

Premier Quality Starch Public Company Limited



Management Discussion and Analysis

for Quarter 3 / 2023

Ending 30 Sep 2023

Management Summary and Important Event in 3Q2023

Premier Quality Starch Plc. (“The Company”) reported its third quarter, 3-month (“3Q2023”) and 9-month (“9M2023”) period, of 2023 financial results with the following highlights. For 3Q2023, the Company recorded revenues from sales of THB 518.9mn, marking a 7.7 percent increase compared to the same period in the previous year (YoY). The gross profit margin was at 16.4 percent, a slight decrease YoY. The company reported a net profit of THB 36.3mn, an increase of 23.3 percent YoY, a turnaround from a net loss of THB 34.7mn in the previous quarter.

For 9M2023, the Company recorded revenues from sales of THB 1,708.0mn, a decrease of 0.9 percent YoY. The gross profit margin reduced to 11.6 percent, from 23.2 percent in the same period last year. In summary, the Company reported a net profit of THB 58.6mn for 9M2023.

As at 30 September 2023, the Company had total assets of THB 2,263.6mn. The total liabilities amounted to THB 318.0mn, and the total shareholders’ equity was THB 1,945.6mn. At the end of the third quarter, the Company had interest-bearing debts of THB 220.2mn. Overall, the Company had cash and cash equivalents totaled THB 405.3mn at the end of this quarter.

For the sustainability performance, on 13 September 2023, the Company received the “Gold Plus Award” for Eco Factory+SV, which in the same event, the Company’s subsidiary, Premier Biotech Energy Co., Ltd. (“PBE”), also received the Gold Award.

For 4Q2023, the Company anticipates that domestic consumption trends will continue to improve, as well as exports of tapioca starch to international markets. However, there might be pressure from the slower-than-expected economic growth in China and ongoing conflicts in the Middle East region. The Company continues to closely assess the situation to be able to adjust production capacity promptly. The Company anticipates that the growth momentum will continue in the fourth quarter of 2023.

Currently the Company has two new factory construction projects for long-term growth as follows:

- Project to expand from the existing business - A construction to build a new tapioca starch production facility in Kalasin province, which will increase the Company’s production capacity and market share. The project has progressed with approximately 58% completion.
- Project to diversify into downstream businesses - A construction to build a new modified tapioca starch production facility in Mukdahan province, which will enable the Company to create added value from current products and utilise property assets more efficiently. The project is currently under construction and has progressed over 70%.

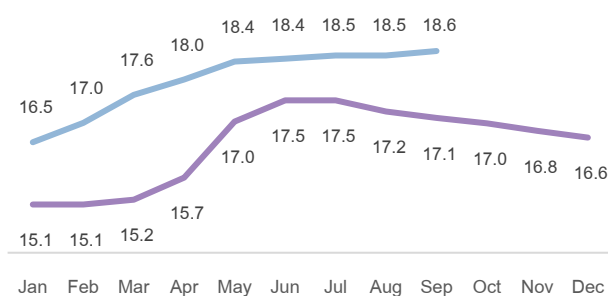
Both projects are expected to be completed and be operational by 2024.

Economic and Industry Outlook

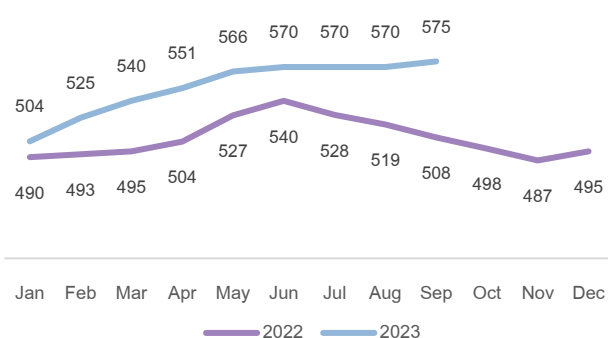
Thailand's Export Tapioca Value¹

Countries that imported from Thailand	Value (THB mn)	
	9-month 2022	9-month 2023
China	27,706.8	22,220.9
Taiwan	3,612.7	3,162.4
Malaysia	2,834.4	2,451.7
Philippines	1,655.9	1,565.6
Japan	1,672.9	1,564.6
USA	1,698.3	1,115.5
Singapore	825.3	748.4
Lao PDR	466.4	616.8
South Korea	439.6	388.2
Myanmar	115.1	211.9
Others	6,293.9	2,238.6
Total	47,321.2	36,284.5

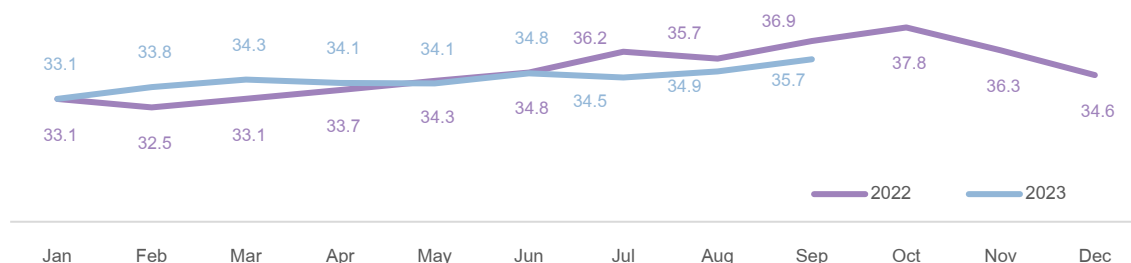
Domestic Tapioca Prices (THB/kilogram)



Tapioca Export Price (FOB) (USD/Tonne)



THB/USD Exchange Rates



The value of Thailand's export tapioca starch for 9M2023 amounted to THB 36,284.5mn, showing a decrease of 23.3 percent YoY, primarily due to a 27.5 percent reduction YoY in the volume of tapioca starch exports. This decrease was influenced by lower imports from major trading partners such as China, Malaysia, Taiwan, and the United States. Furthermore, the price of tapioca starch has continued to adjust upwards in response to higher production costs. Despite that, in 3Q2023, the domestic consumption price for tapioca starch increased to THB 18.5 per kilogram, representing a 7.3 percent increase compared to the same period last year. Similarly, the export price of tapioca starch increased to USD 572 per ton in this quarter, reflecting a 10.3 percent increase YoY.

However, the value of Thai Baht against the US Dollar remained relatively weak, standing at THB 35.7 to USD 1 in the past September. On average throughout the quarter, the Thai Baht depreciated by about 3.5 percent compared to the same period of last year, putting pressure on the overall value of tapioca starch exports.

¹ Thai Customs

Financial Performance

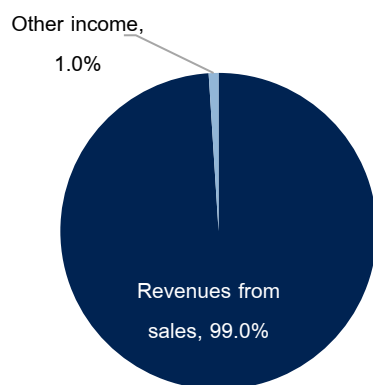
Profit and Loss Statement

	3-month period					9-month period		
	3Q2022	2Q2023	3Q2023	% QoQ	% YoY	2022	2023	% YoY
Revenues from sales	481.7	343.0	518.9	51.3%	7.7%	1,723.1	1,708.0	(0.9%)
Cost of sales	394.2	344.0	433.9	26.1%	10.1%	1,322.9	1,509.4	14.1%
Gross profit	87.5	(1.0)	85.0	8,793.5%	(2.9%)	400.3	198.7	(50.4%)
Selling and administrative expenses	52.2	39.2	52.4	33.7%	0.6%	180.9	174.0	(3.8%)
Other incomes (expenses)*	(0.1)	6.7	6.5	(3.6%)	11,470.7%	15.3	45.1	194.0%
Profit (loss) before finance costs and income tax expense	35.3	(33.5)	39.0	(216.6%)	10.7%	234.7	69.8	(70.3%)
Financial costs	(3.4)	(2.2)	(2.4)	10.8%	(27.4%)	(9.8)	(10.2)	3.8%
Profit (loss) before income tax expense	31.9	(35.7)	36.6	(202.6%)	14.7%	224.8	59.6	(73.5%)
Income tax expense	(2.5)	0.1	(0.3)	(135.0%)	86.4%	(13.5)	(1.0)	(92.6%)
Profit (loss) for the period	29.4	(34.7)	36.3	204.5%	23.3%	211.4	58.6	(72.3%)

* Other income (expenses) comprise sales from scraps/materials, interest income, gain/loss from exchange rates, gain/loss from fair value measurement of derivatives, for example.

The details of the income statement for 3Q2023

Revenues from sales



**Total Revenue Breakdown
3Q2023**

For 3Q2023, revenues from sales amounted to THB 518.9mn, marking a 7.7 percent YoY and 51.3 percent QoQ. The primary driver of this growth was the revenue from the sale of tapioca starch, which the proportion of export sales in this quarter was 73.6 percent, while domestic sales account for 26.4 percent. The growth, compared to the same period of the previous year, was mainly driven by improved selling prices for tapioca starch in a market that adjusted well throughout the year, compensating for the reduction in tapioca starch production. The QoQ growth was mainly attributed to the increased production volume in line with the seasonal recovery of raw material quantities for the quarter.

Cost of sales

For this quarter, total costs of sales amounted to THB 433.9mn, representing a 10.1 percent increase YoY, due to the increase of cost per unit of the raw materials for tapioca starch. The cost of sales increased 26.1 percent QoQ, primarily attributed to the rise in raw material purchases volume as the raw material scarcity

situation eased. This, in turn, contributed to more effective and cost-efficient management and resulted in the gross profit margin of 16.4 percent, which is relatively consistent with the 18.2 percent margin recorded in 3Q2022.

Selling and administrative expenses

The Company incurred selling and administrative expenses in 3Q2023 of THB 52.5mn, showing a 0.6 percent increase YoY and a 33.7 percent increase QoQ, following the increased sales volume. However, the Company has maintained the proportion of selling and administrative expenses to total revenue at 9.9 percent for this quarter, a decrease from 10.6 percent in the same period of the previous year.

Other income (expenses)

Other income for this quarter amounted to THB 6.5mn, reversing from other expenses of THB 0.1mn in 3Q2022 and remaining flat QoQ from THB 6.7 mn. Most of this other income was from the sale of scraps and materials, which grew in tandem with the increased production volume.

Finance costs (income)

The Company incurred financial costs of THB 2.4 mn, representing a decrease of 27.4 percent YoY but increased 10.8 percent QoQ. The Company's interest-bearing debts at the end of the period amounted to THB 220.2 mn, decreasing from 624.2mn in the same period of the previous year. As a result, the Company currently had a cost of fund rate of 2.8 percent.

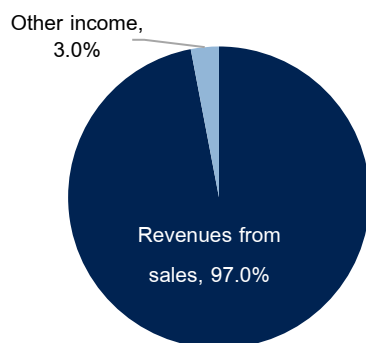
Profit (loss) and profit margin

The net profit for the quarter reached THB 36.3mn, increasing from THB 29.4mn in the same period of the previous year and reversing from a loss of THB 34.7 mn in the previous quarter. It was mainly due to the increase in sales revenue and continuous cost control. The net profit margin for this quarter was 6.9 percent, up from 6.0 percent in the same period of the previous year.

	3Q2022	2Q2023	3Q2023	%QoQ	%YoY
EBITDA (THB mn)	65.8	(8.6)	63.9	844.0%	(2.9%)
EBITDA margin (%)	13.4%	(2.4%)	12.1%	14.5 pts	(1.3 pts)
EBIT (THB mn)	43.9	(29.2)	42.4	245.3%	(3.3%)
EBIT margin (%)	8.9%	(8.2%)	8.0%	16.2 pts	(0.9 pts)
Net profit (loss) (THB mn)	29.4	(34.7)	36.3	204.5%	233%
Net profit margin (%)	6.0%	(9.8%)	6.9%	16.7 pts	0.9 pts
Earnings per share (THB)	0.06	(0.05)	0.05	200.0%	(16.7%)

Note: EBITDA excludes the profit/(loss) from exchange rates and from fair value measurement of derivatives.

The summary of the income statement for 9M2023



**Total Revenue Breakdown
for 9M2023**

For 9M2023, the Company's **sales revenue** amounted to THB 1,708.0mn, a slight decrease of 0.9 percent YoY. The slight decrease in the revenue was primarily attributed to the rising market price of tapioca starch. However, the decline in sales volume during this period compared to the same period last year was mitigated by the positive impact of the higher selling price per unit.

The Company had the **costs of sales** amounting to THB 1,509.4 mn, increasing by 14.1 percent YoY. This increase was primarily attributed to rising raw material prices, which resulted from a scarcity of cassava root material since around the beginning of this year. The gross profit margin stood at 11.6 percent, a decrease from 23.2 percent

in the same period of last year, mainly affected by the slowdown in sales in 2Q2023. Other income amounted to THB 45.1mn, increasing by 194.0 percent YoY. Part of this increase came from gains in foreign exchange rates and a low loss from fair value measurement of derivatives. In this 9-month period, the Company efficiently reduced **selling and administrative expenses** by 3.8 percent YoY to stand at THB 174.0mn. **Financial costs** were THB 10.2mn, increasing by 3.8 percent YoY.

In summary for 9M2023, the Company reported a **net profit** of THB 58.6mn, decreasing by 72.3 percent YoY, primarily due to a reduction in the gross profit margin. The **net profit margin** was 3.3 percent, a decrease from 12.0 percent in the same period of the previous year.

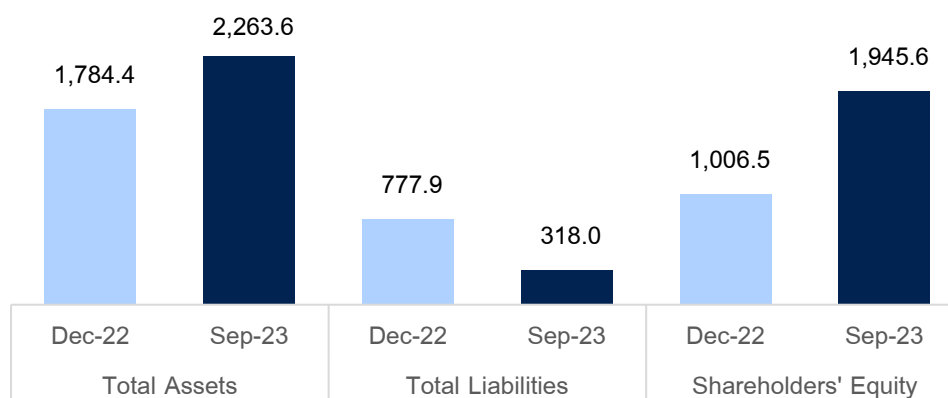
Profit (loss) and profit margin

	9M2022	9M2023	%YoY
EBITDA (THB mn)	318.8	142.6	(55.3%)
EBITDA margin (%)	18.1%	8.1%	(10.0 pts)
EBIT (THB mn)	253.8	74.4	(70.7%)
EBIT margin (%)	14.4%	4.2%	(10.2 pts)
Net profit (loss) (THB mn)	211.4	58.6	(72.3%)
Net profit margin (%)	12.0%	3.3%	(8.7 pts)
Earnings per share (THB)	0.48	0.09	(81.3%)

Note: EBITDA excludes the profit/(loss) from exchange rates and from fair value measurement of derivatives.

Statement of Financial Position

Unit: THB mn



Total Assets

As at 30 September 2023, the Company's total assets stood at THB 2,263.6mn, an increase of 26.9 percent from the end of 2022.

- Current assets were THB 881.6 THB million, increasing by 23.9 percent from the end of last year, mainly from a rise in cash and cash equivalents amounting to THB 405.3mn and THB 150.0mn increased in the fixed deposits with maturity of over three months. These offset with lower trade receivables and inventories.
- Non-current assets were THB 1,382.0 mn, increasing from the end of last year from the new assets which are the construction of a modified tapioca starch production plant in Mukdahan and a tapioca production plant in Kalasin.

Total Liabilities

As at 30 September 2023, the total liabilities amounted to THB 318.0mn, a decrease of 59.1 percent from the end of 2022.

- Current liabilities stood at THB 124.6mn, a decrease of 76.9 percent from the end of 2022, primarily due to the repayment of short-term loans from financial institutions, totaling THB 430.0mn.
- Non-current liabilities amounted to THB 193.4mn, marking an 18.6 percent decrease from the end of 2022, mainly from the decrease in long-term loans from financial institutions, with a remaining balance of THB 171.1mn.

Equity

As at 30 September 2023, shareholders' equity amounted to THB 1,945.6mn, an increase from the end of 2022, primarily due to the capital raised through the IPO during the early of year 2023.

Cash Flow

For 9M2023, the Company's cash flow from various activities was as follows:

- **Net cash generated from operating activities** was THB 285.8 mn, received from continuous growth of the company's earnings.
- **Net cash used in investing activities** was THB 528.0mn, primarily due to the construction of the modified tapioca starch production plant in Mukdahan and the tapioca starch production plant in Kalasin, totaling THB 379.2mn. Additionally, the Company had a fixed deposit of THB 150.0mn with maturity of over three months.

- **Net cash generated from financing activities** was THB 408.6mn, with net cash from issuing common shares in earlier of the year, totaling THB 991.9mn, offsetting loan repayments of THB 472.8mn, and dividend payments of THB 100.5mn.
- As a result, the Company's net increase in cash and cash equivalents amounted to THB 166.4mn. The total cash and cash equivalents as at 30 September 2023 stood at THB 405.3mn.

<i>(unit: THB mn)</i>	9-month period Ending 30 Sep 2022	9-month period Ending 30 Sep 2023
Net cash from operating activities	251.0	285.8
Net cash from (used in) investing activities	(51.9)	(528.0)
Net cash from (used in) financing activities	(150.3)	408.59
Cash and cash equivalent increased (decreased) – net	48.8	166.4
Cash and cash equivalent at the being of the period	95.6	238.9
Cash and cash equivalent at the end of the period	144.4	405.3

Key Financial Ratios

Ratios	9-month period 2022 *	9-month period 2023 *
ROE	22.7%	4.1%
ROA	13.1%	3.0%
D/E	0.8 times	0.2 times

* Adjust calculation to an annualized rate

Performance in Sustainability



The Company has been conducting business with a commitment to environmental responsibility. Recent activities in this regard include: -

- Registering with the Thailand Greenhouse Gas Management Organization (TGO) under the voluntary greenhouse gas reduction program. The Company is involved in the production of electricity from biogas derived from anaerobic digestion of tapioca pulp, with an estimated reduction of approximately 14,473 tons of carbon dioxide equivalent per year over a 7-year period.
- Received “Gold Plus Award” from the evaluation of developing environmentally friendly industrial facilities with social value (Eco Factory +SV) on 13 September 2023.



Respects for human rights is fundamental to the Company's business operations, guiding its practices towards all stakeholders. The Company emphasizes creating opportunities for society and communities to participate in its growth. The Company actively engages in various community activities, including: -

- Establishing a learning center at the Company to provide knowledge to farmers and arranging visits to the demonstration plots by the provincial agricultural office.
- The Department of Labor Protection and Welfare, Ministry of Labor, has honored the Company with the Workplace Excellence Award for Fiscal Year 2023, recognizing our commitment to maintaining a disease-free, safe, healthy, and happy work environment. We are proud to have received the 'Golden Trophy' for this achievement. Additionally, the Company has also been awarded 'The Award of Honor for Outstanding Workplace in Occupational Health, Safety, and Environmental Standards at the National Level', earning us the 'Diamond Trophy' for the 7th consecutive year.



The Company adheres to the principles of good corporate governance as outlined in the 2017 Corporate Governance Code (CG Code). The Company's board of directors conducts regular reviews to appropriately follow the Securities and Exchange Commission (SEC) governance practices and to enhance the effectiveness of corporate oversight. In the Corporate Governance Report of Thai Listed Companies 2023 (CGR), announced on 31 October 2023, the Company achieved a rating of 4 stars, signifying a "Good" level of corporate governance. This rating is based on a maximum score of 5 stars.

(Miss Aphirat Thawatchutikorn)
Chief Finance Officer