

10 November 2022

Subject: Management Discussion and Analysis Operating results for nine month, ending September 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 September 30, 2022 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the nine-month period ended 30 September 2022 and 2021 together with the Company’s financial status compared between ending Third quarter as at September 30, 2022 and ending September 30, 2021 as follows:

Financial Performance Explanation and Analysis

● **Thai economy and operating effect**

The third quarter of 2022, the Thai economy is likely to recover continuously. Due to the recovery in domestic demand and tourism sector. As for the effect of COVID-19, on September 20, 2022, the ministry of public Health has announced the cancellation of COVID-19 from a dangerous communicable disease leaving only contagious diseases that much be monitored Effective October 1, 2022, which is considered one of the positive factors for the economy in 3Q22. But there still uncertainly from higher inflation trends, including raising the policy interest rate of central banks around the world. This may affect interest rate trends in the future.

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

● **Operating outlook**

The Company factoring business in the nine-month period ended September 30, 2022, total revenues were 168.79 million Baht which increased by 25.50 million Baht or 17.8%, net profit 38.72 million Baht which increased 2.36 million Baht or 6.5% compared to the same period of the previous year. The increasing of net profits resulted from increase of interest income from loan.

Performance and Profitability

The nine-month period ended 30 September 2022 and 2021, interest income from factoring were 117.55 million Baht and 103.19 million Baht or equivalent to 69.6% and 72.0% of total revenues respectively. Fees and services income were 34.24 million Baht and 28.97 million or 20.3% and 20.2% respectively. Interest received from loans amounted to 16.68 million Baht and 11.13 million Baht or 9.9% and 7.8% respectively. Total revenues were 168.79 million Baht and 143.29 million Baht respectively. Finance costs were 31.24 million Baht and 25.56 million Baht or

18.5% and 17.8% respectively. The Company's gross profits were 137.23 million Baht and 117.73 million Baht or 81.45% and 82.16% respectively.

(Unit: Thousand Baht)

Statement of compressive income	For the nine-month period ended 30 September 2022	Percent	For the nine-month period ended 30 September 2021	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	117,550	69.6%	103,187	72.0%	14,363	13.9%
Fees and services income	34,238	20.3%	28,971	20.2%	5,267	18.2%
Interest income from loan	16,682	9.9%	11,126	7.8%	5,556	49.9%
Other Income	321	0.2%	3	0.0%	318	10,600.0%
Total revenues	168,791	100.0%	143,287	100.0%	25,504	17.8%

The nine-month period ended 30 September 2022 and 2021, the Company's administrative expenses were 79.13 million Baht and 76.26 million Baht or 46.9% and 53.2% of total revenues. Provision for doubtful account was 10.14 million Baht and (3.79) million Baht respectively or 6.0% and (2.6%) of total revenues. The Company have increase of interest income from loan about 50% and set the provision for doubtful account by the calculation of Expected Credit Loss (ECL) based on TFRS9 increase from the same period last year. Resulted to the Net profit for the period of the nine-month of 2022 and 2021 were 38.72 million Baht and 36.35 million Baht respectively.

(Unit: Thousand Baht)

Statement of compressive income	For the nine-month period ended 30 September 2022	Percent	For the nine-month period ended 30 September 2021	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	79,131	46.9%	76,264	53.2%	2,867	3.8%
Finance cost	31,243	18.5%	25,555	17.8%	5,688	22.3%
Doubtful accounts	10,138	6.0%	(3,793)	-2.6%	13,931	367.3%
Total expenses	120,512	71.4%	98,026	68.4%	22,486	22.9%
Profit before income tax expenses	48,279	28.6%	45,261	31.6%	3,018	6.7%
Income tax expense (Revenue)	9,564	5.7%	8,909	6.2%	655	7.4%
Profit for the period	38,715	22.9%	36,352	25.4%	2,363	6.5%

Basic earnings per share

0.0242 Baht/share

0.0227 Baht/share

Financial Status as at 30 September 2022

The Company's total assets as at September 30, 2022 were 2,173.17 million Baht which increased by 240.22 million Baht or 12.4% compared to as at September 30, 2021.

Current assets as at September 30, 2022 were 2,090.46 million Baht which increased by 260.33 million Baht or 14.2% compared to as at September 30, 2021. Largest proportion was Factoring Receivables as at September 30, 2022 were 1,823.85 million Baht or equivalent to 83.9% of total assets.

Non-current assets as at September 30, 2022 were 82.72 million Baht or equivalent to 3.8% of total assets which increased 20.11 million Baht.

(Unit: Thousand Baht)

Statement of financial position	Q3/2022	Percent	Q3/2021	Percent	Changed	
					Value	Percent
Current Assets						
Cash and cash equivalents	169,432	7.8%	121,612	6.3%	47,820	39.3%
Factoring receivable	1,823,847	83.9%	1,571,358	81.3%	252,489	16.1%
Current portion of loans receivable	94,570	4.4%	135,404	7.0%	(40,834)	-30.2%
Other current assets	2,607	0.1%	1,753	0.1%	854	48.7%
Total current assets	2,090,456	96.2%	1,830,127	94.7%	260,329	14.2%
Non-current assets						
Loan receivable	49,348	2.3%	63,621	3.3%	(14,273)	-22.4%
Equipment	1,106	0.1%	800	0.0%	306	38.3%
Right-of-use assets	2,584	0.1%	4,121	0.2%	(1,537)	-37.3%
Intangible assets	5,208	0.2%	7,161	0.4%	(1,953)	-27.3%
Deposits and guarantees	287	0.0%	292	0.0%	(5)	-1.7%
Deferred tax assets	24,182	1.1%	26,832	1.4%	(2,650)	-9.9%
Total non-current assets	82,715	3.8%	102,827	5.3%	(20,112)	-19.6%
Total assets	2,173,171	100.0%	1,932,954	100.0%	240,217	12.4%

Total liabilities as at September 30, 2022 were 1,603.70 million Baht or equivalent to 73.8% of total liabilities and shareholders' equity which increased 228.34 million Baht or 16.6% compared to as at September 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	Q3/2022	Percent	Q3/2021	Percent	Changed	
					Value	Percent
Current liabilities						
Short-term loans from financial institutions	1,420,000	65.3%	1,181,000	61.1%	239,000	20.2%
Short-term loans from related party	-	-	50,000	2.6%	(50,000)	-100.0%
Retention from factoring	60,557	2.8%	45,838	2.4%	14,719	32.1%
Current portion of long-term loan	3,000	0.1%	12,000	0.6%	(9,000)	-75.0%
Current portion of liabilities under finance lease agreements	1,526	0.1%	3,464	0.2%	(1,938)	-55.9%
Excess receipt awaiting to repay	87,205	4.0%	48,719	2.5%	38,486	79.0%
Other payables	8,864	0.4%	8,103	0.4%	761	9.4%
Income tax payable	4,049	0.2%	2,657	0.1%	1,392	52.4%
Other current liabilities	1,118	0.1%	1,165	0.1%	(47)	-4.0%
Total current liabilities	1,586,319	73.0%	1,352,946	70.0%	233,373	17.2%
Non-current liabilities						
Long-term loan, net of current portion	-	-	3,000	0.2%	(3,000)	-100.0%
Liabilities under finance lease agreements	1,121	0.1%	790	0.0%	331	41.9%
Provision for long-term employee benefits	16,261	0.7%	18,627	1.0%	(2,366)	-12.7%
Total non-current liabilities	17,382	0.8%	22,417	1.2%	(5,035)	-22.5%
Total liabilities	1,603,701	73.8%	1,375,363	71.2%	228,338	16.6%

Liquidity and Capital Adequacy

As at September 30, 2022, shareholder s' equity was 569.47 million Baht or equivalent to 26.2% of total liabilities which increased by 11.88 million Baht or equivalent to 2.1% from the same period last year.

As at September 30, 2022, the Company had current ratio 1.32 and debt to equity 2.82 with an available credit facilities which had not yet been drawn down amounted to 1,270 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	Q3/2022	Percent	Q3/2021	Percent	Changed	
					Value	Percent
Shareholders' equity						
Issued and fully paid-up	400,000	18.4%	400,000	20.7%	-	-
Share premium	75,845	3.5%	75,845	3.9%	-	-
Capital contribution from parent company	406	0.0%	406	0.0%	-	-
Retained earnings: Appropriated	34,700	1.6%	32,200	1.7%	2,500	7.8%
Unappropriated	58,519	2.7%	49,140	2.5%	9,379	19.1%
Total shareholders' equity	569,470	26.2%	557,591	28.8%	11,879	2.1%
Total liabilities and shareholders' equity	2,173,171	100.0%	1,932,954	100.0%	240,217	12.4%

Financial Ratios

Financial Ratios	As at 30 September 2022	
Liquidity Ratio		
Current Ratio	1.32	Times
Profitability Ratio		
Gross Profit Margin	81.45	%
Net Profit Margin	22.94	%
Return on Equity or ROE	6.80	%
Efficiency Ratio		
Return on Asset or ROA	1.78	%
Financial Ratio		
Debt to Asset Ratio	0.74	Times
Debt to Equity	2.82	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