



บริษัท อีพีโก ไฮเทค จำกัด (มหาชน)

AAPICO HITECH PUBLIC COMPANY LIMITED

Ref No: AH 02022022

February 28, 2022

Subject: Management Discussion & Analysis (MD&A) for the financial statements of fiscal year 2021 ended as of December 31, 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 fiscal year 2021 ended as of December 31, 2021, which can be summarized as follows:

1) Profit & Loss Analysis: Q4 2021 (3 Months)

(Unit: Million Baht unless otherwise stated)	Q4 2021	Q4 2020	Change	
			Amount	% Change
Total Revenues	5,849	5,834	15	0.25%
Sales and service income	5,770	5,733	37	0.64%
Other income	79	101	-22	-21.66%
Cost of sales and services	5,192	5,176	17	0.32%
Gross Profit	578	558	20	3.60%
Gross Profit Margin (%)	10.02%	9.73%	0.29%	
SG&A expenses	449	397	52	13.06%
Loss on exchange rate	31	126	-95	-75.43%
Expected credit losses (reversal)	-10	-15	5	-31.23%
EBIT before share of profit (loss) from investment in associates and joint venture	187	150	37	24.49%
Share of profit (loss) from investment in associates and joint venture	72	59	13	22.23%
EBIT	259	209	50	23.86%
Finance Income	0	5	-5	-109.93%
Finance cost	82	97	-15	-15.27%
Tax (expenses)	-34	39	-73	-187.69%
Net profit (loss) attributable to equity holders	128	146	-18	-12.29%
Net profit (loss) attributable to equity holders Margin (%)	2.20%	2.51%	-0.31%	

Total revenue increased by 0.25% year-on-year. Sales and service income increased by 0.64%; automotive parts businesses increased by 0.05% and dealership businesses increased by 1.87%. Automotive part business in Thailand and China were strong, grew 6.6% and 39.49% year-on-year respectively and outperformed the industry. Portugal, however, reported a reduction in volume by 25.42% due to microchip shortage which has negatively impacted the European car production volume. European car production reduced from 21.2 million cars in 2019 to 15.7 million cars in 2021.

Dealership business in both Thailand and Malaysia slightly improved, compared to Q4 2020 after a period of partial lockdown in Thailand and full lockdown in Malaysia during Q3 2021.

Cost of sales and services slightly increased in accordance with higher sales. **Gross profit margin** increased from 9.73% in Q4 2020 to 10.02% in Q4 2021, mainly caused by higher production volume of automotive part business in Thailand and China. However, the increase in gross profit margin was partially offset by lower production and delayed price adjustment of raw material price increases in the Portugal operations.

Selling and administrative expenses increased from Baht 397.06 million in Q4 2020 to Baht 448.93 million in Q4 2021, mainly from the positive accounting adjustment due to IFRS9 in Q4 2020 and softer layoff scheme applied in Q4 2021 of the Portugal operation.

Loss on foreign currency exchange rate was at Baht 30.99 million in Q4 2021, compared to a loss of Baht 126.15 million in Q4 2020. The loss was caused by appreciation of Thai Baht. Loss 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 128.48 million, as compared to net profit of Baht 146.49 million in Q4 2020. Net profit margin (%) decreased from 2.51% in Q4 2020 to 2.20% in Q4 2021 due to the following reasons:

- 1) Q4 2021 suffered the lowest production volume in Europe due to the Microchip shortages. Hence, Portugal operation generated a significant loss in this quarter.
- 2) Higher SG&A
- 3) Higher tax expenses

However, there are also several positive factors:

- 1) Strong performance of our automotive parts business in Thailand and China
- 2) Improved performance of both Thailand and Malaysia dealership
- 3) Increased profit sharing from associates and joint ventures from Baht 58.52 million in Q4 2020 to Baht 71.53 million in Q4 2021
- 4) Reduced loss on foreign exchange rate from Baht 126.15 million in Q4 2020 to Baht 30.99 million in Q4 2021

Profit & Loss Analysis :12 Months

(Unit: Million Baht unless otherwise stated)	2021	2020	Change	
			Amount	% Change
Total Revenues	20,967	17,798	3,170	17.81%
Sales and service income	20,433	17,419	3,014	17.30%
Gains on exchange rate	222	0	222	N/A
Other income	312	379	-66	-17.48%
Cost of sales and services	18,225	16,054	2,170	13.52%
Gross Profit	2,208	1,364	844	61.85%
Gross Profit Margin (%)	10.81%	7.83%	2.97%	
SG&A expenses	1,540	1,333	207	15.55%
Loss on exchange rate	0	13	-13	N/A
Expected credit losses (reversal)	-10	-15	5	-31.23%
EBIT before share of profit (loss) from investment in associates and joint venture	1,213	412	801	194.21%
Share of profit (loss) from investment in associates and joint venture	281	101	179	176.74%
EBIT	1,493	514	980	190.76%
Finance income	3	35	-31	-90.29%
Finance cost	346	373	-27	-7.22%
Tax (expenses)	-113	-12	-101	833.16%
Net profit (loss) attributable to equity holders	1,024	148	876	592.97%
Net profit (loss) attributable to equity holders Margin (%)	4.88%	0.83%	4.05%	

Total revenue increased by 17.81% year-on-year. Sales and service income of the Company increased by 17.30%, automotive parts businesses increased by 23.80% and dealership businesses increased by 1.71%. Increase in total revenue was attributable to strong recovery of automotive parts business, especially in China and Thailand. Dealership businesses contributed lower growth in 2021 due largely to Covid-19 driven issues. Malaysia went through a full lockdown from June to Mid of August 2021 and Thailand had partial lockdown from July to August 2021. Overall, the increase in revenue was in line with industry growth, in terms of production volume.

Cost of sales and services increased in accordance with higher sales. Gross profit margin improved from 7.83% in 2020 to 10.81% in 2021 due to higher sale and higher sale contribution of automotive part business which contributed to a higher margin. In addition, in Q2 2020, during the first wave of Covid-19, revenue dropped significantly which caused the gross profit margin in Q2 2020 to be negative and gross profit margin for the full year 2020 was thus at low level.

Selling and administrative expenses increased from Baht 1,332.70 million in 2020 to Baht 1,539.91 million in 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) for full year 2021 was also notable at Baht 1,282.29 million, compared to 542.08 million in 2020. On average, our core operating profit in 2021 was strong at an average of Baht 320 million per quarter.

Gain on foreign currency exchange rate was at Baht 221.61 million, compared to a loss of Baht 13.29 million in 2020. Gain on exchange rate was caused by weaker Thai Baht at year-end 2021 vs. 2020. Gain on exchange rate was non-cash and mainly associated with the USD loan related to the SGAH transaction.

Net profit (loss) attributable to equity holders was Baht 1,023.97 million (4.88%), compared to the net profit of 147.76 million (0.83%) in 2020. The Company's net profit has improved by 592.98% compared to 2020. It should be seen that company's profitability improved significantly after a significant impact from Covid-19, caused a big loss of Baht 631.26 million in a Q2 2020. However, the company was able to turn profitable for full-year 2020 and generated over Baht 1,000 million of net profit in 2021.

2) Financial Position Analysis

(Unit : Million Baht)	December	December	Change	
	2021	2020	Amount	% Change
Total Assets	22,722	22,346	376.44	1.68%
Total Liabilities	13,908	14,605	-697.07	-4.77%
Total Equities	8,815	7,741	1,073.51	13.87%

In 2021, the Company's **total assets** increased by Baht 376.44 million, largely attributable to increase in inventories, property, plant, equipment, and investment in associates but this increase partially offset by decrease of account receivable from factoring and decrease in loan to related parties. **Total liabilities** decreased by Baht 697.07 million while **total shareholders' equity** increased by Baht 1,073.51 million from net profit during the period.

3) Key Financial Performance

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Return on equity (ROE)	2.01%	2.95%	14.77%	13.11%	12.81%
Return on asset (ROA)	0.75%	1.06%	5.14%	4.59%	4.60%
Interest bearing Debt / Equity (IBD/Equity)	1.22	1.12	1.05	0.98	0.89

Return on equity (ROE) and Return on assets (ROA) as of Q4 2021 were at 12.81% and 4.60% respectively. The Company's profitability indicators were significantly higher than those of Q4 2020 as profit continues to improve. Interest bearing debts to equity (IBD/Equity) ratio has also been improving steadily from 1.22 times in Q4 2020 to 0.89 times at Q4 2021.

4) Thailand Automotive Industry

(Unit: Cars)	Quarter 4			January – December		
	2021	2020	% Change	2021	2020	% Change
Production	473,759	464,583	1.98%	1,685,705	1,426,970	18.13%
Domestic	222,323	257,381	-13.62%	738,113	792,146	-6.82%
Export	281,713	214,385	31.41%	959,194	735,842	30.35%

Total vehicle production volume in Q4 2021 increased by 1.98% to 473,759 units, compared to 464,583 units for the same period last year. Domestic demands decreased by 13.62% to 222,323 units. Export volume increased significantly by 31.41% to 281,713 units as global economy recovers.

For the period of January to December, total vehicle production volume increased by 18.13% year-on-year to 1,685,705 units. Domestic demand decreased by 6.82% to 738,113 units due to Covid-19 outbreaks which led to partially lockdown in Thailand during the period of July to August, and global semiconductor shortages. Export volume increased 30.35% to 959,194 units due to economic recovery.

According to FTI, car production for 2022 is expected to be at 1.80 million units or an increase of 6.8% from 2021 of which 1,000,000 units will be production for export and 800,000 units will be production for domestic sales.

The Company's performance in 2020 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 of 2021. Even though global microchip shortages and full lockdown in some countries affected our performance in second half of 2021, our full-year performance for 2021 was significantly better than that of 2020. This is evidenced by full year 2021 net profit of Baht 1,023.97 million, compared to net profit of Baht 147.76 million in 2020. For 2022, the indications are the automotive industry will continue to grow in Thailand and globally. Hence, we expect the good performance in 2021 to continue to trend upwards into 2022.

Yours sincerely,



Mr. Yeap Swee Chuan
President & CEO