

11 August 2023

Subject Management discussion and analysis for the six-month periods ended 30 June 2023

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 six-month periods ended 30 June 2023, details are as follows:

Income Statement	2022		2023		% YoY	
	THB mn	%	THB mn	%		
Revenues from sale of goods	1,224.68	96.63%	1,168.44	95.08%	-56.24	-4.59%
Revenues from sale of electricity	16.74	1.32%	20.67	1.68%	3.93	23.49%
Other income	25.93	2.05%	39.83	3.24%	13.90	53.62%
Total revenues	1,267.35	100.00%	1,228.94	100.00%	-38.41	-3.03%
Cost of sale of goods	920.66	72.64%	1,067.20	86.84%	146.54	15.92%
Cost of sale of electricity	7.97	0.63%	8.20	0.67%	0.23	2.90
Selling expenses	85.67	6.76%	71.37	5.81%	-14.29	-16.68%
Administrative expenses	43.10	3.40%	50.13	4.08%	7.03	16.32%
Loss from fair value measurement of derivatives - net	5.10	0.40%	7.10	0.58%	2.00	39.21%
Loss on foreign exchange rate - net	5.44	0.43%	-5.85	-0.48%	-11.29	-207.46%
Total expenses	1,067.93	84.27%	1,198.16	97.50%	130.23	12.19%
Profit from operations	199.41	15.73%	30.78	2.50%	-168.63	-84.56%
Finance costs	6.49	0.51%	7.78	0.63%	1.29	19.96%
Income tax expense	10.99	0.87%	0.66	0.05%	-10.33	-94.03%
Profit for the years	181.94	14.36%	22.34	1.82%	-159.60	-87.72%

Sales revenue

For 6M2023, the Company's revenue from sale of native tapioca starch was 1,168.44 THB mn decreased 4.59% from 6M2022, the revenue from domestic sale amounted to 470.82 THB mn. This accounted for 40.29% of total sales revenue in of 6M2023 and 697.62 THB mn or 59.71% from export sale. The increase in revenue was driven by an increase in the average selling price which is in line with the trend of market price of starch which has been steadily increasing since the end of 2022 due to the continuously high raw materials cost. Meanwhile, the sales volume of native starch decreased compared to the previous year.

Electricity sales revenue

For 6M2023, the Company's revenue from the sale of electricity from biogas was 20.67 THB mn. The increase was 3.93 THB mn or 23.49% compared to 6M2022 due to an increase in electricity sales volume.

Other income

For 6M2023, the Company had other revenues of 39.83 THB mn or an increase of 13.90 THB mn, or 53.62% from 6M2022, due to increase in scrap sales price align with raw material costs.

Cost of sales

For 6M2023, the Company had a cost of sales 1,075.40 THB mn, or 91.34% of native starch sales, an increase due to higher raw material costs Cost of electricity sales for the first six months of 2023 was Baht 8.20 million, or the ratio of cost of electricity sales to revenue from electricity sales was 39.68%.

Distribution cost

For 6M2023, the Company's sales expenses decreased compared to 6M2022, a decrease of 14.29 THB mn, or 16.68%. As a result, from the export sale volumes declining.

Administrative expenses

For 6M2023, the Company's administrative expenses increased by 25.10 THB mn or 60.58% compared to 6M2021, 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.

Finance Cost

For 6M2023, the Company had higher financial costs 1.29 THB mn or 19.96% from 6M2022, this is because before receiving the IPO at the beginning of the year, the Company still had higher short-term loans than the same period last year.

Gross margin and net profit

For 6M2023, the Company's gross margin amount to 113.71 THB mn, decreased by 199.08 THB mn, or 63.65%, The net profit margin decreased 159.60 THB mn or 87.72% compared to the 6M2022. However, the consolidated net profit margin decreased compared to the first six months of 2022 from 14.36% to 1.82%, mainly due to the higher rate of increase in raw material costs than the increase in market price of flour.

Financial Position

Financial Position (Unit : THB mn)	As at		% YoY	
	31 December 2022	30 June 2023		
Total Assets	1,784.40	2,214.52	430.12	24.10%
Total Liabilities	777.94	294.35	(483.59)	-62.16%
Total Equity	1,006.46	1,920.18	913.72	90.78%
D/E Ratio) : Times	0.77	0.15	(0.62)	-80.17%

Assets

As at 30 June 2023, the Company had a total asset value of 2,214.52 THB mn. This was an increase of 430.12 THB mn or 24.10% from 31 December 2022, with the increase in assets primarily from cash and cash equivalents from IPO funding and from investment in construction of tapioca starch factory in 1 new province to expand production capacity according to the objectives announced by the Company in the IPO fundraising.

Liabilities

As at 30 June 2023, the Company had total liabilities 294.35 THB mn. The decrease was 9483.59 THB mn or 62.16% from 31 December 2022, from repaying all short-term loans to manage liquidity and partially repaying long-term loans after receiving funds from the IPO.

Total Equity

As of June 30, 2023, the Company's shareholders' equity was 1,920.18 THB mn. This is due to the Company's IPO of ordinary shares during February 7 - 9, 2023 at the offering price of Baht 6.00 per share, increasing the Company's issued and paid-up capital to 670 THB mn, and the premium on share capital increasing to 821.86 THB mn.

Financial Ratio

As at 30 June 2023, the Company's debt-to-equity ratio increased from 2022 due to the Company's total shareholders' equity increased by Baht 913.72 million or 90.78% while liabilities decreased by Baht 483.59 million or 62.16% as the Company received funds from the IPO and repaid all short-term loans.

Regards,

(Aphirat Thawatchutikorn)
Chief Finance Officer
Premier Quality Starch Public Company Limited