

Premier Quality Starch Public Company Limited

Management Discussion and Analysis

For Earnings Result of the Year 2023

Ending 31 December 2023



Management Summary and Important Events in 2023

Premier Quality Starch Plc. (“The Company”) reported its full year of 2023 (“FY2023”) financial results with revenues from sales of THB 2,325.4mn, a decrease of 6.3% YoY. The gross profit margin was at 13.9%, decreasing by 21.8% from last year. The Company reported a net profit of THB 135.8mn, a drop of 56.4% from last year.

For the fourth quarter of 2023 (“4Q2023”), the Company reported revenues from sales of THB 617.4mn, a decrease of 18.5% from the same period of the previous year, however, increased 19.0% from the last quarter. The gross profit margin (GPM) stood at 20.6%, up from GPM 18.7% in the same period last year and GPM 16.4% in 3Q2023. As a result, the Company reported a net profit of THB 76.2mn or a net profit margin of 12.2% in this quarter.

As at 31 December 2023, the Company had total assets of THB 2,511.9mn. The total liabilities were at THB 477.2mn, while the total shareholders’ equity was THB 2,034.8mn. Interest-bearing debts amounted to THB 399.9mn, and cash and cash equivalents totaled THB 590.5mn at the end of the period.

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 the year 2024, forecasts from various economic houses suggest that global economic growth is likely to be below 3%¹ due to major world economies such as the United States and China projecting growth rates below 2% and 5%, respectively. Additionally, there are risks from geopolitical conflicts and unbalanced monetary policies. Coupled with factors such as the price of cassava in Thailand during the year 2023, which led to a continuous increase in the export price of Thai tapioca starch. From this, the Company expects that in 2024, exporting tapioca starch to major trading partners such as China will still face challenges.

However, in early February 2024, the Thai government, through the Ministry of Commerce, announced that it would accelerate the export of agricultural products, with tapioca starch being one of the main products to be promoted under this project. By collaborating with the private sector, including expediting negotiations with trading partners such as Japan, China, the Philippines, and Indonesia, it is expected that the government’s assistance program will be another channel that helps stimulate the export of tapioca starch abroad in 2024.

¹ World Bank

For Thailand's domestic economy, it is predicted that in 2024, the economy is likely to grow by more than 3%¹, from the government's economic stimulus policies and the continuous recovery of the tourism and service sectors, leading to an expectation of sustained agricultural product consumption in 2024.

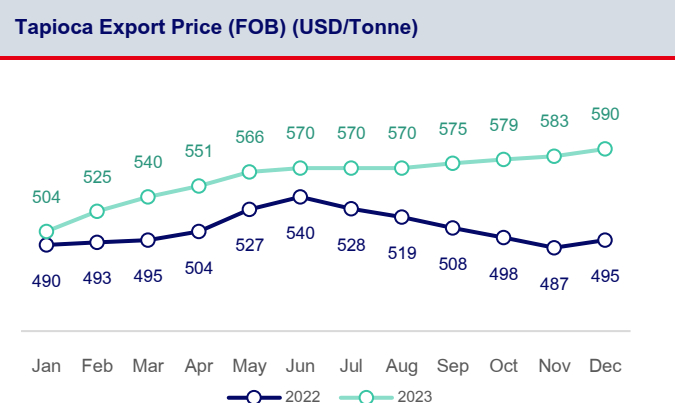
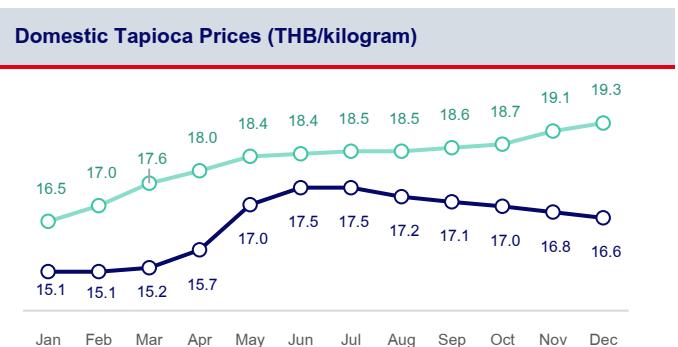
Currently, the Company has two new factory construction projects for long-term growth comprising:

- A project to expand the existing business by constructing a new tapioca starch factory in Kalasin Province. This will increase the Company's production capacity and market share. The construction progress of this project is approximately 86%
- A project to extend the Company's business into downstream industries by constructing a modified tapioca starch factory in Mukdahan Province. This will allow the Company to add value to its current products and make full use of its assets. The construction progress of this project is over 90%

It is expected that the construction of both projects will be completed and ready for operation within 2024.

Economic and Industry Outlook

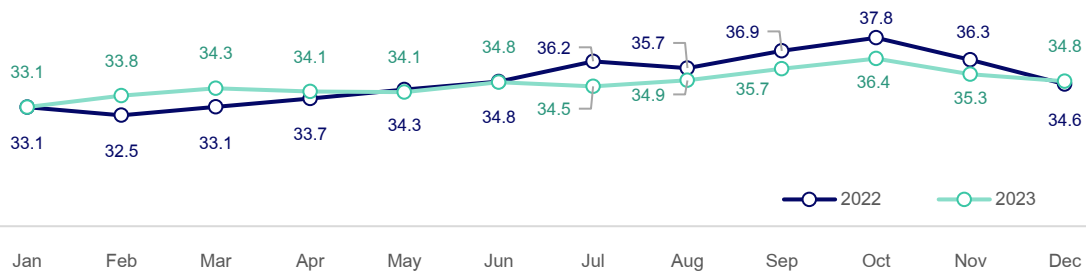
| Thailand's Export Tapioca Value ² | | |
|--|-----------------|-----------------|
| Countries that imported from Thailand | Value (THB mn) | |
| | 2022 | 2023 |
| China | 38,150.4 | 33,201.3 |
| Taiwan | 4,876.1 | 4,417.5 |
| Malaysia | 3,823.7 | 3,469.2 |
| Philippines | 2,355.7 | 2,098.6 |
| Japan | 2,237.3 | 2,069.0 |
| USA | 1,967.6 | 1,508.9 |
| Singapore | 1,236.2 | 1,014.2 |
| Lao PDR | 659.3 | 834.3 |
| South Korea | 597.7 | 535.8 |
| Myanmar | 166.0 | 274.5 |
| Others | 7,338.1 | 2,875.5 |
| Total | 63,682.4 | 52,578.7 |



¹ Office of the National Economic and Social Development Council (www.nesdc.go.th)

² Thai Customs (<https://tradereport.moc.go.th/Report>)

THB/USD Exchange Rates



In 2023, Thailand's tapioca starch export value was THB 52,578.7mn, a decrease of 17.4% compared to the same period of the previous year. This was primarily from a 23.7% reduction in the volume of tapioca starch exports compared to the same period of the previous year, following decreased imports by major trading partners, especially China, the United States, and Singapore, each having tapioca starch import rates dropping by more than 10%. However, the price of tapioca starch tended to increase throughout 2023 due to higher production costs and drought conditions in many cultivation areas, resulting in a lower overall yield. The average domestic price of tapioca starch for the year rose to THB 18.2 per kilogram, up from THB 16.5 per kilogram in 2022. On the other hand, the export price of tapioca starch increased to USD 560 per ton from USD 507 per ton in 2022.

Regarding exchange rates, the Thai baht in 4Q2023 gradually appreciated until the end of the year after it reached the most depreciated point in October at THB 36.4 per USD. By year-end, the exchange rate was at THB 34.8 per USD.

Financial Performance

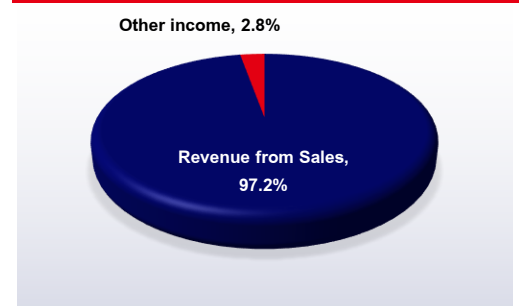
Profit and Loss Statement

The details of the income statement for the year 2023

Revenues from sales

For the year 2023, the Company had revenues from sales of THB 2,325.4mn, a decrease of 6.3% compared to the same period of the previous year, primarily due to the contraction of revenues from sales in 2Q2023, although the Company was able to partially offset this with increased sales in the second half of the year. In summary, the Company's tapioca starch production capacity for the whole year was 52% of the installed capacity, down from 62% in the previous year. Additionally, due to the slow recovery of the overall economy of Thailand's main trading partners, the import volume of tapioca starch by these countries decreased. As a result, in 2023, the Company's foreign

2023 Total Revenue Breakdown



export sales accounted for 68.9% of revenues from sales, down from 78.3% in the previous year, while domestic sales in 2023 accounted for 31.1% of revenues from sales.

| | 3-month | | | | | Year | | |
|---|--------------|-------------|--------------|---------------|---------------|--------------|--------------|----------------|
| | 4Q2022 | 3Q2023 | 4Q2023 | % QoQ | % YoY | 2022 | 2023 | % YoY |
| Revenues from sales | 757.5 | 518.9 | 617.4 | 19.0% | (18.5%) | 2,480.6 | 2,325.4 | (6.3%) |
| Cost of sales | 616.2 | 433.9 | 493.0 | 12.9% | (20.5%) | 1,939.1 | 1,999.4 | 3.1% |
| Gross profit | 141.3 | 85.0 | 127.4 | 49.9% | (9.9%) | 541.6 | 326.0 | (39.8%) |
| Selling and administrative expenses | 73.7 | 52.4 | 60.4 | 15.2% | (18.0%) | 254.6 | 234.4 | (7.9%) |
| Other incomes (expenses)* | 15.0 | 6.5 | 14.3 | 120.0% | (4.4%) | 30.3 | 59.4 | 96.1% |
| Profit before finance costs and income tax expense | 82.6 | 39.0 | 81.2 | 108.0% | (1.6%) | 317.2 | 151.0 | (52.7%) |
| Financial costs | (4.7) | (2.4) | (2.4) | 2.0% | 49.0% | (14.5) | (12.6) | 13.2% |
| Income tax expense | (5.6) | (0.3) | (1.6) | (375.4%) | 71.1% | (19.1) | (2.6) | 86.3% |
| Profit (loss) before income tax expense | 72.3 | 36.3 | 77.2 | 112.9% | 6.8% | 283.7 | 135.8 | (52.1%) |

* Other income (expenses) comprise the sales of by-products obtained from cassava processing, such as cassava pulp, cassava roots, soil peel, peel wash, wastewater, scraps/materials, interest income, gain/loss from exchange rates, gain/loss from fair value measurement of derivatives, for example.

Cost of sales

For 2023, total costs of sales amounted to THB 1,999.4mn, representing a 3.1% increase YoY. Although the production capacity decreased, the cost per unit of the raw materials for tapioca starch elevated throughout the year. This resulted in a gross profit of THB 326.1mn for this quarter, declining by 39.8% from last year, or a gross profit margin of 14.0%, declining from 21.8% margin in 2022.

Selling and administrative expenses

The Company had selling and administrative expenses in 2023 of THB 234.4mn, declining by 7.9% from last year, due to a decrease in sales volume. However, the Company has maintained the proportion of selling and administrative expenses to total revenue at 9.8% in 2023, stable from last year.

Other income

Other income for 2023 was to THB 59.4mn, increasing by 96.1% YoY. Most of this other income was from the sale of by-products obtained from cassava processing, such as cassava pulp, cassava roots, soil peel, peel wash, wastewater, for example.

Finance costs

Financial costs for 2023 amounted to THB 12.6mn, a decrease of 13.2% YoY, following a decline in interest-bearing debts from THB 693.0mn at the end of 2022 to THB 399.9mn at the end 2023. The effective cost of funds remained stable at 2.3% per year compared to last year.

Net profit and net profit margin (NPM)

In 2023, the Company had a net profit of THB 135.8mn, decreasing from THB 283.7mn last year, mainly due to the decreased sale volume and higher cost of raw materials for tapioca starch. As a result, NPM for 2023 stood at 5.7%, down from 11.2% last year.

| | 2022 | 2023 | %YoY |
|-----------------------------------|-------|-------|-----------|
| EBITDA (THB mn) | 422.4 | 400.7 | (5.1%) |
| EBITDA margin (%) | 16.7% | 16.7% | flat |
| EBIT (THB mn) | 334.9 | 310.1 | (7.4%) |
| EBIT margin (%) | 13.2% | 13.0% | (0.2 pts) |
| Net profit (loss) (THB mn) | 283.7 | 135.8 | (52.1%) |
| Net profit margin (%) | 11.2% | 5.7% | (5.5 pts) |
| Earnings per share (THB) | 0.62 | 0.21 | (66.3%) |

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

The summary of the income statement for 4Q2023

In 4Q2023, the Company had revenues from sales of THB 617.4mn, a decrease of 18.5% from the same period of the previous year, following the overall slowdown in demand for tapioca starch. However, compared to the previous quarter, revenues from sales still increased by 19.0% due to higher selling prices and increased production volume of tapioca starch.

The Company had a cost of sales of THB 490.0mn, a decrease of 20.5% compared to the same period of the previous year, but an increase of 12.9% from the previous quarter. The costs of sales trended with sales volume and increased unit raw material costs, resulting in a gross profit margin of 20.6%, up from 18.7% in the same period of the previous year and 16.4% in the previous quarter. Other income was THB 14.3mn, a decrease of 4.4% from the same period of the previous year, mainly due to a net loss from exchange rates in this quarter, compared to a net gain from exchange rates in the fourth quarter of 2022. However, compared to the previous quarter, other income increased by 120.0% from THB 6.5mn. Selling and administrative expenses as a percentage of revenues from sales were 9.6%, slightly

4Q2023 Total Revenue Breakdown



up from 9.5% in the same period of the previous year and slightly down from 9.9% in the previous quarter. Financial costs were THB 2.4mn, a decrease of 49.0% from the same period of the previous year due to reduced interest-bearing debt. Compared to the previous quarter, financial costs decreased slightly by 2.0%.

For 4Q2023, the Company reported a net profit of THB 77.2mn, an increase of 6.8% from the same period of the previous year, but an increase of 112.9% from the previous quarter. The net profit margin was 12.2%, an improvement from 9.3% in the same period of the previous year and 6.9% in the previous quarter.

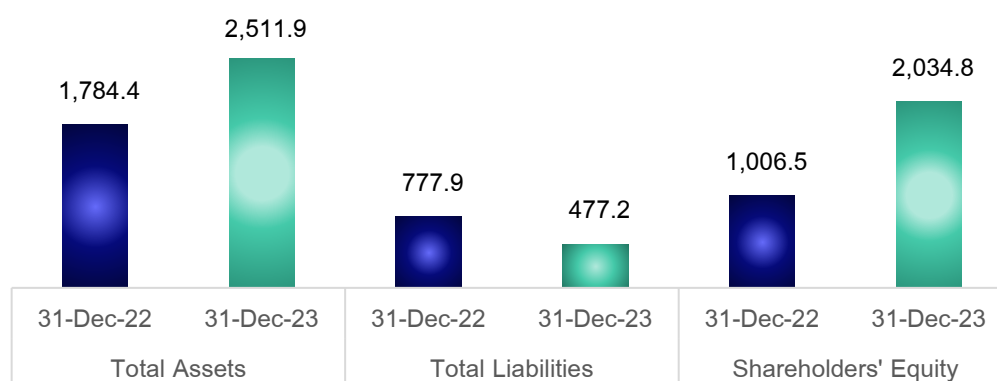
Profits and profits margin

| | 4Q2022 | 3Q2023 | 4Q2023 | % QoQ | % YoY |
|----------------------------|--------|--------|--------|----------|----------|
| EBITDA (THB mn) | 103.6 | 63.9 | 258.1 | 304.0% | 149.1% |
| EBITDA margin (%) | 13.4% | 12.1% | 40.6% | 28.5 pts | 27.2 pts |
| EBIT (THB mn) | 81.1 | 42.4 | 235.6 | 455.6% | 190.6% |
| EBIT margin (%) | 10.5% | 8.0% | 37.0% | 29.0 pts | 26.5 pts |
| Net profit (loss) (THB mn) | 72.3 | 36.3 | 77.2 | 112.9% | 6.8% |
| Net profit margin (%) | 9.3% | 6.9% | 12.2% | 5.3 pts | 2.9 pts |
| Earnings per share (THB) | 0.15 | 0.05 | 0.12 | 72.9% | (258.6%) |

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 31 December 2023, the Company had total assets of THB 2,511.9.6mn, an increase of 40.8% from the end of 2022.

- Current assets were THB 980.0 THB million, increasing by 37.7% from the end of last year, mainly from a rise in cash and cash equivalents amounting to THB 351.6mn, offset with lower trade and other receivables totalling THB83.2 mn.
- Non-current assets amounted to THB 1,531.9mn, increasing by 42.8% from the end of last year from the construction of a modified tapioca starch production plant in Mukdahan and a tapioca production plant in Kalasin.

Total Liabilities

As at 31 December 2023, total liabilities amounted to THB 477.2mn, a decrease of 38.7% from the end of 2022.

- Current liabilities stood at THB 294.5mn, a decrease of 45.5% from the end of last year, primarily due to the repayment of short-term loans from financial institutions, totalling THB 240.0mn.
- Non-current liabilities amounted to THB 182.6mn, a decrease of 23.1% from the end of last year, mainly from the decrease in long-term loans from financial institutions, with a remaining balance of THB 161.4mn.

Shareholders' Equity

As at 31 December 2023, shareholders' equity amounted to THB 2,034.8mn, an increase of 102.2% from the end of 2022, primarily due to the capital raised through the IPO during the early of 2023.

Cash Flow

For 2023, the Company's cash flow from various activities was as follows:

- Net cash generated from operating activities: THB 296.5mn, reflecting from operations which generate continuous profit.
- Net cash used in investing activities: THB 531.0mn, primarily due to the construction of the modified tapioca starch production plant in Mukdahan and the tapioca starch production plant in Kalasin, totaling THB 533.3mn. Additionally, the Company had a fixed deposit of THB 1.2mn with maturity of over three months.

- Net cash generated from financing activities: THB 586.2mn, with net cash from issuing common shares in the early part of the year totaling THB 991.9mn, offsetting loan repayments of THB 293.1mn, and dividend payments of THB 100.5mn.
- As a result, the Company's net increase in cash and cash equivalents amounted to THB 351.6mn. The total cash and cash equivalents as at 31 December 2023 stood at THB 590.5mn.

(Unit: THB mn)

| | 2022 | 2023 |
|---|--------------|--------------|
| Net cash from operating activities | 291.9 | 296.5 |
| Net cash from (used in) investing activities | (62.5) | (531.0) |
| Net cash from (used in) financing activities | (86.1) | 586.2 |
| Cash and cash equivalent increased – net | 143.3 | 351.6 |
| Cash and cash equivalent at the beginning of the period | 95.6 | 238.9 |
| Cash and cash equivalent at the end of the period | 238.9 | 590.5 |

Key Financial Ratios

| | 2022 | 2023 |
|-------------|----------|----------|
| ROE (%) | 29.3% | 8.9% |
| ROA (%) | 17.0% | 6.3% |
| D/E (times) | 0.8 time | 0.2 time |

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.



Respect 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 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 "Very Good" level of corporate governance. This rating is based on a maximum score of 5 stars.

Mr. Pavint Ruangvoraboon
Chief Finance Officer