

09 November 2023

No. SGC 076/2023

To The President
The Stock Exchange of Thailand

Subject Management Discussion and Analysis

We, SG Capital Public Company Limited (“the company”), are pleased to provide you our management discussion and analysis for the 3rd quarter and 9-month ended 30 September 2023, as follows:

Overall Business Operations

The Thai economy overall continued to recover in the 9-month period 2023, Growth this year softened somewhat from a delayed recovery in merchandise exports and tourism, weighed by subdued growth in China economic. Meanwhile, which has had an impact on the debt repayment capability of SMEs and households that are still vulnerable due to the higher debt burden and slower income recovery. The Company, as a major non-bank financial service business, emphasizes its prudent business operation management, with a close monitoring on asset quality for economic uncertainties.

For the 3rd quarter 2023, The Company's net profit was THB 8.23 million, a decrease of 94.86% YoY mainly due to an decrease in total operating income from the interest income resulting from the THB 143.86 million loan growth. The comprehensive operating cost management has been in place, resulting in a cost to income ratio of 32.62%, reduced 1.49% from 2Q2023. The Company has set aside the expected credit loss in amount of THB 175.12 million, increase by 48.99% YoY, a prudent business management consideration given the business environment and economic uncertainties coupling with its closely monitoring of loans portfolio and the ongoing asset quality management,

For the 9-month period 2023, The Company's net loss was THB 2,278.65 million, whilst The Company's net income was THB 467.02 million YoY, that credit cost arising from the end of the COVID-affected debtor relief program and does not yet have the ability to pay back debt. The Company had set aside more allowance for expected credit losses of 1,585.75% YoY.

Performance Summary

Statement of income (Bt mn)	3Q2023	3Q2022	%YoY	9M2023	9M2022	%YoY
Income						
Interest income from hire-purchase contracts and loans	479.63	623.49	(23.07%)	1,660.49	1,636.53	1.46%
Other income	13.96	10.56	32.19%	42.41	28.20	50.39%
Total Income	493.59	634.05	(22.15%)	1,702.90	1,664.73	2.29%
Expenses						
Service and administrative expenses	161.04	157.65	2.15%	485.90	462.38	5.08%
Profit from operating activities	332.55	476.40	(30.19%)	1,217.00	1,202.35	1.22%
Finance costs	(145.82)	(162.66)	(10.35%)	(446.95)	(417.96)	6.94%
Expected credit loss	(175.12)	(117.54)	48.99%	(3,612.22)	(214.28)	(1,585.75%)
Profit (Loss) profit before income tax expense	11.61	196.20	(94.08%)	(2,842.17)	570.11	(598.53%)
Tax expenses	(3.38)	(36.09)	(90.63%)	563.53	(103.09)	646.63%
Profit (Loss) for the year	8.23	160.11	(94.86%)	(2,278.64)	467.02	(587.91%)

Revenues Analysis

Total income consists of interest income, including (1) Home & Commercial Appliances hire purchase, (2) Rod Tum Ngern loans (hire-purchase and loans with vehicle registration as collateral) and (3) Debt Consolidation loan and Click2Gold loan, and other income from fee and commission revenues.

For the 3rd quarter 2023, the company's total income was THB 493.59 million, a decrease of THB 140.46 million or 22.15% YoY. The major sources of revenues were from interest income from loan receivables THB 479.63 million, accounted for 97.17% of total revenue, a decrease of THB 143.86 million or 23.07% YoY, due mainly from reducing of Home & Commercial Appliances hire purchase contracts.

For the 9-month period 2023, the company's total income was THB 1,702.90 million, an increase of THB 38.16 million or 2.29% YoY, due mainly to an increase of interest income from loan with vehicle registration as collateral. However, in terms of home & commercial appliances hire purchase, the company's income has decreased due to tightening credit release policies to reduce future credit risks.

Expenses Analysis

The company's main expenses are categorized into 3 main areas: service and administrative expenses, expected credit loss, and financial costs. The company analyzes its expenses as follows;

1. Service and administrative expenses

In the 3rd quarter 2023, the company's service and administrative expenses were THB 161.04 million, an increase of THB 3.39 million or 2.15% YoY. For the 9-month period 2023, the company's service and administrative expenses were THB 485.90 million, an increase of THB 23.52 million or 5.08% YoY. The majority of the increased expenses were related to loss from asset foreclosed and litigation fee. As a result, the cost to income ratio stood at 32.63% in the 3rd quarter 2023.

If excluding expense items related to foreclosed assets, operating expenses remained at an efficient level with cost-to-income ratio for the 9-month period 2023 at 27.55% in line with the last year, driven by prudent cost control.

2. Expected credit losses and non-performing loans write-offs.

For the 3rd quarter 2023, the company incurred an expected credit loss of THB 175.12 million, an increase of THB 57.58 million or 48.99% YoY. The company also recorded additional provisions for expected credit losses to adequately and appropriately address the risks anticipated from increasing significant credit risk and deteriorating credit quality. This was a result of the termination of assistance programs due to the impact of the COVID-19 pandemic. For the 9-month period 2023, the company incurred an expected credit loss of THB 3,612.22 million, an increase of THB 3,397.94 million or 1,585.75% YoY. This was the result of writing off non-performing loans that The Company had tracked and assessed to be uncollectible.

3. Financial Costs

The company's financial costs in the 3rd quarter 2023 amounted to THB 145.82 million, a decrease of THB 16.84 million or 10.34% YoY.

For the financial costs in the 9-months period 2023, it amounted to THB 446.95 million, an increase of THB 28.99 million or 6.94% YoY. The financial costs arose mainly from loans that the Company received from Singer Thailand Public Company Limited ("Parent Company").

Net profit (loss)

The company incurred a net profit of THB 8.23 million in the 3rd quarter 2023, a decrease of THB 151.88 million or 94.86% YoY. Meanwhile, net loss for the 9-month period 2023 was THB 2,278.65 million, an increase of THB 2,745.67 million or 587.91% YoY, a result of the expected credit losses and non-performing loans write-offs.

Statement of Financial Position Analysis

The company has a statement of financial position, which the Company's auditor reviewed, the summary was as follows;

Statement of financial position (Bt mn)	As of Sep 30, 2023	As of Dec 31, 2022	Increase (Decrease)	% Change
Assets				
Cash and cash equivalents	800.91	3,106.14	(2,305.23)	(74.22%)
Current portion of hire-purchase contract receivables	981.79	3,438.46	(2,456.67)	(71.45%)
Current portion of loan receivables	2,125.65	2,006.26	119.39	5.95%
Other current assets	328.44	118.12	210.32	178.06%
Total current assets	4,236.79	8,668.98	(4,432.19)	(51.13%)
Hire-purchase contract receivables	816.80	1,918.41	(1,101.61)	(57.42%)
Loan receivables	7,647.02	7,030.47	616.55	8.77%
Other non-current assets	746.98	165.51	581.47	351.32%
Total non-current assets	9,210.80	9,114.39	96.41	1.06%
Total assets	13,447.59	17,783.37	(4,335.78)	(24.38%)
Liabilities and equity				
Loan from financial institution	-	55.00	(55.00)	(100.00%)
Other Current liabilities	1,361.98	762.33	599.65	78.66%
Total current liabilities	1,361.98	817.33	544.65	66.64%
Long-term loans from parent company	8,930.65	11,172.67	(2,242.02)	(20.07%)
Long-term loan from financial institution	-	3.92	(3.92)	(100.00%)
Other non-current liabilities	41.90	38.05	3.85	10.12%
Total non-current liabilities	8,972.55	11,214.64	(2,242.09)	(19.99%)
Total liabilities	10,334.53	12,031.97	(1,697.44)	(14.11%)
Equity	3,113.06	5,751.40	(2,638.34)	(45.87%)

Assets

As of 30 September 2023, The Company had total assets of THB 13,447.59 million, a decrease of 24.38% from the end of 2022. This decrease mainly resulted from repaying loans from the parent company, dividend payment and a reduction in the accounts receivable portfolio from The Company's write-off non-performing loans and the estimated provision for credit losses. Meanwhile, as of 30 September 2023, The Company had cash and cash equivalents of THB 800.91 million and a portfolio of net accounts receivable amounting to THB 11,571.25 million.

Liabilities

The total liabilities as of 30 September 2023 are equal to THB 10,334.53 million, decreased THB 1,697.44 million or 14.11% from the end of 2022. This was mainly from repayment loan from parent company.

Shareholders' Equity

The equity as of 30 September 2023, and 31 December 2022, was THB 3,113.06 million and THB 5,751.40 million, respectively. The decrease is at THB 2,638.34 million or 45.87% from the end of 2022. It is mainly due to a decrease in operational performance.

The future of operations management:

Given the current unfavorable economic conditions, The Company has a positive outlook on future operational performance due to the tightened credit release policy and considers the risk assessment for individual clients, as well as the implementation of more proactive follow-up processes. To reduce impacts and risks that may occur in the future.

Please be informed accordingly.

Sincerely yours,

Mr. Anothai Sritiapetch

Chief Executive Officer

SG Capital Public Company Limited