



009/2021

13th Aug 2021

Subject : Management Discussion & Analysis of Performance Results of the Second Quarter and Year to Date 2021

To : Board of Directors and President of The Stock Exchange of Thailand

Fortune Parts Industry Public Company Limited Discussion and Analysis provides an overview of the company's financial activities for the fiscal quarter ended 30 June 2021 based on audited financial statement as below.

(Unit in Million Baht)	Consolidated F/S				Separated F/S			
	Q2 21	Q2 20	Variance	Percentage	Q2 21	Q2 20	Variance	Percentage
Sales & Service Revenue	540.8	332.9	207.9	62.4%	533.8	329.4	204.4	62.1%
Other Revenue	5.9	7.8	(1.9)	-24.0%	5.9	7.8	(1.8)	-23.5%
Gain from Foreign Currency Exchange and Fair								
Value Adjustment of Financial Derivatives	4.7	28.7	(24.0)	-83.5%	4.2	28.7	(24.5)	-85.4%
Total Revenue	551.4	369.4	182.0	49.3%	543.9	365.9	178.1	48.7%
Cost of Goods Sold & Service	405.4	276.1	129.3	46.9%	388.9	270.0	118.8	44.0%
% of Total Revenue	73.5%	74.7%	-1.2%		71.5%	73.8%	-2.3%	
Selling, Distribution, & Admin Expenses	58.9	35.2	23.7	67.5%	59.3	32.8	26.4	80.5%
Allowance for doubtful accounts (reversal)	6.6	6.7	(0.1)	-1.1%	2.3	6.8	(4.5)	-65.8%
Allowance for Inventory Devaluation (Reversal)	(1.7)	6.9	(8.5)	-124.6%	(1.7)	6.9	(8.5)	-124.6%
Loss from Foreign Currency Exchange and Fair								
Value Adjustment of Financial Derivatives	2.1	33.2	(31.1)	-93.7%	2.1	33.2	(31.1)	-93.7%
SG&A Expenses	65.9	81.9	(16.0)	-19.5%	62.0	79.7	(17.7)	-22.2%
% of Total Revenue	11.9%	22.2%	-10.2%		11.4%	21.8%	-10.4%	
Financial Expenses	(3.5)	(7.0)	3.5	49.6%	(3.6)	(5.1)	1.5	29.8%
Earning before Tax (EBT)	76.6	4.5	72.2	1618.9%	89.5	11.0	78.4	710.9%
Benefits (Expenses) from Income Tax	(15.5)	(0.2)	(15.3)	7705.6%	(15.5)	(0.2)	(15.3)	7743.9%
Profit (Loss) for The Period	61.2	4.3	56.9	1335.9%	74.0	10.8	63.1	582.4%

In Q2 2021 and Q2 2020, total revenue is 551.4M and 369.4M respectively, an increase of 182.0M or 49.3%.

Total Revenue

In Q2 2021 and Q2 2020, total revenue is 551.4M and 369.4M respectively, an increase of 182.0M or 49.3%. Revenue from sales and services accounted for 540.8M, an increase of 207.9M or 62.4%

The main drivers for significant revenue increase are related to South America zone (from 37M to 89M) due to favorable freight contract signed in April 2021 for \$5,600 per container until end of 2021 (current freight cost per container is now more than \$11,000) and continue economy recovery from COVID-19 worldwide. As a result, the export sales for the 4 major zones; Asia & Middle East, South America, Africa, and Europe increased by 116M, 52M, 16M, and 5M respectively. India sales is still immaterial due to impact from COVID-19 2nd wave.

In Q2 2021 and Q2 2020, Cost of goods sold and service as a percentage of sales is 73.5% and 74.7% respectively, a 1.2% improvement.

Cost of Goods Sold and Service

In Q2 2021 and Q2 2020, total cost of goods sold and service is 405.4M and 276.1M respectively, an increase of 129.3M or 73.5% vs 74.7% of sales, 1.2% improvement.

The main improvement drivers are related to multiple factors. First, the company successfully negotiated 5-10% selling price increase with customers due to worldwide rising in commodity cost. Second, the company was able to procure the material (especially plastic, chemical, and painting materials) and some trading goods as well as lock down the price for 6-12 months in advance in April 2021 and therefore avoid the rise in material cost for the majority of 2021. Lastly, the company also experienced productivity improvement and reduction in cost of poor in operations.

In Q2 2021 and Q2 2020, total SG&A expenses is 65.9M and 81.9M respectively, a decrease of 16.0M.

Selling, General, and Administrative (SG&A) Expenses

In Q2 2021 and Q2 2020, total SG&A expenses is 65.9M and 81.9M respectively, a decrease of 16.0M or 11.9% vs 22.2% of sales, 10.3% improvement.

Excluding favorable impact from financial items of 31.1M, The main improvement drivers are 8.5M favorable in provision for net realizable value of inventory as a result of increase in worldwide commodity cost. In addition, as due to favorable freight contract signed in Apr 2021, the company made more profit from freight outbound charged to customer as well.

In Q2 2021 the company posted a net profit of 61.2M, an increase of 56.9M vs a net profit of 4.3M in Q2 2020 or a turnaround of 1335.9%.

Net Profit

In Q2 2021 the company posted a net profit of 61.2M, an increase of 56.9M vs a net profit of 4.3M in Q2 2020 or a turnaround of 1335.9%

Major drivers for significant improvement are the increase in sales and therefore, gross margin. Company also experienced successful selling price increase, advance material procurement at favorable price, improvement in operation productivity, and decrease in cost of poor as stated above.

Financial Position (in comparison to as of 31 December 2020)

Overall financial position of the Company as of 30 June 2021, compared to the statement of financial position as of 31 December 2020, the balance of total assets which were 2,775.4M and 2,882.6M, respectively, a decrease of 107.2M, due to the following reasons;

As of 30 June 2021, total assets were 2,775.4M, a decreased of 107.2M from the balance as of 31 December 2020 at 2,882.6M.

Total Assets

As of 30 June 2021, total assets were 2,775.4M, a decreased of 107.2M from the balance as of 31 December 2020 at 2,882.6M.

Cash decreased driven by payments made to payoff FPI India's long and short term loan with high interest rate of approximately 10% by the cash from selling the investment in Safe Energy Holdings.

Total liabilities decreased by 172.8M from 1,282.2M million as of 31 December 2020 to 1,109.4M as of 30 June 2021.

Total Liabilities

Total liabilities decreased by 172.8M from 1,282.2M million as of 31 December 2020 to 1,109.4M as of 30 June 2021.

Both long and short terms liabilities decrease are major driven by payments made to payoff FPI India's long and short term loan with high interest rate of approximately 10% by the cash from selling the investment in Safe Energy Holdings

Shareholders' Equity

As of 31 June 2021, total shareholders' equity was 1,666.0M, an increase of 65.6M from 1,600.4M as of 31 December 2020. This is entirely due to 124.5M profit from 2021 operations offset by 58.9M dividend paid.

Please be informed accordingly.

Yours sincerely,

Mr. Sompol Tanadumrongsak
Managing Director