

KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q3/2022

CONTINUOUS EXECUTION OF MARKET LEADERSHIP STRATEGY & EFFICIENCY ENHANCEMENT PROGRAMMES DROVE IMPROVED THIRD QUARTER RESULTS

- Following the **EXPRESS-FOCUS STRATEGY**, KEX continues to achieve year-on-year volume growth of 5.0% in the third quarter, despite notably high-volume base during the same period last year driven by the first wave of aggressive pricing approach. This YoY volume growth was achieved on the backdrop of lackluster macroeconomic conditions and industry outlook, rapidly rising inflationary pressure, tightening global financial and capital markets as well as lower consumer purchasing power. **SMART PRICING APPROACH** and **FUEL SURCHARGE** have continuously been carried out to further nurture sustainable yield and to neutralise the impact of rising diesel price.
- Following the **INDUSTRIALISATION OF KEX** and the **COST-CONTROL PROGRAMMES** strictly implemented, we have streamlined our workflows especially in sorting hubs and distribution centres, as well as route planning and last-mile optimisation to enhance operational efficiency and cost effectiveness. As a result, cost and expenses have dropped by 6.3% YoY and 2.5% QoQ amidst the upsurge in diesel price during the third quarter. KEX's overall **EARNINGS IMPROVED** from the previous quarter.
- KEX recently unveiled our brand-new **INTERNATIONAL PARCEL DELIVERY SERVICE** spanning over 50 routes in 45 countries across Asia-Pacific and Europe. The service is a collaboration of the two's inherent strengths: the nationwide superior-quality express delivery service of KEX and the international air freight expertise of **SF INTERNATIONAL**. Such synergy will strengthen KEX ecosystem and add tremendous value to our core express business.
- Following **BUSINESS DIVERSIFICATION STRATEGY**, **KERRY COOL** has managed to capture substantial demand and enlarged its client portfolio including Thailand's leading chains of restaurants, reflected in revenue growth of 165.8% QoQ. Initiated in Q4/2021, Kerry Cool has since covered the Southern and Central region and aims to expand to the Northeastern and Eastern region in the incoming quarters.
- KEX continues to widen our **MARKET LEADERSHIP** relentlessly by deepening our penetration into online and offline communities. Apart from latest collaboration with **TIKTOK SHOP**, KEX recently expanded our physical service points through **LAWSON108** convenience stores, under Saha Group, nationwide. Given our successful cooperation with community resellers nationwide and leading retail brands, KEX has over 37,000 service locations at the end of Q3/2022, rising by 90.0% compared to the same period last year. KEX's **EXTENSIVE NETWORK** has set strong market presence across segments and over other players in the market.
- KEX has again been selected as **THSI** member by the Stock Exchange of Thailand for inclusion in Thailand Sustainability Investment. Such accomplishment reflects KEX's commitment to integrate innovation for economic contribution, employee development, social and environmental responsibilities. KEX will continue to proactively disclose information on our **ESG** and **SD INITIATIVES** in order to further enhance our corporate value over the medium to long term.



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MANAGEMENT DISCUSSION AND ANALYSIS Q3/2022

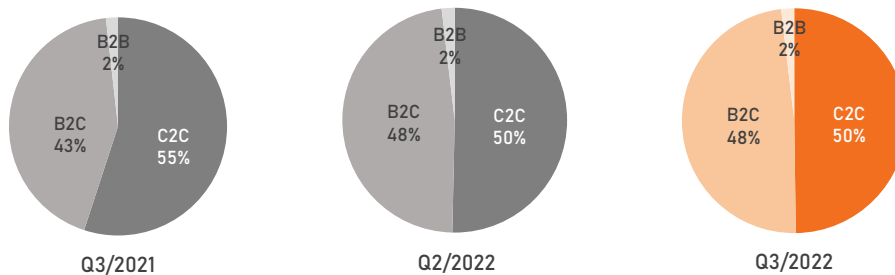
Q3/2022 FINANCIAL PERFORMANCE

Table 1: Selected Indicators for Operational Results

(Unit: Million THB)	Q3/2021	Q2/2022	Q3/2022	YoY % +/-	QoQ % +/-
Volume growth (%)				5.0%	
Sales and services income	5,330.7	4,283.0	4,218.6	-20.9%	-1.5%
Cost of sales and services	-4,978.5	-4,783.1	-4,665.9	-6.3%	-2.5%
Gross profit	352.2	-500.1	-447.4	-227.0%	10.5%
Selling and administrative expenses	-361.9	-459.0	-452.1	24.9%	-1.5%
EBITDA	600.4	-300.2	-229.4	-138.2%	23.6%
EBIT	27.4	-919.0	-839.5	-3,164.4%	8.6%
Net profit attributable to owners of the Company	12.8	-732.4	-674.6	-5,355.4%	7.9%
EPS (THB/Share)	0.01	-0.420	-0.387		
Gross Profit Margin (%)	6.6%	-11.7%	-10.6%		
EBITDA Margin (%)	11.3%	-7.0%	-5.4%		
EBIT Margin (%)	0.5%	-21.5%	-19.9%		
Net Profit Margin (%)	0.2%	-17.1%	-16.0%		

Remark: As shown in financial statements, excluding non-controlling interests

Table 2: Revenue by Segment



- Revenue is recorded at THB 4,218.6 million, slightly dipped compared to the previous quarter following dampened market sentiment and ongoing economic slowdown induced by inflationary pressures. KEX continues to achieve YoY volume growth of 5.0% in the third quarter, despite notably high-volume base during the same period last year driven by the first wave of aggressive pricing approach. Revenue contribution in all segments bear no substantial change, despite relatively weaker sales effort and fewer promotions offered by e-commerce markets compared to the previous quarter.
- Following our continuous execution of cost-cutting actions and efficiency enhancement programmes, cost of sales and services is reported lower by 6.3% YoY and 2.5% QoQ, at THB 4,665.9 million. The implementation of last-mile optimisation and redundancy minimisation between hubs and distribution centres have brought us closer to the cost-effective balance of insourced and outsourced manpower and resources. Additionally, intensive performance-based employment approach has been implemented company-wide to retain valuable human resources and identify low contributors. The industrialisation of KEX and the constant platform upgrade have enabled KEX to effectively manage the total costs amidst rising diesel prices in this quarter. Though cost-reduction initiatives could take some time, we expect the impact of cost reduction to accelerate and carry well into the incoming quarters.
- Selling and administrative expenses (SG&A) dropped from the previous quarter by 1.5% following our tighter cost control measures, and rose by 24.9% compared to Q3/2021 primarily due to administrative expenses relating to our core competency reinforcement and business expansion since the beginning of the year, following the execution of the Company's market leadership and diversification strategy.
- The Company and its subsidiaries reported a net loss attributable to owners of the Company of THB 647.6 million, regaining an upward momentum of 7.9% when compared to the previous quarter.

KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q3/2022

The narrowing loss was primarily driven by the continuous execution of cost-control approach together with our strong determination to enhance operating efficiency and to achieve continuous volume growth. In addition, revenue management actions including Smart Pricing approach and fuel surcharge, have carried on to nurture sustainable yield. We remain focused on operational efficiency initiatives and enlarging volume base to drive earnings improvement and to mitigate operational cost pressures.

FINANCIAL POSITION AND LIQUIDITY

Figure 1: Financial Position

(Unit: Million THB)

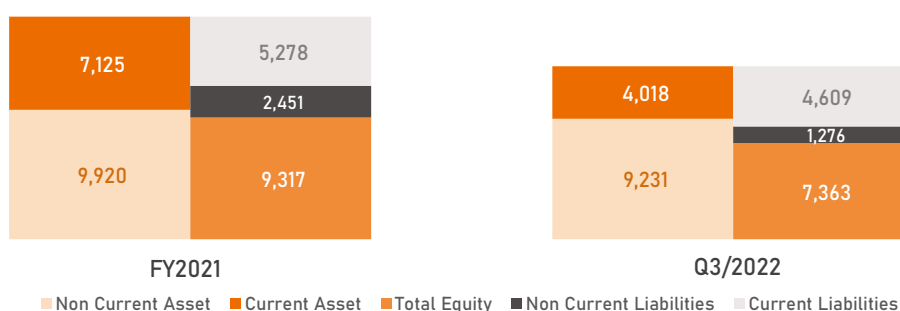


Table 3: Asset Breakdown

(Unit: Million THB)	FY2021	Q3/2022	Change % +/- (-)
Cash and investment in liquid financial assets	7,294.9	3,957.3	-45.8%
Trade and other receivables	1,612.7	1,788.6	10.9%
Plant and equipment	2,244.2	2,521.5	12.4%
Right-of-use assets	4,897.1	3,372.1	-31.1%
Other assets	996.7	1,609.3	61.5%
Total Assets	17,045.6	13,248.8	-22.3%

Table 4: Liabilities and Shareholders' Equity

(Unit: Million THB)	FY2021	Q3/2022	Change % +/- (-)
Trade and other payables	1,977.1	1,845.6	-6.7%
Cash on delivery payable	723.7	474.0	-34.5%
Current portion of lease liabilities	2,502.0	2,211.5	-11.6%
Lease liabilities	2,256.1	1,035.1	-54.1%
Other liabilities	269.8	295.2	9.4%
Total Liabilities	7,728.7	5,885.5	-23.8%
Total Shareholders' Equity	9,316.9	7,363.2	-21.0%
Total Liabilities and Equity	17,045.5	13,248.8	-22.3%

BALANCE SHEET AND LIQUIDITY POSITION

- Apart from healthy balance sheet, cash reservation is one of our top priorities as we closely monitor our financial wellbeing. We have prudently managed our working capital which results in improved cash cycle and positive quarterly cash flow from operating activities. Additionally, we continue to remain a certain portion of cash in low-risk fixed income funds with high liquidity and corporate debentures in line with our investment direction with the main purpose set on yield enhancement, capital preservation, and high liquidity.
- Following our business expansion strategy to diversify our portfolio and create additional revenue streams under the current macroeconomic conditions and outlook, KEX has been selective and

KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS Q3/2022

remained cautious with our investment plans as the road to Thailand's and global economic recovery is still unclear. Non-core projects that do not contribute to KEX's immediate benefit and improved earnings will be less prioritised at the moment.

KEY FINANCIAL RATIOS

Table 5: Key Financial Ratios

		Q3/2021	Q2/2022	Q3/2022
Liquidity ratios				
Current ratio ⁽¹⁾	(times)	1.74	1.10	0.87
Quick ratio ⁽²⁾	(times)	1.70	1.04	0.82
Cash flow liquidity ratio ⁽³⁾	(times)	0.50	-0.31	-0.17
Accounts receivable turnover ⁽⁴⁾	(times)	17.16	14.52	13.90
Average collection period ⁽⁵⁾	(days)	21.27	25.13	26.27
Accounts payable turnover ⁽⁶⁾	(times)	25.63	27.32	19.60
Average payment period ⁽⁷⁾	(days)	14.24	13.36	18.63
Cash cycle ⁽⁸⁾	(days)	7.03	11.77	7.64
Profitability ratios				
Gross profit margin ⁽⁹⁾	(%)	6.61	-11.68	-10.60
Net profit margin ⁽¹⁰⁾	(%)	0.24	-17.10	-15.99
Return on equity ⁽¹¹⁾	(%)	17.07	-18.98	-29.14
Efficiency ratios				
Return on total assets ⁽¹²⁾	(%)	7.36	-11.47	-16.40
Total asset turnover ⁽¹³⁾	(times)	1.32	1.18	1.15
Financial policy ratios				
Total liabilities to equity ratio ⁽¹⁴⁾	(times)	0.76	0.75	0.80
Interest-bearing debt to EBITDA ratio ⁽¹⁵⁾	(times)	1.30	16.62	-5.45
Interest coverage ratio ⁽¹⁶⁾	(times)	28.20	-16.71	-12.62
Debt service coverage ratio ⁽¹⁷⁾	(times)	1.53	0.10	-0.27

Remarks:

(1) Current ratio = total current assets divided by total current liabilities

(2) Quick ratio = sum of cash and cash equivalents, short-term investments and trade and other receivables, divided by total current liabilities

(3) Cash flow liquidity ratio = net cash generated from operating activities divided by average total current liabilities

(4) Accounts receivable turnover = sales and services income divided by average gross trade accounts receivable

(5) Average collection period = 365 divided by accounts receivable turnover

(6) Accounts payable turnover = cost of sales and services divided by average trade account payable

(7) Average payment period = 365 divided by accounts payable turnover

(8) Cash cycle = the difference between the average collection period and the average payment period

(9) Gross profit margin = gross profit divided by sales and services income

(10) Net profit margin = profit (loss) for the period divided by sales and services income

(11) Return on equity = profit (loss) for the period divided by average total equity

(12) Return on total assets = profit (loss) for the period divided by average total assets

(13) Total asset turnover = sales and services income divided by average total assets

(14) Total liabilities to equity ratio = total liabilities divided by total equity

(15) Interest-bearing debt to EBITDA ratio = total interest-bearing debt and lease liabilities divided by EBITDA

(16) Interest coverage ratio = EBITDA divided by interest expense

(17) Debt service coverage ratio = EBITDA divided by the sum of the current portion of short-term loan obligation, lease liabilities due within one year and finance cost

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UPHOLDING SHARP FOCUS ON COST MANAGEMENT AS ROOM FOR EARNINGS IMPROVEMENT PREVAILS

Under the current unfavourable geopolitical and macroeconomic outlook, inflationary pressures and economic slowdown have substantially diminished consumer purchasing power, dampening near-term economic and industry growth, which hinder the pace of our strategy execution and turnaround in profitability. Nevertheless, KEX remains firm in our market leadership strategy, focusing on operational efficiency enhancement and enlarging volume base to drive earnings improvement. Given our **CONTINUOUS EFFORTS ON COST CONTROL** and **EFFICIENCY ENHANCEMENT**, with its optimal balance with service quality, we expect the impact of cost reduction to carry on and contribute to continuously **IMPROVED EARNINGS** in coming quarters. In addition to our strong determination to drive operational efficiency to a new level, KEX and SF has synergistically formed the '**SF - KEX OPERATIONS & TECHNOLOGY WORKING GROUP**' dedicated for efficiency improvement through technology, network planning & route optimization and sorting equipment upgrade. We are transplanting best practices, techniques and references from SF China as we expect such co-taskforce to contribute to substantial efficiency improvement, consequential cost improvement and reflected in improved earnings.

Following our **BUSINESS DIVERSIFICATION** strategy, KEX recently unveiled our brand-new **INTERNATIONAL PARCEL DELIVERY SERVICE** spanning over 50 routes in 45 countries across Asia-Pacific and Europe. The service is co-powered by an international air freight expertise of **SF INTERNATIONAL**. Such synergy will strengthen KEX ecosystem and add tremendous value to our core express business in Thailand. Furthermore, **KERRY COOL** has satisfactorily captured substantial demand and enlarged its client portfolio including Thailand's leading chains of restaurants, reflected in substantial revenue growth. Given our business direction and various preparations for a sustainable future of the Company, we remain committed to our express delivery business as the core of our operations and strive to strengthen the **LEADERSHIP POSITION IN THAI EXPRESS DELIVERY MARKET**.

Alex Ng
Chief Executive Officer
Kerry Express (Thailand) Public Company Limited