



บริษัท อีพีโก ไฮเทค จำกัด (มหาชน)

AAPICO HITECH PUBLIC COMPANY LIMITED

Ref No: AH 02112021

November 12, 2021

Subject: Management Discussion & Analysis (MD&A) for the financial statements of the 3rd quarter of fiscal year 2021 ended as of September 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 3rd quarter of fiscal year 2021 ended as of September 30, 2021, which can be summarized as follows:

1) Profit & Loss Analysis : Q3 2021 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q3 2021	Q3 2020	Change	
			Amount	% Change
Total Revenues	4,432	4,888	-455	-9.32%
Sales and service income	4,244	4,747	-503	-10.60%
Gains on Exchange rate	108	52	56	107.01%
Other Income	80	88	-8	-9.09%
Cost of Sales and Services	3,848	4,214	-366	-8.68%
Gross Profit	396	533	-137	-25.72%
Gross Profit Margin (%)	9.34%	11.24%	-1.90%	
SG&A Expenses	310	300	10	3.48%
EBIT before share of profit (loss) from Investment in Associates and Joint Venture	275	374	-100	-26.68%
Share of profit (loss) from Investment in Associates and Joint Venture	64	49	15	30.75%
EBIT	339	423	-85	-20.02%
Interest Income	1	9	-8	-86.38%
Finance cost	-87	-93	6	-6.86%
Income tax expenses	-22	-29	7	-24.90%
Net profit (loss) Attributable to Equity Holders	235	302	-67	-22.27%
Net profit (loss) Attributable to Equity Holders Margin (%)	5.29%	6.17%	-0.88%	

Total revenue decreased by 9.32% year-on-year. Sales and service income decreased by 10.60%, with 5.93% increase in automotive parts businesses but 46.72% decrease in dealership businesses. The automotive part business which comprised of 81.22% of sale and service income in Q3 2021 remained strong and grew in line with the industry. In Thailand, customer orders were slightly slower than planned but still higher than the volume in Q3 2020. The main reason for the lower than plan revenue was largely due to microchip shortages and the 4th wave of Covid-19 starting in July 2021. Demand for cars remained strong however. With respect to our overseas operations, China has had a very strong year. In fact, this year has been the best performing year of our Chinese Subsidiary. Portugal, however, reported a volume reduction due to microchip shortage which has negatively impacted total car production in Europe.

The dealership business experienced lower sales both in Thailand and Malaysia compared to Q3 2020 mainly due to lockdown in both Thailand and Malaysia. Thailand had a partial lockdown in Q3 2021 while Malaysia had a full lockdown from June to mid of August 2021.

Cost of sales and services decreased in accordance with lower sales. **Gross profit margin** decreased from 11.24% in Q3 2020 to 9.34% in Q3 2021, mainly caused by lower sales, delayed price adjustment of raw material price increases in our Portugal operations and the full lockdown in Malaysia for around 2 months.

Selling and administrative expenses slightly increased from Baht 299.57 million in Q3 2020 to Baht 309.99 million in Q3 2021. This increase is due to expenses related to Covid-19 such as Antigen test kits, protection equipment, donation and also expenses of the two new proton showrooms in Malaysia which started the operation in Q4 2020. There was no cost in Q3 2020.

Gain on foreign currency exchange rate was at Baht 107.86 million in Q3 2021, compared to a gain of Baht 52.11 million in Q3 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 234.56 million, as compared to net profit of Baht 301.78 million in Q3 2020. Net profit margin (%) decreased from 6.17% in Q3 2020 to 5.29% in Q3 2021 due to the following reasons:

- 1) Global microchip shortages.
- 2) Decrease in revenue of dealership businesses due to a full lockdown in Malaysia, started from June to mid of August and a partial lockdown in Thailand, started from July to August.

However, there are also positive factors:

- 1) Strong performance of our automotive parts business in China.
- 2) Gain on foreign currency exchange rate amounted to Baht 107.86 million, compared to gain on foreign currency exchange of Baht 52.11 million in Q3 2020.
- 3) Increase profit sharing from associates and joint ventures amount of Baht 64.17 million, compared to Baht 49.07 million in Q3 2020.

Profit & Loss Analysis : 9M 2021 (9 Months)

(Unit : Million Baht unless otherwise stated)	January - September		Change	
	2021	2020	Amount	% Change
Total Revenues	15,149	12,076	3,073	25.45%
Sales and Service Income	14,663	11,686	2,978	25.48%
Gains on Exchange rate	253	113	140	123.83%
Other Income	234	278	-44	-15.97%
Cost of Sales and Services	13,033	10,879	2,154	19.80%
Gross Profit	1,630	807	824	102.13%
Gross Profit Margin (%)	11.12%	6.90%	4.22%	
SG&A Expenses	1,091	936	155	16.60%
EBIT before share of profit (loss) from Investment in Associates and Joint Venture	1,026	262	764	291.68%
Share of profit (loss) from Investment in Associates and Joint Venture	209	43	166	387.80%
EBIT	1,235	305	930	305.19%
Interest Income	4	30	-26	-87.05%
Finance cost	-264	-276	12	-4.38%
Income tax expenses	-79	-51	-29	56.09%
Net profit (loss) Attributable to Equity Holders	895	1	894	70,208.68%
Net profit (loss) Attributable to Equity Holders Margin (%)	5.91%	0.01%	5.90%	

For the period of January to September 2021, **total revenue** increased by 25.45% year-on-year. Sales and service income increased by 25.48%, with 34.90% increase in automotive parts businesses and 1.63% increase in dealership businesses respectively.

Net profit (loss) attributable to equity holders increased to Baht 895.49 million, as compared to net profit of Baht 1.27 million in 9M 2020. The profit for 9M 2021 was strong due to strong recovery in automotive industry in 1H 2021. However, microchip shortages and lockdown in Malaysia and Thailand affected our performance from July to September 2021.

2) Financial Position Analysis

(Unit : Million Baht)	September	December	Change	
	2021	2020	Amount	% Change
Total Assets	23,201	22,346	855.33	3.83%
Total Liabilities	14,390	14,605	-214.46	-1.47%
Total Equities	8,811	7,741	1,069.78	13.82%

For the 3rd quarter of 2021, the Company's **total assets** increased by Baht 855.33 million, largely attributable to increase in inventory, property, plant and equipment and right of use assets. **Total liabilities** decreased by Baht 214.46 million while **total shareholders' equity** increased by Baht 1,069.78 million from net profit during the period.

3) Key Financial Performance

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Return on equity (ROE)	-9.52%	2.01%	2.95%	14.77%	13.11%
Return on asset (ROA)	-3.52%	0.75%	1.06%	5.14%	4.59%
Interest bearing Debt / Equity (IBD/Equity)	1.28	1.22	1.12	1.05	0.98

Return on equity (ROE) and Return on assets (ROA) as of Q3 2021 were at 13.11% and 4.59% respectively. The Company's profitability indicators were significantly higher than those of Q3 2020 as profit continues to improve. Interest bearing debts to equity (IBD/Equity) ratio has also been improving steadily from 1.28 times in Q3 2020 to 0.98 times at Q3 2021.

4) Thailand Automotive Industry

(Unit: Cars)	Quarter 3			January – September		
	2021	2020	% Change	2021	2020	% Change
Production	367,345	356,255	3.11%	1,211,946	962,387	25.93%
Domestic	151,489	206,125	-26.51%	515,790	534,765	-3.55%
Export	203,992	170,907	19.36%	677,481	521,457	29.92%

Total vehicle production volume in Q3 2021 increased by 3.11% to 367,345 units, compared to 356,255 units for the same period last year. Domestic demands decreased by 26.51% to 151,489 units. Export volume increased significantly by 19.36% to 203,992 units as global economy recovers.

For the period of January to September, total vehicle production volume increased by 25.93% year-on-year to 1,211,946 units; domestic demands decreased 3.55% to 515,790 units while export volume increased 29.92% to 677,481 units respectively.

According to FTI, car production for 2021 is expected to grow beyond the target of 1.60 million units amid falling Covid-19 infections and gradual easing of microchip shortage situation.

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. Demand for automotive parts continues to recover both locally and globally starting from the end of Q3 2020 and this momentum continues into first half this year. Even though global microchip shortages and full lockdown in some countries affected our performance in Q3 2021, our full-year performance for 2021 continues to be on track and is expected to be significantly better than that of 2020. This is evidenced by a 9 months 2020 profit of Baht 1.27 million to a significant profit of Baht 895.49 million for 9 months 2021.

Yours sincerely,



Mr. Yeap Swee Chuan
President & CEO