

Ref No: AH 02082024

August 13<sup>th</sup>, 2024

**Subject:** Management Discussion & Analysis (MD&A) for the Financial Statements of the 2<sup>nd</sup> Quarter of Fiscal Year 2024 Ended as of June 30<sup>th</sup>, 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 2<sup>nd</sup> quarter of fiscal year 2024 ended as of June 30<sup>th</sup>, 2024, which can be summarized as follows:

**1) Profit & Loss Analysis : Q2 2024 (3 Months)**

(Unit : Million Baht unless otherwise stated)	Q2 2024	Q2 2023	Change	
			Amount	% Change
Total Revenues	6,494.0	7,354.0	-860.0	-11.7
Sales and service income	6,436.4	7,152.6	-716.2	-10.0
Gains on exchange rate	2.8	110.9	-108.1	-97.5
Other income	54.8	90.5	-35.7	-39.5
Cost of sales and services	5,880.6	6,380.3	-499.7	-7.8
Gross Profit	555.9	772.3	-216.5	-28.0
Gross Profit Margin (%)	8.6	10.8	-2.2	
SG&A expenses	455.9	428.5	27.4	6.4
EBIT before share of profit (loss) from investment in associates and joint venture	157.5	545.2	-387.7	-71.1
Share of profit (loss) from investment in associates and joint venture	49.7	31.7	18.0	56.6
EBIT	207.2	577.0	-369.8	-64.1
Interest income	29.7	4.3	25.4	587.6
Finance cost	109.9	110.8	-0.9	-0.8
Income tax expenses	31.1	62.6	-31.5	-50.3
Net profit (loss) attributable to equity holders	102.7	410.0	-307.3	-74.9
Net profit (loss) attributable to equity holders Margin (%)	1.6	5.6	-4.0	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	99.9	299.1	-199.1	-66.6
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	1.5	4.1	-2.6	
EBITDA	540.6	886.5	-345.9	-39.0

**Total revenue** decreased by 11.7% year-on-year. Sales and service income decreased by 10.0%, with 14.7% decrease in automotive parts businesses and 2.0% increase in dealership businesses. The decrease in overall revenue was due to the following reasons:

1) Automotive Parts Business; Thailand car production decreased by 16.1% in Q2 2024 hence lower volume from major customers. Our revenue outperformed the industry however; thanks to our geographic diversification with satisfactory contribution from our subsidiaries outside Thailand. Revenue from Portugal operations increased by 12.7%. The company also recorded increase in revenue contribution from Malaysia operations which the company acquired 60% shareholding in July 2023 (no revenue from Automotive Parts Business in Malaysia in Q2 2023). On the other hand, China sale slightly decreased by 4.5% due to high base last year.

2) Car Dealerships Business; Malaysia dealership business reported a 19.1% growth in revenues driven by higher sales of Honda. However, Thailand dealership business reported a 17.5% decline in revenues due to slower sales caused by sluggish domestic car sales in Thailand. Thailand domestic car sales dropped 23.7% in Q2 2024 due predominantly to tighter lending policy of auto financing providers. The company also restructured dealership business in Thailand by optimizing car brands and number of showrooms in the Portfolio. The company stopped the operation of Changan dealership in April 2024 and will stop the operation of all Ford dealership in October 2024.

**Cost of sales and services** decreased in accordance with lower sales. Gross profit decreased by 28.0% from Baht 772.3 million in Q2 2023 to Baht 555.9 million in Q2 2024. Gross profit margin decreased from 10.8% in Q2 2023 to 8.6% in Q2 2024 due to lower production volume in automotive parts manufacturing business in Thailand. Portugal operation also recorded a lower gross profit due to accounting effect from inventory reduction.

**Selling and administrative expenses** increased by 6.4% from Baht 428.5 million in Q2 2023 to Baht 455.9 million in Q2 2024 due partly to consolidation of subsidiary company in Malaysia which the company acquired 60% shareholding in July 2023. However, SG&A expenses remained stable compared to that of Q1 2024.

**Gain on foreign currency exchange rate** was Baht 2.8 million in Q2 2024, compared to a gain on foreign currency exchange of Baht 110.9 million in Q2 2023, due to depreciation of Thai Baht in Q2 2024. Gain on foreign currency exchange in Q2 2024 was associated with the conversion of USD deposit to THB. However, Gain on foreign currency exchange for Q2 2023 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 49.7 million in Q2 2024, compared to Baht 31.7 million in Q2 2023. The increase mainly came from Purem AAPICO, JV company, which transitioned from losses of Baht 11.5 Million in Q2 2023 to profit of Baht 14.6 Million in Q2 2024 following the start of production in February 2024.

**Finance income and Finance cost** was Baht 29.7 million and Baht 109.9 million in Q2 2024, compared to Baht 4.3 million and Baht 110.8 million in Q2 2023 respectively. The increase of finance income mainly came from proceeds from sales of Sakthi Auto Component Limited (SACL, India Operation) which maintains as USD deposits in the UK. The finance expenses decreased slightly, and our net finance cost reduce to Baht 80.2 million, compared to Baht 106.5 million in Q2 2023 in line with our net interest bearing debt level.

**Net profit (loss) attributable to equity holders** was Baht 102.7 million, compared to net profit of Baht 410.0 million in Q2 2023. Net profit margin decreased from 5.6% in Q2 2023 to 1.6% in Q2 2024 due to lower production volume of automotive parts manufacturing business, mainly from Thailand and the accounting impact from inventory reduction of Portugal operation.

**Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate** was Baht 99.9 million, compared to Baht 299.1 million in Q2 2023. Excluding foreign currency exchange rate, net profit margin decreased from 4.1% in Q2 2023 to 1.5% in Q2 2024.

## 2) Profit & Loss Analysis : 1H 2024 (6 Months)

(Unit : Million Baht unless otherwise stated)	January – June		Change	
	2024	2023	Amount	% Change
<b>Total Revenues</b>	<b>14,073.9</b>	15,515.9	-1,442.0	-9.3
Sales and service income	13,888.8	15,278.5	-1,389.7	-9.1
Gains on exchange rate	21.5	75.5	-54.0	-71.5
Other income	163.6	161.8	1.8	1.1
<b>Cost of sales and services</b>	<b>12,625.2</b>	13,480.0	-854.9	-6.3
<b>Gross Profit</b>	<b>1,263.6</b>	1,798.5	-534.9	-29.7
<b>Gross Profit Margin (%)</b>	<b>9.1</b>	11.8	-2.7	
<b>SG&amp;A expenses</b>	<b>915.9</b>	886.6	29.3	3.3
<b>EBIT before share of profit (loss) from investment in associates and joint venture</b>	<b>532.9</b>	1,149.3	-616.4	-53.6
<b>Share of profit (loss) from investment in associates and joint venture</b>	<b>94.1</b>	154.6	-60.5	-39.1
<b>EBIT</b>	<b>627.0</b>	1,303.9	-676.9	-51.9
<b>Interest income</b>	<b>60.3</b>	7.2	53.1	737.6
<b>Finance cost</b>	<b>217.2</b>	202.1	15.1	7.5
<b>Income tax expenses</b>	<b>53.2</b>	137.1	-83.9	-61.2
<b>Net profit (loss) attributable to equity holders</b>	<b>422.2</b>	971.8	-549.6	-56.6
<b>Net profit (loss) attributable to equity holders Margin (%)</b>	<b>3.0</b>	6.3	-3.3	
<b>Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)</b>	<b>400.7</b>	896.3	-495.6	-55.3
<b>Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)</b>	<b>2.9</b>	5.8	-2.9	
<b>EBITDA</b>	<b>1,281.7</b>	1,924.6	-642.9	-33.4

**Total revenue** decreased by 9.3% year-on-year. Sales and service income decreased by 9.1%; automotive parts businesses decreased by 14.3% and dealership businesses increased by 5.1%. The decrease in total revenue was attributable to decrease in customer orders from existing clients. However, the decline in revenue was less than Thailand car production which reduce 17.4% in production volume for 1H 2024 due to geographic diversification. In addition, revenue from dealership business still increased due to strong revenue from Honda sales in Malaysia while revenue from Thailand dealership declined from weak domestic demand.

**Cost of sales and services** decreased in accordance with lower sales. Gross profit decreased by 29.7% from Baht 1,798.5 million in 1H 2023 to Baht 1,263.6 million in 1H 2024 and gross profit margin decreased from 11.8% in 1H 2023 to 9.1% in 1H 2024 respectively. The decrease in gross profit and gross margin was due to lower production

volume of automotive parts manufacturing business, mainly in Thailand and accounting effect from inventory reduction of Portugal operation.

**Selling and administrative expenses** increased by 3.3% from Baht 886.6 million in 1H 2023 to Baht 915.9 million in 1H 2024.

**Gain on foreign currency exchange rate** was at Baht 21.5 million in 1H 2024, compared to Baht 75.5 million in 1H 2023. Gain on exchange rate resulted from depreciation of Thai Baht at the end of 2<sup>nd</sup> quarter 2024 vs. year-end 2023. Gain on foreign currency exchange at the end of 2<sup>nd</sup> quarter 2024 was associated with the conversion of USD deposit to THB. However, Gain on foreign currency exchange at the end of 2<sup>nd</sup> quarter 2023 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 94.1 million in 1H 2024, compared to Baht 154.6 million in 1H 2023. The decrease mainly came from the disposition of 67.6% shareholding in Sakthi Auto Component Limited (SACL, India Operation) which had contributed share of profit of Baht 80.4 million in 1H 2023. However, Purem AAPICO which is JV company commenced production in February 2024 and started to contribute profit in Q2 2024 which helped negate the overall reduction of profit sharing.

**Finance income and Finance cost** was Baht 60.3 million and Baht 217.2 million in 1H 2024, compared to Baht 7.2 million and Baht 202.1 million in 1H 2023 respectively. The increase of finance income mainly came from proceeds from sales of SACL in December 2023 which maintains as USD deposits in the UK. The finance expenses decreased slightly, and our net finance cost reduce to Baht 156.9 million, compared to Baht 194.9 million in 1H 2023 in line with our net interest bearing debt level.

**Net profit (loss) attributable to equity holders and Net Profit Margin (%)** was Baht 422.2 million (3.0%) in 1H 2024, compared to the net profit of Baht 971.8 million (6.3%) in 1H 2023.

**Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate and Net Profit Margin excluding F/X (%)** was Baht 400.7 million (2.9%) in 1H 2024, compared to Baht 896.3 million (5.8%) in 1H 2023.

### 3) **Financial Position Analysis**

(Unit : Million Baht)	June	December	Change	
	2024	2023	Amount	% Change
<b>Total Assets</b>	<b>23,494.8</b>	25,293.3	-1,798.5	-7.1
<b>Total Liabilities</b>	<b>11,859.0</b>	13,976.7	-2,117.7	-15.2
<b>Total Equities</b>	<b>11,635.8</b>	11,316.6	319.2	2.8

For the Q2 2024, the Company's **total assets** decreased by Baht 1,798.5 million, largely attributable to decrease of trade account receivables and other current financial assets. **Total liabilities** decreased by Baht 2,117.7 million mainly from decrease in trade account payable, bank loan and debentures. **Total shareholders' equity** increased by Baht 319.2 million due to profit contribution during the period.

#### 4) Key Financial Performance

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Return on equity (ROE)	20.3%	18.7%	15.8%	12.6%	<b>9.8%</b>
Return on asset (ROA)	8.1%	7.3%	6.2%	5.2%	<b>4.2%</b>
Interest bearing Debt / Equity (IBD/Equity)	0.6	0.6	0.5	0.5	<b>0.4</b>

**Return on equity (ROE) and Return on assets (ROA)** as of Q2 2024 were at 9.8% and 4.2% respectively. The Company's profitability indicators decreased from those of Q2 2023 mainly due to a slowdown of car production, caused by weak domestic car market. Interest bearing debts to equity (IBD/Equity) ratio stood at 0.4 times as at Q2 2024; improved from 0.6 times in Q2 2023 due to lower IBD.

#### 5) Thailand Automotive Industry

(Unit: Cars)	Quarter 2			January – June		
	2024	2023	% Change	2024	2023	% Change
Production	347,117	413,725	<b>-16.1%</b>	761,240	921,512	<b>-17.4%</b>
Domestic	144,271	189,058	<b>-23.7%</b>	308,027	406,131	<b>-24.2%</b>
Export	248,515	255,124	<b>-2.6%</b>	519,040	528,816	<b>-1.8%</b>

In Q2 2024, total vehicle production volume dropped by 16.1% to 347,117 units, down from 413,725 units in the same period last year. This decline was primarily due to stricter lending practices by financial institutions in Thailand which, in turn, was driven by rising credit costs. These tighter lending conditions significantly affected domestic car sales, particularly in the pick-up truck segment, which traditionally relies heavily on availability of retail financing. As a result, this segment experienced a notable decline in both sales and production. Additionally, the delay in the approval of the 2024 fiscal budget to October 2024 led to a slowdown in government spending, investment, and economic stimulus, further impacting the pick-up truck segment. Domestic demand fell by 23.7% to 144,271 units. The rise in electric car sales in Thailand, which are imported as complete built units (CBU) from China, also contributed somewhat to a reduction in locally produced automotive parts. Export volume decreased by 2.6% to 248,515 units.

From January to June, total vehicle production volume saw a year-on-year decrease of 17.4% to 761,240 units. Export volume fell by 1.8% to 519,040 units, while domestic demand dropped by 24.2% to 308,027 units.

The Federation of Thai Industries (FTI) revised the forecast of car production for 2024 from 1,900,000 units to be at 1,700,000 units; broken down into production for export of 1,150,000 units and production for domestic sales of 550,000 units, or decrease of 7.4% from 2023's.

2024 is shaping up to be a very challenging year for Thailand auto industry as evidenced by a significant reduction in car production volume by 17.4% in 1H 2024; one of the worst in the last several years excluding an extraordinary event during Covid epidemic. We expect the industry will improve gradually towards the end of the year from increased government spending, investment, and economic stimulus, along with private sector investment and a

significant growth in tourism. However, the recovery will likely be slow in the foreseeable future as financial institutions sort through their rising credit costs. It should be noted that demand for new cars does not reduce but actual sales reduced due to more limited retail financings. Thus, demand is simply deferred. We believe that the company stands to benefit from the turnaround of the automotive industry if and when that happens. The performance of the company has also benefited from geographical diversification as illustrated by our consistent outperformance when compared to Thailand auto industry. It is important to reiterate that the company possesses strong balance sheet and access to liquidity to weather market disturbances. We have continued to reduce our debt and our leverage position is very strong with Interest Bearing Debt to Equity of 0.4 times. Finally, our forecasts going forward shows better performance for the second half of 2024.

Yours sincerely,



(Mr. Yeap Swee Chuan)  
Chairman and President