



บริษัท อ-apiโก ไฮเทค จำกัด (มหาชน)

AAPICO HITECH PUBLIC COMPANY LIMITED

Ref No: AH 02082020

August 14, 2020

**Subject:** Management Discussion & Analysis (MD&A) for the financial statements of the 2<sup>nd</sup> quarter of fiscal year 2020 ended as of June 30, 2020

**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 2020 ended as of June 30, 2020, which can be summarized as follows:

#### Thailand Automotive Industry

(Unit :Cars)	Q2			January – June		
	2020	2019	% Change	2020	2019	% Change
Production	152,450	504,458	-69.78%	606,132	1,065,945	-43.14%
Domestic	128,576	260,221	-50.59%	328,640	523,770	-37.25%
Export	100,269	260,020	-61.44%	350,550	559,861	-37.39%

Total vehicle production volume in Q2 2020 dropped by 69.78% to 152,450 units, compared to 504,458 units last year. Export Volume and Domestic demands dropped by 61.44% and 50.59% to 100,269 units and 128,576 units respectively due to the economic decline as well as the ongoing coronavirus pandemic which affected both global and domestic purchasing power. However, the overall situation has been improving since the reopen in June and we are seeing better near term volume compare to Q2 2020.

For the period of January to June, total vehicle production volume dropped by 43.14% to 606,132 units year-on-year, both export volume and domestic demands decreased 37.39% to 350,550 units and 37.25% to 328,640 units respectively.

According to FTI, the car production for 2020 is expected to be at 1.4 million cars which is comprised of 50% for export and 50% for the domestic market, assuming there will not be a second wave of Covid-19 within this year.

**Profit & Loss Analysis**

(Unit : Million Baht unless otherwise stated)	Q2 2020	Q2 2019	Change	
			Amount	% Change
Total Revenues	2,129	4,759	-2,629	-55.25%
Sales and service income	1,983	4,613	-2,630	-57.02%
Interest income	10	5	5	99.10%
Other income	136	140	-4	-2.75%
Cost of sales and services	2,245	4,258	-2,013	-47.28%
Gross Profit	-262	356	-617	-173.55%
Gross Profit Margin (%)	-13.19%	7.71%	-20.90%	
SG&A expenses	247	265	-18	-6.76%
Loss on exchange rate	138	77	61	80.04%
EBIT before share of profit (loss) from investment in associates and joint venture	-500	160	-659	-413.33%
Share of profit (loss) from investment in associates and joint venture	-91	68	-159	-232.93%
EBIT	-591	228	-818	-359.28%
Finance cost	88	65	23	36.18%
Income tax expenses	-44	25	-69	-277.11%
Net profit (loss) attributable to equity holders	-631	140	-772	-549.72%
Net profit (loss) attributable to equity holders Margin (%)	-29.64%	2.95%	-32.59%	
Net profit (loss) attributable to equity holders (Exclude Interest income and Gain (Loss) on exchange rate)	-504	212	-715	-337.89%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Interest income and Gain (Loss) on exchange rate)	-23.77%	4.45%	-28.23%	

**Total revenue** decreased by 55.25% year-on-year, with 59.46% and 51.89% decline in revenue of automotive parts and dealership businesses respectively. The decrease in revenue for both automotive parts and dealership businesses were from the effect of Covid-19 Pandemic which affected the demand of the cars both locally and globally. In addition, we didn't have tooling income from overseas customers, recorded this quarter.

OEM : Thailand – Production in April 2020 was very low as most car manufacturers had to stop their production line.

OEM : China – Production was back to normal since mid April 2020 and revenue for Q2 2020 (3 months) increased year-on-year due to strong domestic demand with little dependent on export.

OEM : Portugal - Operations were almost completely shut down from mid March to late May 2020 due to lockdown measures in many countries which affected automakers in Europe. Operation resumed in early May 2020 but actual production only started in early June. Small sales revenue in April and May were basically from reduction of inventory.

Dealership Thailand – Although Thailand dealership businesses were not closed in Q2 2020, during the height of the lockdown in early 2Q, very few customers visited car showrooms including ours. Thailand dealership businesses started to improve in early June when lockdown started to be relaxed.

Dealership Malaysia – Malaysia dealership businesses were total lock down because of the Movement Control Orders imposed by the Government in April 2020 and reopened in May 2020. Malaysia government reduce the sales tax for new vehicles for six months from mid of June 2020 until end of December 2020 to try to help revitalize the market.

**Cost of sales and services** decreased to 2,245 Baht million as sale decreased. **Gross profit (loss) margin** as a percentage of sales was lowered to -13.19 % in Q2 2020.

**Selling and administrative** expenses were Baht 247 million dropped by 6.76% from Q2 2019 due to expense control such as not pay bonus, lower commission for dealer regarding lower sales.

**Loss on foreign currency exchange rate** was at Baht 138 million, compared to a loss of Baht 77 million in Q2 2019, caused by exchange rate fluctuation.

**Net profit (loss) attributable to equity holders** was Baht -631 million compared to net profit of Baht 140 million in Q2 2019 due to Covid-19 Pandemic which affected the demand of cars locally and globally. This caused our revenue to dramatically decreased which affected the bottom line to be negative. AAPICO Maia (Portugal) contributed about one third of net loss in Q2 2020. Significant loss in Portugal in Q2 was driven predominantly by complete shut down of the Business from mid March to late May due to lockdown measures across Intercontinental Europe which rendered all major automakers to halt their operations during that period. Production of AAPICO Maia (Portugal) resumed only in early June. Loss on foreign currency exchange rate amount of Baht 138 million and loss sharing from associates and joint ventures amount of Baht 91 million was also contributed further losses.

**1<sup>st</sup> half 2020 performance**

(Unit : Million Baht unless otherwise stated)	January to June		Change	
	2020	2019	Amount	% Change
Total Revenues	7,209	9,237	-2,028	-21.96%
Sales and service income	6,833	8,843	-2,010	-22.73%
Gains on exchange rate	61	0	61	N/A
Interest income	20	120	-99	-83.06%
Other income	294	274	21	7.49%
Cost of sales and services	6,665	8,113	-1,448	-17.84%
Gross Profit	168	731	-562	-76.97%
Gross Profit Margin (%)	2.46%	8.26%	-5.80%	
SG&A expenses	636	487	149	30.53%
Loss on exchange rate	0	110	-110	-100.00%
EBIT before share of profit (loss) from investment in associates and joint venture	-92	527	-620	-117.49%
Share of profit (loss) from investment in associates and joint venture	-6	43	-49	-114.65%
EBIT	-98	570	-668	-117.28%
Finance cost	182	130	52	40.39%
Income tax expenses	22	86	-63	-74.02%
Net profit (loss) attributable to equity holders	-301	357	-657	-184.19%
Net profit (loss) attributable to equity holders Margin (%)	-4.17%	3.86%	-8.03%	
Net profit (loss) attributable to equity holders (Exclude Interest income and Gain (Loss) on exchange rate)	-382	347	-729	-209.93%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Interest income and Gain (Loss) on exchange rate)	-5.35%	3.81%	-9.16%	

For the period of January to June, **total revenue** decreased by 21.96% year-on-year, caused by Covid-19 Pandemic which affected both automotive parts and dealership businesses which dropped by 18.14% and 33.01% respectively. Interest income also decreased, mainly caused by a decrease in interest income from loan to SGAH as the company has consolidated SGAH as subsidiary since Q4 2019.

**Net profit (loss) attributable to equity holders** decreased to Baht -301 million, as compared to net profit of Baht 357 million in 1H 2019. Similar to the above reasons for Q2, the profit was affected by Covid-19 Pandemic, caused the revenue in Q2 2020 to be dramatically decreased.

### Financial Position Analysis

(Unit : Million Baht unless otherwise stated)	June	December	Change	
	2020	2019	Amount	% Change
Total Assets	20,792	21,246	-454	-2.14%
Total Liabilities	13,779	13,766	13	0.10%
Total Equities	7,013	7,480	-467	-6.24%

For the second quarter of 2020, the Company's **total assets** decreased by Baht 454 million, largely attributable to decrease of account receivables and inventories level. The decrease of the account receivables and inventories were due to the decrease of revenue and tighter control on the inventory. **Total liabilities** were close to last year level. **Total shareholders' equity** decreased by Baht 467 million, caused by losses during the period.

### Key Financial Performance

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2/ 2020
Return on equity (ROE)	12.38%	11.04%	-2.43%	-0.98%	-11.51%
Return on asset (ROA)	5.73%	5.01%	-0.86%	-0.30%	-4.20%
Interest bearing Debt / Equity (IBD/Equity)	0.83	0.77	1.11	1.20	1.40

Return on equity (ROE) and Return on assets (ROA) as of Q2 2020 were at -11.51% and -4.20% respectively. The Company's profitability indicators were negative in Q2 2020, mainly due to the net loss in Q2 2020 and also Q4 2019 which was caused by several one-times expenses. Interest bearing debts to equity (IBD/Equity) ratio was higher than that of Q2 2019 at 1.40 times, primarily due to increased debt level. This change was caused by losses in Q2 2020 and also the inclusion of only 9 months performance of Aapico Maia (Portugal) vs consolidating of the total debt level.

Q2 2020 has been a difficult period for the global automotive industry. Our overseas operations in Portugal and Malaysia have experienced a complete lock down for almost two months. However, we do see some very strong recovery in Q3 based on revised firm forecast by all OEMs. Although Q4 forecasts are not firm, the data given to us is in line with that of Q3. Most of our factories are working on two shifts and so far, our revised annual forecast seems to be on track. Based on the aforementioned, we expect to see improvement in operating performance for second half of the year compared to that of Q2.

Please be informed accordingly.

Yours sincerely,



Mr. Yeap Swee Chuan  
President & CEO