



10 November 2021

LIT 2021/030

Topic Operating Result for the third Quarter of the year 2021

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.12/2021, on 10th November 2021, the Financial Statements and overall operations of the Company in the third quarter of the year 2021; ended on 30th September 2021 which has been reviewed by the auditors of EY Office Limited.

Thai economy in the third quarter of 2021 was affected by a new wave of COVID-19 pandemic since the end of 2020, which impacted household and business spending and delayed the recovery of the 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 help customers facing the impact of the COVID-19 crisis, so that customers can survive in the long term. In for the nine-months period, revenue decreased by 15.7% from the COVID-19 pandemic affected to the lockdown which resulted in the limited access to working area and delayed delivery. As a result, the finance amount decreased that directly affect the revenue. The Company stilling recorded Expected Credit Loss (ECL) from Non-Performing Loans (NPLs) that affected by the current economic situation. This is to comply with the policy of prudent and carefully and adjusted business strategic plans for the year 2021 to cope with the impact of this situation as follows:

Industry and Strategy

The trend of competition in the banking and Non-Bank financial institutions industry continues to be pressured by a new wave of the pandemic COVID-19 and the economic outlook remains depending on progress in procuring and distributing Covid-19 vaccines to people. 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 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 information 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. In addition, the company has also established a subsidiary, U-lite Digital Company Limited, to sell products with installment payment via mobile application to meet the needs of the new generation of customers to prepare for the growth of this market in the future.
- 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.
- 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)

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 strengthened the debt collection team to follow up the repayment closely in order to increase the debt recovery rate.
- 3) 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.
- 4) The Company continues to limit construction portfolio 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.

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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 the policy to control unnecessary operating expenses by developing Information Technology systems to reduce costs and improve the credit quality more efficiently.

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Consolidated financial performance of the Company for the 3- months and 9- months period ended 30 September 2021 in comparison with the corresponding period last year ended 30 September 2020

(Unit: Thousand Baht)	Statement of comprehensive income					
	For 3 months period			For 9 months period		
	2021	2020	% Change	2021	2020	% Change
Interest Income	54,767	64,995	(16%)	169,700	190,906	(11%)
Fees and service incomes	22,059	31,158	(29%)	70,107	90,519	(23%)
Other income	4,014	6,630	(39%)	16,221	24,018	(32%)
Total revenues	80,840	102,783	(21%)	256,028	305,443	(16%)
Service expense	10,590	7,032	51%	30,586	27,180	13%
Administrative expense	19,926	24,169	(18%)	58,827	70,128	(16%)
Expected credit losses	27,583	2,342	1078%	96,188	47,425	103%
Total expenses	58,099	33,543	73%	185,601	144,733	28%
Operating profit	22,741	69,240	(67%)	70,427	160,710	(56%)
Finance cost	(22,759)	(20,207)	13%	(66,030)	(66,901)	(1%)
Profit before income tax expenses	(18)	49,033	(100%)	4,397	93,809	(95%)
Income tax expenses	(1,353)	(32,673)	(96%)	(3,024)	(41,932)	(93%)
Profit for the period	(1,371)	16,360	(108%)	1,373	51,877	(97%)

1. Revenues

Total revenue for the 9 months ended 30 September 2021 consists of interest income, fees and service income, and other income at the proportion of 66%, 27%, and 7% respectively. As such, the Company focuses on financing to customers who are government suppliers and low-risk financial products in an economic slowdown from the covid-19 pandemic to control and reduce the risk of non-performing loans (NPLs). As a result, the revenue decreased 49.4 million baht.

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Interest incomes

Interest Income (Unit: Thousand Baht)	For the 3-months period ended 30 September				Change	
	2021	%	2020	%	Amount	%
- Installment Sales	423	0.8%	0	0.0%	423	(4.1%)
- Loan contracts	25,770	47.1%	33,721	51.9%	(7,951)	(23.6%)
- Factoring contracts	23,850	43.5%	26,987	41.5%	(3,137)	(11.6%)
- Finance lease contracts	3,059	5.6%	2,195	3.4%	864	39.4%
- Hire-purchase contracts	1,665	3.0%	2,092	3.2%	(427)	(20.4%)
Total	54,767	100.0%	64,995	100.0%	(10,228)	(15.7%)

For the third quarter of the year 2021, the interest income decreased by 10.2 million baht or 15.7%. The main reason was that the interest income according to loans contracts decreased by 7.9 million baht or 23.6% and factoring contracts decreased in the amount of 3.1 million baht or 11.6% due to the Company decreased financing new loan according to the company policy, as well as the economic pressure in many industries, resulted in a decrease in liquidity of the customers. The aging due 3- 12 months increased by 439.1 million baht mainly from the loan receivable by 302.3 million baht and the factoring receivable by 136.8 million baht as the loan receivable in the construction industry working for the government were affected from Covid-19 pandemic since January 2021, and also from lockdown occurred in vulnerable area and construction site since May 2021 which resulted in the limited access to working areas and the delayed delivery. However, the Company recorded expected credit losses for Loan receivables and Factoring receivables of approximately 259.8 million baht and 127.9 million baht respectively.

Interest Income (Unit: Thousand Baht)	For the 9-months period ended 30 September				Change	
	2021	%	2020	%	Amount	%
- Installment Sales	511	0.3%	0	0.0%	511	100.0%
- Loan contracts	75,997	44.8%	93,379	48.9%	(17,382)	(18.6%)
- Factoring contracts	77,732	45.8%	83,567	43.8%	(5,835)	(7.0%)
- Finance lease contracts	9,354	5.5%	6,165	3.2%	3,189	51.7%
- Hire-purchase contracts	6,106	3.6%	7,795	4.1%	(1,689)	(21.7%)
Total	169,700	100.0%	190,906	100.0%	(21,206)	(11.1%)

For the third quarter of the year 2021, total interest income was Baht 169.7 million which decreased 21.2 million baht or 11.1% mainly reason was from the Thai economy impacted various businesses as a result to lower business transactions. The Company also has upgraded the screening of customers and debtors to prevent non-performing loans (NPLs). So, interest income decreased as mentioned reasons.

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Fees and service incomes

Fees and service incomes (Unit: Thousand Baht)	For the 3-months period ended 30 September				Change	
	2021	%	2020	%	Amount	%
- Installment Sales	1,161	5.3%	-	0.0%	1,161	100.0%
- Loan contracts	8,810	39.9%	16,008	51.4%	(7,198)	(45.0%)
- Factoring contracts	9,635	43.7%	12,305	39.5%	(2,670)	(21.7%)
- Finance lease contracts	19	0.1%	256	0.8%	(237)	(92.6%)
- Hire-purchase contracts	13	0.1%	10	0.0%	3	30.0%
- Letter of guarantees	2,419	11.0%	2,575	8.3%	(156)	(6.1%)
- Others	2	0.0%	4	0.0%	(2)	(50.0%)
Total	22,059	100.0%	31,158	100.0%	(9,099)	(29.2%)

Fee and service incomes in the third quarter decreased Baht 9.1 million or 29.2% because the Company decreased financing of loan contracts for some industries and also considered financing amount based on quality and size of customers and debtors. Because Thai economic and covid-19 pandemic impacted to customers on loan contracts which are not complete projects in time. In addition, the Company also focused on financing on factoring contracts which is low products risk. However, a decrease in business transactions due to the Thai economy which broadly affected many industries resulted in a decrease of fee and service incomes.

Fees and service incomes (Unit: Thousand Baht)	For the 9-months period ended 30 September				Change	
	2021	%	2020	%	Amount	%
- Installment Sales	1,433	2.0%	-	0.0%	1,433	100.0%
- Loan contracts	31,351	44.7%	45,334	50.1%	(13,983)	(30.8%)
- Factoring contracts	31,294	44.6%	37,919	41.9%	(6,625)	(17.5%)
- Finance lease contracts	132	0.2%	304	0.3%	(172)	(56.6%)
- Hire-purchase contracts	37	0.1%	34	0.0%	3	8.8%
- Letter of guarantees	5,851	8.3%	6,909	7.6%	(1,058)	(15.3%)
- Others	9	0.0%	19	0.0%	(10)	(52.6%)
Total	70,107	100.0%	90,519	100.0%	(20,412)	(22.5%)

Total fees and service incomes was 70.1 million baht decreased by 20.4 million baht or 22.5% due to the same reason as mentioned above.

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Other income

Other income is mainly from interest income from late payment 90% of total other income which occurred from late payment. In the third quarter of the year 2021, interest income from late payment was 14.1 million baht decreased by Baht 5.8 million or 29.1% compared with the same period of the previous year.

2. Service and administrative expense

For the third quarter of the year 2021, service and administrative expenses decreased 7.9 million baht or 8.1% from employee expenses, and controlling unnecessary operating expenses including sales commission decreased from the revenue.

3. Expected Credit Losses

For the third quarter of 2021, ECL increased by Baht 48.76 million or 102.8% when compared with the first half of the previous year. In this regard, ECL is recorded following Thai Financial Reporting Standard No.9 (TFRS9) that was from the Covid-19 pandemic pressure in many industries, resulting in decreased in liquidity of the customers.

4. Finance Cost

Finance cost increased by 2.5 million baht or 12.6% due to the issued debenture in March 2021.

However, for the third quarter of the year 2021, there were no significant change when compared with same period of last year.

5. Income tax expenses

Income tax expenses decreased by Baht 31.3 million or 95.9% from a decrease in operating performance and also loss operation from a new subsidiary.

In the third quarter of the year 2021, income tax expense decreased by Baht 38.9 million or 92.8% due to the same reason as mentioned above.

6. Net profit

In the 3 months ended 30 September 2021 were losses by 1.4 million which decreased by 108.4% compared with the prior period net profit of 16.4 million baht due to a decrease in revenue as mentioned above.

In the third quarter of the year 2021, net profit decreased by Baht 50.5 million or 97.4% because total revenue decreased and ECL increased in line with NPLs.

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Consolidated financial position of the Company as of 30 September 2021 in comparison with that as of 31 December 2020

Assets

Total assets at the end of the Q3:2021 was Baht 2,684 million, increased by Baht 39 million compared with the year ended 2020 which has total assets of 2,645 million baht which caused by the increase in cash and trading securities were 103 million baht and 270 million baht respectively due to decrease of financing new loan according to the economic conditions. As a result, total receivables decreased by approximately 369 million baht.

Liabilities

Total liabilities at the end of the Q3:2021 is 1,647.5 million, increased by 77.7 million baht compared with the year ended 2020 which has total liabilities of 1,569.8 million baht which caused by the increase in debentures was 193 million baht from the issued bond in the first quarter of 2021 while short-term loans decreased by 108 million baht.

Please be informed accordingly.

Best regards,



(Mrs. Chonticha Supalukmetha)

Deputy Managing Director

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