

14 February 2023

Subject Management discussion and analysis for the nine-month periods ended 30 September 2022

To President  
The Stock Exchange of Thailand

Premier Quality Starch Public Company Limited and its subsidiaries ( hereinafter reference to as “Company” ) would like to clarify the operation results of the Company for the nine-month periods ended ended 30 September 2022, details are as follows:

Income Statement	2021		2022		% YoY	
	THB mn	%	THB mn	%		
Revenues from sale of goods	1,492.78	96.59%	1,697.77	96.64%	204.99	13.73%
Revenues from sale of electricity	20.48	1.33%	25.36	1.44%	4.88	23.83%
Other income	32.26	2.09%	34.44	1.96%	2.18	6.67%
<b>Total revenues</b>	<b>1,545.52</b>	<b>100.00%</b>	<b>1,757.57</b>	<b>100.00%</b>	<b>212.05</b>	<b>13.72%</b>
Cost of sale of goods	1,128.77	73.03%	1,311.49	74.62%	187.72	16.19%
Cost of sale of electricity	15.61	1.01%	11.36	0.65%	(4.25)	-27.23%
Selling expenses	117.37	7.59%	114.39	6.51%	(2.98)	-2.54%
Administrative expenses	41.43	2.68%	66.53	3.79%	25.10	60.58%
Loss from fair value measurement of derivatives – net	16.81	1.09%	7.00	0.40%	(9.81)	-58.36%
Loss on foreign exchange rate - net	22.87	1.48%	12.11	0.69%	(10.76)	-47.05%
<b>Total expenses</b>	<b>1,342.87</b>	<b>86.89%</b>	<b>1,522.88</b>	<b>86.65%</b>	<b>180.02</b>	<b>13.41%</b>
<b>Profit from operations</b>	<b>202.66</b>	<b>13.11%</b>	<b>234.69</b>	<b>13.35%</b>	<b>32.03</b>	<b>15.80%</b>
Finance costs	(13.48)	-0.87%	(9.84)	-0.56%	3.64	-27.00%
Income tax expense	(3.24)	-0.21%	(13.48)	-0.77%	(10.24)	316.05%
<b>Profit for the years</b>	<b>185.94</b>	<b>12.03%</b>	<b>211.37</b>	<b>12.03%</b>	<b>25.43</b>	<b>13.68%</b>

### **Sales revenue**

For 9M2022, the Company's revenue from sale of native tapioca starch increased from 9M2021 in the amount of 204.99 THB mn, or 13.73%, the main reason was from sales price increased, while, the sales volumes declining due to lower production by a subsidiary. This is due to the improvement of the factory area in order to increase production efficiency to support production during the low season in the next production season. The average sale price for 9M2022 was 15.69 baht per kilogram. This is an increase compared to 9M2021 with an average price of approximately 13.10 baht per kilogram. The selling price is in line with the trend of market prices that will continue to increase in 2022.

### **Electricity sales revenue**

For 9M2022, the Company's revenue from the sale of electricity from biogas was 25.36 THB mn. The increase was 4.88 THB mn or 23.83% compared to 9M2021 due to an increase in electricity sales volume of 0.40 million megawatt-hours (MWh) and an increase in the price of electricity per unit sold to electricity in accordance with the increase in the middle price.

### **Other income**

For 9M2022, the Company had other revenues of 34.45 THB mn or an increase of 2.19 THB mn. Revenue from scrap sales increased by 2.07 THB mn or 6.80% compared to 9M2021.

### **Cost of sales**

For 9M2022, the Company had a cost of sales 1,311.49 THB mn, or 77.25%, an increase in line with sales of the Company's products. Comparatively, the proportion of cost of goods to revenue from the sale revenue slightly increased compared to 9M2021, partly due to the smaller production of the

subsidiary due to the shortage of raw materials and further improvements in plant space. During the second quarter. The cost of electricity sales for the 9M2022 was 11.36 THB mn, or 44.79%, which decreased compared to 9M2021, with the ratio of cost of selling electricity to electricity sales revenue 76.21%, due to a decrease in the proportion of depreciation to sales revenue, as well as lower repair and maintenance costs.

#### **Distribution cost**

For 9M2022, the Company's sales expenses decreased compared to 9M2021, a decrease of 2.98 THB mn, or 2.54%. As a result, from the export sale volumes declining.

#### **Administrative expenses**

For 9M2022, the Company's administrative expenses increased by 25.10 THB mn or 60.58% compared to 9M2021, due to the increase in the number of executives and the annual salary increase, as well as the cost of preparing to IPO and the increase in ERP system service fees.

#### **Exchange rate and fair value of derivative gain (loss)**

For 9M2022, the Company had exchange rate losses and gains and losses on derivatives valuations 12.11 THB mn or 0.69% compared to total revenue.

#### **Finance Cost**

For 9M2022, the Company had lower financial costs 3.64 THB mn or 27.00% from 9M2021, due to partial repayment of loans from financial institutions.

#### **Gross margin and net profit**

For 9M2022, the Company's gross margin increased by 22.27 THB mn, or 6.12%. However, the gross margin of native starch sales decreased compared to 9M2021 from 24.38% to 22.75% as a result of the use of reduced capacity of the Sakon Nakhon plant due to improvements in the area to increase production efficiency. For 9M2022, the company's net profit was 211.36 THB mn, The net profit margin was close compared to the 9M2021 at 12.03%, due to gross profit margin decreased, coupled with the Company's increased administrative expenses due to the increase in the number of executives and annual salary increases, as well as the cost of IPO. In addition to the 9M2022, the Company incurred income tax expenses of 10.25 THB mn, or 316.32% compared to the 9M2021 due to an increase in non-investment promotion income. However, the Company had lower sales expenses, including a decrease in derivative-net fair value losses and a decrease in exchange-net losses compared to the same period a year earlier. As a result, the overall net profit percentage was unchanged from 9M2021.

#### **Financial Position**

Financial Position (Unit : THB mn)	As at		% YoY	
	31 December 2021	30 September 2022		
Total Assets	1,358.87	1,560.00	201.13	14.80%
Total Liabilities	741.91	629.22	(112.69)	-15.19%
Total Equity	616.96	930.78	313.82	50.87%
D/E Ratio) : Times	1.20	0.68	(0.53)	-43.78%

#### **Assets**

As at 30 September 2022, the Company had a total asset value of 1,661.24 THB mn. This was an increase of 101.24 THB mn or 6.49% from 31 December 2021, with the increase in assets primarily from cash and cash equivalents of 48.85 THB mn. Inventories increased by 104.15 THB mn or 62.45%. This is primarily an increase in finished goods, as it is the high season of cassava harvest to be produced as finished goods for further sale. However, the Company had a decrease of 44.69 THB mn or 22.34% decrease in trade receivables compared to 2021 as a result of receiving debt receivables from trade receivables.

#### **Liabilities**

As at 30 September 2022, the Company had total liabilities 725.94 THB mn. The increase was 96.72 THB mn or 15.37% from 31 December 2021, primarily due to an increase of 100.00 THB mn in short-term loans or 40.00%. Payment is due within a period not exceeding 90 days from the date of ticket issuance. The increase in short-term loans in such periods is an increase as it is used as working capital to purchase the Company's raw materials.

**Total Equity**

As at 30 September 2022, the Company had equity of 935.31 THB mn. Accounting for 56.30% of total liabilities and shareholder's equity, an increase of 4.52 THB mn or 0.49% compared to 2021.

**Financial Ratio**

As at 30 September 2022, the Company's debt-to-equity ratio increased from 2021 due to an increase in the Company's total debt of 96.72 THB mn, or 15.37%, driven by an increase in short-term loans from financial institutions in the promissory note category of 100.00 THB mn. Meanwhile, shareholders' equity increased slightly as the company had a net profit of 211.36 THB mn for 9M2022. However, the Company has paid an interim dividend to shareholders totaling 150.85 THB mn. This was paid to shareholders in August 2022. As a result, the Company's unallocated retained earnings decreased from 400.16 THB mn in 2021 to 316.28 THB mn as at 30 September 3 2022. The increase in debt and dividend payments of the Company has resulted in an increase in the debt-to-equity ratio as at 30 September 2022 compared to year ended 2021.

Regards,

(Aphirat Thawatchutikorm )

Chief Finance Officer

Premier Quality Starch Public Company Limited