



Ref No: AH 04052024

May 14th, 2024

Subject: Management Discussion & Analysis (MD&A) for the Financial Statements of the 1st Quarter of Fiscal Year 2024 Ended as of March 31, 2024

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 2024 ended as of March 31, 2024, which can be summarized as follows:

1) Profit & Loss Analysis : Q1 2024 (3 Months)

(Unit : Million Baht unless otherwise stated)	Q1 2024	Q1 2023	Change	
			Amount	% Change
Total Revenues	7,579.9	8,197.2	-617.3	-7.5%
Sales and service income	7,452.3	8,125.9	-673.5	-8.3%
Gains on exchange rate	18.7	0.0	18.7	N/A
Other income	108.9	71.4	37.5	52.6%
Cost of sales and services	6,744.6	7,099.7	-355.1	-5.0%
Gross Profit	707.7	1,026.1	-318.4	-31.0%
Gross Profit Margin (%)	9.5%	12.6%	-3.1%	
SG&A expenses	459.9	440.4	19.5	4.4%
Loss on exchange rate	0.0	35.4	-35.4	-100.0%
EBIT before share of profit (loss) from investment in associates and joint venture	375.4	604.1	-228.7	-37.9%
Share of profit (loss) from investment in associates and joint venture	44.4	122.8	-78.5	-63.9%
EBIT	419.8	726.9	-307.1	-42.3%
Finance income	30.6	2.9	27.7	963.2%
Finance cost	-107.3	-91.3	-16.0	17.5%
Income tax expenses	-22.1	-74.4	52.3	-70.3%
Net profit (loss) attributable to equity holders	319.5	561.8	-242.3	-43.1%
Net profit (loss) attributable to equity holders Margin (%)	4.2%	6.9%	-2.6%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	300.8	597.2	-296.4	-49.6%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	4.0%	7.3%	-3.3%	

Total revenue decreased by 7.5% year-on-year. Sales and service income decreased by 8.3%, with 14.0% decrease in automotive parts businesses and 8.0% increase in dealership businesses. The decrease in overall revenue was due to the following reasons:

1) **Automotive Parts Business**; Thailand car production decreased by 18.5% in Q1 2024 hence lower volume from major customers. Our revenue outperformed the industry however thanks to our geographic diversification and satisfactory contribution from our subsidiaries outside Thailand. Revenue from Portugal operations increased slightly by 3.7%. China recorded a strong revenue growth of 24.3%. The company also recorded increase in revenue contribution from Malaysia operations which the company acquired in July 2023 (no revenue from Automotive Parts Business in Malaysia in Q1 2023).

2) **Car Dealerships Business**; Malaysia dealership business reported a 17.9% growth in revenues driven by higher sales of Honda. However, Thailand dealership business reported slower sales in line with sluggish domestic car sales in Thailand which saw a significant decrease in car sales by 24.6% in Q1 2024. The weak domestic car sales in Thailand was due predominantly to tighter lending policy of auto financing providers.

Cost of sales and services decreased in accordance with lower sales. Gross profit decreased by 31.0% from Baht 1,026.1 million in Q1 2023 to Baht 707.7 million in Q1 2024. Gross profit margin decreased from 12.6% in Q1 2023 to 9.5% in Q1 2024 due to lower production volume of automotive parts manufacturing business, mainly from Thailand operation.

Selling and administrative expenses increased by 4.4% from Baht 440.4 million in Q1 2023 to Baht 459.9 million in Q1 2024.

Gain on foreign currency exchange rate was Baht 18.7 million in Q1 2024, compared to a loss on foreign currency exchange of Baht 35.4 million in Q1 2023, due to depreciation of Thai Baht in Q1 2024. The gain on foreign currency exchange in Q1 2024 was mainly associated with other current financial assets in USD related to the proceeds from sale of Sakthi auto component Limited (SACL, India operation).

Finance income and Finance cost was Baht 30.6 million and Baht 107.3 million in Q1 2024, compared to Baht 2.9 million and Baht 91.3 million in Q1 2023 respectively. The increase of finance income mainly came from proceeds from sales of SACL which maintains as USD deposits in the UK. The increase in finance expenses was mainly due to increased interest rate in Europe, which led to high finance cost for our Portugal operations. However, our net finance cost reduce to Baht 76.7 million, compared to Baht 88.4 million in Q1 2023 in line with our net interest bearing debt level.

Net profit (loss) attributable to equity holders was Baht 319.5 million compared to net profit of Baht 561.8 million in Q1 2023. Net profit margin decreased from 6.9% in Q1 2023 to 4.2% in Q1 2024.

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 300.8 million, compared to Baht 597.2 million in Q1 2023. Excluding gain (loss) on foreign exchange, net profit margin decreased from 7.3% in Q1 2023 to 4.0% in Q1 2024 due to the following reasons:

- 1) Lower production volume of automotive parts business in Thailand, in line with Thailand car production volume.
- 2) Decreased profit sharing from associates and joint ventures from Baht 122.8 million in Q1 2023 to Baht 44.4 million in Q1 2024. The decrease was mainly due to the disposition of 67.6% shareholding in Sakthi Auto Component Limited (SACL, India Operation) and ceased operation of Hyundai Motor (Thailand) which had contributed share of profit of Baht 75.4 million in Q1 2023.
- 3) Slight increase in SG&A in terms of % to revenue.

2) Financial Position Analysis

(Unit : Million Baht)	March	December	Change	
	2024	2023	Amount	% Change
Total Assets	25,477.5	25,293.3	184.2	0.7%
Total Liabilities	13,541.1	13,976.7	-435.6	-3.1%
Total Equities	11,936.4	11,316.6	619.8	5.5%

In Q1 2024, the Company's **total assets** increased by Baht 184.2 million; largely attributable to increase of other current financial assets and inventories. **Total liabilities** decreased by 435.6 Baht million; largely from decrease in interest bearing debt. **Total shareholders' equity** increased by Baht 619.8 million from profit during the period.

3) Key Financial Performance

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Return on equity (ROE)	20.7%	20.3%	18.7%	15.8%	12.6%
Return on asset (ROA)	8.1%	8.1%	7.3%	6.2%	5.2%
Interest bearing Debt / Equity (IBD/Equity)	0.7	0.6	0.6	0.5	0.5

Return on equity (ROE) and Return on assets (ROA) as of Q1 2024 were at 12.6% and 5.2% respectively. Interest bearing debts to equity (IBD/Equity) ratio decreased to 0.5 times as at Q1 2024 from 0.7 times as at Q1 2023.

4) Thailand Automotive Industry

(Unit: Cars)	Quarter 1		Change	
	2024	2023	Unit	%Change
Production	414,123	507,787	93,664	-18.5%
Domestic Sale	163,756	217,073	53,317	-24.6%
Export Sale	270,525	273,692	3,167	-1.2%

Total Thailand vehicle production volume in Q1 2024 decreased by 18.5% to 414,123 units, compared to 507,787 units for the same period last year. The reduction was mainly in the pick-up truck segment caused by limited availability of retail financings for car buyers due to financial institutions' tightening lending practice especially in the pickup truck segment due to their rising credit costs. The delay in approval of the 2024 fiscal budget by several months also contributed to the slowdown in government spending, investment, and economic stimulus. All of these unfortunately tend to affect pick-up truck segments more. Domestic demand decreased by 24.6% to 163,756 units. In addition, the rise in electric cars sold in Thailand also led to lower automotive parts produced locally as almost all electric cars sold in Thailand are imported CBU from China for the time being. Export volume also decreased by 1.2% to 270,525 units.

In 2024, the Federation of Thai Industries (FTI) forecasted overall car production at 1,900,000 units; broken down into production for export of 1,150,000 units and production for domestic sales of 750,000 units, or an increase of 3.2% from 2023's.

Looking back, 2023 was a challenging year for Thailand auto industry as illustrated by decrease in overall production and weaker domestic demand for cars due to overall economic environment. Despite rather challenging

environment, we reported a satisfactory performance in 2023 with revenue and core net profit of Baht 30,389.5 million and Baht 1,762.5 million reflecting growth of 7.2% and increase of 3.5% from those of 2022 respectively. 2024 is looking to be an even more challenging year for Thailand auto industry as evidenced by a significant reduction in car production volume by 18.45% in Q1 2024; by all means one of the worst quarters in the last several years excluding an extraordinary event during Covid epidemic. We feel the industry will improve in the latter half of the year from increased government spending, investment, and economic stimulus, along with private sector investment and a significant growth in tourism. We believe that AH will benefit from the turnaround of the automotive industry and that a turnaround will be likely from deferred demand dictated by overall economic situation and limited availability of financing at present. AH also benefits from geographical diversification as evidenced by our continued outperformance vs. Thailand auto industry. Lastly and most importantly, our financial health and balance sheet remain very strong with continued improvement in leverage from debt repayments which can be seen by Total shareholder's equity of around 12 Billion with Interest Bearing Debt to Equity of 0.5 Times.

Yours sincerely,



(Mr. Yeap Swee Chuan)
Chairman and President