

PROEN Corp Public Company Limited

Management Discuss and Analysis Quarter 3 Ending 30 September 2021

Operating Result for the Quarter 3/2021

Quarter 3/2021, the Group had total revenue of 695.16 million baht, decreasing by 6.45 percent compared with the same period of the previous year. The main reason of such decrease was due to the revenue from the construction contract business for telecommunication and infrastructure in many projects where works were already delivered 100 %, therefore, the recognition of the revenue on this part significantly decreased. However, at the same period of time, the revenue of ICT business from selling server computers and telecommunication network equipment was 401.26 million baht, increasing by 71.89 percent, and the revenue from internet data center service provision was 232.54 million baht, increasing by 18.01 percent compared with the same period of the previous year. The Group had net profit of 20.77 million baht, decreasing by 14.37 percent compared with the same period of the previous year.

Operating Result	Quarter 3/2020 (3 Months)		Quarter 3/2021 (3 Months)		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Total revenue from sales and services	258.51	100.00%	242.00	100.00%	(16.51)	(6.38%)
Total cost of sales and services	217.53	84.15%	212.58	87.84%	(4.95)	(2.27%)
Gross profit	40.98	15.85%	29.42	12.16%	(11.56)	(28.20%)
Other revenue	0.67	0.26%	0.37	0.15%	(0.30)	(44.47%)
Selling expenses	3.11	1.21%	4.19	1.73%	1.08	34.43%
Administrative expenses	30.88	11.94%	22.36	9.24%	(8.52)	(27.58%)
Profit (Loss) before interest and income tax	7.66	2.96%	3.24	1.34%	(4.42)	(57.60%)
Financial costs	3.99	1.54%	2.02	0.84%	(1.97)	(49.26%)
Profit (Loss) before income tax expense	3.67	1.42%	1.22	0.50%	(2.45)	(66.68%)
Corporate income tax	2.33	0.90%	0.67	0.28%	(1.66)	(71.16%)
Net profit	1.34	0.52%	0.55	0.22%	(0.79)	(58.89%)



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Operating Result	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Total revenue from sales and services	741.47	100.00%	693.09	100.00%	(48.38)	(6.53%)
Total cost of sales and services	610.15	82.29%	593.22	85.59%	(16.93)	(2.77%)
Gross profit	131.32	17.71%	99.87	14.41%	(31.45)	(23.95%)
Other income	1.62	0.22%	2.07	0.30%	0.45	27.94%
Selling expenses	10.23	1.38%	12.12	1.75%	1.89	18.48%
Administrative expenses	75.16	10.14%	58.59	8.45%	(16.57)	(22.04%)
Profit (Loss) before interest and income tax	47.55	6.41%	31.23	4.51%	(16.32)	(34.33%)
Financial costs	12.91	1.74%	7.54	1.09%	(5.37)	(41.61%)
Profit (Loss) before income tax expense	34.64	4.67%	23.69	3.42%	(10.95)	(31.62%)
Corporate income tax	10.39	1.40%	2.92	0.42%	(7.47)	(71.90%)
Net profit	24.25	3.27%	20.77	3.00%	(3.48)	(14.37%)

Revenue, Cost, and Gross profit

Quarter 3/2021, the main revenue of the Group was derived from the ICT business; the ratio of revenue from ICT business to the revenue from selling and providing service increased since the customers of the companies in the businesses related to E-Commerce and Game Online had expanded significant investment during the situation of COVID-19 transmission, resulted in the increase of revenue from selling of the ICT business of the Group by 71.89 percent; and the revenue from service provision increased by 18.01 percent compared with the same period of the previous year, resulted in the increased ratio of revenue from the total revenue, equal to the ratio of revenue from ICT business of 91.17 percent of the total revenue in the Quarter 3/2021. This could be explained as follows:

Type of Revenue	Quarter 3/2020 (3 Months)		Quarter 3/2021 (3 Months)		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sale	112.96	43.59%	177.58	73.27%	64.62	57.20%
Revenue from service	65.16	25.14%	64.36	26.56%	(0.79)	(1.21%)
Revenue from construction contracts	80.39	31.02%	0.06	0.02%	(80.33)	(99.93%)
Total revenue from sales and services	258.51	99.74%	242.00	99.85%	(16.50)	(6.38%)
Other income	0.67	0.26%	0.37	0.15%	(0.30)	(44.47%)
Total revenue	259.18	100.00%	242.37	100.00%	(16.81)	(6.48%)



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Type of Revenue	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sale	233.44	31.41%	401.26	57.72%	167.82	71.89%
Revenue from service	197.05	26.52%	232.54	33.45%	35.49	18.01%
Revenue from construction contracts	310.98	41.85%	59.29	8.53%	(251.69)	(80.93%)
Total revenue from sales and services	741.47	99.78%	693.09	99.70%	(48.38)	(6.53%)
Other income	1.62	0.22%	2.07	0.30%	0.45	27.94%
Total revenue	743.09	100.00%	695.16	100.00%	(47.93)	(6.45%)

1. Technology and Communication Business consist of:

1.1. Telecommunication network equipment sales business

Telecommunication network equipment sales business	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from sale of telecommunication network equipment	233.44	100.00%	401.26	100.00%	167.82	71.89%
Cost of telecommunication network equipment	218.05	93.41%	372.25	92.77%	154.20	70.72%
Gross profit from sale of telecommunication network equipment	15.39	6.59%	29.01	7.23%	13.62	88.53%

Revenue from selling the telecommunication network equipment distribution in the Quarter 3/2021 had still increased continuously from the Quarter 2/2021 by 53.75 million baht, equal to the increase of 43.40 percent (QoQ). Much of this was from selling server and computer equipment to Garena customers who operates business related to game online and online store; also, the revenue was from delivering the personal inspection network system equipment (TERMINAL) to the government agency – immigration agency in Tak Province for 100 %. In the Quarter 3/2021, the Group had the increased revenue by 167.82 million baht, equal to the increase of 71.89 percent, and had increased gross profit by 13.62 million baht, equal to the increase of 88.53 percent compared with the same period of the previous year.



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1.2 Telecommunication Service Business

Telecommunication Service Business	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase	% Increase
	MB.	%	MB.	%	(Decrease)	(Decrease)
Revenue from telecommunication service business						
1. Revenue from Internet Data Center (IDC) service	96.32	48.88%	106.41	45.76%	10.09	10.48%
2. Revenue from Internet Service Provider (ISP) service	52.00	26.39%	48.47	20.84%	(3.53)	(6.80%)
3. Revenue from project service	20.69	10.50%	44.92	19.32%	24.23	117.11%
4. Revenue from providing other services	28.04	14.23%	32.74	14.08%	4.70	16.78%
Total revenue of telecommunication business	197.05	100.00%	232.54	100.00%	35.49	18.01%
Cost of telecommunication network service						
Variable cost: Internet and network service charges, and electric expense of IDC	80.90	41.05%	90.63	38.98%	9.73	12.04%
Fixed cost: rental cost, depreciation and amortization cost, cost related to employee, contractor labor cost, and other costs	48.85	24.79%	74.12	31.87%	25.27	51.73%
Total cost of telecommunication network service	129.75	65.84%	164.75	70.85%	35.00	26.98%
Gross profit of telecommunication network service	67.30	34.16%	67.79	29.15%	0.49	0.72%

Quarter 3/2021, the revenue from IDC service provision increased by 10.09 million baht equal to the increase of 10.48 percent, and the revenue from service provision in three projects, where all 100 % works were already delivered, increased by 24.23 million baht equal to the increase of 117.11 percent. Whereas, the cost from telecommunication network service provision business increased for more than the ratio of the increase of revenue since the cost from electricity was higher, thus making the gross margin decrease from 34.16 percent to 29.15 percent, which was the increase of the gross profit of only 0.49 million baht equal to 0.72 percent compared with the same period of the previous year.



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2. Construction Business

Construction Business	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase (Decrease)	% Increase (Decrease)
	MB.	%	MB.	%		
Revenue from construction business	310.98	100.00%	59.29	100.00%	(251.69)	(80.93%)
Cost of projects under construction business	262.35	84.36%	56.22	94.81%	(206.13)	(78.57%)
Gross profit from construction contract	48.63	15.64%	3.07	5.19%	(45.56)	(93.68%)

Quarter 3/2021, the Group had conducted 9 projects in total, most of these were the power cable construction contract and Data Center room construction of a financial institution, with the decreased revenue by 251.69 million baht equal to the decrease of 80.93 percent, because in some projects there were some work being already delivered in 2020, and in 2021 there were some delays in some projects due to the COVID-19 transmission situation thus making it impossible to recognize the revenue increased from the previous year, resulted in the decrease of the profit margin by 45.56 million baht equal to the decrease of 93.68 percent compared with the same period of the previous year.

Other Income

Quarter 3/2021 were interest earned from the financial institution and interest earned under the Hire Purchase Agreement (Google Station Project work), and the profit from selling properties; other revenues increased by 0.45 million baht equal to the increase of 27.94 percent compared with the same period of the previous year.

Selling Expenses

Selling Expenses	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase (Decrease)	% Increase (Decrease)
	MB.	%	MB.	%		
Payroll, labor cost, and expenses related to employee	9.16	89.52%	10.38	85.60%	1.22	13.29%
Brokerage fee	0.36	3.50%	0.12	0.99%	(0.24)	(66.47%)
Cost of advertising and PR	0.44	4.29%	0.95	7.83%	0.51	116.39%
Other expenses	0.27	2.70%	0.67	5.59%	0.40	145.50%
Total selling expenses	10.23	100.00%	12.12	100.00%	1.89	18.48%

The main selling expenses in the Quarter 3/2021 were salary, wage, and expenses related to marketing and sales employees; the expenses related to marketing and sales employees increased due to the increase of the number of employees to support the business expansion related to the telecommunication network and construction contract. The selling expenses in the Quarter 3/2021 increased by 1.89 million baht equal to 18.48 percent compared with the same period of the previous year.



Administrative Expenses

Administrative Expenses	Quarter 3/2020 (9 Months)		Quarter 3/2021 (9 Months)		Increase	% Increase
	MB.	%	MB.	%	MB.	%
Expenses related to employees	26.59	35.38%	30.37	51.85%	3.78	14.23%
Allowance for doubtful accounts	21.52	28.63%	(0.33)	(0.56%)	(21.85)	(101.53%)
Advisor and auditor fees	8.53	11.34%	8.72	14.88%	0.19	2.24%
Depreciation and amortization	6.69	8.90%	5.35	9.13%	(1.34)	(20.08%)
Bank fee	5.71	7.59%	4.40	7.50%	(1.31)	(22.98%)
Rental, public utility, and maintenance cost	2.08	2.77%	1.95	3.34%	(0.13)	(6.08%)
Insurance premium	1.59	2.12%	1.62	2.76%	0.03	1.79%
Other expenses	2.45	3.26%	6.51	11.10%	4.06	165.68%
Total administrative expenses	75.16	100.00%	58.59	100.00%	(16.57)	(22.04%)

The administrative expenses in the Quarter 3/2021 decreased by 16.57 million baht equal to the decrease of 22.04 percent compared with the same period of the previous year; the main reasons for this were: 1) the reversal entry of allowance for doubtful accounts where the money could be collected from the outstanding accounts receivable at the end period of 2020, and 2) on the bank fee in the current period, the Group has not yet requested to use loan amount borrowed from the financial institution additionally in order to spend in the management of the project because the money from IPO was used in place of the demand from the financial institution.

Financial Cost

The financial cost in the Quarter 3/2021 decreased by 5.37 million baht equal to the decrease of 41.61 percent compared with the same period of the previous year. This was mainly the result of the repayment of loan borrowed from the financial institution which was spent in managing the project, and the result of the use of IPO money to repay the overdraft and short-term loan from the financial institution.

Net profit and Net profit margin

The net profit in the Quarter 3/2021 decreased by 3.48 million baht equal to the decrease of 14.37 percent compared with the same period of the previous year; this was from the recognition of revenue and profit from the construction business which decreased due to the fact that works in many projects were already delivered 100 %, but the performance on part of making profit from the telecommunication network equipment distribution business increased due to the increased demand for equipment of Garena customers, and the profit from the telecommunication network service business especially from IDC service provision increased considerably, and also due to the reversal entry of allowance for doubtful accounts where the money could be collected from the outstanding accounts receivable at the end period of 2020.



Statement of Financial Position

Consolidated Financial Statements (Unit: million Baht)	31-Dec-20	30-Sep-21	Increase (Decrease)	% Increase (Decrease)	% Proportion per total assets
Assets					
Current asset	417.54	611.47	193.93	46.45%	71.07%
Non-current asset	249.40	248.96	(0.44)	(0.18%)	28.93%
Total assets	666.94	860.43	193.49	29.01%	100.00%
Liabilities and shareholders' equity					
Current liabilities	411.58	368.73	(42.85)	(10.41%)	42.86%
Non-current liabilities	104.88	80.31	(24.57)	(23.43%)	9.33%
Shareholders' equity	150.48	411.39	260.91	173.39%	47.81%
Total liabilities and shareholders' equity	666.94	860.43	193.49	29.01%	100.00%

Total Assets

Consolidated Financial Statements (Unit: million Baht)	31-Dec-20	30-Sep-21	Increase (Decrease)	% Increase (Decrease)	% Proportion per total assets
Cash and cash equivalents	85.40	19.95	(65.45)	(76.64%)	2.32%
Pledged bank deposit	70.85	73.35	2.50	3.53%	8.53%
Account receivable and other receivable	297.83	414.49	116.66	39.17%	48.17%
Inventory	20.41	10.71	(9.70)	(47.52%)	1.25%
Land, building with equipment, and right-of-use assets	148.00	147.60	(0.40)	(0.27%)	17.15%
Other assets	44.45	194.33	149.88	337.22%	22.58%
Total assets	666.94	860.43	193.49	29.01%	100.00%

Total assets as at 30 September, 2021 increased; mainly, these were the increase of cash received from selling ordinary shares and from taking money to invest in the bond (Other assets) for 150.00 million baht; also, the increase of accounts receivable in the service work of the project where the work was already delivered 100 % and it was during the waiting time to collect money from the customer. As at 30 September, 2021, the Group had total assets of 860.43 million baht, increasing by 193.49 million baht equal to the increase of 29.01 percent compared with that at the end of the Year 2020.



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Total Liabilities

Consolidated Financial Statements (Unit: million Baht)	31-Dec-20	30-Sep-21	Increase (Decrease)	% Increase (Decrease)	% Proportion per total assets
Trade and other current payables	268.99	292.20	23.21	8.63%	33.96%
Loan from financial institutions	168.14	98.22	(69.92)	(41.59%)	11.42%
Liabilities under leasing agreements	47.71	30.88	(16.83)	(35.27%)	3.59%
Other liabilities	31.61	27.74	(3.87)	(12.25%)	3.22%
Total liabilities	516.46	449.04	(67.42)	(13.05%)	52.19%

Total debt as at 30 September, 2021 decreased mainly due to the decrease of accounts payable and other creditors and the decrease of loan from the financial institution, which was the result from taking cash flow received from selling ordinary shares to repay the loan borrowed from the financial institution. As at 30 September, 2021, the Group had total debt of 449.04 million baht, decreasing by 67.42 million baht equal to the decrease of 13.05 percent compared with that at the end of the Year 2020.

Shareholders' Equity

Consolidated Financial Statements (Unit: million Baht)	31-Dec-20	30-Sep-21	Increase (Decrease)	% Increase (Decrease)	% Proportion per total assets
Paid-up capital	115.00	158.00	43.00	37.39%	18.36%
Ordinary share premium	0.00	228.73	228.73	100.00%	26.58%
Surplus (deficits) from business combinations	1.18	1.18	0.00	-	0.14%
Legal reserve	7.00	8.06	1.06	15.14%	0.94%
Cumulative profit	27.30	15.42	(11.88)	(43.52%)	1.79%
Total shareholders' equity	150.48	411.39	260.91	173.39%	47.81%

The total shareholders' equity as at 30 September, 2021 increased significantly mainly due to the increase of ordinary shares and the excess of value of ordinary shares from selling in the amount of 271.73 million baht, and the decrease of accumulated profit which was caused by the payment of bonus to the shareholders in the amount of 31.60 million baht. As at 30 September, 2021, the Group had total shareholders' shares in the amount of 411.39 million baht, increasing by 260.91 million baht equal to the increase of 173.39 percent compared with that at the end of the Year 2020.



Key Financial Ratio

Financial Ratio	Unit	As of 31 Dec 2020	As of 30 Sep 2021	Increase (Decrease)
Liquidity ratio	time	1.01	1.66	0.65
Quick ratio	time	0.93	1.63	0.70
Return on Equity (ROA)	%	19.40	7.77	(11.63)
Return on Assets (ROE)	%	3.94	2.86	(1.08)
Interest Bearing Debt	time	1.43	0.31	(1.12)
D/E ratio	time	3.43	1.09	(2.34)

● Liquidity Ratio and Quick Ratio

As at 30 September, 2021, the Liquidity ratio and quick liquidity ratio was higher considerably, thus making the Group to be more liquid due to the increase of cash from selling ordinary shares and the decrease of overdraft and short-term loan from the financial institution.

● Operating Efficiency Ratio

As at 30 September, 2021, the return on assets and the return on equity decreased compared with that at the end of the period at 31 December, 2020 due to the increase of current assets where the liquidity was high and the increase of shareholders' equity from selling IPO ordinary shares.

● Financial Policy Ratio

As at 30 September, 2021, the Group had Interest-Bearing D/E ratio of 0.31 times, decreased by 1.12 times, and the D/E ratio was 1.09 times, decreasing by 2.34 times compared with that at the end of the period at 31 December, 2020 due to the decrease of overdraft and the short-term loan from the financial institution and the increase of net profit from the performance.

