

PP PRIME Public Company Limited
Management Discussion and Analysis
For the quarter 2nd year 2019

Company Performance Overview

For the quarter 2nd year 2019, PP Prime Public Company Limited (“The Company”) and subsidiaries recorded total revenues of 515.27 million Baht, consisting of total revenue from feed businesses and geothermal power business, and other income of 510.31 million Baht and 4.96 million Baht of total revenue respectively. This translates into 99.04% and 0.96% of total revenue respectively. The Company and subsidiaries had the revenue decrease by 5.53% comparing to the same quarter of previous year which the main business revenue had decreased 0.66% when comparing to the same quarter of previous year.

For the quarter 2nd year 2019, The Company and subsidiaries had net operating loss of 111.32 million Baht which increased by 12,000 % when comparing with the previous year. This was mainly due to increased of administrative expenses included impairment of advances payment.

Consolidated financial statements	Quarter	Quarter	Change	Percent
Unit : Million Baht	2/2019	2/2018		
Sales	510.31	513.71	(3.40)	-0.66%
Other income	4.96	31.71	(26.75)	-84.36%
Total Revenue	515.27	545.42	(30.15)	-5.53%
Cost of sales	426.65	439.84	(13.19)	-3.00%
Selling and Administrative expenses	166.46	73.99	92.47	124.98%
Total expenses	593.11	513.83	79.28	15.43%
Profit before finance cost and income expenses	(77.84)	31.59	(109.43)	-346.41%
Share of loss from investments in associates	-	-	-	-
Finance Cost	(34.17)	(29.16)	(5.01)	17.18%
Profit before income tax expenses	(112.01)	2.43	(114.44)	-4,709.47%
Income tax expenses	0.69	(3.35)	4.04	120.60%
Loss for the period	(111.32)	(0.92)	(110.40)	-12,000.00%

Explanation and Analysis of the Operating result for quarter 2nd year 2019

1.1 Revenue

Aquatic Feed Business

In quarter 2nd year 2019, the revenue from aquatic feed was 447.69 million Baht, or an increase of 2.08% comparing to the same quarter of previous year.

For the shrimp feed section, the Company use the aggressive marketing to competitive advantage and the situation of market price of Pacific White Shrimp falling in the previous period back to normal and expect that the price of Pacific White Shrimp will mark up but not over 5 Baht per kilogram therefore the revenue for shrimp feed increased 9.18% when compared to the same quarter of the previous year.

For fish feed section, from depression and lacking water in some area, resulting in easy death of fish due to a situation for feeding Tilapia slightly decrease. Feeding Catfish is expected to increase upon the situation and the environment, therefore, the sale has decreased by 5.50% compared to the same quarter of the previous year.

OEM Business

In quarter 2nd year 2019, the revenue from OEM of pet food was 42.22 million Baht has decreased by 27.44% when compared to the same quarter of the previous year due to there was less order from customers.

Energy Business

The Company had produced and COD the geothermal electricity in Japan in quarter 2nd year 2019, the electricity sales were 20.40 million Baht has decreased by 20.78% when compared to the same quarter of the previous year. Currently, the Company had the power plants that can commercially operate total of 15 units.

1.2 Cost of sales

In the quarter 2nd year 2019 the majority of the Company's cost of sales was cost of goods sold. The Company had cost of sales 426.65 million Baht, a decrease of 3% when compared to the same quarter of the previous year according to decreasing in revenue from sales.

1.3 Gross Profit

In the quarter 2nd, year 2019, Gross Profit was 83.66 million Baht, increased by 13.25% when compared with the same quarter of the previous year which was 73.87 million Baht.

1.4 Selling and Administrative expenses

Selling and Administrative expenses in quarter 2nd, year 2019 was 166.46 million Baht, increased 92.47 million Baht or 124.98% when compared with the same quarter of the previous year, it was mainly due to the Company had impairment of advances payment for Riverside project and loss on investments in securities.

1.5 Net profit (loss)

In the quarter 2nd year 2019, the consolidated financial statements showed net loss 111.32 million Baht, or net loss 0.1977 Baht per share.

Financial Position

2.1 Asset

As of 30 June 2019, the consolidated financial statements showed total asset of 3,068.38 million Baht, decreased by 271.50 million Baht or decreased 8.13% from 31 December 2018. It was mainly due to the trade and other receivable has decreased because the Company has better managed it, and provision loss of advances payment.

2.2 Liabilities

As of 30 June 2019, the consolidated financial statements showed total liabilities of 2,435.38 million Baht, decreased 91.49 million Baht or decreased 3.62% from 31 December 2018 due to normally business operation.

As of 30 June 2019 and 31 December 2018, Debt to Equity ratio of the Company was 3.85 : 1 and 3.11 : 1 respectively.

2.3 Shareholder's Equity

As of 30 June 2019, the consolidated financial statements showed total Shareholder's Equity of 633.00 million Baht, decreased by 180.01 million Baht or decreased 22.14% from 31 December 2018 due to operating loss for 6 months 161.84 million Baht, loss from translated adjustment 15.62 million baht and loss on valuation of available for sales securities 2.55 million Baht.

Liquidity

In the quarter 2nd year 2019, the consolidated financial statements showed net cash used in operating activities at the amount of 2.39 million Baht, net cash provided by investing activities at the amount of 97.15 million Baht and cash used in financing activities at 114.07 million Baht, Effect of exchange rate at the amount of 15.84 million Baht. Cash and cash equivalents was increased by amount of 3.47 million Baht. As the result of 30 June 2019, cash and cash equivalents at the end of period as of the was 7.23 million Baht.

Report on feed business situation in 2019

The Situation of shrimp industry in quarter 2nd of 2019

The export of Thailand shrimp in 4 months (January – April) 2019 has amounted USD 325 Million has decreased 13.20% from the previous year because of currency appreciated, it has affected to Thai exporter cannot challenge the producer from India. Obviously, the major exporters who join the Boston Seafood Show 2019 in Boston, USA on middle of March 2019 has not any purchase order, so the domestic shrimp price has decreased. The export shrimp in this year will decrease continuously from last year that export has decreased by 21%. Currently, India is the No.1 for exporting shrimp instead, it has exported shrimp 600,000 tons per year, but Thailand has exported shrimp 200,000 tons per year only, and the second factor is a long drought period and the farmer worried about the decrease of Pacific White Shrimp price same as previous year in April – May because of a lot of the production of shrimp, especially from India and Ecuador, so they reduce to place the shrimp on farm. In this year, the production of Pacific White Shrimp of Thailand will be 250,000 tons – 300,000 tons.

The Situation of fish industry in quarter 2st of 2019

For the situation of Tilapia

In April 2019, the production of Tilapia was 12,744 tons decreased from March 2019 by 22.70% and compared with the same period of previous year has decreased by 25% (Source from Fisheries Statistics Research and Analysis). In January – April 2019 the production of Tilapia was 70,092 tons decreased by 7.40% when compared with the same of period of previous year. For May 2019, the production will be decreased by 4.90% because of depression in some area, resulting in easy death of fish

For the situation of Catfish

The area that feed the Catfish in year 2019 will increase because the situation of price was increased, the size of 2-4 kilogram per fish from average price 39.09 Baht per kilogram in quarter 4 year 2018 to average price 44.05 Baht per kilogram in quarter 1 year 2019 and increased in April 2019 the average price 47.00 Baht per kilogram, so it attract the farmer to expand the feed area, especially the farmer who once raised to feed Catfish again and the government to support to feed Catfish in several area to increase income of farmer and consume in province because the Catfish is needn't the high water, so the farmer can feed in cement mortar and small pond included to resist the disease and envelopment and some area has supported to process food it has affected to attract the farmer to feed more. For the production per Rai year 2019 still increase when compared with year 2018 because of increase the raising cycle and increase to place the fish on farm included the farmer has the good management to reduce the disease, cost, the government transfer knowledge of feed that make the fish has more survival rate, it has affected to increase more production.