

Triple i Logistics Public Company Limited
Management Discussion and Analysis for Quarter 3/2023

Management Discussion and Analysis

The Company achieved the highest net profit in Quarter 3/2023 of Baht 160.3 million, a growth of 10% compared to the same period of the previous year and continuous growth from the previous quarter

In respect of the tourism industry outlook in Quarter 3/2023, Thailand's flight volume and international freight volume were similar to that of the previous quarter. There were uncertainties in the global economic situation, resulting in decrease in freight rates compared to the same period of the previous year and the previous quarter and decrease in the Company's total revenues. However, the Company was able to achieve continuous growth in its operating results from profits generated by its core businesses and improved profitability in all business units. This was accomplished by cost management and restructuring to become more efficient, particularly the airport warehouse business of which profit margin and profit have been increasing. The profit also came from expansion through investments in logistics-related businesses according to the Logistics and Beyond strategy which focuses on service expansion and investment in diverse integrated logistics businesses locally and within the region to become a leading logistics company in the region. Such factors have been drivers for the Company in achieving sustainable operating results, despite uncertainties from various factors which affected the business.

Summary of Operating Performance in Quarter 3/2023

Unit : Million Baht	Quarter 3/2022	Quarter 3/2023	% change + / (-)	Quarter 2/2023	Quarter 3/2023	% change + / (-)
Total revenues	744.0	398.2	(46.5%)	441.3	398.2	(9.7%)
Gross profit	178.6	104.3	(41.6%)	91.3	104.3	14.2%
Gross profit margin (%)	24.0%	26.2%	2.2%	20.7%	26.2%	5.5%
Other income	6.7	1.8	(73.4%)	2.8	1.8	(35.6%)
Selling expenses	17.2	11.2	(34.9%)	12.4	11.2	(9.7%)
Administrative expenses	72.4	56.7	(21.7%)	57.6	56.7	(1.6%)
Gain (loss) on exchange rates - net	4.9	0.6	(88.2%)	1.8	0.6	(67.4%)
Finance costs	8.2	8.7	6.3%	8.5	8.7	3.1%
Share of profits from investments in associates and joint ventures	72.1	136.7	89.5%	145.9	136.7	(6.3%)

Unit : Million Baht	Quarter	Quarter	% change	Quarter	Quarter	% change
	3/2022	3/2023	+ / (-)	2/2023	3/2023	+ / (-)
Net profit attributable to the company	146.3	160.3	9.6%	158.0	160.3	1.5%
Net profit margin (%)	19.7%	40.3%	20.6%	35.8%	40.3%	4.4%

The Company's net profit in Quarter 3/2023 was Baht 160.3 million, a 9.6% growth compared to the same period of last year and a continued growth from the previous quarter by 1.5%. This was due to growth in the core businesses compared to the previous quarter and consistently good returns from investments in related businesses, both domestically and internationally.

Share of profits from investment in associates and joint ventures in Quarter 3/2023 was Baht 136.7 million, an increase by over 89.5% compared to the same period of last year. This was mainly due to continuous growth in ANI's operating performance and growth of the tourism industry and airline business compared to last year. Such growth had a positive impact on the airport ground and passenger handling service of AOTGA invested by the Company through SAL Group (Thailand) Co., Ltd.

Total revenues in Quarter 3/2023 was Baht 398.2 million, a decrease by 46.5% compared to the same period of last year and a decrease by 9.7% compared to the previous quarter. The decrease compared to the same period of last year was mainly due to the decrease in air and sea freight rates and the restructuring of air freight business unit for which the Company sold shares in Triple i Asia Cargo Co., Ltd. (TAC) to ANI at the end of last year.

Gross profit in Quarter 3/2023 was Baht 104.3 million, a decrease by 41.6% from the same period of last year. However, when compared to the previous quarter, the Company's gross profit and gross profit margin increased by 14.2% and 5.5% respectively from effective cost management.

Operating Performance for the Nine Months of 2023

Unit : Million Baht	9-month of 2022	9-month of 2023	change	% change + / (-)
Revenues from sales and services	2,210.5	1,276.5	(934.0)	(42.3%)
Gross profit	443.3	287.2	(156.1)	(35.2%)
Gross profit margin	20.1%	22.5%		2.4%
Other income	36.7	7.0	(29.7)	(81.0%)
Selling expenses	45.2	36.7	(8.5)	(18.8%)
Administrative expenses	221.1	180.6	(40.5)	(18.3%)
(Loss) gain on exchange rates - net	9.1	0.9	(8.2)	(89.9%)
Finance costs	25.8	25.2	(0.6)	(2.2%)
Share of profits from investments in associates and joint ventures	215.1	423.1	207.9	96.6%
Net profit for the period	368.4	462.0	93.6	25.4%
Net profit margin	16.7%	36.2%		19.5%

The Company's net profit for the nine months of 2023 was Baht 462.0 million, an increase by 25.4% from the same period of last year. This was mainly due to consistent growth in returns from investments in related businesses, both domestically and internationally. Share of profit from investments in associates and joint ventures amounted to Baht 423.1 million, an increase by over 96.6% compared to the same period of last year, which was due to growth in ANI's operating performance, partly from ANI's acquisition of an additional 80% shareholding in Asia GSA (M) at the end of Quarter 4/2022 and returns from AOT Ground Aviation Services Co., Ltd. (AOTGA) invested by the Company through SAL Group (Thailand) Co., Ltd. AOTGA had good operating results and continuous growth from the aviation business.

Total revenues for the nine months of 2023 was Baht 1,276.5 million, a decrease by 42.3% compared to the same period of last year, which was a decrease in income in all business groups. The decrease was mainly due to the decrease in air and sea freight rates. Gross profit for the nine months of 2023 was Baht 287.2 million, a decrease by 35.2% from the same period of last year. The decrease in gross profit was lesser than the decrease in revenues. This was mainly due to the warehouse service business within Don Mueang Airport which had an increasing service volume and improved profit margin from cost management.

Selling and administrative expenses decreased by 18.4% compared to the same period of last year from effective cost management. The cost management was a contributing factor in growth of the Company's operating performance in this quarter.

Financial Position Analysis

Unit : Million Baht

Statement of Financial Position	31 December 2022	30 September 2023	Increase (Decrease)	%
Total assets	3,679.7	4,449.3	769.6	20.9%
Total liabilities	1,008.0	965.1	(42.9)	(4.3%)
Shareholders' equity	2,671.7	3,484.2	812.5	30.4%

Total assets

The Company's total assets as of 30 September 2023 was Baht 4,449.3 million, an increase from the total assets as of 31 December 2022 by Baht 769.6 million. The increase was mainly due to increase in ANI's capital to finance the acquisition of Asia GSA (M) at the beginning of 2023 in the amount of Baht 968.0 million.

Total liabilities

The Company's total liabilities as of 30 September 2023 was Baht 965.1 million, a decrease by Baht 42.9 million from the total liabilities as of 31 December 2022. This was mainly due to a decrease in trade and other payables in the amount of Baht 41.3 million and the repayment of long-term loan in the amount of Baht 113.3 million.

Shareholders' equity

The Company's shareholders' equity as of 30 September 2023 was Baht 3,484.2 million, an increase by Baht 812.5 million from that as of 31 December 2022. This was mainly due to an increase in share premium in the amount of Baht 906.6 million from the allocation of newly issued ordinary shares to the existing shareholders in proportion to their shareholding (Right Offering) of 46,165,510 newly issued ordinary shares and capital increase from exercise of warrants to purchase 69,055,226 ordinary shares, and in Quarter 3/2023, the Company repurchased 5,090,700 shares in accordance with the share repurchase program for financial management for the total amount of Baht 61.5 million.

The Company has strong financial ratios, having a debt-to-equity ratio (D/E) of 0.28 times and an interest-bearing debt to equity ratio (IBD/E) of 0.19 times.

Significant Development in Quarter 3/2023

Interim dividend payment

- The Company paid interim dividends at the rate of Baht 0.20 per share, totaling Baht 160.7 million, from the operating results for the period of 1 January - 30 June 2023 and retained earnings. The interim dividends were paid on 8 September 2023.

Share repurchase for financial management (Treasury Stock)

- The Board of Directors' Meeting of the Company held on 8 August 2023 resolved to approve share repurchase program (Treasury Stock) in the amount of not exceeding Baht 300 million and the number of shares to be repurchased of not exceeding 25,000,000 shares or 3.10% of the total issued shares. The share repurchase shall be made through the Stock Exchange of Thailand and the period for share repurchase shall commence on 15 August 2023 and end on 14 February 2024. The Company has partially repurchased the shares, amounting to Baht 61.5 million.

Industry Trends in Quarter 4/2023

In Quarter 4/2023, the Company expects that volumes and freight rates for international freight by air and sea will improve compared to the previous quarter from increase in the demand for products during the high season, especially on China – United States route, where there is an increased demand for shipping products from the United States due to extended tax exemption for certain Chinese products until the end of this year. This causes exporters to rush to transport more goods, creating a shortage in freight space and resulting in increased freight rates. Meanwhile, the University of the Thai Chamber of Commerce expects that Thai exports in Quarter 4/2023 will expand by 6.8% due to the weakening of Thai Baht and improved consumer confidence in key trading partner countries.

In addition, it is expected that flight volumes and the number of foreign tourists will increase in the last quarter of the year from Thailand's tourism industry heading into high season. Krungsri Research¹ has raised its estimate of the number of foreign tourists traveling to Thailand this year to 28-29 million tourists from the original estimate of 27 million tourists due to positive factors such as increasing number of flights by various airlines and a clearer political direction, helping to create confidence and support for tourism in the last quarter of the year.

Based on the abovementioned factors, the Company believes that the factors will have a positive impact on its operating performance in the last quarter of the year, in terms of the main business units, namely

¹ One of business units of Bank of Ayudhya Public Company Limited

international freight management business by air and sea, warehouse services at Don Mueang Airport, and investments in logistics-related businesses, especially general sales agent for airlines business (ANI), and airport ground and passenger handling service and warehouses (AOTGA), which will benefit from an improving industry outlook.

Yours sincerely,

Triple i Logistics Public Company Limited

(Mr. Tipp Dalal)

Chief Executive Officer