

# Management Discussion and Analysis

For Quarter 1 year 2023 Ended March 31<sup>st</sup>, 2023

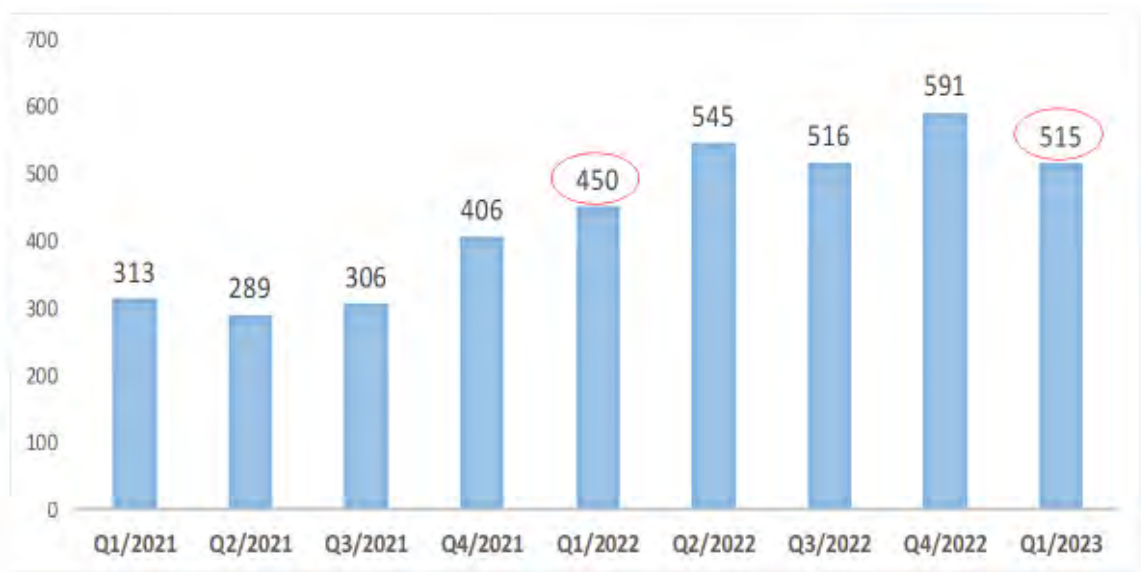


## Management Discussion and Analysis

### 1. Overview

In Q1 2023, the company's new lending was above 500 MB. This figure was considered to be a satisfaction figure, given the usual nature of low lending season in the first quarter of every year. The company had set the new lending target for the year 2023 of 2,400 MB. In Q1 2023, the company's the new lending was 515 MB, a slight decrease by 76 MB, 12.86% decrease from the previous quarter (Q4 2022). However, this 515 MB new lending was higher than the new lending of Q1 2022 by 65 MB, 14.44% higher. From this 515 MB new lending, the new lending in Jan, Feb, and Mar was 150, 160, **and 205 MB**, respectively.

**The Graph Illustrated the Quarterly New Lending from Q1 2021 to Q1 2023 in Comparison**



From the graph above, the new lending exhibited a pronounced increasing trend since Q4 2021, following the lift-off of the lock-down measure. For the last 4 quarters (Q2, Q3, Q4 of 2022, and Q1 2023), the new lending in each quarter was well above 500 MB. The highest new lending was 591 MB in Q4 2022. In Q1 2023, the new lending was 515 MB.

As for the quality of loan portfolio, the company's NPF was still below 4%. At end of Q1 2023, the company's NPF stood at 3.99%.

As for the operating result, in Q1 2023, the company generated a net profit of 43.22 MB, 49.47 MB, 53.32% decrease from the previous quarter. The major factors that contributed to a decrease in net profit were from the 2 factors.

- 1.) The expected credit loss expense increased by 40.99 MB, 208.20% increase. This increase was caused by the increase in number of customers that had overdue

payments, resulting from the change in behavior of the customers due to the implementation of the market conduct measure enforced by the Bank of Thailand (BOT) in the mid of 2022. The enforcement of market conduct caused a decrease in overdue collection charge that the company could charge from the overdue customers. The costs of being overdue for the customers were reduced, causing the change in customers' behavior. The customers had a tendency to become less punctual and delayed their payments because of the low and insignificant late collection charges. However, these customers still controlled their overdue not to be exceeding 3 overdues to avoid turning in to NPF and being forced to return the automobiles to the company. The increase in the number of customers who were overdue resulted to the increase in the company's expected credit loss expense. However, from the company analysis, the fall in loan classes was only specific to some customers due to their revenue condition, and was period specific, not a continuous event. Upon this, in March, the figures exhibited the positive change in loan classes. Presently, the company had employed more offensive measure to protect the fall in loan classes to increase the customer's repay-ability by actively implementing the debt restructuring program for the non-NPF's customers.

2.) The impairment loss and loss from sales of properties foreclosed which used to be a profit of 13.01 MB in the previous quarter had become a loss of 11.21 MB resulted from the two factors.

1. In the previous quarter, the company was able to sell one piece of non-performing asset (NPA) (land asset) and produced a net profit of 17 MB from this transaction.

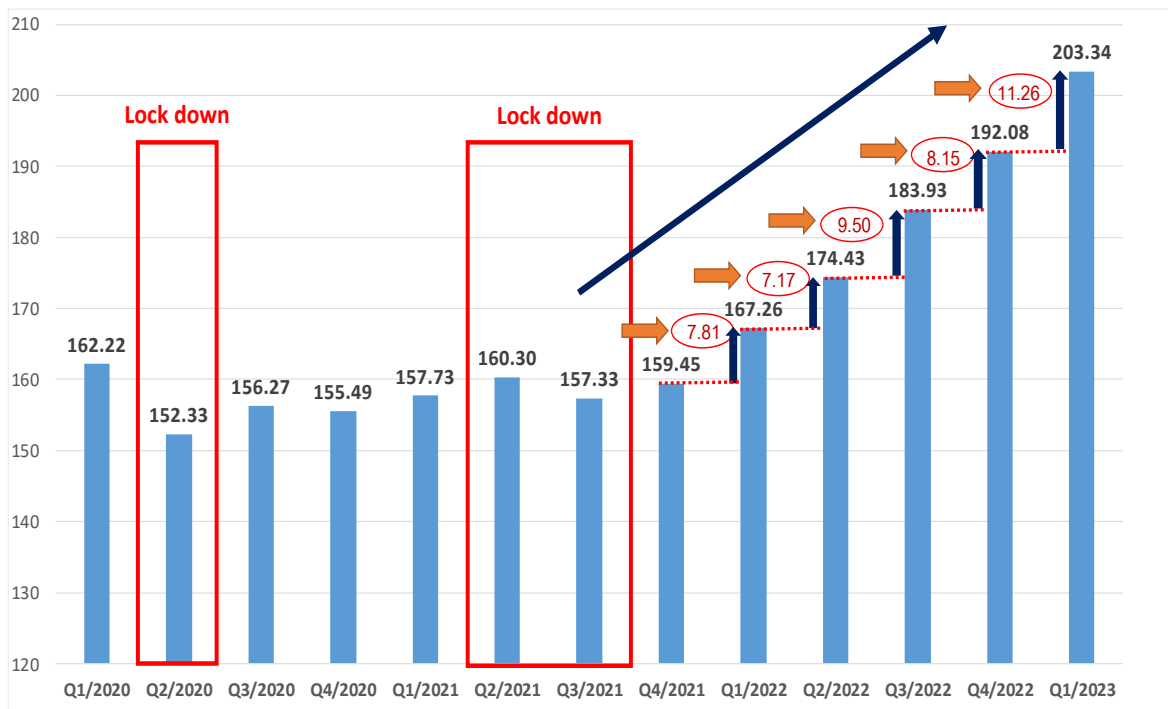
2. The prices of used-cars in the auction markets had declined since the third quarter of 2022. Meanwhile, the company's debt collectors had been actively seizing the automobiles from the over-due customers whenever they were on collection field and found the customers with automobiles. To avoid the impairment loss and loss from sales of properties foreclosed, presently, the company had employed the two measures.

1) The company was running a campaign of selling the seized automobiles at cost to the company's employees, business partners, and outsiders by offering attractive financial cost (company's profit rate) as a motivation. The campaign has been disclosed on the company's web-side. This campaign aims to avoid impairment loss and loss from sales of properties foreclosed. 2) The company has been using a debt restructuring policy instead of seizing the automobiles from the overdue customers.

Importantly, the one positive factor that occurred in Q1 2023 was the significant growth in revenue in lending which was higher than every quarter in the previous year. The company's revenue from lending has already been growing continuously for the previous 5 quarters since Q1 2022 until now, Q1 2023. The revenue from lending in Q1 2022 had increased by 7.81 MB from Q4 2021 (from 159.45 MB to 167.26 MB). The

revenue from lending in Q2 2022 had increased by 7.17 MB from Q1 2022 (from 167.26 MB to 174.43 MB). The revenue from lending in Q3 2022 had increased by 9.50 MB from Q2 2022 (from 174.43 MB to 183.93 MB). The revenue from lending in Q4 2022 had increased by 8.15 MB from Q3 2022 (from 183.93 MB to 192.08 MB). Recently, despite the lower number of calendar days in Q1 2023 compared to other quarters (28 number of days in February), **the company's revenue from lending in Q1 2023 had increased by 11.34 MB from Q4 2022** (from 192.08 MB to 203.42 MB) Given the past pattern of quarterly increase in revenue, the company believes that if the company could achieve the 2,400 MB lending target in this year, the company's quarterly revenues of this year would increase in the same manner. If so, total revenue from lending of this year (2023) would produce a positive growth in the company's operating result. The important strategy employed by the company in this year is to drive the new lending volume to achieve the lending target. **This strategy is to generate the increase in revenue from lending being greater than the expected increase in expenses in term of the expected credit loss expenses and the impairment loss and loss from sales of properties foreclosed, under the circumstances of the economic condition and market conduct measure. The company believes that, by driving the growth of revenue from lending, this strategy would result in the size of increased revenue of this year being greater than the size of increased expense. This will enable the company to achieve a positive growth in operating result in the same manner as the years in the past.**

**A Graph Illustrates the Quarterly New Lending (Q1 2020 – Q1 2023)**



## 2. Operating result and Profitability

### 2.1 The operating result ending 31 March 2023

(unit in thousand baht)

Continuing operations:	Q1/2023	Q4/2022	Q1/2022	QoQ	YoY
Income from hire-purchase contracts	169,560	184,867	167,263	-8.28%	1.37%
Income from loans	33,859	7,216	0	369.21%	
Income from inventory finance receivables	845	871	590	-2.89%	43.30%
Fee and service income	9,005	11,649	16,999	-22.70%	-47.03%
Other income	22,028	22,507	29,334	-2.13%	-24.90%
<b>Total income</b>	<b>235,298</b>	<b>227,110</b>	<b>214,186</b>	<b>3.61%</b>	<b>9.86%</b>
Selling expenses	1,377	1,414	1,000	-2.63%	37.71%
Administrative expenses	84,724	85,483	86,921	-0.89%	-2.53%
Expected credit losses (Bad debt and doubtful accounts)	60,683	19,689	22,447	208.20%	170.34%
Impairment loss and loss on sales of properties foreclosed	11,211	(13,009)	(3,597)	n.m.	n.m.
Finance costs	23,460	22,901	17,059	2.44%	37.52%
<b>Total expenses</b>	<b>181,455</b>	<b>116,478</b>	<b>123,830</b>	<b>55.78%</b>	<b>46.54%</b>
<b>Profit (loss) before income tax expenses</b>	<b>53,843</b>	<b>110,633</b>	<b>90,356</b>	<b>-51.33%</b>	<b>-40.41%</b>
Income tax (expenses)	10,541	17,863	15,596	-40.99%	-32.41%
<b>Profit (loss) for the period</b>	<b>43,302</b>	<b>92,769</b>	<b>74,760</b>	<b>-53.32%</b>	<b>-42.08%</b>

#### Q1 2023's Operating Result Compare to Q1 2022's Operating Result (YoY)

In Q1 2023, the company generated a net profit of 43.30 MB, 31.46 MB, 42.08% lower than the net profit of Q 1 2022 (Q1 2022's net profit was 74.76 MB). The factors that caused the net profit of Q 1 2023 to be lower than the net profit of Q1 2022 were the increase in expenses. The major increase was expected credit loss expense or reserve for possible loan loss which increased by 38.24 MB, 170.34% increase (increase from 22.45 MB to 60.68 MB). The increase was from the two reasons. 1. The economic condition and the change in customers' behavior. The market conduct measure caused the change in the customers' behavior as explained earlier. 2. The impairment loss and loss from sales of properties foreclosed had changed from profit figure to loss figure. The impairment loss and loss from sales of properties foreclosed was a profit figure of 3.60 MB in 2022, while the impairment loss and loss from sales of properties foreclosed was a

loss figure of 11.21 MB in Q1 2023. This was as a result of the decline in used-car prices in the auction markets. (During Q1, Q2, and Q3 2022 the prices of used-cars was in a rising period.) 3. The financial cost increased by 6.40 MB, 37.52% increase (from 17.06 MB to 23.46 MB), resulting from the rise in financial cost charged from the financial institutions. The financial institutions had raised the financial cost by 0.25%. In addition, the company's borrowing from financial institutions was increased to finance the growth of loan portfolio. Meanwhile, **the company's total revenue increased by 21.11 MB, 9.86% increase.** This increase was mainly the result of the increase of revenue from lending. The company's revenue from lending had increased by 36.16 MB, 21.62% increase (from 167.26 to 203.42 MB). The company believes that the quarterly revenue from lending will still continue to increase in the same manner of Q1 2022's (not less than 11 MB), given the company's achievement 2,400 MB lending target by the end of this year. The revenue from fees and services decreased by 7.99 MB, 47.03% decrease (from 17.00 MB to 9.01 MB). The decrease were the results of the decrease in revenue from debt-overdue collection charge, and the decrease in fee charges due to the switching from hire-purchase to car-registration lending. The revenue from the recovery of loan loss decreased by 7.31 MB, 24.90 % decrease (from 29.33 to 22.03 MB).

#### **The Operating Result of Q1 2023 Compared to Q4 2022's (QoQ)**

The company's total revenue increased from 227.11 MB in Q4 2022 to 235.30 MB in Q1 2023, **8.19 MB, 3.61% increase.** The major increase resulted from the increase in revenue from lending which **increased by 11.34 MB, 5.90% increase** (from 192.08 to 203.42 MB). The increase resulted from the **significant increase in the company's new lending.** **The company's loan portfolio increased from 3,352 MB in Q4 2021 to 3,988 MB in Q1 2023.** The revenue from fees and services decreased from 11.65 MB in Q4 2022 to 9.01 MB in Q1 2023. The decrease resulted from the BOT regulation. The other revenue decreased 2.13% from the previous quarter. The decrease was in response to the BOT's regulation. The other revenue had decreased 2.13 % from the previous quarter. As for the company's total expense, the company's total expense increased by 55.78% from the previous quarter (from 116.48 MB to 181.46 MB). The major increases were from two items: the expected credit loss expense, and the impairment loss and loss from sales of properties foreclosed. The expected credit loss expense increased by 40.99 MB, 208.20% (increase from 19.69 MB to 60.68 MB). This increase was as a result of the change in customers' behavior due to the market conduct explained earlier. In Q1 2023, the impairment loss and loss from sales of properties foreclosed was 11.21 MB loss, while in Q4 2022's this figure was 13.01 MB profit. The loss in Q1 2023 was due to the decline in used-car prices in the auction markets. In addition, the company made a profit from the sale of NPA (land asset) in Q4 2022 as explained earlier.

## Financial Position

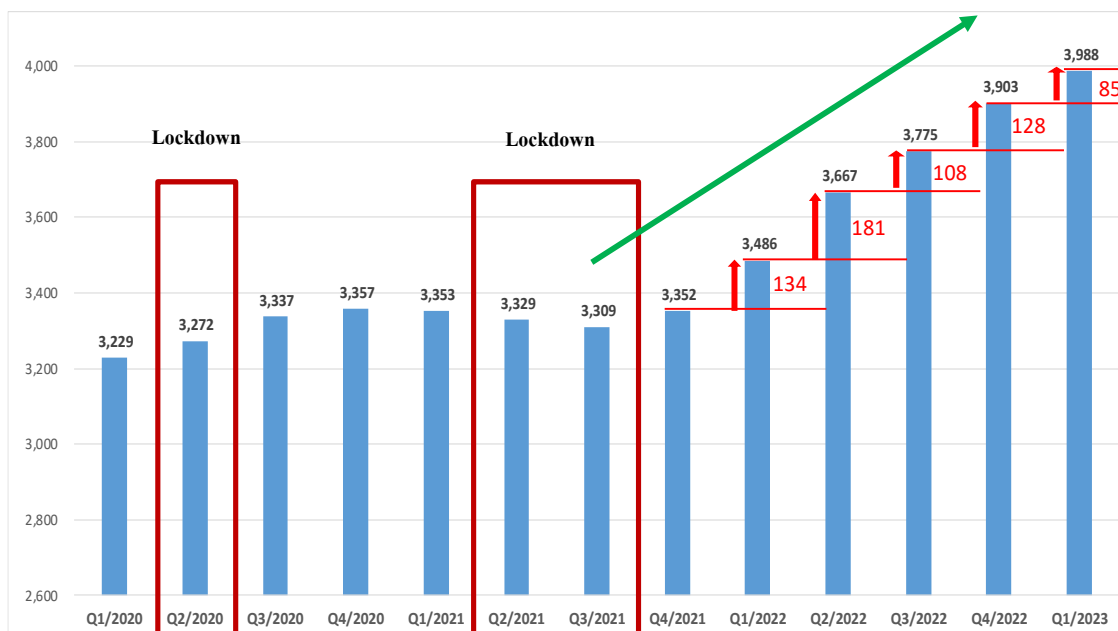
(Unit: MB)

Statements of financial position	Q1/2023	Q4/2022	QoQ	Q1/2022	YoY
Cash and cash equivalents	58.57	42.27	38.56%	76.95	-23.89%
Hire-purchase and Loan receivables	3,988.01	3,903.30	2.17%	3,485.87	14.40%
Inventory finance receivables	25.38	32.54	-22.01%	29.29	-13.37%
Properties and equipment	31.62	30.88	2.40%	26.70	18.40%
Properties foreclosed	165.57	150.62	9.93%	88.39	87.33%
Deferred tax assets	55.25	49.96	10.58%	39.61	39.50%
Others	45.61	42.27	7.91%	42.70	6.81%
<b>Total assets</b>	<b>4,370.00</b>	<b>4,251.84</b>	<b>2.78%</b>	<b>3,789.52</b>	<b>15.32%</b>
Short-term loan from major shareholder	2,329.02	2,255.71	3.25%	1,821.29	27.88%
Others	132.16	130.61	1.19%	169.92	-22.23%
<b>Total liabilities</b>	<b>2,461.18</b>	<b>2,386.32</b>	<b>3.14%</b>	<b>1,991.22</b>	<b>23.60%</b>
<b>Shareholders' equity</b>	<b>1,908.82</b>	<b>1,865.52</b>	<b>2.32%</b>	<b>1,798.30</b>	<b>6.15%</b>
<b>Financial Ratio</b>	<b>Q1/2023</b>	<b>Q4/2022</b>	<b>Q1/2022</b>		
Liquidity Ratio (times)	0.51	0.52	0.53		
Debt to Equity Ratio (times)	1.29	1.28	1.11		
NPF (%)	3.99%	3.84%	3.47%		

### Financial Position of Q1 2023

In Q1 2023, the company had a total asset of 4,370.00 MB, 118.16 MB, 2.78% increase from the previous quarter. Compared to the total asset of Q4 2022, the company's total asset of Q1 2023 increased by 580.48 MB, 15.32% increase. The increase in total asset was mainly as a result of the growth in loan portfolio. The company's loan portfolio increased by 84.71 MB, 2.17% increase from the previous quarter, resulting from the growth in quarterly new lending. The table below illustrated the company's quarterly loan portfolio.

**A Graph Illustrated the Company's Quarterly Loan Portfolio (Q1 2020-Q1 2023)**



The company's asset foreclosed increased by 14.95 MB, 9.93% increase from the previous quarter. The inventory finance receivables decreased by 7.16 MB, 22.01% decrease.

As for the liabilities, in Q1 2023, the company had the total liabilities of 2,461.18 MB, 74.86 MB, 3.41% increase from the previous quarter. The major liabilities were borrowing from financial institutions. As 31 March 2023, The borrowing from financial institutions was 2,329.02 MB, consisting of 1,910 MB short-term borrowing (PN), and 57.66 MB term loan from the Islamic Bank of Thailand, 321.36 MB Soft loan from the Government Saving Bank, and 40 MB (PN) from the private commercial bank.

As for the total equity, in Q1 2023, the company had the total equity of 1,908.82 MB, 43.30 MB, 2.32 % increase from the previous quarter. Compared to the Q4 2022, the company's total equity of Q1 2023 was higher than the Q4 2022's by 110.52 MB. In Q4 2022 company's debt-to-equity ratio was 1.28 times, while in Q 1 2023 the company's debt-to-equity ratio was 1.29 times.