

## Triple i Logistics Public Company Limited

## Management Discussion and Analysis for the year ending 31 December 2021

## Management Discussion and Analysis

***Generated highest net profit in the year 2021 with a new high in every quarter from diversification of risks through various investments, continuous business expansion, and effective cost management***

The Company generated a new high profit in the year 2021 at Baht 377.3 million, which has more than doubled the previous year net profit of Baht 162.5 million, creating strengths in the Company's core business units and diversifying investments in related business, even though the international air freight situation remained affected by the Covid-19 pandemic during the past year and airlines around the world were unable to operate normally. Such operating results were achieved through adjustments in the business strategy by finding new products and services and new business to generate revenue growth of more than Baht 2,939.2 million in the year 2021 or an increase by over 82.9% from the year 2020, effective cost management, and investments in related business locally and overseas which can generate good returns

## Summary of Operating Performance in Year 2021

Unit : Million Baht	2020	2021	Change	% change + / (-)
Revenues from sales and services	1,607.4	2,939.2	1,331.8	82.9%
Costs of sales and services	1,273.3	2,412.0	1,138.8	89.4%
<b>Gross profit</b>	<b>334.1</b>	<b>527.2</b>	<b>193.1</b>	<b>57.8%</b>
<i>Gross profit margin</i>	20.8%	17.9%		(2.9%)
Other income	57.0	73.7	16.8	29.4%
Selling expenses	67.1	84.9	17.8	26.6%
Administrative expenses	266.1	278.0	12.0	4.5%
(Loss) gain on exchange rates - net	(0.8)	5.9	6.6	(865.4%)
Finance costs	31.4	28.0	(3.4)	(10.8%)
Share of profits from investments in associates and joint ventures	135.4	223.4	88.0	64.9%
Income tax	12.7	61.8	49.1	387.0%
<b>Net profit for the period</b>	<b>162.5</b>	<b>377.3</b>	<b>214.8</b>	<b>132.2%</b>
<i>Net profit margin</i>	10.1%	12.8%		2.7%

In respect of the operating results in 2021, the Company's revenues were Baht 2,939.2 million, an increase by 82.9% from the previous year due to increase in revenues from core business units, particularly revenues from air freight service in the year 2021 of more than Baht 1,639.90 million, an increase by more than 79.76% from the year 2020. This was the period that was affected by change in the business models and impact of the Covid-19 pandemic in which the Company operated charter flights that has continued to generate revenues. Overall, other business units have continued to grow by 80.1% compared to the year

2020.

The Company's gross profit in the year 2021 was Baht 527.2 million, an increase by over 57.8% compared to the year 2020. Although gross profit margin of the group has reduced to 17.9% due to increase in air freight and sea freight rates. However, the Company was able to manage costs well and gross profit increased from the year 2020.

The selling expenses in the year 2021 were totaled at 84.9 million baht, an increase of 26.6% in line with an increase in revenue. Meanwhile, administrative expenses in 2021 only slightly increased by 4.5 percent, to a total of 278.0 million baht, due to efficient management.

Share of profits from investments in associates and joint ventures in the year 2021 was Baht 223.4 million, representing a 64.9% growth from the year 2020, which was in line with the Company's business risk management strategy by investing in foreign companies including DG Packaging Pte., Ltd. in 2019 and Asia Network International Limited (ANI) (as part of the restructuring of the Around Logistics Management Co., Ltd. and other companies operating the general sales agent for airlines in the group) which are generating good returns and meeting the target performance. Together with conglomerates and joint ventures investments benefiting from increasing sea freight such as ECU Worldwide (Thailand) Co., Ltd. and CK Line (Thailand) Co., Ltd. In the year 2021, the Company has also invested in a related business such as A.T.P. Friend Services Co., Ltd. or Shipsmile, which provides parcel delivery service, responding to the Company's strategy and business plan to develop the group's local transport and generate respectable profits to the Company.

In the year 2021, the Company has restructured the general sales agent for airlines business through cooperation between the Company and its foreign partners. The Company expects to list ANI on the Stock Exchange of Thailand within this year to raise funds for investments in related business and generate long-term returns for shareholders.

Even in the economy that has been affected by the ongoing pandemic since the beginning of the year, the management of business risks by investments in foreign companies and management of costs, expenses, and profits from disposal of investment have resulted in the Company's net profit in the year 2021 being equivalent to Baht 377.3 million, an increase of more than 132.2% from the year 2020, and created a new high of the group's operating results, particularly the fourth quarter of 2021 which generated a net profit of more than Baht 113.9 million.

## Financial Position Analysis

Unit : Million Baht

Statement of Financial Position	31 December 2020	31 December 2021	Increase (Decrease)	%
Total assets	2,406.0	2,949.8	543.8	22.6%
Total liabilities	1,114.9	1,204.7	89.8	8.1%
Shareholders' equity	1,291.1	1,745.1	454.0	35.2%

### Total assets

As of 31 December 2021, the Company's total assets was Baht 2,949.8 million, an increase from that as of 31 December 2020 by Baht 543.8 million. This was mainly due to increase in trade receivables to Baht 801.3 million or an increase by Baht 368.2 million, which was in line with the increase in revenues. And increase in investments in joint ventures from the Company's investment in 43% shareholding of A.T.P. Friend Services Co., Ltd. with the total investment amount of Baht 153.0 million.

### Total liabilities

As of 31 December 2021, the Company's total liabilities was Baht 1,204.7 million, an increase from that as of 31 December 2020 by Baht 89.8 million due to increase in trade payables by Baht 174.4 million which is within the Company's normal business operations. In addition, the Company has loans from financial institutions, which are used for investment in various businesses, with short-term loans of Baht 120.0 million and long-term loans of Baht 375.0 million. This illustrates that the Company has strong financial ratios. It has a debt-to-equity ratio of 0.69 times and an interest-bearing debt to equity ratio of 0.35 times.

### Shareholders' equity

As of 31 December 2021, the Company's shareholders' equity was Baht 1,745.1 million, an increase by Baht 454.0 million from that as of 31 December 2020 from increase in retained earnings as a result of profit in the previous year, newly issued ordinary shares from the exercise of warrants no. 1 to purchase the Company's ordinary shares proportionally allocated to shareholders, and sale of repurchased shares. In the year 2021, the Company paid interim dividends at the rate of Baht 0.10 per share, totaling Baht 60.9 million.

## Significant Development in Year 2021

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

- The Company paid interim dividends at the rate of Baht 0.10 per share, totaling Baht 60.9 million. Such payment of dividends was from the Company's operating results of 1 January – 30 June 2021 and retained earnings. The Company has paid the dividends on 21 October 2021.

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**Investment in business relating to the Company's business**

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- The Company invested in A.T.P. Friend Services Co., Ltd. ("Shipsmile"). As at the end of the year 2021, the Company's shareholding in Shipsmile accounts for 43% of the total capital. The Company started investing in Shipsmile in April 2021 and initially held 30% of the total capital with the total consideration of Baht 153.0 million. 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 4,500 branches.

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**Restructuring of general sales agent for airlines business**

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- The Company has restructured the general sales agent for airlines business through cooperation between the Company and its foreign partners. The restructuring has eliminated limitations on competitiveness and marketing as general 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. The Company expects to list Asia Network International Co., Ltd. (ANI) on the Stock Exchange of Thailand in the year 2022 to raise funds for investments in related business and generate long-term returns for shareholders.
- The Company additionally invested in ANI in the amount of Baht 300.8 million during the beginning of the year 2022. The fund injection will be used for investment by ANI's subsidiary under Asia GSA (M) Sdn. Bhd. group (Asia GSA (M) of 20%, which conducts general sales agent for airlines in Malaysia, Singapore, and Vietnam. After the investment in Asia GSA (M), the Company's shareholding in ANI currently accounts for 50.3% of the total capital.

**Management's Viewpoints on Trend and Strategy for Year 2022**

The Company expects that the global trend of the Covid-19 pandemic will begin to improve through distribution of vaccines covering most of the population of each country and reducing severity of illness. This can be seen from policies of each country which have started to relax measures to control the pandemic causing economic activities to gradually recover. It is anticipated that there will be an opportunity for growth in air freight and sea freight in the year 2022. The Monetary Policy Committee, the Bank of Thailand expects that the Thai economy will continue to recover by 3.4% and Thai exports are expected to expand by 3.0% - 4.0%, supported by a recovery in domestic consumption and gradual return of foreign tourists after the opening of the country.

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**Business Plans of Core Business Units**

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The air freight situation has improved due to adjustments in additional flight plans by various airlines. It is expected that airlines worldwide will begin to resume services at the end of Quarter 2/2022. Some countries in Asia will start to open the countries in March such as Malaysia and Vietnam, and other countries

should start to relax measures in April. This will benefit air freight service and services relating to passenger service, including ground handling services and air freight service of which airlines are resuming normal service. In addition, airlines represented by the Company such as SriLankan Airlines and Thai Vietjet Air will provide additional flights. This will increase freight area that can be offered to customers compared to the previous year.

The shortage of shipping containers in the past year has eased. However, it is expected that the first half of 2022 will still be affected as there are remaining containers in many ports, particularly in the United States, Europe, and Australia. This will cause freight rates to remain at a high level close to the year 2021. As for CK Line represented by the Company, there are plans to add more service areas to support the expansion of its customer base in the future.

In respect of international freight forwarding business, it is expected that there will be a continuous growth in sea freight and air freight, including land transportation and multimodal cross-border freight provided by the Company as an alternative to customers from container shortage situation in the previous year.

In relation to warehouse and related logistics services, the Company continues to focus on providing logistics services to e-commerce and social commerce customers by focusing on expanding the customer base in the health and beauty group and increasing utilization by the one-stop packaging center.

Due to the occurrence of many chemical accidents in factories and business establishments over the past year, the government sector, private sector and related agencies have paid more attention to safety control and uplift the management of chemicals. This will benefit dangerous goods and chemicals logistics business. In addition, the growth of innovation in using certain types of dangerous goods in industries such as lithium batteries used in the automotive industry for electric vehicles will be one of the major catalysts for continuous growth in dangerous goods packaging and related logistics services. The Company, therefore, plans to expand dangerous goods and chemical warehouse by approximately 2,000 square meters in early 2022.

## **Business Plan of Business Development Unit**

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In the past year, the Company was able to generate satisfactory operating results. This success comes from closely assessing the situation and being able to adapt according to the situation and strategic plan to create new sources of income and diversify investment risks. In the year 2022, the Company will continue to focus on business development expanding from the existing logistics services provided by the Company to create exponential growth by developing new businesses. There will be new services to be offered by the Company including:

- Rail transport services

The Company has started providing local product transport during the end of 2021 and expects to start international rail transport within Quarter 2/2022.

In addition, the Company has cooperated with partners to expand the business invested in the year 2022 including:

- Development to become a regional general sales agent for airlines to be in line with the Company's vision and strategy to become a leader in comprehensive logistics services in the region

The general sales agent for airlines business has undergone the restructuring since the year 2021 to allow the Company to become a leader in general sales agent for airlines business in the region covering Thailand, Hong Kong, Singapore, Vietnam, Myanmar and Cambodia, which are international production and distribution base, and the head office is located in Thailand under Asia Network International Company Limited (ANI). The restructuring is expected to be completed and ANI is ready for raising funds in the stock market in the year 2022.

- Airport ground handling and passenger services

Since the government has relaxed the lockdown measures and has started a policy to open the country, piloted by Phuket Sandbox Project, the Company has expanded its service at Phuket Airport in addition to Don Mueang Airport through services by AOT Ground Aviation Services Company Limited ("AOTGA"), a joint venture company between SAL and Airports of Thailand Public Company Limited ("AOT") to operate airport ground handling and passenger services. AOTGA started to have good operating results in Quarter 4/2021. It is expected that when the country is fully opened, the company will be able to expand the services to more airports

- Development of local logistics service for E-commerce customers

The Company has cooperated with Sabuy Technology Public Company Limited to develop Shipsmile to become stronger and have the potential to generate additional profits. The Company has also cooperated with a business partner like Kerry and included other services apart from being a point of delivery of parcels such as sales of freight insurance, life insurance, and accident insurance, car insurance renewal, and payment services for

utility bills. In the year 2021, there is a total of 4,500 branches and the goal is to expand to 9,000 branches this year.

Apart from developing new business models and cooperating with partners to expand the business already invested by the Company, the Company plans to grow in other inorganic ways such as investing in logistics-related businesses that have the potential to be a new source of revenues in line with its business strategy.

Yours sincerely,

Triple i Logistics Public Company Limited



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