

TSR.IR. 013/2022

17 May 2022

Subject: Management Discussion &amp; Analysis for the first quarter of Y2022 of Thiensurat Group

To: President

The Stock Exchange of Thailand

For the 1<sup>st</sup> quarter of Y2022, the Group had a net profit of Baht 20.39 Million increased by Baht 3.65 Million or increased by 21.84% compared to a profit in the 4<sup>th</sup> quarter of Y2021, An increase mainly caused by higher sale of water filters, ice maker machines and the continuous business growth of hire purchase of trucks and of other SME products as well as higher lending business of Floor Plan that could build total accounts receivables portfolio higher than over Baht 800 Million. Furthermore, the Group also could manage the cost of goods sold and all the expenses of each business unit efficiently under the situation of the pandemic of COVID-19 that had the effect to the expansion of direct sale team as a plan.

During the 1<sup>st</sup> quarter of Y2022, the major highlights were:-

- The Group focused to manage the cost of goods sold and all the expenses in each business units with the strict on the Group's core competency of water expert, standard manufacturing of water purifiers, sales network to cover all the areas in Thailand and completed financing as one stop shopping with the efficient operation in profit center.
- The Group set the sales channels into four groups as the following:-
  - **Direct sales group** – Continue to recruit and build up efficient direct sales teams
  - **Online & O2O sales group**- Modernize existing sales channels and develop new sales channels with more focus on CRM
  - **B2B group**– to develop new products in pipeline for OEM, Corporates, SMEs and Households
  - **TSR Network group** – to recruit and to build interesting incentive program for distributors and free agents to keep selling the Group's products through online and offline channels.
- Development and Expansion of Thiensurat Leasing Co, Ltd. (TSRL)'s financing service, i.e., floor plan, hire purchase of truck and SMEs with the investment of Core Leasing System to manage the financing service correctly, properly and fast.
- Explore synergy business partner opportunity for the growth of Group's business.

In May 2022, Sabuy Technology Public Company Limited executed 24.92 percent of the total issued shares of Thiensurat Public Company Limited in order to explore synergy business partner from the existing ecosystem for the highest return

## Performance Overview for the 1<sup>st</sup> quarter of Y2022

### 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 the 1<sup>st</sup> quarter of Y2022 amounting to Baht 322.72 Million, a decrease of Baht 139.26 Million or 30.14 % compared to those of the same quarter in Y2021. A decrease of total revenues were due to lower sales of water purifiers and electrical home appliances came from the impact of the situation of the outbreak of the 2019 coronavirus (COVID-19) that had the effect to the expansion of direct sale teams in that time. However, the Group still keep the growth of water filters, ice making machines, hire purchase of trucks, hire purchase of SME products and financing of Floor Plan.

##### Expenses

- **Cost of sales** of the Group for the 1<sup>st</sup> quarter of Y2022 was Baht 73.77 Million, a decrease of Baht 14.74 Million or 16.65% compared to the same period of Y2021, the percentage of cost of sales to total revenues from sales of goods and hire purchase interest income including income from loan receivables increased from 19.16% in the 1<sup>st</sup> quarter of Y2021 to 22.86% in the 1<sup>st</sup> quarter of Y2022 caused by higher sales of hire purchase products without product margin including with lower sale proportion of water purifiers. However, the Group still keep to manage and control the production cost of water purifiers efficiently.
- **Distribution costs** of the Group for the 1<sup>st</sup> quarter of Y2022 were Baht 112.10 Million, a decrease of Baht 56.24 Million or 33.41% compared to the same quarter of last year. The percentage of distribution costs to total revenues from sales of goods and hire purchase interest income including income from loan receivables was 34.74% which decreased from the 1<sup>st</sup> quarter of Y2021 that equal to 36.44 %. The decreases were due to the efficient distribution cost control and the improvement of sales level and sale benefit structure be well managed and more efficient.
- **Administrative expenses** of the Group for the 1<sup>st</sup> quarter of Y2022 were Baht 76.27 Million, a decrease of Baht 42.27 Million or 35.66%. The percentage of administrative expenses to total revenues from sales of goods and hire purchase interest income including income from loan receivables decreased from 25.66% of the 1<sup>st</sup> quarter of Y2021 to 23.63% of the 1<sup>st</sup> quarter of Y2022. A decrease was due to the efficient control of administrative expenses under the situation of the outbreak of COVID-19.
- **Impairment losses** of the Group for the 1<sup>st</sup> quarter of Y2022 were Baht 41.47 Million that were decreased by Baht 15.06 Million or 26.64% compared with the same quarter of last year. A decrease was due to the effective management of returned water purifiers by sales and rental as well as lower booking of doubtful bad debt accounts caused by the aggressive improvement of credit review under Accounting Standard IFRS No.9.

## Profits

- **Net profit** of the Group for the 1<sup>st</sup> quarter of Y2022 was Baht 20.39 Million, increased of Baht 3.65 Million or 21.84% compared with the 4<sup>th</sup> quarter of Y20201, but decreased of Baht 13.11 Million or 39.14% compared with the 1<sup>st</sup> quarter of Y2021 which equal to Baht 33.50 Million. The net profit ratio of the 1<sup>st</sup> quarter of Y2022 decreased from 7.25% of the 1<sup>st</sup> quarter of Y2021 to 6.32% resulting from the above-mentioned rationale.

## Statement of Financial Position

### Total assets

As at 31 March 2022, total assets of the Group were Baht 1,686.33 Million, decreased by Baht 25.81 Million, or 1.51% compared to 31 December 2021 caused by a decrease of inventories amounting Baht 20.17 Million from the efficient inventory management with lower sales, other assets decreased by Baht 16.20 Million and cash and cash equivalent decreased by Baht 12.38 Million; whereas, receivables of hire purchase, lending and other receivables increased by Baht 28.84 Million caused by the growth of hire purchase and lending business.

From the comparison aging of hire purchase accounts receivable as of 31 March 2022 to those as of 31 December 2021, there were lower overdue total hire purchase and lending accounts receivables by considering the amount of hire purchase accounts overdue three months (NPL) decreased from 6.18% to 6.07%. even the outbreak of COVID-19 situation. The Group still keep the credit approval policy for hire purchase accounts seriously as well as establish the hybrid direct payment with sending credit officers to collect the overdue accounts, but if it cannot be collected, they will seized the products back.

### Total liabilities

As at 31 March 2022, total liabilities of the Group were Baht 414.75 Million, decreased by Baht 46.20 Million or 10.02% from 31 December 2021. A decrease of liabilities came from the reduction of borrowing from financial institutions, accounts payables and other payables and other liabilities by Baht 18.63 Million, Baht 19.79 Million and Baht 7.79 Million respectively.

**Total borrowings from financial institutions**, promissory notes, of the Group as at 31 March 2022 were equal to Baht 170.18 million that was decreased by Baht 18.63 million or 9.86% compared with the borrowings as at 31 December 2021. A decrease came from lower both hire purchase of water purifiers and electrical appliances caused by sale drop under the situation of the pandemic of COVID

**Shareholders' equity**

Shareholders' equity of the Group as at 31 March 2022 was Baht 1,271.58 Million (31 December 2021: Baht 1,251.19 Million), increased by Baht 20.39 Million or 1.63%. Debt to equity ratio as at 31 March 2022 was 0.33 (31 December 2021: 0.37). Book value per share was Baht 2.31 (31 December 2021: Baht 2.28 per share) due to the dividend payment from the financial result of the first half year 2021 (Jan -Jun) netting with the net profit from operation for the first quarter of Y2022.

Kindly be informed.

Yours truly,



(Mr. Siam Uralwong)

Managing Director