



**Autocorp Holding Public Company Limited
Management Discussion and Analysis**

Operating Results for the second quarter and the six-month periods ended 30 June 2021

Business Overview

Autocorp Holding Public Company Limited (ACG) operates its business as a holding company investing in other company. There are 2 subsidiaries, Honda Maliwan Company Limited with 99.74% that businesses are car and accessories sales, repair service and Honda branded spare parts sales, including finance and insurance providing services. The Group company is one of the Honda dealers with the highest number of showrooms and service centres in Thailand. Presently, it operates 9 branches in high potential provinces in the Northeastern and the Southern region of Thailand, namely Khon Kaen, Buriram, Surin, Phuket and Krabi.

Another subsidiary is Autoclik by ACG Company Limited (“Autoclik”) which was established on August 8, 2020 with 99% of shareholding. The Company business are spare part sales and quick repair service for every car brands (Fast Fit). The Company opened its first branch in Phuket province in March 2021 and its second branch in Phuket which opened in May 2021. To follow the plan, the group is determined to invest in branch expansion by considering areas with high economic potential and population. Fast fit business requires low investment. However, the Group will construct plans and collect information and use them to make investment decisions carefully.

Overall operating performance

For overall operating performance, the Group company’s net profit for the six-month periods ended 30 June 2021 was Baht 16.13 million, decreased by Baht 2.04 million or 11.23% when compared to 2020. On overall, in the Q1/2020, the operating results of the car sales and maintenance services had not been affected by the situation of the COVID-19 pandemic in Thailand at the end of March 2020.

For Q2/2021 performance compared with Q2/2020, net profit increased by Baht 7.20 million or 3,428.57%. The main reason was from the situation of the COVID-19 pandemic in Thailand at the end of March 2020, causing the sales and the number of cars entering the service decreased in Q2/2020. When comparing to Q1/2021, Net profit decreased by Baht 1.31 million or 15.02%. The main reason was from the open of Autoclik, causing expenses for branch opening preparation. Most of the expenses were from staff training by an expert in automotive business to build quality standard and service, and from marketing plan and advertisement to introduce the company and to satisfy customers.

Analysis of the operating performance

The Comparison of performance in the first six months of 2021 and 2020

Unit: Million Baht

Key financial information	Jan-Jun	Jan-Jun	Change +/-	
	2020	2021	+(-)	%
Revenue from cars and accessories dealership	930.44	639.16	(291.28)	(31.31%)
Revenue from repair and maintenance services and spare parts dealership	185.58	193.94	8.36	4.50%
Total revenue from sale and rendering of services	1,116.02	833.10	(282.92)	(25.35%)
Gross profit	84.31	84.87	0.56	0.66%
Commission income	35.32	25.46	(9.86)	(27.92%)
Distribution costs	30.11	26.15	(3.96)	(13.15%)
Administrative expenses	61.12	62.13	1.01	1.65%
Finance costs	16.12	5.51	(10.61)	(65.82%)
Profit for the period	18.17	16.13	(2.04)	(11.23%)

Revenue

Revenue from sale and rendering of services in the first six months of 2021 was Baht 833.10 million, decreased by Baht 282.92 million or 25.35% when compared to 2020. The details are as follows:

- **Revenue from cars and accessories dealership**

Revenue from cars and accessories dealership was Baht 639.16 million decreased by Baht 291.28 million or 31.31%. On overall, the decrease was caused by the COVID-19 pandemic causing an economic slowdown. The domestic automotive industry has been affected, causing the decrease in sales at the end of March 2020. Therefore, revenue was not affected in Q1/2020.

- **Revenue from repair and maintenance services**

Revenue from repair and maintenance services and spare parts sales was Baht 193.94 million, increased by Baht 8.36 million or 4.50% mainly from the increase in service income per car for general repair service (GR) and body and paint repair service (BP). As a result, the overall revenue increased.

- **Commission income**

Commission income was Baht 25.46 million, decreased by Baht 9.86 million or 27.92%, as a result of a decrease in sales volume. However, the decrease of commission income was in a smaller proportion than the sales. This is because the company had received 6.41% more finance commission income per contract.

Expense

- **Distribution cost**

Distribution cost was Baht 26.15 million, decreased by Baht 3.96 million or 13.15% mainly due to the decrease in the sale commission from the decrease in car sales volume.

- **Administrative expenses**

Administrative expenses was Baht 62.13 million increased by Baht 1.01 million or 1.65% mainly from increased personnel expense because the addition of staff in management for Autoclik and consulting fees for training to prepare the opening of service center branches.

- **Finance costs**

Finance costs was Baht 5.51 million, decreased by 10.61 million or 65.82%. The main reason was from inventory management to suit the existing and future needs of the customers, causing ability to refund partial refund of the promissory note to reduce interest. This is another way to control costs.

The Comparison of performance in Q2/2021, Q1/2021 and Q2/2020

Key financial information	Quarter	Quarter	Quarter	Change +/-	
	2/2020	1/2021	2/2021	YoY	QoQ
Revenue from cars and accessories dealership	276.84	331.20	307.96	11.24%	(7.02%)
Revenue from repair and maintenance services and spare parts dealership	83.51	100.36	93.58	12.06%	(6.76%)
Total revenue from sale and rendering of services	360.35	431.56	401.54	11.43%	(6.96%)
Gross profit	29.64	42.85	42.02	41.77%	(1.94%)
Commission income	11.76	13.61	11.85	0.77%	(12.93%)
Distribution costs	12.45	12.86	13.28	6.67%	3.27%
Administrative expenses	29.74	30.63	31.50	5.92%	2.84%
Finance costs	7.94	4.02	4.34	(45.34%)	7.96%
Profit for the period	0.21	8.72	7.41	3,428.57%	(15.02%)

Revenue

Revenue from sale and rendering of services in Q2/2021 was Baht 401.54 million, increased by Baht 41.19 million or 11.43% when compared to Q2/2020 and decreased by Baht 30.02 million or 6.96% when compared to Q1/2021. The details are as follows:

- **Revenue from cars and accessories dealership**

Revenue from cars and accessories dealership in Q2/2021 was Baht 307.96 million increased by Baht 31.12 million or 11.24% from Q2/2020 because the situation of the COVID- 19 pandemic in Thailand at the end of March 2020, causing the sales decreased in Q2/2020. When comparing to Q1/2021, it decreased by Baht 23.24 million or 7.02% because decrease in sales volume 4.02%.

- **Revenue from repair and maintenance services**

Revenue from repair and maintenance services and spare parts sales in Q2/2021 was Baht 93.58 million, increased by Baht 10.72 million or 12.06% from Q2/2020 mainly from the COVID- 19 pandemic affected to number of cars entering the service for general repair service (GR) and body and paint repair service (BP) decreased in Q2/2020. When comparing to Q1/2021, revenue decreased by 6.78 or 6.76% due to the impact from the decrease in cumulative car sales in 2020, the decrease in number of cars entering the service for general repair service (GR) and the decrease in body and paint repair service (BP) 6.64% when compared to Q1/2021.

- **Commission income**

Commission income Q2/2021 was Baht 11.85 million, increased by Baht 0.09 million or 0.77% from Q2/2020, as a result of increase in sales volume. When comparing to Q1/2021, it decreased by Baht 1.76 million or 12.93% from decrease in sales volume by 4.02% when compared to Q1/2021.

Expense

- **Distribution cost**

Distribution cost in Q2/2021 was Baht 13.28 million, increased by Baht 0.83 million or 6.67% from Q2/2020. When comparing to Q1/2021, it increased by Baht 0.42 million or 3.27% mainly due to the increase in the sale commission from the increase in car sales volume and marketing, advertising expenses for the opening of new branch of Autoclik.

- **Administrative expenses**

Administrative expenses in Q2/2021 was Baht 31.50 million increased by Baht 1.76 million or 5.92% from Q2/2020. When comparing to Q1/2021, it increased by Baht 0.87 million or 2.84% mainly from increased personnel expense because the addition of staff in management for Autoclik and consulting fees for training to prepare the opening of service center branches.

- **Finance costs**

Finance costs in Q2/2021 was Baht 4.34 million, decreased by 3.60 million or 45.34% from Q2/2020. The main reason was from inventory management to suit the existing and future needs of the customers, causing ability to refund partial refund of the promissory note to reduce interest. This is another way to control costs.

Statement Financial Position Analysis

Asset

Unit: Million Baht

Key financial information	31	30	Change	
	December	June	+ / (-)	%
	2020	2021		
Total assets	1,322.57	1,148.47	(174.10)	(13.16%)
Cash and cash equivalents	162.54	89.02	(73.52)	(45.23%)
Trade Accounts receivable	46.79	38.03	(8.76)	(18.72%)
Inventories	240.08	141.13	(98.95)	(41.22%)
Right-of-use assets	106.21	108.00	1.79	1.69%

As at 30 June 2021, the total assets of the Group company were at Baht 1,148.47 million, decreased by Baht 174.10 million or 13.16% from 31 December 2020. The details of significant changes are as follows:

- **Cash and cash equivalents**

Cash and cash equivalents as at 30 June 2021 were Baht 89.02 million, decreased by Baht 73.52 million or 45.23%. The details of cash flow analysis are shown on the next page.

- **Account receivables**

Trade accounts receivable as of 30 June 2020 were Baht 38.03 million, decreased by Baht 8.76 million or 18.72% due to trade accounts receivable in the sale of cars decreased by Baht 9 million because sales and delivery of cars decreased during the end of June 2021 when compared to the end of December 2020. The average collection period was 19 days, increased by 3 days from 2020.

- **Inventories**

Inventories as at 30 June 2021 was Baht 141.13 million, decreased by Baht 98.95 million or 41.22%, mainly from Baht 99.29 million decrease of car inventory. This was because of Honda temporarily suspended the car assembly lines in January 2021 from COVID-19 pandemic in many countries around the world causing the manufacturers in foreign countries to be unable to send to assemble car. As a result, order cannot be delivered. In addition, the Company build purchase plans to manage inventories better by assessing the needs of customer groups in each area. The average inventory period was 49 days, decreased by 25 days from 2020.

- **Right-of-use assets**

Right-of-use assets as at 30 June 2021 were Baht 108 million, increased by Baht 1.79 million or 1.69% due to the entering into the land lease agreement for the 2nd Autoclik branch in 2021.

Liabilities

Unit: Million Baht

Key financial information	31	30	Change	
	December	June	+ / (-)	%
	2020	2021		
Total liabilities	659.71	493.48	(166.23)	(25.20%)
Bank overdrafts and short-term loans from financial institutions	320.00	200.00	(120.00)	(37.50%)
Trade accounts payable	107.19	77.43	(29.76)	(27.76%)
Long-term loan from financial institution	88.45	67.85	(20.60)	(23.29%)
Lease liabilities	110.37	114.80	4.43	4.01%

As at 30 June 2021, the total liabilities of the Group company were at Baht 493.48 million, decreased by Baht 166.23 million or 25.20% from 31 December 2020. The details of significant changes are as follows:

- **Bank overdrafts and short-term loans from financial institutions**

Bank overdrafts and short-term loans from financial institutions as at 30 June 2021 was Baht 200 million, decreased by Baht 120 million or 37.50% due to a repayment of promissory notes which was a result from the decline in car inventories from the better management of inventories of the Company.

- **Trade accounts payable**

Trade accounts payable as at 30 June 2021 were Baht 77.43 million, decreased by Baht 29.76 million or 27.76% mainly due to Honda suspended the car assembly lines, causing orders to not be delivered on time, and the better management of inventories of the Company, causing fewer cars receiving at the end of June 2021 than the end of year 2020. Therefore, there was a decrease in amount of outstanding creditor that are not yet due. The average payment period was 27 days, decreased by 5 days from 2020.

- **Long-term loan from financial institution**

Long-term loan from financial institution as at 30 June 2021 was Baht 67.85 million, decreased by Baht 20.60 million or 23.29% , due to loan repayment according to agreement.

- **Lease liabilities**

Lease liabilities as of 30 June 2021 were Baht 114.80 million, increased by Baht 4.43 million or 4.01% because of the land lease agreement for the 2nd Autoclik branch in 2021.

Equity

As at 30 June 2021 , the total equity of the Group company was at Baht 654.99 million, decreased by Baht 7.87 million or 1.19% from 31 December 2020, due to dividend payment Baht 24 million and net profit amounted to Baht 16.13 million.

Statement of Cash Flow Analysis

Unit: Million Baht

Cash Flow	Quarter 2/2020	Quarter 2/2021
EBITDA	60.06	49.93
Change in operating assets and liabilities	156.99	63.46
Net cash flows from (used in) operating activities	217.05	113.39
Net cash flows from (used in) investing activities	(6.74)	(14.08)
Net cash flows from (used in) financing activities	(184.37)	(172.83)
Net cash increase (decrease)	25.94	(73.52)
Cash at beginning of period	153.9	162.54
Cash at ending of period	179.84	89.02

As at 30 June 2021, the cash and cash equivalents were Baht 89.02 million. Net cash flow decreased by Baht 73.52 million, mainly from the investing and financing activities.

- Net cash inflow from operating activities amounted to Baht 113.39 million includes the earnings before interest, taxes, depreciation and amortization amounted to Baht 49.93 million and the cash inflow from change in operating assets and liabilities amounted to Baht 63.46 million. The main transactions which caused the cash flow to increase were

a Baht 98.15 million decrease in inventory. Nevertheless, the main transaction that caused the cash outflow was a Baht 29.76 million decrease in accounts payable.

- Net cash outflow from investing activities amounted to Baht 14.08 million was mainly from disbursement for construction of the first branch of Autoclik opened in March 2021 and the second branch of Autoclik at Phuket completed and opened on May 2021.
- Net cash outflow from financing activities amounted to Baht 172.83 million, was from short-term loans from financial institutions drawdown amounted to Baht 480.00 million, repayment of loan amounted to Baht 620.60 million, dividend payment Baht 23.98 million, lease liabilities payment amounted Baht 2.11 million and interest payment amounted to Baht 6.13 million.

Please be informed accordingly,

Yours sincerely

(Phanumast Rungkakulnuwat)

Chief Executive Officer