

22 February 2023

Subject: Management Discussion and Analysis Operating results for the year 2022.

Attention: The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending December 31, 2022 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the year of 2022 and 2021 together with the Company’s financial status compared between ending December 31, 2022 and ending December 31, 2021 as follows:

Financial Performance Explanation and Analysis

- **Thai economy and operating effect**

In quarter 4 ,2022 The Thai economy is likely to recover continuously. Due to the recovery in domestic demand and tourism sector following the return of foreign tourists. The impact of COVID-19 not having much impact on economic activities which is considered one of the positive factors for the economy in 4Q22. 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 reduces global warming at present, this will allow for more efficient control over operations.

- **Operating outlook**

The Company factoring business in the 2022, Total revenues were 226.50 million Baht which increased by 28.66 million Baht or 14.5%, net profit 45.26 million Baht which decreased 4.26 million Baht or (8.6%) compared to the same period of the previous year. The decreasing of net profits resulted from increase of doubtful accounts and expected credit loss.

Performance and Profitability

During the year of 2022 and 2021, interest income from factoring were 158.14 million Baht and 139.10 million Baht or equivalent to 69.8% and 70.3% of total revenues respectively. Fees and services income were 47.75 million Baht and 40.11 million or 21.1% and 20.3% respectively. Interest received from loans amounted to 19.42 million Baht and 17.13 million Baht or 8.6% and 8.7% respectively. Total revenues were 226.50 million Baht and 197.84 million Baht respectively. Finance costs were 42.57 million Baht and 34.77 million Baht or 18.8% and 17.6% respectively. The Company’s gross profits were 182.74 million Baht and 161.57 million Baht or 81.11% and 82.29% respectively.



(Unit: Thousand Baht)

Statement of compressive income	For the year ended 31 December 2022	Percent	For the year ended 31 December 2021	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	158,142	69.8%	139,100	70.3%	19,042	13.7%
Fees and services income	47,753	21.1%	40,106	20.3%	7,647	19.1%
Interest income from loan	19,415	8.6%	17,132	8.7%	2,283	13.3%
Other Income	1,187	0.5%	1,499	0.8%	(312)	-20.8%
Total revenues	226,497	100.0%	197,837	100.0%	28,660	14.5%

During the year of 2022 and 2021, the Company's administrative expenses were 107.81 million Baht and 100.37 million Baht or 47.6% and 50.7% of total revenues. Provision for doubtful account was 19.35 million Baht and (1.88) million Baht respectively or 8.5% and (1.0%) of total revenues. The Company have increase of 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 during the year of 2022 and 2021 were 45.26 million Baht and 49.52 million Baht respectively.

(Unit: Thousand Baht)

Statement of compressive income	For the year ended 31 December 2022	Percent	For the year ended 31 December 2021	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	107,808	47.6%	100,368	50.7%	7,440	7.4%
Finance cost	42,566	18.8%	34,768	17.6%	7,798	22.4%
Doubtful accounts	19,347	8.5%	(1,884)	-1.0%	21,231	1,126.9%
Total expenses	169,721	74.9%	133,252	67.4%	36,469	27.4%
Profit before income tax expenses	56,776	25.1%	64,585	32.6%	(7,809)	-12.1%
Income tax expense (Revenue)	11,515	5.1%	15,069	7.6%	(3,554)	-23.6%
Profit for the period	45,261	20.0%	49,516	25.0%	(4,255)	-8.6%

Basic earnings per share

0.0283 Baht/share

0.0309 Baht/share



Financial Status as at 31 December 2022

The Company's total assets as at December 31, 2022 were 2,384.30 million Baht which increased by 72.76 million Baht or 3.1% compared to as at December 31, 2021.

Current assets as at December 31, 2022 were 2,309.39 million Baht which increased by 87.83 million Baht or 4.0% compared to as at December 31, 2021. Largest proportion was Factoring Receivables as at December 31, 2022 were 2,064.53 million Baht or equivalent to 86.6% of total assets.

Non-current assets as at December 31, 2022 were 74.91 million Baht or equivalent to 3.1% of total assets which decreased 15.08 million Baht.

(Unit: Thousand Baht)

Statement of financial position	Q4/2022	Percent	Q4/2021	Percent	Changed	
					Value	Percent
<u>Current Assets</u>						
Cash and cash equivalents	69,149	2.9%	99,985	4.3%	(30,836)	-30.8%
Factoring receivable	2,064,534	86.6%	1,901,366	82.3%	163,168	8.6%
Current portion of loans receivable	83,960	3.5%	217,732	9.4%	(133,772)	-61.4%
Short-term loans to related party	89,862	3.8%	-	0.0%	89,862	100%
Other current assets	1,885	0.1%	2,474	0.1%	(589)	-23.8%
Total current assets	2,309,390	96.9%	2,221,557	96.1%	87,833	4.0%
<u>Non-current assets</u>						
Loan receivable	40,343	1.7%	56,416	2.4%	(16,073)	-28.5%
Equipment	989	0.0%	679	0.0%	310	45.7%
Right-of-use assets	3,344	0.1%	2,821	0.1%	523	18.5%
Intangible assets	5,396	0.2%	7,063	0.3%	(1,667)	-23.6%
Deposits and guarantees	287	0.0%	287	0.0%	-	0.0%
Deferred tax assets	24,549	1.0%	22,717	1.0%	1,832	8.1%
Total non-current assets	74,908	3.1%	89,983	3.9%	(15,075)	-16.8%
Total assets	2,384,298	100.0%	2,311,540	100.0%	72,758	3.1%

Total liabilities as at December 31, 2022 were 1,858.67 million Baht or equivalent to 78.0% of total liabilities and shareholders' equity which increased 77.89 million Baht or 4.4% compared to as at December 31, 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	Q4/2022	Percent	Q4/2021	Percent	Changed	
					Value	Percent
<u>Current liabilities</u>						
Short-term loans from financial institutions	1,690,000	70.9%	1,648,000	71.3%	42,000	2.5%
Retention from factoring	61,506	2.6%	51,114	2.2%	10,392	20.3%
Current portion of long-term loan	-	0.0%	12,000	0.5%	(12,000)	-100.0%
Current portion of liabilities under finance lease agreements	2,382	0.1%	2,373	0.1%	9	0.4%
Dividend payables	51,200	2.1%	-	0.0%	51,200	100.0%
Excess receipt awaiting to repay	22,441	0.9%	34,761	1.5%	(12,320)	-35.4%
Other payables	6,433	0.3%	5,365	0.2%	1,068	19.9%
Income tax payable	6,188	0.3%	4,300	0.2%	1,888	43.9%
Other current liabilities	2,016	0.1%	2,989	0.1%	(973)	-32.6%
Total current liabilities	1,842,166	77.3%	1,760,902	76.2%	81,264	4.6%
<u>Non-current liabilities</u>						
Liabilities under finance lease agreements	1,028	0.0%	563	0.0%	465	82.6%
Provision for long-term employee benefits	15,480	0.6%	19,319	0.8%	(3,839)	-19.9%
Total non-current liabilities	16,508	0.7%	19,882	0.9%	(3,374)	-17.0%
Total liabilities	1,858,674	78.0%	1,780,784	77.0%	77,890	4.4%

Liquidity and Capital Adequacy

As at December 31, 2022, shareholder s' equity was 525.62 million Baht or equivalent to 22.0% of total liabilities which decreased by 5.13 million Baht or equivalent to (1.0%) from the same period last year.

As at December 31, 2022, the Company had current ratio 1.25 and debt to equity 3.54 with an available credit facilities which had not yet been drawn down amounted to 1,000 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	Q4/2022	Percent	Q4/2021	Percent	Changed	
					Value	Percent
Shareholders' equity						
Issued and fully paid-up	400,000	16.8%	400,000	17.3%	-	-
Share premium	75,845	3.2%	75,845	3.3%	-	-
Capital contribution from parent company	406	0.0%	406	0.0%	-	-
Retained earnings: Appropriated	36,970	1.6%	34,700	1.5%	2,270	6.5%
Unappropriated	12,403	0.5%	19,805	0.9%	(7,402)	-37.4%
Total shareholders' equity	525,624	22.0%	530,756	23.0%	(5,132)	-1.0%
Total liabilities and shareholders' equity	2,384,298	100.0%	2,311,540	100.0%	72,758	3.1%

Financial Ratios

Financial Ratios	As at 31 December	
	2022	
Liquidity Ratio		
Current Ratio	1.25	Times
Profitability Ratio		
Gross Profit Margin	81.11	%
Net Profit Margin	19.98	%
Return on Equity or ROE	8.61	%
Efficiency Ratio		
Return on Asset or ROA	1.90	%
Financial Ratio		
Debt to Asset Ratio	0.78	Times
Debt to Equity	3.54	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 remaining is 3 months. 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

