

Chayo Group Public Company Limited

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

- Translation -

CGC 039/2024

14 August 2024

Subject: Management Discussion and Analysis for the second quarter of 2024 ended 30 June 2024

To: The President
The Stock Exchange of Thailand

Chayo Group Public Company Limited would like to report the operating results for the second quarter of 2024, ending June 30, 2024, of the company and its subsidiaries ('the company') as follows:

Operating results

	Consolidated (3 months)				Consolidated (6 months)			
	Apr - Jun 2023	%	Apr - Jun 2024	%	Jan - June 2023	%	Jan - June 2024	%
Interest Income from loan to non-performing assets	311,461,760	88.0%	429,892,003	89.7%	628,394,548	89.4%	874,199,099	89.9%
Service income from debt collection services	10,015,906	2.8%	6,885,374	1.4%	18,842,137	2.7%	13,876,776	1.4%
Interest Income from lending business	26,345,679	7.4%	38,148,746	8.0%	47,714,920	6.8%	75,369,403	7.8%
Revenue from recruitment service	5,938,724	1.7%	4,238,128	0.9%	7,948,277	1.1%	8,890,247	0.9%
Revenue from Sales	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total income	353,762,069	100.0%	479,164,251	100.0%	702,899,882	100.0%	972,335,525	100.0%
Costs of render services & managing non-performing assets	(56,523,502)	-16.0%	(98,411,501)	-20.5%	(111,110,006)	-15.8%	(171,486,904)	-17.6%
Costs of recruitment service	(2,600,311)	-0.7%	(1,658,253)	-0.3%	(3,420,882)	-0.5%	(4,022,002)	-0.4%
Costs of goods sold	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Gross profit	294,638,256	83.3%	379,094,497	79.1%	588,368,994	83.7%	796,826,619	81.9%
Other incomes	3,702,520	1.0%	4,460,316	0.9%	4,541,696	0.6%	5,954,369	0.6%
Gain on disposal of foreclosed assets	11,406,661	3.2%	19,009,011	4.0%	20,651,695	2.9%	30,329,525	3.1%
Administrative expenses	(30,502,887)	-8.6%	(29,655,453)	-6.2%	(54,348,713)	-7.7%	(60,453,343)	-6.2%
Expected credit loss	(84,037,129)	-23.8%	(157,878,488)	-32.9%	(166,991,390)	-23.8%	(422,866,210)	-43.5%
Finance costs	(64,768,433)	-18.3%	(80,817,395)	-16.9%	(113,602,699)	-16.2%	(156,682,828)	-16.1%
Profit before income tax	130,438,988	36.9%	134,212,488	28.0%	278,619,583	39.6%	193,108,132	19.9%
Income tax (expenses)	(27,657,942)	-7.8%	(28,598,537)	-6.0%	(57,556,988)	-8.2%	(45,047,210)	-4.6%
Net profit for the period	102,781,046	29.1%	105,613,951	22.0%	221,062,595	31.5%	148,060,922	15.2%
Other comprehensive income for the period, net of tax	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total comprehensive income for the period	102,781,046	29.1%	105,613,951	22.0%	221,062,595	31.5%	148,060,922	15.2%
Total comprehensive income attributable to:								
Owners of the parent	91,785,348	25.9%	76,750,773	16.0%	195,626,629	27.8%	79,943,382	8.2%
Non-controlling interest	10,995,698	3.1%	28,863,178	6.0%	25,435,966	3.6%	68,117,540	7.0%
Total comprehensive income for the period	102,781,046	29.1%	105,613,951	22.0%	221,062,595	31.5%	148,060,922	15.2%

Chayo Group Public Company Limited

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

- Translation -

■ Total Income

The company's total revenue from operations for Q2/2024 was at 479.16 million THB, representing an increase of 125.40 million THB, or 35.45%, compared to Q2/2023. This significant growth in revenue was primarily driven by an increase in interest income from loans to non-performing assets and interest income from lending business, which contributed 118.43 million THB and 11.80 million THB, respectively (for further details, please refer to the table below).

Additionally, revenue for the first six months of this year increased by 269.43 million THB, or 38.33%, largely due to the rise in interest income from loans to non-performing assets and interest income from lending business.

Income from Loans to Non-performing Assets

In the first six months of this year, the company successfully collected 307.65 million THB from unsecured debt and generated revenue from the sale of collateral related to non-performing loans. This represents an increase of 111 million THB, or 56.45%, compared to the same period last year. The consistent growth in unsecured debt collections is primarily due to the company's strategic acquisition of additional portfolios of unsecured non-performing loans. This proactive approach has led to a substantial increase in the company's revenue for this year.

	For the 6 months period ended 30 June 2024		For the 6 months period ended 30 June 2023	
	Million Baht	Million Baht	Million Baht	%
Interest income – EIR (Effective interest rate)	655.79	75.02%	468.69	74.59%
Interest income over EIR	218.40	24.98%	159.70	25.41%
Total interest income	874.19	100%	628.39	100%
Cash Collection and income from selling collateral	307.65	100%	196.65	100%
- Unsecured loan	272.18	88.47%	184.68	93.91%
- Secured loan	35.47	11.53%	11.97	6.09%
Cash received from selling foreclosed asset	74.52	-	52.69	-
Cash received from Legal Execution Department	17.75	-	1.09	-

Chayo Group Public Company Limited

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

- Translation -

■ Services Income from Debt Collection Service

In Q2/2024, the company generated 6.89 million THB in revenue from debt collection services, reflecting a decrease of 3.13 million THB, or 31.25%, compared to Q2/2023. For the first half of 2024, the company reported revenue of 13.88 million THB from debt collection services, down by 4.97 million THB, or 26.35%, compared to the same period last year. The decline in revenue over both the three-month and six-month periods was primarily due to the company reallocating staff to focus more on collecting non-performing loans from portfolios acquired by the group, resulting in a reduction of revenue in debt collection services provided to third parties.

■ Interest Income from Lending Business

In Q2/2024, the company generated 38.15 million THB in interest income from lending business, reflecting an increase of 11.80 million THB, or 44.80%, compared to Q2/2023. For the first half of 2024, the company reported 75.37 million THB in interest income from lending, an increase of 27.65 million THB, or 57.96%, compared to the same period last year. This growth is attributed to the increase in lending activities. As of June 30, 2024, and June 30, 2023, the company's loan receivables stood at 1,049.75 million THB and 690.13 million THB, respectively.

■ Revenue from recruitment service

In Q2/2024, the company generated 4.24 million THB in revenue from recruitment services, a decrease of 1.7 million THB compared to Q2/2023. For the first half of 2024, the company reported revenue of 8.89 million THB from recruitment services, an increase of 0.94 million THB, or 11.85%, compared to the same period last year. This growth is due to the company having only started this business in March 2023, whereas in the first half of 2024, the company benefited from a full six months of operations, leading to an increase in revenue for this business segment.

Cost of rendering services and managing non-performing assets

In Q2/2024, the company's service costs were 98.41 million THB, reflecting an increase of 41.89 million THB, or 74.11%, compared to Q2/2023. For the first half of 2024, service costs were 171.49 million THB, up by 60.38 million THB, or 54.34%, compared to the same period last year. This increase is primarily attributed to higher litigation expenses and increasing of employee-related costs, both of which grew in line with the company's expansion.

Chayo Group Public Company Limited

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

- Translation -

Cost of recruitment service

In Q2/2024, the company incurred recruitment costs of 1.66 million THB, representing 39.13% of revenue. For the first half of this year, recruitment costs amounted to 4.02 million THB, or 45.22% of revenue. The majority of these costs were associated with salaries and benefits for employees in the operations department.

Gross Profit

For the first half of 2024, the company reported a gross profit of 796.83 million THB, representing 81.95% of revenue. The gross profit margin for the first half of this year was comparable to last year's margin of 83.71%.

Other Income

Other income for the first half of this year amounted to 5.95 million THB, reflecting an increase of 1.41 million THB compared to the same period last year. The increase was primarily due to the recognition of support income from the Stock Exchange for companies participating in IPO training programs and a rise in interest income from bank deposits.

Gains on disposal of foreclosed assets

In Q2/2024, the company realized a profit of 19.01 million THB from the sale of foreclosed properties, representing an increase of 7.60 million THB, or 66.61%, compared to Q2/2023. For the first half of this year, the profit from the sale of foreclosed properties amounted to 30.33 million THB, reflecting an increase of 9.68 million THB, or 46.87%, compared to the previous year. The increase in profit was primarily driven by a higher volume of foreclosed property sales. (Foreclosed properties, or NPAs, arise when the company acquires collateral from non-performing loans purchased from financial institutions through auction, as well as through direct purchases of NPAs from financial institutions.)

Administrative Expenses

The company's main administrative expenses include salaries, benefits, and bonuses for employees and executives, audit fees, and business consulting fees. In Q2/2024, the company incurred administrative expenses of 29.66 million THB, a slight decrease of 0.85 million THB compared to Q2/2023. For the first half of this year, administrative expenses totaled 60.45 million THB, an increase of 6.10 million THB, or 11.22%. This increase was primarily due to higher employee-related costs driven by the company's growth and an increase in consulting fees related to the listing of a subsidiary on the stock exchange.

Chayo Group Public Company Limited

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

- Translation -

Expected Credit Loss

Expected credit losses arise from comparing the present value (PV) of expected future cash flows with the net book value (NBV) of each debtor. If the present value is lower than the net book value, the difference is recorded as an expected credit loss. For the first half of this year, the company recorded expected credit losses of 422.87 million THB, an increase of 255.87 million THB compared to the same period last year. This increase was primarily driven by higher provisions for losses on newly acquired unsecured debt portfolios during 2023 and the re-estimation of certain older portfolios, which resulted in an additional one-time loss of 128.46 million THB due to the adjustment.

Finance Cost

The company's financial costs in Q2/2024 and for the first half of this year increased by 80.82 million THB and 156.68 million THB, respectively, compared to the same periods last year. The primary reason for this increase was the company's borrowing to finance the acquisition of additional non-performing loan portfolios and to expand its lending activities.

Income Tax Expenses

For the first half of this year, the company's income tax expenses decreased by 12.51 million THB compared to the same period last year. This reduction was primarily due to a decline in the company's profit before tax.

Net Profit

The company's net profit for Q2/2024 was 105.61 million THB, an increase of 2.83 million THB, or 2.76%, compared to Q2/2023, driven by higher gross profit. However, the net profit for the first half of 2024 was 148.06 million THB, a decrease of 73.00 million THB, or 33.02%, compared to the same period last year. This decline was primarily due to the increase in expected credit losses, which included a one-time loss resulting from the re-estimation of non-performing loan portfolios.

Financial position

Total Assets

As of June 30, 2024, the company had total assets of 9,565.75 million THB, an increase of 234.33 million THB, or 2.51%, compared to 2023. The primary factors contributing to this increase were:

- An increase of 256.93 million THB in loans to non-performing assets,
- An increase of 51.99 million THB in foreclosed properties,
- An increase of 26.72 million THB in deposits for purchasing loans to non-performing assets, and

Chayo Group Public Company Limited

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

- Translation -

- A decrease of 102.99 million THB in cash and cash equivalents.

Total Liabilities

As of June 30, 2024, total liabilities amounted to 5,175.02 million THB, an increase of 139.13 million THB, or 2.76%, compared to total liabilities as of December 31, 2023. The primary factors contributing to this increase were:

- An increase of 231.17 million THB in borrowings from financial institutions,
- An increase of 31.47 million THB in deferred income tax liabilities, and
- A decrease of 131.09 million THB in debentures.

Total Shareholders' Equities

As of June 30, 2024, shareholders' equity amounted to 4,390.73 million THB, an increase of 95.21 million THB compared to December 31, 2023. The primary factors contributing to this increase were:

- An increase of 40.14 million THB in unappropriated retained earnings, and
- An increase of 55.06 million THB in non-controlling interests.

Debt to Equity ratio (Interest bearing)

- As of June 30, 2024, the company's debt-to-equity ratio (interest-bearing debts) was 1.09 times.

Please be informed accordingly,

Sincerely Yours,

(Mr.Kitti Tungsrivong)

Deputy Chief Executive Officer