4	0.1%	(4.2)	-296.9%
Financial Costs	(8.1)	-0.5%	(4.4)	-0.3%	(3.7)	85.8%
<b>Net Profit, Before Corporate Tax</b>	<b>63.3</b>	<b>3.6%</b>	<b>705.7</b>	<b>47.3%</b>	<b>(642.4)</b>	<b>-91.0%</b>
Corporate Income Tax	(13.4)	-0.8%	(12.5)	-0.8%	(0.9)	7.5%
<b>Net Profit</b>	<b>50.0</b>	<b>2.8%</b>	<b>693.3</b>	<b>46.5%</b>	<b>(643.3)</b>	<b>-92.8%</b>
Loss from discontinued operations	-	0.0%	(9.8)	-0.7%	9.8	-100.0%
Profit attributed to non-controlling interests	(2.4)	-0.1%	(38.2)	-2.6%	35.8	-93.6%
<b>Net Profit, Parent portion</b>	<b>47.5</b>	<b>2.7%</b>	<b>645.3</b>	<b>43.2%</b>	<b>(597.7)</b>	<b>-92.6%</b>

Net profit contributed from:

Net profit from normal operations	47.5	2.7%	33.3	2.2%	14.2	42.8%
Net profit from other activities	-	0.0%	612.0	41.0%	(612.0)	-100.0%
<b>Total, Net Profit</b>	<b>47.5</b>	<b>2.7%</b>	<b>645.3</b>	<b>43.2%</b>	<b>(597.7)</b>	<b>-92.6%</b>

The Group’s revenue increased by Baht 288.3 million or 19.3%, compared to the same period last year. This revenue growth was primarily driven by an increase in revenue from system maintenance services (MA) and Cloud services. Despite a slight drop in gross profit margin due to the rapid expansion of cloud revenue which has a lower gross profit margin compared to other segments. The overall gross profit value and net profit from normal operations (excluding profits from the entire business transfers of the subsidiary) showed higher growth. This improvement is attributable to the continuous revenue growth in the current period.

At the end of first quarter of current year, the Group remains backlog project that allow recognition of revenue carrying until the end of projects of up to 6 years, with total backlog value of Baht 7,608 million. The Group carried high recurring income representing 62% of the total backlog value.

1. Revenue from sales and services increase from the same period of last year by Baht 288.3 million or 19.3% due following to:

Revenue from Business segment	Q1-2024		Q1-2023		Increase (decrease)	
	Million Baht	% total revenue	Million Baht	% total revenue	Million Baht	% Change
System Integration services	337.4	79.2%	356.3	87.0%	94.6	7.2%
System maintenance services	856.0		760.0			
IT Professional services	217.4		199.9			
Cloud solution service	343.9	19.3%	181.6	12.0%	162.3	89.4%
Other business	25.9	1.5%	14.8	1.0%	11.1	75.0%
Total sales and services	1,780.6	100.0%	1,512.6	100.0%	268.0	17.7%

Comprised of:

Revenue from continuing operation	1,780.6	100.0%	1,492.3	98.7%	288.3	19.3%
Revenue from dispose operation	-	-	20.3	1.3%	(20.3)	-100%
Total revenue	1,780.6	100.0%	1,512.6	100.0%	268.0	17.7%

Revenue from 3 core business segments for the current year is representing 79.2% of total revenue from sales and services. The Group's revenue generated from these core business segments increased Baht 94.6 million with revenue growth by 7.2% year-on-year, especially high revenue growth from system maintenance services ("MA") at the rate of 12.6% mainly arise after completion of system integration and development from multiple SI projects since the late of 2023.

Revenue from IT system development (IT Professional services "PS") increased by Baht 17.5 million, or 8.8%, compared to the same period of last year. This growth is attributed to the completion of several large PS projects, which were commence developed since last year and delivered in the first quarter of the current year.

Cloud Solution Service revenue growth by 89% year-on-year basis with revenue proportion of 19.3% of total revenue. Cloud solution service is grow steadily reflected good response from leading enterprise customers to enhance data management using Cloud technology.

2. Cost of sales and service increase by Baht 254.7 million or 20.5% compared to the same period of last year.

Description	Q1-2024	Q1-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,780.6	1,492.3	288.3	19.3%
Cost of sales and services	1,497.2	1,242.5	254.7	20.5%
Gross Profit	283.4	249.8	33.6	13.5%

Gross Profit (%)	15.9%	16.7%	-0.8%
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Cost of sales and services for the first quarter of current year were Baht 1,497.2 million aligning with the Group's revenue increase. Despite ongoing price competition in the IT services sector, the Group maintained an overall gross profit margin of 15.9%, a slight decrease from the same period last year which were attributed to the growth in revenue from cloud services, with a lower gross profit margin compared to the Group's average GPM. Revenue from sales and services increased by 19.3%, resulting in a gross profit amount increase of Baht 33.6 million, or 13.5%, compared to the same period last year.

The growth in cloud service revenue has led to a decrease in the overall gross profit margin for the Group. However, the higher gross profit margins in non-cloud business segments have contributed to an overall increase in gross profit amount compared to the previous year.

3. Selling and Administrative expenses increase by Baht 31.6 million or 15.4% compared to the same period of last year.

Description	Q1-2024	Q1-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	44.3	32.1	12.2	38.0%
Administrative expenses	164.2	171.0	(6.8)	(4.0%)
Loss on exchange rates	27.9	1.7	26.2	1541%
Total Selling and Administrative Expenses	236.4	204.8	31.6	15.4%

Administrative expenses increased by 15.4%, mainly due to an increase in activities to support the sales of the group of companies. and significant increase in loss on exchange rates.

### Financial positions of the Company

Assets Stated only for significant items	31-Mar-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>Assets</b>				
Trade and other receivables	1,392.5	2,019.5	(627.0)	(31.0%)
Unbilled receivables	1,188.1	1,051.8	136.3	13.0%
Prepayment for cost of services (included non-current items)	2,153.7	2,518.0	(364.3)	(14.5%)
<b>Total Assets</b>	<b>6,714.3</b>	<b>7,382.1</b>	<b>(667.8)</b>	<b>(9.0%)</b>

#### Assets

As of 31 March 2024, the company had total assets of Baht 6,714.3 million, a decrease of Baht 667.8 million or 9% from the end of last year, can be summarized below.

- Trade and other receivables decreased by Baht 627 million due to receipt of payment from the invoiced value arising from large number of deliverables work at the nearly end of 2023.
- Unbilled receivables increased by Baht 136.3 million due to projects that have been completed but are still in the process of being invoiced, particularly towards end of the current period.
- Prepayment for cost of services decreased by Baht 364.3 million, from the gradual recognition of costs associated with maintenance service contracts during the current quarter.

Liabilities and shareholders' equity Stated only for significant items	31-Mar-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>Liabilities</b>				
Trade and other payables	871.2	1,279.0	(407.8)	(31.9%)
Loans from related company	265.6	-	265.6	100.0%
Deferred income	1,751.5	1,979.3	(227.8)	(11.5%)
<b>Total Liabilities</b>	<b>4,087.2</b>	<b>4,824.8</b>	<b>(737.6)</b>	<b>(15.3%)</b>
<b>Shareholders' Equity</b>				
Retained earnings – Unappropriated	1,104.4	1,056.9	47.5	4.5%
Other components of shareholders' equity	19.9	0.1	19.8	>1,000%
<b>Total Shareholders' Equity</b>	<b>2,627.1</b>	<b>2,557.3</b>	<b>69.5</b>	<b>2.7%</b>

#### Liabilities and Shareholders' Equity

As of 31 March 2024, the company had total liabilities of Baht 4,087.2 million, a decrease of Baht 737.6 million or 15.3% from the end of last year, can be summarized below.

- Trade accounts payable decreased from the payable balances not yet due according to credit terms that were outstanding at the end of the year, with a significant reduction from payable that settled during the current quarter.

- Loans from related company encompass loans from TIS, a major shareholder who provided total loan amount during the current quarter of totaling USD 7.25 million.
- Deferred income decrease is related to the prepayment cost of services. This reduction aligns with revenue and cost recognition practices for maintenance services (MA) carried out during the current quarter.

Shareholders' equity increased by Baht 69.5 million, or 2.7%, due to the following reasons:

- Unappropriated retained earnings increased by Baht 47.5 million, resulting from net profits attributable to shareholders of the company for the 1st quarter of the current year.
- Other components of shareholders' equity increased by Baht 19.8 million due to the recognition profit from cash flow hedge reserve in the statement of other comprehensive income during the current quarter.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer