



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF THE 1st QUARTER 2021

MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 1st Quarter 2021)

OVERALL OPERATING RESULTS

The Company had total revenue in the 1st quarter 2021 of Baht 683.04 million with net profit of Baht 56.95 million, which decreased from the same period last year by 7.52 percent and 31.93 percent respectively, generating a net earnings at Baht 0.06 per share. This was due to the situation of COVID-19 outbreak that caused a decrease of ethanol sales volume by 21.14 percent. Also, the cost of molasses, the main raw material, increased by 23.77 percent because of drought that caused of the decrease of sugarcane entering the mills.

OPERATING RESULTS ANALYSIS

REVENUE:

Description	1 st quarter 2021		1 st quarter 2020		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Revenue from Ethanol Sales	683.03	100.00	738.06	99.92	(55.03)	(7.46)
Other Revenue	-	-	0.54	0.07	(0.54)	(100.00)
Financial income	0.01	-	0.02	0.01	(0.01)	(50.00)
Total Revenue	683.04	100.00	738.62	100.00	(55.58)	(7.52)

The Company's total revenue in the 1st quarter 2021 was Baht 683.04 million, decreased from the same period last year by Baht 55.58 million or 7.52 percent, due to the following reasons.

- (1) The revenue from ethanol sales decreased by Baht 55.03 million or 7.46 percent from the same period last year due to the decrease of ethanol sales volume by 21.14 percent.
- (2) The other revenue decreased by Baht 0.54 million or 100 percent from the same period last year. Because there was an income from fusel oil sales in the 1st quarter 2020 but there was no such income in the 1st quarter 2021.
- (3) The financial income decreased by Baht 0.01 million or 50 percent from the same period last year.

EXPENSES:

Description	1 st quarter 2021		1 st quarter 2020		Increase (Decrease)	
	Baht Million	% Sale	Baht Million	% Sale	Baht Million	%
Cost of sales	589.76	86.34	621.40	84.19	(31.64)	(5.09)
Selling and administrative expense	20.83	3.05	19.39	2.63	1.44	7.43
Financial cost	8.88	1.30	12.24	1.66	(3.36)	(27.45)
Corporate income tax	6.62	0.97	1.93	0.26	4.69	243.01
Total Expenses	626.09	91.66	654.96	88.74	(28.87)	(4.41)

The Company's expenses in the 1st quarter 2021 was Baht 626.09 million, decreased by Baht 28.87 million or 4.41 percent from the same period last year, due to the following reasons;

- (1) Cost of ethanol sales decreased by Baht 31.64 million or 5.09 percent from the same period last year. This was due to the decrease of ethanol sales volume by 21.14 percent as mentioned above.
- (2) Selling and administrative expenses increased by Baht 1.44 million or 7.43 percent from the same period last due to the ethanol freight costs increased as fuel prices rose.
- (3) Financial cost decreased from the same period last year by Baht 3.36 million or 27.45 percent. This was due to the repayment of short-term and long-term loans, and;
- (4) Corporate income tax increased by Baht 4.69 million or 243.01 percent from the same period last year due to the ethanol production line 2 has ended its corporate income tax exemption since April 2, 2020.

GROSS PROFIT:

Description	1 st quarter 2021		1 st quarter 2020	
	Baht Million	%	Baht Million	%
Revenues from Sales	683.03	100.00	738.06	100.00
<u>Less</u> Cost of Sales	589.76	86.34	621.40	84.19
Gross Profit	93.27	13.66	116.66	15.81

The Company's gross profit in the 1st quarter 2021 was Baht 93.27 million or 13.66 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 116.66 million or 15.81 percent of the sales revenue. This was due to the increase in the molasses price which is the main material, by approximately 23.77 percent from the same period last year and the decrease of ethanol sales volume by 21.14 percent from the same period last year.

NET PROFIT:

Description	Unit	1 st quarter 2021	1 st quarter 2020	Increase (Decrease)	%
NET PROFIT	Baht Million	59.95	83.66	(26.71)	(31.93)
NET PROFIT PER SHARE	Baht per Share	0.06	0.08	(0.02)	(25.00)
Remark: Registered per value of Baht 1 per share					

The Company's net profit in the 1st quarter 2021 was Baht 56.95 million which decreased from the same period last year by Baht 26.71 million or 31.93 Percent, which accounts for net profit of Baht 0.06 per share. When compared with the same period last year, the net profit decreased by Baht 0.02 per share or 25 percent. The reason is as described above.

EARNINGS EFFICIENCY

- (1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company in the 1st quarter 2021 was Baht 114.49 million, which decreased from the same period last year by Baht 27.10 million or 19.14 percent and EBITDA MARGIN decreased from 19.17 percent in the same period last year to 16.76 percent in the 1st quarter 2021.
- (2) Net profit margin of the Company decreased from 11.33 percent in the same period last year to 8.34 percent in the 1st quarter 2021.
- (3) Return on equity of the Company as decreased from 3.76 percent at the end of 2020 to 2.38 percent at the end of the 1st quarter 2021.
- (4) Return on total assets of the Company decreased from 1.87 percent at the end of 2020 to 1.23 percent as at the end of the 1st quarter 2021. The return on fixed assets decreased from 8.78 at the end of 2020 to 7.85 percent as at the end of the 1st quarter 2021.

STATEMENT OF FINANCIAL POSITION

FINANCIAL POSITION	Unit	As at March 31, 2021	As at December 31, 2020	Increase (Decrease)	%
Total Assets	Baht Million	3,717.57	3,357.97	359.60	10.71
Total Liabilities	Baht Million	1,861.93	1,559.28	302.65	19.41
Total Shareholder's Equity	Baht Million	1,855.64	1,798.69	56.95	3.17
Book Value	Baht per Share	1.86	1.80	0.06	3.33
Remark: Registered per value of Baht 1 per share					

ASSETS: The Company's total assets as at March 31, 2021 increased from the end of year 2020 by Baht 359.60 million or 10.71 percent. The total assets consisting of:

- (1) Current Assets increased from the end of 2020 by Baht 377.74 million or 71.68 percent, due to (A) Cash and cash equivalent decreased by Baht 4.79 million or 18.08 percent; (B) Trade accounts receivable and other receivables increased by Baht 95.91 million or 53.56 percent; (C) Inventories increased by Baht 233.79 million or 187.69 percent, most of which were molasses; (D) Advances payment for purchase goods increased by Baht 47.28 million or 26.10 percent, and (F) Another current assets increased by Baht 5.55 million or 35.37 percent.
- (2) Non-Current Assets decreased from the end of year 2020 by Baht 18.14 million or 0.64 percent, consisting of: (A) Biological assets increased by Baht 1.99 million or 30.80 percent; (B) Land, plant and equipments decreased by Baht 16.81 million or 0.60 percent; (C) Right-of-use assets decreased by Baht 1.98 million or 5.95 percent, and (D) Another non-current assets decreased by Baht 1.34 million or 19.85 percent.

LIABILITIES: The Company's Total Liabilities as at March 31, 2021 increased from the end of year 2020 totaled 302.65 million or 19.41 percent, consisting of: (A) Trade accounts payable and other accounts payable decreased by Baht 39.56 million or 31.68 percent. (B) Short-term and long-term loans which for raw material supply and for working capital increased by Baht 346.58 million or 25.19 percent, and (C) Other liabilities which most were liabilities under lease agreement decreased by Baht 4.37 million or 7.43 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at March 31, 2021 increased from the end of year 2020 by Baht 56.95 million or 3.17 percent, resulting in an increase of the share's book value from Baht 1.80 per share to Baht 1.86 per share due to the net profit from operating results in the 1st quarter 2021.

CASH FLOWS

Cash Flows	Unit: Million Baht	
	1 st quarter 2021	1 st quarter 2020
Cash Flows from (used in)Operating Activities	(323.65)	104.18
Cash Flows from (used in)Investing Activities	(25.88)	(36.30)
Cash Flows from (used in)Financing Activities	344.74	(65.50)
Net Increase (Decrease) in Cash	(4.79)	2.38
Cash at the Beginning of the Period	26.50	25.44
Cash at the End of the Period	27.71	27.82

- (1) The Company's net cash used in operating activities in the 1st quarter 2021 totaled Baht 323.65 million, consisting of: (A) Profit before corporate income tax of Baht 63.57 million; (B) Non-cash items such as depreciation; Baht 51.22 million.(C) The operating assets increased by Baht 382.55 million due to an increase in trade and other receivables and inventories and advance payments for purchase of goods; (D) The operating liabilities decreased by Baht 48.12 million due to a decrease in trade accounts payable, other accounts payable and other current liabilities, and (E) Interest expense by Baht 7.77 million.
- (2) The Company's net cash used in investment activities in the 1st quarter 2021 totaled Baht 25.88 million, consisting of: (A) The cost of industrial crops planting of Baht 1.99 million and (B) Assets purchasing by Baht 23.89 million.
- (3) The Company's net cash used in financing activities in the 1st quarter 2021 totaled Baht 344.74 million consisting of: (A) Receiving of short-term loan of Baht 346.53 million and (B) Repayment under financial lease at Baht 1.79 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at March 31, 2021 were 0.60 times and 0.20 times, respectively, which is low but the Company have remaining inventories that can be easily exchanged to cash and the trade accounts receivable is the major fuel company that have stable financial situation. In addition, the Company has cash generation and adequate credit line for working in the future project with good support from financial institution.

(2) The total debt to equity ratio of the Company as at March 31, 2021 was 1:1 times.

(3) The cash cycle of the Company in the 1st quarter 2021 was 29.38 days, which increased from the end of year 2020 by 15.55 days. The average debt collection period was at 33.38 days, which increased from the end of year 2020 by 6.36 days. The average inventory turnover was at 10.25 days, which increased from the end of year 2020 by 4.70 days, and the average debt repayment period was at 14.25 days, decreased from the end of year 2020 by 4.49 days.

DEBT OBLIGATION

The Company has debt obligation in accordance with the loan agreement with a local commercial bank as follows.

- (1) The Company must maintain its debt to equity ratio (D/E ratio) not to exceed 2.50 times and debt service coverage ratio (DSCR) of no less than 1.10 times throughout the duration of loan agreement. So far, the Company has been able to maintain the D/E and DSCR ratio as required by the contractual obligation of the loan without any default.
- (2) The lending bank has determined that Lanna Resources Public Co., Ltd. ("Lanna") must maintain its shareholding proportion in TAE of no less than 50 percent of the total number of shares during the whole duration of the loan agreement. So far, Lanna has no policy to decrease its shareholding proportion in TAE to below 50 percent of the total number of shares.
- (3) The lending bank has stipulated that the Company cannot pay dividend to its shareholders, including Lanna, if the Company cannot comply with the conditions stipulated in the loan agreement such as maintaining of D/E and DSCR ratio, and maintaining shareholding proportion of Lanna in the Company, etc. So far, the Company has not breached the conditions of loan agreements and has been provided with good financial support from the lending banks.

FUTURE TREND

The Company expects that during the year 2021, the amount of the main raw materials used in ethanol production will remain scarce due to drought and fluctuations in prices from the year 2020. As the raw materials used in ethanol production are agricultural crops which uncontrollable, and prices often adjust up and down according to the market demand mechanism. Therefore, the Company has turned to improving the ethanol production system to be able to use more raw materials. At the same time, the Company seeks to reduce production costs, especially energy by focusing on saving energy and producing energy for internal use, such as generating electricity using biogas, etc.

However, the Company remains focused on maintaining product quality and managing ethanol production costs effectively and efficiently to ensure the Company's good operating results in 2021 and able to pay a dividend to shareholders regularly aligning with the determined policy.