

Premier Quality Starch Public Company Limited

Management Discussion and Analysis

For Earnings Result of Q1 / 2024

Ending 31 March 2024



Management Summary and Important Events in Q1/2024

Premier Quality Starch Plc. and its subsidiaries (“The Company”) reported its Q1/2024 financial results with revenues from sales of THB 831.3mn, an increase of THB 213.9mn from the previous quarter or 34.7% QoQ. However, when compare to the same quarter of the previous year, the revenue dropped THB 14.8mn or 1.7% YoY. Gross profit margin in this quarter was 24.7%, an increase of 20.6% QoQ and 13.6% YoY. The Company reported a net profit in Q1/2024 of THB 128.8mn, an increase of 66.8% QoQ and 125.7% YoY. As a result, the net profit margin in this quarter was 15.0%.

As of 31 March 2024, the Company’s Total Assets stood at THB 2,954.2mn, the Liabilities stood at THB 797.3mn, and the Shareholders Equity stood at THB 2,157.0mn. The Company’s interest-bearing-Debt stood at THB 677.6mn while ending cash and cash equivalents stood at THB 369.1mn.

The Company arranged the 2024 Annual General Meeting of Shareholders, on Thursday, 25 April 2024, via the online format or e-meeting. The meeting approved a dividend payment form the operating results of the year 2023, at the rate of THB 0.081 per shares, scheduled to pay on 17 May 2024.

Regarding the latest key economic trends, the Bank of Thailand¹ forecasts that in 2024, the Thai economy is expected to expand at a rate of 2.6%, an increase from the previous year's growth of 1.9%. This growth is continuously supported by private consumption, particularly spending in the service sector and high-income group consumption. Additionally, the tourism sector has improved both in terms of the number of tourists and spending per person. Moreover, there is a boost from increased government spending in the remainder of the year. The inflation rate remains low due to supply factors and government measures to assist with living costs. As for the Thai baht, it has been volatile, weakening in line with the monetary policies of major economies, with an average exchange rate in the first quarter of about THB 35.5 per USD.

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.

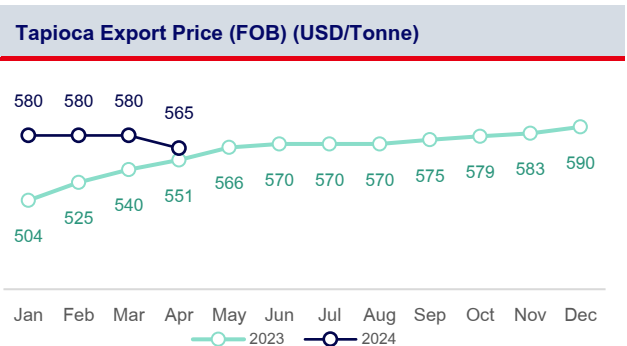
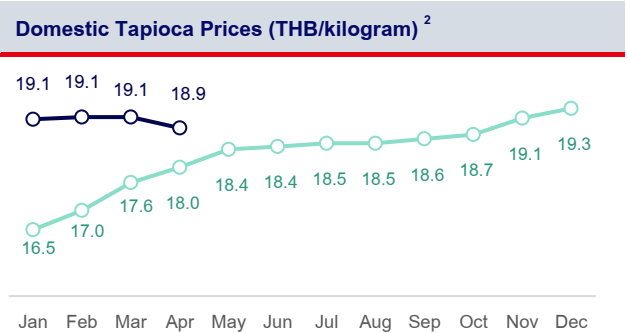
Currently, the Company has two new factory construction projects for long-term growth comprising: 1) A project to expand the existing business by constructing a new tapioca starch factory in Kalasin Province. This will increase the Company's production capacity and market share. The construction progress of this project is approximately 95%; and 2) 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 96%.

¹ https://www.bot.or.th/content/dam/bot/documents/en/our-roles/monetary-policy/mpc-publication/press-statement/PressMPC_2024_2.pdf

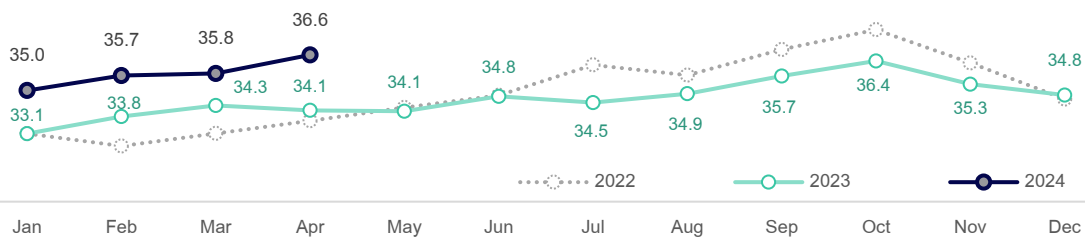
It is expected that the construction of both projects will be completed and ready for operation within 2024.

Economic and Industry Outlook

Thailand's Export Tapioca Value ¹		
Countries that imported from Thailand	Value (THB mn)	
	Q1/2023	Q1/2024
China	7,257.0	9,869.7
Indonesia	117.3	2,520.7
Taiwan	1,103.4	1,447.7
Malaysia	840.8	886.0
Philippines	605.2	715.8
Japan	479.6	586.8
USA	374.4	568.7
Singapore	301.0	296.5
Lao PDR	156.1	207.2
South Korea	149.1	129.5
Others	765.3	887.6
Total	12,149.1	18,116.2
Quantity (Tonne)	750,769	922,571



THB/USD Exchange Rates ³



in Q1/2024, Thailand's tapioca starch export value was THB 18,116.2mn, an increase of 49.1% YoY. This was primarily from a 22.9% increases in the volume of tapioca starch exports compared to the same period of the previous year, following increased imports by major trading partners, especially China, Indonesia, Taiwan and the United States, each having tapioca starch import rates jumped by more than 30%. Together with the depreciation of Thai baht against USD resulted in the export value apicated based on Baht Rate. The export price of tapioca starch in Q1/2024 was stably high at USD 580 per, increase from average USD 523 per ton in Q1/2023.

The Thai baht in Q1/2024 gradually depreciate, which at the end of March 2024, stood at THB 36.6 per USD

¹ Thai Customs (<https://tradereport.moc.go.th/Report>)

² Thai Tapioca Starch Association

³ Average exchange rate of commercial banks in Bangkok, statistic from the Bank of Thailand

Financial Performance

Profit and Loss Statement

	3-month				
	Q1/2023	Q4/2023	Q1/2024	% QoQ	% YoY
Revenues from sales	846.1	617.4	831.3	34.7%	(1.7%)
Cost of sales	731.4	490.0	625.9	27.7%	(14.4%)
Gross profit	114.7	127.4	205.4	61.2%	79.1%
Other incomes *	28.8	18.6	23.4	25.5%	(18.7%)
Gain (loss) from derivatives and exchange rates - Net	3.0	(4.3)	(6.4)	(47.9%)	(312.0%)
Selling and administrative expenses	82.3	60.4	81.3	34.6%	(1.2%)
Profit before finance costs and income tax expense	64.3	81.2	141.1	73.8%	119.4%
Financial costs	5.6	2.4	6.0	150.0%	7.1%
Income tax expense	1.6	1.6	6.3	293.8%	293.8%
Net Profit (loss)	57.0	77.2	128.8	66.8%	126.0%

* 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, for example.

The details of the income statement for Q1/2024

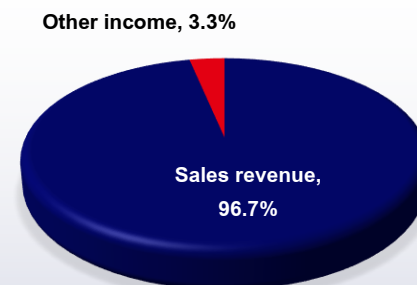
Revenues from sales

For Q1 / 2024, the Company had revenues from sales THB 831.3mn, increased THB 213.9mn, or 34.7% QoQ, mainly due to seasonality that in the first quarter has the higher raw casava material. As a result, the Company has higher volume of raw material for production.

In comparison to the same period of the previous year, revenues from sales slightly decrease 1.7%, mainly due to the reduction in sales volume, which dropped 9.6 tons. However, as the selling price in this quarter increased more than 20%, the revenue from sales only slightly decreases. The other factor was the reduction of THB 11.5mn in revenues from sale of electricity due to scheduled maintenance shutdown of the biogas fermentation tank to produce electricity from biogas.

The Company's tapioca starch production capacity utilization in Q1/2024 was 94% of the seasonal adjusted capacity, increased from 74% in the same period of the previous year. The Company's foreign export sales accounted for 79.3% of starch's sales revenue, an increase from 67.0% in the same period of the previous year, while domestic sales account for 20.7%.

Total Revenue Breakdown Q1/2024



Cost of sales

In Q1/2024, total cost of sales amounted to THB 625.9mn, representing an increase of 27.7% QoQ, or THB 135.9mn, in line with the increase in sales. However, compared to the same quarter last year, the cost of sales decreased by THB 105.5mn, or 14.4% YoY, due to the reduction in sales and the improved quality of raw materials in this quarter.

Gross profit in this quarter was THB 205.4mn, a THB 78.0mn increase or 61.3% QoQ, and a THB 90.7mn increase from the same period of the previous year or 79.1% YoY. As a result, the company reported a gross profit margin of 24.7%, up from 20.6% in the previous quarter and 13.6% in Q1/2023.

Selling and administrative expenses

The Company had selling and administrative expenses in Q1/2024 of THB 81.3mn, an increase of 34.5% QoQ. However, this represents a decrease of 1.2% YoY, in line with the fluctuation in sales of tapioca starch, which increased QoQ but decreased YoY.

Other income

Other income in Q1/2024 were THB 23.4mn, an increase of 25.5% QoQ, and a decrease of 18.7% YoY. Most of this item was from the sale of by-products obtained from cassava processing, such as cassava pulp, roots, soil peel, peel wash, and wastewater. Therefore, the amount of this income is in line with the sales of tapioca starch in each operating period.

Finance cost

Financial cost in Q1/2024 was THB 6.0mn, an increase of THB 3.7mn from the previous quarter and an increase of THB 0.5mn from the previous year. In this quarter, there was an increase in short-term loans of THB 270.0mn to be used for business operations. As of the end of Q1/2024, the Company had interest-bearing debt amounting to THB 677.6mn, with a net financial cost rate of 0.9% for this quarter.

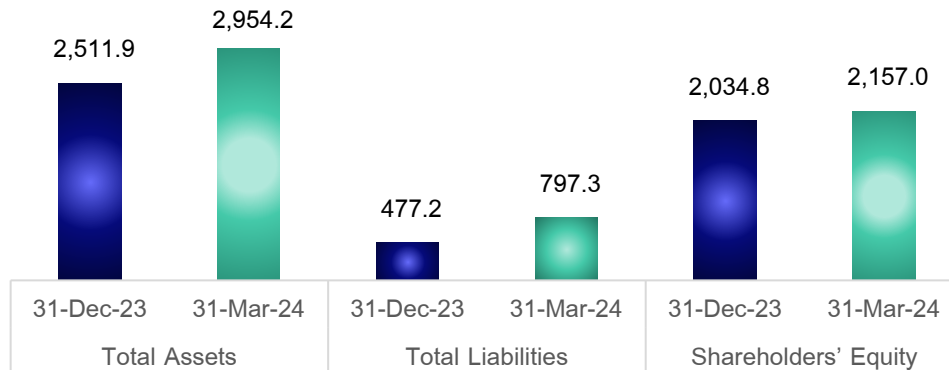
Net profit and net profit margin (NPM)

In Q1/2024, the Company had a net profit of THB 128.8mn, an increase of 66.8% QoQ, or THB 77.7mn, and an increase of 125.7% YoY, or THB 71.7mn. The primary reason for this increase was higher sales revenue, which reached a level that allowed for economies of scale. This resulted in a net profit margin of 15.0% this year, up from 12.0% in the previous quarter and 6.5% in the same period last year.

	Q1/2023	Q4/2023	Q1/2024
EBITDA (THB mn)	90.3	164.1	+81.8%
EBITDA margin (%)	10.2%	19.1%	+8.9 pts
EBIT (THB mn)	64.3	141.1	+119.6%
EBIT margin (%)	7.3%	16.4%	+9.1 pts
Net profit (loss) (THB mn)	57.0	128.8	+125.7%
Net profit margin (%)	6.5%	15.0%	+8.5 pts
Earnings per share (THB)	0.10	0.19	(66.3%)

Statement of Financial Position

Unit: THB mn



Total Assets

As of 31 March 2024, was THB 2,954.2mn, an increase of 17.6% from the year end of 2023.

- Current assets were THB 1,286.7mn, increasing by 31.3% from THB 980.0mn as at the end of 2023. This increase was primarily due to trade and other receivables rising by THB 260.2mn, offset by a decrease in cash and cash equivalents and fixed deposits by THB 221.4mn.
- Non-current assets amounted to THB 1,667.5mn, increasing by 8.9% from THB 1,531.9mn as at the end of 2023. This increase was due to progress in the construction of the modified tapioca starch factory in Mukdahan province and the tapioca starch factory in Kalasin province.

Total Liabilities

As of 31 March 2024, was THB 797.3mn, an increase of 67.1% from the year end of 2023.

- Current liabilities stood at THB 626.8mn, increasing by 112.8% from THB 294.5mn as at the end of 2023 due to an increase in short-term loans from financial institutions by THB 270.0mn. Additionally, trade and other payables increased by THB 25.1mn.
- Non-current liabilities stood at THB 170.4mn, decreasing by THB 12.2mn from THB 182.6mn as at the end of 2023 due to the repayment of long-term loans from financial institutions and government agencies, reducing the balance to THB 151.3mn.

Shareholders' Equity

As of 31 March 2024 stood at THB 2,157.0mn, an increase of THB 112.2mn, or 6.1% from THB 2,034.8mn as at the end of 2023 due to the increase in profit from operation in this quarter.

Cash Flow

In Q1/2024 the Company's cash flow from various activities was as follows:

- Net cash used in operating activities: THB 333.0mn reflecting from operations which generate profit of THB 128.8mn in this quarter, while spending in business activities which resulting in an account receivable of THB 255.9mn and Inventories of THB 272.8mn.
- Net cash used in investing activities: THB 160.1mn, almost entirely consisting of cash payments for the purchase of fixed assets for the construction of the modified tapioca starch factory in Mukdahan province and the tapioca starch factory in Kalasin province, THB 533.3mn.
- Net cash received from financing activities: THB 271.8mn, primarily from an increase in short-term loans from financial institutions by THB 270.0mn.

As a result, the Company had a net decrease in cash and cash equivalents of THB 221.4mn, resulting in cash and cash equivalents amounting to THB 369.1mn as of 31 March 2024.

(Unit: THB mn)

	Q1/2023	Q1/2024
Net cash from (used in) operating activities	194.6	(333.0)
Net cash used in investing activities	(153.3)	(160.1)
Net cash from financing activities	533.3	271.8
Cash and cash equivalent increased (decreased) – net	574.6	(221.4)
Cash and cash equivalent at the beginning of the period	238.9	590.5
Cash and cash equivalent at the end of the period	813.5	369.1

Key Financial Ratios

	Q1/2023	Q1/2024
ROE (%)	12.7%	9.9%
ROA (%)	10.6%	8.5%
D/E (times)	0.2x	0.4x

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.



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: -

- 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.
- On 6 March 2024, the Company organized an agricultural technology transfer event to kick off the 2024 cassava planting season (Field Day) on its sustainable agricultural promotion area in Mukdahan province. The event aimed to provide farmers with academic and technological information to improve cassava cultivation and achieve better yields. The Company collaborated with government agencies, partners, and customers, integrating efforts with all stakeholders to promote sustainable agricultural development.



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 Q1/2024, the Company has major events as follows:

- The company held its Annual General Meeting of Shareholders for 2024 on Thursday, 25 April 2024, in the form of an electronic meeting (e-meeting). This meeting served as a communication channel with shareholders to discuss the operational results of 2023. The meeting resolved to pay dividends from the 2023 operations at a rate of THB 0.081 per share, which is scheduled to be paid on 17 May 2024.
- The Board of Directors resolved to appoint Mr. Montri Mahaplerkpong, an independent director, as the Chairman of the Board of Directors, replacing Mr. Anek Panaapichon, who resigned, effective 1 May 2024.

Mr. Pavint Ruangvoraboon
Chief Finance Officer