



May 12, 2023

Subject: Management Discussion and Analysis of the operating results for the period ended March 31, 2023

To President
The Stock Exchange of Thailand

Asphere Innovation Public Company Limited has submitted its financial statements, which include the results of its subsidiaries, for the period ending on March 31, 2023. These statements were reviewed by Mazars Limited, the auditor, and approved by the Board of Directors on May 12, 2023.

Key Highlights for Q1/2023 vs Q4/2022

- Revenue decreased by 13.2%
- Gross profit decreased by 26.5%
- Net profit increased by 378.0%

Summary of Q1/2023

For the first quarter of 2023, the company experienced a decrease in revenue of 13.2% and a decrease in gross profit of 26.5%, compared to the previous quarter. However, the net profit increased by 378.0%. The company attributes this success to good operation management, specifically in terms of gamer retention and cost management, even though no flagship game was launched during this period.

Unit : Million Baht	Profit & Loss for 3 months ended Mar 31, 2023 and 2022 and 31 Dec 2022									
Financial Statement	Q1/2023	%	Q4/2022	%	Q1/2022	%	Variance QoQ	%	Variance YoY	%
Revenues from sales and services	320.1	100.0	368.7	100.0	403.8	100.0	(48.6)	(13.2)	(83.7)	(20.7)
Cost of sales and services	(192.6)	(60.2)	(195.2)	(52.9)	(195.4)	(48.4)	2.6	(1.3)	2.8	(1.4)
Gross Profit (Loss)	127.5	39.8	173.5	47.1	208.4	51.6	(46.0)	(26.5)	(80.9)	(38.8)
Selling & Admin Expenses	(83.2)	(26.0)	(135.5)	(36.8)	(135.1)	(33.5)	52.3	(38.6)	51.9	(38.4)
Operating Profit (Loss) *	44.3	13.8	38.0	10.3	73.3	18.2	6.3	16.6	(29.0)	(39.6)
Others	(0.8)	(0.2)	(28.9)	(7.8)	29.5	(32.2)	28.1	(97.2)	(30.3)	(102.7)
Net Profit (Loss) **	43.5	13.6	9.1	2.5	102.8	25.5	34.4	378.0	(59.3)	(57.7)

Remark:

* Profit (Loss) before the one-time expense

** Net Profit (Loss) on parent company



1. Revenues

Unit: Million Baht	Profit & Loss for 3 months ended Mar 31, 2023 and 2022 and 31 Dec 2022									
Revenue by country	Q1/2023	%	Q4/2022	%	Q1/2022	%	Variance QoQ	%	Variance YoY	%
Thai	78.0	24.4%	116.0	31.5%	164.0	40.6%	(38.0)	-32.8%	(86.0)	-52.4%
Singapore	152.0	47.5%	144.0	39.1%	144.0	35.6%	8.0	5.6%	8.0	5.6%
Malaysia	23.0	7.2%	28.0	7.6%	33.0	8.2%	(5.0)	-17.9%	(10.0)	-30.3%
Philippines	39.0	12.2%	55.0	14.9%	44.0	10.9%	(16.0)	-29.1%	(5.0)	-11.4%
Vietnam	28.0	8.8%	25.0	6.8%	19.0	4.7%	3.0	12.0%	9.0	47.4%
Total	320.0	100.0%	368.0	100.0%	404.0	100.0%	(48.0)	-13.0%	(84.0)	-20.8%

In terms of revenues, the company earned Baht 320.1 million from sales and services in the first quarter of 2023, a decrease of 13.2% from the previous quarter and a YoY decrease of 20.7%. This drop was primarily caused by declining markets in Thailand, Malaysia, and the Philippines. However, markets in Singapore and Vietnam continue to show growth. The revenue structure between PC and Mobile platforms is 83.2% and 16.8% of total revenue. The majority of revenue in Q1/2023 came from existing games, as the company launched only one game in Vietnam, Cyber of Fantasy, in middle March 2023. In contrast, the group launched the game Terra Classic across SEA in Q4/2022.

2. Cost of Goods Sold

The cost of goods sold for the first quarter of 2023 was Baht 192.6 million, or declined by 1.3% compared to previous quarter, and 1.4% compared to previous year (Q1 2022). The lower in cost of goods sold was due to the decrease in royalty fees from the revenue decrease. However, there is one time cost due to the impairment of games online, amounting to Baht 20.1 million during Q1 2023.

3. Gross Profit

Gross profit for the first quarter of 2023 was Baht 127.5 million or 39.8% of revenues from sales and services. This amount represents a 26.5% decrease from the prior quarter, mainly due to a decrease in revenue and the one-time cost due to the impairment of games online, amounting to Baht 20.1 million during Q1 2023.



4. Selling and Admin Expenses

Selling and admin expenses for the first quarter of 2023 were Baht 83.2 million, a 38.6% decrease from the previous quarter. This decrease was primarily due to a decrease in marketing expenses for new game launches during the fourth quarter of 2022, including Tera Classic mobile, both domestically and overseas. The upfront and pre-marketing expenses for new game launches represent around 70-80% of the total game marketing budget during the first 1-2 months of the game launch. Additionally, during this quarter, the contribution from mobile platforms decreased to 16.8% of total revenue, resulting in lower channel fees charged from the official store by Baht 20.9 million. Compared to the same quarter in the previous year, the selling and administrative expense decreased by 38.4%, mainly due to the channeling fees from the Apple store and Play store decreasing by Baht 15.2 million and marketing expenses decreasing by Baht 22.1 million.

5. Net Profit (Loss)

During the first quarter of 2023, the Group achieved a net profit of Baht 43.5 million or 13.6% of revenue, an increase of 378.0% from the previous quarter. This increase can be attributed to several factors, including decreased channel fees resulting from more mobile games being launched on official iOS/Google stores, higher taxes due to fully utilizing available tax credits, and the fluctuation of the USD currency resulting in a higher unrealized loss on the exchange rate for Baht 8.6 million from holding USD currency in the balance sheet.

Kindly be informed accordingly.

Yours faithfully,

Mr. Chawanin Tritavornyueng

Group Finance and Account Director