

12 November 2024

Subject: Management Discussion and Analysis - For the 3rd quarter period ended 30 September 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 3rd quarter period ended 30 September 2024 of Baht 90.5 million, net profit increase by Baht 44.1 million or 95.1% compared to the same period of last year which net profit were Baht 46.4 million. This Net Profit growth was primarily driven by efficient cost management, improved gross profit margins in core business services. In addition, gains from disposal of investment in subsidiary - Playtorium Solutions. Despite a 12.3% decrease in total revenue, largely due to a shift in cloud service purchasing behaviors. The Group remain recurring income from system maintenance agreements continued strengthen.

Overall Operating results

Description	Q3-24		Q3-23		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Sales and Services	1,577.0	100.0%	1,798.8	100.0%	(221.8)	-12.3%
Cost of Sales and Services	(1,332.2)	-84.5%	(1,561.3)	-86.8%	229.1	-14.7%
Gross Profit, before Operating Expenses	244.8	15.5%	237.5	13.2%	7.3	3.1%
Gain on disposal of investment in subsidiary	42.1	2.7%	-	0.0%	42.1	100.0%
Other income	41.5	2.6%	7.0	0.4%	34.5	492.9%
Profit (loss) on derivative at Fair value	(39.3)	-2.5%	9.6	0.5%	(48.9)	-509.4%
Selling and Administrative Expenses	(164.9)	-10.5%	(188.4)	-10.5%	23.5	-12.5%
Profit from Operating, before interest and Tax	124.2	7.9%	65.7	3.7%	58.5	89.1%
Share of Profit (loss) from Associates and joint ventures	(0.3)	0.0%	0.7	0.0%	(1.0)	-142.9%
Financial Costs	(8.7)	-0.6%	(6.3)	-0.4%	(2.4)	38.1%
<b>Net Profit, Before Corporate Tax</b>	<b>115.2</b>	<b>7.3%</b>	<b>60.1</b>	<b>3.3%</b>	<b>55.1</b>	<b>91.7%</b>
Corporate Income Tax	(24.5)	-1.6%	(14.1)	-0.8%	(10.4)	73.8%
<b>Net Profit</b>	<b>90.7</b>	<b>5.8%</b>	<b>46.0</b>	<b>2.6%</b>	<b>44.7</b>	<b>97.2%</b>
(Profit) loss attributed to non-controlling interests	(0.2)	0.0%	0.4	0.0%	(0.6)	-150.0%
<b>Net Profit, Parent portion</b>	<b>90.5</b>	<b>5.7%</b>	<b>46.4</b>	<b>2.6%</b>	<b>44.1</b>	<b>95.1%</b>

Comprised of:						
Profit (loss) from other activities						
Gain on disposal of investment in subsidiary	42.1	2.7%	-	0.0%	42.1	100.0%
Profit (loss) on derivative at Fair value	(39.3)	-2.5%	9.6	0.5%	(48.9)	-509.4%
Share of Profit (loss) from Associates and joint ventures	(0.3)	0.0%	0.7	0.0%	(1.0)	-142.9%
Profit from normal operations	88.0	5.6%	36.1	2.0%	51.9	143.9%
<b>Net Profit, Parent portion</b>	<b>90.5</b>	<b>5.7%</b>	<b>46.4</b>	<b>2.6%</b>	<b>44.1</b>	<b>95.1%</b>

The group's revenue decreased by Baht 221.8 million, or 12.3%, compared to the same period last year, due to reduced revenue from cloud services following changes in service models for cloud customers. However, the group reported by 8.5% increase in revenue from system maintenance agreement services (MA) compared to the previous period. Furthermore, the Group's gross profit margin increased as a result of efficient cost management. The gross profit and net profit from normal operations grew substantially by 143.9%, driven by overall core revenue growth and efficient cost management.

At the end of the third 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 6,696 million. The Group carried high recurring income representing 65% of the total backlog value.

1. Revenue from sales and services decrease from the same period of last year by Baht 221.8 million or 12.3% due following to:

Revenue from Business segment	Q3-2024		Q3-2023		Increase (decrease)	
	Million Baht	% total revenue	Million Baht	% total revenue	Million Baht	% Change
System Integration services	220	87.0	320	80.0	(68)	(4.7)
System maintenance services	941		867			
IT Professional services	210		252			
Cloud solution service	177	11.2	345	19.2	(168)	(48.7)
Other business	29	1.8	15	0.8	14	93.3
Total sales and services	1,577	100.0	1,799	100.0	(222)	(12.3)

Revenue from 3 main business segments accounted for 87% of total sales and service revenue for the current year. Core business revenue decreased by 68 million baht, or 4.7%, compared to the same period last year, despite Baht 100 million dropped in system integration revenue due to delays in several medium and large SI project deliveries toward the end of the third quarter. Nonetheless, system maintenance revenue grew by 8.5% due to continuous recurring income after completing various system development projects, with deliveries occurring since the end of 2023 and after mid-2024.

Cloud service revenue decreased by Baht 168 million, or 48.7%, compared to the same period last year, representing 11.2% of the group's total revenue this year. This cloud revenue decline was attributed to private enterprise clients shifting toward direct cloud service purchases since the second quarter. Nevertheless, the decrease in cloud service revenue was compensate by an increase in revenue and gross profit from other businesses, payment gateway services from the subsidiary - Prain Fintech, representing 90% revenue growth for the current period.

2. Gain from disposal of investment Baht 42.1 million, arose from sales of investment Playtorium Solutions at investment proceed of Baht 69.3 million. This transaction was completed, and resulted Playtorium ceased to be a subsidiary of the Group company effective from 30 September 2024.

3. Cost of sales and service decrease by Baht 229.1 million or 14.7% compared to the same period of last year.

Description	Q3-2024	Q3-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	1,577.0	1,798.8	(221.8)	(12.3)
Cost of sales and services	1,332.2	1,561.3	(229.1)	(14.7)
Gross Profit	244.8	237.5	7.3	3.1

Gross Profit (%)	15.5%	13.2%	+2.3%
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The cost of sales and services for the third quarter of the current year was Baht 1,332.2 million, align with the proportionate decrease in revenue. The group's overall gross profit margin for this period was 15.5%, showing a significant increase from the same period of last year. This improvement was driven by higher gross profit margins in the core business services, resulting from efficient cost management. Despite the impact from delays in the delivery of several medium and large SI projects, as well as a decrease in revenue from cloud services that affected the gross profit margin in the third quarter, as mentioned above in 1.

4. Selling and Administrative expenses decrease by Baht 23.5 million or 12.5% compared to the same period of last year.

Description	Q3-2024	Q3-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	44.4	31.5	12.9	41.0
Administrative expenses	120.5	156.9	(36.4)	(23.2)
Total Selling and Administrative Expenses	164.9	188.4	(23.5)	(12.5)

Revenue from sales and services	1,577.0	1,798.8	(221.8)	(12.3)
% Selling and administrative expenses to revenue	10.5%	10.5%	-	

Administrative expenses decreased by 12.5%, mainly due to an increase in the reallocation of personnel expenses to recognize as cost of services compared to the previous period, reflecting improved efficient human resource management. The selling and administrative expense-to-revenue ratio has shown a downward trend since early 2024, representing 10.5% for the current period due to efficient personnel cost management. while the company was able to increase its spending for expenses related to promote sales activities.

### Financial positions of the Company

Assets Stated only for significant items	30-Sep-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>Assets</b>				
Trade and other receivables	1,317.0	2,019.5	(702.5)	(34.8)
Prepayment for cost of services (included non-current items)	1,984.9	2,518.0	(533.1)	(21.2)
<b>Total Assets</b>	<b>6,189.7</b>	<b>7,382.1</b>	<b>(1,192.4)</b>	<b>(16.1)</b>

#### Assets

As of 30 September 2024, the company had total assets of Baht 6,189.7 million, a decrease of Baht 1,192.4 million or 16.1% from the end of last year, can be summarized below.

- Trade and other receivables decreased by Baht 702.5 million due to receipt of payment from the invoiced value arising from large number of deliverables work at the nearly end of 2023.
- Prepayment for cost of services decreased by Baht 533.1 million, from the gradual recognition of costs associated with maintenance service contracts during the current year.

Liabilities and shareholders' equity Stated only for significant items	30-Sep-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>Liabilities</b>				
Trade and other payables	620.3	1,279.0	(658.7)	(51.5)
Short-term loans from financial institutions	231.2	484.1	(252.9)	(52.2)
Loans from related company	352.2	-	352.2	100.0
Deferred income	1,439.7	1,979.3	(539.6)	(27.3)
<b>Total Liabilities</b>	<b>3,590.1</b>	<b>4,824.8</b>	<b>(1,234.7)</b>	<b>(25.6)</b>
<b>Shareholders' Equity</b>				
Retained earnings – Unappropriated	1,106.1	1,056.9	49.2	4.7
Non-controlling interest of the subsidiaries	18.4	22.2	(3.8)	(17.1)
<b>Total Shareholders' Equity</b>	<b>2,600.0</b>	<b>2,557.3</b>	<b>42.7</b>	<b>1.7</b>

#### Liabilities and Shareholders' Equity

As of 30 September 2024, the company had total liabilities of Baht 3,590.1 million, a decrease of Baht 1,234.7 million or 25.6% 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 year with outstanding balances of USD 10.9 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 42.7 million, or 1.7%, due to the following reasons:

- Unappropriated retained earnings increased by Baht 49.2 million, resulting from net profits attributable to shareholders of the company for the 9 months periods of the current year Baht 225.8 million, less dividend payment for the current year Baht 176.6 million.
- Non-controlling interests of the subsidiaries decreased by Baht 3.8 million due to the disposition of investment in Playtorium Solutions which resulted Playtorium ceased to be a subsidiary of the Group effective from 30 September 2024.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer