



KEX EXPRESS (THAILAND) PUBLIC COMPANY LIMITED



MANAGEMENT DISCUSSION AND ANALYSIS

for the second quarter and six-month period

ended 30 June 2024

2Q/2024 KEX Express Rebrands as KEX and Fully Support from Major Shareholder

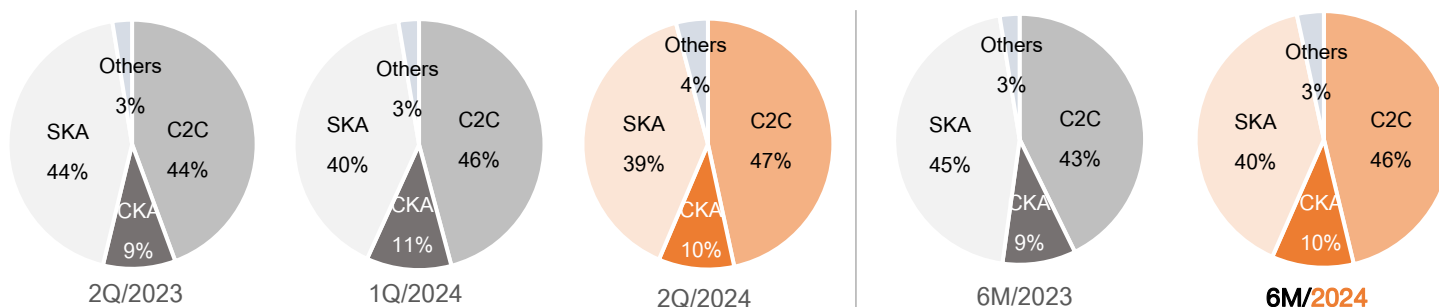
- After SF Holding Co., Ltd. (“SF Holding”), the largest integrated logistics service provider in China and Asia, became the major shareholder of KEX, holding a total of 62.66% of the total issued and paid-up shares, KEX has benefited from more flexible support and collaborations in terms of system and staff expertise. SF holdings has provided substantial assistance to KEX following the mandatory tender offer in the first quarter of this year, including market calibration to create direct synergies from the local Thai market to international express logistics. This integration positions KEX as a crucial part of the integrated logistic supply chain support.
- During 2Q/2024, Kerry Express began rebranding as “KEX” as part of the long term strategy to drive business transformation and smooth transition to align with the future development of the Company. The rebranding process of transitioning from the name “Kerry” and/or “Kerry Express” to “KEX” will be orderly planned and executed with the help of new majority shareholders, SF Express, before Q1/2025 due the expiration of the Brand Licensing Agreement.
- Furthermore, pursuant to the resolution of the Board of Kerry Express (Thailand) PCL. (“the Company” or KEX) held on June 13, 2024, and the EGM no.1/2024 held on 25 July 2024, which approved the increase of KEX’s capital, SF Express, a major shareholder of KEX, has expressed its support for the capital increase plan. SF Express Group has shown its intent to subscribe to its proportional allocation. This move reinforces confidence and aims to strengthen financial stability. The plan is to use the funds raised from the capital increase to repay loans, enhance liquidity as working capital, and invest in boosting long-term competitiveness.
- Amid the challenges that the Thai economy is facing (i.e. uneven recovery both industrial and household, high production costs), KEX continues to be persistent with its core foundational strategy. Delivery volume increased 5% QoQ, but declined 11% YoY, primarily due to our strategic focus on high yield customers while maintaining our market shares in the E-Commerce platform. This decline in total delivery volume is part of the process that we continue to increase focus on C2C/CKA segments to dilute the high dependence on E-commerce platforms with the competitions of capturing its market shares continue to intensify among the 3PL players.
- Moving forward, KEX will continue to pursue the **DIVERSIFIED BUSINESS INITIATIVES TO EXPLORE NEW REVENUE STREAMS, ENHANCE MARGINS**, and **OPTIMIZE NETWORK PLANNING**. This strategy will involve leveraging our facilities rental, and effectively managing staff costs associated with operating activities. Additionally, KEX will extend its **INTERNATIONAL PARCEL DELIVERY SERVICE** across over 50 routes in 45 countries throughout the Asia-Pacific region and Europe. This expansion will be executed in collaboration with SF International, utilizing their extensive expertise in international shipments. The synergy created through this collaboration is expected to significantly bolster the KEX ecosystem and add substantial value to our core express business.

Financial Performance

Table 1: Operational Results

(Unit: Million THB)	Restated		Q2/2024	Change		Restated		Change
	Q2/2023	Q1/2024		%YoY	%QoQ	6M/2023	6M/2024	
Sales and services income	2,923.3	2,559.0	2,653.6	-9.2%	3.7%	6,053.9	5,212.5	-13.9%
Cost of sales and providing services	(3,814.8)	(3,343.8)	(3,253.7)	-14.7%	-2.7%	(7,539.0)	(6,597.5)	-12.5%
Gross loss	(891.4)	(784.8)	(600.1)	-32.7%	-23.5%	(1,485.1)	(1,384.9)	-6.7%
Selling and administrative expenses	(448.8)	(384.9)	(388.7)	-13.4%	1.0%	(836.4)	(773.6)	-7.5%
EBITDA	(758.7)	(671.3)	(522.0)	-31.2%	-22.2%	(1,154.2)	(1,193.4)	3.4%
EBIT	(1,315.5)	(1,149.0)	(968.0)	-26.4%	-15.8%	(2,281.8)	(2,117.0)	-7.2%
Net loss attributable to owners of the Company	(1,041.7)	(1,188.3)	(1,063.0)	2.1%	-10.5%	(1,832.6)	(2,251.3)	22.8%
EPS (Baht/Share)	(0.598)	(0.682)	(0.610)			(1.052)	(1.292)	
Gross Profit Margin (%)	-30.5%	-30.7%	-22.6%			-24.5%	-26.6%	
EBITDA Margin (%)	-26.0%	-26.2%	-19.7%			-19.1%	-22.9%	
EBIT Margin (%)	-45.0%	-44.9%	-36.5%			-37.7%	-40.6%	
Net Profit Margin (%)	-35.6%	-46.4%	-40.1%			-30.3%	-43.2%	

Figure 1: Revenue Breakdown by Segment



Remark: C2C = Customers that use our services through shops channels, applications, website, and call center. CKA = Corporate Key Account which uses quoted contract pricing and has standard contract. SKA = Strategic Key Account which has the highest volume and fully quoted contract pricing and contract terms.

For the Second quarter of 2024 compared with the First quarter of 2024 and the Second quarter of 2023

● Sales and Services Income

- Sales and services income was recorded at THB 2,653.6 million, increased by 4% QoQ but decreased by 9% YoY. The QoQ increase was primarily attributed to an increase in volume in the C2C and SKA segments from peak fruit seasonal and a double day half-year sales campaign. In addition, KEX opened the new Distribution Center Service Point (DCSP) in the second quarter to accommodate the fruit season. However, the YoY decline was mainly due to a reduction in all customer segments as part of the process of shop relocation plan and the strategy focus shifting. This decrease aligned with our strategy dilute dependence on E-Commerce platforms and focused more on high yield customers.
- Regarding revenue contribution, the C2C segment increased from 44% in 2Q/2023 to 47% in 2Q/2024 driven by our strategy focusing on high-yield customers and acquiring new customers on this segment. These high-yield segments will continue to be cultivated to contribute a higher share of our business compared to the strategically managed volume of E-Commerce platform, where SKA decreased from 44% in 2Q/2023 to 39% in 2Q/2024.

- **Cost of sales and services**

Cost of sales and services were at THB 3,253.7 million, decreased by 3% QoQ, and 15% YoY. The decrease mainly came from the decrease in staff cost and outsourced transport. The sorting automation started to show a prudent result in terms of facility and fleet rental, staff cost and fuel cost. Moreover, KEX also optimized the network planning to minimize the redundancy of the operating activities, reduced entire transferring processes and delivery time, along with the full resource utilization and efficiency improvement.

- **Selling and administrative expenses (SG&A)**

Selling and administrative expenses reported at THB 388.7 million, increased by 1% QoQ, but declined by 13% YoY. The YoY decrease mainly came from reduction of fuel and staff costs versus 2023.

- **Net loss attributable to owners of the Company**

The Company reported a net loss attributable to owners of the Company amounting to THB 1,063.0 million for the second quarter of this year, reflecting a wider loss of 2% YoY, but improved by 11% QoQ. This improvement was primarily attributed to ongoing and effective cost control measures and enhanced operational efficiency following the support provided by SF group in terms of both know-how and technology.

Snapshot for the six-month period ended June 2024 compared with 2023.

Company's sales and service income for the six-month period was reported at THB 5,212.5 million, decreased by 14% compared to the same period last year. The decline in revenue was impacted by the reduction in delivery volume, especially a significant decrease in the E-commerce marketplace platform volume segment. This trend aligned with our strategic shift away from heavy reliance on E-Commerce platforms.

Cost of sales and services for the six-month period were reported at THB 6,597.5 million, representing a 13% decrease compared to the same period last year. This reduction has benefited from continuously executed cost management for both fixed and variable costs with the support from SF group since last year. Regarding fixed costs, KEX has optimized our routes and closed non-performing sites and locations to minimize redundancy of the network facilities such as facility rental and fleet rental. In terms of variable costs, KEX has continued to enhance the employees' and couriers' productivity through auto sorting technology, which has significantly led to improved staff cost efficiency.

Selling and administrative expenses (SG&A) for the six-month period were reported at THB 773.6 million, decreased by 8% compared to the same period last year, mainly resulting from cost and network optimization.

As a result, the Company and its subsidiaries reported a **loss before income tax** of THB 2,177.0 million for the six-month period, reflecting a 6% improvement compared to the same period last year, however the **Net loss attributable to owners of the Company** for the six-month period amounted to THB 2,251.3 million, representing a 23% increase in losses compared to 6M2023, primarily due to the volume drop from higher competition in the platform segment and the decreased of deferred tax assets.

Major Development in the second quarter of 2024 ended 30 June 2024

1. KEX Announces Fruit Season Campaign “Sending freshness with happiness” Fast Delivery, Freshness Guaranteed and Easy Claims within 1 Days*

We aimed to support the demand for delivery of popular seasonal fruits and delivered directly from the garden to customers in every area covering all of Thailand

2. KEX launches Initiative to Empower Employees with Legal Knowledge, aiming at creating a socially responsible corporate.



KEX organized comprehensive training for 10,000 employees to increase awareness of rules, regulations, offenses, and criminal penalties. This training aims to ensure the safe delivery of customer parcels and protection of company assets by partnering with the Central Investigation Bureau (CIB), with a team of four lecturers led by Pol. Lt. T. Ekronakarn Naganiyom, Deputy Commander of ATPD, to deliver this essential knowledge to its employees.

3. Kerry Express Rebrands as KEX. Driving business transformation for the future ready.

One of the long term development for Kerry Express is the rebranding process to transition from the name and logo “Kerry” to “KEX” before Q1/2025. Major shareholders, SF Express, has been assisting KEX in planning and facilitating this orderly exercise for future sustainable growth and benefits.



4. KEX Partners with Department of Agricultural Extension to Elevate Thai Agricultural Logistics for Sustainable Growth

KEX and the Department of Agricultural Extension signed a memorandum of understanding (MOU) to promote and support the development of farmers and the agricultural logistics system by offering special 10% discount on agricultural product deliveries to registered farmers, emphasizing fast service and guaranteed safe delivery to consumers.



Financial Position and Liquidity

Figure 2: Financial Position

(Unit: Million THB)

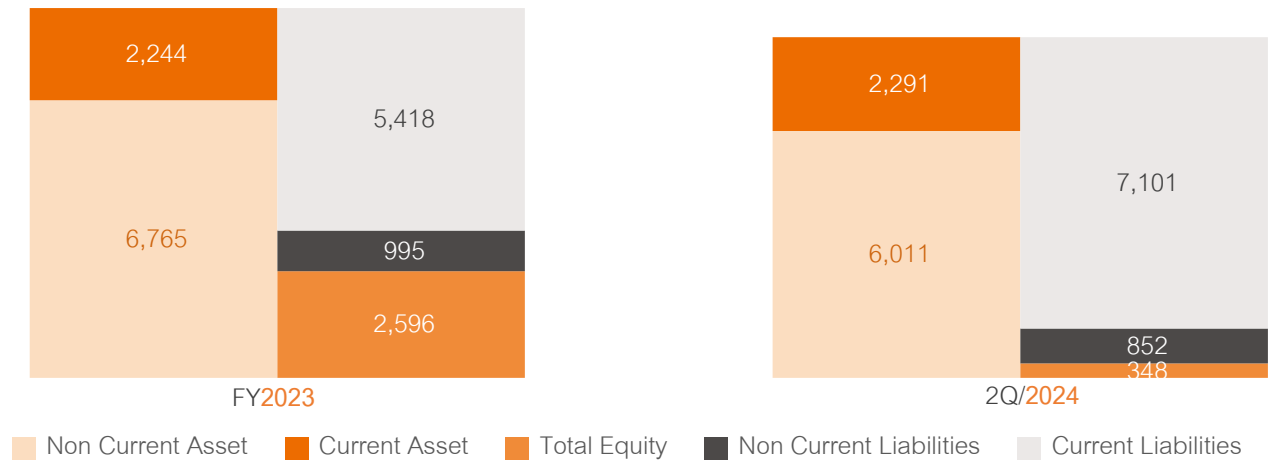


Table 2: Asset Breakdown

(Unit: Million THB)	31-Dec-2023 Restated	30-Jun-2024	Change % +/-
Cash and cash equivalents	736.3	513.3	-30.3%
Trade and other current receivables, net	1,338.3	1,672.5	25.0%
Plant and equipment, net	2,146.0	2,006.7	-6.5%
Right-of-use assets, net	2,449.3	1,923.8	-21.5%
Investment in associate	16.1	14.2	-11.9%
Deferred tax assets	1,529.3	1,462.4	-4.4%
Other Assets	793.8	709.4	-10.6%
Total Assets	9,009.1	8,302.2	-7.8%

Table 3: Liabilities and Shareholders' Equity

(Unit: Million THB)	31-Dec-2023 Restated	30-Jun-2024	Change % +/-
Short-term loan from related party	1,300.0	3,200.0	146.2%
Loan from financial institutions	340.7	435.1	27.7%
Trade and other payables	1,717.7	1,823.8	6.2%
Cash on delivery payable	614.8	482.6	-21.5%
Current portion of lease liabilities	1,441.1	1,149.1	-20.3%
Lease liabilities	775.3	622.3	-19.7%
Other Liabilities	223.2	240.9	7.9%
Total Liabilities	6,412.8	7,953.8	24.0%
Total Shareholders' Equity	2,596.3	348.4	-86.6%
Total Liabilities and Equity	9,009.1	8,302.2	-7.8%

Assets

- As of 30 June 2024, **cash and cash equivalents** decreased by 30% to THB 513.3 million mainly came from our investing on plant and equipment and operation activities.
- **Plant and equipment** decreased by 7% to THB 2,006.7 million due mainly to depreciation and amortization that KEX changing the estimated useful lives for vehicles and leased vehicles, and impairment from shop relocation. This accounting policy change was made to align with our parent company's accounting policies.
- **Right of use assets** decreased by 22% to THB 1,923.8 million, resulted mainly from the truck repurchase during Q2/2024 and depreciation and amortization of rental contract useful lives per existing lease agreements.
- For the **investment in associates**, in September 2023, KEX has invested THB 18.0 million in the shares of our new associate, HiveBox (Thailand) Co., Ltd., with 18% ownership stake. It aims to provide smart locker service in Thailand by offering 24/7 parcel pickup and delivery services. As of 30 June 2024, KEX recorded a share loss from investment in associates of THB 1.92 million.
- **Deferred tax assets** decreased by 4% to THB 1,462.4 million which was caused by the additional recognized tax losses and expected to be utilized in the future.

Liabilities

- **Short-term borrowing from a related party** increased from THB 1,300 million to THB 3,200 million. This was an agreement with KLN Logistics (Thailand), now a related company. This amount will be used as working capital and support investment for the improvement of operation's efficiency of the Company.
- **Loans from financial institutions** (both current and non-current portion portions) increased from THB 340.7 million as of 31 December 2023 to THB 435.1 million as of 30 June 2024 since the Company made a borrowing during 2Q/2024.
- **Lease liabilities** (both current and non-current portions) dropped by 20% from THB 2,216.4 million to THB 1,771.4 million, primarily due to the truck repurchase during Q2/2024 and lease liabilities payment from rental contract lives per existing lease agreements.

KEX has a solid plan for capital increase to strengthen its financial position for working capital, operating expenditures and repay loans. This plan (via Right Offering "RO") will significantly increase liquidity buffer and restore financial strength and balance sheet flexibility for future growth. SF Holding (SF), our KEX's major shareholders, has notified its strong support and intention to fully subscribe according to its entitlement.

KEY FINANCIAL RATIOS

Table 4: Key Financial Ratios

		2Q/2023	1Q/2024	2Q/2024	6M/2023	6M/2024
Liquidity ratios						
Current ratio ⁽¹⁾	(times)	0.70	0.41	0.32	0.70	0.32
Quick ratio ⁽²⁾	(times)	0.64	0.39	0.31	0.64	0.31
Cash flow liquidity ratio ⁽³⁾	(times)	-0.37	-0.12	-0.27	-0.33	-0.27
Accounts receivable turnover ⁽⁴⁾	(times)	11.62	10.95	9.85	11.62	9.85
Average collection period ⁽⁵⁾	(days)	31.41	33.33	37.04	31.41	37.04
Accounts payable turnover ⁽⁶⁾	(times)	24.82	23.60	30.90	24.82	30.90
Average payment period ⁽⁷⁾	(days)	14.71	15.46	11.81	14.71	11.81
Cash cycle (days) ⁽⁸⁾	(days)	16.71	17.86	25.23	16.71	25.23
Profitability ratios						
Gross profit margin ⁽⁹⁾	(%)	-30.49	-30.67	-22.61	-24.53	-26.57
Operating profit margin	(%)	-45.69	-45.58	-37.09	-38.15	-41.26
Non-operating profit margin	(%)	0.69	0.68	0.62	0.45	0.65
Cash flow to income ratio	(times)	0.49	0.52	0.82	0.62	0.66
Net profit margin ⁽¹⁰⁾	(%)	-35.63	-46.44	-40.06	-30.27	-43.19
Return on equity ⁽¹¹⁾	(%)	-54.09	-119.92	-171.35	-54.09	-171.35
Efficiency ratios						
Return on total assets ⁽¹²⁾	(%)	-29.90	-43.46	-49.80	-29.90	-49.80
Return on fixed assets	(%)	-9.78	-49.90	-46.87	-9.78	-46.87
Total asset turnover ⁽¹³⁾	(times)	1.25	1.11	1.23	1.25	1.23
Financial policy ratios						
Total liabilities to equity ratio ⁽¹⁴⁾	(times)	0.92	5.58	22.83	0.92	22.83
Interest-bearing debt to EBITDA ⁽¹⁵⁾	(times)	-1.12	-1.90	-10.36	-1.12	-10.36
Interest coverage ratio ⁽¹⁶⁾	(times)	-50.59	-23.66	-17.54	-38.73	-20.53
Debt service coverage ratio ⁽¹⁷⁾	(times)	-1.27	-0.61	-0.54	-1.27	-0.54

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.

MANAGEMENT DISCUSSION AND ANALYSIS

for the second quarter and six-month period

ended 30 June 2024

KEX Express (Thailand) Public Company Limited



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