



บริษัท เอียร์สูร์ตีน์ จำกัด (มหาชน)

TSR.IR.017/2018

14 August 2018

President
The Stock Exchange of Thailand

Dear Sirs,

Subject : Management Discussion & Analysis for Q2-Y2018 of Thiensurat Group

For the second quarter in Y2018, the Group had a profit of Baht 26.86 Million that was higher than a profit of Baht 24.96 Million for Q.1 Y2018 by 7.61%, and if compared to a profit of Baht 13.75 Million for the same quarter in Y2017, it was significantly increased by 95.34% because of the constructive plan to reduce the cost and selling & selling expenses. As a result, the Group's Earning per Share (EPS) was Baht 0.052 compared to Baht 0.030 per Share for Q.2 Y2017.

During the second quarter 2018, the major highlights were:-

- The Group increased telemarketing seats to serve the customers call by using the existing database of good credit customers to up-sell and cross-sell. As a result, sales of electric home appliances except air conditioner increased.
- After learning how to build sales of electrical appliances via telemarketing, the Group concreted the strategy of O-2-O (Online to Offline) to sell both electrical appliances and water filters via the digital Marketing, which includes Line, Facebook, Lazada, etc., with the strength of PONSaBUY Program, and comprehensively sale network in Thailand.
- The Group continues to invest in product research and development for improving the cleanliness of water, to convert purified water into Alkaline water (the Company has registered patents and petty patents with the Department of Intellectual Property, Ministry of Commerce, eligible for 4 to 5-year term protection) and contains minerals which are necessary for body.
- The Group continually improve product quality as well as design, and utilize technology for the convenient use by customers.
- The Group also launched the constructive plan to reduce the cost and selling & administrative expenses.

Performance Overview 2Q18

Analysis of operating results

Income Statement

Revenues

- Revenues from sales of goods, hire purchase interest income including income from loan receivables of a subsidiary ("total revenues") of the Group for 2Q18 amounting to Baht

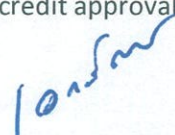
396.43 million, a decrease of Baht 16.65 million or 4.03% compared to those of 2Q17. The revenues consisted of revenue from sales of goods amounting to Baht 347.73million, a decrease of Baht 9.00 million or 2.52%; hire purchase interest income including income from loan receivables amounting to Baht 48.70 million, a decrease of Baht 7.66 million, or decreased by 13.59%. The decreases were due to more stringent measures of credit approval policy and shorten the term of hire purchase contracts for new one in view of the impact of high household debts from slow recovery in domestic demand.

- **Other income** of the Group for 2Q18 was Baht 10.07 million, a slightly decrease of Baht 0.34 million from 2Q17 caused by lower sales of plastic scrap from the plan to refurbishing the returned water filters to sell as second hand unit and donate instead.

Expenses

- **Cost of sales** of the Group for 2Q18 was Baht 94.14 million, a decrease of Baht 12.77 million or 11.95% compared to 2Q17, the proportion of cost of sales to total revenues of 2Q18 decreased from 25.88% to 23.75%, resulting from the production cost control of water filters as well as lower the proportion sale of electrical appliances that have lower product gross margin than water filters like air conditioner.
- **Selling expenses** of the Group for 2Q18 were Baht 137.11 million, an increase of Baht 3.37 million or 2.52%. The proportion of selling expenses to total revenues was 34.59% which increased from 2Q17 (2Q17: 32.38%). The increases were due to some fix selling expenses like depreciation of cars not reduced as lower sales. This has been improved by sales of unused cars at the end of this quarter.
- **Administrative expenses** of the Group for 2Q18 were Baht 101.82 million, a decrease of Baht 9.88 million or 8.84%. The proportion of administrative expenses to total revenues decreased from 27.04% of 2Q17 to 25.69% of 2Q18. The decreases were due to the Group's plan to reduce all the administrative expenses by reducing the redundant and unproductive administrative expenses and using the outsourcings to support the Group's operation instead of using the employees to do like transportation, customer services, print and delivery documents etc.

Doubtful accounts and bad debts of the Group for 2Q18 were Baht 38.65 million, a decrease of Baht 9.93 million or 20.45% due to measurements to cope with bad debts - establishment of more prudent credit approval policy; shortening payment terms and increase stringency in credit approval processes to ensure quality of hire purchase receivables. The credit approval



process was strictly monitored by the Company's Credit Department. In addition, according to the Company's policy, commissions will be recalled from sales staff on uncollectible hire purchase receivables. Such policy has been consistently reviewed on a regular basis.

Profits

- **Gross Profit** (calculated by deducting cost of sales from total revenues from sales of goods and hire purchase interest income including income from loan receivables) of the Group for 2Q18 and 2Q17 were Baht 302.29 million and Baht 306.17 million, or 76.25% and 74.12%, respectively. A drop of Baht 3.88 million or 1.27% was due to a decrease in total revenues. Despite in term of amount, gross profit was lower, in term of percentage to total revenues was higher. A substantial growth in proportion of sales of electric appliances of which the cost has higher cost than those of water purifiers, the Group was still able to efficiently manage cost to balance with gross profit.

Net profit of the Group for 2Q18 was Baht 26.86 million, increased of Baht 13.11 million or 95.34% (2Q17: net profit of Baht 13.75 million). The net profit ratio of 2Q18 increased from 3.33% of 2Q17 to 6.77% resulting from the above mentioned rationale.

Statement of Financial Position

Total assets

As at 30 June 2018, total assets of the Group were Baht 1,476.06 million, decreased by Baht 5.25 million, or 0.35 % compared to 31 December 2017 caused by booking of land, building and equipment depreciation amounting Baht 24.87 million; whereas, accounts receivable from hire purchase slightly increased due to more stringency in credit approval process to improve debt quality in order to mitigate risk of bad debts, and more efficiency in debt collection.

From the comparison of accounts receivable as of 30 June 2018 to those as of 31 December 2017, there was the improvement in aging of accounts receivable from hire purchase for water purifiers accounts due to shorten the installment term to twelve months and collection by credit team; whereas, electrical appliances accounts collected by customer direct payment. In 2017, the Company has revised rates and method of allowance for doubtful account calculation, by benchmarking with other companies in hire purchase industry. The Company consistently reviews policy of allowance for doubtful accounts on regular basis by taking into consideration the conservative basis in accordance with Generally Accepted Accounting Principles, and current economic and industry conditions. Details of the accounts receivable are shown below:

Consent

Water Purifiers

Accounts receivable from hire purchase (Receivables less deferred hire-purchase interest and deferred output tax)

Unit : '000 Baht	Water Purifier							
	Balance of hire purchase				Allowance for doubtful account			
	30-Jun-18		31-Dec-17		30-Jun-18		31-Dec-17	
Current	430,603	77.07%	447,418	79.36%	10,842	2.52%	11,292	2.52%
Overdue 1 installment	69,116	12.37%	49,242	8.73%	4,147	6.00%	2,955	6.00%
Overdue 2 installments	23,896	4.28%	21,330	3.78%	7,169	30.00%	6,399	30.00%
Overdue 3 installments	14,749	2.64%	15,414	2.73%	7,374	50.00%	7,707	50.00%
Overdue exceeding 3 installments	20,380	3.65%	30,391	5.39%	16,180	50%/100%	25,255	50%/100%
Total balance	558,744	100.00%	563,795	100.00%	45,712		53,608	
Allowance for doubtful accounts/Total hire purchase receivables					8.18%		9.51%	

*Rate of allowance for doubtful accounts of 50 percent is for non-consecutive delinquency over 3 installments and 100 percent for consecutive delinquency over 3 installments.

Electrical appliances

Accounts receivable from hire purchase (Receivables less deferred hire-purchase interest and deferred output tax)

Unit : '000 Baht	Electrical appliances							
	Balance of hire purchase				Allowance for doubtful account			
	30-Jun-18		31-Dec-17		30-Jun-18		31-Dec-17	
Current	73,323	62.40%	73,744	62.29%	459	1.00%	447	1.00%
Overdue 1 installment	13,338	11.35%	13,142	11.10%	166	2.00%	169	2.00%
Overdue 2 installments	6,290	5.35%	8,469	7.15%	390	10.00%	562	10.00%
Overdue 3 installments	5,437	4.63%	6,056	5.11%	701	20.00%	801	20.00%
Overdue 4 installments	4,708	4.01%	5,512	4.66%	928	30.00%	1,114	30.00%
Overdue 5 installments	4,021	3.42%	4,332	3.66%	1,035	40.00%	1,168	40.00%
Overdue 6 installments	3,235	2.75%	3,452	2.92%	1,078	50.00%	1,178	50.00%
Overdue exceeding 6 installments	7,147	6.08%	3,690	3.12%	3,437	50%/100%	1,935	50%/100%
Total balance	117,499	100.00%	118,397	100.00%	8,194		7,374	
Allowance for doubtful accounts/Total hire purchase receivables					6.97%		6.23%	

* Rate of allowance for doubtful accounts of 50 percent is for non-consecutive delinquency over 6 installments and 100 percent for consecutive delinquency over 6 installments.

** Allowance for doubtful accounts for electric appliances receivables calculated based on receivables less deferred interest and output tax, and net from residual value of returned electric appliances which considered from usage time, condition and market price of second hand electric appliances. Subsequently, these returned units will be sold as second hand items.

Total liabilities

As at 30 June 2018, total liabilities of the Group were Baht 334.92 million, decreased by Baht 25.02 million or 6.95% from 31 December 2017. Liabilities that posed a huge decrease were short-term and long-term borrowings from financial institutions, as well as liabilities under finance lease agreements. The improvement in debt collection, prudent credit approval for new hire purchase accounts and cash receipt from share capital issued of warrant exercise amounting to Baht 9.30 million in the second quarter of 2018, made the Company has more liquidity and be able to repay portion of the outstanding debts.





บริษัท เที่ยงสุรัตน์ จำกัด (มหาชน)

- **Total borrowings from financial institutions**, promissory notes, of the Group as at 30 June 2018 were Baht 132.29 million, decreased by Baht 19.98 million or 13.12%. The short-term borrowings were leveraged for working capital. The Company have never defaulted on loans and have been able to make all repayment.

Shareholders' equity

Shareholders' equity of the Group as at 30 June 2018 was Baht 1,134.42 million (31 December 2017: Baht 1,114.30 million), increased by Baht 20.12 million or 1.81%.

Debt to equity ratio as at 30 June 2018 was 0.30 (31 December 2017: 0.32). Book value per share was Baht 2.17 (31 December 2017: Baht 2.16 per share) due to warrant exercise amounting to Baht 9.30 million in the second quarter of 2018.

Yours Sincerely,
Thiensurat Public Company Limited


(Mr. Ekarat Changyoo)
Chief Executive Officer