

# Management Discussion & Analysis

## BBGI Public Company Limited

Earning Results

For the 2<sup>nd</sup> Quarter Period Ended June 30<sup>th</sup>, 2023



## Executive Summary

	Q2/2023	Q2/2022	YoY	Q1/2023	QoQ
Ethanol Sale Volume (Million Liters)	25.75	27.12	-5%	28.09	-8%
Average Ethanol Reference Price (Baht/Liter)*	29.01	26.46	10%	29.20	-1%
Biodiesel Sale Volume (B100) (Million Liters)	65.60	46.59	41%	67.06	-2%
Average B100 Reference Price (Baht/Liter)*	34.52	56.99	-39%	33.74	2%

\*From Energy Policy and Planning Office (EPPO), Ministry of Energy

THB Million	Q2/2023	Q2/2022	YoY	Q1/2023	QoQ
Sales revenue	3,049	3,413	-11%	2,942	4%
Gross profit	57	37	55%	75	-23%
<b>Profit (loss) attributable to owners of the Parent</b>	<b>(40)</b>	<b>(56)</b>	<b>28%</b>	<b>(31)</b>	<b>-31%</b>

**For performance in Q2/2023**, The Thai economy tends to expand steadily from tourism and private consumption, which has a continuous positive effect on the labor market. However, exports are likely to slow down more than anticipated due to weak global demand, core inflation is expected to slow down but remain high, and politics remains highly uncertain. The Thai agricultural sector will experience a mild to severe impact of El Niño in the second half of the year, which is expected to result in less rainfall in Thailand and lower agricultural productivity. The risks of geopolitical issues remain, such as the Russian-Ukraine war and the China-Taiwan dispute, which could affect global supply chains.

The government's policy on biofuel promotion, the Committee on Energy Policy Administration (CEPA), announced that the blending ratio of biodiesel in high-speed diesel will be B7 by September 30, 2023. Meanwhile, a plan to promote the use of gasohol E20 as base gasoline using the mechanism of selling prices by reducing the subsidy of gasohol E85 from the oil fund since Q4/2022 onwards has resulted in a decrease in demand for ethanol. Nevertheless, the government implements measures to promote the use of gasohol E20 as base gasoline, and the recovery of the economy will lead to an increase in the demand for ethanol in the future.

BBGI Public Company Limited ("the Company") and its subsidiaries recorded total revenue from sales of THB 3,049 million, decreased by 11% YoY and increased by 4% QoQ with EBITDA of THB 138 million, increased by 53% YoY and increased by 29% QoQ, and net loss attribute to owners of the parent at THB 40 million. Performance of each business group are as follow:

▲ ↑ YoY	▲ ↓ QoQ
<p>(+) For the ethanol business, recognition of the higher of gross profit due to an increase in the average ethanol selling price in accordance with the raw material costs.</p> <p>(-) For the biodiesel business (B100), recognition of the lower of gross profit due to the decrease in the selling price of biodiesel and glycerin</p> <p>(+) For the high-value bio-based product business, recognition of the gross profit was comparable to the same quarter last year.</p> <p>(+) Although there was an increase in distribution costs and administrative expenses YoY because the ethanol production plant was temporarily shut down, the operating expenses related to the cessation of production were transferred to administrative expenses, and the subsidiary recorded the additional work expenses to the contractors in accordance with the judgment of the tribunal in the amount of THB 29 million. The subsidiary also recorded other income in the amount of THB 52 million from fines and construction corrections from the contractor above, resulting in net revenue from the above expenses in the amount of THB 23 million.</p>	<p>(-) For the ethanol business, recognition of the lower of gross profit due to the decrease in sale volume in accordance with the sale management plan and the increase in raw material costs.</p> <p>(+) For the biodiesel business (B100), recognition of the higher of gross profit due to the increase in biodiesel price.</p> <p>(-) For the high-value bio-based product business, recognition of the lower of gross profit in accordance with the sale volume.</p> <p>(+) Although there was an increase in the distribution costs and administrative expenses QoQ due to the record of the additional work expenses to the contractors of the subsidiary in accordance with the judgment of the tribunal in the amount of THB 29 million, the subsidiary recorded other income in the amount of THB 52 million from fines and construction corrections from the contractor above, resulting in net revenue from the above expenses in the amount of THB 23 million.</p>

## Significant Events in Q2/2023

### BSGF signed the construction contract for Sustainable Aviation Fuel (SAF) unit.

On June 28, 2023, BSGF Company Limited ("BSGF"), a joint venture between BBGI, Bangchak Corporation Public Company Limited, and Thanachok Oil Light Company Limited, signed a construction contract for a Sustainable Aviation Fuel (SAF) unit with TTCL Public Company Limited and Honeywell UOP with a production capacity of 1 million liters per day, which is expected to take approximately 18–20 months to complete the construction and be ready for production in Q4/2024.

## Group Business Performance

THB Million	Q2/2023	Q2/2022	YoY	Q1/2023	QoQ
Sales revenue	3,049	3,413	-11%	2,942	4%
Cost of goods sold	(2,992)	(3,376)	-11%	(2,867)	4%
<b>Gross profit</b>	<b>57</b>	<b>37</b>	<b>55%</b>	<b>75</b>	<b>-23%</b>
Other income	81	19	323%	14	487%
Distribution costs and administrative expenses	(115)	(68)	69%	(90)	28%
Share of profit (loss) of associate and joint venture	(2.6)	(2.5)	-4%	(4)	35%
<b>Profit (loss) before finance costs and tax expense</b>	<b>20</b>	<b>(15)</b>	<b>239%</b>	<b>(5)</b>	<b>478%</b>
Finance costs	(21)	(24)	-14%	(19)	-7%
Tax expense	(9)	8	214%	(1)	-636%
<b>Profit (Loss) for the period</b>	<b>(10)</b>	<b>(30)</b>	<b>68%</b>	<b>(26)</b>	<b>62%</b>
<b>Profit (loss) attributable to owners of the Parent</b>	<b>(40)</b>	<b>(56)</b>	<b>28%</b>	<b>(31)</b>	<b>-31%</b>
<b>Basic earnings per share (in Baht)</b>	<b>(0.03)</b>	<b>(0.04)</b>		<b>(0.02)</b>	

As for performance in Q2/2023, the Company and its subsidiaries recorded total revenue from sales of THB 3,049 million, decreased by 11% YoY and increased by 4% QoQ, recorded EBITDA of THB 138 million, increased by 53% YoY and increased by 29% QoQ, and the net loss attributable to owners of the parent was THB 40 million, representing loss per share of THB 0.03. Each business area's performance is as follows:

### ○ Sales Revenue

Performance in Q2/2023, the Company and its subsidiaries recorded total revenue from sales of THB 3,049 million, decreased by THB 364 million or 11% YoY and increased by THB 107 million or 4% QoQ. Details are as follow;

- (1) Revenue from the production and distribution of ethanol business amounted to THB 745 million, increased by THB 49 million, or 7% YoY, due to an increase in the average ethanol selling price in accordance with the raw material costs, and decreased by THB 78 million, or 9% QoQ, due to a decrease in sale volume in accordance with the sale management plan.
- (2) Revenue from the production and distribution of biodiesel business amounted to THB 2,303 million, decreased by THB 413 million, or 15% YoY, because of a decrease in the price of biodiesel and glycerin. However, it increased by THB 187 million, or 9% QoQ, because of a rise in the selling price of biodiesel in response to a decline in Thailand's stockpile of crude palm oil.
- (3) Revenue from the high-value bio-based products amounted to THB 0.7 million from launching new health and well-being products under the brand "B Nature Plus" (B Nature+), increasing from the same quarter of the previous year, such as "Calcium-LT plus UC-II", "Probiotics 4 Formulas," and "Calcium-LT Advance," and the oat milk mixed with soy milk products under the "More Day"

brand. In addition, expansion of the distribution channels both online and through television and the Bangkok Drug Store.

#### ○ **Gross Profit**

In Q2/2023, the Company and its subsidiaries recorded gross profit of THB 57 million, which increased by THB 20 million, or 55% YoY, primarily due to an increase in the average selling price of ethanol. However, the decline of THB 17 million, or 23% QoQ, was due to a decrease in the sale volume of ethanol in accordance with the sale management plan.

#### ○ **Distribution costs and administrative expenses**

For the period of Q2/2023, the Company and its subsidiaries recorded distribution costs and administrative expenses of THB 115 million, increased by THB 47 million, or 69% YoY, and increased by THB 25 million, or 28% QoQ, because the ethanol production plant was temporarily shut down and the operating expenses related to the cessation of production were transferred to administrative expenses. Furthermore, the subsidiary recorded the additional work expenses for the contractors in accordance with the judgment of the tribunal in the amount of THB 29 million. However, the subsidiary also recorded other income in the amount of THB 52 million from fines and construction corrections from the contractor above, resulting in net revenue from the above expenses in the amount of THB 23 million.

#### ○ **Net Profit**

In Q2/2023, the Company and its subsidiaries recorded net loss attributable to parent company at amount of THB 40 million, increased by THB 16 million YoY and decreased by THB 9 million QoQ.

## Financial Position

Statement of Financial Position (THB Million)	30 June 2023	31 Dec 2022
Total Assets	13,965	14,106
Total Liabilities	4,092	3,825
Total Equity	9,874	10,281

### ○ Assets

As of 30<sup>th</sup> June 2023, the Company and its subsidiaries had total assets in the amount of THB 13,965 million, a decrease of THB 141 million or 1% compared to end of last year. The total assets at the end of June 2023 were separated into total current assets in the amount of THB 5,399 million, equivalent to 39% of total assets, and total non-current assets in the amount of THB 8,567 million, equivalent to 61% of total assets, in which the key change was cash and cash equivalent increased by THB 1,068 million, current investment decreased by THB 1,120 million due to the maturity of fixed deposits, and inventory increased by THB 1,053 million from supply raw materials and ethanol.

### ○ Liabilities

As of 30<sup>th</sup> June 2023, the Company and its subsidiaries had total liabilities THB 4,092 million, an increase of THB 267 million or 7% compared to end of last year. The total liabilities at the end of June 2023 were separated into total current liabilities in the amount of THB 3,036 million, equivalent to 74% of total liabilities, and total non-current liabilities in the amount of THB 1,055 million, equivalent to 26% of total liabilities, in which the key changes in liabilities were short-term loans from financial institutions increased by THB 763 million for raw material procurement and working capital, and long-term loans from financial institutions decreased by THB 424 million from loan repayment.

### ○ Shareholders' Equity

As of 30<sup>th</sup> June 2023, the Company and its subsidiaries had total shareholders' equity THB 9,874 million, a decrease of THB 407 million or 4% compared to end of last year.

## Cash Flow Statement

In Q2/2023, the Company and subsidiaries had cash and cash equivalents in the amount of THB 2,482 million, details are as follow;

Cash Flows (THB Million)	30 June 2023	30 June 2022
Net cash from (used in) operating activities	(94)	95
Net cash from (used in) investing activities	1,057	(2,135)
Net cash from (used in) financing activities	105	3,250
Net increase (decrease) in cash and cash equivalents	1,068	1,210
Cash and cash equivalents at 1 January	1,414	384
Cash and cash equivalents at 30 June	2,482	1,594

Net cash used in operating activities was THB 94 million. The main items that affected a decrease in cash were derived from payment for raw materials procurement.

Net cash received from investing activities was THB 1,057 million, mainly from cash received from short-term investments due for bank deposits in the amount of THB 1,120 million and cash payment for the construction to expand the ethanol plant of BBGI Bioethanol Public Company Limited at Khon Kaen province and of THB 59 million.

Net cash received from financing activities was THB 105 million, mainly from cash received from short-term loans from financial institutions for raw materials procurement and working capital in the amount of THB 763 million, cash payment for repayment long-term loans from financial institutions THB 424 million, and dividend payment in the amount of THB 72 million.

## Key Financial Ratios

	Q2/2023	Q2/2022	Q1/2023
Gross Profit Margin (%)	1.89%	1.08%	2.54%
Net Profit Margin (%)	-0.32%	-0.89%	-0.89%
Return On Equity (ROE) (%)	-1.25%	8.86%	-1.37%
Return On Assets (ROA) (%)	-0.14%	7.91%	-0.36%
Current Ratio (Times)	1.78	3.17	2.34
Interest Bearing Debt to Equity (IBD/E) (Times)	0.32	0.30	0.34

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