



TSR.IR. 007/2023

27 February 2023

Subject: Management's Discussion and Analysis and Financial Performance for the year 2022

To: President

The Stock Exchange of Thailand

For the fourth quarter of 2022 (4Q2022), TSR and its subsidiaries ("the Group") had a net profit of Baht 19.64 million increased by Baht 6.74 million or 52.26% compared to a net profit in the third quarter of 2022 (3Q2022), This was mainly from the Total revenue of the Group increasing from 319.13 million in 3Q2022 to 407.30 million in 4Q2022 which increased by 88.17 million or 27.63%, and from an on-going plan to manage and control distribution cost and administrative expense efficiently including with an efficiency management of bad debt and doubtful account continually reduced. While the sale of water purifiers and electrical home appliances dropped, sales of water filters and other SME products like ice making machines steadily increased, including with the consistent business growth of hire purchase of trucks and lending business of Floor Plan.

Significant Changes in Year 2022

- In May 2022, SABUY Technology Public Company Limited ("SABUY") has acquired 24.92% of the ordinary shares of TSR to collaborate and develop business that aligns with the existing ecosystem of SABUY group for reaching and maximizing the Company potential growth. In September 2022, SABUY sent significant directors and executives and engaged in the management of TSR, resulting in synergies in both sales and products amongst the group of companies to considerably improve operating results.
- Despite being pressured by the global economic slowdown, the Group continued its strong performance in the fourth quarter, mainly due to the efficient sales agent and sales channel foundation, as well as the use of the SABUY Ecosystem, which enabled to reach a wider target users/customers and cross-selling opportunities between companies within SABUY Ecosystem, with a revenue target in 2023 at 4,000 million baht.
- The Group has implemented cost management based on the core competencies of each business unit, which includes expertise in water systems, water management, standard water filters manufacturer, a nationwide sales network, and comprehensive credit and collection services (one-stop service). The performance of each business unit is measured in the form of profit centers, resulting in strategic cost management that will have significant impacts starting from the first quarter of 2023 onwards.

- The Group set the sales channels into four business groups as follows:
 - **Direct sales group:** Continue to recruit and build up efficient direct sales teams
 - **Online & O2O sales group:** Modernize existing sales channels and develop new sales channels with more focus on CRM
 - **B2B group:** to develop new products in pipeline for OEM, Corporates, SMEs and Households
 - **TSR Network group:** to recruit and to build interesting incentive program for distributors and free agents to keep selling the Group's products through online and offline channels.
- Developing and expanding of Thiensurat Leasing Co., Ltd. ("TSRL") financing business, i.e. Floor plan, hire purchase of trucks and SMEs loans, as well as investing in Core Leasing System to be used for systematic, accurate and efficient credit management of the company group.
- The Group has utilized the knowledge and experience in managing non-performing loans (NPL) of SABUY, which expertise in operating business of selling top-up machines and vending machines for a long time and has expertise in managing, repairing and refurbishing the products. This has been effectively applied in managing the NPL of the Group.
- Explore the opportunities to create business alliances and synergy to increase the growth of the Group business, from a strong capital base and low debt cost structure, including the issuance of warrants and debentures, which will effectively support business expansion plans in 2023.

From the Extraordinary General Meeting of Shareholders No. 1/2022 on 28 September 2022, there were the following resolutions:

- 1.) The issuance and offering of warrants to purchase ordinary shares of the Company No. 2 (TSR-W2) to the existing shareholders in the amount of not more than 274,705,617 units at a par value of 1.00 Baht each, or equivalent to 50% of the number of ordinary shares sold without charge. The ratio is 2 existing ordinary shares to 1 unit of warrants (any fraction of the warrants shall be discarded). The exercise price under TSR-W2 shall be at 3 Baht, with the warrant's validity for 3 years. The date for determining the names of shareholders who are entitled to receive the TSR-W2 (Record Date) is on 17 October 2022
- 2.) To increase registered capital and the allotment of newly issued ordinary shares to support the exercise of the Company's warrants No. 2 (TSR-W2) and consider the amendment to Article 4 of the Memorandum of Association to be in compliance with the increase the registered capital.
- 3.) To issue and offer debentures in the amount not exceeding 1,000 million Baht to support the growth of Group's business.

Financial Performance Overview for Year 2022

Statement of comprehensive income

Revenue

“Total revenue” consists of Revenue from sales, Interest income from hire-purchase contract, Income from loan receivables and Other income of the Group for Year 2022 amounting to Baht 1,386.73 million lower than Year 2021 by Baht 306.75 million or 18.11%. A decrease of Total revenue was due to the rainy and flood season during July to October, changing Board of directors in the first 9 months in 2022 and lower number of direct sales team than target. However, the Group have a strategic plan to improve number of direct sales team under the situation of the outbreak of the 2019 coronavirus (COVID-19) and keep the growth of water filters, ice making machines, hire purchase of trucks, and Floor Plan financing. However, with the arrival of the SABUY group, the Group can dramatically increase the sales by relying on Ecosystem and cross-selling between companies within Ecosystem.

Cost of sales

Cost of sales of the Group for Year 2022 was Baht 427.60 million, an increase of Baht 81.92 million or 23.70% compared to Year 2021, the percentage of Cost of sales to Total revenue increased from 20.41% in Year 2021 to 30.83% in Year 2022 caused by higher sales of filter products and SME products with lower profit margin than water purifiers which has a decreased proportion of sales.

Distribution costs

Distribution costs of the Group for Year 2022 were Baht 419.42 million, a decrease of Baht 220.58 million or 34.47% compared to last year. The percentage of Distribution costs to Total revenue was 30.25% which decreased from last year that equal to 37.79%. The decreases were due to the efficient distribution cost control and the improvement of sales level and sale benefit structure be well managed and more efficient.

Administrative expenses

Administrative expenses of the Group for Year 2022 were Baht 269.39 million, a decrease of Baht 154.73 million or 36.48%. The percentage of Administrative expenses to Total revenue decreased from 25.04% in Year 2021 to 19.43% in Year 2022. A decrease was due to the efficient control of administrative expenses mainly from SABUY has participated in the management and setting the direction.

Impairment losses

Impairment losses of the Group for Year 2022 were Baht 170.99 million that were decreased by Baht 60.20 million or 26.04% compared to last year. A decrease was due to the effective management of returned water purifiers by sales and rental as well as lower booking of doubtful bad debt accounts caused by the aggressive improvement of credit review.

Net Profit

Net profit of the Group for Year 2022 was Baht 71.99 million, increased of Baht 40.98 million or 132.16% compared to last year (Year 2021, net profit of Baht 31.01 million). The net profit ratio of Year 2022 was increased from 1.83% in Year 2021 to 5.19% resulting from the above-mentioned rationale.

Statement of Financial Position

Total assets

As at 31 December 2022, total assets of the Group were Baht 1,727.13 million, increased by Baht 15.00 million or 0.88% compared to 31 December 2021 caused by the growth of hire purchase and lending business and increase of Right of Use from Software development and also cash and cash equivalent increased by Baht 33.38 million.

From the comparison aging of hire purchase accounts receivable and loan receivables as of 31 December 2022 to those as of 31 December 2021, the percentage of overdue hire purchase and loan receivables portfolio over three months (NPL) was increased from 6.21% to 9.13%, caused by higher overdue hire purchase accounts of water purifier from the impact of the outbreak of COVID-19 situation. However, the Group's credit approval policy for hire purchase accounts keep still control seriously as well as establish the hybrid direct payment with sending credit officers to collect the overdue accounts, but if it cannot be collected, they will seize the products back. Also, the Company plans to use debt collection in conjunction with SABUY to control expenses and monitor debt.

Whereas, Thiensurat Leasing Company has continued the growth with the quality of loan receivables portfolio, which NPL at 0.10%.

Total liabilities

As at 31 December 2022, total liabilities of the Group were Baht 403.33 million, decreased by Baht 57.61 million or 12.50% from 31 December 2021. A decrease of liabilities came from the reduction of other payables and liabilities under finance lease agreement by Baht 47.83 million and Baht 33.75 million respectively, whereas, borrowing from financial institutions increased by Baht 14.20 million.

Total borrowings from financial institutions

Total borrowings from financial institutions, promissory notes of the Group as at 31 December 2022 were equal to Baht 203.00 million that was increased by Baht 14.20 million or 7.52% compared with the total borrowings as at 31 December 2021, in order to support the growth of hire purchase and the lending business of the Group.

Shareholders' equity

Shareholders' equity of the Group as at 31 December 2022 was Baht 1,323.80 million (31 December 2021: Baht 1,251.19 Million), increased by Baht 72.61 million or 5.80%. Debt to equity ratio as at 31 December 2022 was 0.30 (31 December 2021: 0.37). Book value per share was Baht 2.41 (31 December 2021: Baht 2.28 per share), which resulting from the net profit from Group's operation for Year 2022.

Kindly be informed.

Yours truly,



(Mr. Waranon Kongpatimakorn)

Chief Executive Officer