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August 11<sup>th</sup>, 2023

**Subject:** Management Discussion & Analysis (MD&A) for the Financial Statements of the 2<sup>nd</sup> Quarter of Fiscal Year 2023 Ended as of June 30<sup>th</sup>, 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 2<sup>nd</sup> quarter of fiscal year 2023 ended as of June 30<sup>th</sup>, 2023, which can be summarized as follows:

**1) Profit & Loss Analysis : Q2 2023 (3 Months)**

(Unit : Million Baht unless otherwise stated)	Q2 2023	Q2 2022	Change	
			Amount	% Change
Total Revenues	7,354	6,345	1,009	15.9%
Sales and service income	7,153	6,145	1,008	16.4%
Gains on exchange rate	111	129	-18	-13.9%
Other income	90	71	19	26.8%
Cost of sales and services	6,380	5,523	857	15.5%
Gross Profit	772	622	151	24.2%
Gross Profit Margin (%)	10.8%	10.1%	0.7%	
SG&A expenses	429	412	16	3.9%
EBIT before share of profit (loss) from investment in associates and joint venture	545	409	136	33.1%
Share of profit (loss) from investment in associates and joint venture	32	122	-90	-74.0%
EBIT	577	531	46	8.6%
Interest income	4	2	2	92.8%
Finance cost	-111	-77	-34	44.0%
Income tax expenses	-63	-43	-20	47.4%
Net profit (loss) attributable to equity holders	410	410	0	0.0%
Net profit (loss) attributable to equity holders Margin (%)	5.6%	6.5%	-0.9%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	299	281	18	6.5%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	4.1%	4.5%	-0.4%	
EBITDA	887	828	58	7.0%

**Total revenue** increased by 15.9% year-on-year. Sales and service income increased by 16.4%, with 13.8% increase in automotive parts businesses and 23.6% increase in dealership businesses respectively. The increase in revenue was higher than industry growth (in terms of production volume) of 6.1% due to the following reasons:

1) **Automotive Parts Business**; Higher order, new model launch which started in Q3 last year, new product launch which started in Q3 last year led to higher export volume this year, continued order from overseas customer and management's effort to diversify into more higher value product range are the main driver behind higher revenues. Thailand operations were strong; recording 18.4% growth year-on-year. China operations were also strong, recording 63.9% growth year-on-year due to an increase of customer order and low base in Q2 2022 due to the lockdown in Shanghai during April last year. However, Portugal operations decreased by 8.8% due to shortages of some parts of automaker.

2) **Car Dealerships and Services Center Business**; Higher sales in the dealership business both in Thailand and Malaysia. In Thailand, sales growth was driven by opening of a Ford showroom in August 2022. In Malaysia, sales growth was driven by opening of a new Proton showroom in October 2022 and many new model launches of Proton car in 2023.

**Cost of sales and services** increased in accordance with higher sales. Gross profit increased 24.2% from Baht 621.6 million in Q2 2022 to Baht 772.3 million in Q2 2023. Gross profit margin increased from 10.1% in Q2 2022 to 10.8% in Q2 2023 thanks to 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 addition of new brands to our dealership portfolio.

**Selling and administrative expenses** increased slightly by 3.9% from Baht 412.4 million in Q2 2022 to Baht 428.5 million in Q2 2023 while our revenue increased by 15.9%. SG&A in terms of % to revenue improved from 6.5% in Q2 2022 to 5.8% in Q2 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 466 million in Q2 2023; a 15.8% increase from that of Q2 2022 of Baht 402.5 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 110.9 million in Q2 2023, compared to a gain on foreign currency exchange of Baht 128.9 million in Q2 2022, 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.

**Share of profit (loss) from investment in associates and joint venture** was at Baht 31.7 million in Q2 2023, compared to Baht 121.9 million in Q2 2022. The reduction mainly came from the following reasons:

1. No share of profit from Hyundai Motor (Thailand) (AH holds 20%) which stopped the business operation since Hyundai Motor Group has started the business operation in Thailand under Hyundai Mobility (Thailand) since April 1<sup>st</sup>, 2023 onward.

2. Lower profit sharing from SACL

3. The company has invested in a newly established JV company, namely Purem AAPICO in Thailand and Malaysia. Both companies have not started production yet. Purem AAPICO reported launch cost during this pre-operating period while revenue will be recognized once start production in September and December 2023 for Malaysia and Thailand respectively.

**Net profit (loss) attributable to equity holders** was Baht 410.0 million, compared to net profit of Baht 409.8 million in Q2 2022. Net profit margin decreased from 6.5% in Q2 2022 to 5.6% in Q2 2023 due to the reduction in share of profit from investment in associates and joint ventures amount of Baht 90.2 million and higher finance cost and tax expenses.

**Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate** was Baht 299.1 million, compared to Baht 280.9 million in Q2 2022. Excluding gain (loss) on foreign exchange, net profit margin decreased from 4.5% in Q2 2022 to 4.1% in Q2 2023 mainly due to the reduction in share of profit from investment in associates and joint ventures. Net profit excluding share of profit from investment in associates and joint ventures increased strongly from Baht 159.0 million in Q2 2022 to Baht 267.3 million in Q2 2023. This reflects our strong and improving core operations.

## 2) Profit & Loss Analysis : 1H 2023 (6 Months)

(Unit : Million Baht unless otherwise stated)	January - June		Change	
	2023	2022	Amount	% Change
Total Revenues	15,516	13,157	2,359	17.9%
Sales and service income	15,279	12,875	2,403	18.7%
Gains on exchange rate	76	125	-50	-39.8%
Other income	162	156	5	3.5%
Cost of sales and services	13,480	11,508	1,972	17.1%
Gross Profit	1,798	1,367	431	31.5%
Gross Profit Margin (%)	11.8%	10.6%	1.2%	
SG&A expenses	887	805	82	10.2%
EBIT before share of profit (loss) from investment in associates and joint venture	1,149	845	305	36.1%
Share of profit (loss) from investment in associates and joint venture	155	204	-50	-24.3%
EBIT	1,304	1,049	255	24.3%
Interest income	7	4	3	85.2%
Finance cost	-202	-158	-44	27.7%
Income tax expenses	-137	-71	-66	92.6%
Net profit (loss) attributable to equity holders	972	812	160	19.6%
Net profit (loss) attributable to equity holders Margin (%)	6.3%	6.2%	0.1%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	896	687	209	30.5%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	5.8%	5.3%	0.5%	
EBITDA	1,925	1,618	307	18.9%

**Total revenue** increased by 17.9% year-on-year. Sales and service income increased by 18.7%; automotive parts businesses increased by 15.0% and dealership businesses increased by 29.4%. Increase in total revenue was attributable to increase in customer orders from existing clients, new models and new products. Dealership businesses contributed higher growth in 1H 2023 due to opening of a Ford and a Proton showroom in Thailand and Malaysia.

**Cost of sales and services** increased in accordance with higher sales. Gross profit increased by 31.5% from Baht 1,367.4 million in Q2 2022 to Baht 1,798.5 million in Q2 2023. Gross profit margin increased from 10.6% in 1H 2022 to 11.8% in 1H 2023 due to the strong gross profit margin in Q1 2023 (3 months).

**Selling and administrative expenses** increased by 10.2% from Baht 804.7 million in 1H 2022 to Baht 886.6 million in 1H 2023 while our revenue increased by 17.9%. SG&A in terms of % to revenue improved from 6.1% in 1H 2022 to 5.7% in 1H 2023.

**Core Operating Profit** (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) for 1H 2023 was also notable at Baht 1,228.3 million, compared to 923.4 million in 1H 2022.

**Gain on foreign currency exchange rate** was at Baht 75.5 million in 1H 2023, compared to a gain on exchange rate of Baht 125.4 million in 1H 2022. Gain on exchange rate was caused by depreciation of Thai Baht at the end of 2<sup>nd</sup> quarter 2023 vs. year-end 2022. Gain on exchange rate was non-cash and mainly associated with the USD loan related to the SGAH transaction.

**Share of profit (loss) from investment in associates and joint venture** was at Baht 154.6 million in 1H 2023, compared to Baht 204.2 million in 1H 2022. The reduction mainly came from no share of profit from Hyundai Motor (Thailand) which stopped the business operation since Hyundai Motor Group has started the business operation in Thailand under Hyundai Mobility (Thailand) since April 1<sup>st</sup>, 2023. Therefore, for 1H 2023, the company received the share of profit from Hyundai Motor (Thailand) only in Q1 2023. In addition, the company received lower profit sharing from SACL (India) in Q2 2023.

**Net profit (loss) attributable to equity holders** was Baht 971.8 million (6.3%) in 1H 2023, compared to the net profit of Baht 812.3 million (6.2%) in 1H 2022. The Company's net profit in terms of absolute amount has improved by 19.6% compared to 1H 2022.

**Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate** was Baht 896.3 million (5.8%) in 1H 2023, compared to Baht 686.9 million (5.3%) in 1H 2022; representing a 30.5% increase.

### 3) Financial Position Analysis

(Unit : Million Baht)	June 2023	December 2022	Change	
			Amount	% Change
Total Assets	25,010.0	25,469.0	-459.0	-1.8%
Total Liabilities	14,303.4	15,539.5	-1,236.1	-8.0%
Total Equities	10,706.6	9,929.5	777.1	7.8%

For the Q2 2023, the Company's **total assets** decreased by Baht 459.0 million, largely attributable to decrease of trade account receivables and inventories. **Total liabilities** decreased by Baht 1,236.1 million, largely attributable to decrease of trade account payable and bank loan. **Total shareholders' equity** increased by Baht 777.1 million driven by increase of profit during the period.

#### 4) Key Financial Performance

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Return on equity (ROE)	12.0%	13.5%	17.1%	20.1%	20.7%	20.3%
Return on asset (ROA)	4.4%	5.0%	6.5%	7.7%	8.1%	8.1%
Interest bearing Debt / Equity (IBD/Equity)	0.8	0.8	0.8	0.8	0.7	0.6

**Return on equity (ROE) and Return on assets (ROA)** as of Q2 2023 were at 20.3% and 8.1% respectively. The Company's profitability indicators improved from those of Q2 2022 in line with improved profitability. Interest bearing debts to equity (IBD/Equity) ratio stood at 0.6 times as at Q2 2023; improved from 0.8 times in Q2 2022.

#### 5) Thailand Automotive Industry

(Unit: Cars)	Quarter 2			January – June		
	2023	2022	% Change	2023	2022	% Change
Production	413,725	390,033	6.1%	921,512	870,111	5.9%
Domestic	189,058	196,107	-3.6%	406,131	427,296	-4.9%
Export	255,124	206,520	23.5%	528,816	449,644	17.6%

Total vehicle production volume in Q2 2023 increased by 6.1% to 413,725 units, compared to 390,033 units for the same period last year. Export volume increased by 23.5% to 255,124 units due to an easing of semiconductors shortage. However, domestic demand decreased by 3.6% to 189,058 units due to more strictness in auto loan approval process of financial institution, especially for the pick-up and trucks, amid the rising household debt.

For the period of January to June, total vehicle production volume increased by 5.9% year-on-year to 921,512 units. Export volume increased by 17.6% to 528,816 units. However, domestic demand decreased by 4.9% to 406,131 units.

The Federation of Thai Industries (FTI) revised the forecast of car production for 2023 to be at 1,900,000 units which were divided into production for exporting of 1,050,000 units and production for domestic sale of 850,000 units.

2022 was our good year. Our performance improved significantly. Total revenue increased 35.2% from that in 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 continued growing orders on hand compared to last year, we expect the strong momentum to continue and our 2023 performance is expected to be better than 2022. This is reflected in our 1H 2023 revenue and core net profit (exclude Gain (Loss) on

exchange rate) of Baht 15,516 million and Baht 896 million respectively which is much better than in 1H 2022 of Baht 13,157 million and Baht 687 million.

Yours sincerely,



(Mr. Yeap Swee Chuan)  
Chairman and President