



บริษัท อ-apiโก ไฮเทค จำกัด (มหาชน)

AAPICO HITECH PUBLIC COMPANY LIMITED

Ref No: AH 02052023

May 11th, 2023

Subject: Management Discussion & Analysis (MD&A) for the Financial Statements of the 1st Quarter of Fiscal Year 2023 Ended as of March 31, 2023

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 1st quarter of fiscal year 2023 ended as of March 31, 2023, which can be summarized as follows:

1) Profit & Loss Analysis : Q1 2023 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q1 2023	Q1 2022	Change	
			Amount	% Change
Total Revenues	8,197	6,815	1,382	20.3%
Sales and service income	8,126	6,730	1,396	20.7%
Other income	71	85	-14	-16.1%
Cost of sales and services	7,100	5,985	1,115	18.6%
Gross Profit	1,026	746	280	37.6%
Gross Profit Margin (%)	12.6%	11.1%	1.5%	
SG&A expenses	458	392	66	16.8%
Loss on exchange rate	35	4	32	904.4%
EBIT before share of profit (loss) from investment in associates and joint venture	604	435	169	38.9%
Share of profit (loss) from investment in associates and joint venture	123	82	40	49.2%
EBIT	727	517	210	40.5%
Finance income	3	2	1	74.8%
Finance cost	-91	-81	-10	12.3%
Income tax expenses	-74	-29	-46	159.6%
Net profit (loss) attributable to equity holders	562	402	159	39.6%
Net profit (loss) attributable to equity holders Margin (%)	6.9%	5.9%	0.9%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	597	406	191	47.1%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	7.3%	6.0%	1.3%	

Total revenue increased by 20.3% year-on-year and reached Baht 8,197.2 million which is the highest revenue per quarter since the company has started the operation. Sales and service income increased by 20.7%, with 16.0% increase in automotive parts businesses and 35.3% increase in dealership businesses respectively whilst industry production was up by 5.8%. The increase in revenue was due to the following reasons:

1) **Automotive Parts Business**; Higher order, new model launch started in Q3 last year, new product launch which started in Q3 last year and added up export volume this year, continued order from overseas customer and management's effort to diversify into more higher value product range led to higher revenues. Thailand operations were very strong; recording 22.4% growth year-on-year. Portugal operations were also growing, recording 2.9% growth year-on-year. However, China operations decreased slightly by 8.4% due to the expiration of purchase tax incentives for combustion engine cars and subsidies on new electric vehicles which resulted in a decrease in automobile output.

2) **Car Dealerships Business**; Higher sales in dealership business both in Thailand and Malaysia. In Thailand, sales growth was driven by opening of Mitsubishi and Ford showroom in April 2022 and August 2022 respectively. Therefore, there were no sale from Mitsubishi and Ford new showroom in Q1 2022. In Malaysia, sales growth was driven by the opening of Proton showroom in October 2022 and the expiration of sales and service tax (SST) exemption in March 2023, resulted in the acceleration of car delivery and registration during Q1 2023 in order to receive tax benefits.

Cost of sales and services increased in accordance with higher sales. Gross profit increased 37.6% from Baht 745.8 million in Q1 2022 to Baht 1,026.1 million in Q1 2023. Gross profit margin increased from 11.1% in Q1 2022 to 12.6% in Q1 2023 for the following reasons:

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

Selling and administrative expenses increased by 16.8% from Baht 392.2 million in Q1 2022 to Baht 458.0 million in Q1 2023. SG&A in terms of % to revenue slightly reduced from 5.8% in Q1 2022 to 5.6% in Q1 2023.

Core operating profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) reached Baht 762.3 million in Q1 2023; a 46.3% increase from that of Q1 2022 of Baht 402.5 million and 32.9% increase from average quarterly operating profit in 2022 of Baht 573.4 million. The increase in core operating profit was mainly due to increased order and revenue of automotive parts business.

Loss on foreign currency exchange rate was Baht 35.3 million in Q1 2023, compared to a loss on foreign currency exchange of Baht 3.5 million in Q1 2022, caused by appreciation of Thai Baht. This loss 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 561.8 million, as compared to net profit of Baht 402.5 million in Q1 2022. Net profit margin increased from 5.9% in Q1 2022 to 6.9% in Q1 2023.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 597.2 million, compared to Baht 406.0 million in Q1 2022. Excluding gain (loss) on foreign exchange, net profit margin improved from 6.0% in Q1 2022 to 7.3% in Q1 2023 due to the following reasons:

- 1) Strong performance of automotive parts business in Thailand. Portugal operation performed better in Q1 2023.
- 2) Increased profit sharing from associates and joint ventures from Baht 82.3 million in Q1 2022 to Baht 122.8 million in Q1 2023.
- 3) Slightly reduced SG&A in terms of % to revenue.

2) Financial Position Analysis

	March 2023	December 2022	Change	
			Amount	% Change
Total Assets	25,753.5	25,469.0	284.5	1.1%
Total Liabilities	15,233.0	15,539.5	-306.6	-2.0%
Total Equities	10,520.5	9,929.5	591.0	6.0%

For the Q1 2023, the Company's **total assets** increased by Baht 284.5 million, largely attributable to increase of Cash, other financial assets, trade account receivables and inventories. **Total liabilities** decreased by Baht 306.6 million, largely attributable to decrease of interest bearing debt. **Total shareholders' equity** increased by Baht 591.0 million driven by increase of profit during the period.

3) Key Financial Performance

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Return on equity (ROE)	12.0%	13.5%	17.1%	20.1%	20.7%
Return on asset (ROA)	4.4%	5.0%	6.5%	7.7%	8.1%
Interest bearing Debt / Equity (IBD/Equity)	0.8	0.8	0.8	0.8	0.7

Return on equity (ROE) and Return on assets (ROA) as of Q1 2023 were at 20.7% and 8.1% respectively. The Company's profitability indicators improved from those of Q1 2022 in line with improved profitability. Interest bearing debts to equity (IBD/Equity) ratio improved to 0.7 times as at Q1 2023 from 0.8 times as at Q1 2022.

4) Thailand Automotive Industry

(Unit: Cars)	Quarter 1		Change	
	2023	2022	Unit	%Change
Production	507,787	480,078	27,709	5.8%
Domestic	217,073	231,189	-14,116	-6.1%
Export	273,692	243,124	30,568	12.6%

Total vehicle production volume in Q1 2023 increased by 5.8% to 507,787 units, compared to 480,078 units for the same period last year due to the delivery of more semiconductor supplies to automakers. Domestic demand decreased by 6.1% to 217,073 units. Export volume increased by 12.6% to 273,692 units.

In 2023, the Federation of Thai Industries (FTI) forecast the car production to be at 1,950,000 units or increased by 3.7% from 2022, which were divided into production for exporting of 1,050,000 units and production for domestic sale of 900,000 units.

2022 was our good year. Our performance was improved significantly. Total revenue increased 35.2% from 2021 to Baht 28,348 million while our core net profit increased 119.4% from 2021 to Baht 1,761 million respectively. This was largely attributable to significantly higher volume from our major customers, new car model launches, new product launches, increase of EV related products and Kaizen activities implemented to reduce the fixed cost of the company during the COVID period. For this year, with continuously growing order on hand, we expect the momentum to continue and our 2023 performance is expected to be better than 2022. This is reflected in our Q1 2023 revenue and core net profit of Baht 8,197 million and Baht 597 million respectively which is much better than in Q1 2022 of Baht 6,815 million and Baht 406 million.

Yours sincerely,



(Mr. Yeap Swee Chuan)
Chairman and President