

25 February 2020

Subject: Management Discussion and Analysis Operating results for year 2019, ending 31 December 2019

Attention: The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending 31 December 2019 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between year 2019 and year 2018 together with the Company’s financial status compared between ending 31 December 2019 and ending 31 December 2018 as follows:

Financial Performance Explanation and Analysis

- **Operating outlook**

The Company factoring business for year 2019, total revenues were 230.61 million Baht which decreased by 0.22 million Baht or 0.1%, net profit 42.16 million Baht which decreased by 6.76 million Baht or 13.8% compared to the same period of the previous year. The decreasing of profit resulted from administrative expenses.

- **Thai economy and operating effect**

Overall economic activity in the fourth quarter of 2019 continued to moderately expand from the same period last year following the contraction in accordance with the automobile business. And the trade war situation between the United States and China, the effect of Thai Baht appreciation and global economic slowdown. However, the wholesale and retail businesses have benefited from government’s economic stimulus measures. Thailand’s overall financial conditions remained accommodative as reflected by the real policy rate that remained at a low level relative to those of other EMs. overall domestic demand continued to expand, albeit at a softer pace. Private consumption softened from almost all spending categories. Private investment contracted from both investment in machinery and equipment and investment in construction. Public spending would support economic growth to a lesser extent than previously assessed due to delays in state-owned enterprise investment projects that led to a smaller proportion of capital expenditure and a larger proportion of current expenditure. Public investment would subsequently decelerate, while government consumption would increase in 2020. On the stability front, Headline inflation was projected to be lower than the previous projection due to lower-than-expected outturns of energy prices were projected to decline in tandem with global crude oil prices. The seasonally-adjusted unemployment rate remained unchanged from the previous quarter. The current account continued to post a smaller surplus, attributed to a lower surplus in trade balance, and the deficit in services, income, and transfers balance, as a result of the seasonal remittance of profits and dividends by foreign businesses. The capital and financial accounts registered a deficit from the assets side.

- **Performance Analysis for year 2019 and year 2018**

Performance and Profitability

For year 2019, total revenues were 230.61 million Baht which decreased by 0.22 million Baht or 0.1% compared to the same period of the previous year. Interest income from factoring were 177.20 million Baht or 76.8% of total revenues. Fees and services income were 47.76 million Baht or 20.7%. Finance costs were 54.89 million Baht or 23.8%. The Company's gross profits were 170.06 million Baht or 75.6%.

(Unit: Thousand Baht)

Statement of compressive income	2019	Percent	2018	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	177,199	76.8	179,721	77.9	(2,522)	-1.4
Fees and services income	47,756	20.7	47,294	20.5	462	1.0
Finance cost	54,893	23.8	54,024	23.4	869	1.6
Gross Profit	170,062	75.6	172,991	76.2	(2,929)	-1.7
Other Income	5,651	2.5	3,815	1.7	1,836	48.1
Total revenues	230,606	100.0	230,830	100.0	(224)	-0.1

* Gross income percentage is calculated from the Gross income divided by the core revenue which the core revenue includes Interest income from factoring and Income from fees and services where it corresponds to the core business of the Company

For year 2019, the Company's administrative expenses were 105.48 million Baht or 45.7% of total revenues which increased by 10.68 million Baht or 4.6% from previous year. Provision for doubtful account was 21.60 million Baht decreased by 8.60 million Baht. The Company set the provision for doubtful account by aging basis. All overdue debt amounts will be followed up by the Company's debts recovery department. Profit for year 2019 were 42.16 million Baht or 18.3% of total revenues which decreased by 6.76 million Baht.

(Unit: Thousand Baht)

Statement of compressive income	2019	Percent	2018	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	105,482	45.7	94,806	41.1	10,676	11.3
Doubtful accounts	21,599	9.4	30,195	13.1	(8,596)	28.5
Profit before income tax expenses	48,632	21.1	51,805	22.4	(3,173)	-6.1
Income tax expense (Revenue)	6,474	2.8	2,883	1.2	3,591	124.6
Profit for the period	42,158	18.3	48,922	21.2	(6,764)	-13.8

Basic earnings per share

0.026

0.031

Baht/share

Financial Status as at 31 December 2019

The Company's total assets as at 31 December 2019 were 2,556.47 million Baht which increased by 53.85 million Baht or 2.2% compared to as at 31 December 2018.

Current assets as at 31 December 2019 were 2,504.88 million Baht which increased by 66.97 million Baht or 2.7% compared to as at 31 December 2018. comprised of Factoring Receivables as at 31 December 2019 were 2,399.11 million Baht or equivalent to 93.8% of total assets.

Non-current assets as at 31 December 2019 were 51.58 million Baht or equivalent to 2.0% of total assets.

(Unit: Thousand Baht)

Statement of financial position	As at 31 Dec 19	Percent	As at 31 Dec 18	Percent	Changed	
					Value	Percent
Current Assets						
Cash and cash equivalents	51,140	2.0	101,111	4.0	(49,971)	-49.4
Factoring receivable	2,399,113	93.8	2,292,068	91.6	107,045	4.7
Current portion of loans receivable	53,125	2.1	41,786	1.7	11,339	27.1
Other receivables	343	0.0	1,794	0.1	(1,451)	-80.9
Other current assets	1,162	0.0	1,159	0.0	3	0.3
Total current assets	2,504,883	98.0	2,437,918	97.4	66,965	2.7
Non-current assets						
Loan receivable	9,156	0.4	27,281	1.1	(18,125)	-66.4
Equipment	6,756	0.3	5,685	0.2	1,071	18.8
Intangible assets	7,098	0.3	8,914	0.4	(1,816)	-20.4
Deposits and guarantees	2,135	0.1	1,784	0.1	351	19.7
Deferred tax assets	22,818	0.9	15,554	0.6	7,264	46.7
Assets held for sale	3,619	0.1	5,482	0.2	(1,863)	-34.0
Total non-current assets	51,582	2.0	64,700	2.6	(13,118)	-20.3
Total assets	2,556,465	100.0	2,502,618	100.0	53,847	2.2

Total liabilities as at 31 December 2019 were 2,028.09 million Baht or equivalent to 79.3% of total liabilities and shareholders' equity increased 51.69 million Baht or 2.6% as a result of short-term loans from financial institutions which is in line with the increase in assets of factoring receivable.

(Unit: Thousand Baht)

Statement of financial position	As at	Percent	As at	Percent	Changed	
	31 Dec 19		31 Dec 18		Value	Percent
Current liabilities						
Short-term loans from financial institutions	1,852,000	72.4	1,817,000	72.6	35,000	1.9
Retention from factoring	40,291	1.6	40,885	1.6	(594)	-1.5
Current portion of liabilities under finance lease agreements	807	0.0	0	0.0	807	0.0
Dividend payables	40,000	1.6	48,000	1.9	(8,000)	-16.7
Excess receipt awaiting to repay	67,247	2.6	47,824	1.9	19,423	40.6
Other payables	9,640	0.4	8,348	0.3	1,292	15.5
Income tax payable	2,346	0.1	2,334	0.1	12	0.5
Other current liabilities	1,635	0.1	1,578	0.1	57	3.6
Total current liabilities	2,013,966	78.8	1,965,969	78.6	47,997	2.4
Non-current liabilities						
Liabilities under finance lease agreements	2,303	0.1	0	0.0	2,303	0.0
Provision for long-term employee benefits	11,238	0.4	9,689	0.4	1,549	16.0
Other non-current liabilities	579	0.0	740	0.0	(161)	-21.8
Total non-current liabilities	14,120	0.6	10,429	0.4	3,691	35.4
Total liabilities	2,028,086	79.3	1,976,398	79.0	51,688	2.6

Liquidity and Capital Adequacy

As at 31 December 2019, shareholders' equity was 528.38 million Baht or equivalent to 20.7% of total liabilities which increased by 2.16 million Baht.

As at 31 December 2019, the Company had available credit facilities which had not yet been drawn down amounted to 992 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	As at	%	As at	%	Changed	
	31 Dec 19		31 Dec 18		Value	%
Shareholders' equity						
Issued and fully paid-up	400,000	15.6	400,000	16.0	0	0.0
Share premium	75,845	3.3	75,845	3.0	0	0.0
Capital contribution from parent company	406	0.0	406	0.0	0	0.0
Retained earnings: Appropriated	30,000	1.2	27,860	1.1	2,140	7.7
Unappropriated	22,128	0.9	22,109	0.9	19	0.1
Total shareholders' equity	528,379	20.7	526,220	21.0	2,159	0.4
Total liabilities and shareholders' equity	2,556,465	100.0	2,502,618	100.0	53,847	2.2

Financial Ratios

(Unit: Thousand Baht)

Financial Ratios	As at 31 Dec 19	
<u>Liquidity Ratio</u>		
Current Ratio	1.24	Times
<u>Profitability Ratio</u>		
Gross Profit Margin	75.6	%
Net Profit Margin	18.3	%
Return on Equity or ROE	8.0	%
<u>Efficiency Ratio</u>		
Return on Asset or ROA	1.7	%
<u>Financial Ratio</u>		
Debt to Asset Ratio	0.79	Times
Debt to Equity	3.84	Times

All financial ratios on the above table, profitability ratios and leverage ratios were on acceptable ratios.

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 2 years 10 months. 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