

9 August 2023

Subject: Management Discussion and Analysis Operating results for six month, ending June 30, 2023.

Attention: The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending June 30, 2023 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the six-month period ended 30 June 2023 and 2022 together with the Company’s financial status compared between ending Second quarter as at June 30, 2023 and ending June 30, 2022 as follows:

Financial Performance Explanation and Analysis

- **Thai economy and operating effect**

In quarter 2 ,2023 The Thai economy is likely to recover continuously. Due to the recovery in domestic demand although merchandise exports will contract in the short term and tourism sector from the continuous increase in the number of foreign tourists. 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. Including the political situation that still higher uncertain.

The company has adjusted its operating strategy by going to develop Online Factoring System beside of landing E-Factoring system and is expected to start operating in quarter 3, 2023, which is a service upgrade in line with the development framework used to business growth up (ESG), this will allow for more efficient control over operations.

- **Operating outlook**

The Company factoring business in the six-month period ended June 30, 2023, Total revenues were 120.95 million Baht which increased by 10.16 million Baht or 9.2%, net profit 22.94 million Baht which decreased 1.72 million Baht or (7.0%) compared to the same period of the previous year. The decreasing of net profits resulted from increase of finance cost.

Performance and Profitability

The six-month period ended 30 June 2023 and 2022, interest income from factoring were 89.13 million Baht and 77.07 million Baht or equivalent to 73.7% and 69.6% of total revenues respectively. Fees and services income were 25.01 million Baht and 22.16 million or 20.7% and 20.0% respectively. Interest received from loans amounted to 5.27 million Baht and 11.29 million Baht or 4.4% and 10.2% respectively. Total revenues were 120.95 million Baht and 110.80 million Baht respectively. Finance costs were 30.49 million Baht and 20.42 million Baht or 25.2% and 18.4% respectively. The Company’s gross profits were 88.92 million Baht and 90.10 million Baht or 74.47% and 81.52% respectively.



(Unit: Thousand Baht)

Statement of compressive income	For the six-month period ended 30 June 2023	Percent	For the six-month period ended 30 June 2022	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	89,131	73.7%	77,070	69.6%	12,061	15.6%
Fees and services income	25,010	20.7%	22,162	20.0%	2,848	12.9%
Interest income from loan	5,268	4.3%	11,285	10.2%	(6,017)	-53.3%
Other Income	1,544	1.3%	281	0.2%	1,263	449.5%
Total revenues	120,953	100.0%	110,798	100.0%	10,155	9.2%

The six-month period ended 30 June 2023 and 2022, the Company's administrative expenses were 57.80 million Baht and 52.89 million Baht or 47.8% and 47.7% of total revenues. Provision for doubtful account was 4.26 million Baht and 6.68 million Baht respectively or 3.5% and 6.0% of total revenues. The Company have increase of finance cost because the policy interest rate of banks increased from the same period last year. Resulted to the Net profit for the period of the six-month of 2023 and 2022 were 22.94 million Baht and 24.66 million Baht respectively.

(Unit: Thousand Baht)

Statement of compressive income	For the six-month period ended 30 June 2023	Percent	For the six-month period ended 30 June 2022	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	57,803	47.8%	52,889	47.7%	4,914	9.3%
Finance cost	30,490	25.2%	20,420	18.4%	10,070	49.3%
Doubtful accounts	4,264	3.5%	6,675	6.0%	(2,411)	-36.1%
Total expenses	92,557	76.5%	79,984	72.2%	12,573	15.7%
Profit before income tax expenses	28,396	23.5%	30,814	27.8%	(2,418)	-7.8%
Income tax expense (Revenue)	5,458	4.5%	6,159	5.6%	(701)	-11.4%
Profit for the period	22,938	19.0%	24,655	22.3%	(1,717)	-7.0%

Basic earnings per share

0.0143 Baht/share

0.0154 Baht/share



Financial Status as at 30 June 2023

The Company's total assets as at June 30, 2023 were 2,323.64 million Baht which increased by 18.65 million Baht or 0.8% compared to as at June 30, 2022.

Current assets as at June 30, 2023 were 2,229.13 million Baht which increased by 9.86 million Baht or 0.4% compared to as at June 30, 2022. Largest proportion was Factoring Receivables as at June 30, 2023 were 2,035.78 million Baht or equivalent to 87.6% of total assets.

Non-current assets as at June 30, 2023 were 94.51 million Baht or equivalent to 4.1% of total assets which increased 8.79 million Baht.

(Unit: Thousand Baht)

Statement of financial position	Q2/2023	Percent	Q2/2022	Percent	Changed	
					Value	Percent
Current Assets						
Cash and cash equivalents	121,841	5.2%	68,799	3.0%	53,042	77.1%
Factoring receivable	2,035,781	87.6%	1,944,875	84.4%	90,906	4.7%
Current portion of loans receivable	68,785	3.0%	202,549	8.8%	(133,764)	-66.0%
Other receivable	1,248	0.0%	1,084	0.0%	164	15.1%
Other current assets	1,474	0.1%	1,960	0.1%	(486)	-24.8%
Total current assets	2,229,129	95.9%	2,219,267	96.3%	9,862	0.4%
Non-current assets						
Loan receivable	37,300	1.6%	52,694	2.3%	(15,394)	-29.2%
Equipment	5,306	0.2%	1,193	0.1%	4,113	344.8%
Right-of-use assets	19,755	0.9%	2,424	0.1%	17,331	715.0%
Intangible assets	4,184	0.2%	5,833	0.2%	(1,649)	-28.3%
Deposits and guarantees	2,014	0.1%	297	0.0%	1,717	578.1%
Deferred tax assets	25,949	1.1%	23,281	1.0%	2,668	11.5%
Total non-current assets	94,508	4.1%	85,722	3.7%	8,786	10.2%
Total assets	2,323,637	100.0%	2,304,989	100.0%	18,648	0.8%

Total liabilities as at June 30, 2023 were 1,775.08 million Baht or equivalent to 76.4% of total liabilities and shareholders' equity which increased 25.50 million Baht or 1.5% compared to as at June 30, 2022 as a result of retention from factoring and excess receipt awaiting to repay by the debtor payment for account receivable at the end of period which is in line with the increased in assets of loan receivable. Including increased from liabilities under finance lease because the company has moved to a new office.



(Unit: Thousand Baht)

Statement of financial position	Q2/2023	Percent	Q2/2022	Percent	Changed	
					Value	Percent
<u>Current liabilities</u>						
Short-term loans from financial institutions	1,477,000	63.6%	1,605,000	69.6%	(128,000)	-8.0%
Short-term loans from related party	75,000	3.2%	-	0.0%	75,000	100%
Retention from factoring	65,352	2.8%	55,568	2.4%	9,784	17.6%
Current portion of long-term loan	-	0.0%	6,000	0.3%	(6,000)	-100.0%
Current portion of liabilities under finance lease agreements	8,455	0.4%	2,397	0.1%	6,058	252.7%
Excess receipt awaiting to repay	105,025	4.5%	49,760	2.2%	55,265	111.1%
Other payables	8,297	0.4%	7,445	0.3%	852	11.4%
Income tax payable	6,322	0.3%	6,307	0.3%	15	0.2%
Other current liabilities	1,198	0.0%	1,349	0.0%	(151)	-11.2%
Total current liabilities	1,746,649	75.2%	1,733,826	75.2%	12,823	0.7%
<u>Non-current liabilities</u>						
Liabilities under finance lease agreements	12,554	0.5%	100	0.0%	12,454	12,454.0%
Provision for long-term employee benefits	15,872	0.7%	15,653	0.7%	219	1.4%
Total non-current liabilities	28,426	1.2%	15,753	0.7%	12,673	80.4%
Total liabilities	1,775,075	76.4%	1,749,579	75.9%	25,496	1.5%

Liquidity and Capital Adequacy

As at June 30, 2023, shareholder s' equity was 548.56 million Baht or equivalent to 23.6% of total liabilities which decreased by 6.85 million Baht or equivalent to (1.2%) from the same period last year.

As at June 30, 2023, the Company had current ratio 1.28 and debt to equity 3.24 with an available credit facilities which had not yet been drawn down amounted to 1,213 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	Q2/2023	Percent	Q2/2022	Percent	Changed	
					Value	Percent
Shareholders' equity						
Issued and fully paid-up	400,000	17.2%	400,000	17.4%	-	-
Share premium	75,845	3.3%	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	35,341	1.5%	44,459	1.9%	(9,118)	-20.5%
Total shareholders' equity	548,562	23.6%	555,410	24.1%	(6,848)	-1.2%
Total liabilities and shareholders' equity	2,323,637	100.0%	2,304,989	100.0%	18,648	0.8%

Financial Ratios

Financial Ratios	As at 30 June 2023	
Liquidity Ratio		
Current Ratio	1.28	Times
Profitability Ratio		
Gross Profit Margin	74.47	%
Net Profit Margin	18.96	%
Return on Equity or ROE	4.18	%
Efficiency Ratio		
Return on Asset or ROA	0.99	%
Financial Ratio		
Debt to Asset Ratio	0.76	Times
Debt to Equity	3.24	Times

Financial Ratios

All financial ratios on the above table, The financial ratios were on good ratios. The Company had current ratio 1.28 reflecting good liquidity, Also net profit margin of 18.96%, Return on equity 4.18% and debt to equity 3.24.

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 are generally 3 years.



onths. 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

