

16 November 2020

Attention: The President

The Stock Exchange of Thailand

Subject: Management Discussion and Analysis For the operating results of the 3Q2020

PP Prime Public Company Limited

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Performance overview

In 3Q2020, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 449.83 million, comprising of aquatic feed business, pet food business, and electric power business was Baht 353.67 million, Baht 91.66 million and Baht 4.50 million, which accounted for 78.62%, 20.38% and 1.00% of total revenue from sales, respectively. Total income was decreased by 22.50%. QoQ. The main business had revenue decreased 19.20% QoQ.

In 3Q2020, the Company and its subsidiaries had a total net loss of Baht 7.65 million, 98.81% QoQ. The major reason was the Company recognized a loss from securities sales of Baht 760.82 million last year.

Consolidated Financial Statements (Unit: Million Baht)	3Q2020	3Q2019	Change increase (decrease)	Percentage
Revenue from sales	449.83	556.69	(106.86)	-19.20%
Other incomes	21.33	51.27	(29.94)	-58.40%
<b>Total Revenues</b>	471.16	607.96	(136.80)	-22.50%
Cost of Sales	383.50	453.83	(70.33)	-15.50%
Selling and Administrative Expenses	63.34	79.27	(15.93)	-20.10%
Impairment	-	12.05	(12.05)	-100%
Loss from the Sales of Securities	-	760.82	(760.82)	-100%
<b>Total Expenses</b>	446.84	1,305.97	(859.13)	-65.78%
Profit (Loss) before finance costs and income tax expenses	24.32	(698.01)	722.33	103.48%
Finance Costs	(20.84)	(32.93)	(12.09)	-36.71%
Profit (Loss) before income tax expenses	3.48	(730.94)	734.42	100.48%
Income tax expenses	(11.13)	90.50	(101.63)	-112.30%
<b>Loss for the year</b>	(7.65)	(640.44)	632.79	98.81%

## Explanation and Analysis of Financial Status and Operating Results for 3Q2020

### 1.1 Income

#### Aquatic business selling

In 3Q2020, the Company had revenue from the aquatic feed business of Baht 353.67 million, a 28.66% decrease QoQ.

Due to the problem of the severe red and white plague disease, the shrimp farming had faced with the rapid death of the shrimp. Also, the outbreak of Corona virus 2019 (COVID-19) disease situation, Department of Fisheries announced a reduction in shrimp feed prices to help reduce production costs for farmers. Therefore, the income from selling shrimp feed decreased 25.24% QoQ.

Due to the problem of drought together with the outbreak of Corona virus 2019 (COVID-19) disease situation 2019 (COVID-19), Department of Fisheries announced a reduction in fish feed prices to help reduce production costs for farmers. As a result, income from fish feed sales decreased 32.68% QoQ.

#### Pet Food Business

The Company had revenue from pet food business equal to Baht 91.66 million, growing approximately 102.56% QoQ.

#### Electric Power Plant Business

The Company operates the business of producing and distributing electricity from geothermal energy in Japan. Revenue from electricity sales from subsidiaries in 3Q2020 amounted to Baht 4.50 million, a 71.06% decrease QoQ due to the fact that some projects are under construction. Currently, the Company has 15 power plants supplying electricity to the commercial system.

### 1.2 Cost of sales

Most of the Company's cost of sales comes from raw material costs in production. In 3Q2020, the Company had cost of sales of Baht 383.50 million, a 15.50% decrease QoQ.

### 1.3 Gross profit

Gross profit in 3Q2020 was Baht 66.33 million, a decrease of Baht 36.53 million QoQ, or 35.51%.

### 1.4 Selling and administrative expenses

Selling and administrative expenses in 3Q2020 were Baht 63.34 million, a decrease of Baht 15.93 million or 20.10% QoQ. While the Company had impact on the spread of COVID-19, the Company has a policy to control unnecessary expense, resulting in lower selling and administrative expenses.

## **1.5 Impairment**

The allowance for impairment decreased Baht 12.05 million, or 100% QoQ as the Company has a resolution to recognize allowance for loans to related parties in 3Q2020. The company has not received repayment on the due date as identified on the contract.

## **1.6 Loss from the Sales of Securities**

In the previous year the Company sold securities during the year. As of the disposal date the fair value of the securities was lower than the cost of the securities, resulting the Company to recognize loss from sales of investment in 3Q2019 amounting Baht 760.82 million.

## **1.7 Net profit (loss)**

In 3Q2020, the Company and its subsidiaries had a net loss of Baht 7.65 million or equivalent to Baht 0.01 per share.

## **Financial status**

### **2.1 Assets**

As of 30 September 2020, the Company and its subsidiaries had total assets of Baht 2,300.08 million, a decrease of Baht 157.18 million from 31 December 2019 or a 6.40% decrease, mainly from inventories of Baht 92.44 million due to the policy to control inventory.

### **2.2 Liabilities**

As of 30 September 2020, the Company and its subsidiaries had total liabilities of Baht 1,955.93 million, a decrease from 31 December 2019 by Baht 57.18 million or 2.84%, mainly due to the exercise of the right to redeem some debentures of Baht 93.90 million.

The ratio of debt to equity as of 30 September 2020 and 31 December 2019 are 5.68 times and 4.53 times, respectively.

### **2.3 Shareholders' Equity**

As of 30 September 2020, the Company and its subsidiaries have shareholders' equity of Baht 344.15 million, a decrease from 31 December 2019 of Baht 100.00 million or 22.52%, mainly from operating loss in 2020 for amount of Baht 60.61 million and loss from warrants which expires during the period in the amount of Baht 38.71 million.

## **Liquidity**

In 3Q2020, the Company and its subsidiaries had net cash flows from operating activities of Baht 264.69 million, cash flow used from investing activities of Baht 14.72 million and cash flows used in financing activities totaling of Baht 184.52 million. The impact of the exchange rate was Baht 75.00 million, resulting in a decrease in cash and cash equivalents of Baht 9.55 million, resulting to remaining of cash and cash equivalents at the end of the period of Baht 35.99 million.

## **Summary of Shrimp Industry Situation 3Q2020**

The shrimp farming presently has a declining trend due to the change of weather conditions. When entering into the monsoon season where the amount of precipitation is very high, the salinity decreases. Due to low salinity, it is not suitable for black tiger shrimp. In high density of white shrimp (300,000 shrimp per rai), affected the survival rate. During this period, there is an outbreak of red and white, EMS and especially white leukemia, accounting for about 80% of the area. The price of white shrimp trends to continuously decline e.g. the shrimp of 100 per kg. originally amounting Baht 120 decrease to Baht 100 while the black tiger shrimp that is being exported to China is decrease due to the fewer flights. There is an impact on the selling price of 40 pieces / kg. of shrimps, which is the selling price of Baht 250-280. Presently, it has to turn around to the boiled shrimp which sets high standards and the price is lower than white shrimp when compared at the same size. Although the Shrimp Farmers Club of Thailand has submitted the request to the government to tackle the problem of slumping sales prices which is currently unable to resolve such problems. The farmers turn to raise white shrimp of 90% of the area as the white shrimp can be raised at a higher density rate. The shorter rearing period is better survival rate and receive more than the yield / rai

## **Shrimp Industry Outlook 4Q2020**

The quantity of new shrimp has decreased in the late rainy season There is a risk of red and white virus (WSSV) outbreak causing severe shrimp damage in the end of the 4<sup>th</sup> quarter. This resulted in a decrease in the yield to the market according to the quantity of shrimp culture aged 90-120 days, size 30-40 pieces / kg will have 15-20% of the total shrimp quantity in the farming area. Due to the lack of product entry into the market, the white shrimp prices rose rapidly. Farmers still raise 95% of white shrimp and 5% of black tiger shrimp of the area only because the price of white shrimp yield / rai is better than black tiger shrimp. The major reason is due to the flight problems of various airlines The quantity of shrimp exported to China and Hong Kong was 2-3 times less dense than the white shrimp.

## **Summary of Fish Farming Situation 3Q2020**

The quantity of fish farming has increased due to the rainy season, causing the amount of water in natural water sources and the water level above some dams rises; however, food consumption decreased by 30%

due to the constantly changing climate. A slower growth rate the fish offspring still produce and feed to the market in time to meet the needs of farmers due to low survival rates. The outbreaks of tilapia are endogenous parasites and bacteria are Streptococcosis; however, the farmers are able to control disease. In some area the water level is low affecting the fish knock in the water as the amount of dissolved oxygen in water is less than 3 PPT. The fish meat products did not meet with the needs of consumers, resulting the increase of fish prices. Caged tilapia fish, size 800-900 grams, price 76-78 baht / kg, tilapia crept price 65-66 baht, and clay pond tilapia price 50-54 baht / kg.

#### **Fish Farming Trends 4Q2020**

The amount of fish farming area is likely to increase. Water in natural resource and the water above the dam increases. Regarding the higher in water resource resulting the lower in water temperature resulting the higher the dissolved oxygen content. This reduces the damage from dead fish. The fish markets are able to release their products well due to the price increase. The nursery increases the production capacity of fish to feed the market in accordance with the needs of farmers. Therefore, farmers have accelerated their fish farming continuously from the 3<sup>rd</sup> quarter of the infectious disease outbreak of tilapia, Streptococcosis which was severely in winter outbreak. At present, farmers have a limited management method to control disease.

#### **Summary of Pet Situation Quarter 3/2020**

During the 3<sup>rd</sup> quarter, the domestic pet market increases in exporting, an increase of 10% - 15% as Thailand is a production base that are recognized internationally. The ready meals are also popular, especially dry animal feed. Also the impact of the Corona virus 2019 (COVID-19) is less than other countries as the Thai government is able to control, resulting the export volume to Europe, Japan, the Middle East and neighboring ASEAN countries which is the big market - Malaysia, Indonesia and Singapore.

#### **Pet Food Trends Quarter 4Q2020**

The pet market in the 4<sup>th</sup> quarter has been forecasted that sales are higher than the 3<sup>rd</sup> quarter with domestic consumption. The export volume are likely to increase by 5%. Animals are also popular and affected by the season or less climatic conditions than aquatic animals. During the months of October – November 2020, Orders have been placed to close the sales of 2020. There has been the continuous sales from 3Q2020 and this will decline in December 2020.

Yours sincerely,  
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