

10 August 2022

Subject: Management Discussion and Analysis Operating results for six month, ending June 30, 2022.

Attention: The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending June 30, 2022 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the six-month period ended 30 June 2022 and 2021 together with the Company’s financial status compared between ending Second quarter as at June 30, 2022 and ending June 30, 2021 as follows:

Financial Performance Explanation and Analysis

- **Thai economy and operating effect**

The second quarter of 2022, the Thai economy is likely to recover continuously. By exporting goods increased in line with domestic demand and a boost from the return of foreign tourists that increased from the previous quarter. This was due to the faster opening of the country and abroad. In addition, private consumption and investment increased slightly from the relaxation of measures to control the outbreak of COVID-19. However, there is still uncertainty due to the rising inflation outlook. This may affect interest rate trends in the future.

The company has adjusted its operating strategy by going to develop Digital Lending beside of finishing E-Factoring system, which can reduce paper usage reduce global warming at present, this will allow for more efficient control over operations.

- **Operating outlook**

The Company factoring business in the six-month period ended June 30, 2022, total revenues were 110.80 million Baht which increased by 13.69 million Baht or 14.1%, net profit 24.66 million Baht which decreased 1.32 million Baht or -5.1% compared to the same period of the previous year. The decreasing of net profits resulted from increase of operating expenses.

Performance and Profitability

The six-month period ended 30 June 2022 and 2021, interest income from factoring were 77.07 million Baht and 70.55 million Baht or equivalent to 69.6% and 72.6% of total revenues respectively. Fees and services income were 22.16 million Baht and 18.90 million or 20.0% and 19.5% respectively. Interest received from loans amounted to 11.29 million Baht and 7.66 million Baht or 10.2% and 7.9% respectively. Total revenues were 110.80 million Baht and 97.11 million Baht respectively. Finance costs were 20.42 million Baht and 17.84 million Baht or 18.4% and 18.4% respectively. The Company’s gross profits were 90.10 million Baht and 79.27 million Baht or 81.52% and 81.63% respectively.

(Unit: Thousand Baht)

Statement of compressive income	For the six-month period ended 30 June 2022	Percent	For the six-month period ended 30 June 2021	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	77,070	69.6%	70,546	72.6%	6,524	9.2%
Fees and services income	22,162	20.0%	18,898	19.5%	3,264	17.3%
Interest income from loan	11,285	10.2%	7,659	7.9%	3,626	47.3%
Other Income	281	0.3%	3	0.0%	278	1.1%
Total revenues	110,798	100.0%	97,106	100.0%	13,692	14.1%

The six-month period ended 30 June 2022 and 2021, the Company's administrative expenses were 52.89 million Baht and 51.35 million Baht or 47.7% and 52.9% of total revenues. Provision for doubtful account was 6.68 million Baht and (4.36) million Baht respectively or 6.0% and (4.5%) of total revenues. The Company set the provision for doubtful account by the calculation of Expected Credit Loss (ECL) based on TFRS9. Resulted to the Net profit for the period of the six-month of 2022 and 2021 were 24.66 million Baht and 13.94 million Baht respectively.

(Unit: Thousand Baht)

Statement of compressive income	For the six-month period ended 30 June 2022	Percent	For the six-month period ended 30 June 2021	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	52,889	47.7%	51,348	52.9%	1,541	3%
Finance cost	20,420	18.4%	17,835	18.4%	2,585	14.5%
Doubtful accounts	6,675	6.0%	(4,358)	-4.5%	11,033	-253.2%
Total expenses	79,984	72.2%	64,825	66.8%	15,159	23.4%
Profit before income tax expenses	30,814	27.8%	32,281	33.2%	(1,467)	-4.5%
Income tax expense (Revenue)	6,159	5.6%	6,304	6.5%	(145)	-2.3%
Profit for the period	24,655	22.3%	25,977	26.8%	(1,322)	-5.1%

Basic earnings per share 0.0154 Baht/share 0.0162 Baht/share

Financial Status as at 30 June 2022

The Company's total assets as at June 30, 2022 were 2,304.99 million Baht which increased by 351.58 million Baht or 18.0% compared to as at June 30, 2021.

Current assets as at June 30, 2022 were 2,219.27 million Baht which increased by 348.71 million Baht or 18.6% compared to as at June 30, 2021. Largest proportion was Factoring Receivables as at June 30, 2022 were 1,944.88 million Baht or equivalent to 84.4% of total assets.

Non-current assets as at June 30, 2022 were 85.72 million Baht or equivalent to 3.7% of total assets which increased 2.87 million Baht.

(Unit: Thousand Baht)

Statement of financial position	Q2/2022	Percent	Q2/2021	Percent	Changed	
					Value	Percent
Current Assets						
Cash and cash equivalents	68,799	3.0%	72,995	3.7%	(4,196)	-5.7%
Factoring receivable	1,944,875	84.4%	1,629,934	83.4%	314,941	19.3%
Current portion of loans receivable	202,549	8.8%	165,000	8.4%	37,549	22.8%
Other current assets	3,044	0.1%	2,624	0.1%	420	16.0%
Total current assets	2,219,267	96.3%	1,870,553	95.8%	348,714	18.6%
Non-current assets						
Loan receivable	52,694	2.3%	41,717	2.1%	10,977	26.3%
Equipment	1,193	0.1%	1,070	0.1%	123	11.5%
Right-of-use assets	2,424	0.1%	5,422	0.3%	(2,998)	-55.3%
Intangible assets	5,833	0.3%	7,758	0.4%	(1,925)	-24.8%
Deposits and guarantees	297	0.0%	292	0.0%	5	1.7%
Deferred tax assets	23,281	1.0%	26,596	1.4%	(3,315)	-12.5%
Total non-current assets	85,722	3.7%	82,855	4.2%	2,867	3.5%
Total assets	2,304,989	100.0%	1,953,408	100.0%	351,581	18.0%

Total liabilities as at June 30, 2022 were 1,749.58 million Baht or equivalent to 75.9% of total liabilities and shareholders' equity which increased 343.39 million Baht or 24.4% compared to as at June 30, 2021 as a result of short-term loans from financial institutions which is in line with the increased in assets of loan receivable.



(Unit: Thousand Baht)

Statement of financial position	Q2/2022	Percent	Q2/2021	Percent	Changed	
					Value	Percent
<u>Current liabilities</u>						
Short-term loans from financial institutions	1,605,000	69.6%	1,194,000	61.1%	411,000	34.4%
Short-term loans from related party	-	-	50,000	2.6%	(50,000)	-100.0%
Retention from factoring	55,568	2.4%	43,723	2.2%	11,845	27.1%
Current portion of long-term loan	6,000	0.3%	9,863	0.5%	(3,863)	-39.2%
Current portion of liabilities under finance lease agreements	2,397	0.1%	4,546	0.2%	(2,149)	-47.3%
Excess receipt awaiting to repay	49,760	2.2%	51,736	2.6%	(1,976)	-3.8%
Other payables	7,445	0.3%	7,503	0.4%	(58)	-0.8%
Income tax payable	6,307	0.3%	5,581	0.3%	726	13.0%
Other current liabilities	1,349	0.1%	930	0.0%	419	45.1%
Total current liabilities	1,733,826	75.2%	1,367,882	70.0%	365,944	26.8%
<u>Non-current liabilities</u>						
Long-term loan, net of current portion	-	-	19,360	1.0%	(19,360)	-100.0%
Liabilities under finance lease agreements	100	0.0%	1,015	0.1%	(915)	-90.1%
Provision for long-term employee benefits	15,653	0.7%	17,935	0.9%	(2,282)	-12.7%
Total non-current liabilities	15,753	0.7%	38,310	2.0%	(22,557)	-58.9%
Total liabilities	1,749,579	75.9%	1,406,192	72.0%	343,387	24.4%

Liquidity and Capital Adequacy

As at June 30, 2022, shareholder s' equity was 555.41 million Baht or equivalent to 24.1% of total liabilities which increased by 8.19 million Baht.

As at June 30, 2022, the Company had current ratio 1.28 and debt to equity 3.15 with an available credit facilities which had not yet been drawn down amounted to 1,085 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	Q2/2022	Percent	Q2/2021	Percent	Changed	
					Value	Percent
Shareholders' equity						
Issued and fully paid-up	400,000	17.4%	400,000	20.5%	-	-
Share premium	75,845	3.3%	75,845	3.9%	-	-
Capital contribution from parent company	406	0.0%	406	0.0%	-	-
Retained earnings: Appropriated	34,700	1.5%	32,200	1.6%	2,500	7.8%
Unappropriated	44,459	1.9%	38,765	2.0%	5,694	14.7%
Total shareholders' equity	555,410	24.1%	547,216	28.0%	8,194	1.5%
Total liabilities and shareholders' equity	2,304,989	100.0%	1,953,408	100.0%	351,581	18.0%

Financial Ratios

Financial Ratios	As at 30 June	
	2022	
Liquidity Ratio		
Current Ratio	1.28	Times
Profitability Ratio		
Gross Profit Margin	81.52	%
Net Profit Margin	22.25	%
Return on Equity or ROE	4.44	%
Efficiency Ratio		
Return on Asset or ROA	1.07	%
Financial Ratio		
Debt to Asset Ratio	0.76	Times
Debt to Equity	3.15	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

