



13 November 2023

LIT 2023/027

Topic Operating Result for the second Quarter of the year 2023

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.11/2023, on 13th November 2023, the Financial Statements and overall operations of the Company for the period ended 30 September 2023 which has been reviewed by the auditors of EY Office Limited.

Thai economy was affected by COVID-19 pandemic. Eventhough the situation is better, but the economy 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 proactively helping customers facing the impact of the COVID-19 crisis so that customers can survive in the long term. In this period, revenue decreased, our customers could run projects again after the lockdown period and some of projects could be delivered but the government bidding also get stuck and allocate to COVID-19 budget. Including economic environmental factors that cause growth to decline at a reduced rate. The cost of interest and household debt are continually rising. As a result, the finance amount decreased that directly affect the revenue for the period 2023, and the Company stilling recorded Expected Credit Loss (ECL) from Non-Performing Loans (NPLs) that affected by the current economic situation following the risk and quality of customers in various industries 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 for the year 2023 to cope with the impact of this situation as follows:

Industry and Strategy

The trend of competition in the banking and Non-Bank industry continues to be pressured by the effect of COVID-19 pandemic and the economic outlook is also impacted by inflation and higher cost of fund. 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.
- 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.
- 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)

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Credit Risks

The economic situation affecting small and medium enterprises (SMEs) is a challenge for the Company 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:

- 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 in order to prepare for the situation impacted by the epidemic of COVID-19. 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 to mitigate industry risk by limiting portfolio of each industry to not more than 25% in order to comply with the industrial risk management plan.
- 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.
- 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 strengthened the debt collection team to follow up the repayment closely in order to increase the debt recovery rate.
- 4) The Company has the policy to control unnecessary operating expenses by developing Information Technology systems to reduce costs and improve the credit quality more efficiently.
- 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, 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 the 3-months and 9-months period ended 30 September 2023 in comparison with the corresponding period last year ended 30 September 2022

(Unit: Thousand Baht)	Statement of comprehensive income					
	For 3 months period			For 9 months period		
	2023	2022	%Change	2023	2022	%Change
Interest Income	14,776	22,248	(33.6%)	48,951	80,917	(39.5%)
Fees and service incomes	9,105	12,368	(26.4%)	29,389	35,296	(16.7%)
Other income	2,784	3,208	(13.2%)	8,647	8,968	(3.6%)
Total revenues	26,665	37,824	(29.5%)	86,987	125,181	(30.5%)
Service expense	6,479	6,262	3%	17,744	19,389	(8.5%)
Administrative expense	18,569	18,369	1%	55,517	55,075	1%
Expected credit losses	31,143	18,400	69%	81,529	82,130	(0.7%)
Total expenses	56,191	43,031	31%	154,790	156,594	(1.2%)
Operating Loss before finance cost and tax	(29,526)	(5,207)	467%	(67,803)	(31,413)	116%
Finance cost	(8,301)	(12,348)	(32.8%)	(30,208)	(37,345)	(19.1%)
Loss before income tax expenses	(37,827)	(17,555)	115%	(98,011)	(68,758)	43%
Income tax revenues (expenses)	6,629	1,747	279%	14,957	8,131	84%
Loss for the period	(31,198)	(15,808)	97%	(83,054)	(60,627)	37%

1. Revenues

Total revenue for the 9 months period ended 30 September 2023 consists of interest income, fees and service income, and other income at the proportion of 56.3%, 33.8%, and 9.9% respectively. Total revenue decrease due to lower financing to customer, the Company 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 38.2 million baht.

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Interest incomes

Interest Income (Unit: Thousand Baht)	For the 6 months period ended 30 September				Change	
	2023	%	2022	%	Amount	%
- Installment Sales	1,534	3.1%	3,383	4.2%	(1,849)	(54.7%)
- Loan contracts	7,857	16.1%	19,848	24.5%	(11,991)	(60.4%)
- Factoring contracts	35,858	73.3%	47,331	58.5%	(11,473)	(24.2%)
- Finance lease contracts	2,574	5.3%	7,098	8.8%	(4,524)	(63.7%)
- Hire-purchase contracts	1,121	2.3%	3,242	4.0%	(2,121)	(65.4%)
- Personal Loans	7	0.0%	15	0.0%	(8)	100.0%
Total	48,951	100.0%	80,917	100.0%	(31,966)	(39.5%)

For the period ended 30 September 2023, the interest income from short-term loans consists of factoring contracts, Loan contracts, and installment sales have total interest income of 45.2 million baht or 92.4% and interest income from long-term loans is finance lease and hire-purchase contracts have total interest income of 3.7 million baht or 7.6% while in the same period of the previous year the percentage of interest income from short-term loans is 87.2% and 12.8% from long-term loans, which is not significantly different.

The interest incomes are mainly from factoring contracts. For the 9 months period of 2023, the interest income from factoring contracts has about 35.9 million baht or 73.3% compared with the same period of the previous year 58.5% because the Company focuses on financing low-risk financial products and high liquidity to reduce the risk of non-performing loans (NPLs) for new financing. The interest income from loan contracts has 7.9 million baht decreased from 19.8 million baht compared with the previous period. The Company has more intensity on determining financing new loans due to it being a high-risk product. As a result, the financing amount of loan contracts decreased. Including, the impact of the COVID-19 pandemic and SMEs have decreased in liquidity from the economic pressure resulting in freezing revenue recognition as an accounting standard.

A decrease in financing amount led to a decrease in the size of the debtor portfolio, resulting in a decrease in interest income. It comes from the intensity before lending. 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	
	2023	%	2022	%	Amount	%
- Installment Sales	5,787	19.7%	11,369	32.2%	(5,582)	(49.1%)
- Loan contracts	4,928	16.8%	9,869	28.0%	(4,941)	(50.1%)
- Factoring contracts	18,002	61.3%	11,114	31.5%	6,888	62.0%
- Finance lease contracts	15	0.1%	37	0.1%	(22)	(59.5%)
- Hire-purchase contracts	33	0.1%	58	0.2%	(25)	(43.1%)
- Letter of guarantees	622	2.1%	2,772	7.9%	(2,150)	(77.6%)
- Others	2	0.0%	77	0.2%	(75)	(97.4%)
Total	29,389	100.0%	35,296	100.0%	(5,907)	(16.7%)

For the period 2023, The fee and service incomes from short-term loans by 97.7% consisting of service income mainly from factoring contracts about 18.0 million Baht or 61.3% which increase about 6.9 million baht or 62.0% when compared with the same period of the previous year align with the Company focused on factoring product. As a result, fee from loan contracts decreased 4.9 million Baht or 50.1%. So, fee and service income decreased about 5.9 million baht or 16.7%.

2. Service expense

For the period ended 30 September 2023, The Company had service expense slightly decreased when compared with the prior year align with revenue.

3. Expected Credit Losses

For the year 2023, The Company had expected credit losses (ECL) of 81.5 million baht. In this regard, ECL is recorded following Thai Financial Reporting Standard No.9 (TFRS9) which was from the COVID-19 pandemic, and the economic outlook is also impacted by inflation directly impacts SMEs customers for the past 2-3 years ago, which are the Company's main customers. As a result, the process of delivering products and services is delayed and incurred fines and higher operation costs especially in the construction industry. Customers who are in the process of litigation and debt restructuring, lack liquidity during the recession of the external factors. Resulting in the inability to pay debts as scheduled reflects the risks inherent in the quality of the customers at any moment, the risks may change in the future depending on various factors, thus the company is obliged to set aside in accordance with the quality and risks of the customers and the circumstances. However, the Company has a policy to prevent, control, and improve the financing process for better quality. both in modifying the method of risk analysis Adjustment of 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. In addition, the company also added collection teams and procurement of outsource debt collection company to expedite the problem of non-performing debtors (NPLs).

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4. Finance Cost

Finance cost decrease about 7.1 million or 19.1 baht due to repayment debenture in March and September about 400 million baht and 100 million baht respectively.

5. Income tax expenses

For the year 2023, The Company had Income tax revenues of 15.0 million baht. According to loss operation, there is no income tax expense for this year. By the way, the Company applied TAS 12 Income tax then there is income tax revenue caused by an increase in Expected Credit Losses (ECL). However, The Company will be able to use it in the future.

6. Net loss

The Company had a loss of 83.1million baht compared with a prior period which had a loss of 60.6 million baht due to a significant decrease in revenue of 38.2 million baht or 30.5% aligning with the customers lacking liquidity to pay-debts and decreasing in the financing amount. And ECL increased in line with NPLs from high risk and affected customer quality. As a result, the higher Expected Credit Losses (ECL).

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Consolidated financial position of the Company as of 30 September 2023 in comparison with that as of 31 December 2022.

Assets

Total assets as of the third quarter of 2023 were 1,484.0 million baht, compared with the year ended 2022 which has total assets of 2,017.5 million baht which caused by the decrease in receivables of 297.7 million baht due to low financing and reserved provision. Cash also decreased by 286.1 million baht from repayment debentures during the year.

Liabilities

Total liabilities as of the third quarter of 2023 were 458.7 million baht, decreased by 450.3 million baht compared with the year ended 2022 which has total liabilities of 909 million baht, mainly from the repayment of the debenture in March and September 2023 amounting 400 million baht and 100 million baht, respectively, for finance cost and cash management.

Equity

Equity decreased from the year 2022 about 83.1 million baht due to loss operation 83.1 million baht.

Please be informed accordingly.

Best regards,



(Mr. Alongkot Boonmasuk)

Chief Executive Officer

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