

Management Discussion and Analysis for the 3rd Quarter 2022

Ended November 30, 2022

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the consolidated reviewed the 3rd quarter financial statements as of November 30, 2022 which were reviewed by Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The operating performance is summarized are as follows.

Overview

According to the Bank of Thailand and Office of the National Economic and Social Development Board data, the Thai economy in the third quarter of 2022 expanded by 4.5% (y-y) accelerating from 2.5% in the last quarter which was in line with relaxation of the COVID-19 situation. In addition, the supporting factors were the recovery of tourism and the continuously expanded both of private consumption and investment. However, economic expansion remains at risk due to higher cost of living, the rising of household debts amid an upward trend of interest rates, the increasing of interest rate, and risk of emergence of new COVID-19 variants. In order that, the unemployment rate stood at 1.23% in the third quarter of 2022 decreased from the previous quarter.

The company performance of the first nine-months of 2022, the Company has total sales increase by 29% y-y. In the third quarter of 2022, the Company has total sales increased by 17% y-y and 0.1% q-q.

As of November 30, 2022, the Company has total cards as below;

Number of AEONTS Cards and Networks	November 30, 2021	November 30, 2022
Number of Credit Cards (million cards)	3.05	3.23
Number of Member Cards (million cards)	6.31	6.47
Branches	100 branches	104 branches
Bangkok	30%	30%
Province	70%	70%
ATMs (machine)	401	148
Affiliated Dealers	6,381	6,038

Summary of Consolidated Financial Results

1. Operating Results

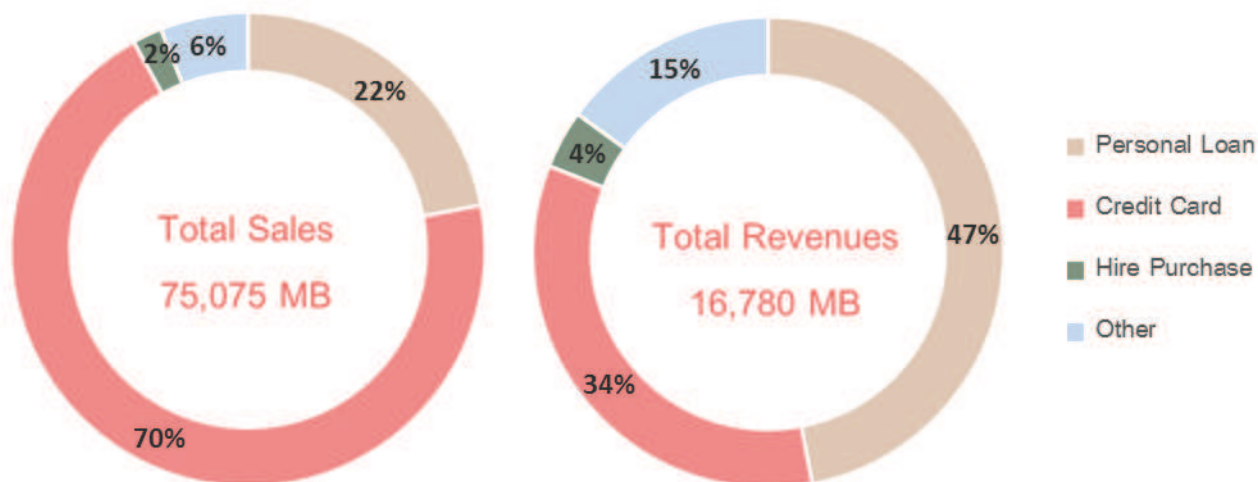
Profit and Loss Statement (Consolidated) Unit : Million Baht	Consolidated					Separated		
	3Q/22	%YoY	9M/21	9M/22	%YoY	9M/21	9M/22	%YoY
Credit card income	1,960	17%	4,820	5,648	17%	4,761	5,535	16%
Loan income	2,589	-0.3%	7,796	7,847	1%	7,664	7,771	1%
Hire-purchase income	254	-7%	805	774	-4%	240	186	-22%
Other income	1,016	54%	2,177	2,511	15%	2,206	2,453	11%
Total Revenues	5,820	12%	15,597	16,780	8%	14,872	15,945	7%
Operating and administrative expenses	2,039	5%	5,846	6,057	4%	5,217	5,502	5%
Expected credit loss	1,884	6%	5,011	5,298	6%	4,265	5,167	21%
Finance costs	475	12%	1,327	1,381	4%	1,385	1,436	4%
Other expenses	0	0%	8	2	-71%	8	1	-87%
Total Expenses	4,398	6%	12,192	12,739	4%	10,875	12,107	11%
Profit before tax income	1,421	35%	3,405	4,041	19%	3,997	3,838	-4%
Income tax expenses	286	35%	768	815	6%	731	728	-0.4%
Net profit for the period	1,104	35%	2,643	3,122	18%	3,266	3,109	-5%
Earnings Per Share (Baht per share)	4.42	35%	10.57	12.49	18%	13.06	12.44	-5%

Revenues

For the first nine-months of 2022, the total consolidated revenues were 16,780 million baht, increasing of 1,183 million baht or 8% y-y. In the third quarter of 2022, the Company recorded revenue at 5,820 million baht increased 608 million baht or 12% y-y and 6% q-q. This is the result of continued growth in core business revenues especially in credit card increased by 17% y-y, which in line with increasing of card purchase and cash advance were 32% and 24% respectively. In the third quarter of 2022, the Company has gain on sales of written off account receivables of 299 million baht.

However, our revenue from bad debt recovery for the first nine-months of 2022 were 1,202 million baht grew by 18% y-y and for the third quarter of 2022 was 406 million baht increased by 7% y-y but decreased by 1% q-q respectively. Details of each business can be described as follows:

Sales and Revenues Structure for the first nine-months of 2022



- Credit Card

For the first nine-months of 2022, credit card sales accounted for 70% of total turnovers with revenue of 5,648 million baht, an increase of 828 million baht or 17% y-y. In the third quarter of 2022, credit card revenue was 1,960 million baht, an increase of 284 million baht, which was 17% y-y and 4% q-q. For overseas business, AEON Specialized Bank (Cambodia) Plc had credit card revenue of 114 million baht, grew by 31% y-y.

- Loans

For the first nine-months of 2022, loans shared 22% of total turnovers with the revenue of 7,847 million baht, which was 47% of total revenues, increased of 51 million baht or 1% y-y. In the third quarter of 2022, loans revenue was 2,589 million baht, a decrease of 8 million baht or 0.3% y-y and 1% q-q. Moreover, loan income from AEON Specialized Bank (Cambodia) PLC of 157 million baht, decreased by 22% y-y and AEON Microfinance (Myanmar) Company Limited of 11 million baht, decreased by 63% y-y respectively.

The Company has been expanding more online service channels to customers and reduced the Company's operation cost such as the number of ATMs machine and operational areas in the Company's branches. In addition, a variety of online transaction channels have resulted in the Cardless transactions currently accounted for 95% of total personal loan sales, which Promptpay service shared more than 70% of total personal loan sales.

- Hire Purchase

The Company offers motorcycle, used car hire purchase, electrical appliance, mobile phones and others and hire purchase business of overseas subsidiaries. For the first nine-months of 2022, hire purchase revenues recorded at 774 million baht, decreased by 31 million baht or 4% y-y. In the third quarter of 2022, the Company had hire purchase revenues of 254 million baht, decreased by 20 million baht or 7% y-y but increased 0.3% q-q. In addition, hire purchase income in the nine-months of FY2022 from AEON Specialized Bank (Cambodia) Plc of 504 million baht, increased by 5% y-y and AEON Leasing Service (Lao) Company Limited of 84 million baht, which was at the same level as last year.

- Others

For the first nine-months of 2022, other incomes were 2,511 million baht or 15% of total revenues, showing an increase of 334 million baht or 15% y-y, mainly consist of bad debt recovery was 1,202 million baht or 18% y-y and represented 7% of total revenues, gain on sales of written-off receivables were 404 million baht, increased by 27% y-y or 2% of total revenues, collection service income was 166 million baht, increased by 7% y-y or 1% of total revenues, commission income was 517 million baht, increased by 4% y-y or 3% of total revenues and others of 221 million baht. The increasing of other revenues was mainly from the continued growth of bad debt recovery caused by the increased of expedite the legal process.

In the third quarter of 2022, other incomes were 1,016 million baht, increased by 53% y-y and 42% q-q. In addition, the Company recorded the other incomes from gain on sales of written-off receivables at the amount of 299 million baht in this quarter as well.

Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. In the first nine-months of 2022, the Company had total consolidated expenses of 12,739 million baht, an increase of 547 million baht or 4% y-y. For the third quarter of 2022, the consolidated expenses were 4,398 million baht, an increasing of 241 million baht or 6% y-y and 2% q-q. Details of expenses are shown as follows:

- Operating and Administrative Expenses

In the first nine-months of 2022, the consolidated operating and administrative expense were 6,057 million baht, increased by 212 million baht or 4% y-y. The increase in operating and administrative expense was mainly from personal expense, administrative, and marketing activities. For the third quarter of 2022, the consolidated operating and administrative expenses were 2,039 million baht increased by 88 million baht or 5% y-y and 3% q-q. However, the Company still maintained effective operating cost control with cost to income ratio at 35% of total revenues. Considering the Company's separate financial statement, the operating and administrative expenses as a percentage of revenues represented 33% and 36% in the first nine-months of 2022.

- Expected Credit Loss

The consolidated expected credit loss in the first nine-months of 2022 amounted to 5,298 million baht, increased by 6% y-y. For the third quarter of 2022, the Company recorded expected credit loss of 1,884 million baht, increased by 6% y-y and 2% q-q.

- Finance Cost

The Company recorded consolidated finance cost in the first nine-months of 2022 of 1,381 million baht, increased by 4% y-y. For the third quarter of 2022, the finance cost was 475 million baht, increased by 12% y-y and 1% q-q, which the portion of finance cost in the third quarter of 2022 was 8% of total revenues. The average funding cost in the third quarter of 2022 was at 2.67%.

Net Profit

For the first nine-months of 2022, consolidated operating income was reported at 4,041 million baht, an increase of 636 million baht or 19% y-y. The Company recorded net profit of 3,122 million baht, an increase of 479 million baht or 18% y-y, and earning per share was 12.49 baht due to the Company is focusing on marketing through online channels and oversea business was the recovery after reopen the economy as normal.

For the third quarter of 2022, the Company had consolidated operating income of 1,421 million baht, an increase of 366 million baht or 35% y-y due to there is income from gain on sales of written off account receivables. The Company reported net profit attributed to owners of the parent of 1,104 million baht, an increase of 289 million baht or 35% y-y and 22% q-q, and earning per share was 4.42 baht.

2. Financial Status

Statement of Financial Position	February 28, 2022	November 30, 2022
Unit : Million Baht		
Accounts Receivable	91,028	95,106
Total Assets	90,469	96,164
Total Borrowing	65,418	67,821
Total Liabilities	70,205	73,849
Total Equities	20,264	22,315
ROE	19.2%	20.0%
ROA	4.0%	4.5%
D/E Ratio	3.5	3.3

Total Assets

As of November 30, 2022, consolidated total assets were 96,164 million baht, an increase of 5,695 million baht or 6% from 90,469 million baht as of February 28, 2022. The main assets were attributed to the portfolio of net account receivables which shared 89% of total assets.

- Accounts Receivable

The Company has gross accounts receivable of 95,106 million baht as of November 30, 2022, increased by 4% from as of February 28, 2022. The increase was attributed mainly from the domestic turnovers by 32% y-y. This can be categorized by business type as follows: credit card receivable of 43,399 million baht, increased by 10% at the end of previous year; loans receivable of 45,982 million baht, increased by 1% at the end of previous year; hire purchase receivable of 5,645 million baht, decreased by 4% at the end of previous year and others receivable of 80 million baht, decreased by 32% at the end of previous year respectively.

- Allowance for expected credit loss

As of November 30, 2022, the Company provided allowance for doubtful accounts of 10,470 million baht or 11% of total accounts receivable, comparing to that of 10,951 million baht or 12% of total accounts receivable at the end of previous fiscal year. The delinquent account receivables for 3 months and up was 5.4%. For default receivables in credit risk (NPL Stage 3) was 5.6%. In the part of separate financial statement, the delinquent account receivables for 3 months and up was 5.0% and default receivables in credit risk (NPL Stage 3) was 5.3%. As at November 30, 2022, the consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 196%.

Liabilities

The consolidated liabilities of the Company as of November 30, 2022 totaling 73,849 million baht, an increase of 3,644 million baht or 5% from 70,205 million baht at the end of last fiscal year. There were both short-term and long-term borrowings totally 67,821 million baht, increased by 4% from the end of last year. The portion of long-term borrowings was 43,935 million baht or represented 65% of total borrowings. To manage risk that might occur from the fluctuation in currency. The Company has entered cross currency interest rate swap contracts to hedge its debt. In addition, the Company has unused unsecured revolving credit facilities 8,150 million baht and 3,000 million baht unused committed facilities with various financial institutions which is enough to drive the Company's operation. The Company also has the debentures totaling 1,000 million baht that will mature within 12 months, which the Company can issue new debentures or use a working capital to repay as scheduled.

Shareholders' Equity

As of November 30, 2022, total shareholders' equity amounted to 22,315 million baht, an increase of 2,051 million baht or 10% from the end of the last fiscal year. Book value to owners of the parent as of November 30, 2022 was 87.03 baht per share, increased from 79.55 baht per share as of February 28, 2022.

Debt to Equity ratio as of November 30, 2022 was at 3.3 times decreased from 3.5 times at the end of FY2021. Return on Equity (ROE) and Return on Asset (ROA) for nine-month period of FY2022 are 20.0% and 4.5%, respectively.

Key Financial Ratio	3Q21	3Q22	Nov'21	Nov'22
Net Profit Margin (%)	15.6%	19.0%	16.9%	18.6%
Interest Coverage ratio (Times)	3.5	4.0	3.6	3.9
Cost to Income (%)	37.4%	35.0%	37.5%	36.1
EPS (Baht)	3.26	4.42	10.52	12.49

Key Financial Ratio	As of November 2021	As of November 2022
Allowance for Expected Credit Loss/ Total Receivables (%)	12.3%	11.0%
NPL Coverage Ratio (%)	255%	196%
Book Value per Share (Baht)	74.8	87.0