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August 16, 2021

Subject: Management Discussion & Analysis (MD&A) for the financial statements of the 2nd quarter of fiscal year 2021 ended as of June 30, 2021

To: The President
The Stock Exchange of Thailand

Aapico Hitech Public Company Limited (“the Company”) would like to explain the consolidated financial statements of the Company for the 2nd quarter of fiscal year 2021 ended as of June 30, 2021, which can be summarized as follows:

1) Profit & Loss Analysis : Q2 2021 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q2 2021	Q2 2020	Change	
			Amount	% Change
Total Revenues	4,978	2,119	2,859	134.91%
Sales and service income	4,833	2,018	2,815	139.46%
Gains on exchange rate	42	0	42	N/A
Other income	103	101	2	1.97%
Cost of sales and services	4,273	2,245	2,029	90.38%
Gross Profit	559	-226	786	347.14%
Gross Profit Margin (%)	11.58%	-11.22%	22.79%	
SG&A expenses	391	247	144	58.48%
Loss on exchange rate	0	138	-138	N/A
EBIT before share of profit (loss) from investment in associates and joint venture	314	-510	824	161.45%
Share of profit (loss) from investment in associates and joint venture	57	-91	148	163.33%
EBIT	371	-601	972	161.73%
Interest income	1	10	-9	-85.95%
Finance cost	89	88	1	1.37%
Income tax expenses	33	-44	77	174.36%
Net profit (loss) attributable to equity holders	250	-631	881	139.63%
Net profit (loss) attributable to equity holders Margin (%)	5.03%	-29.79%	34.82%	
EBITDA	630	-388	1,018	262.48%

Total revenue increased by 134.91% year-on-year from a low base last year due to lockdown in our core operating countries in Q2 2020, which adversely affected revenue of both automotive parts and dealership businesses. Sales and service income increased by 139.46%, with 183.16% increase in automotive parts businesses and 63.45% increase in dealership businesses respectively. The increase in revenue was in line with the industry growth (in terms of volume) due to the following reasons:

1) **Automotive parts business**; In Thailand, strong orders from existing customers, mainly driven by strong export volume and new businesses from closure of financially challenged competitors due to Covid-19. In overseas, China remains strong and Portugal volume reduced.

2) **Dealership business**; Better sales of both dealerships in Thailand and Malaysia, compared to low base in Q2 2020. However, Thailand and Malaysia Dealership were impacted by the 3rd wave of Covid-19 and lockdown in June 2021. Demand for cars recovered strongly which led to strong recover in sales volume starting from end of Q3 2020 continuing partially onto Q2 2021.

Cost of sales and services increased in accordance with higher sales. **Gross profit margin** increased from -11.75% in Q2 2020 to 11.58% in Q2 2021, better than Q2 2019 which stood at 9.56%. Internal cost reduction activities, productivity improvement and better performance of automotive parts business contributed to the improvement of gross profit margin in Q2 2021.

Selling and administrative expenses increased from Baht 246.81 million in Q2 2020 to Baht 391.14 million in Q2 2021. This is in line with revenue growth.

Core operating profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) was Baht 328.62 million in Q2 2021. Our core operating profit continued to be strong after the recovery in Q3 2020. The average core operating profit for the past 3 quarter was Baht 381 million per quarter. This is a result of our continued effort to improve our efficiency and productivity.

Gain on foreign currency exchange rate was at Baht 42.38 million in Q2 2021, compared to a loss of Baht 137.93 million in Q2 2020, caused by depreciation of Thai Baht. Gain on foreign currency exchange was mainly associated with the USD loan related to the SGAH transaction and is non-cash in nature.

Net profit (loss) attributable to equity holders was Baht 250.20 million, as compared to net loss of Baht 631.26 million in Q2 2020. Net profit (loss) margin (%) improved from -29.79% in Q2 2020 to 5.03% in Q2 2021 due to the following reasons.

- 1) Low revenue in Q2 2020
- 2) Improved cost control and productivity
- 3) Strong performance of automotive parts business for both Thailand and China operations; all of which were fully recovered and profitable in Q2 2021.
- 4) Gain on foreign currency exchange rate amounted to Baht 42.38 million, compared to loss on foreign currency exchange of Bath 137.93 million
- 5) Profit sharing from associates and joint ventures amount of Baht 57.45million, compared to loss sharing from associates and joint ventures amount of Baht 90.72 million.

Profit & Loss Analysis : 1H 2021 (6 Months)

(Unit : Million Baht unless otherwise stated)	January - June		Change	
	2021	2020	Amount	% Change
Total Revenues	10,717	7,189	3,528	49.08%
Sales and service income	10,419	6,938	3,481	50.17%
Gains on exchange rate	145	61	84	138.26%
Other income	153	190	-36	-19.18%
Cost of sales and services	9,185	6,665	2,520	37.80%
Gross Profit	1,234	273	961	351.72%
Gross Profit Margin (%)	11.85%	3.94%	7.91%	
SG&A expenses	781	636	145	22.78%
Loss on exchange rate	0	0	0	N/A
EBIT before share of profit (loss) from investment in associates and joint venture	751	-113	864	767.73%
Share of profit (loss) from investment in associates and joint venture	145	-6	151	2,423.78%
EBIT	896	-119	1,015	854.65%
Interest income	3	20	-18	-87.36%
Finance cost	177	182	-6	-3.11%
Income tax expenses	58	22	36	160.54%
Net profit (loss) attributable to equity holders	661	-301	961	319.94%
Net profit (loss) attributable to equity holders Margin (%)	6.17%	-4.18%	10.35%	
EBITDA	1,403	330	1,074	325.68%

For the period of January to June, **total revenue** increased by 49.08% year-on-year. Sales and service income increased by 50.17%, with 53.40% increase in automotive parts businesses and 41.76% increase in dealership businesses respectively.

Net profit (loss) attributable to equity holders increased to Baht 660.93 million, as compared to net loss of Baht 300.50 million in 1H 2020. The profit for 1H 2021 was strong due to strong recovery in automotive industry, better cost control, productivity improvement and improved performance of OEM business.

2) Financial Position Analysis

(Unit : Million Baht)	June 2021	December 2020	Change	
			Amount	% Change
Total Assets	23,151	22,346	805	3.60%
Total Liabilities	14,626	14,605	21	0.14%
Total Equities	8,526	7,741	784	10.13%

For the second quarter of 2021, the Company's **total assets** increased by Baht 805.18 million, largely attributable to increase of cash and cash equivalent, investment in funds and inventories, in line with higher sales. **Total liabilities** increased only by Baht 20.78million while **total shareholders' equity** increased by Baht 784.41 million driven by increase of profit during the period.

3) Key Financial Performance

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Return on equity (ROE)	-11.51%	-9.52%	2.01%	2.95%	14.77%
Return on asset (ROA)	-4.20%	-3.52%	0.75%	1.06%	5.14%
Interest bearing Debt / Equity (IBD/Equity)	1.40	1.28	1.22	1.12	1.05

Return on equity (ROE) and Return on assets (ROA) as of Q2 2021 were at 14.77% and 5.14% respectively. The Company's profitability indicators were a lot higher than those of Q2 2020 as profit has continuously improved, after the significant loss from the impact of Covid-19 in Q2 2020. Interest bearing debts to equity (IBD/Equity) ratio has also been improving steadily from 1.40 times in Q2 2020 to 1.05 times at Q2 2021.

4) Thailand Automotive Industry

(Unit: Cars)	Quarter 2			January – June		
	2021	2020	% Change	2021	2020	% Change
Production	378,768	152,450	148.45%	844,601	606,132	39.34%
Domestic	175,838	128,576	36.76%	364,301	328,640	10.85%
Export	215,381	100,269	114.80%	473,489	350,550	35.07%

Total vehicle production volume in Q2 2021 increased by 148.45% to 378,768 units, compared to 152,450 units for the same period last year (there was a lockdown in April and May 2020). Domestic demands increased by 36.76% to 175,838 units. Export volume increased significantly by 114.80% to 215,381 units as global economy recovers.

For the period of January to June, total vehicle production volume increased by 39.34% year-on-year to 844,601 units; export volume and domestic demands increased 10.85% to 364,301 units and 35.07% to 473,489 units respectively.

According to FTI, car production for 2021 is expected to be at 1.55 to 1.60 million units, up from its previous forecast of 1.5 million units, following strong export market and outlook. Export sale is expected to be 800,000 to 850,000 units; up from 750,000 units, while domestic sales is expected to be 750,000 units.

The Company's performance last year was impacted by Covid-19 pandemic. However, the company was able to turn profitable for the full year operations in 2020. Car component demand started to recover both locally and globally starting from the end of Q3 2020 and this momentum continues into this year. This is reflected in our performance in 1H 2021, with Net Profit of Baht 660.93 million. Looking ahead and based on the forecasts from OEMs, 2021 is expected to be a significantly better year than 2020. This is evidenced by a Q2 2020 loss of Baht 631.26 million to a significant profit of Baht 250.20 million in Q2 2021

Yours sincerely,



Mr. Yeap Swee Chuan
President & CEO