



Ref No: AH 03112022

November 14th, 2022

Subject: Management Discussion & Analysis (MD&A) for the Financial Statements of the 3rd Quarter of Fiscal Year 2022 Ended as of September 30th, 2022

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 2022 ended as of September 30th, 2022, which can be summarized as follows:

1) Profit & Loss Analysis : Q3 2022 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q3 2022	Q3 2021	Change	
			Amount	% Change
Total Revenues	7,550	4,432	3,118	70.3%
Sales and service income	7,300	4,244	3,056	72.0%
Gains on Exchange rate	175	108	67	62.0%
Other Income	75	80	-5	-6.2%
Cost of Sales and Services	6,486	3,848	2,638	68.6%
Gross Profit	813	396	417	105.3%
Gross Profit Margin (%)	11.1%	9.3%	1.8%	
SG&A Expenses	456	310	146	46.9%
EBIT before share of profit (loss) from Investment in Associates and Joint Venture	608	275	334	121.6%
Share of profit (loss) from Investment in Associates and Joint Venture	152	64	88	137.3%
EBIT	760	339	422	124.5%
Interest Income	3	1	1	108.7%
Finance cost	-86	-87	1	-1.0%
Income tax expenses	-68	-22	-47	216.3%
Net profit (loss) Attributable to Equity Holders	601	235	366	156.1%
Net profit (loss) Attributable to Equity Holders Margin (%)	8.0%	5.3%	2.7%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	426	127	299	236.2%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	5.8%	2.9%	2.8%	
EBITDA	1,036	600	436	72.7%

Total revenue increased by 70.3% year-on-year. Sales and service income increased by 72.0%, with 51.1% increase in automotive parts businesses and 162.8% increase in dealership businesses respectively. The increase

in revenue was higher than the industry growth (in terms of production volume) of 34.5% for the following reasons:

1) **Automotive Parts Business**; Higher volume from major customers, new model launch and new product launch led to higher revenues. Thailand operations were very strong; recording 68.3% growth year-on-year. China and Portugal operation were also strong, recording 27.5% and 12.7% growth year-on-year respectively and both outperformed average industry growth. Strong growth year-on-year is partly attributable to the fact that in Q3 2021, both Thailand and Portugal operations were impacted by microchip shortages and the 4th wave of Covid-19 starting in July 2021, hence a relatively lower base in Q3 2021, and management's effort to diversify into more product range.

2) **Car Dealerships Business**; Higher sales in dealership business both in Thailand and Malaysia. In Thailand, sales growth was driven by openings of Mazda and MG showroom in Thailand in October 2021 and December 2021 respectively and opening of Mitsubishi and Ford showroom in April 2022 and August 2022 respectively. Ford also launched a new model in Q3 2022 which help boost sales. In Malaysia, high demand for cars was partly driven by the end of Sales and Service Tax (SST) exemption in June 2022. Car booking before end of June would be eligible for SST exemption if registered before end of March 2023. In addition, in 2021 Thailand and Malaysia Dealership were impacted by Covid-19 and lockdown thus, a low base in Q3 2021.

Cost of sales and services increased in accordance with higher sales. Gross profit increased 105.3% from Baht 396.2 million in Q3 2021 to Baht 813.4 million in Q3 2022. Gross profit margin increased from 9.3% in Q3 2021 to 11.1% in Q3 2022 for the following reasons:

- 1) Higher volume, new model launch and new product launch of auto parts manufacturing business in Thailand.
- 2) Price adjustment of Portugal operation started to reflect in Q3 2022.
- 3) New model launch and adding of new brands to our dealership portfolio.

Selling and administrative expenses increased by 46.9% from Baht 310.0 million in Q3 2021 to Baht 455.5 million in Q3 2022 while our revenue increase by 70.3%. SG&A in terms of % to revenue improved from 7.0% in Q3 2021 to 6.0% in Q3 2022.

Core operating profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) reached Baht 585.7 million in Q3 2022; a 153.8% increase from that of Q3 2021 of Baht 230.8 million and 82.7% increase from average quarterly operating profit in 2021 of Baht 320.6 million. The increase in core operating profit was mainly due to increased volume and revenue of automotive parts business.

Gain on foreign currency exchange rate was at Baht 174.8 million in Q3 2022, compared to a gain on foreign currency exchange of Baht 107.9 million in Q3 2021, caused by depreciation of Thai Baht. This gain on foreign currency exchange was mainly associated with the USD loan related to the SGAH transaction and was non-cash in nature.

Net profit (loss) attributable to equity holders was Baht 600.7 million, as compared to net profit of Baht 234.6 million in Q3 2021. Net profit margin increased from 5.3% in Q3 2021 to 8.0% in Q3 2022. This is attributable to higher sale volume, new car model launch and new product launch.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 425.9 million, compared to Baht 126.7 million in Q3 2021. Excluding gain (loss) on foreign exchange, net profit margin improved from 2.9% in Q3 2021 to 5.8% in Q3 2022 due to the following reasons:

- 1) Strong performance of automotive parts business in Thailand and China. Portugal performed better in Q3 2022 from a loss in Q3 2021 to a breakeven level in this quarter.
- 2) Improved performance of dealership businesses both in Thailand and Malaysia.
- 3) Increased profit sharing from associates and joint ventures from Baht 64.2 million in Q3 2021 to Baht 152.3 million in Q3 2022.
- 4) Improved SG&A in terms of % to revenue.

2) Profit & Loss Analysis : 9M 2022

(Unit : Million Baht unless otherwise stated)	January - September		Change	
	2022	2021	Amount	% Change
Total Revenues	20,707	15,149	5,558	36.7%
Sales and Service Income	20,175	14,663	5,512	37.6%
Gains on Exchange rate	300	253	48	18.8%
Other Income	232	234	-2	-0.8%
Cost of Sales and Services	17,994	13,033	4,962	38.1%
Gross Profit	2,181	1,631	550	33.8%
Gross Profit Margin (%)	10.8%	11.1%	-0.3%	
SG&A Expenses	1,260	1,091	169	15.5%
EBIT before share of profit (loss) from Investment in Associates and Joint Venture	1,453	1,026	427	41.6%
Share of profit (loss) from Investment in Associates and Joint Venture	357	209	148	70.6%
EBIT	1,809	1,235	574	46.5%
Interest Income	7	4	3	70.6%
Finance cost	-244	-264	19	-7.3%
Income tax expenses	-139	-79	-60	75.3%
Net profit (loss) Attributable to Equity Holders	1,413	895	517	57.8%
Net profit (loss) Attributable to Equity Holders Margin (%)	6.8%	5.9%	0.9%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	1,113	643	470	73.1%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	5.5%	4.3%	1.1%	
EBITDA	2,654	2,003	651	32.5%

Total revenue increased by 36.7% year-on-year. Sales and service income increased by 37.6%, with 31.8% increase in automotive parts businesses and 56.8% increase in dealership businesses respectively. Increase in total revenue was attributable to increase in customer orders from existing clients, new car model launch and new product launch. Dealership businesses contributed higher growth for 9M 2022 due to opening of the Mazda and MG showroom since Q4 2021 and opening of Mitsubishi and Ford showroom in Apr 2022 and Aug 2022 in Thailand and partly driven by the end of Sales and Service Tax (SST) exemption in June 2022 in Malaysia, which created accelerated buying decisions.

Cost of sales and services increased in accordance with higher sales. Gross profit increased by 33.8% from Baht 1,630.5 million for 9M 2021 to Baht 2,180.9 million for 9M 2022. Gross profit margin slightly decreased from 11.1% for 9M 2021 to 10.8% for 9M 2022 due to time lag in price adjustment from rising raw material prices of Portugal operations in the first half of 2022. However, raw material prices started to normalize in Q3 2022 while

the delayed impact from price adjustments were recorded in Q3 2022 (3 months) leading to improved Gross profit margin for Q3 2022 (3 months).

Selling and administrative expenses increased by 15.5% from Baht 1,091.0 million for 9M 2021 to Baht 1,260.1 million for 9M 2022 while our revenue increased by 36.7%. SG&A in terms of % to revenue improved from 7.2% for 9M 2021 to 6.1% for 9M 2022.

Core Operating Profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) for 9M 2022 was also notable at Baht 1,509.1 million, compared to 982.1 million for 9M 2021.

Gain on foreign currency exchange rate was at Baht 300.1 million for 9M 2022, compared to a gain on exchange rate of Baht 252.6 million for 9M 2021. Gain on exchange rate was caused by depreciation of Thai Baht at the end of 3rd quarter 2022 vs. year-end 2021. 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 1,412.9 million (6.8%) for 9M 2022, compared to the net profit of Baht 895.5 million (5.9%) for 9M 2021. The Company's net profit in terms of absolute amount has improved by 57.8% compared to 9M 2021.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 1,112.8 million (5.5%) for 9M 2022, compared to Baht 642.9 million (4.3%) for 9M 2021, representing a 73.1% increase year-on-year.

3) Financial Position Analysis

(Unit : Million Baht)	September	December	Change	
	2022	2021	Amount	% Change
Total Assets	25,485	22,722	2,763	12.2%
Total Liabilities	15,631	13,908	1,723	12.4%
Total Equities	9,855	8,815	1,040	11.8%

For the Q3 2022, the Company's **total assets** increased by Baht 2,763 million, largely attributable to increase of trade account receivables and inventories, in line with higher sale and also increase of investments in associates. **Total liabilities** also increased by Baht 1,723 million, largely attributable to increase of trade account payable. **Total shareholders' equity** increased by Baht 1,040 million driven by increase of profit during the period.

4) Key Financial Performance

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Return on equity (ROE)	13.1%	12.8%	12.0%	13.5%	17.1%
Return on asset (ROA)	4.6%	4.6%	4.4%	5.0%	6.5%
Interest bearing Debt / Equity (IBD/Equity)	1.0	0.9	0.8	0.8	0.8

Return on equity (ROE) and Return on assets (ROA) as of Q3 2022 were at 17.1% and 6.5% respectively. The Company's profitability indicators improved from those of Q3 2021 in line with improved profitability. Interest bearing debts to equity (IBD/Equity) ratio improved to 0.8 times as at Q3 2022 from 1.0 times as at Q3 2021.

5) **Thailand Automotive Industry**

(Unit: Cars)	Quarter 3			January – September		
	2022	2021	% Change	2022	2021	% Change
Production	493,926	367,345	34.5%	1,364,037	1,211,946	12.6%
Domestic	206,391	156,215	32.1%	633,687	531,931	19.1%
Export	256,800	203,992	25.9%	706,444	677,481	4.3%

Total vehicle production volume in Q3 2022 increased by 34.5% to 493,926 units, compared to 367,345 units for the same period last year. Domestic demand increased by 32.1% to 206,391 units due to economic recovery and new car models. Export volume increased by 25.9% to 256,800 units due to easing of semiconductors shortage and some parts of some car models became available. Export to most market increased.

For the period of January to September, total vehicle production volume increased by 12.6% year-on-year to 1,364,037 units. Domestic demands increased by 19.1% to 633,687 units. Export volume increased by 4.3% to 706,444 units.

In 2022, the Federation of Thai Industries (FTI) forecast the car production to be at 1,750,000 units or increased by 3.8% from 2021, which were divided into production for exporting of 950,000 units and production for domestic sale of 800,000 units.

Our China operation was impacted by lockdown in April, however, with fast actions taken, our China operation was able to generate profit in April during the lockdown period. China operation resumed normal production since the first week of May and normal operation has continued until now.

2021 was our recovery year which resulted in Net Profit of Baht 1,024 million (Core Net Profit of Baht 805.4 million), compared to Net Profit of Baht 147.8 million (Core Net Profit of Baht 145.9 million) in 2020 which the Company's performance was adversely impacted by COVID-19 pandemic. For this year, with the easing supply of the semiconductor, significantly higher volume from our major customers, new car model launches, new product launches and Kaizen activities implemented to reduce the fixed cost of the company during the COVID period, we expect this year to be our good year which we targeted our total revenue to increase 30% from last year. This is reflected in our much improved 9M 2022 core net profit of Baht 1,113 million compared to that of 9M 2021 of Baht 643 million. Our full-year performance for 2022 continues to be on track and is expected to be significantly better than that of 2021.

Yours sincerely,



(Mr. Yeap Swee Chuan)
Chairman and President