

9 December 2022

No. SGC027/2565

 To The President
The Stock Exchange of Thailand

 Subject Management Discussion and Analysis for the 3rd quarter of 2022 and the 9-month period year ended 30 September 2022

We, SG Capital Public Company Limited (“the company”), are pleased to provide you our management discussion and analysis for the 3rd quarter and 9-month period year ended 30 September 2022, as follows:

Statement of income Unit: Million Baht	3 rd Quarter				9 month-period			
	2022	2021	Increase (Decrease)		2022	2021	Increase (Decrease)	
Income								
Interest income from hire-purchase contracts and loans	623	424	200	47%	1,637	1,274	362	28%
Other income	11	12	(2)	(15%)	28	33	(4)	(14%)
Total income	634	436	198	45%	1,665	1,307	358	27%
Expenses								
Service and administrative expenses	158	104	54	52%	462	353	110	31%
Total expenses	158	104	54	52%	462	353	110	31%
Profit from operating activities	476	332	144	43%	1,202	954	248	26%
Finance costs	(163)	(92)	71	78%	(418)	(250)	168	67%
Expected credit loss	(117)	(42)	75	180%	(214)	(121)	93	76%
Profit before income tax expense	196	199	(3)	(1%)	570	583	(13)	(2%)
Tax expense	(36)	(32)	4	12%	(103)	(107)	(4)	(4%)
Profit for the period	160	167	(7)	(4%)	467	476	(9)	(2%)

Total Income

Total income consists of interest income, including (1) Home & Commercial Appliances hire purchase (2) Car for Cash loans (hire-purchase and loans with vehicle registration as collateral) and (3) Interest income from other loan receivables (Debt Consolidation loan and Click2Gold loan, and others). Other income from fee and commission revenues.

For the 3rd quarter and the 9-month period of 2022, the company’s total income was Baht 634 million, an increase of Baht 98 million or 45%, and Baht 1,665 million, an increase of Baht 358 million or 27% from the same period of the last year, respectively. This was mainly due to an increase of interest income from hire-purchase contracts and loans.

Interest income from hire-purchase contracts and loans

For the 3rd quarter and the 9-month period of 2022, the company interest income from hire-purchase contracts and loans were Baht 623 million, an increase of Baht 200 million or 47%, and Baht 1,637 million, an increase of Baht 362 million or 28% from the same period of the last year, respectively. The details are classified according to the loan portfolio as follows:

- **Interest Revenue from Hire Purchase**

For the 3rd quarter and the 9-month period of 2022, the company's interest income from the hire purchase was Baht 336 million, an increase of Baht 87 million or 35%, and Baht 856 million, an increase of Baht 53 million or 7% from the same period of last year, respectively. This was mainly due to increasing interest revenue from home & commercial appliances as the company could expand this market via both SINGER and JMB channels.

- **Interest Revenue from Car for Cash**

For the 3rd quarter and the 9-month period of 2022, the company's interest income from Car for Cash Loan Portfolio was Baht 278 million, an increase of Baht 109 million or 65% and Baht 758 million, an increase of Baht 300 million or 65% from the same period of the last year, respectively. In this regard, the continued growth of interest income from Car for Cash was mainly due to the significant amount of loans extended during the period. The company just started this business in recent years and this loan portfolio still has plenty of room to grow.

- **Interest income from other loan receivables**

Interest income from other loan receivables includes (1) Debt Consolidation loan (2) Click2Gold loan, and others.

For the 3rd quarter and the 9-month period of 2022, the company's Interest income from other loan receivables was Baht 9 million, an increase of Baht 4 million or 77%, and Baht 23 million, an increase of Baht 10 million or 72% from the same period of last year. This continuous growth was from the product line expansion to be more diversified with low risk. This can increase the potential for diversification of the overall loan portfolio.

Service and administrative expenses

For the 3rd quarter and the 9-month period of 2022, the company's service and administrative expenses were Baht 158 million, an increase of Baht 54 million or 52%, and Baht 462 million, an increase of Baht 110 million or 31% from the same period of the last year. This was mainly due to an increase in employee benefit expenses, travelling expenses, and other taxes, in line with the continued expansion of the loan portfolio.

Finance costs

For the 3rd quarter and the 9-month period of 2022, the company's finance costs were Baht 163 million, an increase of Baht 71 million or 78% and Baht 418 million, an increase of Baht 168 million or 67% from the same period last year, respectively from the growth of the loan portfolio.

Such financial costs continuously arose as the company obtained loans from Singer Thailand Plc. (SINGER) through the issuance and offering of debentures for loan portfolio expansion.

Expected credit loss

For the 3rd quarter and the 9-month period of 2022, the company's expected credit loss was Baht 117 million, an increase of Baht 75 million or 180%, and Baht 214 million, an increase of Baht 93 million or 76% from the same period of the last year respectively. This was mainly due to the company recognizing a higher amount of expected credit loss and an increasing amount of loss from debt restructuring.

Net Profit

For the 3rd quarter and the 9-month period of 2022, the company's net profit was Baht 160 million, a decrease of Baht 7 million or 4%, and Baht 467 million, a decrease of Baht 9 million or 2% from the same period of the last year, respectively. This was mainly due to the continuous expansion of the Car for Cash, where the ratio of interest income to a Car for Cash is lower than the interest income ratio of hire purchase loans to total hire purchase loans. Therefore, the net profit margin was lowered.

Statements of Financial Position

Statements of Financial Position Unit: Million Baht	30 Sep 2022	31 Dec 2021	Increase (Decrease)	
Assets				
Current portion of hire-purchase contract receivables	3,964	3,076	888	29%
Current portion of loan receivables	1,773	1,225	548	45%
Other current assets	574	646	(72)	(11%)
Total current assets	6,311	4,947	1,364	28%
Hire-purchase contract receivables	2,728	2,076	652	31%
Loan receivables	6,204	4,278	1,926	45%
Other non-current assets	155	129	26	20%
Total non-current assets	9,086	6,483	2,603	40%
Total assets	15,397	11,430	3,967	35%
Liabilities and equity				
Liabilities				
Current portion of long-term loan from financial institution	10	10	-	5%
Other Current liabilities	1,098	1,500	(402)	(27%)
Total current liabilities	1,108	1,510	(402)	(27%)
Long-term loans from parent company	11,807	7,463	4,344	58%
Long-term loan from financial institution	7	14	(8)	(54%)
Other non-current liabilities	35	29	6	22%
Total non-current liabilities	11,849	7,506	4,343	58%
Total liabilities	12,957	9,016	3,941	44%
Equity	2,440	2,414	26	1%
Total liabilities and equity	15,397	11,430	3,967	35%

Assets

As of 30 September 2022, and 31 December 2021, the company had total assets of Baht 15,397 million and Baht 11,430 million, respectively, comprising mainly of hire purchase receivables 95% and car for cash receivables 93%, respectively.

As of September 30, 2022, total assets increased by Baht 3,967 million, or 35% from 31 December 2021 from an increase in the car for cash of Baht 2,508 million or 42% and hire-purchase receivables of Baht 1,415 million or 32%.

Liabilities

As of 30 September 2022, and 31 December 2021, the company had total liabilities of Baht 12,957 million and Baht 9,016 million, respectively, which comprised mainly loans from the parent company.

As of 30 September 2022, total liabilities increased by Baht 3,941 million or 44% from 31 December 2021. This was mainly from loans from the parent company as a source of funds to support the continued expansion of loan portfolios.

Shareholder Equity

As of 30 September 2022, and 31 December 2021, the company had shareholder's equity of Baht 2,440 million and Baht 2,414 million, respectively, an increase of Baht 26 million or 1% from 31 December 2021. This increase was mainly derived from the net profit of Baht 467 million and dividend payment of Baht 441 million to shareholders.

Please be informed accordingly,

Yours sincerely,

SG Capital Public Company Limited

(Ms. Busaba Kunsiritham)

Chief Executive Officer