



บริษัท อ-apiโก ไฮเทค จำกัด (มหาชน)
AAPICO HITECH PUBLIC COMPANY LIMITED

Ref No: AH 03052022

May 17, 2022

Subject: Management Discussion & Analysis (MD&A) for the Financial Statements of the 1st Quarter of Fiscal Year 2022 Ended as of March 31, 2022

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 2022 ended as of March 31, 2022, which can be summarized as follows:

1) Profit & Loss Analysis : Q1 2022

(Unit : Million Baht unless otherwise stated)	Q1 2022	Q1 2021	Change	
			Amount	% Change
Total Revenues	6,815	5,739	1,076	18.8%
Sales and service income	6,730	5,586	1,144	20.5%
Gains on exchange rate	0	102	-102	-100.0%
Other income	85	50	35	68.7%
Cost of sales and services	5,985	4,912	1,073	21.8%
Gross Profit	746	675	71	10.5%
Gross Profit Margin (%)	11.1%	12.1%	-1.0%	
SG&A expenses	392	390	2	0.6%
Loss on exchange rate	4	0	4	N/A
EBIT before share of profit (loss) from investment in associates and joint venture	435	438	-3	-0.6%
Share of profit (loss) from investment in associates and joint venture	82	87	-5	-5.8%
EBIT	517	525	-8	-1.5%
Interest income	2	1	1	49.4%
Finance cost	-81	-87	6	-7.0%
Income tax expenses	-29	-25	-3	13.5%
Net profit (loss) attributable to equity holders	402	411	-8	-2.0%
Net profit (loss) attributable to equity holders Margin (%)	5.9%	7.2%	-1.3%	
Net profit (loss) attributable to equity holders (Exclude Gain (Loss) on exchange rate)	406	308	98	31.7%
Net profit (loss) attributable to equity holders Margin (%) (Exclude Gain (Loss) on exchange rate)	6.0%	5.5%	0.5%	

Total revenue increased by 18.8% year-on-year. Sales and service income increased by 20.5%, with 22.9% increase in automotive parts businesses and 13.0% increase in dealership businesses respectively. The increase in revenue was higher than the industry growth (in terms of volume) of 3.1% year-on-year due to the following reasons:

1) **Automotive Parts Business**; Increase in customer orders from existing clients and orders increase due to higher demand for cars. Thailand and China operations were strong, grew 29.2% and 48.1% year-on-year respectively and outperformed the industry.

2) **Car Dealerships and Services Center Business**; Higher sales in the dealership business both in Thailand and Malaysia, driven by openings of Mazda and MG showroom in Thailand which started in October 2021 and December 2021. In Malaysia, high demand for cars is partly driven by Sales and Service Tax exemption which will expire in June 2022.

Cost of sales and services increased in accordance with higher sales. Gross profit increased 10.5% from Baht 674.8 million in Q1 2021 to Baht 745.8 million in Q1 2022. However, Gross profit margin decreased from 12.1% in Q1 2021 to 11.1% in Q1 2022 for the following reasons:

- 1) In Thailand, we can pass through most of the raw material's price increase to customers. Our gross profit in terms of amount will not be affected, however, the selling price increase resulted in the increase in the denominator which result in lower gross profit margin.
- 2) Product mix
- 3) Portugal operation takes approximately 3-6 months to negotiate the price adjustment with customers. However, Gross profit margin has improved from that of Q4 2021 of 10.0%.

Selling and administrative expenses increased slightly by 0.6% from Baht 389.9 million in Q1 2021 to Baht 392.2 million in Q1 2022 while our revenue increase by 18.8%. SG&A in terms of % to revenue improved from 6.8% in Q1 2021 to 5.8% in Q1 2022.

Core operating profit (defined as Earnings before Interests and Taxes exclude interest income, gain (loss) on exchange rate and other irregular items) reached Baht 520.9 million in Q1 2022; a 23.2% increase from that of Q1 2021 of Baht 422.7 million and 62.5% increase from average quarterly operating profit in 2021 of Baht 321 million. The increase in core operating profit was mainly due to increased volume and revenue of automotive parts business.

Loss on foreign currency exchange rate was at Baht 3.5 million in Q1 2022, compared to a gain on foreign currency exchange of Baht 102.4 million in Q1 2021, 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 402.5 million, as compared to net profit of Baht 410.7 million in Q1 2021. Net profit margin (%) decreased from 7.2% in Q1 2021 to 5.9% in Q1 2022

Net profit (loss) attributable to equity holders excluding gain (loss) on foreign currency exchange rate was Baht 406.0 million, compared to Baht 308.4 million in Q1 2021. Excluding gain (loss) on foreign exchange, net profit margin (%) improved from 5.5% in Q1 2021 to 6.0% in Q1 2022 due to the following reasons:

- 1) Strong performance of automotive parts business, especially in the Thailand and China operation.
- 2) Better performance of dealership businesses both in Thailand and Malaysia.
- 3) Increase in other income, mainly from higher sale incentive and commission from dealership businesses.
- 4) Improved SG&A in terms of % to revenue.

2) Financial Position Analysis

(Unit: Million Baht)	March 2022	December 2021	Change	
			Amount	% Change
Total Assets	23,772	22,722	1,049	4.6%
Total Liabilities	14,469	13,908	561	4.0%
Total Equities	9,303	8,815	488	5.5%

For the first quarter of 2022, the Company's **total assets** increased by Baht 1,049.5 million, largely attributable to increase of account receivables and inventories, in line with higher sale. **Total liabilities** also slightly increased by Baht 561.3 million, in line with increase in total assets. **Total shareholders' equity** increased by Baht 488.1 million driven by increase of profit during the period.

3) Key Financial Performance

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Return on equity (ROE)	2.9%	14.8%	13.1%	12.8%	12.0%
Return on asset (ROA)	1.1%	5.1%	4.6%	4.6%	4.4%
Interest bearing Debt / Equity (IBD/Equity)	1.1	1.0	1.0	0.9	0.8

Return on equity (ROE) and Return on assets (ROA) as of Q1 2022 were at 12.0% and 4.4% respectively. The Company's profitability indicators were higher than those of Q1 2021 as the profit improved. Interest bearing debts to equity (IBD/Equity) ratio improved to 0.8 times as at Q1 2022; improved from 1.1 times in Q1 2021.

4) Thailand Automotive Industry

(Unit: Cars)	Quarter 1		Change	
	2022	2021	Unit	%Change
Production	480,078	465,833	14,245	3.1%
Domestic	231,189	194,137	37,052	19.1%
Export	243,124	258,108	14,984	-5.8%

Total vehicle production volume in Q1 2022 increased by 3.1% to 480,078 units, compared to 465,833 units for the same period last year. Domestic demand increased by 19.1% to 231,189 units due to improved economic activity following an easing of coronavirus restrictions and relief measures. The Bangkok International Motor Show event held in Bangkok between late March and early April also helped boosting domestic sale. However, export volume decreased by 5.8% to 243,124 units due to a shortage of semiconductors and auto parts for some car models to the Australian, European, and Asian markets.

In 2022, the Federation of Thai Industries (FTI) forecast the car production to be at 1.8 million units or increase 6.8% from 2021. Export sale is expected to be 950,000 to 1,000,000 units while domestic sales is expected to be 800,000 to 850,000 units.

Last year was our recovery year which resulted in Net Profit of Baht 1,024 million (Core Profit of Baht 805.4 million), compared to Net Profit of Baht 147.8 million (Core Profit of Baht 145.9 million) in 2020 which the Company's performance was negatively impacted by COVID-19 pandemic. For this year, with the easing supply of the semiconductor shortage, higher volume from our major customers and new product launch in March, we expect this year to be our good year. Our 2022 performance will be better than 2021. This is reflected in our Q1 2022 core profit of Baht 406.0 million which is much better than in Q1 2021 of Baht 308.4 million and it is the best Quarter in the past 3 years.

Yours sincerely,



Mr. Yeap Swee Chuan
President & CEO