



บริษัท สหการประมูล จำกัด (มหาชน)
UNION AUCTION PUBLIC COMPANY LIMITED

Registration No. 0107555000341

(Translation)

AUCT-OP 008/2019

February 26, 2019

Subject: Management Discussion and Analysis for the operating results for the year 2018, ending on December 31, 2018.

To: The President of The Stock Exchange of Thailand

Union Auction Public Company Limited ("Company") would like to submit the financial statements for the year 2018, ending on December 31, 2018. The financial statements have been audited by a certified public accountant, together with the management discussion and analysis as follows.

- The Company's total revenue in the fourth quarter of 2018, compared to the same quarter in the previous year increased at the rate of 41.9%. This has been a continuous increase due to the recovery of the industry from the lowest point since in the second quarter of 2017. This resulted in the Company being able to increase the number of auctioned automobiles at a rate of 12.9% from the third quarter of 2018. Most costs are semi-fixed costs which resulted in an increase of fourth quarter net profit at a rate of 92.3% compared to the same quarter in the previous year.
- In regards to the operating results of a 12-month period of 2018, the total revenue increased by 23.7% and net profit increased by 64.0%. The gross profit margin and the net profit margin increased to 51.2% and 24.4% respectively. That was from 45.1% and 19.3% in the same period last year.
- The financial status of the Company is strong because there is no debt. This made the Company be able to generate returns for shareholders (ROE) at a high level of 36.92%, compared to 23.75% as of December 31, 2017.

(Unit : Million of Baht)	Q4			12 months		
	2018	2017	%YoY	2018	2017	%YoY
Statement of Comprehensive Income						
Revenue from service	203.45	143.94	41.3%	693.17	559.50	23.9%
Other Revenues	1.81	0.76	139.4%	5.01	4.80	4.4%
Total Revenue	205.26	144.69	41.9%	698.19	564.30	23.7%
Cost of Service	(97.90)	(79.21)	(23.6%)	(338.49)	(307.42)	(10.1%)
Gross Profit	105.55	64.73	63.1%	354.69	252.08	40.7%
% of Gross Profit	51.9%	45.0%	6.9%	51.2%	45.1%	6.1%
Selling and Service Expenses	(43.28)	(29.99)	(44.3%)	(143.68)	(122.02)	(17.8%)
Share of Loss of Investment in a Joint Venture	(0.11)	(0.59)	80.6%	(1.15)	(3.67)	68.8%
Income Tax	(13.03)	(8.42)	(54.8%)	(44.41)	(27.25)	(62.9%)
Net Profit	50.93	26.48	92.3%	170.47	103.93	64.0%
% of Net Profit	24.8%	18.3%	6.5%	24.4%	18.4%	6.0%

Remarks: %YoY is the rate of change compared to the same period of last year.

The good performance in 2018 were a success due to the commitment to follow the Company's strategic plan and the determination to maintain the No.1 market share position as a stable business leader and be able to increase market share by continuously expanding the number of partners and customers. This includes adding other auction properties such as the auction of the assets of the State Railway of Thailand, the auction of the beautiful numbers of the NBTC, increasing the number of bidders who buy vehicles for business purposes and a group of small-scale bidders who buy vehicles to use by using strategies that focus on public relations mainly through social media. This enabled the Company to increase the number of customers and buyers as planned and this resulted in more purchasing power from both existing customers who trust and support the Company as well as an increase in new customers. A marketing team was organized to closely take care of customers, follow up and quickly solve problems, regularly monitor and evaluate performance, maintain and build good relationships in order to maintain and increase market share as a result of an increase in number of business partners in order to support an increase in customer demand. The Company has the potential to hold auction daily as a result of the Company's services in all areas, both in regards to staff, location, and convenience. In particular, the Company has a number of warehouses and branches that are ready to store vehicles and auction sites that are spread across all regions of the country. The Company is able to support the increasing number of vehicles entering warehouses and is ready to manage auctions every day. This is a response to the needs and satisfaction of partners and customers as well. Therefore, this resulted in the Company being able to increase sales, higher than the set target.

Revenue

The Company had revenue from services in the fourth quarter of 2018 in the amount of 203.45 million Baht. This was an increase of 59.51 million Baht or 41.3% from the same quarter in the previous year. For a 12-month period of 2018, the Company's service revenue was 693.17 million Baht. This was an increase of 133.67 million Baht or 23.9% compared to the same period in 2017. This was due mainly to an increase in revenue from automobile and agricultural car auctions which increased by 22.5% and transportation service revenue increased by 26.6% compared to 2017. In addition, in 2018, the Company had other income from auction management for various agencies such as the auction of 1800 MHz frequency and the auction of the beautiful numbers of the NBTC, etc.

Service Revenue is comprised of:

(Unit : Million of Baht)

Services Income	Q4			12 months		
	2018	2017	% YoY	2018	2017	% YoY
1) Automobile and Agricultural car Auction	158.15	109.90	43.9%	531.82	434.16	22.5%
2) Motorcycle Auction	16.90	15.41	9.7%	63.88	57.19	11.7%
3) Transportation Service	22.74	16.37	38.9%	76.25	60.21	26.6%
4) Other Auctions	5.66	2.25	151.1%	21.23	7.93	167.5%
	203.45	143.94	41.3%	693.17	559.50	23.9%

The increase in such revenue is aligned with the country's economic growth which has a continuous growth rate and the recovery of hire-purchase loans that are becoming increasingly competitive. This is also aligned with the expansion of new car sales in the country which has an increasing rate. In the fourth quarter of 2018, there was an increase of 17.6% compared to the fourth quarter of 2017.

Quarterly new car sales volume

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
No. of cars	295,155	257,466	252,025	237,093	250,935	210,732	199,490	210,490
% Diff QoQ	14.6%	2.2%	6.3%	-5.5%	19.1%	5.6%	-5.2%	
% Diff YoY	17.6%	22.2%	26.3%	12.6%				

Source: Toyota Motor Thailand Company Limited website

Gross Profit

The gross profit for the fourth quarter of 2018 was 105.55 million Baht, an increase of 63.1% from the fourth quarter of 2017. For the year 2018, the gross profit was 354.69 million Baht, an increase of 40.7% from the year 2017. This resulted from an increase in income. The Company's total number of all vehicles that completed auction increased by 20.5% when compared to the previous year.

The gross profit margin increased to 51.2% in 2018 from 45.1% in 2017 due to an increase in income. This caused the economy of scale of the business. In other words, most of the Company's service costs such as rent, depreciation, and employee payrolls were semi-fixed costs.

Cost of Services

Service costs for the fourth quarter of 2018 were 97.90 million Baht, an increase of 23.6% from the fourth quarter of 2017. The service costs for 2018 were 338.49 million Baht which was an increase of 10.1% from 2017. This was due to higher transportation expenses which resulted from an increasing number of vehicles transporting into the auction sites, especially at the headquarters. Personnel expenses increased as a result of organizational restructuring as well as an increase in personnel to support business growth and increased workloads. Besides, there was E-Auction software service fee in conducting NBTC 1800 MHz spectrum auction.

Sales and Administrative Expenses

Sales and Administrative expenses for the fourth quarter of 2018 were 43.28 million Baht, an increase of 44.3% from the fourth quarter of 2017. For the year 2018, the Company's sales and administrative expenses were 143.68 million Baht, an increase of 17.8% from 2017. This was due to the increase in depreciation from building improvements and adding warehouses to accommodate the increasing number of vehicles seized in other provinces. In addition, there was an increase in employee expenses due to the increase in the number of employees which resulted from organizational restructuring and increased personnel for business development and market expansion to support the increased volume of vehicles and auction sales. Also, there were expenses from organizing the event "Change Together" in the year 2018.

Net Profit

For the fourth quarter of 2018, the Company recognized a share of loss from investments in a joint venture company, in the amount of 0.11 million Baht and recognized the impairment provision of the joint venture, Action and Auction Co., Ltd., amounting to 0.28 million Baht. The net profit for the fourth quarter of 2018 under the equity method was 50.93 million Baht which was an increase of 92.3% from the fourth quarter of 2017.

Net profit for the year 2018, according to the equity method, amounted to 170.47 million Baht increased by 64.0% from 2017. This was due mainly to the increase of income, gross profit and cost control as well.

Investment in Joint Ventures

On January 25, 2017, the Company entered into a joint venture with TSF Energy Company Limited by setting up Action and Auction Company Limited in order to increase additional channels to earn more revenue for the Company. The goal is to expand the customer base to end users for more vehicles to auction.

Since the previous operating results did not meet the target, the Board of Directors' Meeting of Action and Auction Company Limited on October 9, 2018 resolved to terminate the operations and close Action and Auction Company Limited. This was proposed to the Shareholders' Meeting held on November 16, 2018 to approve such resolutions. For this reason, the Company recorded an allowance for an impairment of investment in the full amount as of September 30, 2018 and later on December 20, 2018. Action and Auction Company Limited registered the dissolution of the Company and is in the process of liquidation.

Statement of Financial Position

The total assets as of December 31, 2018 was 740.71 million Baht, an increase of 137.69 million Baht or 22.8% from December 31, 2017. The increase was due mainly to an increase in net cash and account receivables because there was an auction in late December 2018 which was a long holiday for the New Year festival. Therefore, there is a large amount of money received from bidders that is waiting to be paid back to sellers in early 2019.

The total liabilities were 265.21 million Baht, an increase of 110.20 million Baht or 71.1% from December 31, 2017. The increase was due mainly to an increase in trade payables as a result of a large number of vehicle auctions in late December 2018. There is a large amount of money waiting to be paid to vehicle owners.

In regards to shareholders' equity, the amount was 475.50 million Baht, an increase of 27.49 million Baht or 6.1% from December 31, 2017. This was because the Company had unappropriated retained earnings as of December 31, 2018, in the amount of 140.25 million Baht, an increase of 27.49 million Baht or 24.4%.

(Unit : Million of Baht)

Statement of Financial Position	31 Dec. 2018	31 Dec. 2017	%YoY
Total Assets	740.71	603.02	22.8%
Total Liabilities	265.21	155.01	71.1%
Total Equity	475.50	448.01	6.1%
Retained Earnings Unappropriated	140.25	112.76	24.4%
ROA (%)	31.98	22.17	
ROE (%)	36.92	23.75	

Cash Flow Statement

(Unit : Million of Baht)	12 months		
Statement of Cash Flows	2018	2017	%YoY
Net Cash Received on Operating Activities	261.31	153.06	70.7%
Net Cash Received (Spent) on Investing Activities	(51.30)	(69.67)	(26.4%)
Net Cash Received (Spent) on Financing Activities	(142.97)	(87.99)	(62.5%)
Cash	111.15	44.12	151.9%

For the year 2018, the Company had net cash flow from operating activities of 261.31 million Baht. Net cash used in investing activities was 51.30 million Baht with bank restricted deposit decreased by 18.03 million Baht and was offset with cash used in short-term investments of 39.25 million Baht and cash paid for the purchase of buildings and equipment was 30.46 million Baht. In regards to cash used in financing activities amounted to 142.97 million Baht, comprised of dividend payments paid in May 2018 in the amount of 87.98 million Baht and in September 2018 in the amount of 54.99 million Baht. This caused the cash and cash equivalents on December 31, 2018, to equal to 111.15 million Baht, 151.9% higher than the same period in the previous year.

Trends for the First Quarter of 2019

From the performance evaluation and automobile industry monitoring together with well prepare in every aspects to support the continuing growth of business in the 4 quarter period of 2018, the company still has a positive outlook for Q1, 2019 performance.

Please be informed accordingly.

Yours sincerely

- *Varunyoo Sila* -

(Mr. Varunyoo Sila)
Deputy Managing Director
Authorized Signatory