



18 February 2019

LIT 2019/011

Topic Operating Result for the year 2018

To The President of the Stock Exchange of Thailand

According to the meeting organized by the Board of Directors of Lease IT Public Company Limited No.2/2019, on 18<sup>th</sup> February 2019, the financial statements and overall operations of the Company in the year 2018; ended on 31<sup>st</sup> December 2018 which has been reviewed by the auditors of EY Office Limited, were approved by the Boards.

The Company had set three strategic plans for year 2018 according to Three-Years strategic framework (long-term strategy starting from 2018 - 2020) as followings:

**Strategy 1: Focus on Sustainable Growth with an average of 20-30% in three areas.** The company has its strategy to increase the volume of financing in Factoring and Project Backup Finance with 3 goals as follows:

- 1) Total Revenue  $\geq$  503 MB
- 2) Target Portfolio  $\geq$  2,690 MB
- 3) Financing Amount  $\geq$  13,000 MB

This strategy focused on increasing the volume of financing amount which will affect the increasing of revenue with the lowest risk. Also the company focused on encouraging and increasing the issuance of a letter of guarantee, as if our customers win the auction, there are more chances for the company to encourage those customers to continuously use other products to support their project in the future.

Year 2018, the total revenues of the Company was Baht 445.10 million represent by 88.49% of target, which increased by 6.24% percent compared with last year. The total receivable portfolio (before allowance for doubtful accounts) was amount to Baht 2,548 million represent by 94.72% of target. And the total finance was

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Baht 10,980 million represent by 84.46% of target; increasing by Baht 703 million which increased by 6.84 percent compared with last year. For this year, Thailand's economic growth slowest, which does not directly affect the small and medium enterprises (SMEs). As the result, they also have relatively little competition and still can't growth. However, the Company is confident to continued adaptation and will continue to grow sustainably under our strategic plan.

### **Strategy 2: Increase Competitiveness:**

Year 2018, the company has developed a new marketing model which is Digital Marketing with the goal of increasing its customer base at least 5% of the new customers by using digital channel.

As the result, the company can achieved its digital marketing target by granting 7.60% of new credit line to new customers at the end of the year. Hence, the company still continues to use digital marketing to gain new prospected customers this year.

**Strategy 3: Risk Management:** Year 2018, the company focused on risk management strategies in order to pave its way to be rated in Investment grade level (Credit Rating) and to comply with Thai Financing Reporting Standards 9 (TFRS9) that will be effective on January 1, 2020 with 5 strategic goals as follows:

- 1) Reserve the provision of bad debt to be less than 7 percent of outstanding account receivables net of collateral.

Result: At 31<sup>st</sup> December 2018, the Company has accumulated allowance for doubtful accounts totaling Baht 158.91 million (represent 6.24 percent of outstanding account receivables) compared to Year 2017 at 4.92 percent. This net provision in Year 2018 amounted to Baht 48.62 million.

- 2) Expand Account Receivable for Leasing and Hire Purchase portfolio

Result: Year 2018, the total finance of both products has a total amount Baht 208.53 million. However, the total finance of both product has increased Baht 15.91 million represent by 8.26% compared with last year.

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- 3) Maintain Debt to Equity Ratio not over 4 times.

Result: At 31<sup>st</sup> December 2018, the Company has a debt-to-equity ratio 1.42 times which still less than the target (4 times)

- 4) Diversify Account Receivables portfolio in each industry to be less than 30%

Result: At 31<sup>st</sup> December 2018, the Company does not have any industry portfolio over than 30 percent of total portfolios.

- 5) Manage the single lending limit of each customer to be less than 20%

Result: At 31<sup>st</sup> December 2018, the Company had only one customer who had the single lending limit over 10%, represent 10.37% of total portfolios.

The successful implementation of the strategy of the Company resulted to the company's sustainable growth as the followings:

**Revenues :** The total revenues of the Company in year 2018 was Baht 445.10 million, compared with last year which was Baht 418.96 million; increasing by Baht 26.14 million which increased by 6.24 percent. The revenue was not growing as targeted due to the economic growth does not directly affect the small and medium enterprises (SMEs). So the company is highly cautious in expanding leap growth as the previous years. In addition the Company has restructured its appropriately revenue structure by reducing the expansion of some industry portfolio, not over than 30 percent of the Account Receivable Portfolio, especially the construction sector, which was one of the target strategies to diversify our portfolios.

**Expenses:** The total expenses of the Company in year 2018 was Baht 183.93 million, comparing with Baht 175.54 million last year; Increasing by Baht 8.39 million or 4.78 percent.

**Net Profit:** The Company outcome in year 2018 is Baht 148.84 million (net profit), comparing with last year net profit of Baht 145.49 million; Increasing representing 2.30 percent. Because the increasing reserve the provision of debt for according to company policy and to comply with Thai Financing Reporting Standards 9 (TFRS9) that will be effective on January 1, 2020. However, the company is still able to maintain continuous growth, that the company can make the highest financial amount, income and net profit in the past 11 years since the company was established (All Time High).

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**Total Assets:** Total assets at the end of year 2018 is Baht 2,663.10 million, increased by Baht 316.82 million, compared with the end of year 2017 which has total assets of Baht 2,346.28 million.

Submitted for your kind acknowledgement.



Best regards,

(Mr. Sompon Aketerajit)

Managing Director

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