AC.120/2024 November 13th, 2024

Dear President,
The Stock Exchange of Thailand

SGF Capital Public Company Limited would like to submit the management discussion and analysis report as of September 30th, 2024.

In the third quarter of 2024, the used car and new motorcycle loan industry continues to slow down as electric vehicles (EVs) have penetrated the market at prices lower than combustion-engine vehicles. This has led to ongoing volatility in used car prices, with a downward trend that is more pronounced than usual. Additionally, economic conditions—characterized by weak purchasing power due to high living costs and a high household debt ratio—have led to stricter loan approvals. This has impacted the company's overall portfolio, resulting in a reduction in loan volume by 9.1% quarter on quarter to 1,852.3 million baht. In Q3-2024, the company's total income was 116.7 million baht, down 16.9%YoY due to a smaller loan portfolio. The company's operating expenses have decreased by 17.3%YoY as a result of fewer branches and reduced costs. There is a 90.3 million baht reserve for estimated credit losses, up 48.9%YoY. The provision for non-performing debt and the loss on the sale of repossessed autos is rising in unison with the situation of used car prices, which have fallen even more than previously. The company's total operating expenses increased by 15.4%YoY. When combined with the 11.7% decrease in finance costs year-on-year and income tax charges, the overall result was a loss of 52.8 million baht.

Regarding loan quality, the company has seen an increase non-performing loans (NPL) from hire-purchase, leasing, and car for cash loans. This is due to stricter approval criteria for new loans, which has resulted in a reduction of new loans disbursed in 2024. Although the quality of new loans has improved, some legacy loans are experiencing challenges as certain borrowers face economic hardships and increased household debt, leading to delays in debt repayment and conversion to non-performing status. This has resulted in a rise in overdue debts overall, requiring the company to book larger expected credit.

Regarding the company's liquidity, the company has adequate cash flow management, with 356.9 million baht in cash available to redeem the remaining SGF240A debentures of 250.0 million baht in October 2024. Currently, the company's net Debt-to-Equity ratio is 0.61 without any default. This displays prudent money management and the ability to sustain a positive debt-to-equity ratio.

Q3/2024 Executive Summary: Statements of Comprehensive Income for 3 months period

Revenues

Unit : Thousand Baht	Q3-2024	Q3-2023	change	change %
Retail interest income (Hire purchase, Leasing and Car for cash)	101,647.4	124,873.9	(23,226.5)	-18.6%
Loans interest income	8,668.9	8,104.7	564.2	7.0%
Other interest income	515.1	587.4	(72.3)	(12.3%)
Total interest income	110,831.4	133,566.0	(22,734.6)	-17.0%
Fee and services income	2,734.7	5,061.1	(2,326.4)	(46.0%)
Other income	3,155.7	1,887.0	1,268.7	67.2%
Total revenues	116,721.9	140,514.1	(23,792.2)	-16.9%

As of the end of Q3-2024, (September 30th, 2024), the company had total revenues of 116.7 million baht, down from 140.5 million baht in the third quarter of 2023, representing a decline of 16.9%, or 8.8 million baht from the second quarter of 2024, representing a decrease of 7.0%QoQ with details as follows:

1. Interest income received from retail loan (hire purchase, leasing and car for cash) amounted to 101.6 million baht, a fall of 18.6% due to the strictness and reduction of the new loans, causing the retail loans portfolio to decline.
2. Revenue from loan (SME Loan) business amounted to 8.7 million baht, an increase of 7.0% from revenue recognition according to the accounting standard.
3. Fees and service income worth 2.7 million baht. A decrease of 46.0% due to a reduction in fees charged.

Operating cost

As of the end of Q3-2024 (September 30th, 2024), the company's administrative expenses were 51.5 million baht, down from 62.2 million baht in Q3-2023, representing a 10.8 million baht or 17.3% decline. This is due to the company's policy of controlling expenses. Additionally, the number of branches is minimized.

Expected Credit Losses According to New Accounting Standards (TFRS9)

As of the end of Q3-2024 (September 30th, 2024), the company recorded the expected credit losses amounted to 90.3 million baht, an increase of 29.6 million baht from Q3-2023 which was 60.6 million baht or 48.9%YoY, but up 0.1 million baht from Q2-2024, or 0.1%QoQ. These accounts include a 61.6 million baht write-off, a 21.4 million baht loss on the sale of repossessed automobiles and a 7.2 million baht increase in booking expected credit losses.

Financial cost

As of the end of Q3-2024 (September 30th, 2024), the company's financial costs were 21.8 million baht, down 11.7% from Q3-2023, when they were 24.7 million baht due to the company repaying the loan and debentures to reduce the debt.

Income tax expenses

As of the end of Q3-2024 (September 30th, 2024), the company's income tax recording was 5.9 million baht due to an increase in deferred tax liabilities above deferred tax assets. As a result, the income tax item increased.

Net profit/loss

As of the end of Q3-2024 (September 30th, 2024), the company's loss from operations before taxes was 46.8 million baht, up 39.8 million baht or 563.5% from Q3-2023, and an income tax of 5.9 million baht, resulting in a net loss of 52.8 million baht, a 35.2 million baht reduction from Q3-2023. This can be linked to the company's decreased income as a result of lower credit. The company also experienced a rise in expected credit losses as a result of partial debtors' payment troubles caused by economic conditions, as well as a greater loss on the sale of seized automobiles as the price of used cars decreased significantly due to overcapacity of the repossessed supply.

3Q/2024 Executive Summary: Statement of Comprehensive Income 9 months

- In 3Q/2024, the company's total income was 372.2 million baht, a 14.5% decline from 3Q/2023 and comparable to 435.2 million baht due to stricter credit requirements.

- SG&A dropped by 12.2% to 156.6 million baht from 178.3 million baht in Q3 2023. This is related to the company's policy of managing expenses. In addition, the number of branches has decreased.

- The Company has to record allowance for expected credit losses 256.5 million baht in compliance with the new accounting rules (TFRS9), up 34.1% from 3Q/2023, with recorded at 191.2 million baht. Losses from the sale of seized automobiles increase as the proportion of NPL debt rises. As a result, an allowance must be made for credit losses that are predicted to increase as model.

- Financial costs increased by 1.4% to 70.4 million baht from 69.4 million baht in Q3 2023 due to rising interest rates.

- The Company has a net loss before taxed amount of 111.4 million baht, after deducting income taxed amount of 0.9 million baht, the company has a net loss of 112.3 million baht, equivalent to a decrease of 95.14 million baht from 3Q/2023 which has a net loss of 17.1 million baht.

Analysis of financial position

Unit : Million Baht	Q3/2024	% Asset	Q2/2024	% Asset	Q4/2023	% Asset
Cash and equivalents	356.9	13.6%	261.1	9.6%	155.0	5.3%
Receivables	2,121.9	80.7%	2,299.2	84.6%	2,617.9	89.0%
Retail loan receivables (Hire purchase, Leasing and Car for cash)	*1,852.3*	*70.4%*	*2,037.0*	*74.9%*	*2,367.0*	*80.5%*
Mortgaged loan receivables	*6.0*	*0.2%*	*6.5*	*0.2%*	*6.1*	*0.2%*
Personal loans receivables	*0.6*	*0.0%*	*0.8*	*0.0%*	*0.6*	*0.0%*
Purchase of receivables	*0.1*	*0.0%*	*0.1*	*0.0%*	*0.1*	*0.0%*
Loans receivables	*262.8*	*10.0%*	*254.8*	*9.4%*	*244.1*	*8.3%*
Property, plant and equipment	25.2	1.0%	28.0	1.0%	22.6	0.8%
Deferred tax asset	22.3	0.8%	28.3	1.0%	23.2	0.8%
Other assets	103.5	3.9%	101.7	3.7%	122.6	4.2%
Total assets	2,629.8		2,718.3		2,941.3	
Total Liabilities	993.4	37.8%	1,028.9	37.9%	1,192.5	40.5%
Total equity	1,636.4	62.2%	1,689.4	62.1%	1,748.8	59.5%

Assets

Cash and equivalents

As of September 30th, 2024, the company had 356.9 million baht in cash and equivalents, up 95.8 million baht from Q2-2024. The rationale for the increase in cash reserves is that the company has restricted new loans due to tight credit conditions.

Retail receivables (Hire purchase, Leasing, and car for cash)

As of September 30th, 2024, the company had retail receivables (hire purchase, leasing, and car for cash) of 1,852.3 million baht, a decrease of 184.7 million baht or 9.1%QoQ from Q2-2024 due to reduced lending.

New retail leasing and car for cash loans totaled 50.9 million baht in Q3-2024, up from 45.6 million baht in Q2-2024, or 11.7%QoQ due to the company's tighter new loan acceptance rules.

Mortgaged loan receivables

As of September 30th, 2024, the company had a total mortgaged loan receivable of 6.0 million baht, a decrease of 0.5 million baht from Q2-2024 due to cash repayment. This mortgaged loan is an additional business that has been added to meet the customer's needs.

Personal loan receivables

As of September 30th, 2024, the company had personal loan receivables of 0.6 million baht, a decrease of 0.10 million baht, or 16.0%QoQ, due to customer repayment.

Loan Receivables (SME Loan)

As of September 30th, 2024, the company has outstanding SME Loan receivables amounting to 262.8 million baht, an increase of 8.0 million baht from an interest in Q3-2024, since the company does not extend this type of credit.

Hire purchase, Leasing and car for cash receivable quality

As of September 30th, 2024, the company had retail receivables (hire purchase, leasing, and car for cash) outstanding over 3 installments (3 months) amounting to 259.8 million baht or 12.95% of total net retail receivables (hire purchase, leasing, and car for cash), an increase of 5.3 million baht from Q2-2024 which equivalent to 254.5 million baht. The percentage of retail debtors who were still impacted by the increase in living expenses and consequently had a diminished capacity to pay back debt was the source of the increase. A total of 154.0 million baht, or 7.7% of the total retail receivables (hire purchase, leasing, and car for cash), were recorded as expected credit losses by the company.

Liabilities

As of September 30th, 2024, the company's total liabilities were 993.4 million baht, down 16.7% or 199.1 million baht from the end of 2023. Most of the total liabilities consisted of debentures and borrowings from financial institutions. At present, the company is able to pay the debt off normally. Debt to Equity Ratio (D/E Ratio) of 0.61.

Equity

As of September 30th, 2024, the company has shareholders' equity of 1,636.4 million baht, a decrease of 112.3 million baht from the end of 2023, due to the company's net loss.

Please acknowledge the above matters.
Sincerely yours,

Mr. Kannanat Boonsunanondha
Chief Executive Officer