



11 August 2021

LIT 2021/018

Topic Operating Result for the second 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.9/2021, on 11<sup>st</sup> August 2021, the Financial Statements and overall operations of the Company in the second quarter of the year 2021; ended on 30<sup>th</sup> June 2021 which has been audited by the auditors of EY Office Limited.

Thai economy in the second 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 the first half-year of 2021, the Company has maintained profitability amid the COVID-19 pandemic. However, 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.
- 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 6-months period ended 30 June 2021 in comparison with the corresponding period last year ended 30 June 2020

(Unit: Thousand Baht)	Statement of comprehensive income					
	For 3 months period			For 6 months period		
	2021	2020	% Change	2021	2020	% Change
Interest Income	53,998	66,290	-19%	114,933	125,911	-9%
Fees and service incomes	19,855	30,302	-34%	48,048	59,361	-19%
Other income	7,380	2,246	229%	12,207	17,388	-30%
Total revenues	81,233	98,838	-18%	175,188	202,660	-14%
Service expense	9,318	8,125	15%	19,996	20,148	-1%
Administrative expense	20,356	22,598	-10%	38,901	45,959	-15%
Expected credit losses	27,158	27,458	-1%	68,605	45,083	52%
Total expenses	56,832	58,181	-2%	127,502	111,190	15%
Operating profit	24,401	40,657	-40%	47,686	91,470	-48%
Finance cost	(22,680)	(20,453)	11%	(43,271)	(46,694)	-7%
Profit before income tax expenses	1,721	20,204	-91%	4,415	44,776	-90%
Income tax expenses	(788)	(4,045)	-81%	(1,671)	(9,259)	-82%
Profit for the period	933	16,159	-94%	2,744	35,517	-92%

#### 1. Revenues

Total revenue in 2021 consist of interest income, fees and service income and other income at the proportion of 66%, 27% and 7% respectively. As such, the Company focus on financing to customers who are government suppliers and low- risk financial products in economic slowdown from covid-19 pandemic to control and reduce the risk of non-performing loan (NPLs). So, total revenues decreased Baht 27 million in the first half of the year 2021.

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#### Interest incomes

Interest Incomes (Unit: Thousand Baht)	For the 3-months period ended 30 June				Change	
	2021	%	2020	%	Amount	%
- Instalment Sales	88	0.2 %	0	0.0 %	88	-0.7 %
- Loan contracts	22,631	41.9 %	34,895	52.6 %	(12,264)	-35.1 %
- Factoring contracts	25,985	48.1 %	26,518	40.0 %	(533)	-2.0 %
- Finance lease contracts	3,265	6.0 %	2,432	3.7 %	833	34.3 %
- Hire-purchase contracts	2,029	3.8 %	2,445	3.7 %	(416)	-17.0 %
Total	53,998	100.0 %	66,290	100.0 %	(12,292)	-18.5 %

For the second quarter of the year 2021, the interest income decreased in the amount of Baht 12 million or 18%. The main reason was that the interest income according to loans contracts decreased in the amount of Baht 12 million or 35% as a result of the decrease of the current aging as of June 2021 in the approximate amount of Baht 188 million or 27% compared with the current aging as of 31 December 2020. Whereas aging due 3-12 months increased by Baht 304 million 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 about Baht 245 million or 18% of loan receivables align with receivable's risk and quality.

Interest Incomes (Unit: Thousand Baht)	For the 6-months period ended 30 June				Change	
	2021	%	2020	%	Amount	%
- Instalment Sales	88	0.1 %	0	0.0 %	88	100.0 %
- Loan contracts	50,227	43.7 %	59,658	47.4 %	(9,431)	-15.8 %
- Factoring contracts	53,882	46.9 %	56,580	44.9 %	(2,698)	-4.8 %
- Finance lease contracts	6,295	5.5 %	3,970	3.2 %	2,325	58.6 %
- Hire-purchase contracts	4,441	3.9 %	5,703	4.5 %	(1,262)	-22.1 %
Total	114,933	100.0 %	125,911	100.0 %	(10,978)	-8.7 %

For the first half of the year 2021, total interest income was Baht 115 million which decreased Baht 11 million or 9%. The main reasons was from Thai economic impacted various business 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 June				Change	
	2021	%	2020	%	Amount	%
- Instalment Sales	272	1.4 %	-	0.0 %	272	100.0 %
- Loan contracts	9,638	48.5 %	16,548	54.6 %	(6,910)	-41.8 %
- Factoring contracts	8,595	43.3 %	11,394	37.6 %	(2,799)	-24.6 %
- Finance lease contracts	20	0.1 %	20	0.1 %	0	0.0 %
- Hire-purchase contracts	13	0.1 %	10	0.0 %	3	30.0 %
- Letter of guarantees	1,311	6.6 %	2,322	7.7 %	(1,011)	-43.5 %
- Others	6	0.0 %	8	0.0 %	(2)	-25.0 %
<b>Total</b>	<b>19,855</b>	<b>100.0 %</b>	<b>30,302</b>	<b>100.0 %</b>	<b>(10,447)</b>	<b>-34.5 %</b>

Fee and service incomes in the second quarter decreased Baht 10 million or 34% 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. Due to the fact that 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 of business transaction due to Thai economic which broadly affected many industries resulted in decrease of fee and service incomes.

Fees and service incomes (Unit: Thousand Baht)	For the 6-months period ended 30 June				Change	
	2021	%	2020	%	Amount	%
- Instalment Sales	272	0.6 %	-	0.0 %	272	100.00 %
- Loan contracts	22,541	46.9 %	29,326	49.4 %	(6,785)	-23.14 %
- Factoring contracts	21,659	45.1 %	25,614	43.1 %	(3,955)	-15.44 %
- Finance lease contracts	113	0.2 %	48	0.1 %	65	135.42 %
- Hire-purchase contracts	24	0.0 %	24	0.0 %	0	0.00 %
- Letter of guarantees	3,432	7.1 %	4,334	7.3 %	(902)	-20.81 %
- Others	7	0.0 %	15	0.0 %	(8)	-53.33 %
<b>Total</b>	<b>48,048</b>	<b>100.0 %</b>	<b>59,361</b>	<b>100.0 %</b>	<b>(11,313)</b>	<b>-19.06 %</b>

Total fees and service incomes was Baht 48 million decreased by Baht 11 million or 19% due to the same reason as mentioned above.

## Other income

Other income is mainly from interest income from late payment 90% of total other income which occurred from late payment. The first half of the year, interest income from late payment decreased by Baht 3 million or 20%.

## 2. Service and administrative expense

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Service and administrative expense was about Baht 30 million which decreased by Baht 1 million or 3% from sales commission decreased approximately Baht 3 million. However, marketing expense increased about Baht 3 million from developing information systems and using digital marketing tools to reach the target customers of the Company as well as create reliable and well-known brand among users for the group company.

For the first half of 2021, service and administrative expense decreased Baht 7 million or 11% from employee expense and controlling unnecessary operating expense.

### 3. Expected Credit Losses

In quarter 2 of the year 2021, the Company estimated expected credit losses (ECL) by Baht 27 million which was not significant change when compared with the same period of prior year.

For the first half of 2021, ECL increased by Baht 24 million or 52% when compared with the first half of the previous year. In this regard, ECL is recorded in accordance with Thai Financial Reporting Standard No.9 (TFRS9).

### 4. Finance Cost

Finance cost increased by Baht 2 million or 10% due to issued debenture March 2021.

However, for the first half of year 2021, finance cost decreased by Baht 3 million or 7% due to lower average debentures.

### 5. Income tax expenses

Income tax expenses decreased by Baht 3 million or 80% , representing the effective tax rate of 45% from decrease in operating performance and also loss from new subsidiary.

In the first half of year 2021, income tax expense decreased by Baht 8 million or 82%, representing the effective tax rate of 37% due to the same reason as mentioned above.

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## 6. Net profit

Net profit was Baht 1 million which decreased by 94% compared with prior period net profit Baht 16 million due to decrease in revenue as mentioned above.

In the first half of the year 2021, net profit decreased by Baht 33 million or 92% because total revenue decreased and ECL increased in line with NPLs.

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

### Assets

Total assets at the end of the Q2:2021 was Baht 2,731 million, increased by Baht 86 million compared with year ended 2020 which has total assets of 2,645 million baht which caused by the increase in cash and trading securities was 98 million baht and 70 million baht respectively while total receivables decreased by 39 million baht.

### Liabilities

Total liabilities at the end of the Q2:2021 is 1,693 million, increased by 123 million baht compared with year ended 2020 which has total liabilities of 1,570 million baht which caused by the increase in debentures was 193 million baht from issued bond in the first quarter of 2021 while short-term loans decreased by 50 million baht.

Please be informed accordingly.



Best regards,

(Mrs. Chonticha Supalukmetha)

Deputy Managing Director

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