

1 November 2022

Subject Management Discussion and Analysis for the year ended 31 December 2021

Attention President

The Stock Exchange of Thailand

Betagro Public Company Limited and subsidiaries (collectively called the “**Company**”) would like to inform the analysis of financial performance, financial positions and financial ratio for the year ended 31 December 2021. The details are as follows:

**A summary of the key financial information for the year ended 31 December 2021**

Items	For the year ended 31 December		Change	
	2020	2021	THB mm	%
	THB mm	THB mm		
Total Income	80,631.5	86,743.7	6,112.2	7.6
Gross Profit	13,175.5	11,163.7	(2,011.8)	(15.3)
Total Segment Operating Profit before Depreciation and Amortization <sup>/1</sup>	6,620.4	4,315.5	(2,304.9)	(34.8)
Profit for the year	2,341.0	839.0	(1,502.0)	(64.2)

Remark: /1 Calculated as segment operating profit (loss) adding back depreciation and amortization

**Total Income**

The Company's total income grew from THB80,631.5 million in 2020 to THB86,743.7 million in 2021, representing an increase of 7.6%

The growth of total income for the year 2021 was primarily in line with the growth of the revenue from sale of goods and rendering of services primarily attributable to an increase in revenue from sale of goods and rendering of services from agro business, consumer food business, co & by products and other food business, international business and pet business where (1) the increases in sales revenue in the agro business were in line with “Agro Total Solution” strategy (2) the increases in sales revenue from consumer food business, co & by products business and pet business were in line with the Company's strategy to focus on more value added-products and (3) the increases in revenue from the international business were in line with the growth in revenue from animal feed sales and live pigs and chickens in Cambodia and Laos, which aligns with the expansion of production capacity in both countries.

## Profitability Ratio

Financial Ratio	For the year ended 31 December	
	2020	2021
Gross Profit Margin (%) <sup>/1</sup>	16.5	13.1
Total Segment Operating Profit before Depreciation and Amortization Margin (%) <sup>/2</sup>	8.3	5.1
Net Profit Margin (%) <sup>/3</sup>	2.9	1.0

Remark:

/1 Calculated as gross profit divided by sum of revenue from sale of goods and revenue from rendering of services

/2 Calculated as Total Segment Operating Profit before Depreciation and Amortization divided by sum of revenue from sale of goods and revenue from rendering of services

/3 Calculated as profit for the period divided by total income

## Gross profit and gross profit margin

The Company's gross profit decreased from THB13,175.5 million in 2020 to THB11,163.7 million in 2021, representing a decrease of 15.3%. The Company's gross profit margin also decreased from 16.5% in 2020 to 13.1% in 2021.

The decrease in gross profit and gross profit margin was primarily due to higher costs of raw materials, such as corn and soybean meal, in line with the increase in their market prices. In addition, the prices of chicken products decreased, due to higher domestic demand, as a result of a decrease in chicken product exports, partly because of effects from the COVID-19 pandemic.

## Total Segment Operating Profit before Depreciation and Amortization and Total Segment Operating Profit before Depreciation and Amortization margin

The Company's Total Segment Operating Profit before Depreciation and Amortization was THB6,620.4 million and THB4,315.5 million for the years ended 31 December 2020 and 2021, respectively. Total Segment Operating Profit before Depreciation and Amortization margin was 8.3% and 5.1% for the years ended 31 December 2020 and 2021, respectively.

Total Segment Operating Profit before Depreciation and Amortization were primarily attributable to agro business and consumer food business, which contributed to 55.5% and 79.6% of the Company's Total Segment Operating Profit before Depreciation and Amortization for the years ended 31 December 2020 and 2021, respectively.

Total Segment Operating Profit before Depreciation and Amortization decreased from THB6,620.4 million in 2020 to THB4,315.5 million in 2021, representing a decrease of 34.8%. Total Segment Operating Profit before Depreciation and Amortization margin decreased from 8.3% for the year ended 31 December 2020 to 5.1% for the

year ended 31 December 2021. The decreases in Segment Operating Profit before Depreciation and Amortization and Segment Operating Profit before Depreciation and Amortization margin of consumer food business, export business, non-package meat products business, co & by products and other food business, livestock business and international business were attributable to a decrease in gross profit and gross profit margin of such businesses, which was in line with an increase in raw material costs following an increase in raw material prices. Such decreases were partially offset by a decrease of administrative expenses following a decrease in bonus expenses following the Company's performance for the year ended 31 December 2021.

#### **Profit for the year and net profit margin**

The Company's profit for the year decreased from THB2,341.0 million in 2020 to THB839.0 million in 2021, representing a decrease of 64.2%. The decrease in profit for the year ended 31 December 2021 was primarily due to the decrease in Total Segment Operating Profit before Depreciation and Amortization and Total Segment Operating Profit before Depreciation and Amortization margin together with an increase in depreciation and amortization and finance costs following an increase in interest-bearing liabilities. The reduction was partially offset by a reduction in income tax expenses. Due to the above factors, the Company's net profit margin decreased from 2.9% for the year ended 31 December 2020 to 1.0% for the year ended 31 December 2021.

#### **Financial Positions**

Items	As of 31 December 2020	As of 31 December 2021	Change	
	THB mm	THB mm	THB mm	%
Total Assets	50,342.1	57,475.1	7,133.0	14.2
Total Liabilities	33,196.0	41,952.9	8,756.9	26.4
Equity	17,146.1	15,522.2	(1,623.9)	(9.5)

#### **Total Assets**

As of 31 December 2021, the Company's total assets were THB57,475.1 million. Total assets include receivables, inventories, biological assets, land, building and equipment and right of use assets.

The Company's total assets increased from THB50,342.1 million as of 31 December 2020 to THB57,475.1 million as of 31 December 2021. The increases in total assets in 2021 were attributable to an increase in (a) right of use assets from an increase in right of use assets from the lease of solar rooftop farms and an increase in leased vehicle in 2021; (b) inventories, as the Company stored more raw materials in light of anticipated rising raw material prices as part of the Company's cost management; and (c) the increase of biological assets, in line with higher market prices of fattening pigs, and an increase of chicken and pig populations, in line with an increase in revenue from sales. The increases were offset by decreases in land, building and equipment, primarily as a result of depreciation.

## Total Liabilities

As of 31 December 2021, the Company's total liabilities were THB41,952.9 million. Total liabilities mainly comprise bank overdrafts, short term loans from financial institutions, trade accounts payable, lease liabilities and debentures.

Total liabilities increased from THB33,196.0 million as of 31 December 2020 to THB41,952.9 million as of 31 December 2021 primarily due to an increase in borrowings for the Company's business operations including an increase in the lease liabilities following an increase in the right of use assets mentioned above.

## Equity

As of 31 December 2021, the Company's equity was THB15,522.2 million.

Equity decreased from THB17,146.1 million as of 31 December 2020 to THB15,522.2 million as of 31 December 2021 primarily due to a dividend payout totaling of THB7,350.0 million or equivalent to THB24.5 per share which was partially offset by a capital increase of THB4,500.0 million as a part of restructuring in preparation of the initial public offering and total comprehensive income for the year of THB1,372.9 million.

## Total Liabilities to Equity Ratio and Interest bearing debt-to-equity Ratio

Financial Ratio	As of 31 December	
	2020	2021
Total Liabilities to Equity Ratio (times) <sup>/1</sup>	1.94	2.70
Interest bearing debt-to-equity Ratio (times) <sup>/2</sup>	1.27	1.97

Remark:

<sup>/1</sup> Calculated as total liabilities divided by total equity

<sup>/2</sup> Calculated as interest bearing debt divided by total equity

Total liabilities to equity ratio increased from 1.94x as of 31 December 2020 to 2.70x as of 31 December 2021, primarily due to an increase in total liabilities mainly from an increase in lease liabilities following an increase in leasehold rights in connection with rental farms for the Company's operations in Cambodia and Laos, as well as a decrease in equity due to the dividend payout of THB7,350.0 million, partially offset by the capital increase of THB4,500.0 million.

Interest bearing debt-to-equity ratio increased from 1.27x as of 31 December 2020 to 1.97x as of 31 December 2021, primarily due to the increase in short-term loans and lease liabilities, in combination with the aforementioned decrease in equity.

Please be informed accordingly,

Sincerely yours,

(Mrs. Siriwan Intarakumthornchai)  
Chief Financial Officer