

TSR.IR. 030/2022

4 November 2022

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

To: President

The Stock Exchange of Thailand

For the 3rd quarter of Y2022, the Group had a net profit of Baht 12.90 Million increased by Baht 43.23 Million or increased by 142.52% compared to a profit in the 3rd quarter of Y2021, An increase mainly caused by an on-going plan to manage and control distribution cost and administrative expense efficiently including with an efficiency management of bad debt and doubtful account; whereas sale had not been survived as usual with the impact of rainy and flood season during July-October and 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 3rd 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 (“SABUY”) 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. And in September 2022, there was a change of the Company’s Organization Chart for high management level with new SABUY Management to manage and control the Company Group.

From the Extraordinary General Meeting of Shareholders No. 1/2022 on 28 September 2022, there were the following resolutions:-

- 1.) The issuance and offering of warrants to purchase ordinary shares of the Company No. 2 (TSR-W2) to the existing shareholders in the amount of not more than 274,705,617 units at a par value of 1.00 Baht each, or equivalent to 50% of the number of ordinary shares sold without charge. The ratio is 2 existing ordinary shares to 1 unit of warrants (any fraction of the warrants shall be discarded). The exercise price under TSR-W2 shall be at 3 Baht, with the warrant’s validity for 3 years. The date for determining the names of shareholders who are entitled to receive the TSR-W2 (Record Date) is on 17 October 2022
- 2.) To increase registered capital and the allotment of newly issued ordinary shares to support the exercise of the Company’s warrants No. 2 (TSR-W2) and consider the amendment to Article 4 of the Memorandum of Association to be in compliance with the increase the registered capital.
- 3.) To issue and offer debentures in the amount not exceeding 1,000 million Baht to support the growth of Group’s business.

Performance Overview for the 3rd 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 3rd quarter of Y2022 amounting to Baht 313.48 Million lower than the 2nd quarter of Y2022 by Baht 12.34 Million and lower than the same period of Y2021 by Baht 82.23 Million or lower by 20.78%. A decrease of total revenues were due to rainy and flood season during July-October and 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 Floor Plan financing.

Expenses

- **Cost of sales** of the Group for the 3rd quarter of Y2022 was Baht 73.71 Million, a decrease of Baht 17.31 Million or 19.02% 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 23.00% in the 3rd quarter of Y2021 to 23.51% in the 3rd 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.
- **Distribution costs** of the Group for the 3rd quarter of Y2022 were Baht 103.86 Million, a decrease of Baht 67.54 Million or 39.40% 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 33.13% which decreased from the 3rd quarter of Y2021 that equal to 43.31 %. 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 3rd quarter of Y2022 were Baht 77.06 Million, a decrease of Baht 39.57 Million or 33.93%. The percentage of administrative expenses to total revenues from sales of goods and hire purchase interest income including income from loan receivables decreased from 29.47% of the 3rd quarter of Y2021 to 24.58% of the 3rd 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 3rd quarter of Y2022 were Baht 47.31 Million that were decreased by Baht 11.81 Million or 19.98% 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 3rd quarter of Y2022 was Baht 12.90 Million, increased of Baht 43.23 Million or 142.52% compared with the 3rd quarter of Y2021 which equal to the net loss of Baht 30.33 Million. The net profit ratio of the 3rd quarter of Y2022 increased from -7.66% of the 3rd quarter of Y2021 to 4.11% resulting from the above-mentioned rationale.

Statement of Financial Position

Total assets

As at 30 September 2022, total assets of the Group were Baht 1,705.86 Million, decreased by Baht 6.28 Million, or 0.37% 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 6.61 Million; whereas, receivables of hire purchase, lending and other receivables increased by Baht 42.12 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 September 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 7.00%. 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 seize 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 1.42%

Total liabilities

As at 30 September 2022, total liabilities of the Group were Baht 405.99 Million, decreased by Baht 54.95 Million or 11.92% from 31 December 2021. A decrease of liabilities came from the reduction of other payables and liabilities under finance lease agreement by Baht 43.22 Million and Baht 27.28 Million respectively; whereas, borrowing from financial institutions increased by Baht 10.11 Million.

Total borrowings from financial institutions, promissory notes, of the Group as at 30 September 2022 were equal to Baht 198.91 million that was increased by Baht 10.11 million or 5.35% compared with the borrowings as at 31 December 2021. An increase of total borrowings came from the growth of higher hire purchase of trucks and freezers; whereas, lower both hire purchase of water purifiers and electrical appliances caused by sale drop under the situation of the pandemic of COVID-19.

Shareholders' equity

Shareholders' equity of the Group as at 30 September 2022 was Baht 1,299.87 Million (31 December 2021: Baht 1,251.19 Million), increased by Baht 48.68 Million or 3.89%. Debt to equity ratio as at 30 September 2022 was 0.31 (31 December 2021: 0.37). Book value per share was Baht 2.37 (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 nine months (Jan.-Sep.'22).

Kindly be informed.

Yours truly,



(Mr. Waranon Kongpatimakorn)

President