

Triple i Logistics Public Company Limited
Management Discussion and Analysis Quarter 3/2019

Management Discussion and Analysis

27% growth in net profit for the nine-month period of the year 2019

Net profit of the Company for the nine-month period of the year 2019 was Baht 136.1 million, an increase by 26.7% from the net profit of Baht 107.4 million, for the same period of the previous year. Total revenues for the period slightly increased from the previous year, while Thai economy contracted in terms of both export and import. However, return on investments in associates and joint ventures, including those invested before and after the listing of the Company's shares on the Stock Exchange of Thailand, were in line with the targeted performance.

Return on investment in joint ventures and associates

Return on the acquisition of 50% shareholding in DG Packaging Pte., Ltd. ("DGPS") on 2 July 2018 and the acquisition of 50% shareholding in Around Logistics Management Co., Ltd. ("ALM") on 11 March 2019 were in line with the targeted performance. Share of profits and dividends from DGPS and ALM for the nine-month period of the year 2019 was approximately Baht 50 million in aggregate.

Significant Developments

Joint venture with Teleport Everywhere Pte., Ltd. (subsidiary of AirAsia Group Berhad)

Reference to the Company's disclosure to the Stock Exchange of Thailand, shareholders and investors on 24 July 2019 regarding the entry into a memorandum of understanding with Teleport Everywhere Pte., Ltd., Singapore, a subsidiary of AirAsia Group Berhad, in order to incorporate a joint venture company which will conduct general sales agent for airlines business for airlines under AirAsia group. There are 9 airlines under the AirAsia group, namely Malaysia AirAsia, AirAsia X, Indonesia AirAsia, Indonesia AirAsia X, AirAsia Japan, AirAsia India, AirAsia Philippines, Thai AirAsia and Thai AirAsia X. At present, the Company acts as general sales agent for Thai AirAsia and Thai AirAsia X only.

Change in the Company's paid-up capital (capital increase)

The Company has increased its capital in the amount of Baht 1,239,343.50 divided into ordinary shares of 2,478,687 shares with the par value of Baht 0.50 per share and has completely registered such capital increase with the Public Company Registrar, Department of Business Development, Ministry of Commerce on 11 September 2019 due to the Company had the resolution of the Extraordinary General Meeting of shareholders no.1/2017 on 15 March 2017 which approved the Company to increase its capital in the amount of Baht 92,500,00 from the existing registered capital of Baht 215,000,000 to the new registered capital of Baht 307,500,000 by issuing newly issued shares of 185,000,000 shares with the par value of Baht 0.50 per share for the initial public offering and existing shareholders including to reserve for the exercise of warrant of employees no. 2 (III-WA) (the "Warrant") under the TLG ESOP 2017 program. The holders of Warrant have exercised their right under the Warrant pursuant to the conditions and exercise period no. 2 in the number of 2,478,687 units therefore, there have new shares under such exercise in the amount of 2,478,687 shares with the par value of Baht 0.50 per share. The Company has received the payment of shares' price in full on 30 August 2019 therefore the Company's paid-up capital increased from Baht 303,414,544 to Baht 304,653,887.50 divided into 609,307,775 shares with the par value of Baht 0.50 per share.

Summary of Operating Performance in Quarter 3/2019

Unit: Million Baht	Quarter	Quarter	% change	Quarter	Quarter	% change
	3/2018	3/2019	+ / (-)	2/2019	3/2019	+ / (-)
Total revenues	734.4	669.3	(8.9%)	711.8	669.3	(6.0%)
Gross profit	128.5	111.9	(12.9%)	117.8	111.9	(5.0%)
Gross profit margin (%)	17.5%	16.7%	(0.8%)	16.6%	16.7%	0.2%
Net profit attributable owners						
of the parent	43.2	42.8	(0.9%)	50.4	42.8	(15.2%)
Net profit margin (%)	5.9%	6.4%	0.5%	7.1%	6.4%	(0.7%)

For Quarter 3/2019, the Company generated Baht 669.3 in total revenues, a decrease of 8.9% compared to the same period of the previous year. The total revenues decreased by 6.0% compared to the previous quarter due to decrease in revenues from all business units. This was in line with Thailand's export and import values in Quarter 3/2019 of -4.8% and -2.6% growth respectively.¹

The Company's gross profit in Quarter 3/2019 was Baht 111.9 million or a gross profit margin of 16.7%. The gross profit margin has slightly increased compared to the previous quarter and decreased compared to the same quarter of the previous year. This was mainly due to decrease in revenues and increase in costs of services, particularly costs of services in air freight business, compared to the previous year.

¹ Source: Economic and Financial Report on September 2019, the Bank of Thailand

The Company's net profit in Quarter 3/2019 was Baht 42.8 million, a slight decrease compared to the same quarter of the previous year and a decrease by Baht 7.6 million compared to the previous quarter. The net profit margin was 6.4%, an increase compared to that of the same quarter of last year of 5.9%.

Operating performance for the 9-month period of the year 2019

Unit: Million Baht	9-month	9-month	change	% change + / (-)
	period of the year 2018	period of the year 2019		
Revenues from sales and services	2,037.5	2,063.7	26.2	1.3%
Costs of sales and services	1,657.4	1,720.0	62.6	3.8%
Gross profit	380.1 ^{1/}	343.7	(36.4)	(9.6%)
Gross profit margin	18.7%	16.7%		(2.0%)
Other income	14.3	8.2	(6.1)	(42.7%)
Selling expenses	78.8 ^{1/}	61.2	(17.6)	(22.3%)
Administrative expenses	213.5	209.5	(4.0)	(1.9%)
(Loss) gain on exchange rates - net	3.8	10.0	6.2	163.2%
Finance costs	1.9	10.7	8.8	463.2%
Share of profits from investments in associates and joint ventures	20.0	71.5	51.5	257.2%
Net profit for the period	107.4	136.1	28.7	26.7%
Net profit margin	5.3%	6.6%		1.3%

Remark : 1/ Gross profit for the 9-month period of the year 2018 is an unadjusted figure, prior to item reclassification by changing "selling expenses" to "costs of sales and services" ("Account Reclassification").

For the first 9-month period of the year 2019, the Company generated Baht 2,063.7 million in revenues, an increase by Baht 26.2 million compared to the same period of the previous year or a continuous growth of 1.3%. Although Thailand's export and import values during the first 9-month period of the year were -4.3% and -3.0% growth respectively.²

The gross profit for the first 9-month period of the year 2019 was Baht 343.7 million or gross profit margin of 16.7%. The decrease was mainly due to increase in costs of services and impact from the Account Reclassification (changing "selling expenses" to "costs of sales and services").

In respect of selling and administrative expenses for the first 9-month period of the year 2019, selling expenses significantly decreased over 22.3% due to the Account Reclassification, while administrative expenses slightly decreased by 1.9%.

² Source: Economic and Financial Report on September 2019, the Bank of Thailand

Share of profits from investments in associates and joint ventures significantly increased from that of the first 9-month period of the year 2018 due to revenue recognition from the investments, particularly from 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. As a result, the Company's net profit for the 9-month period of the year 2019 was Baht 136.1 million, an increase over 26.7% from that of the same period of the previous year.

Operating Performance by Business Unit

Business Unit	Revenues (Million Baht)			% Total Revenues	Gross Profit (Million Baht)		
	9-month period of the year	9-month period of the year	% Change + / (-)		9-month period of the year	9-month period of the year	% Change + / (-)
	2018	2019			2018	2019	
1. Air freight	1,660.5	1,681.4	1.3%	73.2%	200.3	167.6	(16.3%)
2. Sea freight and inland transport	92.3	64.1	(30.6%)	2.8%	55.1	45.4	(17.7%)
3. Logistics management	101.4	139.3	37.4%	6.1%	28.5	39.5	38.8%
4. Chemical and dangerous goods logistics	427.9	399.3	(6.7%)	17.4%	100.4	95.9	(4.5%)
5. Other business	11.3	11.4	0.6%	0.9%	3.9	3.6	(7.7%)
Total	2,293.5	2,295.5	0.1%	100.0%	388.3	352.0	(9.3%)
Net of intercompany transactions	2,037.5	2,063.7	1.3%		380.1	343.7	(9.6%)

1) Air freight business

Air freight business is a core business of the Company as majority of its revenues derives from such business. The business generated revenues of 73.2% of the Company's total revenues for the first 9-month period of the year 2019 or Baht 1,681.4 million, a slight increase in revenues compared to that of the same period of the previous year. The growth rate of Thailand's air freight during the past 9 months was -13.3%.³

Gross profit for the first 9-month period of the year 2019 was Baht 167.6 million, a decrease compared to that of the same period of last year by Baht 32.7 million or 16.3% due to increase in costs of services and impact from the Account Reclassification (changing "selling expenses" to "costs of sales and services").

³ Source: Air Transportation Statistics 2019 (September), Airports of Thailand Public Company Limited (AOT)

2) Sea freight and inland transport business

Revenues from sea freight and inland transport business had decreased. For the 9-month period of the year 2019, revenues from the business unit was Baht 64.1 million, a decrease by 30.6% compared to the previous year. The decrease was mainly due to lower volume of Cross-border Trucking for ISO tank service and trailer service, which are non-core businesses.

Gross profit was Baht 45.4 million, a decrease by 17.7% compared to the same period of last year. This was also due to decrease in service volume of non-core business.

3) Logistics management business

Revenue from logistics management business for the 9-month period of the year 2019 was Baht 139.3 million, an increase by Baht 37.9 million or 37.4% 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 39.5 million, an increase by Baht 11.1 million or 38.8% compared to the same period of last year in line with increase in service volume and revenues from services.

4) Chemical and dangerous goods logistics business

Chemical and dangerous goods logistics business generated revenue for the 9-month period of the year 2019 of Baht 399.3 million, a decrease by Baht 28.6 million or 6.7% compared to the same period of last year. This was due to decrease in revenues from international chemical and dangerous goods logistics by air freight and sea freight and decrease in revenues from ISO tank service.

Gross profit for the first 9-month period of the year 2019 was Baht 95.9 million, a decrease by 4.5% compared to the same period of last year, in line with the decrease in revenues.

Financial Position Analysis

Unit: Million Baht

Statement of Financial Position	30 June 2019	30 September 2019	Increase (Decrease)	%
Total assets	2,202.1	2,207.6	5.5	0.2%
Total liabilities	999.9	950.6	(49.3)	(4.9%)
Shareholders' equity	1,202.2	1,257.0	54.8	4.6%

Total assets

As of 30 September 2019, the Company's total assets was Baht 2,207.6 million, a slight increase from that as of 30 June 2019 by Baht 5.5 million due to increase in investment in joint ventures.

Total liabilities

As of 30 September 2019, the Company's total liabilities was Baht 950.6 million, a decrease from that as of 30 June 2019 by Baht 49.3 million due to decrease in trade and other payables.

Shareholders' equity

As of 30 September 2019, the Company's shareholders' equity was Baht 1,257.0 million, an increase from that as of 30 June 2019 by Baht 54.8 million due to increase in retained earnings as a result of profit from the previous quarter and share premium from the exercise of warrants to purchase the Company's newly issued ordinary shares by its employees.

Management's Viewpoints on Trend and Strategy for Quarter 4/2019

The freight volume during Quarter 3-4 of each year is usually higher compared to the first half of the year. However, the freight volume in Quarter 3/2019 did not increase due to external economic factors such as the strengthening of Thai Baht, decrease in Thailand's and regional export volume. As a result, freight demand and freight cost has decreased. It is anticipated that freight volume will increase in Quarter 4/2019, compared to freight volume in Quarter 3/2019.

During Quarter 3/2019, the Company discussed with potential partners for further business development:

- Conclusions on joint investment with Teleport Everywhere Pte., Ltd. to manage air freight for airlines under AirAsia group. The negotiation between the parties were in accordance with terms of the memorandum of understandings. The signing of the joint venture agreement is expected in November 2019 and the commencement of business operation shall be in January 2020.
- The Board of Directors' Meeting No. 8/2019 held on 20 August 2019 resolved to approve investment in newly issued ordinary shares of SAL Group (Thailand) Co., Ltd. ("SAL"), which conducts airport ground handling services. The Company's current shareholding in SAL is 14.95%. Following such investment, the Company shall have 15.86% shareholding of the total registered capital of SAL.

The Company's strategy also includes expansion of its business overseas through associated companies and joint ventures acquired during the past year in order to secure additional source of revenues according to its objectives. Hence, the Company has confidence that its growth rate will meet 20% according to the business plan.

Other factors with impact on the business

Other factor with impact on the Company's business, apart from Thailand's export and import volumes, includes the strengthening of Thai Baht as the Company generates part of its revenues in U.S. Dollars.

Yours sincerely,

Triple i Logistics Public Company Limited



(Mr. Tipp Dalal)

Chief Executive Officer