

# Management Discussion & Analysis

## BBGI Public Company Limited

Earning Results

For the 3<sup>rd</sup> Quarter Period Ended September 30<sup>th</sup>, 2023



## Executive Summary

	Q3/2023	Q3/2022	YoY	Q2/2023	QoQ
Ethanol Sale Volume (Million Liters)	40.63	40.21	1%	25.75	58%
Average Ethanol Reference Price (Baht/Liter) *	29.10	28.10	4%	29.01	0.3%
Biodiesel Sale Volume (B100) (Million Liters)	66.95	46.89	43%	65.60	2%
Average B100 Reference Price (Baht/Liter) *	33.24	39.26	-15%	34.52	-4%

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

THB Million	Q3/2023	Q3/2022	YoY	Q2/2023	QoQ
Sales revenue	3,526	2,951	20%	3,049	16%
Gross profit	116	(4)	2,723%	57	102%
<b>Profit (loss) attributable to owners of the Parent</b>	<b>2</b>	<b>(69)</b>	<b>102%</b>	<b>(40)</b>	<b>104%</b>

**For performance in Q3/2023**, The Thai economy tends to expand continuously with the recovery of the tourism and service sectors, resulting in a lower unemployment rate. Meanwhile, the industrial sector remains sluggish as exports continue to contract due to slowing global demand. In addition, the Thai economy still faces high uncertainty from important pressures such as (1) China's economic growth has slowed down, affecting the export of some product groups and purchasing power in the real estate sector. (2) Drought crisis because of El Niño affecting the price of agricultural products and severe production slowdown, including (3) uncertainty of government policy. The new government's economic stimulus policy is expected to have a positive impact on businesses related to consumption, tourism, and the agricultural sector, while businesses with a high proportion of basic labor will be affected by costs, and energy businesses may be affected by income. Besides, policies to promote competitiveness and environmental policies will have a positive impact on businesses related to infrastructure and the industry of the future. Meanwhile, businesses related to energy structures and ESG trends need to adapt.

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 December 31, 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 3,526 million, increased by 20% YoY and increased by 16% QoQ with EBITDA of THB 169 million, increased by 386% YoY and increased by 22% QoQ, and net profit attribute to owners of the parent at THB 2 million. Performance of each business group are as follow:

▲ YoY	▲ QoQ
<p>(-) For the ethanol business, recognition of the lower gross profit due to an increase of the raw material costs.</p> <p>(+) For the biodiesel business (B100), recognition of the higher gross profit due to the increase in the sale volume of biodiesel from the announcement of increasing the blending of biodiesel from B5 to B7 from October 10, 2022 onwards.</p> <p>(-) For the high-value bio-based product business, recognition of the lower gross profit in accordance with the sale volume.</p> <p>(+) The distribution costs and administrative expenses were similar to the same quarter of the previous year.</p>	<p>(+) For the ethanol business, recognition of the higher gross profit due to the increase in sale volume in accordance with the sale management plan and the increase in selling price.</p> <p>(-) For the biodiesel business (B100), recognition of the lower gross profit due to the decrease in biodiesel price.</p> <p>(-) For the high-value bio-based product business, recognition of the lower gross profit in accordance with the sales volume.</p> <p>(+) The distribution costs and administrative expenses decreased 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 Q2.</p>

## Significant Events in Q3/2023

### The strength of BBGI is reflected in TRIS's continued "A-" rating for the company.

The latest credit rating in 2023 of TRIS Rating, the leading credit rating agency in Thailand, BBGI has been affirmed at "A-" with a "stable" outlook, reflecting the company's position as a leading producer in Thailand's biofuel market that has competitive advantages in leveraging the distribution through its major shareholder, BCP, and has an opportunity to grow from additional sales from BCP's acquisition of ESSO.

### BBGI announced a change in the usage of IPO proceeds, which are considered immaterial, in preparation for the SAF investment project.

On 20 September 2023, the board of directors meeting no. 9/2023 approved extending the use of IPO proceeds as specified in the Company's prospectus, which has been considered immaterial, to invest in BSGF Company Limited ("BSGF"). The Company has invested 20% of its shares to engage in the business of producing and distributing sustainable aviation fuel (SAF) from used cooking oil, with the IPO value not exceeding THB 660 million, or less than 15% of the total amount received from the IPO. In addition, the Company will further investigate appropriate sources of funding for the remaining investment.

### BBGI was certified as a member of the Thai Private Sector Collective Action Against Corruption (CAC).

On 3 October 2023, the Thai Private Sector Collective Action Against Corruption (CAC) Council approved BBGI as a certified member of CAC after being listed on the Stock Exchange of Thailand in 2022. This certification is valid for three years.

### BBGI teams up with Fermbox Bio to establish the first commercial CDMO plant in Thailand and Southeast Asia.

On 18 October 2023, BBGI signed a joint venture agreement with Fermbox Bio in research and production of synbio products with advanced microbial precision fermentation process. The signing was aimed at mutually establishing a joint venture, BBGI Fermbox Bio Company Limited (BBFB), the first large-scale advanced biotechnology plant (CDMO) in Thailand and in Southeast Asia. BBGI will hold shares of not less than 75% and have a registered capital of not more than THB 444 million. The initial phase will produce enzymes with an installed capacity of around 200,000 liters and expand into producing cutting-edge synbio products with precision fermentation processes and support Bio-Circular-Green Economy Model (BCG).

## Group Business Performance

THB Million	Q3/2023	Q3/2022	YoY	Q2/2023	QoQ
Sales revenue	3,526	2,951	20%	3,049	16%
Cost of goods sold	(3,410)	(2,955)	15%	(2,992)	14%
<b>Gross profit</b>	<b>116</b>	<b>(4)</b>	<b>2,723%</b>	<b>57</b>	<b>102%</b>
Other income	6	7	-11%	81	-92%
Distribution costs and administrative expenses	(72)	(72)	-0.1%	(115)	-38%
Share of profit (loss) of associate and joint venture	(2.6)	(2.9)	10%	(2.6)	1%
<b>Profit (loss) before finance costs and tax expense</b>	<b>48</b>	<b>(72)</b>	<b>167%</b>	<b>20</b>	<b>138%</b>
Finance costs	(20)	(24)	-18%	(21)	-5%
Tax expense	(4)	7	158%	(9)	-56%
<b>Profit (Loss) for the period</b>	<b>25</b>	<b>(88)</b>	<b>128%</b>	<b>(10)</b>	<b>349%</b>
<b>Profit (loss) attributable to owners of the Parent</b>	<b>2</b>	<b>(69)</b>	<b>102%</b>	<b>(40)</b>	<b>104%</b>
<b>Basic earnings per share (in Baht)</b>	<b>0.001</b>	<b>(0.048)</b>		<b>(0.028)</b>	

As for performance in Q3/2023, the Company and its subsidiaries recorded total revenue from sales of THB 3,526 million, increased by 20% YoY and increased by 16% QoQ, recorded EBITDA of THB 169 million, increased by 386% YoY and increased by 22% QoQ, and the net profit attributable to owners of the parent was THB 2 million, representing earnings per share of THB 0.001. Each business area's performance is as follows:

### ○ Sales Revenue

Performance in Q3/2023, the Company and its subsidiaries recorded total revenue from sales of THB 3,526 million, increased by THB 576 million or 20% YoY and increased by THB 477 million or 16% QoQ. Details are as follow;

- (1) Revenue from the production and distribution of ethanol business amounted to THB 1,169 million, increased by THB 36 million, or 3% YoY, due to an increase in the average ethanol selling price in accordance with the raw material costs, and increased by THB 424 million, or 57% QoQ, due to an increase in sales volume in accordance with the sales management plan and in line with an increase in the average ethanol selling price.
- (2) Revenue from the production and distribution of biodiesel business amounted to THB 2,357 million, increased by THB 541 million, or 30% YoY, in accordance with an increase in sales volume of biodiesel as a result of the announcement of increasing the blending of biodiesel in high-speed diesel from B5 to B7 from October 10, 2022 onwards. Moreover, the increase of THB 54 million, or 2% QoQ, derived from the biodiesel sales volume started to increase due to Bangchak Corporation PLC's acquisition of the shares of ESSO (Thailand) PLC.
- (3) Revenue from the high-value bio-based products amounted to THB 0.4 million from distribution health and well-being products under the brand "B Nature Plus" (B Nature+), including

“ASTA-IMMU”, “ASTA-VIS”, "Probiotics 4 Formulas," and "Calcium-LT Advance” through online channel, Inthanin, and the Bangkok Drug Store etc. In addition, in terms of distribution with business organizations (business-to-business: B2B), the company started to distribute "bio-stimulants" at the end of this quarter, which are innovative microbial biological products that select beneficial proportions of microorganisms to formulate the formula. The ability to accelerate plant growth by producing organic substances that plants need or changing the form of inorganic substances in the soil to be beneficial to plants Therefore, it can be used directly on plants and revitalize the soil, which increases agricultural products without being affected by toxic substances. The bio-stimulants help farmers produce quality products, generate more income, and promote sustainable environmental conservation.

#### ○ Gross Profit

In Q3/2023, the Company and its subsidiaries recorded gross profit of THB 116 million, which increased by THB 120 million, or 2,723% YoY, primarily due to an increase in sales volume of biodiesel as a result of the announcement of increasing the blending of biodiesel in high- speed diesel from B5 to B7 from October 10, 2022 onwards. Furthermore, the increase by THB 59 million, or 102% QoQ, was due to an increase in ethanol sales volume in accordance with the sales management plan.

#### ○ Distribution costs and administrative expenses

For the period of Q3/2023, the Company and its subsidiaries recorded distribution costs and administrative expenses of THB 72 million was similar to the same quarter of the previous year and decreased by THB 44 million, or 38% QoQ, because in Q2/2023, the subsidiary recorded the additional work expenses for the contractors in accordance with the judgment of the tribunal.

#### ○ Net Profit

In Q3/2023, the Company and its subsidiaries recorded net profit attributable to parent company at amount of THB 2 million, increased by THB 70 million or 102% YoY and increased by THB 42 million or 104% QoQ.

## Financial Position

Statement of Financial Position (THB Million)	30 September 2023	31 December 2022
Total Assets	13,554	14,106
Total Liabilities	3,671	3,825
Total Equity	9,883	10,281

### ○ Assets

As of 30<sup>th</sup> September 2023, the Company and its subsidiaries had total assets in the amount of THB 13,554 million, a decrease of THB 552 million or 4% compared to end of last year. The total assets at the end of September 2023 were separated into total current assets in the amount of THB 4,917 million, equivalent to 36% of total assets, and total non-current assets in the amount of THB 8,637 million, equivalent to 64% of total assets, in which the key change was cash and cash equivalent increased by THB 907 million, current investment decreased by THB 1,170 million due to the maturity of fixed deposits, and inventory increased by THB 780 million from supply of raw materials and management of sales of finished goods.

### ○ Liabilities

As of 30<sup>th</sup> September 2023, the Company and its subsidiaries had total liabilities THB 3,671 million, a decrease of THB 154 million or 4% compared to end of last year. The total liabilities at the end of September 2023 were separated into total current liabilities in the amount of THB 2,691 million, equivalent to 73% of total liabilities, and total non-current liabilities in the amount of THB 980 million, equivalent to 27% of total liabilities, in which the key changes in liabilities were short-term loans from financial institutions increased by THB 523 million for raw material procurement and working capital, and long-term loans from financial institutions decreased by THB 692 million from loan repayment.

### ○ Shareholders' Equity

As of 30<sup>th</sup> September 2023, the Company and its subsidiaries had total shareholders' equity THB 9,883 million, a decrease of THB 398 million or 4% compared to end of last year.

## Cash Flow Statement

As of 30th September 2023, the Company and subsidiaries had cash and cash equivalents in the amount of THB 2,321 million, details are as follow;

Cash Flows (THB Million)	30 September 2023	30 September 2022
Net cash from (used in) operating activities	504	481
Net cash from (used in) investing activities	828	(2,240)
Net cash from (used in) financing activities	(425)	3,212
Net increase (decrease) in cash and cash equivalents	907	1,453
Cash and cash equivalents at 1 January	1,414	384
Cash and cash equivalents at 30 September	2,321	1,837

Net cash received from operating activities was THB 504 million. The main items that affected an increase in cash were derived from depreciation and amortization in the amount of THB 351 million and trade account receivable and other current receivables decreased in the amount of THB 740 million. In addition, the main items that affected a decrease in cash were inventories increased in the amount of THB 773 million.

Net cash received from investing activities was THB 828 million, mainly from cash received from short-term investments due for bank deposits in the amount of THB 1,170 million, cash payment for the construction to expand the ethanol plant of BBGI Bioethanol Public Company Limited at Khon Kaen province and of THB 67 million and cash payment for increasing capital in BSGF Company Limited in the amount of THB 200 million.

Net cash used in financing activities was THB 425 million, mainly from cash payment for repayment long-term loans from financial institutions THB 692 million, dividend payment in the amount of THB 72 million, and cash received from short-term loans from financial institutions in the amount of THB 523 million.

## Key Financial Ratios

	Q3/2023	Q3/2022	Q2/2023
Gross Profit Margin (%)	3.29%	-0.15%	1.89%
Net Profit Margin (%)	0.70%	-3.00%	-0.32%
Return On Equity (ROE) (%)	-0.56%	0.69%	-1.25%
Return On Assets (ROA) (%)	0.69%	2.04%	-0.14%
Current Ratio (Times)	1.83	2.77	1.78
Interest Bearing Debt to Equity (IBD/E) (Times)	0.27	0.31	0.32

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