

Triple i Logistics Public Company Limited
Management Discussion and Analysis for Quarter 3/2021

Management Discussion and Analysis

Profit of Triple i Logistics in Q3/2021 exceeded Baht 100 million. The Company is confident in its 2021 performance, making all time high and growth by more than double.

The Company's operating performance in Quarter 3/2021 continued to grow compared to the previous quarter and grew significantly compared to the same period of the previous year.

The Company's net profit in Quarter 3/2021 was Baht 100.2 million, an increase by over 75.9% compared to the same period of the previous year and an increase by 16.9% compared to the previous quarter. The Company's net profit for 9-month of the year 2021 was Baht 263.4 million, which was 130.7% higher than the same period of the previous year, even though the overall economy was affected by the new wave of Covid-19 pandemic and local lockdown measures commencing from Quarter 2/2021 onwards. This was due to success of the Company's business plan in accordance with its objectives and strategy to become the operating holding company during the last year. As a result, the Company's two main sources of income are income from 4 main existing business units and share of profits from investments in new business invested by the Company directly and indirectly. The Company aims to generate income from new business of at least 50% within the year 2023. The strategy of generating income from existing and new business will strengthen the Company in terms of its business strategies and creating sustainable growth in its operating performance. In Quarter 3/2021, the Company was able to maintain its share of profit from investments in associates and joint ventures and generated good return from such investments. In addition, the Company was able to manage costs and maintain income from its existing business at a similar level to that of the previous quarter.

The Company is confident that, in the last quarter of the year 2021, it would continue to generate profit from existing business units and develop new business of all forms according to its goals. It believes that this year operating performance will grow by two times compared to that of the year 2020.

Summary of Operating Performance in Quarter 3/2021

Unit : Million Baht	Quarter	Quarter	% change	Quarter	Quarter	% change
	3/2020	3/2021	+ / (-)	2/2021	3/2021	+ / (-)
Total revenues	335.6	605.6	80.4%	641.5	605.6	(5.6%)
Gross profit	75.7	119.3	57.6%	137.4	119.3	(13.2%)
Gross profit margin (%)	22.6%	19.7%	(2.9%)	21.4%	19.7%	(1.7%)
Other income	48.5	54.5	12.4%	2.1	54.5	2521.3%
Selling expenses	16.3	18.7	14.9%	19.8	18.7	(5.6%)
Administrative expenses	61.1	62.7	2.5%	67.9	62.7	(7.7%)

Unit : Million Baht	Quarter	Quarter	% change	Quarter	Quarter	% change
	3/2020	3/2021	+ / (-)	2/2021	3/2021	+ / (-)
(Loss) gain on exchange rates - net	(0.4)	7.0	n.m.	0.3	7.0	n.m.
Finance costs	7.4	7.2	(3.5%)	7.4	7.2	(3.5%)
Share of profits from investments in associates and joint ventures	9.1	46.7	414.5%	46.6	46.7	0.1%
Income tax	4.2	38.8	830.6%	5.6	38.8	593.9%
Net profit for the period	57.0	100.2	75.9%	85.7	100.2	16.9%
Net profit margin (%)	17.0%	16.6%	(0.4%)	13.4%	16.6%	3.2%

The Company's total revenues in Quarter 3/2021 was Baht 605.6 million, an increase by 80.4% compared to the same quarter of the previous year and a slight decrease by 5.6% compared to the previous quarter. The increase in revenues compared to the same quarter of the previous year was a result of increase in revenues from all business units of the Company, particularly air freight business which was directly affected by the spread of Covid-19 in the year 2020, while other business units continued to generate revenues. The Company's business units had maintained growth in revenues under the current circumstances compared to the previous quarter.

The Company's gross profit in Quarter 3/2021 was Baht 119.3 million, an increase by 57.6% compared to the same quarter of the previous year and a decrease by 13.2% compared to the previous quarter. The increase in gross profit compared to the same quarter of the previous year was due to the increase in gross profit in all business units in line with the increase in revenues.

The selling and administrative expenses slightly increased compared to the same period of the previous year due to an increase in selling expenses in line with business expansion, which generated higher revenues.

Share of profits from investments in associates and joint ventures in Quarter 3/2021 was Baht 46.7 million. Around Logistics Management Co., Ltd. and DG Packaging Pte., Ltd. continued to generate good returns. ECU Worldwide (Thailand) Co., Ltd. under sea freight business was able to generate good return due to increase in sea freight. In addition, the Company started to recognize share of profits from investment in A.T.P. Friend Services Co., Ltd. (Shipsmile) from Quarter 2/2021 onwards and return on such investment met the target return.

In Quarter 3/2021, the Company entered into restructuring of its general sales agent for airlines (GSA) business by restructuring Asia Network International Co., Ltd. ("ANI") as an operating holding company for GSA business. As a result, the Company recorded gain from disposal of investment from restructuring of GSA business in the amount of Baht 24.8 million from such transaction of which the Company recorded Baht 52.1 million as other income and Baht 27.3 million as income tax.

The Company's net profit in Quarter 3/2021 was Baht 100.2 million, an increase by Baht 43.3 million or 75.9% growth compared to the same quarter of the previous year or 16.9% growth compared to Quarter 2/2021. The increase in net profit was due to continuous return from share of profits from investments in associates and joint ventures.

Operating performance for 9-month period of the year 2021

Unit: Million Baht	9-month period of the year 2020	9-month period of the year 2021	change	% change + / (-)
Revenues from sales and services	1,089.9	1,880.1	790.3	72.5%
Costs of sales and services	857.2	1,506.6	649.4	75.8%
Gross profit	232.6	373.6	140.9	60.6%
Gross profit margin	21.3%	19.9%		(1.5%)
Other income	55.9	60.7	4.8	8.6%
Selling expenses	49.0	57.3	8.3	16.8%
Administrative expenses	196.1	193.9	(2.3)	(1.1%)
(Loss) gain on exchange rates - net	(0.3)	7.3	7.6	n.m.
Finance costs	21.5	21.6	0.2	0.8%
Share of profits from investments in associates and joint ventures	85.2	146.7	61.6	72.3%
Income tax	8.8	52.1	43.3	493.9%
Net profit for the period	114.2	263.4	149.2	130.7%
Net profit margin	10.5%	14.0%		3.5%

In respect of the operating performance for the first 9-month period of the year 2021, the Company's revenues from sales and services was Baht 1,880.1 million, an increase by over 72.5% compared to the same period of the previous year due to increase in revenues from all business units, particularly air freight, chemical and dangerous goods logistics, and logistics management.

The Company's gross profit for the first 9-month period of the year 2021 was Baht 373.6 million, an increase compared to the same period of the previous year. The increase in gross profit was in line with the increase in revenues as a result of increase in air freight and sea freight costs. The Company was able to maintain gross profit margin at 19.9%, a similar level to that of the previous year.

The Company's selling and administrative expenses for the first 9-month period of the year 2021 slightly increased by 2.4% compared to the same period of the previous year. This was due to the Company's ability to control expenses at a level similar to the previous year, despite its business expansion which allowed the Company to generate higher level of revenues and gross profit.

The Company's share of profits from investments in associates and joint ventures for the first 9-month period of the year 2021 was Baht 146.7 million or 72.3% increase compared to the same period of the previous year. This was in accordance with the Company's risk management strategy by investing in foreign companies. In the year 2021, Around Logistics Management Co., Ltd. and DG Packaging Pte., Ltd. were able to generate good returns and their performance met the target returns. The operating performance of ECU Worldwide (Thailand) Co., Ltd. and CK Line (Thailand) Co., Ltd., which operate sea freight business, were able to generate good returns in this year due to increase in sea freight cost.

The Company has been able to generate profits with continuous and outstanding growth this year. In the first 9-month period of the year 2021, the Company's net profit was Baht 263.4 million, representing a growth of more than 130.7% from the previous year. This was in line with the increase in revenues and gross profit and share of profit from investments in associates and joint ventures.

Financial Position Analysis

Unit : Million Baht

Statement of Financial Position	30 June 2021	30 September 2021	Increase (Decrease)	%
Total assets	2,680.4	2,871.7	191.3	7.1%
Total liabilities	1,171.6	1,312.9	141.3	12.1%
Shareholders' equity	1,508.8	1,558.8	50.0	3.3%

Total assets

As of 30 September 2021, the Company's total assets was Baht 2,871.7 million, an increase from that as of 30 June 2021 by Baht 191.3 million. This was mainly due to increase in net trade and other receivables in the amount of Baht 138.6 million and cash in the amount of Baht 89.2 million. However, majority of the Company's assets consisted of cash, trade receivables, and investments in joint ventures and associates in the amount of Baht 196.3 million, Baht 676.7 million, and Baht 1,388.8 million respectively.

Total liabilities

As of 30 September 2021, the Company's total liabilities was Baht 1,312.9 million, an increase from that as of 30 June 2021 by Baht 141.3 million due to increase in trade payables and accrued income tax.

Shareholders' equity

As of 30 September 2021, the Company's shareholders' equity was Baht 1,558.8 million, an increase by Baht 50.0 million in line with operating performance in Quarter 3/2021. The Company approved interim dividend payment in the amount of Baht 60.9 million in September 2021.

Significant Development in Quarter 3/2021

Purchase of additional ordinary shares in A.T.P. Friend Services Co., Ltd.

- The Board of Directors' Meeting No. 7/2021 held on 10 August 2021 resolved to approve purchase of additional 2,720 shares in A.T.P. Friend Service Co., Ltd. (Shipsmile), representing 8% of the total issued and paid-up ordinary shares in Shipsmile, with the total consideration value of Baht 28.0 million. As a result, the Company has 38% of the total issued and paid-up ordinary shares of Shipsmile. Shipsmile is the top leader in parcel delivery franchise and acts a collection point for local parcel delivery from leading logistics companies. Shipsmile currently has more than 4,000 branches.

Interim dividend payment from the operating results of 1 January 2021 to 30 June 2021

- The Board of Directors' Meeting No. 8/2021 held on 21 September 2021 resolved to approve the payment of interim dividends at the rate of Baht 0.10 per share, totaling Baht 60,940,777.50. Such payment of dividend shall be from the Company's operating results of 1 January – 30 June 2021 and retained earnings. The date of determining shareholders who shall be entitled to receive dividends shall be on 6 October 2021 and the dividend payment date shall be on 21 October 2021.

Restructuring of general sales agent for airlines business

- The Board of Directors' Meeting No. 8/2021 held in September 2021 resolved to approve the restructuring of general sales agent for airlines business. This is a continuation of the previous restructuring which was approved by the Board of Directors' Meeting Nos. 4/2021 and 5/2021 held in April 2021. The Company completed the restructuring in September 2021, except for companies located in Cambodia and Myanmar which had limitation in documentation processing due to the situation of Covid-19 pandemic. The Company hopes that this restructuring of general sales agent for airlines business is a cooperation between the Company and foreign partners, which eliminates limitation on competitiveness as sales agent for airlines, particularly during the current situation where there is a high demand for air freight services and a shortage supply that is still unable to meet the current air freight situation.

Management's Viewpoints on Trend and Strategy for Quarter 4/2021

As the Company has set its vision for sustainable growth to become the leading logistics service provider in the region, a strategic plan for the year 2020 - 2021 has been prepared for business expansion, creation of a new source of income, and risk diversification. The implementation of such strategic plan had been successful. Although the Company has been affected by the COVID-19 pandemic during the past year until present, it was able to generate good performance from continuous growth in existing core business and new business development which can generate profits beyond targets. This success comes from formulating

an appropriate business strategy. In the future, the Company will continue to operate the business according to such plan by focusing on maintaining competitiveness of the existing core business and expanding business opportunities by collaborating with partners to develop products and services as a new source of income.

Business Plans of Core Business Units

1) Air freight business

- In Quarter 4/2021, it is expected that there will still be demand for air freight services in all routes, continuing from the previous quarter causing freight rates to remain high.

2) Sea freight business and inland transportation business

- The present container shortage has caused demand to be higher than supply. Hence, the Company is presented with an opportunity to continuously generate good operating performance, particularly with sea freight management services by ECU Worldwide (Thailand) Co., Ltd.

3) Logistics management business

- In respect of international freight services in Quarter 4/2021, the Company has expanded the number of its key account customers, particularly customers in food and frozen food industry, in addition to pharmaceutical and medical equipment importers. The demand for international freight services has continued to increase.
- In respect of warehouse and related logistics services, the Company will focus on fulfilment services by expanding temperature-controlled storage for customers in health and beauty sector in order to increase utilization efficiency.

4) Chemical and dangerous goods logistics business

- The Company will develop a business plan to service new customer segments, for instance a new marketing channel through online sales, development of e-Commerce enabler services for customers in dangerous goods and chemicals logistics services in order to support growth in online marketing and expansion of its customer base to customers in drug and pharmaceutical sector who have demand for cold chain services.
- In respect of dangerous goods and chemical packaging services, the Company has expanded its customer base in the country by providing customized packaging. The Company has also started a project with customer in the automotive industry.

Business Plan of Business Development Unit

1. Development to become a leading regional general sales agent for airlines in line with the Company's vision and strategy to become a leader in integrated logistics services in the region

The Company has completed the restructuring of shareholding structure in the general sales agent for airlines business in September 2021 as one of the strategic plans to become a regional leader in the general sales agent for airlines business, covering Thailand, Hong Kong, Singapore, Vietnam, Myanmar and Cambodia, which are countries with international production and distribution base. At present, the group acts as sales agent for more than 20 airlines across the region. The Company expects that the restructuring and consolidation of head office in Thailand will be an effective driving force for the group's GSA business in the region and increase the sources of income from foreign countries, including diversifying investment risks. The Company has made additional investment in Asia Network International Co., Ltd. (ANI) as approved by the Board of Directors' Meeting No.9/2021 held on 9 November 2021 as a source of fund for acquisition of 20% shareholding in Asia GSA (M) Sdn. Bhd., which acts general sales agent for airlines in Malaysia, Singapore and Vietnam.

2. Development of local logistics business for E-commerce customers

In Quarter 3/2021, the Company received satisfactory profit sharing and Shipsmile has continued to expand its branches as targeted. At present, the Company as strategic partner with strengths in international freight and related logistics services has prepared for development of new businesses in order to create added values to Shipsmile for expansion of customer base.

3. The Company will start providing local rail freight services within November 2021 with service routes from south to central region and from east to central region as inland transportation service in order to transport containers from the train stations to customers' designated destinations.

Yours sincerely,

Triple i Logistics Public Company Limited



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