

Nov 10, 2021

Subject : Interim Management Discussion and Analysis of Q3/2021
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 September 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	30.09.21
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,054	1,192	1,458
Total Assets	1,185	1,453	1,709
Current Liabilities	698	918	1,185
Total Liabilities	707	932	1,199
Shareholder's Equity	478	522	511
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,610	3,597	3,677
Gross Profit	274	306	287
Operating Profit	154	176	191
Profit for the period	115	136	149
Other comprehensive income	0	0	0
Total comprehensive income for the period	115	136	149
FINANCIAL RATIOS			
Return on Assets (%)	9.36	10.31	12.54
Return on Equity (%)	24.72	27.22	38.43
Net Profit Margin (%)	3.18	3.78	4.05
Current Ratio (Times)	1.51	1.30	1.23
Debt to Equity Ratio (Times)	1.48	1.79	2.35
Book Value per Share (Baht)	2.39	2.61	2.55
Net Profit per Share (Baht)	0.57	0.68	0.74

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 inventory management, logistic systems that meet the clients' needs in time, cost of capital, receivables management, and sales revenue. Due to this business having 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 1,162.50 million baht in Q3/2021, an increase of 299.9 million baht from 862.6 million baht of Q3/2020 or equivalent to 35%. Total sales quantity decreased slightly by 0.2% YoY and 5.6% QoQ, resulting from the Lockdown situation from Q2/2021. The increase in total sales revenue resulted from higher selling prices resulting from rising raw material costs and following the rise of Crude oil prices from production outages in the US. due to hurricane Ida in September together with demand recovery after easing travel in western countries following lower Covid-19 infections.

Financial Operating Results

In Q3/2021, total cost of sales and operating expenses were 1,121.3 million baht, increased by 300.7 million baht from 820.6 million baht of Q2/2020 or equivalent to 36.6%. Our major expense was costs of goods sold, an increase of 303.5 million baht from 786.1 million baht of Q2/2020 to be 1,089.6 million baht in Q3/2021 or 38.6% increased from last year's, which was close to sales increasing rate.

The gross profit in Q3/2021 decreased from 76.7 million baht to 72.90 million baht or equivalent to 5% resulting from lower product spreads by higher average cost of inventory and the baht depreciation. The gross profit margin (before delivery cost) went from 9.39% in Q2/2020 to 6.67% this quarter.

Total selling and administrative expenses decreased by 2.8 million baht from 34.5 million baht in Q3/2020 to be 31.7 million baht, or 8% decreased. This was derived from reverse of diminution in value of inventories 2.5 million baht when we had diminution in value 0.5 million baht last year and our well management.

The interest expenses in Q3/2021 was 1.92 million baht, or 27.3% increase from Baht 1.51 million in Q3/2020. 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 33.41 million baht versus 34.94 million baht in Q3/2020, or equivalent to 4% decreased.

Comparison of Financial Position (FY30.09.2021 VS 31.12.2020)

Assets: As of 30 September 2021, GC recorded total assets of 1,709 million baht, representing an increase of 256 million baht from 1,453 million baht of 31 December 2020 or equivalent to 18% increased. Assets with major changed were as follows :

Current Asset : As of 30 September 2021, total current assets showed 1,458 million baht, an increase of 266 million baht or 22% 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 81 million baht from 705 million baht in year-end 2020 to be 786 million baht in Q3/2021, or 11.5% increased resulting from the higher sales amount.

While inventory showed 628 million baht as of 30 September 2021, an increase of 170 million baht from 457 million baht of ending 2020 or 37.2% increased resulting from the higher purchasing volume to support the longer lead time from the shortage of containers.

Liabilities: As of 30 September 2021, GC recorded total liabilities of 1,199 million baht, increasing 267 million baht or 29% 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 603.2 million baht versus 813.59 million baht as of Q3/2021 or equivalent to 34.90% increased resulting from the higher need on working capital as above.. The trade accounts payable as of Q3/2021 was 335 million baht, increase of 73 million baht from 262 million baht of ending 2020 or 28% increased. As a result, the Debts to Equity Ratio as of Q3/2021 was 2.35 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 September 2021, the portion of shareholders' equity amounted to 511 million baht, a decrease of 11 million baht, or 2% from those of the previous year-end, derived from profit for the period of 9M/2021, 149 million baht deducted dividend paid out of Baht 160 million.

Liquidity: As of 30 September 2021 GC had a current ratio at 1.23 times compared to 1.30 times of ending 2020, net working capital 273 million baht, a decrease of 1.6 million baht or equivalent 0.6%.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee