

25 February 2025

Subject: Management Discussion and Analysis - For the year ended 31 December 2024

To: The President of Stock Exchange of Thailand

MFEC Public Company Limited (“the Company”) would like to notify its operating performance results for the year ended 31 December 2024. The Company reported net profit attributable to the equity owner of the Company of Baht 272.3 million, in which Baht 244.1 million was net profit from normal business operations. Net profit decrease by Baht 408.8 million, or 60%, compared to the previous year’s net profit of Baht 681.1 million. The decrease was primarily due to a one-time gain from entire business transfer of a subsidiary recognized in 2023. Despite this, in 2024, the Company’s profit from normal operations grew significantly by Baht 218 million, an increase of 853%. This growth was driven mainly by effective cost management and an improved gross profit margin from core business revenues. While total revenue may not increase significantly from the previous year, this was primarily due to a shift in cloud service offerings, which resulted in lower cloud service revenue. However, the Company continued to experience growth in recurring income from system maintenance contracts.

Overall Operating results

Description	Year 2024		Year 2023		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from Sales and Services	6,739.3	100.0%	6,718.6	100.0%	20.7	0.3%
Cost of Sales and Services	(5,686.4)	-84.4%	(5,767.0)	-85.8%	80.6	-1.4%
Gross Profit, before Operating Expenses	1,052.9	15.6%	951.6	14.2%	101.3	10.6%
Gain on disposal of investment in subsidiary	42.1	0.6%	-	0.0%	42.1	100.0%
Other income	75.3	1.1%	48.6	0.7%	26.7	54.9%
Selling and administrative expenses	(796.2)	-11.8%	(880.2)	-13.1%	84.0	-9.5%
Operating Profit	374.1	5.6%	120.0	1.8%	254.1	211.7%
Share of profit (loss) from investment in joint venture and associates	(16.3)	-0.2%	6.8	0.1%	(23.1)	-339.7%
Finance income	11.4	0.2%	9.4	0.1%	2.0	21.3%
Finance cost	(34.4)	-0.5%	(23.4)	-0.3%	(11.0)	47.0%
Profit before income tax	334.8	5.0%	112.8	1.7%	222.0	196.8%
Income tax	(53.3)	-0.8%	(35.0)	-0.5%	(18.3)	52.3%
Profit from continuing operation	281.5	4.2%	77.8	1.2%	203.7	261.8%
Profit from discontinued operation	-	0.0%	639.8	9.5%	(639.8)	-100.0%
Profit for the year	281.5	4.2%	717.6	10.7%	(436.1)	-60.8%
Profit attributable to non-controlling interests of subsidiaries	(9.2)	-0.1%	(36.5)	-0.5%	27.3	-74.8%
Net Profit for the year - equity holders of the Company	272.3	4.0%	681.1	10.1%	(408.8)	-60.0%

Comprised of:						
Profit (loss) from other activities						
Gain on disposal of investment in subsidiary	42.1	0.6%	-	0.0%	42.1	100.0%
Gain on entire business transfer of the subsidiary	-	0.0%	649.6	9.7%	(649.6)	-100.0%
Profit (loss) on derivative at Fair value	2.4	0.0%	(0.9)	0.0%	3.3	-366.7%
Share of profit (loss) from investment in joint venture and associates	(16.3)	-0.2%	6.8	0.1%	(23.1)	-339.7%
Profit from normal operations	244.1	3.6%	25.6	0.4%	218.5	853.5%
Net Profit for the year - equity holders of the Company	272.3	4.0%	681.1	10.1%	(408.8)	-60.0%

The Group's total revenue increased by Baht 20.7 million, or 0.3%, compared to the previous year. System Maintenance Service (MA) revenue grew by 9.7%. The improvement in gross profit margin, driven by efficient cost management, contributed to a significant increase in profit from normal operations, which grew by 853% compared to the previous year.

As of year-end 2024, the Company had backlog value of Baht 7,262 million, which can generate continuous revenue over a maximum period of 6 years. Inside with this backlog, 58% consists of recurring income from long-term contracts.

1. Revenue from sales and services increase from last year by Baht 20.7 million or 0.3% due following to:

Revenue from Business segment	For the year 2024		For the year 2023		Increase (decrease)	
	Million Baht	% total revenue	Million Baht	% total revenue	Million Baht	% Change
System Integration services	1,101	83.9	1,228	81.8	159	2.9
System maintenance services	3,677		3,353			
IT Professional services	875		913			
Cloud solution service	969	14.4	1,162	17.3	(193)	(16.6)
Other business	117	1.7	63	0.9	54	85.7
Total sales and services	6,739	100.0	6,719	100.0	20	0.3

Revenue from the Company's 3 core business segments accounted for 84% of total sales and service revenue. Revenue from core businesses increased by Baht 159 million, or 2.9%, compared to the previous year, despite Baht 127 million decrease in system integration services revenue. The decrease was due to medium-and large-scale of SI project deliveries compared to the prior year. However, system maintenance service (MA) revenue grew by 10% due to the continued recognition of recurring income from several SI projects completed and delivered between mid-2024 and the last quarter of the current year.

Cloud solution service revenue decrease by Baht 193 million, or 16.6%, compared to the previous year, Cloud revenue is accounted for 14.4% of the Group's total revenue. This decrease resulted from enterprise customers shifting to purchasing cloud services directly from cloud providers, beginning in Q2 2024. However, the Group introduced cloud services technology from China, which assisted reduce customer project costs due to lower service fees. The Group started securing several cloud projects utilizing Chinese cloud technology for enterprise and corporate customers in the second half of 2024. Although total cloud service revenue declined, this shift is expected to improve the gross profit margin in this segment in the coming year.

2. Cost of sales and service decrease by Baht 80.6 million or 1.4% compared to last year.

Description	Year 2024	Year 2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Revenue from sales and services	6,739.3	6,718.6	20.7	0.3
Cost of sales and services	5,686.4	5,767.0	(80.6)	(1.4)
Gross Profit	1,052.9	951.6	101.3	10.6

Gross Profit (%)	15.6%	14.2%	+1.4%
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The Group's cost of sales and services for 2024 was Baht 5,686.4 million, with an overall gross profit margin of 15.6%, GP is significantly improved from the previous year. This increase was driven by higher margins in core business services resulting from effective cost management. Although cloud service revenue may decrease from last year, the Company achieved higher gross margins in cloud segment by introducing Chinese cloud services to enterprise and corporate customers in the second half of 2024. In addition, the subsidiary, Prain Fintech, contributed to overall gross profit growth through its payment gateway services, which stated revenue growth by 86% in 2024. This business segment significantly boosted the Group's profitability, as it operates with high % of gross profit margin by 70%.

3. Selling and Administrative expenses decrease by Baht 84 million or 9.5% compared last year.

Description	Year 2024	Year 2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling and distribution expenses	174.1	131.4	42.7	32.5
Administrative expenses	622.1	748.8	(126.7)	(16.9)
Total Selling and Administrative Expenses	796.2	880.2	(84.0)	(9.5)

Revenue from sales and services	6,739.3	6,718.6	20.7	0.3
% Selling and administrative expenses to revenue	11.8%	13.1%	(1.3%)	

Administrative expenses decreased by 9.5%, 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. Selling and administrative expense-to-revenue ratio has shown a downward trend since 2023, representing 11.8% for the current year due to efficient personnel cost management. while the company was able to increase its spending for expenses related to promote sales activities by 32%.

4. Profit from other activities

For the year 2023 and 2024, the Group recognized profit from other activities, detail as follows:

For the year 2023

The Company recognized a one-time gain from the entire business transfer (EBT) of a subsidiary. This included the divestment of Vulcan Digital Delivery (VDD) in Q1 2023. VDD primarily operated within the IT professional services sector. The Company recorded profit from business transfer of this subsidiary Baht 649.6 million, which was reported under discontinued operations for the year 2023.

For the year 2024

The Company recorded profit from disposal of subsidiary of Baht 42.1 million from the divestment of its subsidiary, Playtorium Solutions, which was reported as profit from other activities Baht 69.3 million. This transaction was completed on 30 September 2024, resulted in Playtorium ceasing to be a subsidiary on the same date.

Financial positions of the Company

Assets Stated only for significant items:	31-Dec-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Assets				
Trade and other receivables	1,946.1	2,019.5	(73.4)	(3.6)
Unbilled receivables	923.8	1,051.8	(128.0)	(12.2)
Prepayment for cost of services (included non-current items)	2,250.2	2,518.0	(267.8)	(10.6)
Investment in joint ventures and associates	400.9	387.0	13.9	3.6
Total Assets	6,940.6	7,382.1	(441.5)	(6.0)

Assets

As of 31 December 2024, the company had total assets of Baht 6,940.6 million, a decrease of Baht 441.5 million or 6% from the end of last year, can be summarized below.

- trade and other receivables decrease by Baht 73.4 million, due to cash collection from a significant number of completed and invoiced projects toward the end of 2024.
- Unbilled receivables decreased by Baht 128 million, as project deliveries and invoicing were executed more efficiently. This reduction in unbilled revenue contributed to an improvement in the Company's overall liquidity during the year.
- Prepayment for cost of service (including non-current items) decrease by Baht 267.8 million, as maintenance contract costs were gradually recognized over the year.

- Investments in joint ventures and associates increased by Baht 13.9 million, mainly from an investment through Synergy Group Ventures, which acquired a 40% stake in Nerves Enterprise Cloud Systems, a specialist in ERP system implementation for both public and private sector enterprises using open-source technology. This investment was made in December 2024 of Baht 28 million.

Liabilities and shareholders' equity Stated only for significant items	31-Dec-2024	31-Dec-2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Liabilities				
Trade and other payables	953.9	1,279.0	(325.1)	(25.4)
Short-term loans from financial institutions	296.3	484.1	(187.8)	(38.8)
Deferred income	2,068.6	1,979.3	89.3	4.5

Total Liabilities	4,316.1	4,824.7	(508.6)	(10.5)
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Shareholders' Equity				
Retained earnings – Unappropriated	1,136.8	1,056.9	79.9	7.6

Total Shareholders' Equity	2,624.5	2,557.3	67.2	2.6
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Liabilities and Shareholders' Equity

As of 31 December 2024, the company had total liabilities of Baht 4,316.1 million, a decrease of Baht 508.6 million or 10.5% from the end of last year, can be summarized below.

- trade payables decrease, as outstanding balances due within credit terms were settled near year-end.
- Short-term borrowings from financial institutions decreased by Baht 187.8 million, reflecting improved cash flow and liquidity. The Company's operating cash flow for 2024 reached Baht 552 million, nearly 9 times higher than the previous year.
- Deferred revenue decrease, corresponding to the reduction in prepaid service costs, as revenue and costs from maintenance (MA) contracts were progressively recognized during the year.

Shareholders' equity increased by Baht 67.2 million, or 2.6%, due to the following reasons:

- Unappropriated retained earnings increased by Baht 79.9 million, resulting from net profits attributable to shareholders of the company for the year Baht 272 million, less dividend payment for the current year Baht 176.6 million.



Capital Structure

As of 31 December 2024, the Company reported total interest-bearing debts of Baht 296 million (2023: Baht 484 million), representing promissory notes not exceeding to 150 days to support new order received during the year. Interest-bearing debt to equity ratio was at 0.11 time (2023: 0.19 times) which is still relatively low. The Company emphasize on the importance of effective management of its capital structure to be resilient towards the volatile money market and capital market, as well as maintain its financing cost at an optimum level for its businesses going forward.

Please be informed in accordingly.

Your sincerely,

(Mr. Siriwat Vongjarukorn)

Chief Executive Officer