

No. INSET 095/2566

10 August 2023

 Subject Management Discussion and Analysis of the 2nd Quarter 2023 Operating Results

 Dear Governors and President
 Stock Exchange of Thailand

Infraset Public Company Limited (the “Company”) hereby submitted the Management Discussion and Analysis of the 2nd Quarter 2023 operating results, ending 30 June 2023. Details are as follows:

Operating Result Overview

For the three-month periods ended 30 June 2022 and 2023, the Company’s revenues were 434.73 million Baht and 710.71 million Baht, respectively. In Q2/2023, Company’s revenues consist of revenue from sales of 395.12 million Baht, revenue from services of 309.56 million Baht and other income of 6.04 million Baht, representing 55.59%, 43.56 % and 0.85% of total revenue, respectively. The revenue from services derive from 3 main business, which are Data Center & Information Technology Infrastructure Business, followed by, Maintenance and Service Business, and Telecommunications and Transportation Infrastructure Business, respectively. The revenue ‘s proportion of each type of business to total revenue from services accounted for 59.57%, 20.91% and 19.52%, respectively.

Operating Result Overview	Q2/23	Q1/23	Q2/22	Increase (Decrease)		Increase (Decrease)	
30 June	Million Baht			Q2/23 VS Q1/23		Q2/23 VS Q2/22	
Revenue from sales	395.12	67.57	-	327.55	484.75%	395.12	100.00%
Revenue from services	309.56	379.64	434.03	(70.08)	-18.46%	(124.47)	-28.68%
Other income	6.04	5.59	0.70	0.45	8.08%	5.34	760.42%
Total Revenues	710.71	452.80	434.73	257.92	56.96%	275.98	63.48%
Cost of sales	365.41	66.15	0.00	299.26	452.41%	365.41	100.00%
Cost of services	278.91	337.67	368.89	(58.76)	-17.40%	(89.99)	-24.39%
Distribution costs	1.53	2.41	1.32	(0.87)	-36.32%	0.22	16.41%
Administrative expenses	11.84	15.41	12.82	(3.58)	-23.20%	(0.98)	-7.65%
Total Expenses	657.68	421.64	383.03	236.04	55.98%	274.66	71.71%
Profit from operating activities	53.03	31.16	51.70	21.87	70.17%	1.32	2.56%
Finance costs	0.53	0.11	0.13	0.42	379.35%	0.40	298.83%
Tax expenses	10.84	6.74	10.36	4.09	60.70%	0.48	4.61%
Profit for the periods	41.66	24.31	41.21	17.35	71.39%	0.45	1.09%

For the three-month periods ended 30 June 2022 and 2023, the Company's net profits were 41.21 million Baht and 41.66 million Baht respectively. The corresponding net profit margins were 9.48% and 5.86% respectively. The Company's net profit increased from last year by 0.45 million Baht or 1.09%; while the Company's net profit margins decreased. The major reasons were as follows.

1. An increase in revenue from sales, which is a new business that start recognizing revenue in Q1/2023, namely Trading Telecom & Hardware IT Equipment Business related to telecommunication equipment such as Access Point (AP), Optical Network Unit (ONU), etc. In addition, the Company recognized sales of equipment for the sustainable digital community ecosystem development project activity 1, which caused revenue from sales in Q2/2023 to increase from Q1/2023 by 327.55 million Baht or 484.75%. However, due to the nature of the trading business as a low-risk business, the gross profit margin is relatively low compared to the service business.
2. In Q2/2023, cost of services decreased in lower proportion to the decrease in revenue from services. As a result, the gross profit margin of revenue from services was 9.90%, a decrease from the same period last year, which was 15.01%. This resulted from the revenue recognition in this quarter deriving from the large and highly competitive projects, which gross profit margin was relatively low. The Company recognized revenue from the aforementioned projects, representing 53.76% of revenue from services.

Revenue and Gross Profit from Services by Business

Data Center & Information Technology Infrastructure Business

For the three-month periods ended 30 June 2022 and 2023, the Company's revenues from Data Center & Information Technology Infrastructure Business were 182.10 million Baht and 184.41 million Baht, respectively. The corresponding gross profits were 24.68 million Baht and 19.04 million Baht respectively. The Company's revenues from the business increased from last year, while gross profit from such business decreased. This was mainly due to the revenue recognition of large projects with highly competitive resulting in a relatively low gross profit margin, such as the sustainable digital community ecosystem development project activity 1, Facility (M&E) system with service installation for TELLUS2 project, etc.

Telecommunications and Transportation Infrastructure Business

For the three-month periods ended 30 June 2022 and 2023, the Company's revenues from Telecommunications and Transportation Infrastructure Business were 200.46 million Baht and 60.41 million Baht, respectively. The corresponding gross profits were 30.57 million Baht and 7.02 million Baht respectively. The revenue and gross profit from the business decreased from last year since in Q2/2022, the revenue was recognized from the large project, namely, the Replacement of Overhead Power Line with Underground Power Cable System to Enhance Eastern Aviation City's Landscape Project. Whereas, the major revenue recognition in Q2/2023 derived from Civil Works for New Sites and Upgrade Sites project.

Maintenance and Service Business

For the three-month periods ended 30 June 2022 and 2023, the Company's revenues from Maintenance and Service Business were 51.47 million Baht and 64.73 million Baht, respectively. The corresponding gross profits were 19.06 million Baht and 15.60 million Baht, respectively. The Company's revenue from the business increased while gross profit from such business decreased. The revenue recognition in this quarter mainly derived from MA USO I and MA USO II projects, and MA for fiber optic cable network of the Ministry of Higher Education, Science, Research and Innovation.

Personnel Costs

For the three-month periods ended 30 June 2022 and 2023, the Company's personnel costs were 8.37 million Baht and 8.72 million Baht respectively. The costs were comprised of the salaries, bonuses, related expenses of the employees, and incentives of Installation and Service Department. The costs increased because an increase in the number of employees of Installation and Service Department from 72 staff in Q2/2022 to 77 staff in Q2/2023.

Distribution Costs

For the three-month periods ended 30 June 2022 and 2023, the Company's distribution costs were 1.32 million Baht and 1.53 million Baht, respectively. The major expense that increased from last year were salary and entertainment expense. While, the expense that decreased from last year was advertisement expense and sales commissions.

Administrative Expenses

For the three-month periods ended 30 June 2022 and 2023, the Company's administrative expenses were 12.82 million Baht and 11.84 million Baht, respectively. The main expenses were the compensations for administrative employees such as salaries, bonuses, remuneration for the executive committee and other employees' benefits. Major expenses that increased from last year were licenses expense and incentives; while the major expenses that decreased from last year were remuneration for the executive committee.

Please be informed accordingly.

Yours sincerely,

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(Mr. Sakboworn Pukkanasut)
Managing Director