

11 May 2020

Subject: Management Discussion and Analysis Operating results for the first quarter, ending March 31, 2020.

Attention: The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending March 31, 2020 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the first quarter of 2020 and the first quarter of 2019 together with the Company’s financial status compared between ending first quarter as at March 31, 2020 and ending December 31, 2019 as follows:

Financial Performance Explanation and Analysis

● **Operating outlook**

The Company factoring business in the first quarter of 2020, total revenues were 59.55 million Baht which increased by 5.66 million Baht or 10.6%, net profit 8.62 million Baht which increased 6.21 million Baht or 1,988.4% compared to the same period of the previous year. The increasing of net profits resulted from decrease of doubtful accounts.

● **Thai economy and operating effect**

Outlook of the factoring business in the first three months of 2020 were highly uncertain and mainly depended on the situation of the COVID-19 spread and the success of the containment measures. Risks to the projections tilted downward. The possibilities that the Thai economy would underperform the baseline projection would be due to the following factors. First, the global economy could enter into a recession should the outbreak become more severe and prolonged than expected, exerting additional adverse impacts on Thailand’s merchandise exports. Second, global financial stability risks might affect the Thai economy in the medium term. Third, Thailand’s tourism might not recover in the second half of 2020 if the outbreak in Thailand and other countries could not be contained within the second quarter of 2020. Fourth, the government might need to implement stricter measures to control the outbreak, which might cause some businesses to shut down operations or significantly reduce employment. Fifth, more-severe-than-expected impact of the drought could affect farm income. However, there were possibilities that the Thai economy would outperform the baseline projection due to (1) a faster-than-expected development of vaccines and medicines for the COVID-19, (2) better-than-expected impacts of additional government’s stimulus measures and measures to assist borrowers, and (3) a higher-than-expected domestic demand as a result of public infrastructure investment and PPP projects, which might incentivize the private sector to invest more and faster. Moreover, there remained downside risks to headline and core inflation projections in line with risks to crude oil prices and the economic growth projection.

● **Performance Analysis for the first three months of 2020 compared to the first three months of 2019**

Performance and Profitability

The first three months of 2020 and 2019, interest income from factoring were 46.05 million Baht and 42.23 million Baht or equivalent to 77.3% and 78.4% of total revenues respectively. Fees and services income were 11.11

million Baht and 2.38 million or 18.7% and 4.4% respectively. Other income derived from interest received from loans amounted to 2.38 million Baht and 0.94 million Baht or 4.0% and 2.7% respectively. Total revenues were 59.55 million Baht and 53.89 million Baht respectively. Finance costs were 13.92 million Baht and 13.36 million Baht or 23.4% and 24.8% respectively. The Company's gross profits were 43.25 million Baht and 31.25 million Baht or 72.6% and 57.9% respectively.

(Unit: Thousand Baht)

Statement of compressive income	The first three months Ending 31Mar20	Percent	The first three months Ending 31Mar19	Percent	Changed	
					Value	Percent
Revenues						
Interest income from factoring	46,055	77.3	42,234	78.4	3,821	9.0
Fees and services income	11,118	18.7	2,380	4.4	8,738	367.1
Finance cost	13,919	23.4	13,368	24.8	551	4.1
Gross Profit	43,254	72.6	31,246	57.9	12,008	38.4
Other Income	2,380	4.0	1,440	2.7	940	65.3
Total revenues	59,553	100.0	53,890	100.0	5,663	10.6

* 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

The first three months of 2020 and 2019, the Company's administrative expenses were 27.09 million Baht and 23.3 million Baht or 45.5% and 43.2% of total revenues. Provision for doubtful account was 6.51 million Baht and 13.54 million Baht respectively or 10.9% and 25.1% of total revenues. 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 the period of the first three months of 2020 and 2019 were 8.63 million Baht and 0.41 million due to the said provision of doubtful account.

(Unit: Thousand Baht)

Statement of compressive income	The first three months Ending 31Mar20	Percent	The first three months Ending 31Mar19	Percent	Changed	
					Value	Percent
Expenses						
Administrative expenses	27,091	45.5	23,286	43.2	3,805	16.3
Doubtful accounts	6,519	10.9	13,544	25.1	(7,025)	-51.9
Profit before income tax expenses	12,024	20.2	3,692	6.9	8,332	225.7
Income tax expense (Revenue)	3,399	5.7	3,279	6.1	120	3.7
Profit for the period	8,625	14.5	413	0.8	8,212	1,988.4

Basic earnings per share

0.0054

0.0003

Baht/share

Financial Status as at 31 March 2020

The Company's total assets as at 31 March 2020 were 2,556.47 million Baht which decreased by 129.05 million Baht or 5.0% compared to as at 31 March 2019.

Current assets as at 31 March 2020 were 2,355.21 million Baht which decreased by 149.68 million Baht or 5.9% compared to as at 31 March 2019 comprised of Factoring Receivables as at 31 March 2020 were 2,165.36 million Baht or equivalent to 89.2% of total assets.

Non-current assets as at 31 March 2020 were 72.21 million Baht or equivalent to 2.9% of total assets.

(Unit: Thousand Baht)

Statement of financial position	The first three months Ending 31Mar20	Percent	The first three months Ending 31Mar19	Percent	Changed	
					Value	Percent
<u>Current Assets</u>						
Cash and cash equivalents	111,958	4.6	51,140	2.0	60,818	118.9
Factoring receivable	2,165,356	89.2	2,399,114	93.8	(233,758)	-9.7
Current portion of loans receivable	74,759	3.1	53,125	2.1	21,634	40.7
Other receivables	672	0.03	343	0.01	329	95.9
Other current assets	2,460	0.1	1,161	0.04	1,299	111.9
Total current assets	2,355,205	97.0	2,504,883	97.9	(149,678)	-5.9
<u>Non-current assets</u>						
Loan receivable	25,322	1.0	9,156	0.4	16,166	176.6
Equipment	3,300	0.1	3,674	0.1	(374)	-10.2
Right-of-use assets	8,125	0.3	3,082	0.1	5,043	163.6
Intangible assets	6,620	0.2	7,098	0.2	(478)	-6.7
Deposits and guarantees	2,122	0.08	2,135	0.08	(13)	-0.6
Deferred tax assets	23,105	0.9	22,818	0.9	287	1.3
Assets held for sale	3,619	0.1	3,619	0.1	-	-
Total non-current assets	72,213	2.9	51,582	2.0	20,631	39.9
Total assets	2,427,418	100.0	2,556,465	100.0	(129,047)	-5.0

Total liabilities as at 31 March 2020 were 1,903.23 million Baht or equivalent to 78.4% of total liabilities and shareholders' equity decreased 124.85 million Baht or 6.2% as a result of short-term loans from financial institutions which is in line with the decrease in assets of factoring receivable.

(Unit: Thousand Baht)

Statement of financial position	The first three months Ending 31Mar20	Percent	The first three months Ending 31Mar19	Percent	Changed	
					Value	Percent
<u>Current liabilities</u>						
Short-term loans from financial institutions	1,770,000	72.9	1,852,000	72.4	(82,000)	-4.4
Retention from factoring	39,479	1.6	40,291	1.6	(812)	-2.0
Current portion of liabilities under finance lease agreements	2,808	0.1	807	0.03	2,001	247.9
Dividend payables	56,830	2.3	67,247	2.6	(10,417)	-15.5
Excess receipt awaiting to repay	9,097	0.4	9,640	0.4	(543)	-5.6
Other payables	-	-	40,000	1.6	(40,000)	-100.0
Income tax payable	5,895	0.2	2,346	0.1	3,549	151.3
Other current liabilities	2,086	0.1	1,635	0.06	451	27.6
Total current liabilities	1,886,195	77.7	2,013,966	78.8	(127,771)	-6.3
<u>Non-current liabilities</u>						
Liabilities under finance lease agreements	5,381	0.2	2,303	0.1	3,078	133.6
Provision for long-term employee benefits	11,657	0.5	11,238	0.4	419	3.7
Other non-current liabilities	-	-	579	0.02	(579)	-100.0
Total non-current liabilities	17,038	0.1	14,120	0.5	2,918	20.7
Total liabilities	1,903,233	78.4	2,028,086	79.3	(124,853)	-6.2

Liquidity and Capital Adequacy

As at 31 March 2020, shareholders' equity was 524.19 million Baht or equivalent to 21.6% of total liabilities which decreased by 4.19 million Baht.

As at 31 March 2020, the Company had available credit facilities which had not yet been drawn down amounted to 970 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	The first three months Ending 31Mar20	Percent	The first three months Ending 31Mar19	%	Changed	
					Value	%
Shareholders' equity						
Issued and fully paid-up	400,000	16.5	400,000	15.6	-	-
Share premium	75,845	3.1	75,845	2.9	-	-
Capital contribution from parent company	406	0.02	406	0.02	-	-
Retained earnings: Appropriated	30,000	1.2	30,000	1.2	-	-
Unappropriated	17,934	0.7	22,128	0.9	(4,194)	-18.9
Total shareholders' equity	524,185	21.6	528,379	20.7	(4,194)	-0.8
Total liabilities and shareholders' equity	2,427,418	100.0	2,556,465	100.0	(129,047)	-5.1

Financial Ratios

Financial Ratios	As at 31 Dec 20	
Liquidity Ratio		
Current Ratio	1.25	Times
Profitability Ratio		
Gross Profit Margin	72.6	%
Net Profit Margin	14.5	%
Return on Equity or ROE	1.6	%
Efficiency Ratio		
Return on Asset or ROA	0.3	%
Financial Ratio		
Debt to Asset Ratio	0.78	Times
Debt to Equity	3.63	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 5 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