

Registration No. 0107555000341

AUCT-OP 039/2020

13 November 2020

Subject: Management Discussion and Analysis for the Operating Results of the third Quarter of 2020, ended 30 September 2020

To: The President of the Stock Exchange of Thailand

Union Auction Public Company Limited (“Company”) would like to submit the financial statements for the third quarter of 2020, which ended 30 September 2020. They were reviewed by the Company’s external auditor together with the explanation of the Management Discussion and Analysis for the Company’s operating results as follows:

**The Company’s overall performance in the 3<sup>rd</sup> quarter of 2020 and the 9-month of 2020**

The Company's total revenue for the 3<sup>rd</sup> quarter of 2020 was lower than the 2<sup>nd</sup> quarter of 2020 at 8.52 million Baht or 4.2%, as a result of the performance of the 2<sup>nd</sup> quarter of 2020 is better than normal season compared with the several years past. Customers use online auction service and good profit during COVID-19 while the number of vehicles is less from the debt moratorium measure which released by the government effect to the number of vehicles that flow into the auction has also decreased in the 3<sup>rd</sup> quarter. However, the Company has enough vehicles in the warehouse for sales, thus the company has not much affected by the debt moratorium measures.

In 2020, the most expenses have increased from the implementation of TFRS 16: Lease Agreements which impact to the leasehold rights not eligible for depreciation and financial costs which was the discount interest from the calculation of liabilities according to the lease with its present value. In addition, the increase of employee-related expenses was a result of employee increased and work hours increased for supporting the Company’s development and growth. In the late of 2019, the Company’s car park in upcountry has increased for supporting the vehicles increase including workload especially during COVID-19. As aforementioned, the Company's net profit in the 3<sup>rd</sup> quarter of 2020 has decreased.

In the 9-month of 2020, the overall performance has increased from the same period of the previous year. The total revenue was 654.69 million Baht increase of 71.51 million Baht or 12.3%. The profit before finance costs and income taxes was increased from the previous year in the amount of 26.67 million Baht or 13.3%. The net profit was increased at a rate of 1.5% which decreased to 24.8% compared with 27.5%

of the 9-month of 2019 affected from the finance costs calculation under TFRS 16 as above and there is no any impact on the cash flow.

The Company's financial position has strength from the operations and there are no liabilities together with short-term investments which were other current financial assets as fixed deposits with the financial institution. The Company's operation able to generate ROE at a rate of 52.13% (as of 30 September 2019, 48.66%: as of 31 December 2019, 47.19%)

The financial statements of the 3<sup>rd</sup> quarter of 2020 and the 9-month of 2020 are shown in accordance with the new financial reporting standards as follows:

(Unit: Million Baht)

Statement of Comprehensive Income	Quarter 3			Quarter 2		9-month		
	2020	2019	%YoY	2020	%QoQ	2020	2019	%YoY
Service revenue	192.11	200.63	(4.2%)	225.64	(14.9%)	650.76	578.04	12.6%
Other revenues	0.83	2.05	(59.5%)	0.87	(4.6%)	3.93	5.14	(23.5%)
<b>Total revenues</b>	<b>192.94</b>	<b>202.68</b>	<b>(4.8%)</b>	<b>226.51</b>	<b>(14.8%)</b>	<b>654.69</b>	<b>583.18</b>	<b>12.3%</b>
Cost of Service	(98.81)	(94.01)	(5.1%)	(95.92)	(3.0%)	(313.07)	(275.77)	(13.5%)
Gross profit	93.30	106.62	(12.5%)	129.72	(28.1%)	337.69	302.27	11.7%
Gross profit margin (%)	48.6%	53.1%	(4.6%)	57.5%	(8.9%)	51.9%	52.3%	(0.4%)
Sales and administrative expenses	(37.46)	(36.86)	(1.6%)	(29.44)	(27.2%)	(114.62)	(107.08)	(7.0%)
Profit from operating activities	56.68	71.81	(21.1%)	101.15	44.0%	227.00	200.33	13.3%
Financial Cost	(5.46)	0.00	(100.0%)	(5.66)	3.5%	(16.23)	0.00	(100.0%)
Income tax	(11.29)	(14.00)	19.4%	(17.95)	37.1%	(48.16)	(40.12)	(20.0%)
<b>Net profit</b>	<b>39.93</b>	<b>57.81</b>	<b>(30.9%)</b>	<b>70.81</b>	<b>(43.6%)</b>	<b>162.62</b>	<b>160.21</b>	<b>1.5%</b>
<b>Net profit margin (%)</b>	<b>20.7%</b>	<b>28.5%</b>	<b>(7.8%)</b>	<b>31.3%</b>	<b>(10.6%)</b>	<b>24.8%</b>	<b>27.5%</b>	<b>(2.6%)</b>
<b>Other comprehensive income:</b>								
Actuarial loss-net of income tax	-	-	0.0%	0.00	-	(2.80)	0.00	(100.0%)
<b>Comprehensive income for the period</b>	<b>39.93</b>	<b>57.81</b>	<b>(30.9%)</b>	<b>70.81</b>	<b>(43.6%)</b>	<b>159.82</b>	<b>160.21</b>	<b>(0.2%)</b>

Remarks: %YoY is the rate of change compared to the previous year and %QoQ is the rate of change Compared to the previous quarter.

### Revenue

The Company's service revenue in the 3<sup>rd</sup> quarter of 2020 was 192.11 million Baht, decreased by 8.52 million Baht or 4.2% compared with the same quarter of the previous year and decreased by 33.53

million Baht compared with the 2<sup>nd</sup> quarter of 2020 or 14.9% due to the COVID-19 and the debt moratorium measure of the Bank of Thailand as above mentioned.

For the 9-month of 2020, the Company had revenue from services in the amount of 650.76 million Baht increased by 12.6% from the same quarter of 2019 due to the Company had revenue from the increased vehicle sales and 5G auction of National Broadcasting and Telecommunication Commission (NBTC) which record in revenue from other auctions.

**Revenue from services is consists of:**

(Unit: Million Baht)

Revenue from services	Quarter 3			Quarter	Quarter	Changing	9-month		
	2020	2019	% QoQ	2/2020	1/2020	% QoQ	2020	2019	% YoY
1) Revenue from Vehicle	163.0	174.3	16.6%	195.4	189.6	-10.8%	548.0	504.7	30.6%
2) Relocation Fee Income	26.06	21.85	19.3%	26.48	25.76	(1.6%)	78.30	63.29	23.7%
3) Revenue from Other Auctions	3.05	4.47	(31.8%)	3.73	17.65	(18.2%)	24.42	10.10	141.8%
<b>Total</b>	<b>192.11</b>	<b>200.63</b>	<b>(4.2%)</b>	<b>225.64</b>	<b>233.01</b>	<b>(14.9%)</b>	<b>650.76</b>	<b>578.04</b>	<b>12.6%</b>

**Costs of services**

The cost of services in the 3<sup>rd</sup> quarter of 2020 is equal to 98.81 million Baht in increased from the 3<sup>rd</sup> quarter of 2019 at a rate of 5.1% as a mainly result of leasehold rights not eligible for depreciation from the implementation of TFRS 16.

For the 9-month of 2020 was 313.07 million Baht increased by 13.5% from the 9-month of 2019. Most of them were increased vehicles moving expenses which result from many vehicles into auction in the year 2020.

**Services and Administrative Expenses**

The services and administrative expenses in the 3<sup>rd</sup> quarter of 2020 was 37.46 million Baht increased from 36.87 million Baht in the 3<sup>rd</sup> quarter of 2019 or 1.6%. For the 9-month of 2020, the services and administrative expenses are equal to 114.62 million Baht increased by 7%. Most of the increased expenses are employee expenses for supporting the expansion of the market and public relations through social media.

### **Finance costs**

The financial costs arise from the calculation of the discounted interest in the recognition of the lease liabilities at the present value from the implementation of TFRS 16: Lease Agreements. In the 3<sup>rd</sup> quarter of 2020, the Company's finance costs were 5.46 million Baht and 16.23 million Baht for the 9-month of 2020.

### **Net Profit**

In the 3<sup>rd</sup> quarter of 2020, the Company's net profit was 39.93 million Baht decreased by 30.9% from the 3<sup>rd</sup> quarter of 2019. The net profit for the 9-month of 2020 was 162.62 million Baht increased by 1.5%. The decrease of net profit margin results from the finance costs as aforementioned. If the net profit has not included the financial costs, the net profit margin in the 9-month will be increased by 27.3% compared with 27.5% of the same period of the previous year.

### **Statement of Financial Position**

(Unit: Million Baht)

<b>Statement of Financial Position</b>	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>%YoY</b>
Total Assets	1,593.41	845.40	88.5%
Total Liabilities	1,152.79	328.12	251.3%
Owner's Equity	440.63	517.28	(14.8%)
Unappropriated Retained Earnings	105.38	182.03	(42.1%)
ROA (%)	24.98	37.00	
ROE (%)	52.13	47.19	
D/E (time(s))	2.62	0.63	
D/E (time(s)) not including lease liabilities	0.78	0.63	

The total assets as of 30 September 2020 were 1,593.41 million Baht increased by 748.01 million Baht from 31 December 2019. The total liabilities were 1,152.78 million Baht increased by 824.66 million Baht as a result of the implementation of TFRS 16, which impacted the assets and liabilities in the statement of financial position, affected by the recognition of the right-of-use assets and lease liabilities.

The total shareholders' equity is equal to 440.63 million Baht decreased by 76.65 million Baht from 31 December 2019 due to the allocation and payment of dividend for the year 2019 and the interim of dividend payment for the year 2020 in the amount of 137.50 million Baht and 99 million Baht (0.25 and 0.18 Baht per share), respectively.

## **Cash Flows Statement**

(Unit: Million Baht)

<b>Cash Flows Statement</b>	<b>For the 9 months period</b>			
	<b>2020</b>	<b>2019</b>	<b>Difference</b>	<b>%YoY</b>
Net Cash flows from Operating Activities	378.96	295.92	83.04	28.1%
Net Cash flows (used) in Investing Activities	16.31	(28.21)	44.52	(157.8%)
Net Cash flows (used) in Financing Activities	(286.78)	(192.46)	(94.32)	49.0%
<b>Cash Increase (Decrease)</b>	108.49	75.25	33.24	44.2%
Beginning Cash	68.69	111.15	(42.46)	(38.2%)
<b>Ending Cash</b>	177.18	186.40	(9.22)	(4.9%)

For the 9-month of 2020, the Company had net cash flow from operating activities in the amount of 378.96 million Baht, net cash flow used from investing activities of 16.31 million Baht. Most of them are cash received for short-term investments by fixed deposits in amount of 112 million Baht, cash paid for the right of use assets for 50.63 million Baht and cash paid for investment in property, buildings and equipment for 46.38 million Baht according to the business development plan of head office, Rangsit branch and warehouse in upcountry. The net cash flow used in financing activities is dividend payment in the amount of 236.48 million Baht. However, the change in accounting standard have not any impact on cash flow. The cash flow in the mentioned activities resulting in the Company having cash and cash equivalents as of 30 September 2020 equal to 177.18 million Baht decreased by 9.22% from the same period of the previous year.

## **Business trends**

From the spread of the COVID-19 virus that continues until the present, the government and the Bank of Thailand have released various measures to help those affected. One of measures is a debt moratorium measure which financial institutions accepted and supported for the period of 3 - 6 months, since April to October 2020. The debt moratorium measure affects the volume of vehicles to be auctioned has decreased since the second quarter of 2020. In addition, new car sales were likely to decline compared to the previous year. On the other hand, car loans also increased in the 2<sup>nd</sup> quarter together with used car prices were likely to increase. For this matter, the Company expected that the new car sales will be declined but credit loans are high compared with the previous quarter. The consumers changed from new car buying to used cars since cheaper in prices and adjusted to suit the current situation that not good economy. In the past, used cars have a higher incidence of bad debt than new cars, the Company expected that the higher

ratio of used car loans will have a positive effect on the Company's in the future. In addition, the Company has closely monitored the impact situation and plans to take action in accordance with the situation such as adding new channels to be cars auctioned apart from financial institutions together with improving online auctions access to be convenient for both buyers and sellers.

Please be informed accordingly.

Yours sincerely,

*-Varunyoo Sila-*

(Mr. Varunyoo Sila)

Director and Managing Director

Authorized signatory