

Triple i Logistics Public Company Limited
Management Discussion and Analysis for Quarter 2/2019

Management Discussion and Analysis

New-high net profit and continuous growth

Net profit of the Company has been growing steadily, reaching a new high in Quarter 2/2019. Net profit of Quarter 2/2019 was Baht 50.4 million or 31% growth compared to the same quarter of the previous year, rendering the Net Profit for the 1st half of the year to achieve 45% growth from the same period last year. This was a result of an increase in the Company's total revenue and return on investments in joint ventures and associated companies acquired by the Company since its listing on the Stock Exchange of Thailand.

Return on investment in joint ventures and associated companies achieved the targets

Return from the investment of 50% shareholding in DG Packaging Pte., Ltd. on 2 July 2018 and the investment of 50% shareholding in Around Logistics Management Co., Ltd. on 11 March 2019 achieved the targets.

Significant development

According to the resolutions of the 2019 Annual General Meeting of Shareholders held on 24 April 2019 approving the Company to make payment of dividend at the rate of Baht 0.17 per share, totaling Baht 103.2 million. The Company made dividend payments to shareholders on 22 May 2019.

Summary of Operating Performance in Quarter 2/2019

Unit : Million Baht	Quarter	Quarter	% change	Quarter	Quarter	% change
	2/2018	2/2019	+ / (-)	1/2019	2/2019	+ / (-)
Total revenues	700.1	711.8	1.7%	682.6	711.8	4.3%
Gross profit	123.7	117.8	(4.8%)	114.0	117.8	3.4%
Gross profit margin (%)	17.7%	16.6%	(1.1%)	16.7%	16.6%	(0.1%)
Net profit attributable owners of the parents	38.4	50.4	31.5%	42.9	50.4	17.6%
Net profit margin (%)	5.5%	7.1%	1.6%	6.3%	7.1%	0.8%

For results of Quarter 2/2019, the Company generated Baht 711.8 million in total revenues, an increase of 1.7% compared to the same period of the previous year as a result of air freight business and logistics management business. Total revenues increased by 4.3% compared to the previous quarter due to the increase in revenues from air freight business. Revenues from other businesses slightly decreased, in line with total values of export and import in Thailand during Quarter 2/2019 of -5.8% and -3.7% respectively.¹

In respect of gross profit, the group company generated Baht 117.8 million in gross profit for Quarter 2/2019 or gross profit margin of 16.6%, a slight decrease compared to the same quarter of the previous year. This was mainly due to increase in costs of services of air freight business.

The net profit for Quarter 2/2019 was Baht 50.4 million, an increase from the same quarter of the previous year and the previous quarter of Baht 12.1 million and Baht 7.5 million or an increase of 31.5% and 17.6% respectively. The net profit margin was 7.1%, an increase from the same quarter of the previous year and the previous quarter with the net profit margin of 5.5% and 6.3% respectively. This was partially due to the increase in share of profits from investments in associates and joint ventures and share of profits from the new investments during the year 2018 and Quarter 1/2019.

¹ Source: Economic and Monetary Conditions June 2019 Report, Bank of Thailand.

Operating performance during the first six months of the year 2019

Unit : Million Baht	6-month of the year 2018	6-month of the year 2019	change	% change + / (-)
Revenues from sales and services	1,303.1	1,394.4	91.3	7.0%
Costs of sales and services	1,051.5	1,162.6	111.2	10.6%
Gross profit	251.6 ^{1/}	231.8	(19.8)	(7.9%)
Gross profit margin	19.3%	16.6%		(2.7%)
Other income	7.1	4.6	(2.6)	(35.8%)
Selling expenses	52.4 ^{1/}	40.1	(12.3)	(23.4%)
Administrative expenses	144.5	139.0	(5.5)	(3.8%)
Share of profits from investments in associates and joint ventures	10.6	45.4	34.8	327.8%
Net profit for the period	64.3	93.3	29.0	45.1%
Net profit margin	4.9%	6.7%		1.8%

Remark : 1/ Gross profit for the 6-month of the year 2019 is the figure prior to account reclassification. "Selling expenses" had been reclassified as "costs of sales and services" ("Account Reclassification").

The Company's revenues for the first six months of the year 2019 was Baht 1,394.4 million, an increase of Baht 91.3 million or a growth rate of 7.0%. There has been a continuous growth in revenue, which is in line with the targets. Although overall values of export and import of Thailand during the first half of the year is -5.0% and -2.0% respectively.²

Gross profit during the first six months of the year 2019 was Baht 231.8 million or equivalent to the gross profit margin of 16.6%. This was mainly due to an increase in the cost of services and account reclassification ("selling expenses" had been reclassified as "costs of sales and services").

In respect of selling and administrative expenses for the first six-month of the year 2019, selling expenses had significantly decreased by over 23.4%. This was due to the account reclassification. Administrative expenses had slightly decreased by 3.8%.

Share of profits from investments in associates and joint ventures had significantly increased compared to the first six-month of the year 2018 since the Company recognized revenue from its joint investments, particularly DG Packaging Pte., Ltd., Singapore, acquired by the Company on 2 July 2018 and Around Logistics Management, Hong Kong, acquired by the Company on 11 March 2019. The Company's net profit for the first six-month of the year 2019 was Baht 93.3 million, an increase compared to the same period of the previous year of over 45.1%.

² Source: Economic and Monetary Conditions June 2019 Report, Bank of Thailand.

Operating Performance by Business Unit

Business Unit	Revenues (Million Baht)			% Total Revenues	Gross Profit (Million Baht)		
	First six-month of	First six-month of	% change		First six-month of	First six-month of	% change
	2018	2019	+ / (-)		2018	2019	+ / (-)
1. Air freight	1,063.6	1,142.0	7.4%	73.6%	134.6	112.7	(16.2%)
2. Sea freight and inland transport	58.5	43.5	(25.7%)	2.8%	33.1	31.1	(6.0%)
3. Logistics management	69.9	95.8	36.9%	6.2%	19.9	27.2	36.9%
4. Chemical and dangerous goods logistics	276.7	261.9	(5.4%)	16.9%	67.0	63.0	(5.9%)
5. Other business	7.6	7.6	1.1%	0.5%	2.5	2.5	(0.5%)
Total	1,476.3	1,550.8	5.0%	100.0%	257.1	236.5	(8.0%)
Net of intercompany transactions	1,303.1	1,394.4	7.0%		251.6	231.8	(7.9%)

1) Air freight business

Air freight business is a core business of the Company as the majority of its revenues derives from such business. The business generated revenues of 73.6% of the Company's total revenues for the first six-month of the year 2019 or equivalent to Baht 1,142.0 million. There was an increase in revenue by Baht 78.4 million or 7.4% increase compared to that of the same period of last year due to an increase in service volume. This was despite the fact that Thailand's overall air freight volume during the past six-month period is a negative growth rate of 13.6%.

Gross profit from the business for the first six-month of 2019 was Baht 112.7 million, a decrease from that of the same period of last year by Baht 21.9 million or 16.2% decrease due to increase of cost of services and account reclassification ("selling expenses" had been reclassified as "costs of sales and services").

2) Sea freight and inland transport business

There was a decrease in revenues generated from sea freight and inland transport business. For the first six-month of 2019, revenues from the business was Baht 43.5 million, a decrease of 25.7% from the previous year. This was due to a decrease in volume of ISO Tank and trailer services, which are not the Company's core services.

The gross margin of the business was Baht 31.1 million, a decrease of 6.0% compared to the same period of the previous year. This was mainly due to a decrease in the provision of non-core services as stated above.

3) Logistics management business

Revenue from logistics management business for the first six-month of 2019 was Baht 95.8 million, an increase by Baht 25.8 million or 36.9% compared to that of the same period of last year. This was due to an increase in the number of key accounts. As a result, there was an increase in the volume of international air freight, sea freight, and related logistics services. The volume of services to E-Commerce group also increased.

The business unit's gross profit was Baht 27.2 million, an increase by Baht 7.3 million or 36.9% compared to the same period of last year in line with the increase in service volume and revenues from services.

4) Chemical and dangerous goods logistics business

Chemical and dangerous goods logistics business generated revenue of Baht 261.9 million in the first six-month of the year 2019, a decrease by Baht 14.8 million or 5.4% decrease compared to the same period of last year. This was due to a decrease in revenues from international transport of chemical and dangerous goods by air.

Gross profit in the first six-month of the year 2019 was Baht 63.0 million, a slight decrease in gross profit in line with decrease in revenues.

Financial Position Analysis

Unit : Million Baht

Statement of Financial Position	31 March 2019	30 June 2019	Increase / (Decrease)	%
Total assets	2,165.8	2,202.1	36.3	1.7%
Total liabilities	909.5	999.9	90.4	9.9%
Shareholders' equity	1,256.3	1,202.2.1	(54.1)	(4.3%)

Total assets

As of 30 June 2019, the Company's total assets was Baht 2,202.1 million, a slight increase from that as of 31 March 2019 by Baht 36.3 million as a result of the increase in investments in joint ventures.

Total liabilities

As of 30 June 2019, the Company's total liabilities was Baht 999.9 million, an increase from that as of 31 March 2019 by Baht 90.4 million. The increase in total liabilities was a result of the Company's long-term borrowing in the amount of Baht 300.0 million for the acquisition of Around Logistics Management Co., Ltd. in Hong Kong.

Shareholders' equity

As of 30 June 2019, the Company's shareholders' equity was Baht 1,202.2.1 million, a decrease from that as of 31 March 2019 by Baht 54.1 million. This was due to payment of dividend in May 2019 in the amount of Baht 103.2 million and improved operating performance in Quarter 2/2019 of Baht 50.4 million.

Management's Viewpoints on Trend and Strategy for Quarter 3/2019

The freight volume in Quarter 3/2019 tends to be higher than the first half of the year as it is the entry of high season for exports and imports. However, there may not be much growth in freight volume compared to the same period of last year as there are other factors which have impacts on imports and exports such as exchange rates, strengthening of Thai Baht, world economy as a result of the trade war between the United States and China. The Company has anticipated such circumstances and prepared a 3-year strategic plan (2019 – 2021) which is suitable for the business environment. The Company's objective is to become a leading total logistics service provider in the region by strategic alliance with business partners in order to have network coverage within the region. This strategy has also become new sources of revenues to the group company as can be seen from the acquisition of DG Packaging Pte., Ltd. and Around Logistics Management. The acquisitions of such businesses have resulted in the Company's outstanding operating performance. It is anticipated that the operating performance of joint ventures will continue to grow.

In addition, the Company continues to proceed according to its business expansion plan as can be seen from the following resolutions of the Board of Directors' Meeting No. 6/2019 held on 23 July 2019:

- approving the acquisition of common shares in Excel Air (Cambodia) Co., Ltd. ("EAC") by the Company with investment amount of USD 32,000 representing 32% of the total registered and paid-up capital of EAC, to act as cargo sale agent for airlines in Cambodia. Cambodia has a high economic growth rate and the Company has not invested in such country.
- approving the entry into the memorandum of understanding between the Company and Teleport Everywhere Co., Ltd., a company within AirAsia Group and an air freight service provider for AirAsia Airline and Air Asia X in Malaysia, Indonesia, Philippines, India, Japan and Thailand and other new airlines of AirAsia. The framework of the memorandum of understanding includes incorporation of a new company to conduct air cargo sale agent business and related logistics services for AirAsia Group. It is expected that the new joint venture will be incorporated by 1 January 2020. Such cooperation will establish a strong and sustainable business relationship in respect of air cargo sale agent business. In addition, new logistics innovation and platforms will be jointly created by the parties.

In respect of the four core businesses, the Company focuses on maintaining existing customers and expansion of its key account customers in order to increase the volume of international freight by air and sea and related logistics services. In respect of the warehouse for general and dangerous goods, the Company focuses on increasing profitability per square meter.

Other factors with impacts on the business

Other external factors which have impacts on performance of the Company apart from the export and import industry of the country, include strengthening of exchange rate as the group company earns part of its revenues in U.S. dollars.

Yours sincerely,

Triple i Logistics Public Company Limited



(Mr. Tipp Dalal)

Chief Executive Officer