

Chayo Group Public Company Limited

44/543-544 Phahonyothin Rd, Khwaeng Anusawari, Khet Bang Khen, BKK. 10220

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CGC 011/2024

23 February 2024

Subject: Management Discussion and Analysis for the year 2023 ended 31 December 2023

To: The President
The Stock Exchange of Thailand

Chayo Group Public Company Limited would like to report the operation results for the year ended 31 December 2023 of the company and its subsidiaries ("the Company") as follows:

Operating results

	Company's Only (12 months)				Consolidated (12 months)			
	Jan - Dec 2022	%	Jan - Dec 2023	%	Jan - Dec 2022	%	Jan - Dec 2023	%
Interest Income from loan to non-performing assets	145,981,330	87.0%	182,223,955	88.6%	888,854,346	89.0%	1,368,857,337	89.6%
Service income from debt collection services	21,721,079	13.0%	23,562,019	11.4%	35,033,988	3.5%	33,715,711	2.2%
Interest Income from lending business	-	0.0%	-	0.0%	74,562,922	7.5%	106,947,466	7.0%
Revenue from recruitment service	-	0.0%	-	0.0%	-	0.0%	17,551,679	1.1%
Revenue from Sales	-	0.0%	-	0.0%	754,908	0.1%	-	0.0%
Total income	167,702,409	100.0%	205,785,974	100.0%	999,206,164	100.0%	1,527,072,193	100.0%
Costs of render services & managing non-performing assets	(53,108,370)	-31.7%	(42,265,702)	-20.5%	(241,167,120)	-24.1%	(269,851,632)	-17.7%
Costs of recruitment service	-	0.0%	-	0.0%	(893,645)	-0.1%	(7,776,491)	-0.5%
Costs of goods sold	(53,108,370)	-31.7%	(42,265,702)	-20.5%	(242,060,765)	-24.2%	(277,628,123)	-18.2%
Gross profit	114,594,039	68.3%	163,520,272	79.5%	757,145,399	75.8%	1,249,444,070	81.8%
Other incomes	266,839,645	159.1%	406,621,417	197.6%	8,379,015	0.8%	13,026,204	0.9%
Gain on disposal of foreclosed assets	-	0.0%	-	0.0%	49,523,535	5.0%	88,682,858	5.8%
Administrative expenses	(56,138,636)	-33.5%	(65,228,447)	-31.7%	(86,644,081)	-8.7%	(119,907,092)	-7.9%
Expected credit loss	(65,898,142)	-39.3%	(119,852,898)	-58.2%	(218,932,467)	-21.9%	(406,938,335)	-26.6%
Finance costs	(153,689,392)	-91.6%	(244,660,502)	-118.9%	(159,898,325)	-16.0%	(254,178,236)	-16.6%
Profit before income tax	105,707,514	63.0%	140,399,842	68.2%	349,573,076	35.0%	570,129,469	37.3%
Income tax (expenses)	(7,728,765)	-4.6%	(1,888,436)	-0.9%	(75,113,173)	-7.5%	(121,297,494)	-7.9%
Net profit for the period	97,978,749	58.4%	138,511,406	67.3%	274,459,903	27.5%	448,831,975	29.4%
Other comprehensive income for the period, net of tax	-	0.0%	(700,666)	-0.3%	-	0.0%	(778,176)	-0.1%
Total comprehensive income for the period	97,978,749	58.4%	137,810,740	67.0%	274,459,903	27.5%	448,053,799	29.3%
Total comprehensive income attributable to:								
Owners of the parent	97,978,749	58.4%	137,810,740	67.0%	251,199,502	25.1%	390,495,444	25.6%
Non-controlling interest	-	0.0%	-	0.0%	23,260,401	2.3%	57,558,355	3.8%
Total comprehensive income for the period	97,978,749	58.4%	137,810,740	67.0%	274,459,903	27.5%	448,053,799	29.3%
Earnings per share	0.0867	n/a	0.1218	n/a	0.2224	n/a	0.3440	n/a

■ Total Income

In the year of 2023, the Company had a total income of Baht 1,527.07 million which increased from last year around Baht 527.87 million (or increased around 52.83%). The reasons for the increment mainly arose from the

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increment of interest income from loan to non-performing assets and interest income from lending business around Baht 480.00 million and Baht 32.38 million respectively. In addition, the company also has revenues from recruitment service amounted to Baht 17.55 million (There was no income from recruitment service last year)

Income from Loans to Non-performing Assets

In the year of 2023, the Company had cash collection from unsecured loans and income from selling collaterals of secured loan around Baht 439.06 million which increased from the last year around Baht 98.63 million (or increase around 22.46%). The cash collection from unsecured loan has increased continuously. This is because the Company purchase unsecured loans to manage continuously. As a result, for the year of 2023, the Company has more income compare with the last year. The following are the details;

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Million Baht	%	Million Baht	%
Interest income – EIR (Effective interest rate)	1,031.94	75.39%	624.31	70.24%
Interest income over EIR	336.92	24.61%	264.55	29.76%
Total interest income	1,368.86	100%	888.86	100%
Cash Collection and income from selling collateral	439.06	100.00%	340.43	100.00%
- Unsecured loan	386.09	87.94%	295.78	86.88%
- Secured loan	52.97	12.06%	44.65	13.12%
Cash received from selling foreclosed asset	170.68	-	83.16	-

■ Services Income from Debt Collection Service

In the year of 2023, the Company had services income around Baht 33.72 million which slightly decreased from the year of 2022 around Baht 1.32 million (or decreased around 3.76%). This is because the company focusing on collection on the purchased ports by assigned the staffs to own ports. Therefore, the service income from third parties slightly decreased from last year.

■ Interest Income from Lending Business

In the year of 2023, the Company recorded interest income from lending business around Baht 106.95 million which increased from the last year around Baht 32.38 million (or increased around 43.43%). This is because in

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this year the Company lending the money to the customers more than last year. The Outstanding loan as at 31 December 2023 and 2022 was at Baht 1,059.55 million and at Baht 647.42 million respectively.

■ Revenue from recruitment service

In the year of 2023, the Company recorded revenue from recruitment service amounted to Baht 17.55 million as the result from the Group of the Company seeking for new business (providing the manpower to factories).

Cost of rendering services and managing non-performing assets

In the year of 2023, the Company recorded cost of rendering services around Baht 269.85 million which increased from the last year around Baht 28.68 million (or increased around 11.89%). This is because in this year the Company had more legal costs than last year and the Company had more salary and other benefits than last year (which in line with the growth of the Company).

Cost of recruitment service

In the year of 2023, the Company recorded costs of recruitment service around Baht 7.78 million which equivalent to 44.31% of total its incomes. The major costs of recruitment service were salary and welfare of operation staffs.

Gross Profit

In the year of 2023, the Company had gross profit of Baht 1,249.44 million (equivalent to 81.80% of total incomes) which increased from the last year around Baht 492.30 million. The reasons for the increment mainly arose from the increment in Gross Profit of managing NPLs business and the increment of Gross Profit of lending business.

Other Income

Other income mainly represents interest income and rental income. For the year of 2023, the Company had other income around Baht 13.03 million which increased from the last year around Baht 4.65 million. The reason for the increment mainly around from the increment in interest income from banks.

Gains on disposal of foreclosed assets

In the year of 2023, the Company had gain on disposal of foreclosed assets around to Baht 88.68 million which increased from the last year around Baht 39.16 million. This is because the Company can sell the NPAs more than the last year. (NPA has occurred from buying assets (or collateral of NPL) from the Legal Execution Department through Auction Process back as NPAs).

Administrative Expenses

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Administrative expenses mainly represent salary, welfare, bonus for the employee and management, audit fee, and business consultation fee. In the year of 2023, the Company had administrative expenses around Baht 119.91 million which increased from the last year around Baht 33.26 million. The main reasons for the increment were salary and other benefits of employees, and professional fee for IPO of subsidiary company.

Expected Credit Loss

This expense occurred from the difference between the present values of future cash flows (PV) and the net book value of each loan. In case that PV was less than NBV, this amount would be recorded as expected credit loss according to financial reporting standard No.9 (TFRS9). The expected credit loss for the year of 2023 was around Baht 406.94 million which increased from the last year around Baht 188.00 million. This is because the increasing of unsecured port around the end of the year 2022. Therefore, the Company had more expected credit loss.

Finance Cost

Finance cost for the year 2023 increased around Baht 94.28 million from last year. The reason for the increment mainly arose from the increment of loans that the Company borrows for investing in NPLs and lending business.

Income Tax Expenses

The income tax expense in the year 2023 increased from last year Baht 46.18 million which in line with the increment of net profit before tax.

Net Profit

The net profit for the year of 2023 was at Baht 448.83 million which increased from the last year around Baht 174.37 million (or increased around 63.53%). The reasons for the increment in net profit mainly arose from the increment of income and gain on disposal foreclosed asset.

Financial position

Total Assets

As at 31 December 2023, the Company had total assets of Baht 9,331.41 million which increased from the last year around Baht 2,128.00 million (or increased around 29.54%). The reasons for the increment mainly arose from;

- The increment of loan for non-performing asset around Baht 1,968.10 million and,
- The increment of loan receivable (net) around Baht 412.13 million and,
- The increment of Deposit for purchasing loans to non-performing assets around Baht 43.21 million
- The increment of NPAs around Baht 37.15 million

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- The increment of Account Receivable and others account receivable around Baht 37.03 million and
- The decrement of cash and cash equivalent around Baht 398.04 million.

Total Liabilities

Total liabilities as at 31 December 2023 was Baht 5,035.89 million which increased from the last year around Baht 1,683.01 million. The reasons for the increment mainly arose from;

- The increment of debenture around Baht 1,238.88 million and,
- The increment of loans from banks around Baht 316.29 million and,
- The increment of deferred tax liabilities around Baht 112.05 million

Total Shareholders' Equities

Total shareholders' equity as of 31 December 2023 was at Baht 4,295.52 million which increased from the last year around Baht 445.03 million. The reasons for the increment mainly arose from

- The increment of unappropriated retained earnings around Baht 359.04 million (from the increment of net profit Baht 448.05 and from the reduction of the dividend payment during the year).
- The increment of Non-Controlling interest around Baht 55.93 million.
- The increment of share capital around Baht 35.40 million

Debt to Equity ratio (Interest bearing)

- The Debt to Equity ratio (Interest bearing) of the Company as at 31 December 2023 was at 1.09.

Sincerely Yours,

(Mr.Kitti Tungswong)

Deputy Chief Executive Officer