

TSR.IR. 017/2022

11 August 2022

Subject: Management Discussion & Analysis for the second quarter of Y2022 of Thiensurat Group

To: President

The Stock Exchange of Thailand

For the 2nd quarter of Y2022, the Group had a net profit of Baht 20.39 Million increased by Baht 5.41 Million or increased by 36.12% compared to a profit in the 2nd quarter of Y2021, An increase mainly caused by an on-going plan to manage and control distribution cost and administrative expense efficiently whereas sale had not been survived as usual with the impact of the situation of the pandemic of COVID-19 as well as the economic not recovered with higher inflation causes by high price of fuel that is main factor of all business operation. Even sale of water purifiers and electrical home appliances dropped, sale of water filters and SME products like freezers still keep higher including with the continuous business growth of hire purchase of trucks and lending business of Floor Plan.

During the 2nd 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 2nd 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 2nd quarter of Y2022 amounting to Baht 325.82 Million higher than the 1st quarter of Y2022 by Baht 3.10 Million but lower than the same period of Y2021 by Baht 123.08 Million or lower by 27.42%. A decrease of total revenues were due to lower number of direct sales team than target. However, the Group have a strategic plan to improve number of direct sales team under the situation of the outbreak of the 2019 coronavirus (COVID-19) and keep the growth of water filters, ice making machines, hire purchase of trucks, and financing of Floor Plan.

Expenses

- Cost of sales of the Group for the 2nd quarter of Y2022 was Baht 76.49 Million, a decrease of Baht 18.29 Million or 19.30% 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 21.11% in the 2nd quarter of Y2021 to 23.48% in the 2nd quarter of Y2022 caused by higher sales of filter products and SME products with lower profit margin than water purifiers which has a decreased proportion of sales in the second quarter .
- Distribution costs of the Group for the 2nd quarter of Y2022 were Baht 103.37 Million, a decrease of Baht 67.91 Million or 39.65% 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 31.73% which decreased from the 2nd quarter of Y2021 that equal to 38.15 %. 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 2nd quarter of Y2022 were Baht 70.57 Million, a decrease of Baht 44.18 Million or 38.50%. The percentage of administrative expenses to total revenues from sales of goods and hire purchase interest income including income from loan receivables decreased from 25.56% of the 2nd quarter of Y2021 to 21.66% of the 2nd 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 2nd quarter of Y2022 were Baht 51.06 Million that were decreased by Baht 3.53 Million or 6.47% 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 2nd quarter of Y2022 was Baht 20.39 Million, increased of Baht 5.41 Million or 36.12% compared with the 2nd quarter of Y2021 which equal to Baht 14.98 Million. The net profit ratio of the 2nd quarter of Y2022 increased from 3.34% of the 2nd quarter of Y2021 to 6.26% resulting from the above-mentioned rationale.

Statement of Financial Position

Total assets

As at 30 June 2022, total assets of the Group were Baht 1,654.36 Million, decreased by Baht 57.77 Million, or 3.37% compared to 31 December 2021 caused by a decrease of Right of Use and inventories to serve a decrease of sales, cash and cash equivalent decreased by Baht 5.21 Million; whereas, receivables of hire purchase, lending and other receivables increased by Baht 29.10 Million caused by the growth of hire purchase and lending business.

From the comparison aging of hire purchase accounts receivable and loan receivables as of 30 June 2022 to those as of 31 December 2021, there were lower overdue total hire purchase and loan receivables by considering the amount of hire purchase accounts overdue three months (NPL) increased from 6.18% to 8.37%. caused by higher overdue hire purchase accounts of water purifier from the impact of the outbreak of COVID-19 situation. However, the Group's credit approval policy for hire purchase accounts keep still control 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.

Whereas, Thiensurat Leasing Company can manage the growth and quality of loan receivables portfolio efficiency with the overdue loan receivables (NPL) equal to 0.66%

Total liabilities

As at 30 June 2022, total liabilities of the Group were Baht 362.39 Million, decreased by Baht 98.56 Million or 21.38% 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 43.60 Million, Baht 41.66 Million and Baht 13.29 Million respectively.

Total borrowings from financial institutions, promissory notes, of the Group as at 30 June 2022 were equal to Baht 145.20 million that was decreased by Baht 43.60 million or 23.09% 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 30 June 2022 was Baht 1,291.97 Million (31 December 2021: Baht 1,251.19 Million), increased by Baht 40.78 Million or 3.26%. Debt to equity ratio as at 30 June 2022 was 0.28 (31 December 2021: 0.37). Book value per share was Baht 2.34 (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 half of Y2022.

Kindly be informed.

Yours truly,



(Mr. Siam Uralwong)

Chief Executive Officer