

Management Discussion & Analysis

BBGI Public Company Limited

Earning Results

For the 2nd Quarter Period Ended June 30th, 2022



Significant Events

BBGI invested 20% in “Biom”

BBGI paid the first payment of the subscription of shares value of THB 30 million in Biom Co., Ltd. (“Biom”), a startup spun off from the Faculty of Science, Chulalongkorn University, in order to expand the value of research in Biotechnology to commercial use. As a result, the Company will hold 20%. By this joint venture agreement, BBGI will subscribe the newly issued shares of Biom at the amount of not more than THB 83 million in total. The payment for the remaining balance amount THB 53 million will be paid in accordance with a success of research operation of Biom’s business plan. As at 30 June 2022, the Group and the Company has recognized this expected reward to be paid as other non-current financial liabilities on the Consolidated financial statements and the Separate financial statements.

WIN established a subsidiary in Singapore

WIN Ingredients Co., Ltd. (WIN) (BBGI holds 51%) established a subsidiary named WIN Ingredients Singapore Pte. Ltd., registered capital SGD 959,000 (WIN 100% owned), with the objective of developing biological products and providing formulation and technical development, and commercial support. In addition, Reb-M sweetener products, which is a sweetener zero calorie from stevia with a similar taste to sugar and produced by Advanced Biotechnology, will be distributed domestically by WIN, has been registered with the Food and Drug Administration (FDA) already in June 2022.

Signed an MOU on Sustainable Aviation Fuel (SAF) Project

On April 28, 2022, BBGI, Bangchak Corporation PLC., and Thanachok Oil Light Co., Ltd signed a memorandum of understanding on cooperation in procuring raw materials, products, and building a production and distribution unit for sustainable biofuels. This project will be the first Sustainable Aviation Fuel (SAF) production from used cooking oil and other related biofuel products in Thailand for both domestic and international use, driving a low-carbon economy to serve entire BCG Economy.

Signed an MOU on Bio-Transformer Oil Development and Production Project

On May 10, 2022, Bangchak Biofuel Co., Ltd. (a subsidiary of BBGI), SCG Chemicals PLC., and QTC Energy PLC. signed a memorandum of understanding on the Bio-transformer oil development and production Project to test the first production in Thailand before commercial use.

Group Business Performance

THB Million	Q2/2022	Q2/2021	YoY	Q1/2022	QoQ	6M2022	6M2021	YoY
Sales revenue	3,413	3,539	-4%	3,740	-9%	7,153	6,936	3%
Cost of goods sold	(3,376)	(3,308)	2%	(3,420)	-1%	(6,796)	(6,338)	7%
Gross profit	37	231	-84%	320	-88%	357	599	-40%
Other income	19	6	193%	8	153%	27	18	50%
Distribution costs and administrative expenses	(68)	(59)	15%	(85)	-20%	(153)	(125)	22%
Share of profit (loss) of associate and joint venture	(3)	14	-118%	(1)	-188%	(3)	22	-115%
Profit (loss) before finance costs and tax expense	(15)	192	-108%	242	-106%	227	514	-56%
Finance costs	(24)	(28)	-14%	(26)	-9%	(51)	(51)	-1%
Tax expense	8	(15)	-155%	(18)	-145%	(10)	(41)	-75%
Profit (Loss) for the period	(30)	149	-120%	197	-115%	167	422	-61%
Profit (loss) attributable to owners of the Parent	(56)	107	-153%	130	-143%	74	309	-76%
Basic earnings per share (in Baht)	(0.04)	0.11		0.12		0.06	0.31	

Note : Basic earnings per share for the period ended June 30, 2022 were calculated from profit attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the year, after adjusting for the change in the number of ordinary shares as a result of reduction in par value on January 6, 2022 and the increase in paid-up capital on March 15, 2022, by using the weighted average method based on the number of issued ordinary shares.

As for performance in Q2/2022, the Company and its subsidiaries recorded EBITDA of THB 90 million and the net loss attributable to owners of the parent was THB 56 million, decreased by 153% YoY and 143% QoQ, representing loss per shares of THB 0.04.

For the performance of the first 6 months of 2022, BBGI Public Company Limited (the Company) and its subsidiaries recorded EBITDA of THB 434 million and the net profit attributable to owners of the parent was THB 74 million, decreased by 76% YoY, representing earnings per share of THB 0.06.

Sale Volume	Q2/2022	Q2/2021	YoY	Q1/2022	QoQ	6M2022	6M2021	YoY
Ethanol Sale Volume (Million Liters)	27.12	49.76	-45%	38.19	-29%	65.31	83.66	-22%
Biodiesel Sale Volume (B100) (Million Liters)	46.59	63.08	-26%	51.08	-9%	97.67	127.58	-23%

○ Sales Revenue

Performance in Q2/2022, the Company and its subsidiaries recorded total revenue from sales of THB 3,413 million, decreased by THB 125 million or 4% YoY and decreased by THB 327 million or 9% QoQ. Details are as follow;

- (1) Revenue from production and distribution of ethanol business amounted to THB 696 million, decreased by THB 582 million or 46% YoY and decreased by THB 291 million or 29% QoQ mainly from the decline of ethanol sale volume in accordance with the sales management plan for maximum benefit to the company because the cost of raw materials used to produce ethanol,

such as molasses and cassava, has climbed significantly. The cassava price rose due to an increase of China import demand for cassava to replace a shortage of corn being used in the ethanol and animal feeds industry. The molasses price escalated due to the fact that sugarcane production had been continued at a low level since 2019/20.

- (2) Revenue from production and distribution of biodiesel (B100) business amounted to THB 2,717 million, increased by THB 457 million or 20% YoY mainly from an escalation of the price of B100 according to the significant risen of CPO price. Due to Russia-Ukraine crisis and the drought in South America, causing a shortage of oil crops around the world. In addition, on April 28, 2022, Indonesia, the world's largest producer and exporter of palm oil, announced to ban palm oil export causing an increasing of Thailand's exports of palm oil. However, Indonesia has cancelled the restriction palm oil export since May 23, 2022. Moreover, the Q2/2022 revenue has decreased by THB 36 million compared to Q1/2022 or decreased by 1% QoQ because the sale volume of B100 decreased due to an announcement of the Committee on Energy Policy Administration (CEPA) to reduce the proportion of B100 blend from B7 to B5 from February 5, 2022 to September 30, 2022.
- (3) Revenue from high value bio-based products amounted to THB 0.5 million came from the sale of pharmaceutical-grade hand-washing alcohol products certified by GHPs and HACCP, safe and free of fragrances including with food supplement products "ASTA-IMMU" and "ASTA-VIS". In addition, in April 2022, the Company has released an additional dietary supplement, "Calcium-LT plus UC-II" under the brand B nature+ (B Nature Plus), distributed via online channels, including Facebook: BNaturePlus, Line official: @BNaturePlus, Shopee : BBGI Official Store and Lazada : BBGI Flagship Store and also available through other leading stores such as Inthanin, Gourmet Market, COSCEN and KONVY. In addition, in August 2022, the food supplement products "ASTA-IMMU" and "ASTA-VIS" will be released at 90 branches of "Bangkok Drugstore" throughout Bangkok and its vicinity.

○ Gross Profit

In Q2/2022, the Company and its subsidiaries recorded gross profit of THB 37 million, decreased by THB 194 million or 84% YoY and decreased by THB 283 million or 88% QoQ mainly due to a decline of the sale volume of ethanol as mentioned above. Besides, in Q2/2022, the ethanol production plant of BBGI Bioethanol PLC. (Formerly named KSL Green Innovation PLC.) has adjusted the higher cost of molasses in line with the average initial price of molasses sold domestically in 2021/22. In addition, there was expenses related to major annual maintenance shutdowns of the plant of BBGI Bioethanol PLC. at Bo Ploy, Kanchanaburi Province and at Nam Phong, Khon Kaen Province. Moreover, the decreasing of crude palm oil and biodiesel prices at end of Q2/2022 impacted on the biodiesel business's net realizable value (NRV) of THB 54 million.

○ Distribution costs and administrative expenses

For the period of Q2/2022, the Company and its subsidiaries recorded distribution costs and administration expenses of THB 68 million, increased by THB 9 million or 15% YoY because the company has more expenses related to the promotion of high value bio-based products, development of new products, and employee expenses and decreased by THB 17 million or 20% QoQ mainly from expenses related to the initial public offering (IPO) and listing on the stock exchange of Thailand in Q1/2022.

○ Net Profit

In Q2/2022, the Company and its subsidiaries recorded the net loss attributable to parent company at amount of THB 56 million, decreased by THB 163 million YoY and decreased by THB 186 million QoQ.

Financial Position

Statement of Financial Position (THB Million)	30 Jun 2022	31 Dec 2021
Total Assets	16,126	12,907
Total Liabilities	4,921	6,003
Total Equity	11,205	6,904

○ Assets

As of the 30 June 2022, the Company and its subsidiaries had total assets in the amount of THB 16,126 million, an increase of THB 3,219 million or 25% compared to end of last year. The total assets at the end of June 2022 were separated into total current assets in the amount of THB 6,318 million equivalent to 39% of total assets and total non-current assets in the amount of THB 9,809 million equivalent to 61% of total assets, in which key changes were from an increase in cash and cash equivalents and current investment THB 3,130 million mainly from IPO and an increase in inventories THB 785 million due to an increase in raw material and ethanol product reserves according to the production period.

○ Liabilities

As of the 30 June 2022, the Company and its subsidiaries had total liabilities THB 4,921 million, a decrease of THB 1,082 million or 18% compared to end of last year. The total liabilities at the end of June 2022 were separated into total current liabilities in the amount of THB 1,992 million equivalent to 40% of total liabilities and total non-current liabilities in the amount of THB 2,929 million equivalent to 60% of total liabilities, in which key changes in liabilities were short-term and long-term loans from financial institutions decreased by THB 947 million.

○ Shareholders' Equity

As of the 30 June 2022, the Company and its subsidiaries had total shareholders' equity THB 11,205 million, an increase of THB 4,301 million or 62% compared to end of last year. Mainly from an increase in paid-up share capital and share premium from IPO.

Cash Flow Statement

As of 30th June 2022, the Company and subsidiaries had cash and cash equivalents in the amount of THB 1,594 million, details are as follow;

Cash Flows (THB Million)	6M2022	6M2021
Net cash from (used in) operating activities	95	407
Net cash from (used in) investing activities	(2,135)	(224)
Net cash from (used in) financing activities	3,250	233
Net increase (decrease) in cash and cash equivalents	1,210	417
Cash and cash equivalents at 1 January	384	157
Cash and cash equivalents at 30 June	1,594	574

Net cash received from operating activities was THB 95 million. The main items that affected an increase in cash were derived from profit for the period, depreciation and amortization, and finance costs in the amount of THB 424 million. In addition, the main items that affected a decrease in cash were change in net operating assets and liabilities THB 362 million.

Net cash used in investing activities was THB 2,135 million primarily due to increasing in current investment from the payment for the construction to expand the production of the ethanol plant of BBGI Bioethanol PLC. at Khon Kaen province and the construction of BBGI Utility and Power Co., Ltd. of THB 200 million, the payment for subscription of shares in Biom Co., Ltd. of THB 30 million, and deposits cash in fixed deposit account THB 1,920 million,

Net cash received from financing activities was THB 3,250 million, mainly from net cash received from IPO by THB 4,464 million, cash used for repayment short-term and long-term loans of subsidiaries by THB 1,060 million, and dividend payment by THB 217 million.

Key Financial Ratios

	Q2/2022	Q2/2021	Q1/2022
Gross Profit Margin (%)	1.08%	6.52%	8.55%
Net Profit Margin (%)	-0.89%	4.22%	5.27%
Return On Equity (ROE) (%)	8.86%	13.09%	12.15%
Return On Assets (ROA) (%)	7.91%	9.93%	9.62%
Current Ratio (Times)	3.17	1.31	2.79
Interest Bearing Debt to Equity (IBD/E) (Times)	0.30	0.80	0.35

Note: Gross Profit Margin (%)	=	Gross Profit / Total Revenue
Net Profit Margin (%)	=	Net Profit / Total Revenue
Return on Equity (ROE) (%)	=	Profit Attributable to Owners of the Parent (Yearly) / Total Equity Attributable to Owners of the Parent (Average)
Return on Assets (ROA) (%)	=	EBIT (Yearly) / Total Asset (Average)
Current Ratio (Times)	=	Current Assets / Current Liabilities
Interest Bearing Debt to Equity (IBD/E) (Times)	=	Interest Bearing Debt / Total Equity