

Aug 13, 2021

Subject : Interim Management Discussion and Analysis of Q2/2021
Attention : President of The Stock Exchange of Thailand

We attach herewith the financial statements of Global Connections Public Co., Ltd. (GC) for the three months ended 30 June 2021, which had been reviewed by the Independent Auditor, and would like to clarify more details on the Interim Management Discussion and Analysis as follows :

FINANCIAL SUMMARY

	31.12.19	31.12.20	30.06.21
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,054	1,192	1,520
Total Assets	1,185	1,453	1,775
Current Liabilities	698	918	1,204
Total Liabilities	707	932	1,218
Shareholder's Equity	478	522	557
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,610	3,597	2,514
Gross Profit	274	306	214
Operating Profit	154	176	148
Profit for the period	115	136	115
Other comprehensive income	0	0	0
Total comprehensive income for the period	115	136	115
FINANCIAL RATIOS			
Return on Assets (%)	9.36	10.31	14.30
Return on Equity (%)	24.72	27.22	42.78
Net Profit Margin (%)	3.18	3.78	4.59
Current Ratio (Times)	1.51	1.30	1.26
Debt to Equity Ratio (Times)	1.48	1.79	2.19
Book Value per Share (Baht)	2.39	2.61	2.79
Net Profit per Share (Baht)	0.57	0.68	0.58

Interim Management Discussion and Analysis

Analysis of Overall Performance

The distribution business of plastic resins, plastic, and petrochemical related products needs relatively high working capital. The key success factors of this business depend on the inventory management, the logistic systems that meet the clients' needs in time, cost of capital, receivables management, and sales revenue. Due to this business has a low gross profit margin, building up more sales revenue will result in good net profit.

Sales revenue

The Company had total sales revenue of 1,241.8 million baht in Q2/2021, an increase of 480.1 million baht from 761.7 million baht of Q2/2020 or equivalent to 63%. Total sales quantity increased 16% from last year. The increase in total sales revenue resulted from economic recovery compared with the lockdown period in Q2/2020 and higher selling price resulting from rising raw material costs.

Financial Operating Results

In Q2/2021, total cost of sales and operating expenses were 1,182.4 million baht, increased by 444.58 million baht from 737.87 million bath of Q2/2020 or equivalent to 60.25%. Our major expense was costs of goods sold, an increase of 441.68 million baht from 704.89 million baht of Q2/2020 to be 1,146.56 million bath in Q2/2021 or 62.7% increased from last year's, which was close to sales increasing rate reflecting from the upward gross profit margin of Q2/2021.

The gross profit in Q2/2021 increased from 56.8 million baht to 95.20 million baht or equivalent to 68% resulting from the average cost of inventory gradually increasing according to higher product prices. The gross profit margin (before delivery cost) from 7.99% in Q2/2020 to 8.12% this quarter.

Total selling and administrative expenses increased by 2.9 million baht from 33 million baht in Q2/2020 to be 35.9 million baht, or 8.8% increased. This was derived from diminution in value of inventories 2.5 million baht and public donation (for Covid-19).

The interest expenses in Q2/2021 was 2.08 million baht, or 12.4% increased from Baht 1.85 million in Q2/2020. This was due to the increase in working capital as follows with a sales value increase.

As a result of the discussed factors, our profit for the three months of 2021 was 47.6 million baht versus 21.6 million baht in Q2/2020, or equivalent to 120% increased.

Comparison of Financial Position (FY30.06.2021 VS 31.12.2020)

Assets: As of 30 June 2021, GC recorded total assets of 1,775 million baht, representing an increase of 321 million baht from 1,453 million baht of 31 December 2020 or equivalent to 22.1% increased. Assets with major changed were as follows :

As of 30 June 2021 total current assets showed 1,520 million baht, an increase of 327 million baht or 27.4% from year-end 2020's. This was mainly due to the increase in both trade accounts receivable and inventory. The trade accounts receivable was increased by 163 million baht from 705 million baht in year-end 2020 to be 868 million baht in Q2/2021, or 23.2% increased resulting from the higher sales amount.

While inventory showed 559 million baht as of 30 June 2021, an increase of 101 million baht from 457 million baht of ending 2020 or 22.1% increased resulting from the higher purchasing volume to support the sales growth and longer lead time from the shortage of containers.

Liabilities: As of 30 June 2021, GC recorded total liabilities of 1,218 million baht, an increase of 286 million baht or 30.7% from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2020 balance of the short-term loan was 603 million baht versus 894 million baht as of Q2/2021 or equivalent to 48.3% increased resulting from the higher in both trade accounts receivable and inventory. The trade accounts payable as of Q2/2021 was 264 million baht, increase of 2 million baht from 262 million baht of ending 2020 or 0.9% increased. As a result, the Debts to Equity Ratio as of Q2/2021 was 2.19 times compared to 1.79 times ending 2020.

Sources of Funds: The structure of GC's funds in 2021 was not much different from those of 2020 as they were in terms of short-term liabilities. The major liabilities were short-term loans from financial institutions, bank overdrafts, and trade accounts payable.

Shareholders' Equity: As of 30 June 2021, the portion of shareholders' equity amounted to 557 million baht, an increase of 35 million baht, or 6.8% from those of the previous year-end, derived from profit for the period of 1H/2020 deducted dividend paid out of Baht 80 million.

Liquidity: As of 30 June 2021 GC had a current ratio at 1.26 times compared to 1.30 times of ending 2020, net working capital 316 million baht an increase of 42 million baht or equivalent 15%.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee