

# ANALYST PRESENTATION

Q2/2023

7<sup>th</sup> September 2023

President Automobile Industries PLC.

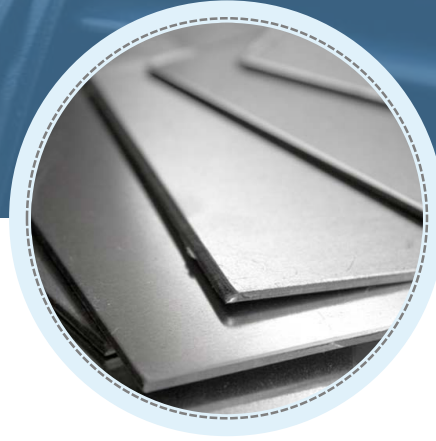


# Q2/2023 HIGHLIGHT



## PACO Display Strong Topline Growth of 22.7% QoQ

- Operating revenue was Baht 268.4 million in Q2/23 increased by 22.7% QoQ
- Net profit increased by 602.9% QoQ to Baht 23.9 million in Q2/2023 and NPM increased from 1.5% to 8.9% in Q2/2023



## Price of Raw Materials begins to Recover

- PACO's major raw material – Aluminum global prices have displayed continuous gradual decline
- PACO's raw material price will correspond to the decline in Q3/2023



## Obtained Deal by "Kubota" for Agri vehicle market

- After winning the deal in April 2023, PACO have expanded the product SKUs into 4 models supplied to "Kubota" group to produce air conditioners for agricultural vehicles



# AGENDA

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**COMPANY OVERVIEW**

2

STRATEGY & STRATEGIC  
DIRECTION

3

FINANCIAL PERFORMANCE

4

INDUSTRY UPDATES &  
2H/2023 OUTLOOK



**30 Years+**  
Of Experience

Highly experienced management team originated back from 1991 when "President Automobile Industries Co., Ltd." was established

**26 Countries**  
Of Operation

Strong foothold in Thailand and Abroad with presence in over 26 countries world-wide covering Asia, Europe, Africa, US and Australia

**200**  
Branches  
in 45 Provinces  
across Thailand

Over 200 branches of **PACO AutoHub** across Thailand selling retail parts to car air-conditioner repair stores

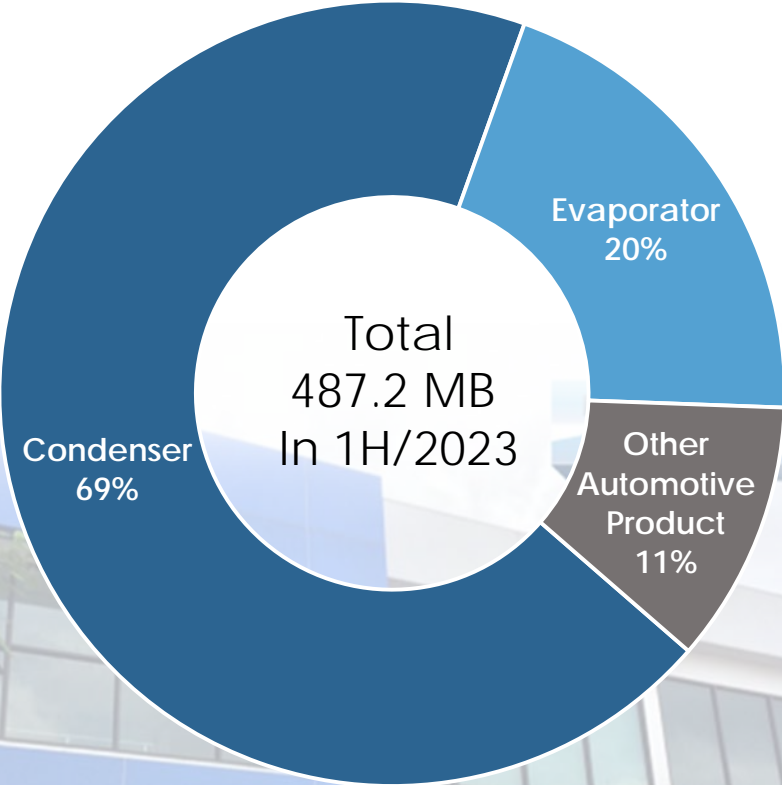
**High**  
Product  
Differentiation

PACO has over 2,000 SKUs for Air Conditioner products and over 1,000 SKUs for evaporator products allowing the Company to cover more than 90% existing car models in the market



## Revenue Structure by Product Type

Unit: MB, %



Manufacturing

69% Condenser (Manufacturing)  
Of revenue



20% Evaporator (Manufacturing)  
Of revenue



2% Other Automotive Products (Manufacturing)  
Of revenue



Radiator



A/C Hoses



Suspension

Outsource

9% Other Automotive Products (Outsource)  
Of revenue



R.Drier, Exp. Valve and other accessories



Compressor



Intercooler



A/C Fan and Blower

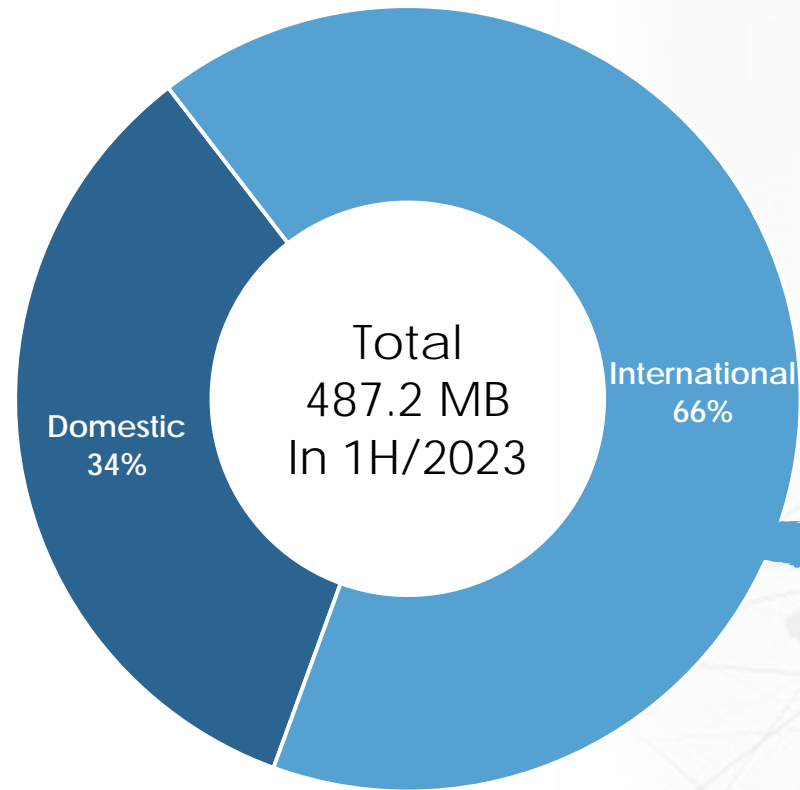


Refrigerant Gas

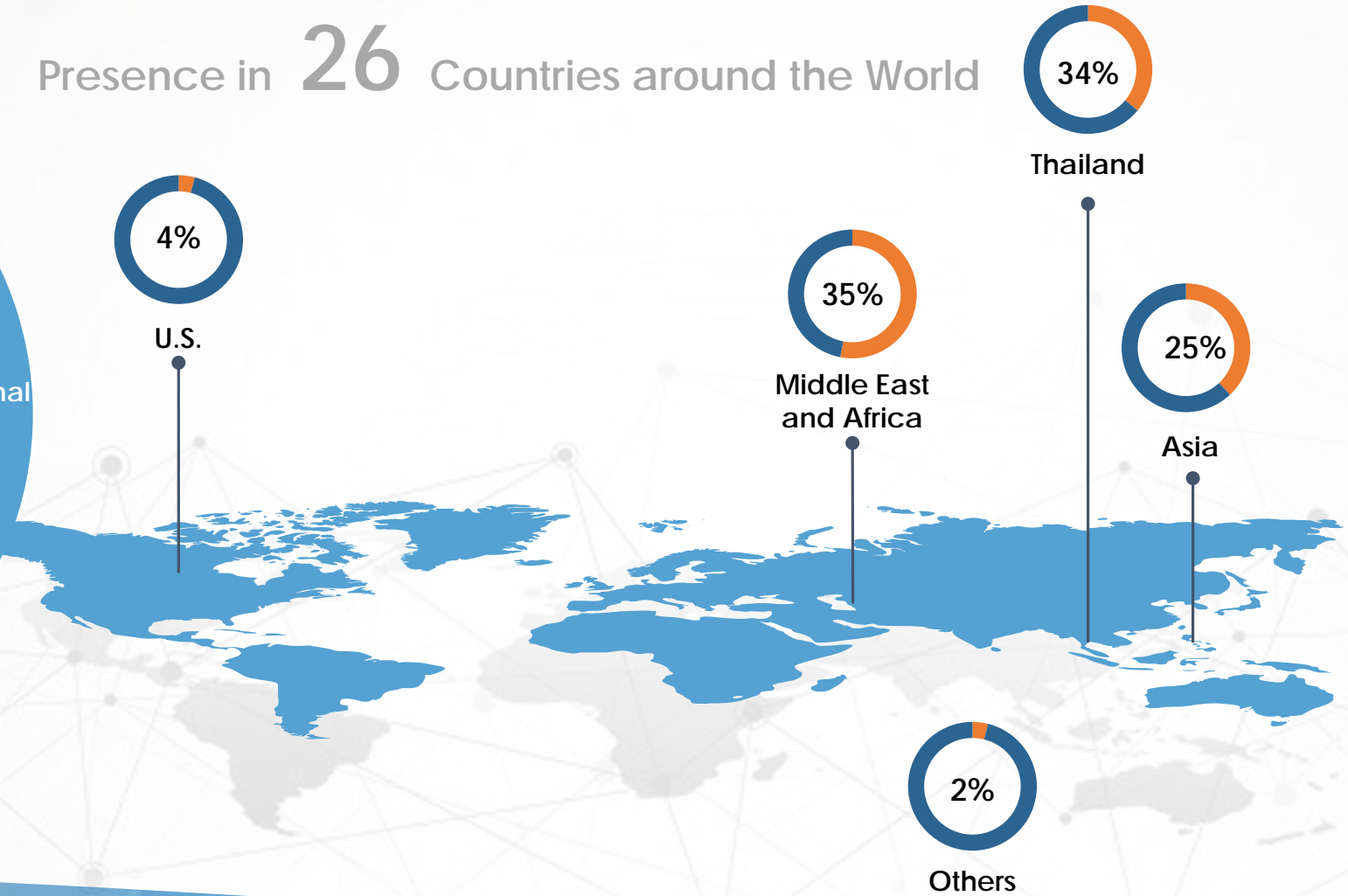
# PACO MARKET BREAKDOWN

## Revenue Structure by Country

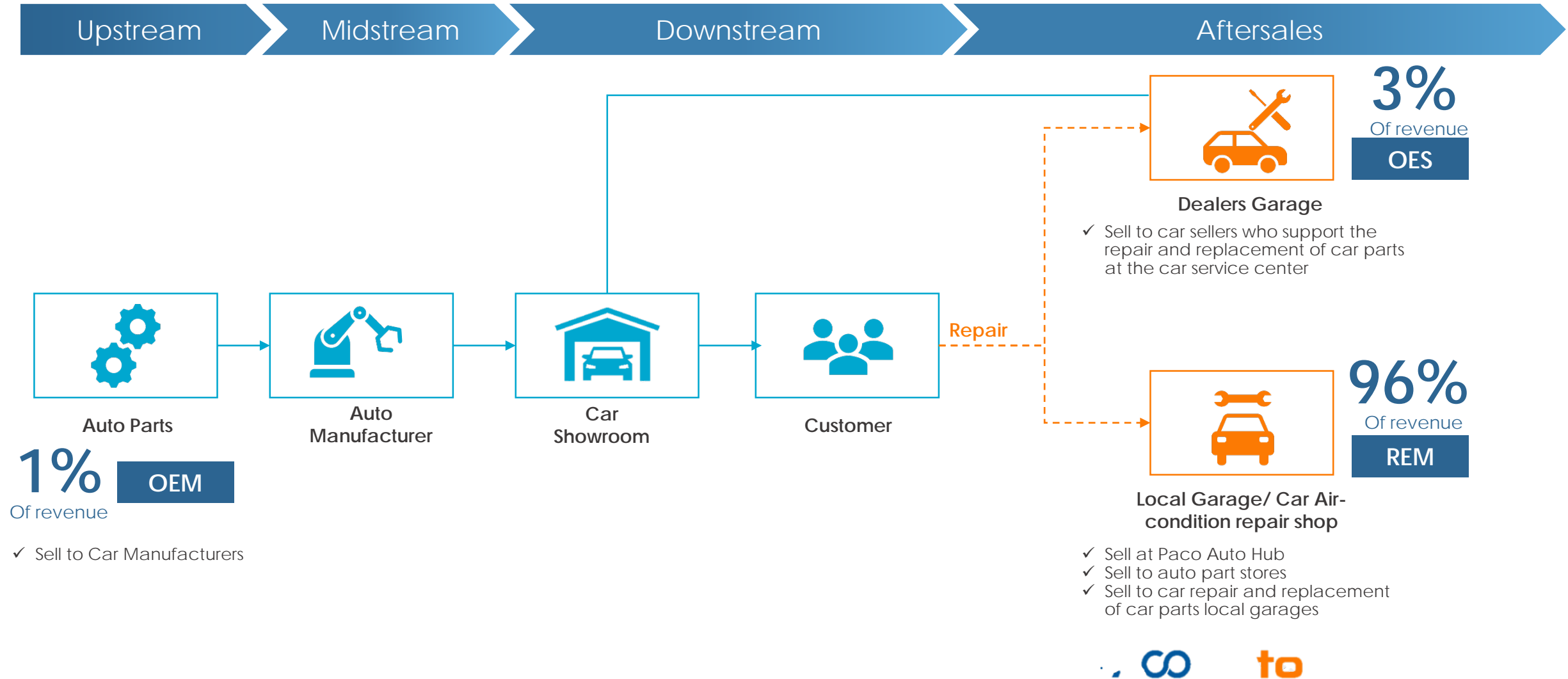
Unit: MB, %



Presence in **26** Countries around the World



# PACO BUSINESS ALONG THE VALUE CHAIN



# PACO ENSURES TO MAINTAIN COMPETITIVENESS

## PACO KEY STRENGTHS



### 1 Leader in Aircon Parts with Strong Brand under PACO



Cover more than 90% of all car models in the market



Physical store under PACOAutoHub



### 2 Innovation and Operational Excellence



Technological advancement and New product development



Top-class materials for production



Highly dynamic and cater to fast-paced market trends (e.g. EV vehicles)



### 3 One-Stop Service



Provide high international-standard quality products to domestic and international markets



Bring in other Brands (e.g. Valeo) to meet the needs of customers and to increase additional income for the Company



Seamless aftersales services





# PACO EXISTING FACILITIES



## PACO Factory 1

*Factory to produce component parts of condenser/evaporator*



### Capacity:

- 800 sq. m of office space
- 8,300 sq. m of factory space



## PACO HQ and Factory 2

*Factory to assemble evaporator, condenser and hose*

### Capacity:

- 1,000 sq. m of office space
- 7,000 sq. m of factory space
- 12,000 sq. m of warehouse space



## Domestic Distribution Center

### Capacity:

- 400 sq. m of office space
- 2,400 sq. m of warehouse space



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**+20-25% CAGR**

2025



## Leading One-Stop-Service Auto-Parts Player in the Region

- Digitalizing operation and system
- Strengthen PACO brand for OES and REM
- Increase product coverage through new product categories

2024



## Expansion for The Future

- Expanding capacity for growth
- Automating operation to enhance efficiency
- Capturing new customers
- Growing with EV market

2023



## Capturing International Opportunities

- Growing in the international market
- Capturing relocating customers from China

## EXPANDING CAPABILITIES OF CORE BUSINESS

- Strengthening PACO brand
- REM: Securing more volume domestically and internationally through acquiring new customers

## INCREASING INTERNATIONAL COVERAGE

- Expand to Europe and South America region



## STRENGTHENING PRESENCE ALONG THE VALUE CHAIN

- OEM: Capturing relocating car manufacturers from China
- OES: Enhancing collaboration with domestic and international players – extend to more collaboration in new regions such as US and Europe

## INNOVATING NEW PRODUCTS AND R&D

- Continuous product innovation to capture dynamic customer Demands
- Prepare and grow with EV market

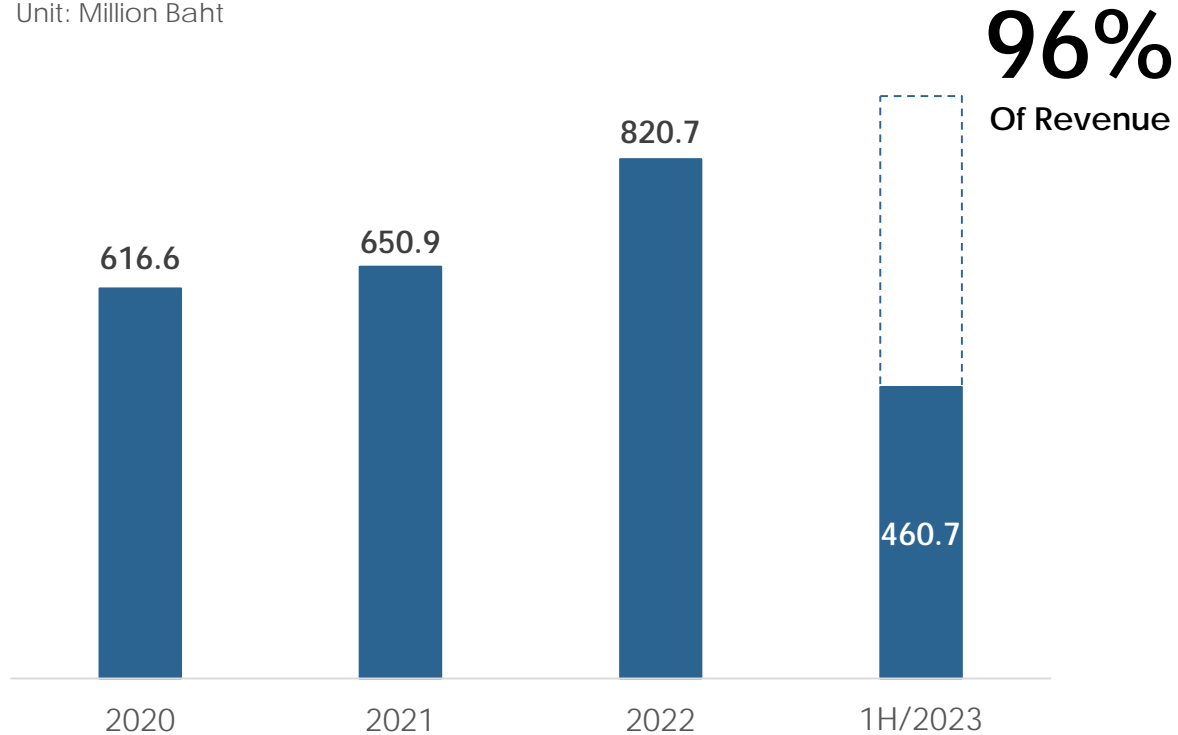


# EXPANDING CAPABILITIES OF CORE BUSINESS



## Revenue from REM

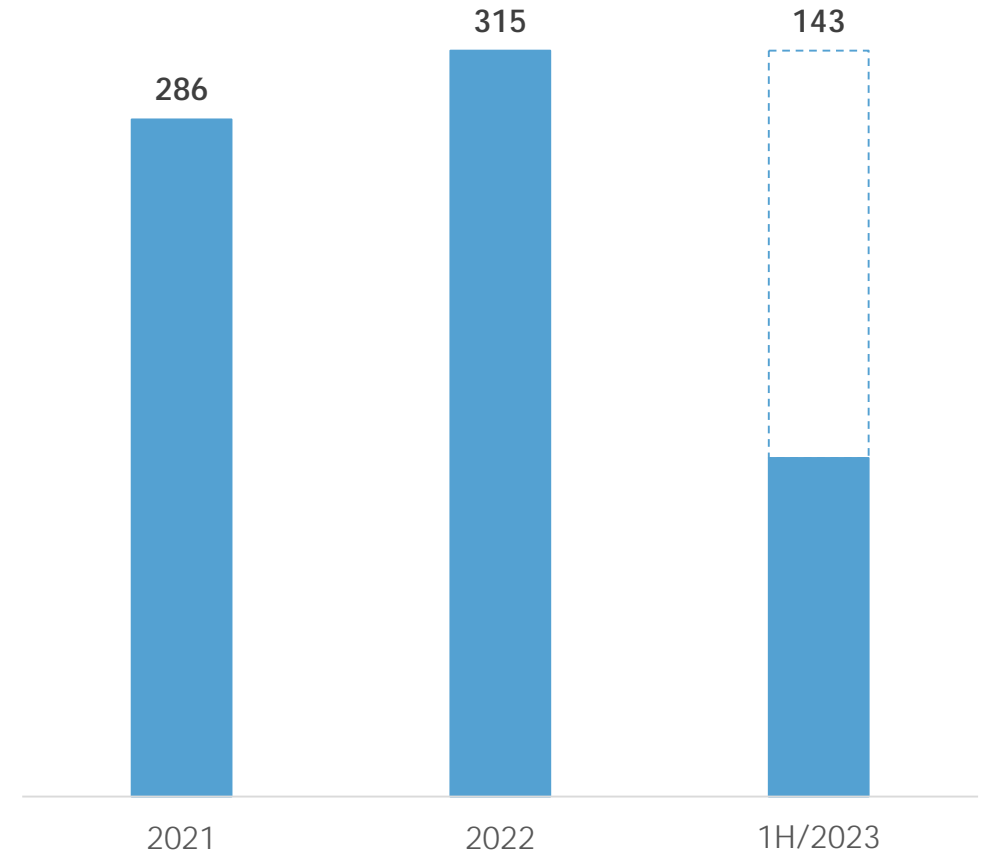
Unit: Million Baht



- Economic slowdown have imposed positive impact to the Company's REM revenue has consumers are delaying in new car purchases resulting in more repair of existing cars
- The resolved issue of the container have allowed the Company to resume the exporting activities to Europe and US

## Q2/2023 Progress

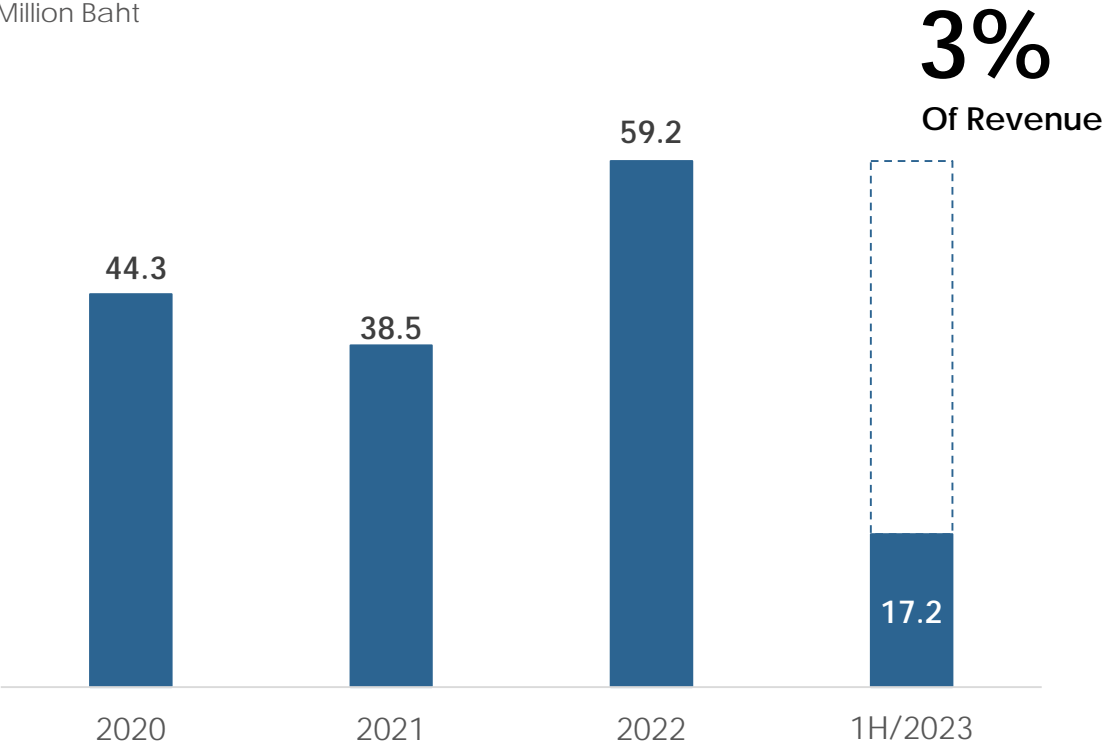
### New SKU Launched





## Ramping Up Volume for OES

Unit: Million Baht



- During 1H/2023, one of PACO's existing customer have experienced a pause in orders affecting PACO's topline however, this customer have resumed its orders in Q3/2023
- PACO expects the recovery in performance in the 2H/2023 with a target to maintain topline similarly from 2022

## Q2/2023 Progress



**Manage Performance of Existing Customers**  
Maintain and ensure consistency in revenue of existing customers



**Continuous Innovation**  
Seeking for new customers by continuous launching high quality, appearance and innovative parts to supply

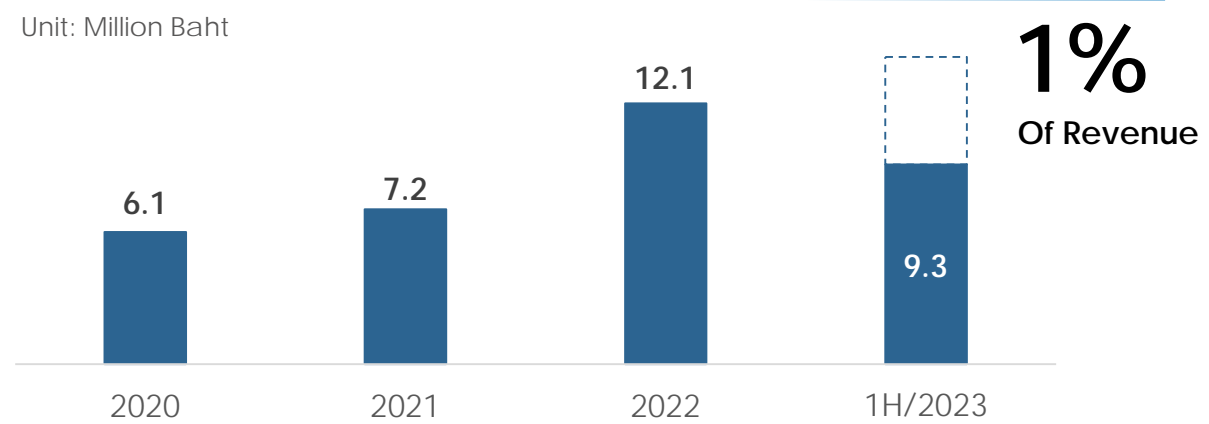


**Collaborate with New Companies**  
Seek for new customers both in Thailand and internationally

# STRENGTHENING PRESENCE ALONG THE VALUE CHAIN



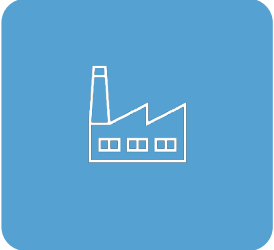
## Expanding OEM Business



**International Conflicts**  
Customers in US and Europe seek for new suppliers in different countries to reduce and diversify risks



**High US Tariffs on China**  
US imposes high tariffs on China auto parts (25-30%) while tariffs in Thailand is significantly lower (3%)



**Capture Relocating Customers from China**  
Several Auto manufacturers in China have relocated in Thailand to benefit from tax system. Examples include Meta, BYD, GWM, NEXT  
➤ To benefit from tax, factory must source certain parts domestically

## Q2/2023 Progress

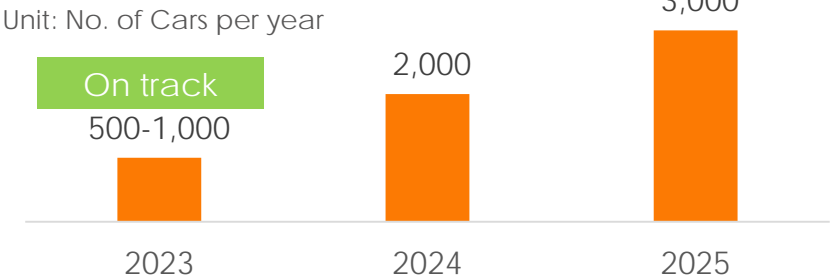


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PACO has signed a contract to produce air conditioning parts for agricultural and construction vehicles with the Kubota Group

- **Models:** loaders, tractors, harvesters (rice, sugar cane)
- **Products:** air conditioning systems, evaporative coils, hot coils, compressors, refrigerant lines that cover a complete air conditioning system
- **Target:** Expand the market in Thailand and the ASEAN region
- **Revenue Recognition:** begin in Q2/2023

### Production Volume Target

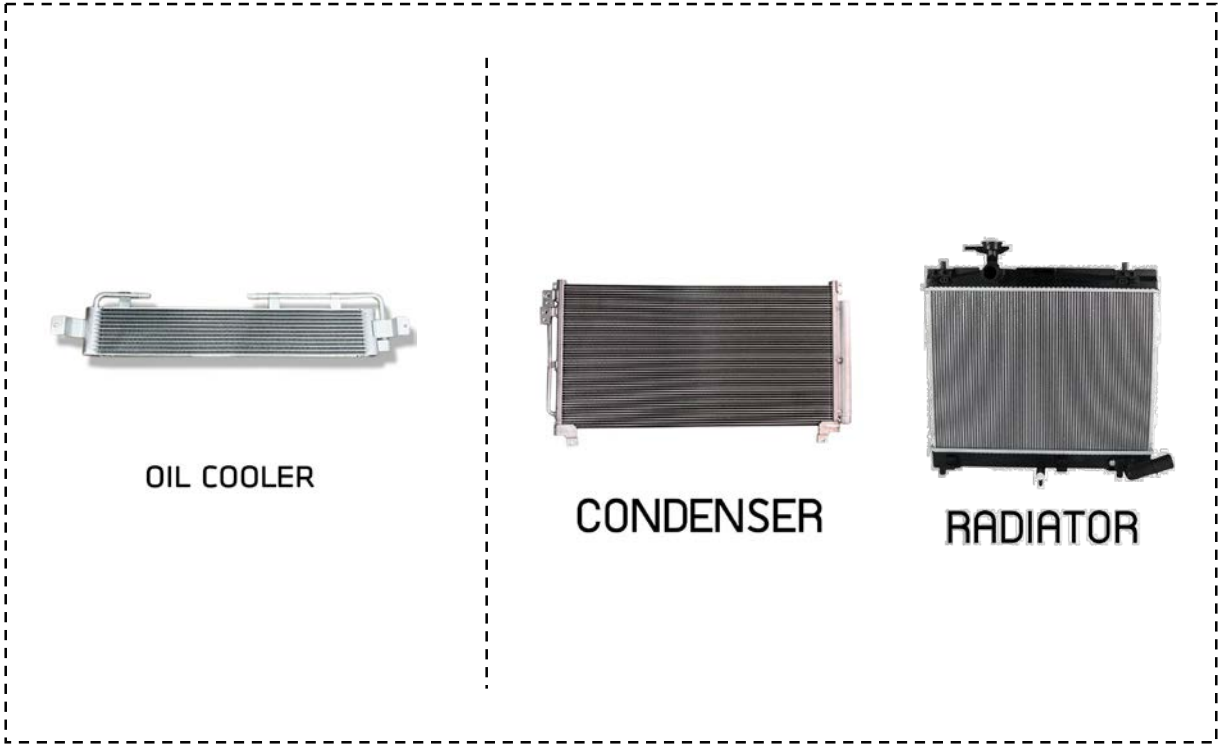
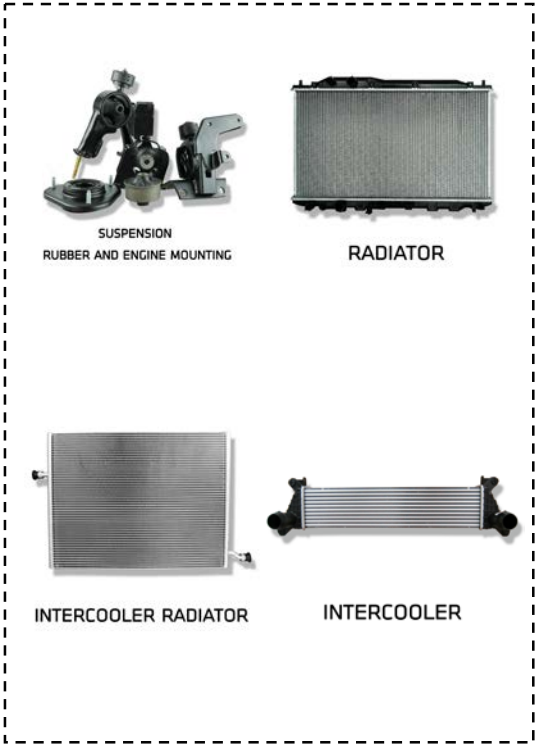
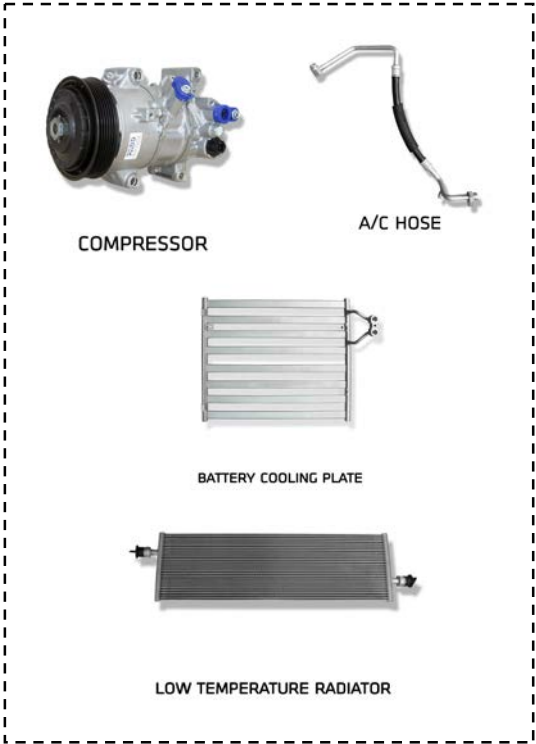


Total  
6,000  
cars in 3  
years

### Captured Relocated Customer



# INNOVATING NEW PRODUCTS AND R&D



4 New Product Lines  
286 New SKUs

4 New Product Lines  
315 new SKUs

1 New Product Lines  
121 new SKUs

22 New SKUs



2021

2022

Q1/2023

Q2/2023

2023

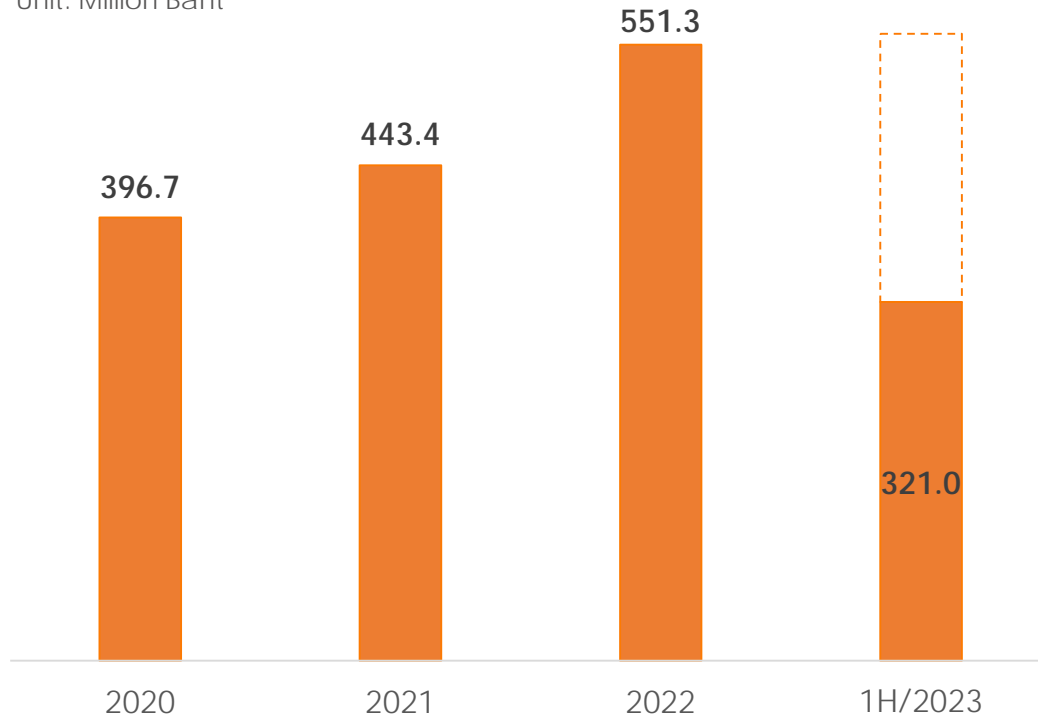


# INCREASING INTERNATIONAL COVERAGE



## Revenue from International Business

Unit: Million Baht



- The performance for international business has displayed continuous growth and Q1/2023 performance has exceeded target
- PACO have continuously collaborated and worked with dealers in over 26 countries around the world to ensure consistent performance

### Key markets where PACO have supporting Components

- Middle east
- America
- Japan
- Southeast Asia

### Primary Markets with some Parts

- Europe
- China
- South America
- Russia

### Countries which import cars from key markets and primary markets

- Africa
- Central America
- Australia
- New Zealand

### Q2/2023 Progress

Secure contract to send EV Components to Europe via Netherlands and Germany





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# 1H/2023 FINANCIAL HIGHLIGHT

Operating Revenue in 1H/2023

**487.19** MB

▲ 17.4% YoY

GPM and NPM

1H/2023

**11.6%**

▼ -4.7% YoY

1H/2023

**5.3%**

▼ -5.3% YoY

ROA and ROE

Q2/2023

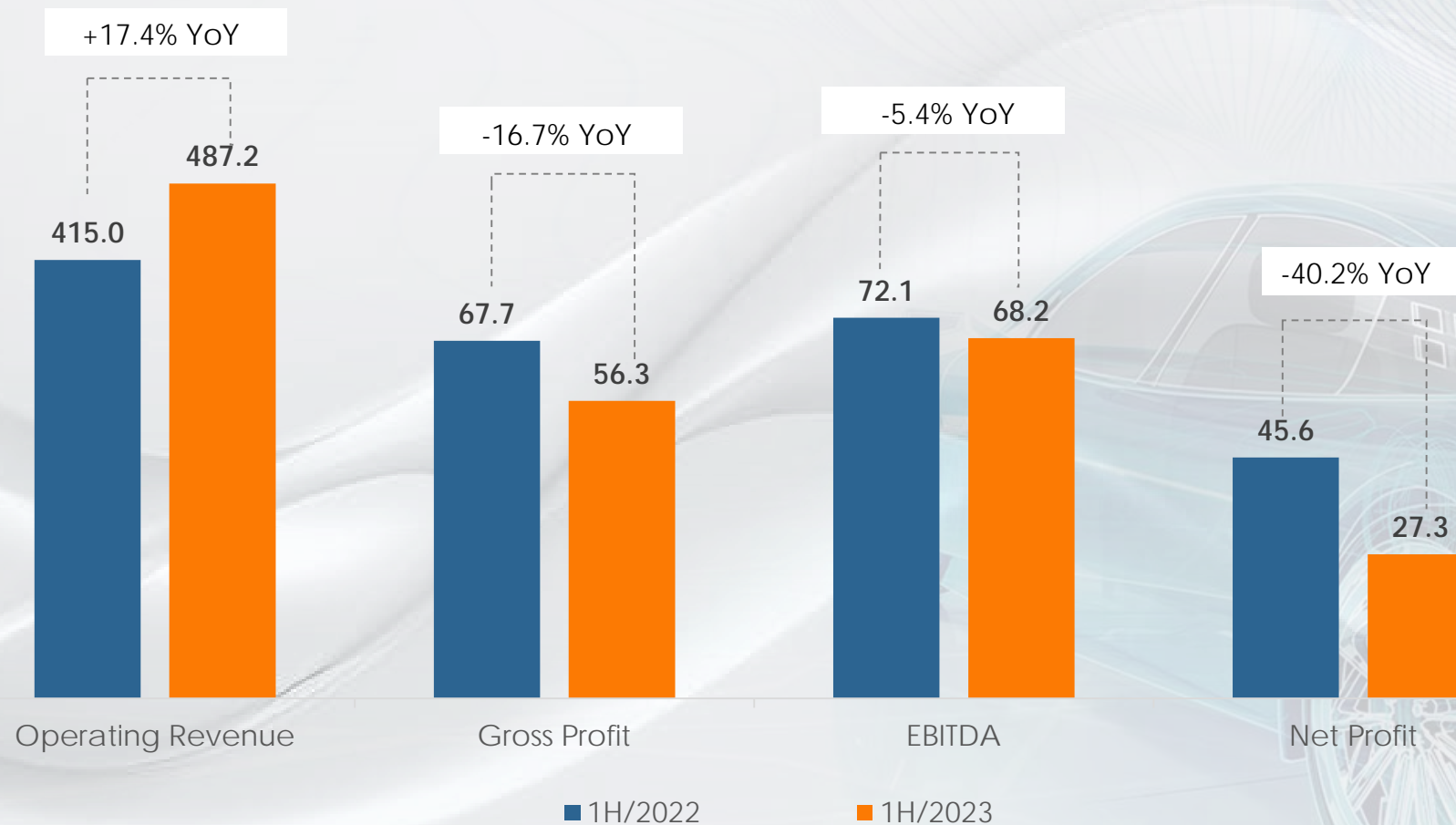
**4.89%**

Q2/2023

**6.91%**

Unit: Million Baht, %

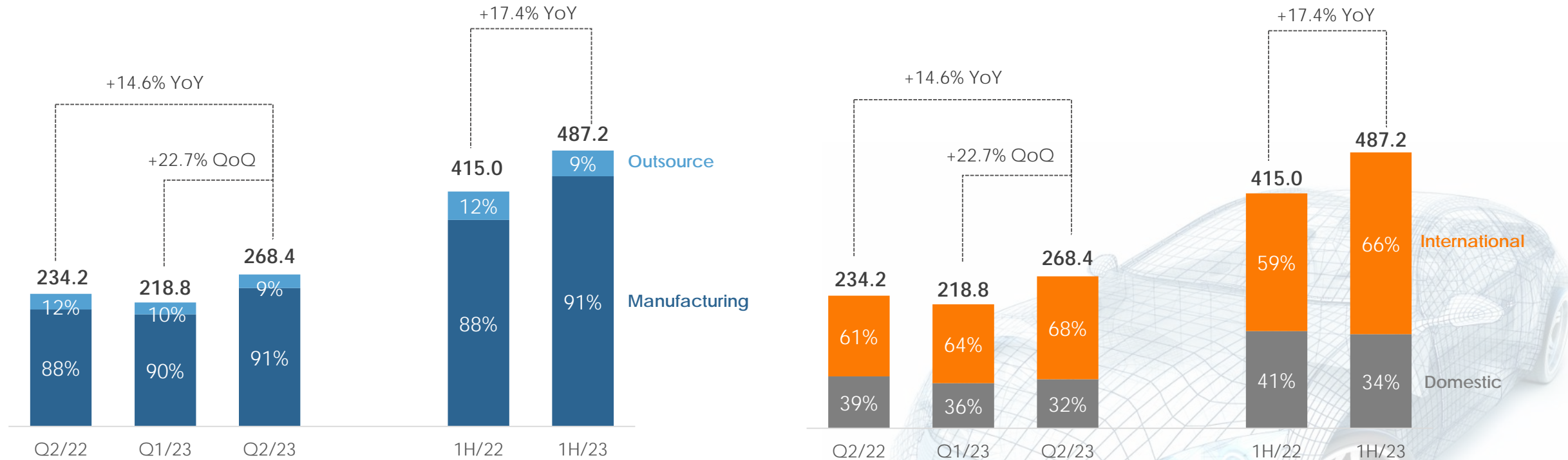
## Financial Summary



# OPERATING REVENUE

## OPERATING REVENUE BREAKDOWN BY CHANNEL

Unit: Million Baht, %



### YoY: Q2/23 vs Q2/22

In Q2/2023, the Operating revenue is Baht 268.4 million, increased by Baht 34.2 million or 14.6%, mainly due to:

- Increased production capacity to support the increased demand from international customers

### QoQ: Q2/23 vs Q1/23

In Q2/2023, the Operating revenue of Baht 268.4 million, increased by Baht 49.6 million or 22.7%, mainly due to:

- Increased production capacity to support the increased demand from both domestic and international customers
- Increased revenue from outsource due to the increased sale of refrigerant and intercooler

### YoY: 1H/23 vs 1H/22

In 1H/2023, the Operating revenue of Baht 487.2 million, increased by Baht 72.2 million or 17.4%, mainly due to:

- Increased production capacity to support the increased demand from international customers

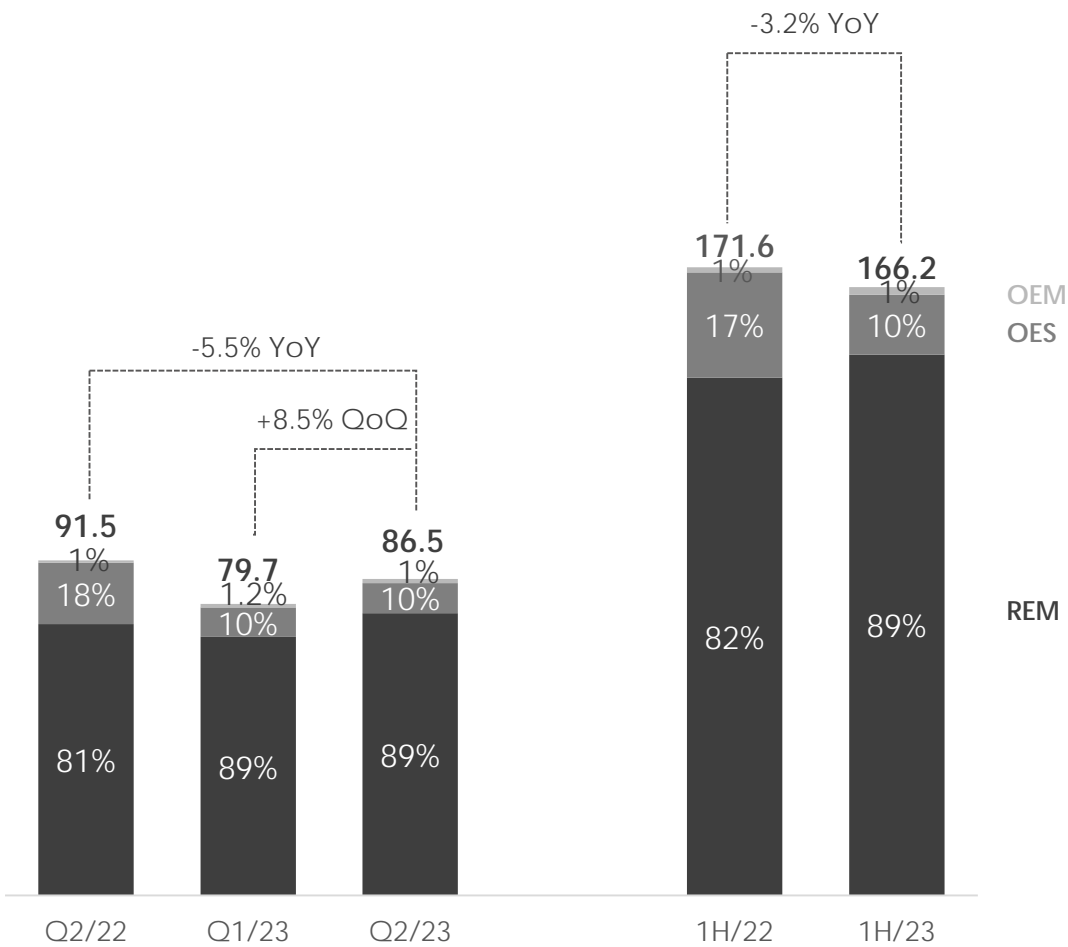


# DOMESTIC SALES PERFORMANCE



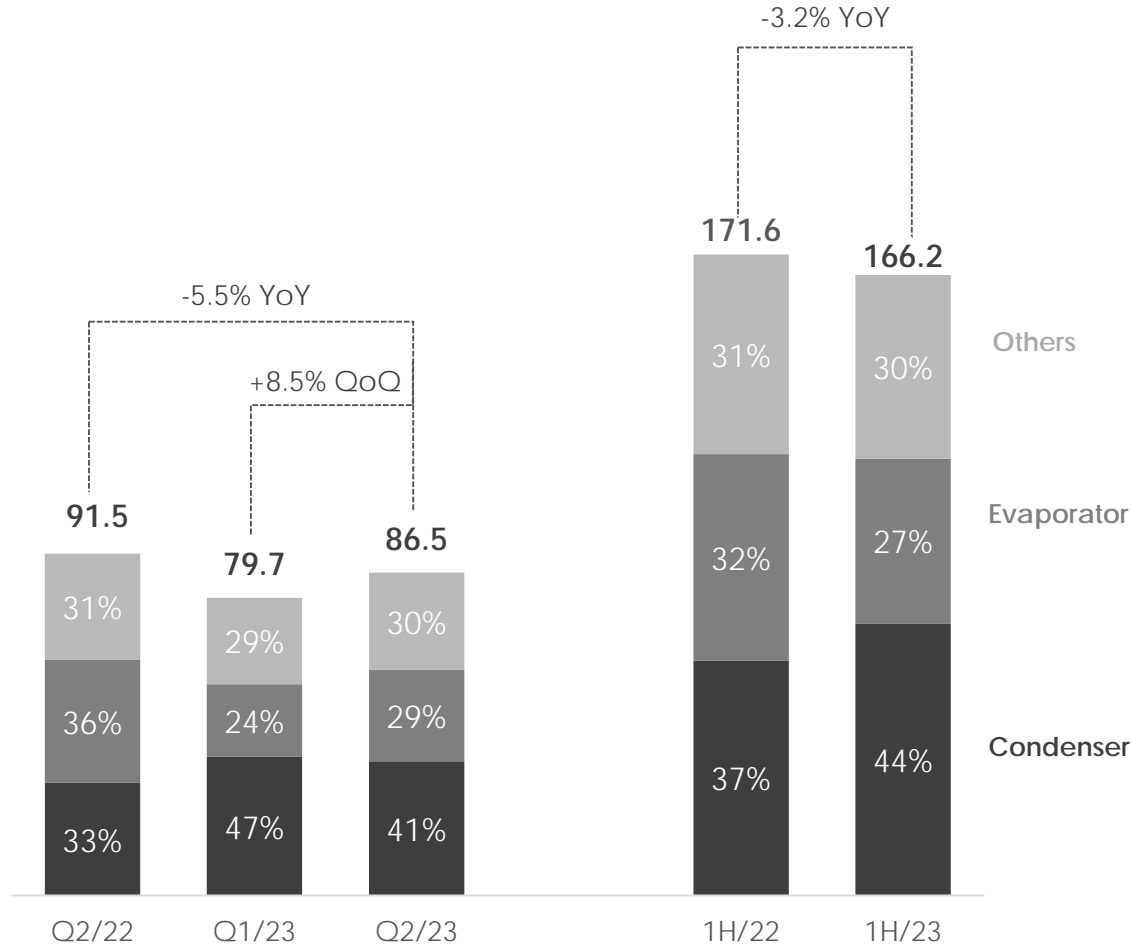
## OPERATING REVENUE BREAKDOWN BY CUSTOMER GROUP

Unit: Million Baht, %



## OPERATING REVENUE BREAKDOWN BY PRODUCT TYPE

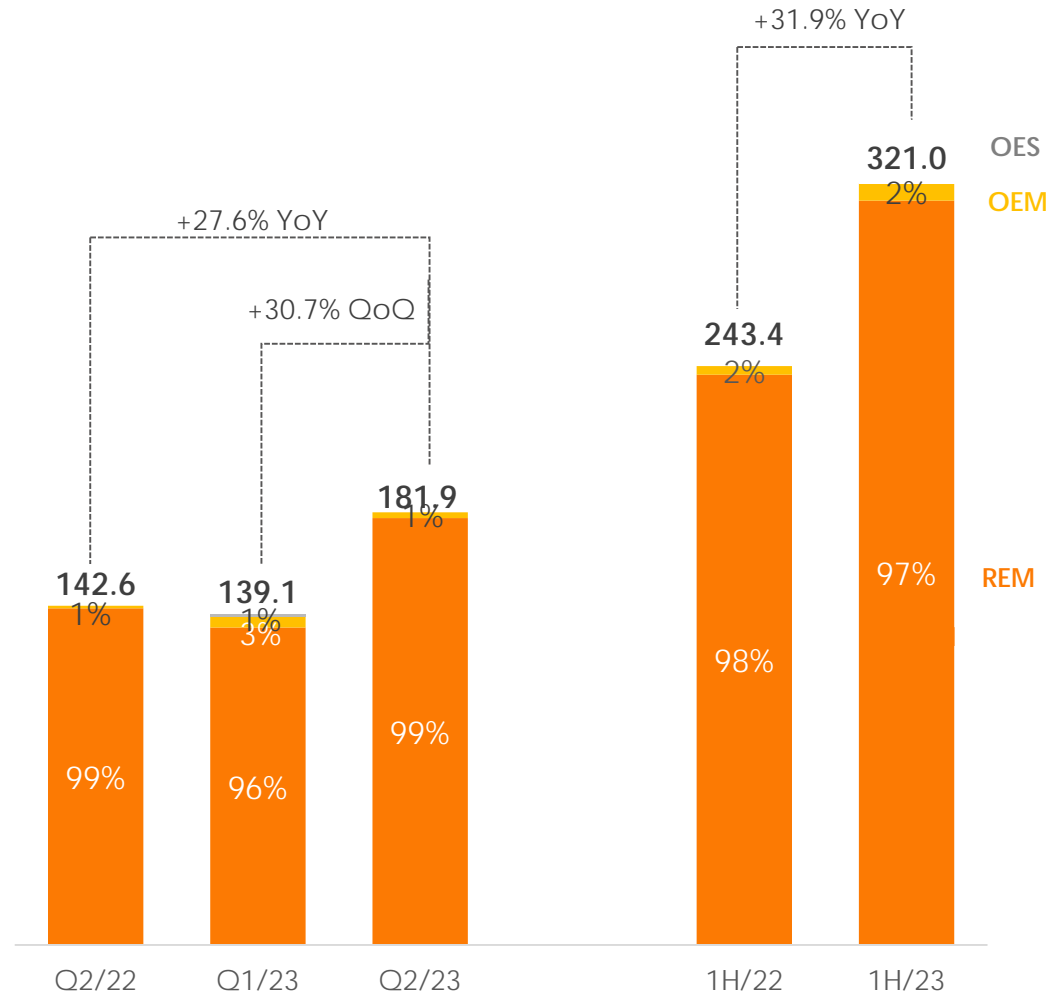
Unit: Million Baht, %



# INTERNATIONAL SALES PERFORMANCE

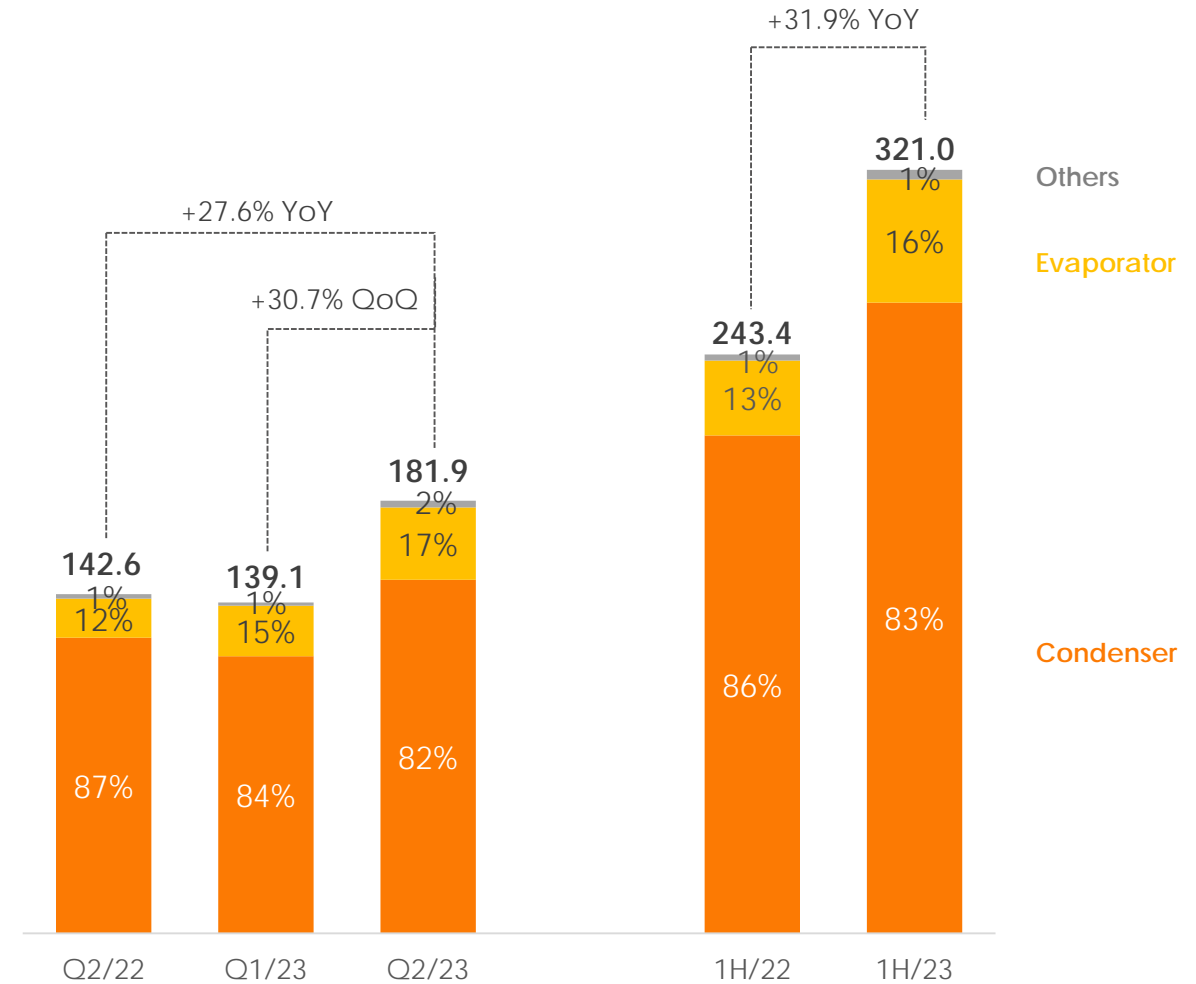
## OPERATING REVENUE BREAKDOWN BY CUSTOMER GROUP

Unit: Million Baht, %



## OPERATING REVENUE BREAKDOWN BY PRODUCT TYPE

Unit: Million Baht, %

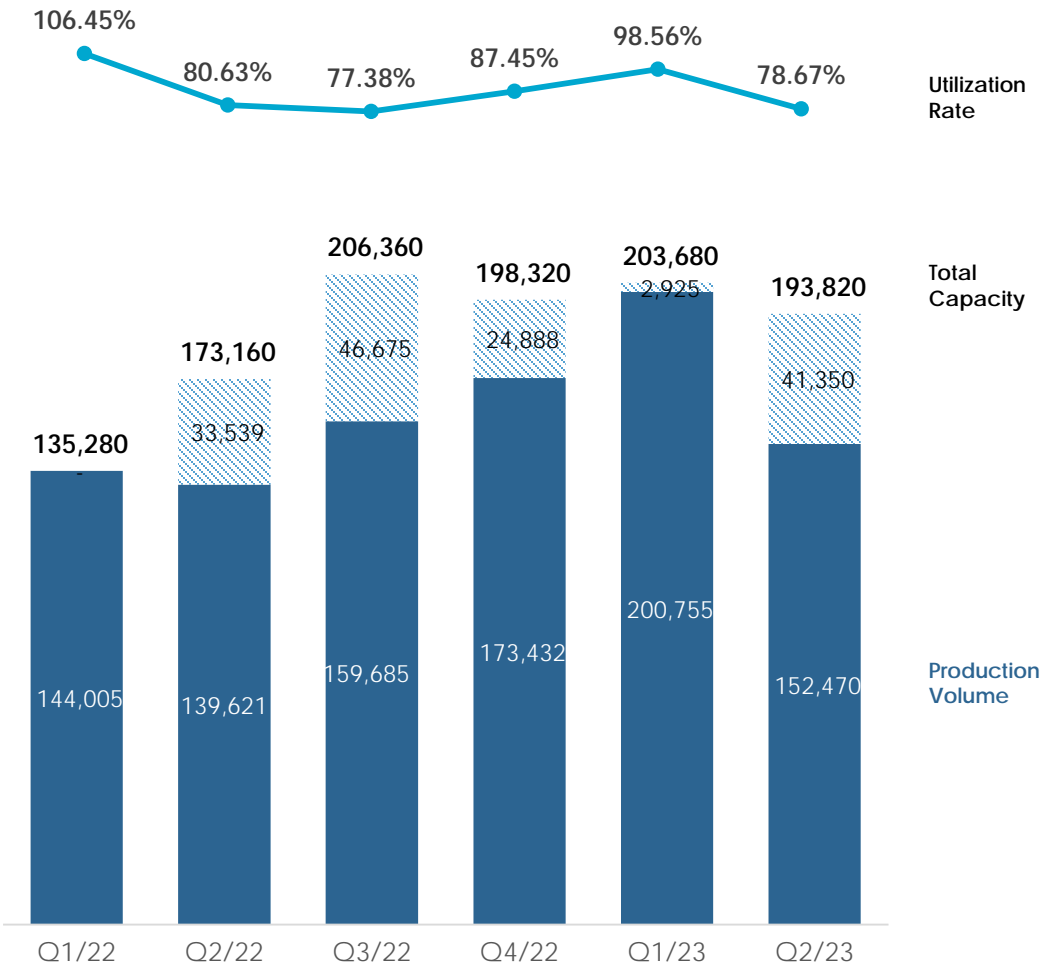


# EFFICIENCY



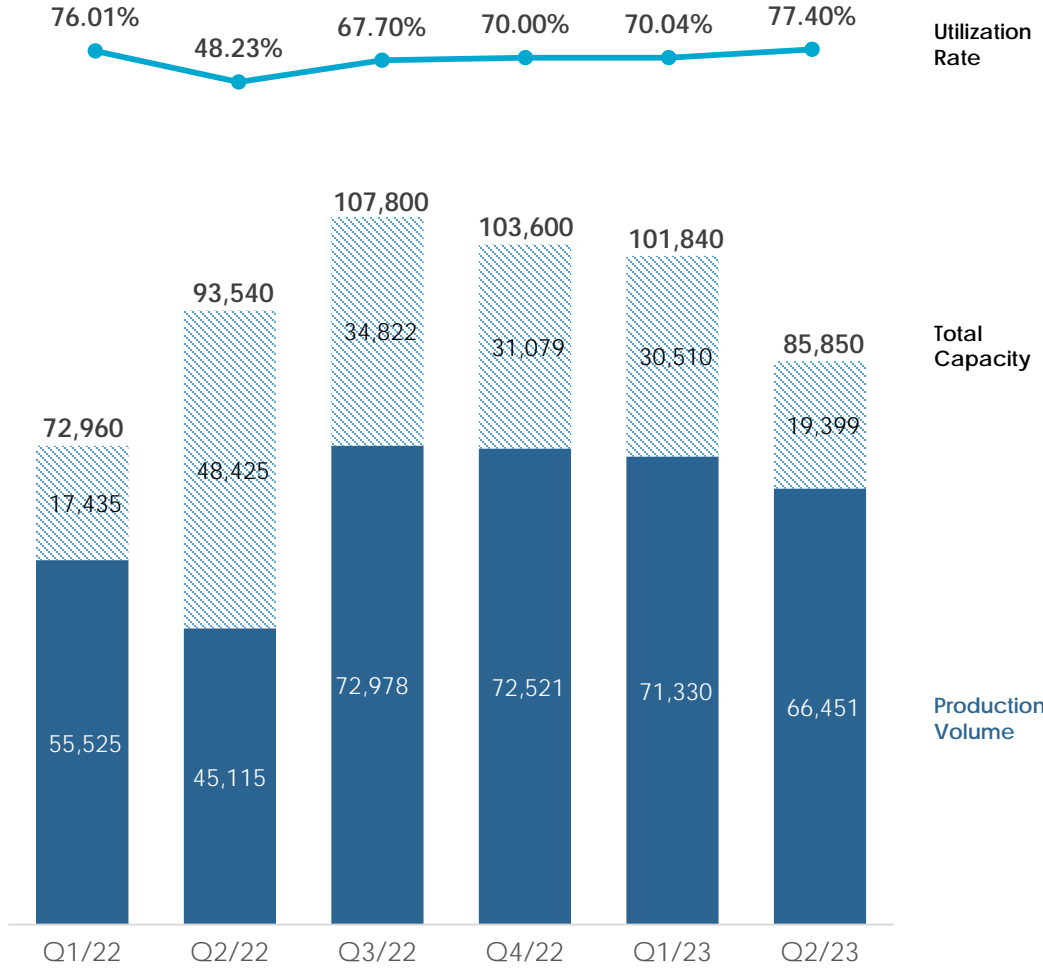
## CONDENSER

Unit: Number of unit, % Utilization



## EVAPORATOR

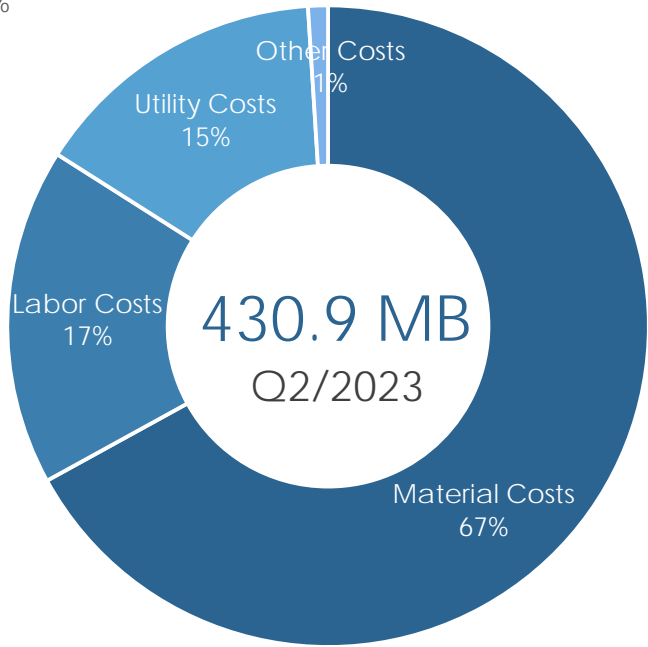
Unit: Number of unit, % Utilization



# COST OF GOOD SOLD

## MANUFACTURING

Unit: Million Baht, %



- COGS mainly comprises of raw materials 67% where most of the raw materials consumed by PACO is aluminum. Followed by labor 17% and utilities 15%
- The increase in COGS is related to the increase in sales revenue as well as labor cost, and electricity costs

### Labor Cost Management



Increase Automation within these 2 years

### Electricity Cost Management



PACO continues to utilize power from Solar panels with production capacity of 1.7MW

## ALUMINUM MARKET PRICE

Unit:  
USD/ton



Source: Investing.com

### PACO Views

- Price of aluminum will show a declining trend till the end of 2023
- Price will remain stable trend for 1-2 years as the price cycle which fluctuated highly occurs every 2-3 years

### Raw Material Cost Management



Cost of Raw Mat will Decline in Q3



Stock Products (3 months)



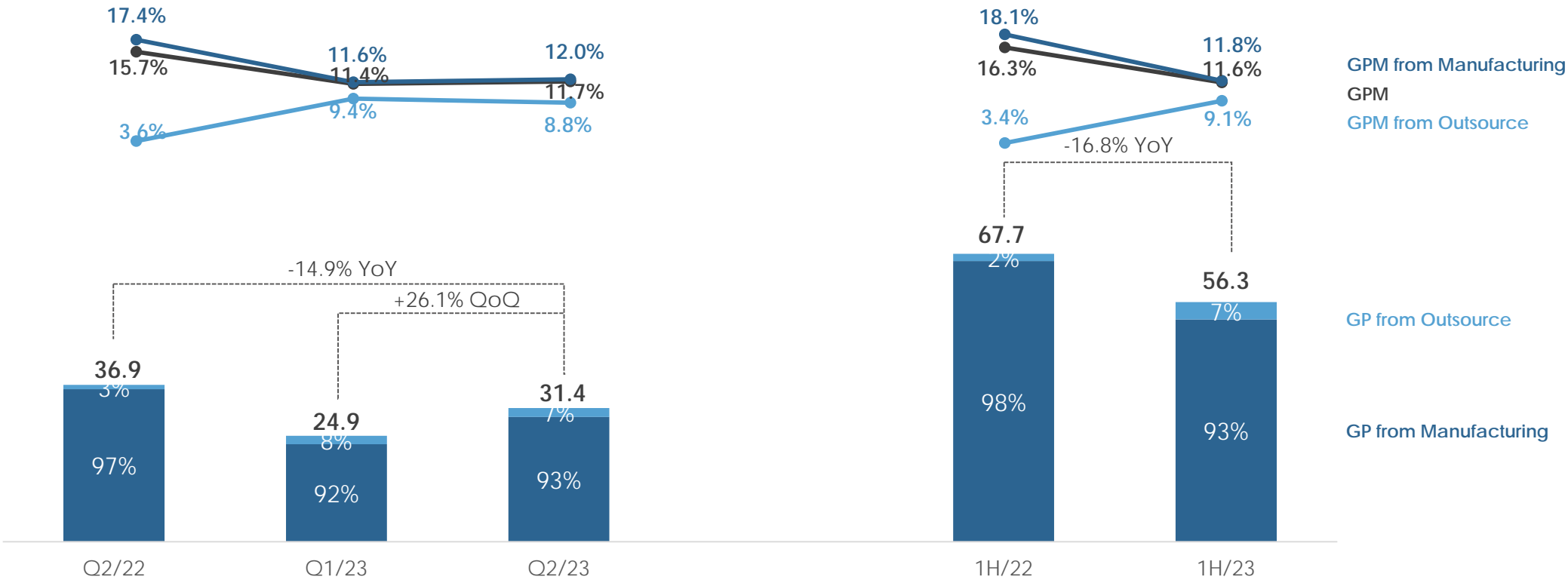
Adjust Selling Price



# GROSS PROFIT AND GROSS PROFIT MARGIN

## GROSS PROFIT AND GROSS PROFIT MARGIN BREAKDOWN BY PRODUCT TYPE

Unit: Million Baht, %



### YoY: Q2/23 vs Q2/22

**Gross profit** was Baht 31.4 million in Q2/2023, decreased by Baht 5.5 million or 14.9% and **Gross Profit Margin** was 11.7%, decreased from 15.7% in Q2/2022, mainly due to an increase in the minimum wage and electricity price.

### QoQ: Q2/23 vs Q1/23

**Gross profit** was Baht 31.4 million in Q2/2023, increased by Baht 6.5 million or 26.1% and **Gross Profit Margin** was 11.7%, slightly increased from 11.4% in Q1/2023, mainly due to an increase in operating revenue from increased demand from both domestic and international customers

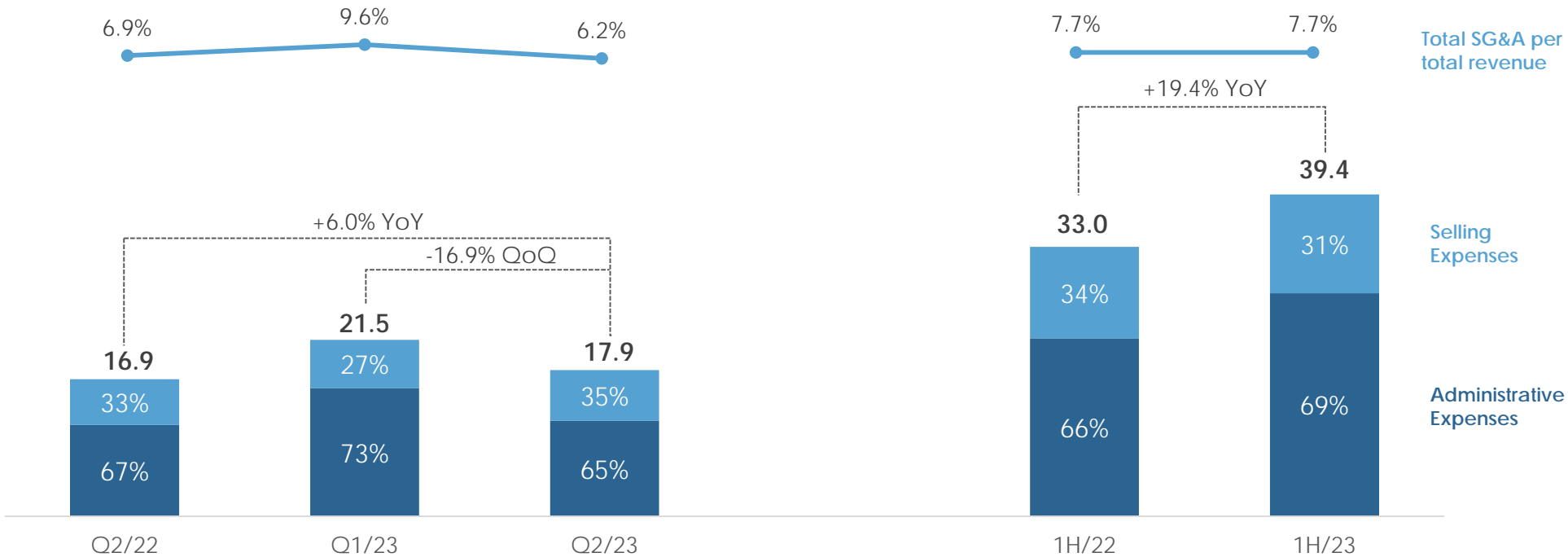
### YoY: 1H/23 vs 1H/22

**Gross profit** was Baht 56.3 million in 1H/2023, decreased by Baht 11.4 million or 16.8% and **Gross Profit Margin** was 11.6%, decreased from 16.3% in 1H/2022, mainly due to an increase in the minimum wage and electricity price.

# SELLING & ADMINISTRATIVE EXPENSES

## SELLING & ADMINISTRATIVE EXPENSES

Unit: Million Baht, %



### YoY: Q2/23 vs Q2/22

**Selling & administrative expense** was Baht 17.9 million, increased by Baht 1.0 million or 6.0% mainly due to an increase in transport expenses, which corresponds to the increased revenue

**Selling and Administrative expenses per total revenue** was 6.2%, decreased from 6.9% in Q2/2022 mainly due to the increase in total revenue and the ability of the Company to manage expenses efficiently

### QoQ: Q2/23 vs Q1/23

**Selling & administrative expense** was Baht 17.9 million, decreased by Baht 3.7 million or 16.9% mainly due to decrease in administrative expense from compensation fund, expenses from the capital increase, allowance for doubtful debt

**Selling and Administrative expenses per total revenue** was 6.2%, decreased from 9.6% in Q1/2023 mainly due to the increase in total revenue and decrease in administrative expenses

### YoY: 1H/23 vs 1H/22

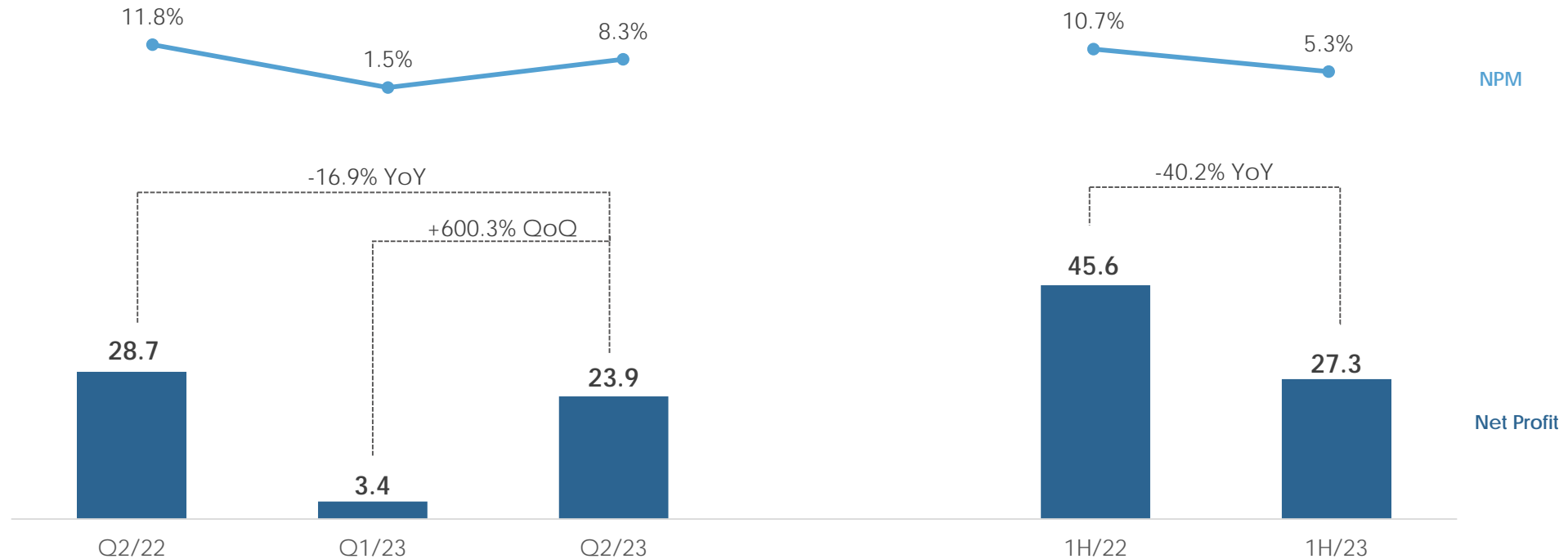
**Selling & administrative expense** was Baht 39.4 million, increased by Baht 6.4 million or 19.4% mainly due to the increase in transport expenses, the recognition of loss from forward currency contract, allowance for doubtful debts, expenses related to the share capital increase, and the employee compensation fund

**Selling and Administrative expenses per total revenue** was 7.7%, unchanged from 1H/2022

# NET PROFIT

## NET PROFIT AND NET PROFIT MARGIN

Unit: Million Baht, %



### YoY: Q2/23 vs Q2/22

**Net profit** was Baht 23.9 million, decreased by Baht 4.8 million or 16.9% and **Net Profit Margin** was 8.9%, decreased from 12.3% in Q2/2022 mainly due to:

- Increased minimum wage and electricity price
- Increased selling expenses from transport expense
- Increased loan for working capital and interest rate
- End of corporate income tax exemption by BOI
- Recognize loss from the exchange rate

### QoQ: Q2/23 vs Q1/23

**Net profit** was Baht 23.9 million, increased by Baht 20.5 million or 600.3% and **Net Profit Margin** was 8.9%, increased from 1.5% in Q1/2023 mainly due to:

- Increased sales revenue from both domestic and international customers' demand
- Decreased administrative expense due to the loss from forward currency contract, allowance for doubtful debt, expenses from capital increase, and compensation fund
- Recognize gain from the exchange rate

### YoY: 1H/23 vs 1H/22

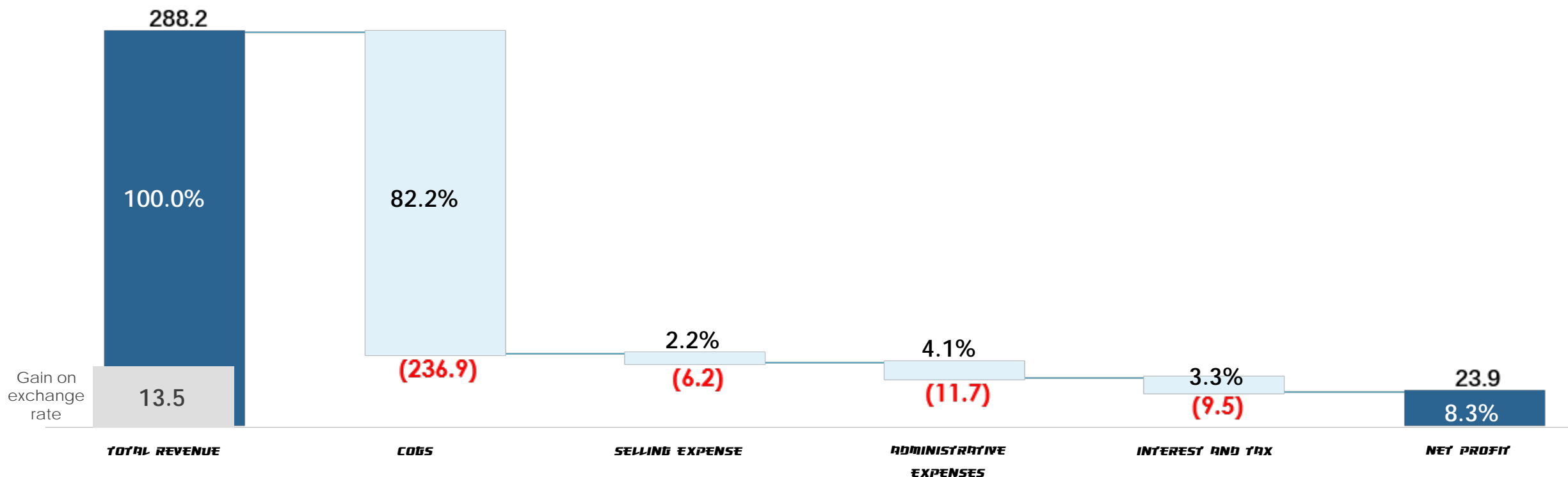
**Net profit** was Baht 27.3 million, decreased by Baht 18.3 million or 40.2% and **Net Profit Margin** was 5.6%, decreased from 11.0% in 1H/2022 mainly due to:

- Increased minimum wage and electricity price
- Increased selling and administrative expenses
- Increased loan for working capital and interest rate
- End of corporate income tax exemption by BOI

# PROFIT AND LOSS STATEMENT IN Q2/2023

## PROFIT AND LOSS STATEMENT IN Q2/2023

Unit: Million Baht, %



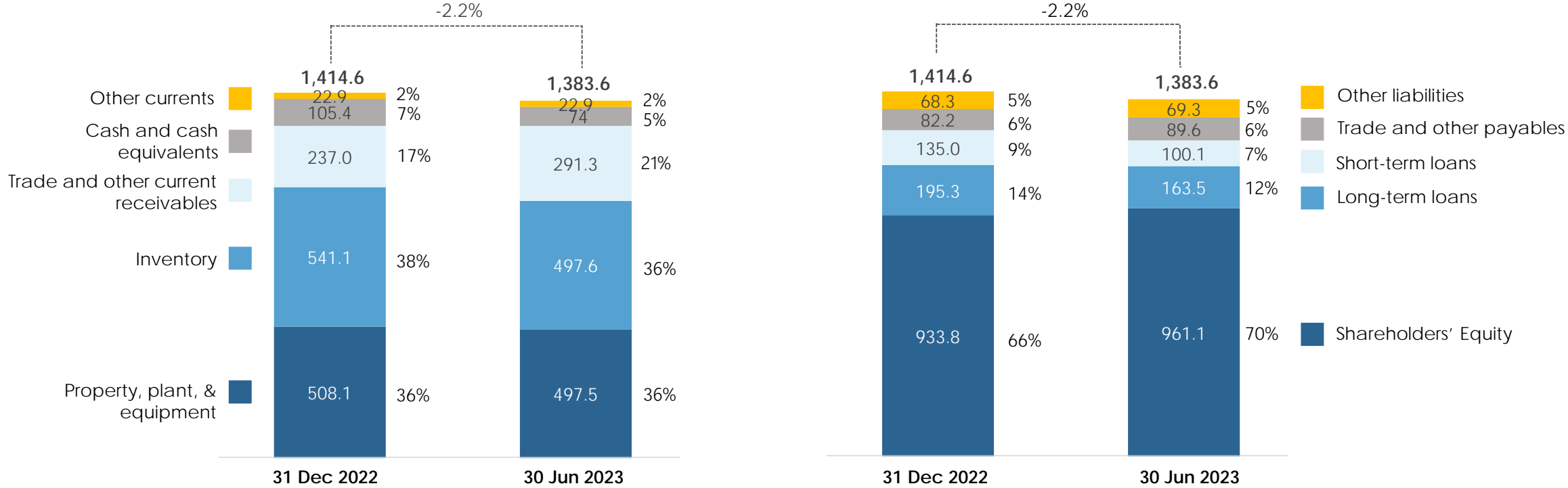
### Q2/23 Analysis

- The company has a total revenue of Baht 288.2 million and a total cost structure of 88.4% of total revenue, with cost of goods sold accounting for 82.2% of total revenue, other costs accounting for 6.2% and interest and tax accounting for 3.3%. The company's cost structure demonstrates its ability to manage costs efficiently. As a result, the company generates a net profit of Baht 23.9 million, or 8.3% of total revenue

# STATEMENT OF FINANCIAL POSITION

## STATEMENT OF FINANCIAL POSITION

Unit: Million Baht, %



### Asset

As of 30 June 2023, the total assets were Baht 1,383.6 million decrease by 31.0 million Baht or 2.2% from 31 December 2022 mainly due to:

- **Cash and Cash Equivalent:** decreased due to repayment of short-term and long-term loans during the period
- **Inventory:** decreased due to the reduction of raw material inventory

### Liability

As of 30 June 2023, the total liabilities were Baht 422.5 million, decreased by Baht 58.3 million or 12.1% from 31 December 2022 mainly due to:

- **Short and long-term loans:** repayment of loans to financial institutions

### Shareholders' Equity

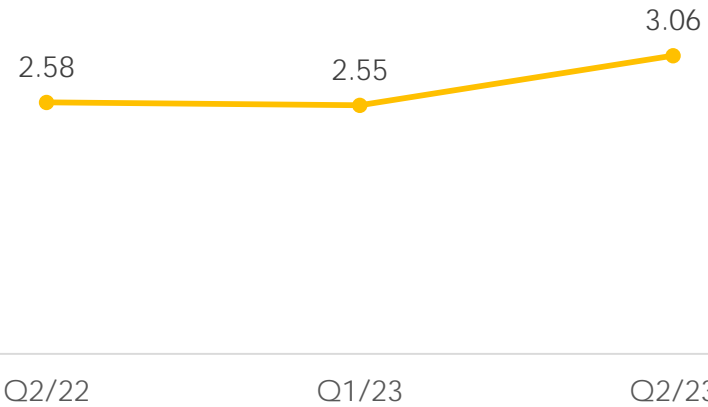
- As of 30 June 2023, the total shareholders' equity were Baht 961.1 million, increased by Baht 27.3 million or 2.9% from 31 December 2022 from the Company performance in 1H/2023



# KEY FINANCIAL RATIOS

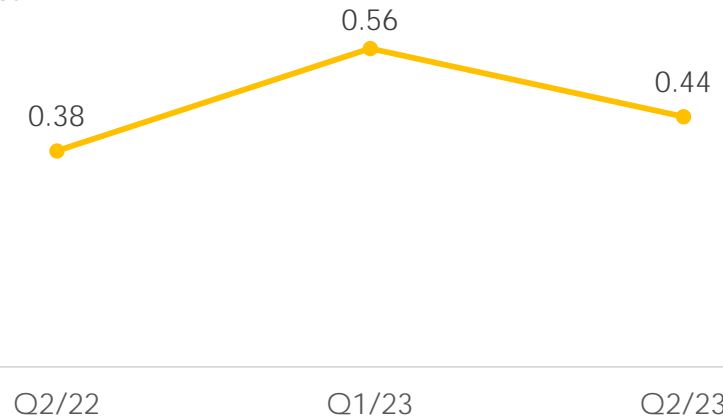
## CURRENT RATIO

Unit: Times



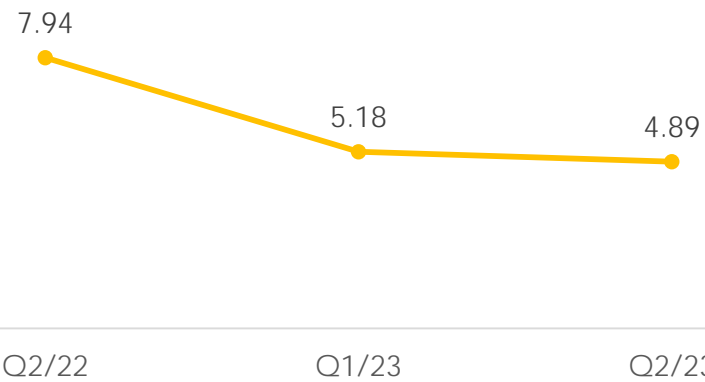
## D/E RATIO

Unit: Times



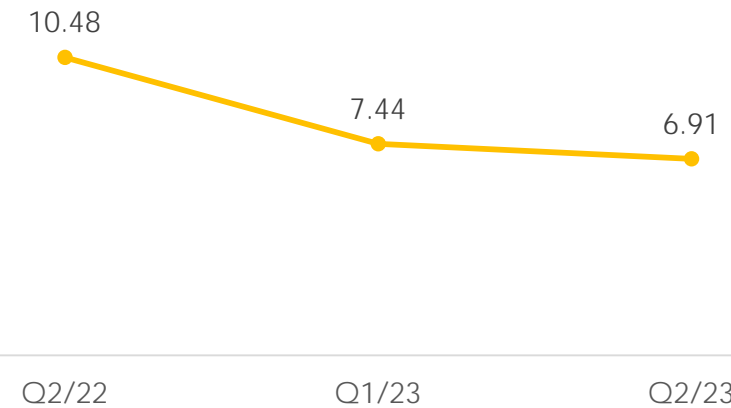
## ROA\*

Unit: %



## ROE\*

Unit: %



\*ROA = Trailing-12-month Net profit/ Total average assets

\*ROE = Trailing-12-month Net profit/ Total average shareholder's equity



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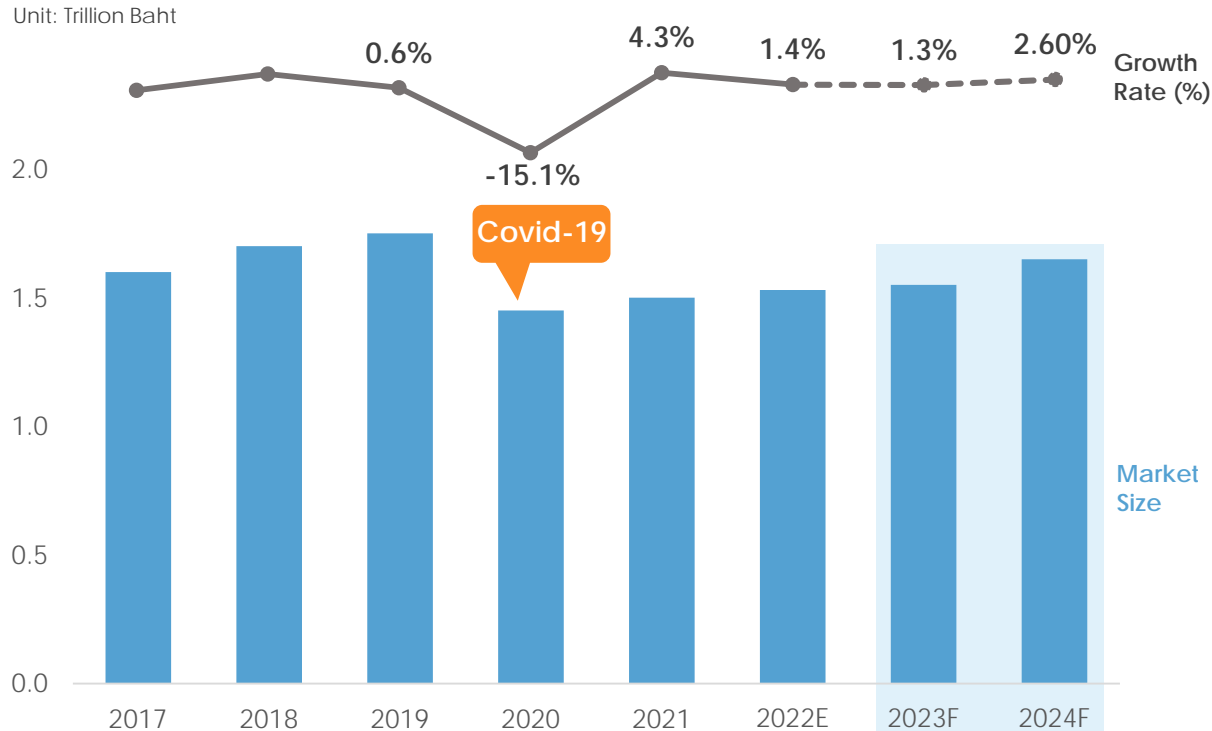
FINANCIAL PERFORMANCE

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**INDUSTRY UPDATES &  
2H/2023 OUTLOOK**

# Opportunity for growth in the market value of Thailand's production of auto parts

## Thailand Automobile Parts Production Market Size



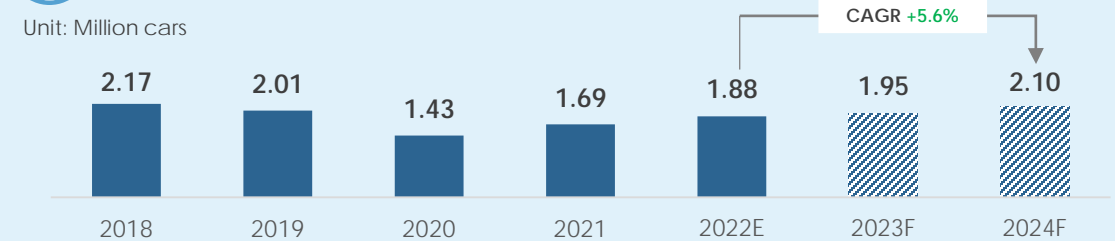
- In 2023F - 2024F automotive parts market is forecasted to continue to grow steadily from 2021 according to the economic recovery, although in 2020 with the outbreak of COVID-19
- Thailand has persuaded Chinese EV makers to set up their regional production bases in the kingdom, including well-known brands BYD, MG and Great Wall Motor.

## Key Drivers



### Expansion of domestic automotive production (OEM Market)

Unit: Million cars



The **OEM market is forecasted to grow**, corresponding to the growth of automotive production of 5.6% CAGR, reaching 2.10 million units in 2024. The growth was driven by:

- ✓ The easing of the semiconductor shortage
- ✓ The recovery of the domestic auto market and auto export markets
- ✓ Trend of electric vehicles supported by the government



### Cumulative Registered Automobiles in Thailand (OES/REM Market)

Unit: Million cars

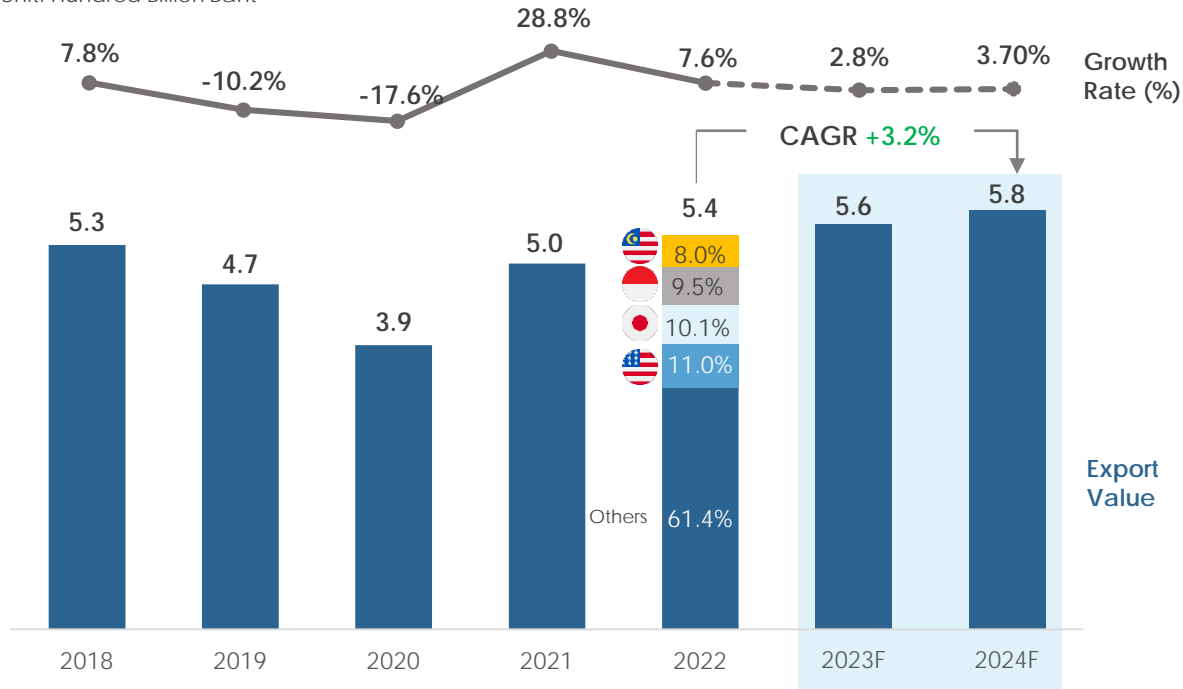


The **OES/REM market is forecasted to grow**, corresponding to the cumulative cars aged >5 years have been growing at 3.1% CAGR. The growth was driven by older vehicles have more of the need for replacement parts inevitably.

# Potential to increase its proportion of automotive parts exports to the global market

## Thailand Auto Part Export Value

Unit: Hundred Billion Baht



Source: Forecast by Krungsri Research, Krungthai COMPASS

Thailand's auto part exports have consistently grown at a rate of 17.7% CAGR from 2020 to 2022, driven by increased automobile production and economic recovery. The sector is projected to continue growing at a rate of 3.2% CAGR from 2022 to 2024F, supported by rising demand, free trade, and BOI support. With a market share of only 2.2% worldwide, there is ample opportunity for Thailand to increase its proportion of automotive parts exports to the global market.

## Key Challenge

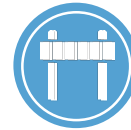


### Growing dominance of EVs in export markets

- Moves from the production of vehicles powered by internal combustion engines (ICEs) to the output of electric vehicles (EVs)

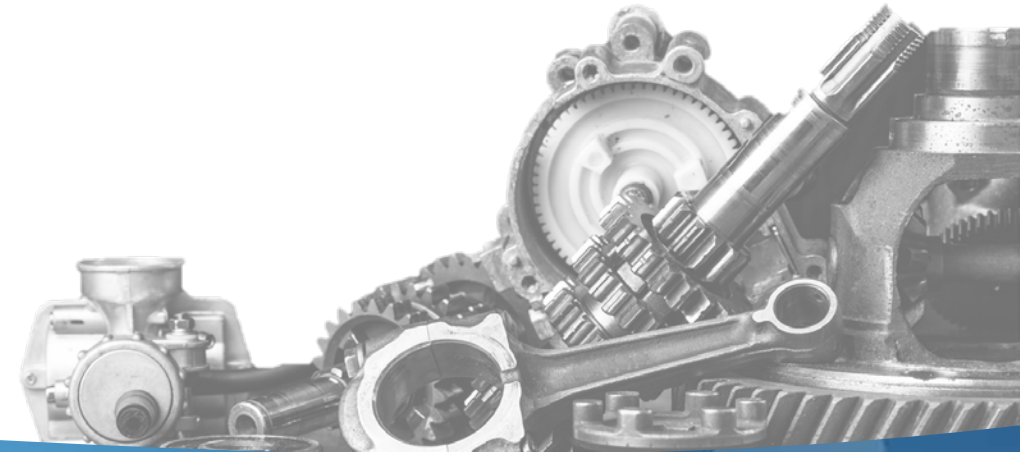


### Uncertainty over the direction of US-China trade relations will limit certain activities of some products



### The raising of trade barriers by the major economies

- The imposition of anti-dumping tariffs by the US authorities on imports of Thai tires





Capturing Relocating Customers from China



Invest in additional capacity to expand US Market



New Product to Capture EV Segment



Seek for large REM export opportunities

- Capture large opportunities from auto factories that have relocated from China who must source certain auto parts in Thailand

- Invest in 1-2 additional machines to increasing production of existing products to expand the US market

- Study and develop the battery cooler product to support growing EV trends

- Secure partners to support global exports of REM at a large scale

*PACO aims to achieve 20-25% growth in 2023*



# THANK YOU



Please kindly give us your feedback

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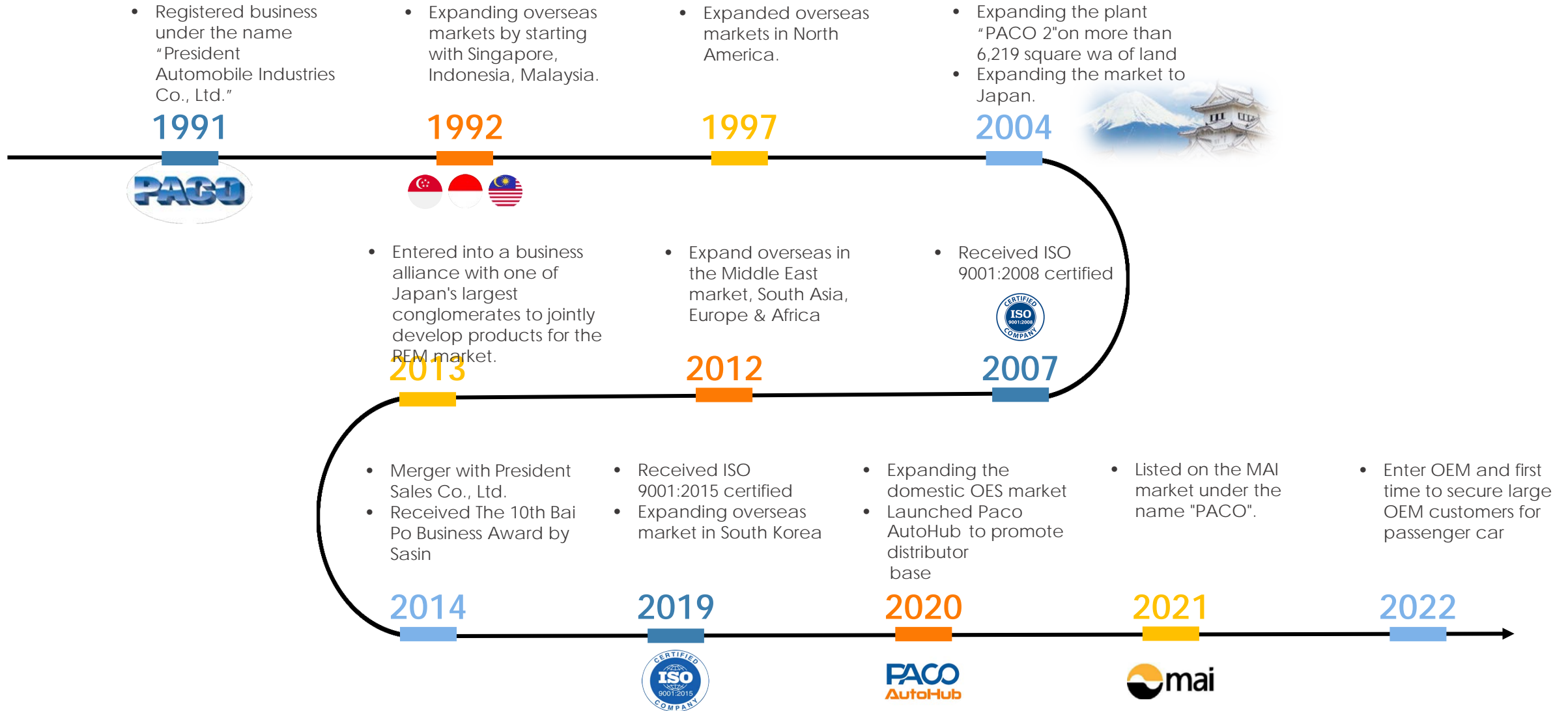
## MANAGEMENT

Khun Tae (Tanest)

084-437-9090

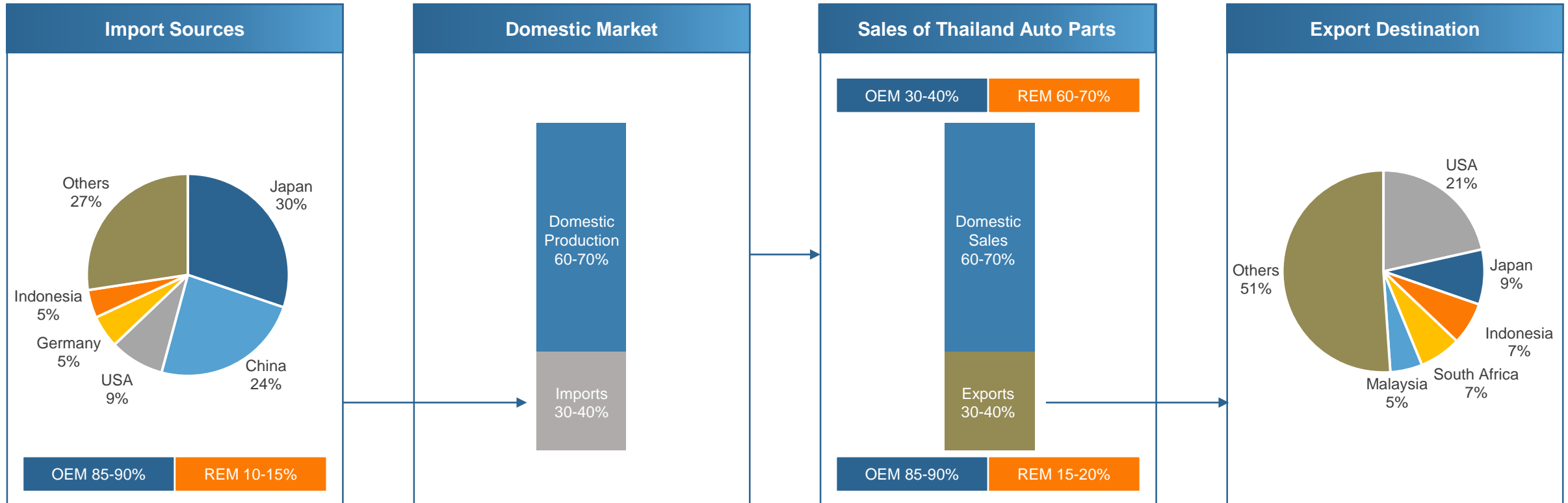


# COMPANY HISTORY



# Thailand Auto Parts Landscape

## Thailand Auto Part (2021)



Source : Krungsri Research - Industry Outlook 2023-2025: Auto Parts Industry