



11 November 2024

LIT 2024/025

Topic Operating Result for period ended 30 September 2024

To The President of the Stock Exchange of Thailand

According to the resolution of the Board of Directors Meeting of Lease IT Public Company Limited No.9/2024, on 11th November 2024, the Financial Statements and overall operations of the Company for the period ended 30 September 2024 which has been reviewed by the auditors of EY Office Limited.

Thai economy is affected by both internal and external factors. It still affects the overall economic picture of the country, causing the economic expansion rate to remain lower than the target which impacted household and business spending and delayed the recovery of economic activities. Lease IT Public Company Limited is to be an alternative source of financing outside the financial institution sector (Non-Bank) supporting Small and medium-sized enterprises (SMEs) who work for the government sector and private sector to access funding sources. The Company continues to focus on customers' business needs through offering financial products and also continuously helping customers facing the impact of the COVID-19 crisis so that customers can survive in the long term. Our customers could run projects again after the lockdown period, by the way, customers also are impacted from economic slowdown both abroad and domestic. Economic expansion in the country has slowed down. Stimulating the economy in both the public and private sectors has not yet been fully implemented. Especially the impact of customers who depend on government budgets having to slow down. This is because the government budget has not been able to be disbursed as usual in the past period. The cost of interest and household debt are continually rising. As a result, the finance amount decreased that directly affect the revenue for the year 2023, For the third quarter, the Company recorded large amount of Expected Credit Loss (ECL) which align with collection process and result of litigations have more clear conclusions for former NPLs that was affected from Covid-19 pandemic, So, the Company had to recorded ECL in this quarter that following Thai Financial Reporting Standard No.9 (TFRS9) which determines adjustment of economic future forecast based (Looking Forward). According to improvement of credit quality, new NPLs significant decrease base on new financing of the year. This is to comply with the policy of prudent and carefully adjusted business strategic plans to cope with the impact of this situation as follows:

Industry and Strategy

The trend of competition in the banking industry and non-bank financial institutions continues to be under pressure from the impact of economic expansion affected by various factors such as inflation, higher cost of fund and unable to fully recovery in the economic. During such challenges, the Company has to adjust its competitive strategies to cope with the situation and to maintain its performance in accordance with the current industry trends and for sustainable growth in the future. The Company has generated income for varies product to create stability in the organization, customer satisfaction, elevating work processes, building corporate credibility and awareness as follows:

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- 1) Upgrade marketing with a Digital Platform to meet the needs of the new-generation customers and respond to the growth of the digital world in the future. The Company has focused on developing IT systems and using digital marketing tools to reach the target customers of the Company in order to get more targeted customers and offer the company's financial products to the right customers as well as create reliable and well-known brand among users through social media and maximize customer database usage for cross-selling.
- 2) Focus on financing to customers who are government suppliers to reduce the risk of non-performing loans (NPLs) under the current situation, the Company continues to focus on providing loans to government and state enterprises suppliers because the government always has the ability to pay which make the credit risk lower than lending to small and medium-sized enterprises (SMEs) who are private sector suppliers by using digital marketing. The Company also join event which organized by private sector and government.
- 3) Focus on financing in low-risk financial products such as Factoring, Hire Purchase, and Financial Lease to reduce the risk of non-performing loans (NPLs) and to reduce concentration by industries
- 4) Focus on trendy industries sector for new customers that finance on Project Backup Finance with collateral under risk management and also support in short term project for cost management. As well as developing tools to manage credit risk in each customer group.
- 5) Focus on retaining existing customers to builds customer brand loyalty by enhancing customer satisfaction through loyalty program to stimulate transactions and build sustainable customer relationship. Create a loyalty program to encourage customers to use more services and build long-term good relationships, including building good relationships with customers by visiting and exchanging views on business operations with the company's executives to support customer growth.
- 6) The company has a complete range of financial products to meet the needs of SMEs entrepreneurs, especially those working for government agencies from the beginning to the end of the project with a business growth advisor who could offer financial products that are appropriate and consistent with the business operations of customers.
- 7) The Company has developed new financial products to meet the business demand and to support customers' business operations that have changed according to economic conditions and market competition as well as the behaviour of the customers change for generate income and business opportunities from new customers.
- 8) Focus on increased allowance Expected Credit Losses (ECL) that affected from the COVID-19 pandemic pressure in many industries, resulting in a decrease in liquidity of the customers which varies according to the risk and quality of customer at any moment. However, ECL stilling recorded following Thai Financial Reporting Standard No.9 (TFRS9)

Credit Risks

The situation of uncertainty during the economic slowdown has affected SMEs, causing an increase in non-performing loans especially in high risk industry. The Company had to carefully manage its risks while maintaining its performance under the careful selecting of customers, close monitoring and proactively assisting some customers facing the crisis. The company has assisted its clients during this crisis by bringing them into a suitable debt restructuring plan to enable them to survive in the business in long term and have the ability to repay the Company's debts. In this regard, the Company has taken steps to improve credit quality as follows:

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- 1) The company has upgraded the screening of customers and debtors in order to select real potential customers who have strong debt repayment ability and has continuously adjusted the frequency of reviewing the debt repayment capability of customers and debtors. Moreover, the Company also reviewed the process of rights to receive payment transferring and debt collection depend on situation. The Company also closely monitors customer behavior and signal in order to prevent non-performing debts (NPLs) in the future.
- 2) The company has managed the spread of the loan portfolio in each industry to not exceed 25% in order to be in line with the industrial risk management plan to be more efficient, including visiting old customers of the company. To follow up on the progress of customers' business operations.
- 3) The Company continues to limit financing to new customer who construction business as it has high risk but focuses on a group of business that has lower risk and still grows in current situation such as a medical equipment and service business etc.
- 4) The company development of risk management tools in various dimensions, e.g. more expertise in credit consideration, analysis of customer data in different dimensions, assessing the risks of each group of customers through appropriate Risk Based Pricing for each customer.

Profitabilities

- 1) The Company focuses on financial cost management which are the main cost and also focused on managing cash flow in order to minimize financial cost. Moreover, The Company continues to focus on managing the company's funding sources to be in line with the company's cash inflows and manage interest rates that are appropriate to the current situation.
- 2) The Company focuses on Non-Performing Loans (NPLs) management by assisting customers to repay debt in accordance with their liquidity to reduce the Allowance for Expected Credit Losses on Non-Performing Loans. This is due to the Company's policy to achieve performance under acceptable risk.
- 3) The company has reinforced the debt collection and tracking team. To expedite debt repayment from distressed debtors who have arisen closely Including hiring the company to track down additional external debts. With the goal of increasing the ability to collect debt (Recovery Rate) higher. In addition, the Company establish a working group to closely monitor and resolve the company's debts
- 4) The company has a policy focusing on controlling unnecessary operating expenses. As well as efforts to develop and improve work processes to be more efficient in order to reduce costs. Including creating an information system to bring data to analyze in various dimensions in order to control and reduce errors. Including using the information to benefit in generating income with target customers to reduce costs. and control the loan service process more efficiently. Including developing personnel to have knowledge more expertise This increases efficiency and controls risks in various dimensions effectively.
- 5) The company focuses on building growth with a strategy to find new target customers. From adjusting the form of financial products and launching new financial products to expand the market to new customer groups that can generate higher income and returns for the Company and to diversify the Company's credit portfolio risk appropriately, Especially expanding the loan portfolio to more secured loan groups. including building a good relationship with the Company. business partner in order to extend and seek business opportunities in the future

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Consolidated financial performance of the Company for period ended 30 September 2024 in comparison with the corresponding last period ended 30 September 2023

(Unit: Thousand Baht)	Statement of comprehensive income					
	For 3 months period			For 9 months period		
	2024	2023	%change	2024	2023	%change
Interest Income	16,412	14,776	11.1%	44,283	48,951	(9.5%)
Fees and service incomes	10,881	9,105	19.5%	31,454	29,389	7%
Other income	1,803	2,784	(35.2%)	5,373	8,647	(37.9%)
Total revenues	29,096	26,665	9%	81,110	86,987	(6.8%)
Service expense	5,653	6,479	(12.7%)	15,907	17,744	(10.4%)
Administrative expense	17,293	18,569	(6.9%)	54,499	55,517	(1.8%)
Expected credit losses	352,516	31,143	1,032%	404,156	81,529	396%
Total expenses	375,462	56,191	568%	474,562	154,790	207%
Operating Loss before finance cost and tax	(346,366)	(29,526)	1073%	(393,452)	(67,803)	480%
Finance cost	(7,179)	(8,301)	(13.5%)	(23,843)	(30,208)	(21.1%)
Loss before income tax expenses	(353,545)	(37,827)	835%	(417,295)	(98,011)	326%
Income tax revenues (expenses)	(35,729)	6,629	(639.0%)	(33,994)	14,957	(327.3%)
Loss for the period	(389,274)	(31,198)	1,148%	(451,289)	(83,054)	443%

1. Revenues

Total revenue for the period ended 30 September 2024 consists of interest income, fees and service income, and other income at the proportion of 54.6%, 38.8%, and 6.6% respectively, which revenue from interest and fee income are majority of the Company's revenue. Total revenue decrease due to lower financing to customer, especially for customer who work with government due to effect from awaiting for budget allocation. The Company also avoid to finance in risk industry i.e construction industry. So. Interest revenue and income fee decreased. The Company also focused on financing to low-risk financial products i.e. trading, recruitment employee etc. in an economic slowdown to control and reduce the risk of non-performing loans (NPLs). As a result, the revenue decreased 5.9 million baht or 6.8%

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Interest incomes

Interest Income (Unit: Thousand Baht)	For the 9 months period end 30 September				Change	
	2024	%	2023	%	Amount	%
- Installment Sales	2,670	6.0%	1,534	3.1%	1,136	74.1%
- Loan contracts	6,658	15.0%	7,857	16.1%	(1,199)	(15.3%)
- Factoring contracts	29,644	66.9%	35,858	73.3%	(6,214)	(17.3%)
- Finance lease contracts	1,021	2.3%	2,574	5.3%	(1,553)	(60.3%)
- Hire-purchase contracts	377	0.9%	1,121	2.3%	(744)	(66.4%)
- Term Loan	3,903	8.8%	-	0.0%	3,903	100.0%
- Personal Loans	10	0.0%	7	0.0%	3	42.9%
Total	44,283	100.0%	48,951	100.0%	(4,668)	(9.5%)

For the period ended 30 September 2024, the interest income from short-term loans consists of factoring contracts, Loan contracts, and installment sales have total interest income of 39.0 million baht or 88.0% and interest income from long-term loans is finance lease, hire-purchase and term loan contracts have total interest income of 5.3 million baht or 12.0% while in the same period of the previous period the percentage of interest income from short-term loans is 92.4% and 7.6% from long-term loans, since the Company focus on short-term loans for risk management and liquidity.

The interest incomes are mainly from factoring contracts. For the period 2024 and 2023, the interest income from factoring contracts has portion 66.9% and 73.3%, respectively which the Company has more focus on low-risk product and high liquidity to reduce new NPL from new financing.

Interest form term loan contracts increased by 3.9 million baht or 100% due to new product since Q4' 2023 which is long term loan for increase productivity of customer under collateral.

A decrease in financing amount was mainly from customer who deal with government that effected from awaiting budget allocation in the first half of year and start allocate budget in the third quarter and also from the intensity before lending and consideration of risk by industries. So, size portfolio decreaased, resulting in a decrease in interest income. It comes from In addition, the overall of the economy in various industries and severe inflation, goods and wages higher. This directly affects the liquidity of SMEs, which are the company's main customers, they take longer period to recover than large companies. So, the Company had to reserved provision which align to risk and quality of customers, the Company also closes monitoring progression of each projects and carefully financing to reduce NPLs by new financing.

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Fees and service incomes

Fees and service incomes (Unit: Thousand Baht)	For the 9 months period ended 30 September				Change	
	2024	%	2023	%	Amount	%
- Installment Sales	10,674	33.9%	5,787	19.7%	4,887	84.4%
- Loan contracts	5,367	17.1%	4,928	16.8%	439	8.9%
- Factoring contracts	13,320	42.3%	18,002	61.3%	(4,682)	(26.0%)
- Finance lease contracts	41	0.1%	15	0.1%	26	173.3%
- Hire-purchase contracts	13	0.0%	33	0.1%	(20)	(60.6%)
- Term Loan	1,395	4.4%	-	0.0%	1,395	100.0%
- Letter of guarantees	605	1.9%	622	2.1%	(17)	(2.7%)
- Others	39	0.1%	2	0.0%	37	1850.0%
Total	31,454	100.0%	29,389	100.0%	2,065	7.0%

For the third quarter of 2024, revenue from fees and service incomes slightly increased about 2.1 million baht compared to the same period in the previous year. The major or fee and service income from factoring about 13.3 million baht or 42.3%, which slightly decreased by about 4.7 million baht from the same prior period. Meanwhile, fee and service income from term-loan increased 1.4 million baht since it was new products. Fee and service income from installment loan also increased 4.9 million baht or 84.4% due to sale increased since updating application in the beginning of the year 2024.

2. Service expense

For the third quarter of 2024, The Company had service expense slightly decreased about 1.8 million baht or 10.4% when compared with the prior year align with revenue by adjusted processing to increase efficiency and reduce operating cost.

3. Expected Credit Losses

For the current period, The Company had expected credit losses (ECL) of 404.2 million baht which align with an increase of NPLs ration from 65.01% in 2023 to 74.9%. The main reason was from penetration among constructions industry in 2019 since the Company saw opportunity for growth from constructions. But Covid-19 pandemic huge affected to them, they had to spend on cost and overhead to completed project, in addition, completion period also extended due to lockdown policy and labour shortage. So, our clients lack of liquidity then increase NPLs. After that, the company therefore places importance on industry diversification in order to spread the risk so that such an event does not happen again. In addition, there are many factors that are difficult to control both externally, such as the overall market, competition, and the economy that has not yet recovered. Affecting the recovery of SMEs customers, which takes a long and difficult time.

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An increase of ECL was from The results of debt collection from both the debt collection team and from outsource debt collection company. Including the process of carrying out the project, the results are beginning to be seen more clearly. So, the Company has to reserve ECL accordance with TFRS9 which reserve align with quality and risk of current situations. However, The company is still following up on debt collection. Negotiate and reconcile the debt until the end to reduce the damage as much as possible.

Referring to reserve ECL, allowance ECL to total port ration increased from 42.4% in 2023 to 63.8% in 2024 and allowance ECL to NPLs increased from 65.2% in 2023 to 85.1% in 2024.

However, the company has a policy to prevent, control and correct the lending process to make it more quality. both in changing risk analysis methods Modifying credit approval authority to be more appropriate. Focusing on low-risk products, portfolio management by industry and eliminating financing in complex industries in order to minimize the damage of new loans. As a result to new NPLs was 1.3% of new finance amount since 2023. In addition, the company also added collection teams and procurement of outsource debt collection company to expedite the problem of non-performing debtors (NPLs).

4. Finance Cost

Finance cost decreased about 6.4 million baht or 21.1% due to the reduction in the outstanding balance of debentures.

5. Income tax expenses

The Company had Income tax expense of 34.0 million baht. According to write-off DTA about 35.1 million baht since the Company forecast un-utilised DTA on ECL ontime in the future.

6. Net loss

The Company had a loss of 451.3 million baht compared with a prior period which had a loss of 83.1 million baht due to a significant increase of reserved ECL about 322.6 million baht align with increase of NPLs. In addition, there was write-off DTA about 35.1 million baht from un-utilised DTA on ECL ontime in the future.

Liquidity and Cash Flow

The Company had cash-out flow from operating activities about 50.7 million from expand Port in instalment sales, Factoring and Long-term loan under collecteral. There was cash-in flow from investing activities form sales trading securities during the period. So, there was no significant change when compared with last year.

Current ratios as of 2024 and Q3'204 was 1.98 and 5.56, respectively. An increase was from issued debenture in May 2024 with due over 1 year, in addition, the Company also manage port and liability appropriately for cash and cost management.

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Consolidated financial position of the Company as of 30 September 2024 in comparison with that as of 31 December 2023.

Assets

Total assets as of the third quarter of 2024 were 963.3 million baht, compared with the year ended 2023 which has total assets of 1,424.5 million baht which caused by reserved ECL for NPLs then net AR decreased about 363.8 million Baht. Moreover, other financial assets about 39.7 million baht from expanding AR about 62.6 million Baht

Liabilities

Total liabilities as of the third quarter of 2024 were 423.8 million baht, there was no significant change when compared with the year ended 2023 which has total liabilities of 433.7 million baht.

IBD to equity as of 2023 and Q3'2024 was 0.36 and 0.65, respectively. An increase was from net loss which affected to equity. By the way, the ratio remains low because the company still has a strong capital structure. and manage funding sources in line with lending to ensure efficient cash flow management.

ICR as of 2023 and Q3'2024 was (2.2) and (16.2), respectively, due to largely reserved ECL during the period, So the Company has negative EBITDA which mean operation could not pay interest. However, the company still has the ability to manage cash flow to maintain a liquidity balance sufficient to pay off debt and be able to operate from conservative financing policy, rapidly debt collection and appropriate size of loan.

Equity

Equity decreased from the year 2023 about 451.3 million baht due to net loss of current period.

Please be informed accordingly.

Best regards,



(Mr. Alongkot Boonmasuk)

Director and Chief Executive Officer

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