

14 November 2023

Subject : Management Discussion and Analysis For the operating results of the 3Q2023

Attention : The President

The Stock Exchange of Thailand

PP Prime Public Company Limited would like to deliver the explanation and analysis of the management for the operating results of the 3Q2023 as follows:

Performance overview

In 3Q2023, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 305.12 million, comprising of aquatic feed business and pet food business was Baht 184.04 million and Baht 121.08 million, respectively, which accounted for 60.32% and 39.68% of total revenue from sales, respectively. Revenue from sales was decreased by 16.77 % compared to the previous year.

In 3Q2023, the Company and its subsidiaries had a total net loss of Baht 28.14 million, decreased 90.13% compared to the previous year. This was mainly due to decreased in loss from disposal of the subsidiary's assets.

PP Prime Public Company Limited and its subsidiary Statement of comprehensive income (Unit: Million Baht)	Q32023	Q32022	Change increase (decrease)	Percentage
Revenue from sales	305.12	366.58	(61.46)	(16.77)
Other incomes	3.64	2.44	1.20	49.18
Total revenues	308.76	369.02	(60.26)	(16.33)
Cost of sales	288.34	391.75	(103.41)	(26.40)
Selling and administrative expenses	46.65	60.55	(13.90)	(22.96)
Loss (profit) expected credit loss	6.29	(6.36)	12.65	(198.90)
Loss on disposals of property, plant and equipment	-	228.18	228.18	(100.00)
Other (profit) loss, net	(7.60)	(33.43)	(25.83)	(77.27)
Finance costs	3.00	11.72	(8.72)	(74.40)
Total expenses	336.68	652.41	(315.73)	(48.39)
Loss before income tax expenses	(27.92)	(283.39)	255.47	90.15
Expenses tax expenses	(0.22)	(1.80)	(1.58)	(87.81)
Loss for the period	(28.14)	(285.19)	(257.05)	(90.13)

Explanation and analysis of financial status and operating results for 3Q2023

1.1 Revenue

Aquatic business selling

In 3Q2023, the Company gained revenue from the aquaculture feed business of Baht 184.04 million with an increase of 19.72% compared to the previous year due to increased purchasing power from the Chinese market from the reopening of the country. This included fresh and frozen shrimp as well as new products such as live giant freshwater prawns (for consumption). As a result, farmers in Thailand increased the amount of shrimp farming to support such orders. The situation of the aquaculture feed business was better than the previous year. Consequently, sales revenue increased, compared to the previous year.

Pet Food Business

The Company gained revenue from the pet food business of Baht 121.08 million with a decrease of 81.33%, compared to the previous year. Due to the situation of pet food, there has been a slowdown in orders since the end of 2022.

Electric Power Business

Since subsidiaries in Japan have sold 13 power plants out of 15 plants, in 2023, the subsidiaries gained no revenue from the business of the production and distribution of electricity from geothermal energy

1.2 Other incomes

Other incomes in 3Q2023 was Baht 3.64 million with an increase of 1.20 million baht, compared to the previous year, accounting for 49.18%. Mainly caused by the sale of waste materials.

1.3 Cost of Sales

Most of the Company's cost of sales is generated from the cost of raw materials in the production. In 3Q2023, the Company had a total cost of sales of Baht 288.34 million, consisting of the cost of selling aquaculture feed of Baht 172.52 million and the cost of selling pet food of Baht 114.53 million with a decrease of 17.55%, compared to the previous year. This is in accordance with the decreased revenue from pet food and the production cost of the power plant business was Baht 1.29 million with a decrease of 97.04%, compared to the previous year because in July 2022, Subsidiaries have sold 13 power plants out of 15 plants.

1.4 Gross Profit (loss)

Gross profit (loss) in 3Q2023 was Baht 16.78 million with an increase of Baht 41.96 million, compared to the previous year, accounting for 166.67%.

1.5 Selling and administrative expenses

Selling and management expenses in 3Q2023 were Baht 46.65 million with a decrease of Baht 13.90 million or 22.96%, compared to the previous year. The Company has a policy to control unnecessary expense, resulting in lower selling and administrative expenses.

1.6 Other profit (loss), net

Other profit (loss), net in 3Q2023 was Baht 7.60 million with a decrease of Baht 25.83 million or 77.27%, compared to the previous year. Mainly due to exchange rate of foreign companies.

1.7 Finance costs

Financial cost in 3Q2023 was Baht 3.00 million with a decrease of Baht 8.72 million or 74.40%, compared to the previous year. The reason for the decreased in finance costs was mainly from repayment of loans from financial institutions and redemption of debentures before their maturity.

1.8 Net Profit (loss)

In 3Q2023, the Company and its subsidiaries experienced a net loss of Baht 28.14 million or a net loss of Baht 0.002 per share.

2. Financial status

2.1 Asset

As of 30 September 2023, the Company and its subsidiaries owned total assets of Baht 1,316.17 million with a decrease from 31 December 2022, of Baht 115.58 million or an increase of 8.07%, mainly due to a decrease in cash and cash equivalents of Baht 39.29 million and inventories a decrease by Baht 32.48 million due to the Company's policy about lower inventory stock.

2.2 Liabilities

As of 30 September 2023, the Company and its subsidiaries owned total liabilities of Baht 737.91 million with a decrease from 31 December 2022, of Baht 87.71 million, or 10.62%, primarily due to the account payable as well as the creditors are of Baht 47.20 million from the usual operation resulting and a decrease from loan payments to financial institutions with an amount of Baht 136.58 million and On 8 November 2023, the Company redeemed debentures TLUXE205A (No. 1/2018) which is due for the first instalment by paying the principal amount of Baht 39 million plus interests of Baht 1.41 million to the debenture holders already.

The ratio of debt to equity as of 30 September 2023, and 31 December 2022, was 1.28 times and 1.36 times, respectively.

2.3 Equity

As of 30 September 2023, the Company and its subsidiaries held shareholders' equity of Baht 578.25 million with a decrease from 31 December 2022, of Baht 27.88 million or 4.60%, primarily due to total operating losses in 3Q 2023 with an amount of Baht 28.14 million.

Liquidity

In 3Q2023, the Company and its subsidiaries owned a net cash flow used in operating activities of Baht 67.67 million, cash flows used in investing activities of Baht 1.53 million, cash flows used in financing activities of Baht 2.07 million, and the impact from exchange rates increased by Baht 31.98 million. Therefore, the Company's cash and cash equivalents decreased by Baht 39.29 million. As of 30 September 2023, the Company and its subsidiaries held cash and cash equivalents at the end of Baht 6.03 million.

Other

Advance payment for construction of geothermal power plants

The advanced payment is a deposit for land to build geothermal power plants. Sumo Power Company Limited, a subsidiary of the Company, paid a deposit of JPY 103 million for land to construct two power plants to two private companies.

Then, Sumo Power Company Limited entered a land transfer agreement for a plot of land located in Beppu, Oita, Japan with the first private company. The first private company transferred the plot of land to the second private company. However, the first private company was obligated to transfer this plot of land to Sumo Power Company Limited. The total asset transfer price was JPY 300 million. Sumo Power Company Limited has already paid the private company JPY 50 million.

On 26 May 2020, Sumo Power Company Limited took legal action against the second company regarding the transfer of ownership of the land and a claim for JPY 1 million in damages from the first company.

On 5 September 2022, the Company assigned the lawyer to withdraw the case and on 14 September 2022, the court judged that the Company's claims were dismissed. Therefore, the case is finalised and completed

Advanced payment for hot spring rights

The advanced payment is a deposit for the royalties from four units of hot spring from the construction of geothermal power plants project, worth JPY 120 million. S-Power Company Limited and Otomeyama Energy Co., Ltd., the subsidiaries, paid the deposit in June 2016.

Advance payment for Riverside Project

The advanced payment is a deposit of JPY 210 million, for a joint venture in a mixed-use real estate project under the Riverside Tower Project ("Riverside Project") in Da Nang, Vietnam. The Company will invest in the amount not exceeding JPY 3,100 million, as part of a joint investment in the project. The Company would have the right to sell and receive all returns from the sale of the project's condominium units, which accounted for at least 50% of the project's total residential area. The Company would be guaranteed a minimum investment return of 6% per year of unsold condominium units. The Company would pay the rest of the investment when the conditions specified in the investment contract were met. However, if the conditions weren't completely fulfilled within the specified period, the Company would have the right to request the deposit be paid back in full.

On 2 July 2018, the Company entered a memorandum of understanding with the joint investment company's shareholders. The shareholders agreed to transfer all their shares to the Company at its par value (JPY 10 million) as collateral for the Company's JPY 210 million deposit payment. The Company has already paid JPY 10 million for the shares used as collateral.

On 30 July 2019, the Company issued a letter to cancel the investment and requested for the deposit to be refunded in full. This is due to the delay in the development of the project and the higher cost of developing such a project.

In November 2019 and May 2020, the Company received JPY 171 million and JPY 5 million of the deposit, respectively, as a refund with JPY 44 million remaining. The Company was in the process of collecting the rest of the money and consider would continue to take legal action.

Advanced payment for wind power plant

The advanced payment is for investment in the construction of seven units of wind power plants in Japan, with a total value of JPY 247 million. In 2017, the Group's subsidiary paid the advance payment of JPY 232 million to Aura Green Energy Co., Ltd. (a Japanese juristic person joint venture with PPSN Co., Ltd.). The seven wind power plants were in operation and have made sales revenue since 2017.

In December 2019, the Company assigned its legal advisor to send a notice to Aura Green Energy Co., Ltd. regarding the transfer of ownership in the wind power plants but Aura Green Energy Co., Ltd. opposed that the power plants had been handed over to the subsidiary, which doesn't match the facts. As at 30 May 2022, the Company filed Aura Green Energy Co., Ltd., the contracting party, to hand over the power plants and any electricity charges received earlier to the Group's subsidiary.

Subsequently, on 24 October 2022, Aura Green Energy Co., Ltd. filed a counter argument by referring to a memorandum of understanding dated 25 June 2022 which specified that PPSN Co., Ltd. does not have any claims against Aura Green Energy Co., Ltd. and will withdraw the lawsuit. However, the Company's legal advisor gave the opinion to file a counter argument for the validity of the memorandum of understanding. Currently, it is in the process of examination of evidence relating to the memorandum of understanding. Currently, it is in the process of examination of evidence relating to the memorandum of understanding.

On 12 May 2023, the court considered the evidence of PPSN Co., Ltd. relating to the payments for the construction of wind power plants to Aura Green Energy Co., Ltd. Currently, it is in the process of examination of evidence relating to the payments. The court scheduled for the next hearing on 14 November 2023.

Short-term loan from and loan to Aulux Power Co., Ltd.

Loan from Aulux Power Co., Ltd. amount of THB 0.24 million, which related company bear interest at the rate of 3 percent p.a. and has maturity on January 2020. The company will not make a new contract and in the future this will be offset with loan to related company.

Loan to Aulux Power Co., Ltd. amount of THB 73.46 million, which related company bear interest at the rate of 3 percent p.a. and has maturity in 2020 - 2021. When the company has better liquidity, the company will continue to follow up by using legal counsel.

The Group's management has assessed the expected credit loss of short-term borrowings by considering the ability to pay the debt of those related parties. As a result, the Company has a risk for uncollectible borrowings in the total amount. Therefore, the loss allowance for short-term borrowings were recognized in the financial statements.

Summary of Shrimp Industry Situation in 3Q2023

Domestic shrimp farming production is expected to decelerate in the second half of 2023 since demands in major global markets have decreased. Although exports to China, which is the main market, have increased, prices are still lower than last year. The quantity of shrimp farming in Q3 declined, regarding the selling price since shrimp prices dropped throughout Q3. Therefore, farmers continued to raise shrimp and see whether the selling price might increase. As a result, the quantity of shrimp harvested during the third quarter decreased.

As for the cost of shrimp farming, farmers still face problems from the rising price of shrimp feed. Due to the current price of raw materials in the market is increasing including energy costs are the problem since electricity costs increase and farmers need electricity to run propellers to increase oxygen 24 hours a day. Alternative energy is still unaffordable.

Regarding shrimp species, during the past Q3, farmers encountered problems with farming outcomes not being as expected, leading to premature death of the shrimp they raised. Consequently, farmers need a shrimp species that is more disease-resistant.

Shrimp Industry Trends 4Q2023

Customers leave a shrimp pond, improve the farm, and raise less shrimp. This includes weather conditions, diseases, and shrimp species.

1. Shrimps that have been raised for a long time for increased prices have all been caught during this period.
2. New shrimp farming has decreased. Last year, new shrimps were farmed in the 8th month. In Q4, it is expected that the farming area will decrease by 30-40%.
3. There are a few new shrimp farms since there is the monsoon and a lot of rain as well as inappropriate salinity of water.
4. At the end of the rainy season and the beginning of winter, there is a heavy outbreak of white spot disease (normal every year).
5. New shrimp farms are black tiger shrimps since they give products in Chinese New Year when the Chinese market is open to import orders. However, it may not greatly affect sales.

Summary of Fish Industry Situation in 3Q2023

Sea Bass

- Farmers have farmed 80-90% of the area. When compared to Q3/2022, the quantity has increased.
- The price of sea bass decreased. A size of 0.9 - 1 kg, costs 100 baht.

Clay Pond Tilapia

- Customers gradually farmed 80% of the area. When compared to Q3/2022, the quantity has increased.
- The age range is 2 months to capture time.

Basket Red Tilapia

- Customers gradually farmed 80% of the area. When compared to Q3/2022, the quantity has increased.
- The age range is 2 months to capture time.

Summary of Pet Industry Situation in 3Q2023

The pet food market will grow by about 20% compared to the previous year of the mentioned value. 75% of growth was dry food and the rest was wet food. In addition to the pet food, it also includes other pet equipment, such as clothes, toys, leashes, etc. Pet food export volumes rose more than in Q3, but the overall annual volume was still less than in 2022.

Pet Industry Trends 4Q2023

The pet food market may decelerate due to economic crises and other conditions, leading to reduced growth opportunities for both exports and domestic trading. The proportion of Thai pet food exports is about 17% of the entire world market. The main exports are America, Japan, Italy, and Malaysia, respectively which have grown every year from 2017 until the present.

Most consumers currently continue to raise pets due to dynamic people's lifestyles, such as having no children and a decreased marriage rate. Moreover, the environment and living space are not facilitative. People also consider pets as one of the members of the family. However, as life begins to return to normal, pets may become less popular as they have to return to work or travel. Therefore, in Q4/2023, the pet industry is likely to decelerate.

Yours sincerely,

PP Prime Public Company Limited

(Mrs. Supattra Nakmontanakum)

Director / Chief Executive Officer

Corporate Secretary Office

Tel. 093-810-0361