



GL Raising Funds through new CD for CLMV+I Expansion

SET-listed motorcycle leasing firm Group Lease Public Company Limited (GL) is raising about 1 billion baht worth of new funds through issuing US\$ 30 million convertible debentures (CDs) to support its aggressive expansion into CLMV+I (Cambodia, Laos, Myanmar, Vietnam plus Indonesia).

The CDs will be subscribed by J Trust Co Ltd, a leading Japanese financial group that owns banks in South Korea and Indonesia, over 3-year maturity with a conversion price of 10 baht per share. “Through the CDs, we are fostering an important strategic alliance with J Trust which, through its banking subsidiaries, will assist us in raising funds to finance our expansion into the ASEAN region.” stated GL Chairman and Chief Executive Officer Mitsuji Konoshita.

The decision on issuing the CDs was made at GL Board of Directors meeting last Friday (March 6) and will be tabled before the company’s annual general shareholders meeting (AGM) for final approval in April.

Mr. Konoshita stated that GL has received many offers from international financial institutions to extend financing support in various forms, but decided to pick J Trust for the CDs issuance because we trust this is the best deal and also because of its banking foothold in Indonesia which will be crucial to support GL to expand into the huge Indonesian market.

The main objectives of this CDs is to support business expansion in ASEAN, especially in Cambodia where the Company has pursued leasing services for personal motorcycles and Kubota vehicles used in Agriculture since 2013. The Company obtained exclusivity to act as the agent arranging hire purchase finance for motorcycles branded “Honda” (Honda has more than 80% of the market share in Cambodia). The Company also entered into a business agreement with Siam Kubota Co., Ltd., a leading manufacturer of agriculture equipment in Cambodia and has commenced to open office(s) in Kubota distribution offices in Cambodia to offer leasing services to the clients.

GL shall receive exceptional benefits from these CDs as following;

1. Greater Flexibility in Financial Management;
2. Lower, and Non-Instantaneous, Dilution Effect;
3. The convertible debentures to be issued by the Company requires no collateral nor guarantor. Thus, it does not incur additional burden on operating assets; and
4. The convertible debentures are issued in US Dollar currency and the fund raised from such convertible debentures will be used in foreign countries outside Thailand, especially in Cambodia, where US Dollar currency is acceptable in pursuing business. Thus, this can be considered as a natural hedge of the Company.

“Having J Trust as our strategic partner is very important for our entry into Indonesia and other ASEAN countries because the local Indonesian bank owned by J Trust – PT Bank Mutiara which was acquired by J Trust last November -- can provide us in raising reasonable funding resources while it would be more costly to raise funds from outside the country,” Mr. Konoshita stated.

The planned entry into the Indonesian market is coming alongside the steady progress of GL’s strategic expansion into Thailand’s neighboring countries of CLMV. Cambodia in particular has become the first success story as GL Finance (GLF), GL’s wholly-owned subsidiary there, has passed the break-even point in mid-2014 and profits have since been growing steadily.

The successful business model in Cambodia with light assets “POS” Model could be applied to any other countries. Mr. Konoshita stated that the Laos operations are “ready to go” and should take a much shorter period to reach the break-even point compared to the longer start-up and turnaround periods in Cambodia.

In the meantime, preparations are under way to kick-start similar leasing business in Myanmar next year while negotiations are ongoing for the possible takeover of finance-related firms in Vietnam.

GL’s thrust into the relatively virgin markets in Thailand’s neighbors which carry enormous growth potentials and high profit margins is coming as the company posted a significant financial turnaround in the last quarter of 2014 as profits soared to 93.76 million baht, which represents a colossal jump of over 600% from the last quarter of 2013. About 20% of the Q4-2014 net profits was contributed by GLF.

Mr. Konoshita is particularly bullish on the Cambodian operations. He said the Cambodian market offers high profit margins against very low provisions for non-performing loans (NPLs). And because GL is starting from a small base, the market in Cambodia carries enormous growth potentials. This has resulted in estimates that profits from Cambodia will surpass that in Thailand next year.

Given the recovery in the Thai market, coupled with the bullish forecasts for Cambodia, GL executives are confident that GL’s financial performance has turned the corner and is now poised for a new golden era of high growth and high profitability.

“As GL has shown here, we will accept many international institution collaborations”.

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