

No. SONIC-002/2018

October 18, 2018

Subject: Management Discussion and Analysis for the year ended 31 December 2017

To: President
The Stock Exchange of Thailand

Sonic Interfreight Public Company Limited (“the Company”) would like to submit the Management Discussion and Analysis for the year ended 31 December 2017

Revenue

As a total logistic services provider, the main revenue of the Company is comprised of Seafreight, Transport, and Airfreight. Furthermore, the revenue from service for the period of 2016-2017 was equal to 844.85 million baht and 964.30 million baht respectively. In 2017, the revenue from service increased by 119.45 million baht or by 14.14 percent as a result from the recovery of the World Containerized Freight Index from the trough during 2016, and the recovery of the overall economy of the trade partners in ASEAN EU and USA, which subsequently surged the revenue from Seafreight by 55.34 million baht or equivalent to 9.97 percent. On the other hand, in the late of 2016, the Company had expanded its truck fleets to serve the existing customers; as a result, the revenue from Transport had increased by 42.21 million baht or equivalent to 18.43 percent increase. Nevertheless, in 2017, an increase in air cargo volume and the numbers of clients drove the Airfreight revenue from prior year by 18.80 million baht or equivalent to 39.05 percent increase.

Other revenue

The Company’s Other revenue is from gain(loss) from sale of assets, gain(loss) from foreign exchange translation, interest revenue and collection of bad debt. As for the period of 2016 and 2017, the Company’s other income was equal to 1.06 million baht and 2.43 million baht respectively, or increased by 1.37 million baht, as a result from the vehicle disposal that was accountable for 1.47 million baht.

Cost of service

For the period of 2016 and 2017, the cost of service was equal to 653.87 million baht and 760.99 million baht in sequence; or equivalent to 77.39 and 78.92 of the revenue from service. Furthermore, in 2017, the increment of 107.12 million baht or 16.38 percent was a result from the increase in demand for the container space that subsequently increased the containerized freight index by 60 percent from prior year. Furthermore, the new investment in truck-fleet and the increase in numbers of trucks service had caused the Transport cost to increase in comparison to prior year, as well as the risen Airfreight-business-cost that was resulted from the new marketing approach to increase sales.

Gross profit

In 2016 and 2017, Sonic's gross profit amounted to 190.98 million baht and 203.31 million baht respectively, or equivalent to the margin of 22.61 percent and 21.08 percent. Moreover, in 2017, the increase of 12.33 million baht was due to the strategic change in the Company LCL business from China which subsequently reduces the rebate burden of that particular trade route. Moreover, the Verified Gross Mass: VGM from IMO regulation demanded the company to verify the container weight before dock loading, which ultimately hindered the service capability of the truck fleets. Although, the new marketing strategy to boost up the sales in Airfreight had proven to be effective in the increase of gross profit, however, the gross profit margin of the business unit was lowered in comparison the prior year.

Selling and administrative expenses

Selling expenses

In 2016 and 2017, the Company's selling expenses were equal to 56.94 million baht and 50.40 million baht or equivalent to 6.74 percent and 5.23 percent of the revenue from service respectively. In 2017, the expense dropped by 6.54 million baht from the prior year or by 11.49 percent due to the change in sales commission policy since 2016 for employee retention purpose. Likewise, in 2017, the Company had abolished such incentive program.

Administrative expenses

In 2016 and 2017, the Company's administrative expenses were equal to 79.12 million baht and 82.18 million baht or equivalent to 9.36 percent and 8.52 percent of the revenue from service respectively. Thus, the administrative expense for the year of 2017 slightly increased from the prior year by 3.06 million baht or by 3.87 percent due to the incremental employee expense.

Net Income

For the fiscal year of 2016 and 2017, the Net Income amounted to 42.25 million baht and 47.92 million baht or equivalent to 4.99 percent and 4.96 percent of the Net Profit Margin. Thus, the Net Income for the year of 2017 increased from 2016 by 5.67 million baht or by 13.42 percent due to the increase in sales and cost management.

Please be informed accordingly,

Yours Sincerely,



(Dr. Santisuk Kosiarpant)
Chief Executive Officer



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(Mr. Ranut Lieolertsakulchai)
Director