

9 November 2021

Subject: Management Discussion and Analysis Operating results for nine month, ending September 30, 2021.

Attention: The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending September 30, 2021 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the nine-month period ended 30 September 2021 and 2020 together with the Company’s financial status compared between ending third quarter as at September 30, 2021 and ending September 30, 2020 as follows:

Financial Performance Explanation and Analysis

● **Operating outlook**

The Company factoring business in the nine-month period ended 30 September 2021, total revenues were 143.29 million Baht which decreased by 14.44 million Baht or 9.2%, net profit 36.35 million Baht which increased 8.27 million Baht or 29.5% compared to the same period of the previous year. The increasing of net profits resulted from decrease of finance costs and Administrative expenses.

● **Thai economy and operating effect**

The third quarter of 2021, Manufacturing revenue grew by 8% cause of demand from partner countries, this resulted in expansion from the previous quarter in terms of production and export, type of product are electronic components, processed agricultural products, chemical and rubber products, the increasing population of Thailand who have been vaccinated against Covid-19 has resulted in economic confidence as high as 36%.

The company has adjusted its operating strategy by development Digital Factoring (E-Factoring) to support customer, which is new innovation to provide services to Large and Mid-Size Business and SMEs providing access to funding sources to help mitigate the financial crisis, one of the advantages of the E-Factoring system is the reduction in paper usage. reduce global warming at present, the WTO has focused on the environment and used it as one of the conditions to reduce trade barriers from member countries as well.

Performance and Profitability

The nine-month period ended 30 September 2021 and 2020, interest income from factoring were 103.19 million Baht and 121.93 million Baht or equivalent to 72.0% and 77.3% of total revenues respectively. Fees and services income were 28.97 million Baht and 29.86 million or 20.2% and 18.9% respectively. Other income derived from interest received from loans amounted to 11.13 million Baht and 5.94 million Baht or 7.8% and 3.8% respectively. Total

revenues were 143.29 million Baht and 157.73 million Baht respectively. Finance costs were 25.56 million Baht and 32.98 million Baht or 17.8% and 20.9% respectively. The Company's gross profits were 106.6 million Baht and 118.81 million Baht or 80.66% and 78.27% respectively.

(Unit: Thousand Baht)

Statement of compressive income	Q3/2021	Percent	Q3/2020	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	103,187	72.0%	121,925	77.3%	(18,738)	-15.4%
Fees and services income	28,971	20.2%	29,864	18.9%	(893)	-3.0%
Other Income	11,129	7.8%	5,940	3.8%	5,189	87.4%
Total revenues	143,287	100.0%	157,729	100.0%	(14,442)	-9.2%

The nine-month period ended 30 September 2021 and 2020, the Company's administrative expenses were 76.26 million Baht and 84.8 million Baht or 53.2% and 53.8% of total revenues. Provision for doubtful account was -3.79 million Baht and 7.99 million Baht respectively or -2.6% and 5.1% of total revenues. The Company set the provision for doubtful account based on TFRS9. All overdue debt amounts will be followed up by the Company's Debts Recovery Department. Profit for the period of the nine-month of 2021 and 2020 were 36.35 million Baht and 28.08 million due to the said provision of doubtful account.

(Unit: Thousand Baht)

Statement of compressive income	Q3/2021	Percent	Q3/2020	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	76,264	53.2%	84,796	53.8%	(8,532)	-10.1%
Finance cost	25,555	17.8%	32,982	20.9%	(7,427)	-22.5%
Doubtful accounts	(3,793)	-2.6%	7,994	5.1%	(11,787)	-147.4%
Total expenses	98,026	68.4%	125,772	79.7%	(27,746)	-22.1%
Profit before income tax expenses	45,261	31.6%	31,957	20.3%	13,304	41.6%
Income tax expense (Revenue)	8,909	6.2%	3,876	2.5%	5,033	129.9%
Profit for the period	36,352	25.4%	28,081	17.8%	8,271	29.5%
* Gross income percentage is calculated from the Gross income divided by the core revenue which the core revenue includes Interest income from factoring and Income from fees and services where it corresponds to the core business of the Company						

Basic earnings per share 0.0227 Baht/share 0.0176 Baht/share ✓

Financial Status as at 30 September 2021

The Company's total assets as at 30 September 2021 were 1,932.95 million Baht which decreased by 44.68 million Baht or 2.3% compared to as at 30 September 2020.

Current assets as at 30 September 2021 were 1,830.13 million Baht which decreased by 82.60 million Baht or 4.3% compared to as at 30 September 2020 comprised of Factoring Receivables as at 30 September 2021 were 1,571.36 million Baht or equivalent to 81.3% of total assets.

Non-current assets as at 30 September 2021 were 102.83 million Baht or equivalent to 5.3% of total assets which increased 37.93 million Baht.

(Unit: Thousand Baht)

Statement of financial position	Q3/2021	Percent	Q3/2020	Percent	Changed	
					Value	Percent
<u>Current Assets</u>						
Cash and cash equivalents	121,612	6.3%	82,016	4.1%	39,596	48.3%
Factoring receivable	1,571,358	81.3%	1,776,471	89.8%	(205,113)	-11.5%
Current portion of loans receivable	135,404	7.0%	52,450	2.7%	82,954	158.2%
Other receivables	654	0.0%	564	0.0%	90	16.0%
Other current assets	1,099	0.1%	1,230	0.1%	(131)	-10.7%
Total current assets	1,830,127	94.7%	1,912,731	96.7%	(82,604)	-4.3%
<u>Non-current assets</u>						
Loan receivable	63,621	3.3%	15,390	0.8%	48,231	313.4%
Equipment	800	0.0%	1,759	0.1%	(959)	-54.5%
Right-of-use assets	4,121	0.2%	9,322	0.5%	(5,201)	-55.8%
Intangible assets	7,161	0.4%	7,497	0.4%	(336)	-4.5%
Deposits and guarantees	292	0.0%	293	0.0%	(1)	-0.3%
Deferred tax assets	26,832	1.4%	27,022	1.4%	(190)	-0.7%
Assets held for sale	-	0.0%	3,619	0.2%	(3,619)	-100.0%
Total non-current assets	102,827	5.3%	64,902	3.3%	37,925	58.4%
Total assets	1,932,954	100.0%	1,977,633	100.0%	(44,679)	-2.3%

Total liabilities as at 30 September 2021 were 1,375.36 million Baht or equivalent to 71.2% of total liabilities and shareholders' equity increased 17.38 million Baht or 3.2% as a result of short-term loans from financial institutions which is in line with the decreased in assets of loan receivable.

(Unit: Thousand Baht)

Statement of financial position	Q3/2021	Percent	Q3/2020	Percent	Changed	
					Value	Percent
<u>Current liabilities</u>						
Short-term loans from financial institutions	1,181,000	61.1%	1,324,000	66.9%	(143,000)	-10.8%
Short-term loans from related party	50,000	2.6%	-	0.0%	50,000	100.0%
Retention from factoring	45,838	2.4%	39,431	2.0%	6,407	16.2%
Current portion of long-term loan	12,000	0.6%	-	0.0%	12,000	100.0%
Current portion of liabilities under finance lease agreements	3,464	0.2%	5,162	0.3%	(1,698)	-32.9%
Excess receipt awaiting to repay	48,719	2.5%	36,593	1.9%	12,126	33.1%
Other payables	8,103	0.4%	5,216	0.3%	2,887	55.3%
Income tax payable	2,657	0.1%	1,424	0.1%	1,233	86.6%
Other current liabilities	1,165	0.1%	4,042	0.2%	(2,877)	-71.2%
Total current liabilities	1,352,946	70.0%	1,415,868	71.6%	(62,922)	-4.4%
<u>Non-current liabilities</u>						
Long-term loan, net of current portion	3,000	0.2%	-	0.0%	3,000	100.0%
Liabilities under finance lease agreements	790	0.0%	4,254	0.2%	(3,464)	-81.4%
Provision for long-term employee benefits	18,627	1.0%	17,304	0.9%	1,323	7.6%
Total non-current liabilities	22,417	1.2%	21,558	1.1%	859	4.0%
Total liabilities	1,375,363	71.2%	1,437,426	72.7%	(62,063)	-4.3%

Liquidity and Capital Adequacy

As at 30 September 2021, shareholder s' equity was 557.59 million Baht or equivalent to 28.8% of total liabilities which increased by 17.38 million Baht.

As at 30 September 2021, the Company had available credit facilities which had not yet been drawn down amounted to 1,509 million Baht. Indicating the Company has capital and adequacy funding sources, suitable financial structure and liquidity for carry on business operations.

(Unit: Thousand Baht)

Statement of financial position	Q3/2021	Percent	Q3/2020	Percent	Changed	
					Value	Percent
Shareholders' equity						
Issued and fully paid-up	400,000	20.7%	400,000	20.2%	-	-
Share premium	75,845	3.9%	75,845	3.8%	-	-
Capital contribution from parent company	406	0.0%	406	0.0%	-	-
Retained earnings: Appropriated	32,200	1.7%	30,000	1.5%	2,200	7.3%
Unappropriated	49,140	2.5%	33,956	1.7%	15,184	44.7%
Total shareholders' equity	557,591	28.8%	540,207	27.3%	17,384	3.2%
Total liabilities and shareholders' equity	1,932,954	100.0%	1,977,633	100.0%	(44,679)	-2.3%

Financial Ratios

Financial Ratios	As at 30 September 2021	
Liquidity Ratio		
Current Ratio	1.35 ✓	Times
Profitability Ratio		
Gross Profit Margin	80.66	%
Net Profit Margin	27.51	%
Return on Equity or ROE	6.52	%
Efficiency Ratio		
Return on Asset or ROA	1.88	%
Financial Ratio		
Debt to Asset Ratio	0.71	Times
Debt to Equity	2.47	Times

Financial Ratios

All financial ratios on the above table, profitability ratios and leverage ratios were on acceptable ratios.

Commitments and Contingent Liabilities

The Company has entered into lease agreements in respect of the lease of office building space and service agreements. The terms of the agreements are generally 2 years 5months. Future minimum lease payments required under these non-cancellable operating leases.

Factors which may adversely impact to the performance

● **Credit Risk**

With the nature of factoring credit transactions, this may face the same credit risk as other types of loans. But the factoring transaction is a credit after the delivery of goods and services to the buyer and due to the purchase and reduction of trade receivables, resulting in the right to claim under the law, together with the company has a strict policy and credit control procedures. With a credit consideration process (Underwriting) and monitoring (credit quality) from various data analysis, both for customers and trade receivables, before and after loan approval as well as establishing credit policies as a standard for assessing credit risk. Require credit review for customer and debtors at least once a year, as well as monitoring and improving the credit process all the time to adjust the process to be efficient and suitable for the economic conditions in each period by using technology and database for risk management. Therefore, the quality of credit management is at a good level in the past.

● **Interest Rate Risk**

The Company's exposure to interest rate risk relates primarily to its cash at banks, factoring receivables, loans receivable, other receivables, bank overdrafts and short-term loans from financial institutions. The Company mitigates this risk by matching the sources of borrowings with factoring receivables to ensure that the Company maintains an accumulated average spread of interest under the Company's policy. Moreover, the Company analyses the term of interest rate movement of factoring receivables, borrowings and the Company adjusts the interest rate charge to receivables when the interest rate changes. Thus, the Company is flexible in its response to interest rate fluctuations. In addition, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

● **Liquidity Risk**

Liquidity risk is the risk due to the company cannot change assets to cash or unable to provide sufficient funds as needed in a timely manner. However, in the past, the company having liquidity management and receiving sufficient and continuous financial support from financial institutions and business partners. Makes it able to support business operations and expand business in the future effectively as well as having a suitable liquidity management between costs and returns Bring continuous good results.

Please be informed accordingly.

Yours faithfully,



(Mr. Akrawit Sooksai)

Director and Chief Executive Officer