

# Chayo Group Public Company Limited

44/499-504 Phahonyothin Rd, Khwaeng Anusawari, Khet Bang Khen, BKK. 10220

- Translation -

CGC 175/2021

11 November 2021

Subject: Management Discussion and Analysis for the third quarter of 2021 ended 30 September 2021

To: The President  
The Stock Exchange of Thailand

Chayo Group Public Company Limited would like to report the Operation results for the third quarter of 2021 ended 30 September 2021 of the company and its subsidiaries (“the Company”) as follows:

## Operating results

	Consolidated (3 months)				Consolidated (9 months)			
	July - September 2021	%	July - September 2020	%	January - September 2021	%	January - September 2020	%
Interest Income from loan to non-performing assets	161,825,842	93.0%	104,549,439	86.7%	468,185,719	92.4%	305,550,394	86.7%
Service income from debt collection services	9,139,115	5.3%	12,308,018	10.2%	31,334,275	6.2%	39,384,061	11.2%
Interest Income from lending business	2,991,624	1.7%	1,813,438	1.0%	7,051,539	1.4%	5,339,756	1.5%
Revenue from Sales	-	0.0%	1,893,994	1.6%	134,310	0.0%	2,191,696	0.6%
<b>Total income</b>	<b>173,956,581</b>	<b>100.0%</b>	<b>120,564,889</b>	<b>99.5%</b>	<b>506,705,843</b>	<b>100.0%</b>	<b>352,465,907</b>	<b>100.0%</b>
<b>Costs of render services and managing non-performing assets</b>	<b>(38,805,303)</b>	<b>-22.3%</b>	<b>(29,123,250)</b>	<b>-24.2%</b>	<b>(109,511,053)</b>	<b>-21.6%</b>	<b>(85,018,671)</b>	<b>-24.1%</b>
<b>Costs of goods sold</b>	<b>(1,934)</b>	<b>0.0%</b>	<b>(1,008,768)</b>	<b>-0.8%</b>	<b>(139,317)</b>	<b>0.0%</b>	<b>(1,225,526)</b>	<b>-0.3%</b>
<b>Gross profit</b>	<b>135,149,344</b>	<b>77.7%</b>	<b>90,432,871</b>	<b>75.0%</b>	<b>397,055,473</b>	<b>78.4%</b>	<b>266,221,710</b>	<b>75.5%</b>
Other incomes	1,812,566	1.0%	665,978	0.6%	6,081,327	1.2%	2,231,060	0.6%
Gain on disposal of foreclosed assets	53,700,314	30.9%	-	0.0%	62,606,989	12.4%	24,037,961	6.8%
Administrative expenses	(18,366,525)	-10.6%	(15,882,542)	-13.2%	(51,883,539)	-10.2%	(48,483,806)	-13.8%
Expected credit loss	(57,960,589)	-33.3%	(20,519,377)	-17.0%	(132,841,596)	-26.2%	(61,422,456)	-17.4%
Finance costs	(24,619,379)	-14.2%	(13,485,615)	-11.2%	(75,504,197)	-14.9%	(32,931,784)	-9.3%
<b>Profit before income tax</b>	<b>89,715,731</b>	<b>51.6%</b>	<b>41,211,315</b>	<b>34.2%</b>	<b>205,514,457</b>	<b>40.6%</b>	<b>149,652,685</b>	<b>42.5%</b>
Income tax (expenses)	(18,508,280)	-10.6%	(9,533,093)	-7.9%	(34,239,440)	-6.8%	(31,328,074)	-8.9%
<b>Net profit for the period</b>	<b>71,207,451</b>	<b>40.9%</b>	<b>31,678,222</b>	<b>26.3%</b>	<b>171,275,017</b>	<b>33.8%</b>	<b>118,324,611</b>	<b>33.6%</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>
<b>Total comprehensive income for the period</b>	<b>71,207,451</b>	<b>40.9%</b>	<b>31,678,222</b>	<b>26.3%</b>	<b>171,275,017</b>	<b>33.8%</b>	<b>118,324,611</b>	<b>33.6%</b>
<b>Total comprehensive income attributable to:</b>								
<b>Owners of the parent</b>	70,883,079	40.7%	32,022,186	26.6%	170,415,475	33.6%	118,997,543	33.8%
<b>Non-controlling interest</b>	324,372	0.2%	(343,964)	-0.3%	859,542	0.2%	(672,932)	-0.2%
<b>Total comprehensive income for the period</b>	<b>71,207,451</b>	<b>40.9%</b>	<b>31,678,222</b>	<b>26.3%</b>	<b>171,275,017</b>	<b>33.8%</b>	<b>118,324,611</b>	<b>33.6%</b>

### ■ Total Income

In the third quarter of 2021, the Company had a total income of Baht 173.96 million which increase from last year around Baht 53.39 million (or increased around 44.28%). The reasons for the increment mainly arose from the increment of interest income from loan to non-performing assets around Baht 57.28 million. For the 9 months period of the year 2021, the total income of the Company increased from the same period last year around Baht 154.24

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million (or increased around 43.76%). The reasons for the increment mainly arise from the increment of the interest income from loans to non-performance assets around Baht 162.64 million (please see the details below).

### ■ Income from Loans to Non-performing Assets

For the 9 months period of 2021, the Company had cash collection from unsecured loan and income from selling collateral of secured loan around Baht 229.47 million which increased from the same period last year around Baht 65.31 million (or increase around 39.78%). This is because the Company purchased more unsecured port to manage around end of the year 2020. As a result for the 9 months period of the year 2021, the Company has more income compare with the same period last year. The following are the details;

	For the 9 months period ended 30 September 2021		For the 9 months period ended 30 September 2020	
	Million Baht	%	Million Baht	%
Interest income – EIR (Effective interest rate)	277.27	59.22	167.56	54.84
Interest income over EIR	190.92	40.78	137.99	45.16
<b>Total interest income</b>	<b>468.19</b>	<b>100.00</b>	<b>305.55</b>	<b>100.00</b>
Cash Collection and income from selling collateral	229.47	100.00	170.61	100.00
- Unsecured loan	181.59	79.13	133.61	78.31
- Secured loan	47.88	20.87	37.00	21.69

*Remark: Since 1 January 2020, the Company has recorded interest income using financial reporting standard No.9 (TFRS9). The concept was that the Company recorded interest income by using an effective interest rate calculated by the interest rate of return of expected future cash flow. In addition, in case that cash collections were more than net book value (NBV), the surplus amount was recorded in interest income over EIR.*

### ■ Services Income from Debt Collection Service

In the third quarter of 2021, the Company had services income around Baht 9.14 million which decreased from the third quarter of 2020 around Baht 3.17 million (or decreased around 25.74%). For the 9 months period of the year 2021, the Company had services income of Baht 31.33 million which decreased from the same period last year around Baht 8.05 million (or decreased around 20.44%) The reasons for the decrement for both periods mainly arose from the impact of the spreading of COVID-19 (The Employers have the policy to help the customers by ceasing the follow-up and/or extend the period of payment and/or reduce the installment). As a result, the number of accounts that were assigned to the Company to follow-up was reduced by such policy.

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## ■ Interest Income from Lending Business

In the third quarter of 2021, the Company recorded interest income from lending business around Baht 2.99 million which increased with the same quarter last year amounted to Baht 1.18 million or equivalent to 64.97%. For the 9 months period of the year 2021, the Company had interest income from lending business of Baht 7.05 million which increased from the same period last year around Baht 1.71 million (or increased around 32.05%). This is because in this year the Company lending the money to the customers more than last year. The Outstanding loan as at 30 September 2021 and 2020 was at Baht 123.14 million and at Baht 51.20 million respectively.

## ■ Sales income

In the third quarter of 2021, the Company had no income from sales through these channels whereas, the 9 months period of this year, the Company had income from sales around Baht 0.13 million which decreased from last period because spread of covid 19, therefore, the company has slow down to selling in this business.

## ■ Cost of Goods Sold and Rendering Services

The main costs of rendering services are salary, commissions, and legal costs. For the third quarter of 2021, the Company had the cost of rendering services around 22.30% which almost the same with the same period last year (the cost of rendering services last year was at 24.20%).

## Gross Profit

In the third quarter of 2021, the Company had gross profit of Baht 135.15 million (equivalent to 77.70% of total incomes) which almost the same with the third quarter last year (equivalent to 75.00% of total incomes). For the 9 months period of 2021, the Company had gross profit of Baht 397.06 million (equivalents to 78.40% of total incomes) which increase from the same period last year around Baht 130.84 million. The reasons for the increment mainly arose from the increment of interest income in loans to non-performing assets.

## Other Income

Other income mainly represents interest income and rental income from company's asset both investment property and foreclosed asset. For the third quarter of 2021, the Company had other income around Baht 1.81 million which increased from the third quarter of 2020 around Baht 1.15 million. For the 9 months period of 2021, the Company had other income around Baht 6.08 million which increased from the last period around Baht 3.85 million. The reasons for the increment of interest income mainly arose from the gain of asset disposal amounted to Baht 1.49 million and the increment of interest income.

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## Gains on disposal of foreclosed assets

In the third quarter of 2021, the Company had gain on disposal of foreclosed assets around to Baht 53.70 million which increased from the last period as the result of the fact that the Company sold a foreclosed asset this quarter. (NPA has occurred from buying assets (or collateral of NPL) from the Legal Execution Department through Auction Process back as NPAs).

## Administrative Expenses

Administrative expenses mainly represent salary, welfare, bonus for the employee and management, audit fee, and business consultation fee. In the third quarter of 2021, the Company had administrative expenses around Baht 18.37 million which increased from the last period amounted to Baht 2.43 million due to transferred fee and specific business tax from selling foreclosed asset. For the 9 months period of 2021, the Company had administrative expenses around Baht 51.88 million which increased from the last period around Baht 3.40 million. The main reason for the increment was transfer fees and specific business tax from selling foreclosed asset.

## Expected Credit Loss

This expense occurred from the difference between the present values of future cash flows (PV) and the net book value of each loan. In case that PV was less than NBV, this amount would be recorded as expected credit loss according to financial reporting standard No.9 (TFRS9). The expected credit loss for the third quarter of 2021 was around Baht 57.96 million which increased from the same period last year around Baht 37.44 million. For the 9 months period of 2021, the Company has expected credit loss around Baht 132.84 million which increased from the last period amounted to Baht 71.42 million. This is because the increasing of unsecured port around the year 2020. Therefore, for the Company had more expected credit loss.

## Finance Cost

Finance cost for the third quarter of 2021 and the 9 months period of 2021 increased around Baht 11.13 million and Baht 42.57 million respectively (compare with the same period last year). The reason for the increment mainly arose from the increment of loans that the Company borrows for investing in non-performing assets.

## Income Tax Expenses

The income tax expense for the third quarter of 2021 and the 9 months period of 2021 increased from the same period last year amounted to Baht 8.98 million and Baht 2.91 million respectively in line with net profit before tax.

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## Net Profit

The net profit for the third quarter of 2021 was at Baht 71.21 million which increased from the same period last year around Baht 39.53 million (or increased around 124.78%). The main reasons for the increment arose from gain on foreclosed asset and gross profit. In addition, for the 9 months period of 2021, the Company had net profit of Baht 171.28 million which increased from the last period around Baht 52.95 million (or increased around 44.75%). The reasons for the increment in net profit in line with the reason of the third quarter of 2021.

## Financial position

### Total Assets

As at 30 September 2021, the Company had total assets of Baht 4,800.85 million which increased from the last year around Baht 1,990.00 million or increased around 70.80%. The reasons for the increment mainly arose from;

- The increment of cash and cash equivalent around Baht 1,366.53 million (mainly from the exercise CHAYO-W1 on 31 March 2021 till 30 September 2021 around Baht 1,165 million) and,
- The increment of loan receivable around Baht 62.14 million and,
- The increment of loan for non-performing asset around Baht 352.92 million and,
- The increment of foreclosed asset around Baht 165.88 million.

### Total Liabilities

Total liabilities as at 30 September 2021 was Baht 1,468.12 million which decreased from the last year around Baht 196.16 million. The reasons for the decrement mainly arose from;

- The reduction of Bills of Exchange from the repayment around Baht 119.56 million.
- The reduction of loans from related parties from the repayment around Baht 13.00 million
- The reduction of debenture from the repayment around Baht 63.50 million
- The reduction of loan from bank (short-term and long-term) around Baht 45.52 million and
- The increase of deferred tax liabilities around Baht 21.48 million.

### Total Shareholders' Equities

Total shareholders' equity as of 30 September 2021 was at Baht 3,332.73 million which increased from the last year around Baht 2,186.16 million. The reasons for the increment mainly arose from

- The increase of registered capital from the use of warrants (CHAYO-W1) around Baht 1,165.12 million (and share to be issued from exercise warrant (CHAYO-W1 and CHAYO-W2) on 30 September 2021 around Baht 44.45 million) and,

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- The increment of the net profit from the operation around Baht 171.28 million and,
- The increment of Non-Controlling interest around Baht 852.68 million.

## Debt to Equity ratio (Interest bearing)

- The Debt to Equity ratio (Interest bearing) of the Company as at 30 September 2021 was at 0.41.

Sincerely Yours,



(Mr.Nottapol Thipchatchawanwong)

Chief Financial Officer