



10 November 2022

LIT 2022/020

Topic Operating Result for the third Quarter of the year 2022

To The President of the Stock Exchange of Thailand

According to the resolution of the Board of Directors Meeting of Lease IT Public Company Limited No.17/2022, on 10<sup>th</sup> November 2022, the Financial Statements and overall operations of the Company for the period ended 30 September 2022 which has been reviewed by the auditors of EY Office Limited.

The Thai economy in the year 2021-2022 was affected by COVID-19 pandemic, which impacted household and business spending and delayed the recovery of economic activities. Lease IT Public Company Limited is to be an alternative source of financing outside the financial institution sector (Non-Bank) supporting Small and medium-sized enterprises (SMEs) who work for the government sector and private sector to access funding sources. The Company continues to focus on customers' business needs through offering financial products and also proactively helping customers facing the impact of the COVID-19 crisis so that customers can survive in the long term. In this period, revenue decreased by 51.1%, our customers could run projects again after the lockdown period and some of projects could be delivered but the government bidding also get stuck and allocate to COVID-19 budget. As a result, the finance amount decreased that directly affect the revenue for the nine months of 2022. However, The government gradually auctioned through the Bid Bond and E-Bidding in the third quarter of 2022. Although the auction is not yet returned to normal, the Company is ready to support financial products to build growth, and the Company stilling recorded Expected Credit Loss (ECL) from Non-Performing Loans (NPLs) that affected by the current economic situation following the risk and quality of customers in various industries that following Thai Financial Reporting Standard No.9 (TFRS9) which determines adjustment of economic future forecast based (Looking Forward). This is to comply with the policy of prudent and carefully adjusted business strategic plans for the year 2022 to cope with the impact of this situation as follows:

#### Industry and Strategy

The trend of competition in the banking and Non-Bank industry continues to be pressured by the effect of COVID-19 pandemic and the economic outlook is also impacted by inflation. During such challenges, the Company has to adjust its competitive strategies to cope with the situation and to maintain its performance in accordance with the current industry trends and for sustainable growth in the future. The Company has generated income to create stability in the organization, customer satisfaction, elevating work processes, building corporate credibility and awareness as follows:

- 1) **Upgrade marketing with a Digital Platform** to meet the needs of the new-generation customers and respond to the growth of the digital world in the future. The Company has focused on developing IT systems and using digital marketing tools to reach the target customers of the Company in order to get more targeted customers and offer the company's financial products to the right customers as well as

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create reliable and well-known brand among users through social media and maximize customer database usage for cross-selling.

- 2) **Focus on financing to customers who are government suppliers** to reduce the risk of non-performing loans (NPLs) under the current situation, the Company continues to focus on providing loans to government and state enterprises suppliers because the government always has the ability to pay which make the credit risk lower than lending to small and medium-sized enterprises (SMEs) who are private sector suppliers by using digital marketing.
- 3) **Focus on financing in low-risk financial products** such as Factoring, Hire Purchase, and Financial Lease to reduce the risk of non-performing loans (NPLs)
- 4) **Focus on trendy industries sector for new customers** that finance on Project Backup Finance with collateral under risk management and also support in short term project for cost management.
- 5) **Focus on retaining existing customers** to builds customer brand loyalty by enhancing customer satisfaction through loyalty program to stimulate transactions and build sustainable customer relationship.
- 6) **Focus on increased allowance Expected Credit Losses (ECL)** that affected from the COVID-19 pandemic pressure in many industries, resulting in a decrease in liquidity of the customers which varies according to the risk and quality of customer at any moment. However, ECL stilling recorded following Thai Financial Reporting Standard No.9 (TFRS9)

#### Credit Risks

The economic situation affecting small and medium enterprises (SMEs) is a challenge for the Company to carefully manage its risks while maintaining its performance under the careful selecting of customers, close monitoring and proactively assisting some customers facing the crisis. The company has assisted its clients during this crisis by bringing them into a suitable debt restructuring plan to enable them to survive in the business in long term and have the ability to repay the Company's debts. In this regard, the Company has taken steps to improve credit quality as follows:

- 1) The company has upgraded the screening of customers and debtors in order to select real potential customers who have strong debt repayment ability and has continuously adjusted the frequency of reviewing the debt repayment capability of customers and debtors. Moreover, the Company also reviewed the process of rights to receive payment transferring and debt collection in order to prepare for the situation impacted by the epidemic of COVID-19. The Company also closely monitors customer behavior and signal in order to prevent non-performing debts (NPLs) in the future.
- 2) The Company has strengthened the debt collection team to follow up the repayment closely in order to increase the debt recovery rate.
- 3) The Company has managed to mitigate industry risk by limiting portfolio of each industry to not more than 25% in order to comply with the industrial risk management plan.

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- 4) The Company continues to limit financing to new customer who construction business as it has high risk but focuses on a group of business that has lower risk and still grows in current situation such as a medical equipment.

#### Profitabilities

- 1) The Company focuses on financial cost management which are the main cost and also focused on managing cash flow in order to minimize financial cost. Moreover, The Company continues to focus on managing the company's funding sources to be in line with the company's cash inflows and manage interest rates that are appropriate to the current situation.
- 2) The Company focuses on Non-Performing Loans (NPLs) management by assisting customers to repay debt in accordance with their liquidity to reduce the Allowance for Expected Credit Losses on Non-Performing Loans. This is due to the Company's policy to achieve performance under acceptable risk.
- 3) The Company has the policy to control unnecessary operating expenses by developing Information Technology systems to reduce costs and improve the credit quality more efficiently.
- 4) The Company set growth with the strategy of finding new target customers from vary the financial products to expand the market and risk diversification.

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**Consolidated financial performance of the Company for the 3-months and 9-months period ended 30 September 2022 in comparison with the corresponding period last year ended 30 September 2021**

(Unit: Thousand Baht)	Statement of comprehensive income					
	For 3 months period			For 9 months period		
	2022	2021	%Change	2022	2021	%Change
Interest Income	22,248	54,767	(59.4%)	80,917	169,700	(52.3%)
Fees and service incomes	12,368	22,059	(43.9%)	35,296	70,107	(49.7%)
Other income	3,208	4,014	(20.1%)	8,968	16,221	(44.7%)
<b>Total revenues</b>	<b>37,824</b>	<b>80,840</b>	<b>(53.2%)</b>	<b>125,181</b>	<b>256,028</b>	<b>(51.1%)</b>
Service expense	6,262	10,590	(40.9%)	19,389	30,586	(36.6%)
Administrative expense	18,369	19,926	(7.8%)	55,075	58,827	(6.4%)
Expected credit losses	18,400	27,583	(33.3%)	82,130	96,188	(14.6%)
<b>Total expenses</b>	<b>43,031</b>	<b>58,099</b>	<b>(25.9%)</b>	<b>156,594</b>	<b>185,601</b>	<b>(15.6%)</b>
<b>Operating profit(loss) before finance cost and tax</b>	<b>(5,207)</b>	<b>22,741</b>	<b>(122.9%)</b>	<b>(31,413)</b>	<b>70,427</b>	<b>(144.6%)</b>
Finance cost	(12,348)	(22,759)	(45.7%)	(37,345)	(66,030)	(43.4%)
<b>Profit(loss) before income tax expenses</b>	<b>(17,555)</b>	<b>(18)</b>	<b>(97,427.8%)</b>	<b>(68,758)</b>	<b>4,397</b>	<b>(1,663.8%)</b>
Income tax revenues (expenses)	1,747	(1,353)	(229.1%)	8,131	(3,024)	(368.9%)
<b>Profit(Loss) for the period</b>	<b>(15,808)</b>	<b>(1,371)</b>	<b>(1,053.0%)</b>	<b>(60,627)</b>	<b>1,373</b>	<b>(4,515.7%)</b>

### 1. Revenues

Total revenue for the 9 months ended 30 September 2022 consists of interest income, fees and service income, and other income at the proportion of 64.6%, 28.2%, and 7.2% respectively. As such, the Company focuses on financing to customers who are government suppliers and low-risk financial products in an economic slowdown to control and reduce the risk of non-performing loans (NPLs). As a result, the revenue for the nine months 2022 decreased 130.8 million baht.

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### Interest incomes

Interest Income (Unit: Thousand Baht)	For the 9 months period ended 30 September				Change	
	2022	%	2021	%	Amount	%
- Factoring contracts	47,331	58.5%	77,732	45.8%	(30,401)	(39.1%)
- Loan contracts	19,848	24.5%	75,997	44.8%	(56,149)	(73.9%)
- Finance lease contracts	7,098	8.8%	9,354	5.5%	(2,256)	(24.1%)
- Hire-purchase contracts	3,242	4.0%	6,106	3.6%	(2,864)	(46.9%)
- Installment Sales	3,383	4.2%	511	0.3%	2,872	562.0%
- Loans to customers	15	0.0%	-	-	15	100.0%
<b>Total</b>	<b>80,917</b>	<b>100.0%</b>	<b>169,700</b>	<b>100.0%</b>	<b>(88,783)</b>	<b>(52.3%)</b>

For the 9 months period ended 30 September 2022, The interest income from short-term loans consists of factoring contracts, Loan contracts, and installment sales have total interest income of 70.6 million baht or 87.2% and interest income from long-term loans is finance lease and hire-purchase contracts have total interest income of 10.4 million baht or 12.8% while in the same period of the previous year the percentage of interest income from short-term loans is 90.9% and 9.1% from long-term loans, which is not significantly different.

The interests income are mainly from factoring contracts. For the 9 months ended 30 September 2022, the interest income from factoring contracts has about 47.3 million baht or 58.5% compared with the same period of the previous year 45.8% because the Company focuses on financing low-risk financial products and high liquidity to reduce the risk of non-performing loans (NPLs) for new financing. The interest income from loan contracts has 19.9 million baht decreased by 76 million baht compared with the previous year. the Company has more intensity on determining financing new loans due to it being a high-risk product. As a result, The financing amount of loan contracts decreased by 60.7% for this year. Including, the impact of the Covid-19 pandemic and SMEs have decreased in liquidity from the economic pressure resulting in freezing revenue recognition as an accounting standard.

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## Fees and service incomes

Fees and service incomes (Unit: Thousand Baht)	For the 9 months period ended 30 September				Change	
	2022	%	2021	%	Amount	%
- Factoring contracts	11,114	31.5%	31,294	44.6%	(20,180)	(64.5%)
- Loan contracts	9,869	28.0%	31,351	44.7%	(21,482)	(68.5%)
- Finance lease contracts	37	0.1%	132	0.2%	(95)	(72.0%)
- Hire-purchase contracts	58	0.2%	37	0.1%	21	56.8%
- Installment Sales	11,369	32.2%	1,433	2.0%	9,936	693.4%
- Letter of guarantees	2,772	7.9%	5,851	8.4%	(3,079)	(52.6%)
- Others	77	0.2%	9	0.0%	68	755.6%
<b>Total</b>	<b>35,296</b>	<b>100.0%</b>	<b>70,107</b>	<b>100.0%</b>	<b>(34,811)</b>	<b>(49.7%)</b>

For the 9 months period ended 30 September 2022, The fee and service incomes from short-term loans by 91.7% consisting of service income from factoring contracts, Loan contracts, and Letter of guarantee decreased by 20.2, 21.5, and 3.1 million baht respectively compared with the same period of the previous year. However, The fees and service incomes from installment sales increased by 9.9 million baht due to It being fully operation in this year.

Fee and service incomes decreased by 34.8 million baht or 49.7% because the Company decreased financing of loan contracts for some industries and also considered financing amounts based on the quality of customers and debtors. Because the Thai economy impacted customers on loan contracts which did not complete projects in time. In addition, the Company also focuses on financing factoring contracts that are low product risk. However, a decrease in business transactions due to the Thai economy which broadly affected many industries resulted in a decrease in fee and service incomes. Moreover, the Company also focuses on existing customers because of experience in business behavior with lower risk.

## Other income

For the 9 months period ended 30 September 2022, total other income decreased by Baht 7.3 million or 44.7% compared with the same period of the previous year which decreased from the Thai economic slowdown and impacted the liquidity of the customers.

## **2. Service and administrative expense**

For the 9 months ended 30 September 2022, The Company had service and administrative expenses of 74.5 million baht, which decreased by 14.9 million baht or 16.7% compared with the same period of the previous year which has expenses of 89.4 million baht. A decrease is mainly from service expenses by 11.2 million baht align with revenue and from related salesman expenses and controlling unnecessary operating expenses.

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### 3. Expected Credit Losses

For the 9 months ended 30 September 2022, The Company had expected credit losses (ECL) of 82.1 million baht. In this regard, ECL is recorded following Thai Financial Reporting Standard No.9 (TFRS9) which was from the Covid-19 pandemic, and the economic outlook is also impacted by inflation directly impacts SMEs customers, which are the Company's main customers. As a result, the process of delivering products and services is delayed and incurred fines and higher operation costs especially in the construction industry. Customers who are in the process of litigation and debt restructuring, lack liquidity during the recession of the external factors. Resulting in the inability to pay debts as scheduled reflects the risks inherent in the quality of the customers at any moment, the risks may change in the future depending on various factors, thus the company is obliged to set aside in accordance with the quality and risks of the customers and the circumstances. However, the Company has a policy to prevent, control, and improve the financing process for better quality. both in modifying the method of risk analysis Adjustment of credit approval authority to be more appropriate Focusing on low-risk products, portfolio management by industry and eliminating financing in complex industries in order to minimize the damage of new loans. In addition, the company also added collection teams and procurement of outsource debt collection company to expedite the problem of non-performing debtors (NPLs).

### 4. Finance Cost

For the 9 months ended 30 September 2022, finance cost decreased by Baht 28.7 million or 43.4% compared with last year as the average debenture balance was decrease.

### 5. Income tax expenses

For the 9 months ended 30 September 2022, The Company had Income tax revenues of 8.1 million baht caused by an increase in Expected Credit Losses (ECL). However, The Company will be able to use it in the future.

### 6. Net profit

For the 9 months ended 30 September 2022, The Company had a loss of 60.6 million baht compared with a prior period which had a net profit of 1.4 million baht due to a significant decrease in revenue of 130.8 million baht or 51.1% aligning with the customers lacking liquidity to pay-debts and decreasing in the financing amount. and ECL increased in line with NPLs from high risk and affected customer quality. As a result, the higher Expected Credit Losses (ECL). Although, The Company has controlled the service and administration expenses.

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**Consolidated financial position of the Company as of 30 September 2022 in comparison with that as of 31 December 2021**

**Assets**

Total assets as of 30 September 2022 were Baht 2,025.8 million, compared with the year ended 2021 which has total assets of 2,157.1 million baht which caused by the decrease in receivables of 571.2 million baht as a result to cash and shor-term investment in trading securities increased Baht 383.7 million.

**Liabilities**

Total liabilities as of 30 September 2022 were Baht 881.1 million, decreased by 336.4 million baht compared with the year ended 2021 which has total liabilities of 1,217.5 million baht, mainly from the repayment of the short-term loan from finance institutions in beginning of this year.

**Equity**

The Company had fully paid-up share captial and issuing LIT-W2 about Baht 265.8 million but had net loss operation during the period Baht 60.6 million. As a result, total equity increased amounting to Baht 205 million when compared with the year 2021.

Please be informed accordingly.

Best regards,

(Mrs. Chonticha Supalukmetha)

Managing Director

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