

October 31, 2023

Subject Management Discussion and Analysis for the 6-month period ended June 30, 2023

Attention President
The Stock Exchange of Thailand

Euroasia Total Logistics Public Company Limited (“the Company”) provides Management Discussion and Analysis for the 6-month period ended June 30, 2023 as follows:

Operating Results

Consolidated Statement of Comprehensive Income	For the 6-month period ended June 30				Change	
	2022		2023		2022	
	THB million	%	THB million	%	THB million	%
Service income	689.73	100.00	646.18	100.00	(43.55)	(6.31)
Cost of services	593.47	86.04	551.21	85.30	(42.26)	(7.12)
Gross profit	96.26	13.96	94.97	14.70	(1.29)	(1.34)
Other income	12.51	1.78	3.25	0.50	(9.26)	(74.02)
Selling expenses	5.81	0.83	2.36	0.36	(3.45)	(59.38)
Administrative expenses	62.82	8.95	52.38	8.07	(10.44)	(16.62)
Finance income	0.54	0.08	0.92	0.14	0.38	68.81
Share of profits (loss) from investments in associate	0.48	0.07	(1.29)	0.20	(1.77)	(374.47)
Profit before finance cost and income tax expenses	41.16	5.86	43.11	6.64	1.95	4.73
Finance cost	8.03	1.14	6.84	1.05	(1.19)	(14.89)
Profit before income tax expenses	33.13	4.72	36.27	5.58	3.14	9.48
Income tax expenses	9.11	1.30	4.40	0.68	(4.71)	(51.71)
Net profit	24.02	3.42	31.87	4.91	7.85	32.69

Service income

For the 6-month period of 2022 - 2023, the service income was THB 689.73 million and THB 646.18 million, respectively. This signifies a decrease of THB 43.55 million or 6.31% compared to the same period of the previous year. The decrease primarily comes from the increase in competition within the logistics industry both sea and road transportations, particularly in terms of pricing which then affects the volume of transport trips in the first six months of 2023 when compared to that of the previous year. For the 6-month period of 2022 - 2023, the company's revenue from services is divided according to the country of operation as follows:

Service Income	For the 6-month period ended June 30				Change	
	2022		2023		2022	
	THB million	%	THB million	%	THB million	%
Thailand ^{/1}	14	23.42	177.71	27.50	16.18	10.02
Malaysia ^{/2}	384.20	55.70	268.97	41.62	(115.23)	(29.99)
China ^{/3}	144.00	20.88	199.50	30.88	55.50	38.54
Total service income	689.73	100.00	646.18	100.00	(43.55)	(6.31)

Remark: /1 Consists of income from ETL and ETS
/2 Consists of service income from ETL MY and EILS
/3 Consists of service income from ETL SZ and ETL GX

Other income

For the 6-month period of 2022 - 2023, the other income was THB 12.51 million and THB 3.25 million, respectively. This signifies a decrease of THB 9.26 million or 74.02% compared to the same period of the previous year. The decrease comes from a reduction in foreign exchange gains resulting from fluctuations in the exchange rates of specific currencies in the global economy, especially the Chinese Yuan, the Malaysian Ringgit, and the United States Dollar, which are the main foreign currencies used by the Company.

Cost of service

For the 6-month period of 2022 - 2023, the cost of service was THB 593.47 million and THB 551.21 million, respectively. This signifies a decrease of THB 42.26 million or 7.12% compared to the same period of the previous year. The decrease comes from the reduced number of transport trips as well as the Company's efforts to manage and improve vehicle operations, including the efficient management of empty runs or backhaul management. As a result, the transportation cost for outsourced transport trips, which is one of the Company's primary service costs, decreased.

Gross profit

For the 6-month period of 2022 - 2023, the gross profit was THB 96.26 million and THB 94.97 million, equivalent to a gross profit margin of 13.96% and 14.70%, respectively. This signifies a decrease of THB 1.29 million in the 6-month period of 2023 compared to the same period of the previous year. The decrease comes from the reduced number of transport trips, leading to a direct reduction in the Company's revenue and service costs. Nonetheless, the Company's gross profit margin slightly improved in the 6-month period of 2023 compared to the same period of the previous year due to the focus on efficient management of vehicle operations and reduction in service costs such as outsourcing cost.

Selling expenses

For the 6-month period of 2022 - 2023, the selling expenses were THB 5.81 million and THB 2.36 million, respectively. This signifies a decrease of THB 3.45 million or 59.38% compared to the same period of the previous year. The decrease comes from the decrease in number of sale employees in the Chinese subsidiary, and the decrease in variable pay for employees based on the Company's performance.

Administrative expenses

For the 6-month period of 2022 - 2023, the administrative expenses were THB 62.82 million and THB 52.38 million, respectively. This signifies a decrease of THB 10.44 million or 16.62% compared to the same period of the previous year. The decrease comes from the decrease in variable compensation based on the Company's performance, as well as a decrease in auditing and consulting fees. More specifically, for the 6-month period of 2023, the company incurred one-time expenses, which included consulting fees for preparing the application for listing on the stock exchange to issue and offer securities to the general public (IPO)..

Finance cost

For the 6-month period of 2022 - 2023, the finance cost was THB 8.03 million and THB 6.84 million, respectively. This signifies a decrease of THB 1.19 million or 14.82% compared to the same period of the previous year. The decrease comes from the repayments of long-term bank loans made during the period, while interest expenses for institutional loans increased from the same period in the previous year. Additionally, for the 6-month period of 2023, the Company did not incur interest expenses recognized through the amortization of the purchase price of the business acquisition, as it has been recorded at its current value. However, the Company group experienced an increase in interest expenses related to lease obligations as it entered into additional asset lease agreements.

Net profit

For the 6-month period of 2022 - 2023, the net profit was THB 24.02 million and THB 31.87 million, equivalent to a net profit margin of 3.38% and 4.93%, respectively. This increase in net profit margin for the 6-month period of 2023 compared to the same period of the previous year is due to the reduced cost of service and administrative expenses. In particular, the reduced cost of service is attributed to the lower cost of outsourced services and employee compensation that varies based on the Company's performance.

Financial Position

Consolidated Statement of Financial Position	December 31, 2022		June 30, 2023		Change	
	THB million	%	THB million	%	THB million	%
Total assets	1,015.87	100.00	973.00	100.00	(42.87)	(4.22)
Total liabilities	607.57	59.81	548.68	56.39	(58.89)	(9.69)
Total shareholder's equity	408.29	40.19	424.32	43.61	16.03	3.93

Assets

As of December 31, 2022, and June 30, 2023, the Company's total assets were THB 1,015.87 million and THB 973.00 million, respectively. As of June 30, 2023, the Company's total assets decreased by THB 42.87 million or 4.22% compared to 2022. The primary reasons for the decrease include a reduction in cash and cash equivalents of THB 70.57 million, and a reduction in building and equipment maintenance of THB 16.88 million. At the same time, the Company also had an increase in right-of-use assets of THB 44.98 million.

Liabilities

As of December 31, 2022, and June 30, 2023, the Company's total liabilities were THB 607.57 million and THB 548.68 million, respectively. As of June 30, 2023, the Company's total liabilities decreased by THB 58.89 million or 9.69% compared to 2022. The primary reasons for this decrease include the reduction in trade and other payables by THB 78.28 million and the reduction in long-term bank loans by THB 18.50 million. At the same time, the Company also has an increase in lease liabilities of THB 40.16 million.

Shareholder's equity

As of December 31, 2022, and June 30, 2023, the Company's total shareholder's equity was THB 408.29 million and THB 424.32 million, respectively. As of June 30, 2023, the Company's total shareholder's equity increased by THB 16.03 million or 3.93% compared to 2022. The primary reason for this increase is the growth in accumulated profit of THB 20.81 million based on the operating results of the 6-month period of 2023. At the same time, the Company also has a reduction in other components of shareholder's equity by THB 6.91 million.

Key Financial Ratios

Items	Unit	For the year ended December 31, 2022	For the 6-month period ended June 30, 2023
Current ratio	(times)	1.34	1.39
Cash cycle	(days)	29	16
Return on equity	(%)	12.90	13.91 ^{/1}
Debt-to-equity ratio	(times)	1.49	1.29 ^{/2}

Remark: /1 Return on equity will be approximately 14.12% after considering the changes in the shareholders' equity, resulting from the increase in registered capital and the approved dividend payment of up to THB 53.00 million at the shareholders' meeting held on August 7, 2023

/2 The debt-to-equity ratio will be approximately 1.33 times after considering changes in shareholders' equity due to the increase in registered capital and the approved dividend payment of up to THB 53.00 million at the shareholders' meeting held on August 7, 2023

Current ratio

As of December 31, 2022, and June 30, 2023, the Company had a current ratio of 1.34 and 1.39, respectively. As of June 30, 2023, the Company's current ratio improved compared to 2022 due to a decrease in current assets by 10.65%, while current liabilities decreased by 13.78% compared to the financial statements in 2022.

Cash cycle

As of December 31, 2022, and June 30, 2023, the Company had a cash cycle of 29 days and 16 days, respectively. As of June 30, 2023, the Company's cash cycle was 16 days, a decrease from 2022. The decrease was due to a decrease in the average accounts receivable collection period by 26 days, from 124 days in 2022 to 98 days in 2023. Meanwhile, the average accounts payable payment period decreased by only 13 days, from 95 days in 2022 to 82 days in 2023.

Return on equity

As of December 31, 2022, and June 30, 2023, the Company's return on equity was 12.90% and 13.91%, respectively. As of June 30, 2023, the Company's return on equity was 13.91%, an increase from 2022. The increase was due to the increase in net profit from the operating results of the 12-month period, ending on June 30, 2023, compared to the accounting year 2022.

Debt-to-equity ratio

As of December 31, 2022, and June 30, 2023, the Company's debt-to-equity ratio was 1.49 and 1.29, respectively. As of June 30, 2023, the Company's debt-to-equity ratio was 1.29, a decrease from 2022. This decrease was due to the increase in the shareholder's equity portion resulting from the growth in retained earnings, while the total liabilities decreased due to a reduction in trade and other payables and long-term bank loans.

Sincerely yours

- Mr. Lee Yik Chieh -

(Mr. Lee Yik Chieh)
Chief Executive Officer