

AutoX Strategy Day

26 October 2022, 13:00-14:00

MC: Sawasdee. Good afternoon executives and all the distinguished guests. Welcome to our conference: AutoX Strategy Day 2022.

I am Natharin Pathomrat. I'm very pleased to be your emcee today. It's such an honor to have our four executives from AutoX to be with us here today.

So please let me introduce each one of them to you:

The first executive is Khun Apiphan Charoenanusorn, Chief Executive Officer.

The second executive is Khun Aroonrat Noparatwong, Chief Finance Officer.

The third executive is Khun Jamaree Ketrakool, Chief Risk Officer.

The fourth executive is Khun Arpat Vijitakula, Chief Distribution Officer.

These are the four executives from AutoX who will answer and clarify all of your questions that you have today. You will have a chance to ask them. But before we move on into that part, let's look at the strategy presentation. This video will be nine minutes long. After the video presentation, we will move on into the interactive discussion. Please enjoy the video.

[Video presentation, 9 minutes, not transcribed]

MC: So that's the exciting journey that AutoX is going to embark on.

Now may I invite Khun Apiphan Charoenanusorn, our Chief Executive Officer, and Khun Jamaree Ketrakool, Chief Risk Officer, to give us a recap of the key highlights of AutoX.

Apiphan: Good afternoon, everyone. Let me recap a bit in terms of the AutoX strategy. This is the 'Ngern Chaiyo' brand. Our brand represents speed, heroes and

happiness. 'Hooray' or 'Chaiyo' in Thai was called when the customer receives money from us for a loan.

Let me recap a bit in terms of aspirations by 2025. We are aiming for a top three position in the market with a market share of about 20%, 3 billion baht net profit by 2025, ROE of 25% and IPO in 2027.

Now, to the challenges. I have been asked by many people about what could we do to compete with the existing players who have been in the market for more than 20 years? My simple answer is that we just do it differently from our competitors, starting from the customers' pain point.

Our customer segment has low price sensitivity, but high pain on the speed, high pain on the convenience, the complexity. And they hate the model that forces them to buy insurance with loans. And the deduction from the loan amount is about 5%.

This is a super pain point of these customers. So, we propose a "banded pack," which is like shampoo and hair conditioner banded in packs. Give them free insurance — our system can do that. The customers are happy because they get the full amount at a reasonable price.

Another winner is our salespeople, our branch people, who are also happy because they feel no pressure on KPIs for insurance sales. We have no risk on our market conduct with regulators on these particular issues.

The next one is our "stickiness" strategy, also called the "Super Cash Card." This automatic top-up cash card will help customers remain "sticky" with us after the loan cycle ends. And this one is the spearhead for us.

The next one is "Chaiyo Care." Our customer segment has no credit card, and they cannot afford to pay a big amount for their motor insurance. We have built this back-end engine to facilitate the installment for 12 months. I would say that this is the spearhead strategy to capture fee income in the future. We are aiming for a 100% license for salespeople at the branch level.

Last but not least, our service excellence. With seven days opened, we can handle money problems at any time (with no holidays). All in all, we have competitive advantages, such as the latest technology from the group, we can get the high speed in terms of product launch in the market, as well as loan process approval, in an hour, as you have seen in the video.

The important thing is healthy use. The customer is willing to pay a reasonable price for superior products, as I said earlier. So far, we have 20 plus yield, with a 4 billion baht business. And we have built only 10% of the people at the back office to serve the front line of 90%. So, this is the benefit of our technologies, our seamless operations, and we can get cost-to-income ratio of about 40%.

This is proof of success in terms of penetration. In three and a half months, we have opened 1,005 branches nationwide. Our branches are unique, independent, and have separate locations and a split brand from the bank.

We have a low-cost model, with only two or three people staffing the branches, and on top of that, we have this mobile application and LINE connect. So far, we have about 50,000 or 60,000 customers.

This is the market engagement; actually, we have low marketing costs, as basically we focus on below-the-line activity, which ensures visibility reaches our customers to ensure that they know us because we are new to the market. We use online channels like Facebook or LINE for every branch. And every customer has to sign on to the LINE connect, so that we have this channel to connect to the customers.

This [slide] is about risks and collections. I will pass it on to Khun Jamaree, who will tell us the details of how we manage the collections and risk.

Jamaree: Good afternoon once again. Thank you, Khun Apiphan.

As you have already seen in the video about our credit risk management, collections become the "heartbeat." Similar to building a house, collection is one of the foundations of the house, so it has to be a super-strong foundation.

The benefit of coming to this business at a later stage is that we get a chance to pick and choose the latest technology, and we chose a world-class collection system, which is a cloud native, so-called EFS.

EFS allows us to use customer insights to design the best treatment for customers. For example, we can see the best time to call to the customer. You know, nowadays customers sometimes do not pick up a phone call; they do not prefer to pick up a phone call in the morning, like 9:00 am, but rather at noon. So the best time to call helps predict which customer prefers to be called or to be contacted at which time. Besides the best-time-to-call approach, we can also differentiate between sub-customer segments on call frequency and call priorities.

On our localized staff, we have three armies. The first one is the local branch staff, who live in the community and know where the customer is, together with the 40 dedicated collectors nationwide.

On top of number one troop, we also have 40 Head Office collectors as phone collectors to help support their local staff on number one. And we engaged 90 localized outsource agencies nationwide with a troop of 400 collectors. So, we have a very big collections team.

On the entrepreneurship. We give ownership to the branch P&L, so the branch will own their own P&L. The collections performance is also part of the P&L at the branch level.

Apiphan: And last but not least, our management team. I would say that we are a lean organization. Apart from me, we have another five C-levels: chief people, chief distribution, chief risk, chief product & technology, and CFO.

We invite everyone on November 11, for the official launch of Ngern Chaiyo AutoX at The Mall Shopping Center, Bangkapi. Thank you, everyone.

MC: Thank you so much for the insightful and very colorful presentations. Now it is time for the Q&A session. We are opening the floor to questions.

There are two ways to ask the questions:

- First, you can press the "raise hand" button below and ask the questions by yourself. When I call your name, you can then turn on the microphone; and
- The second way is to type your question into the chat box, and I will ask the question on your behalf.

Please give your name and your affiliation as well.

MC: The first one is from Khun Weerapat, CLSA Securities:

"Does AutoX plan to expand its own branches, so as to separate and build strong branding away from the banking?"

Apiphan: You may have heard from us in terms of the branches and branding. We have plans to open 3,000 branches, independent from the bank, with Ngern Chaiyo branding. We also have split operating models, which is unlike the bank. Let me put it this way: we are independent.

MC: Thank you very much, Khun Apiphan. All right, another question is coming. The question is:

"How does AutoX fit in with the direction of the SCBX group in being a tech company?"

Apiphan: AutoX has been set up to make finance simple, accessible, and affordable for "unbankable" customers. As part of SCBX group, we can leverage the CoE (Center of Excellence), as you may have heard from last week, in terms of data, AI, cloud and cybersecurity, and on top of that, with the TechX and DataX leveraging accelerators. They can help us with access to the newest technologies. Then we are able to deliver superior products like the Banded Pack that I mentioned earlier. And we can process the end-to-end to optimize the OPEX cost. I will say this is brilliant technology and of great benefit to us.

MC: Thank you very much Khun Apiphan. Let's see. Do we have another question? The next question is from Khun Nathapol of CGS-CIMB Securities.

Nathapol: **“A simple question about the product features. Like the percentage of LTV (loan-to-value ratio), the percentage of yield for both motorcycles and pickup trucks. And second question from me is that not sure do you have the kind of non-bundled pricing?”** Thank you.

Apiphan: Okay. I can capture the first question in terms of the banded pack products in terms of these LTV and yields. Our policy ranges from 30% to 80%. It depends on the car models and depends on the age, which is as per lease policy, with a yield of 20%plus, and dependent upon type of collaterals. Sorry, I could not capture the second question.

Nathapol: **“I am not sure if you have non-bundled pricing? That is, not including the insurance? The price will be lower?”**

Apiphan: We have only one SKU (Stock Keeping Unit). We do not have the non-banded packs. Then the answer is 60–65%. Thank you.

MC: Thank you. Next question is a live question from Kuhn Chollada, BLA.

Chollada: **“Can you tell me what products do you offer, such as two wheels, four wheels and larger trucks as well? And what is the current split from your three and a half months experience?”** Thank you.

Apiphan: So, what's the product type? That's you ask us about; Okay, we have motorcycles. But first, we focus on the commercial vehicles, because we believe that for the commercial ones, the customer will take care well. Our focus is on motorcycles, pick-ups, trucks, and agricultural vehicles, as you have seen in the slides. From next month onwards, we are going into land title deeds and title loans.

Chollada: **“What is the current mix of the portfolio?”**

Jamaree: For the current portfolio ... during the past three and a half months we have about 50% motorcycles and another half-half on the passenger car and

pickups, and a small portion on agricultural vehicles (because we just started). The numbers I quoted were by unit.

Chollada: “In terms of the split level, would you say it’s there already or are there still something you can improve further with the approval time?”

Apiphan: In terms of process excellence, I would say at the start it was one hour, but at the branch it is much, much faster than that. Some branches can finish in 15 minutes; for motorcycles, it is maybe 15, maximum 20 minutes. I would say that overall, we can do better than this. But I do not want to over-claim in the market.

MC: Thank you very much. So, let's start another question from chat box. From Khun Weerapat of CLSA again. The question is:

"How many staff does the company think is sufficient to reach the portfolio target? Many NBFCs rely on the branch staff and have a large size, but they also have recruitment issues."

Arpat: We do not rely only on the branch channel; we have omni channels, which are branch, mobile application and LINE OA, or LINE Official Account. Of course, branch is the majority, but we plan to recruit 6,500 staff by 2025. So far, we have hired 2,000 staff, all 2 staff per branches. One [type of staff] is experienced, the other one is for fresh graduates, so we do not have any recruitment issues.

MC: Thank you very much. The next question is from Khun Peach, UBS. Please ask your question.

Peach: Thank you.

“A couple of questions on funding costs. Can you please share with me? What would be the funding source and estimated cost of funds in the first few years? With this structure, will we have funding costs more like KTC or Tidlor, that have big bank back-up? Or will we have funding costs nearly 4% like a standalone non-bank player?” Thank you.

Aroonrat: Thank you for the question. As we are a new company set-up, we use the funds from the capital injection first and then the group debt-financing, which we believe that, as part of the SCBX, we can get a reasonable price. Currently, our cost of funds is about 2.5%. And in the projection plan we forecast the cost of funds is about 4%, but this is because we put some projection on an increasing interest rate, as per the forecast. So, that is what we have now.

MC: Thank you.

Peach: “If the cost of funding is now somewhat lower than a big player that is a standalone company, by one percentage point at least, is this the reason that we have a lower cost of funds to share with the customer and is this a reason that we can do the underwriting model that has a higher loan to value (LTV)? Is that what I can conclude?”

Aroonrat: Actually, our strategy, as Khun Apiphan mentioned earlier, is that we will not compete on price. So, I think it's different things. And for the LTV is around 65%, which I think we are in line with the market.

Peach: “Do we also do cross-sell unsecured personal loans or in the future buy now pay later to our related companies, like Money Thunder for example?”

Apiphan: Okay. Good question. Right now, of the customers who walk into our branch, I think more than 50% ask for personal loans. At AutoX, we do not do personal loans, but we optimize the opportunity for this group of customers by referring them to our Group, i.e., MoneyThunder, CardX, SCB. We keep every customer in the loop, and we earn money or the income from the referral fees at this moment.

Peach: “Why do we have to wait so very long for an IPO in 2027? Is this because it takes time to build scale? Or, it takes time before it comes back to break even, is the key reason? Or is it because the tech investment is quite big for the first investment period, so it needs time to scale up?”

Apiphan: Actually, 2027 is just a plan. If we can do it earlier, then that is what we will do, for sure. It depends on how good the mix of financials looks for us. Don't worry, if we can go faster than that, we will.

MC: Okay, I hope you have a very clear answer. Another question is from the chat box from Khun Korakot, Kasikorn Securities. The question is:

"When do you think AutoX can reach break-even point and will loss be huge during the first one to two years of operations?"

Aroonrat: From our projection, AutoX will reach breakeven point within two to three years, as per the model, because the maturity of the model is around three to four years. So, the first year for sure is for investment, and we have huge investment and not much interest income at the time, at the first launch. So we must build up the portfolio.

MC: Okay, thank you. This question is from Khun Tanapat, Trinity Securities. The question is:

"How will your automatic monthly top up system work in case collateral value drops?"

Jamaree: Let me take this question. We have the analytics behind the calculations. The automatic top up will be reduced gradually along the years, from 100 to 90, for example, into 80 and 70, as the collateral value drops. So that's how we calculate it in behind engine.

MC: Let's see. Do we have another question? I got the question already. The question is:

"Is it possible that the regulator will intervene?"

Jamaree: Of course, we cannot control the regulators. But if they intervene, which can happen, we think that it would probably come in two areas. One is the interest rate cap; the other one is in market conduct.

For the interest rate cap, of course it would impact the business. But we have planned to compensate for this with our lower operating costs, lower credit costs and cost of funds. For market conduct, we implemented the same market conduct standard as banks, as commercial banks. So, we are prepared for market conduct.

MC: Another question. It's a live question from Khun Nathapol, CGS-CIMB Securities again.

Nathapol: **"Let me ask about the back-end process. In case of loan default and you repossess the asset from the borrowers. Could you share us about the process of the repossession? Whether you create the in-house option, or will there be an option for a third party and so on?"**
Thank you.

Jamaree: Before we repossess the car, our strategy is to help the customer. So, we have lifelong solutions along the long life of the loan. We are trying to give the customer the choice to restructure the monthly installment based on the customer's ability to pay. We try our best to help the customer; we do not want to repossess the customer's car, because as I mentioned earlier, it is a commercial car the customer uses to earn a living.

But yes, at the end, if our solution does not work well with the situation for customers, when it comes to the repossession, we will contact customers, get the customers signed the paper and then we use a third party. We don't do this in-house.

MC: Another question is coming from Khun Sarrachada of Thanachart Securities. The question is:

"What is AutoX's target customer segment?"

Apiphan: As you seen from the SCBX group segment strategy, secured and unsecured, AutoX is unsecured. With mass and lower mass: this is our target customer. Basically, the unbankable customer segment is our target. Right now, I will say that after we went into the market for three and a half months, we have

done a lot of research. And myself and the team also went into the market. Lots of customers are under "shark" loans and they are not able to access banks or financial institutions. I think this is our customer target group, especially in urban areas, holding collateral like a car. I would say that these groups of customers are low risk in terms "running away" from us because the collateral, the vehicle, is for their daily life.

MC: Thank you so much. We have a lot of questions coming. And the question is from Khun Worawat of Credit Suisse.

Worawat: I have two questions.

“Number one, can you elaborate more on the key operating metrics, such as credit costs? And how do you look at the link between non-NII and NII when your portfolio reaches maturity? And maybe is there some kind of NPL expectation that you are looking for? That would be my first question.”

Aroonrat: NII to non-NII ratio, when we get to maturity, is maybe about 80-90%. For the NPLs, we think we can have about 2–2.5%. This is our projection for the NPLs.

Worawat: **“Credit cost?”**

Aroonrat: Credit cost is about 2%.

Worawat: Okay, so let me repeat this: credit cost is 2%, NII ratio is about 80 to 90% of the pie. And NPL is two to two and a half percent? Correct?

Aroonrat: Yes.

Worawat: **“Fee income and non-interest income is very low. Can you elaborate more? Is this something that you want to build going forward in the future? Is there any possibility to add more products to improve this non-interest income part going forward?”**

Apiphan: In our plans, as you can see in the video, first in terms of the title loan business, apart from the title loan business, we plan to enter into leasing. But as you guys know, the regulator is focusing more and more on the leasing business, so we are under-selecting this segment and the products that we are going to enter. Secondly, in terms of the country, apart from Thailand, after we are establishing, we plan to enter into CLMV as part of the strategy. Also, we are looking forward in the market in terms of M&A if possible. This is our plan.

MC: Is that clear? Do you have any more questions?

Worawat: “The second question I would like to ask is that investors are pretty concerned about the business model, even though you are not playing the price war, right, as the interest rate is quite high. But pretty much what we observe is that you are helping the customer to pay less, or reducing their burden by extending the duration of the loan. From what I heard, this is quite aggressive. Can you elaborate more on how you do this? Typically, your peers payment period will be two years, but maybe for Chaiyo, you go for 5–6 or 7 years. Is this something that's happening right now? And how would you manage the risk in that kind of practice?”

Jamaree: The credit criteria, as mentioned earlier. First of all, the car, the vehicle, is a commercial vehicle, so the customer uses it for a living. Secondly, we are not aggressive on the LTV, we give a very low LTV, and the range of the policy is 30% to 80%. It depends on the car brand and car year. So, the risk is managed through the popular brands and years of the car. So, the LTV will apply accordingly. On the tenor, for a short-term loan like a small loan size, say motorcycle, the average tenor is about two to three years. Whereas the car which has higher ticket size, about 150,000 to 200,000 baht, we have longer tenor than motorcycle, which is about five years. The risks associated with each vehicle are different. I hope this answers your questions.

Worawat: Thank you. And maybe quickly before I go. I actually know a few of you.

“Can you maybe explain a little bit about your background? I think people are concerned about the experience of management in this segment. I know Khun Apiphan, but maybe other people. Can quickly introduce and tell us where you are coming from.”

Jamaree: In short, I've been in credit risk management in previous banks for more than 10, 15 years. Before I joined AutoX, I was working with SCB for 16 years, and again in retail credit risk management. I used to run the operations shop at SCB, used to run business, the front line, for the mortgage product. And I used to be in underwriting for retail products. So, I think full credit cycle and ... also under the operations, which also included collections.

Arpat: Okay. My first job was at Thanachart Bank. I've been in the auto business for 30 years. So, the first was Thanachart and then Standard Chartered Bank. I've been with SCB for 15 years and set up the auto loan business at this bank.

Aroonrat: So, for me, before I joined AutoX, I have been working with SCB for about 14 years in financial planning. The first product that I worked with is the hire purchase product, and then I moved to credit card. I moved to SMEs, and I moved to corporate. So almost all the bank for FP&A (Financial Planning & Analysis). Yes. And before FP&A, I worked with the FMCG company, and before that, I worked with Ernst and Young.

Apiphan: I add on one person, the Chief Product and Technology Officer (Khun Dhiramesr Sasiraweeroj), who is not sitting here. Khun Dhiramesr has been working with SCB group — actually, he was with the SCB Leasing in the past. He has 30 years' experience in the auto business, and really understands how the auto business is, and was working in collections for 15 years. And then right now, he has moved and is helping us in terms of the product design.

Khun Kaitchai (Pullsupasit) has worked with SCB for 25 years in operations, finance. Now he looks after the people for the AutoX.

MC: All right, thank you so much. I hope the answers make you feel more confidence in our executive teams. Thank you so much.

We have another question from the chat box from Khun Chollada of BLA. And the question is:

"What is the range of ticket size you offer for each type of collateral?"

Jamaree: Let me take this question. The average ticket size of the motorcycle is 25,000 baht, and the average ticket size for a passenger car is 150,000. For a pickup, it is about 180,000 baht.

MC: Thank you so much. The last question of today is from Khun Siriporn. And the question is:

"Investment cost per branch is how much? Will the company issue bonds in the future? And what are the key competitive advantages of AutoX?"

Aroonrat: For the branch investment, our branch is kind of, not that fancy — we invest at the minimum cost. If you have ever visited our branches, you will see that it's only one table, and two, three chairs for customers. That's it. So, our investment cost is about 300,000 to 400,000 baht for branches. It's very minimal.

And the next question is: Will the company issue bonds in the future? Sure. We consider this as one of the sources of funds, but after we have some proof of performance or credit rating so that we can have a reasonable price for a bond.

Apiphan: Okay, I will take the last question What are the key competitive advantages of AutoX? You may have heard from me in terms of the competitive advantages —technology, speed, and superior products, and unique experience of the customer, and lean, low cost.

MC: Thank you so much. Thank you everyone. As we come to the close, I would like to express gratitude to our AutoX CEO and executives and all the participants who joined this event. We are so honored to have you here, and I strongly believe that the information given to you by our executives will be useful. And now I have to say goodbye. And I hope to see you again in the next conference. Sawasdee kha.