



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF YEAR 2020



MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2020)

OVERALL OPERATING RESULTS

The Company had total revenue in year 2020 of Baht 2,408.60 million with net profit of Baht 70.17 million, which decreased from the previous year by 6.54 percent and 86.34 percent respectively, generating a net earnings at Baht 0.07 per share. This was due to the situation of COVID-19 outbreak that caused a decrease of sales volume of ethanol by 10.80 percent. Also, the cost of molasses, the raw material, which is a major cost increased by 27.77 percent because of drought that caused of the decrease of sugarcane entering the mills.

OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2020		Year 2019		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Sales Revenue	2,405.99	99.89	2,534.00	98.33	(128.10)	(5.05)
Other Revenue	2.61	0.11	43.10	1.67	(40.49)	(93.94)
Total Revenue	2,408.60	100.00	2,577.10	100.00	(168.50)	(6.54)

The Company's revenue in year 2020 totaled Baht 2,480.60 million, which decreased from the previous year by Baht 168.50 million or 6.54 percent, due to the following reasons.

(1) Revenue from ethanol sales decreased by Baht 128.01 million or 5.05 percent from the previous year due to the ethanol sales volume decreased by 10.80 percent.

(2) Other revenue decreased by Baht 40.49 million or 93.94 percent from the previous year. This was due to the income in year 2019, the Company received compensation from the insurance company regarding to the flood in 2017 and income from the sales of deferred assets but there was no such income in year 2020.



EXPENSES:

Description	Year 2020		Year 2019		Increase (Decrease)	
	Baht Million	% Sale	Baht Million	% Sale	Baht Million	%
Cost of sales	2,206.71	91.72	1,924.47	75.95	282.24	14.67
Selling and administrative expense	85.64	3.56	86.23	3.40	(0.59)	(0.68)
Financial cost	40.06	1.67	36.79	1.45	3.27	8.89
Corporate income tax	6.07	0.24	16.11	0.64	(10.04)	(62.32)
Total Expenses	2,338.48	97.19	2,063.60	81.44	274.88	13.32

The Company's expenses in year 2020 totaled Baht 2,338.48 million, which increased from the previous year by Baht 274.88 million or 13.32 percent, due to the following reasons;

(1) Cost of ethanol sales increased from the previous year by Baht 282.24 million or 14.67 percent. This was due to increases in the average price of molasses which is raw material of 27.77 percent, from the same period last year as described above.

(2) Selling and administrative expenses decreased from the previous year by Baht 0.59 million or 0.68 percent.

(3) Financial cost increased from the previous year by Baht 3.27 million or 8.89 percent. This was due to the increase of short term loan for operating and,

(4) Corporate income tax decreased from the previous year by Baht 10.04 million or 62.32 percent due to due to the additional tax exemption for ethanol production line no. 1 from investment promotion for 3 years since April 23, 2019 onwards, as its efficiency was improved to reduce environment impact.

GROSS PROFIT:

Description	Year 2020		Year 2019	
	Baht Million	%	Baht Million	%
Revenues from sales	2,405.99	100.00	2,534.00	100.00
Less cost of sales	2,206.71	91.72	1,924.47	75.95
Gross Profit	199.28	8.28	609.53	24.05

The Company's gross profit of year 2020 was Baht 199.28 million, or 8.28 percent of the revenue from sales, decreased from the previous year which the gross profit was 609.53 million or 24.05 percent of the revenue from sales. This was due to the average price of molasses, the raw material, which is a major cost increased from the previous year by 27.77 percent and the ethanol sales volume decreased from the previous year by 10.80 percent.



NET PROFIT:

Description	Unit	Year 2020	Year 2019	Increase/ (Decrease)	%
NET PROFIT	Baht Million	70.17	513.62	(443.45)	(86.34)
NET PROFIT PER SHARE	Baht per Share	0.07	0.51	(0.44)	(86.27)
Remark Registered par value of Baht 1 per share					

The Company's net profit of year 2020 was Baht 70.17 million decreased from the previous year by Baht 443.45 million or 86.34 percent, generating a net earnings at Baht 0.07 per share which decreased from the previous year by Baht 0.44 per share or 86.27 percent due to the reasons as described above.

EARNINGS EFFICIENCY

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company of year 2020 was Baht 292.57 million, which decreased from the previous year by Baht 441.12 million or 60.12 percent and EBITDA margin decreased from 28.47 percent in year 2019 to 12.15 percent in year 2020.

(2) Net profit margin of the Company decreased from 19.93 percent in year 2019 to 2.91 percent in year 2020.

(3) Return on equity of the Company decreased from 27.70 percent as at the end of 2019 to 3.76 percent as at the end of 2020.

(4) Return on total assets of the Company decreased from 12.99 percent as at the end of 2019 to 1.87 percent as at the end of 2020. The return on fixed assets decreased from 24.39 percent as at the end of 2019 to 8.78 percent as at the end of 2020.

STATEMENT OF FINANCIAL POSITION

Description	Unit	As at December 31, 2020	As at December 31, 2019	Increase (Decrease)	%
Total Assets	Baht Million	3,357.97	4,136.63	(778.66)	(18.82)
Total Liabilities	Baht Million	1,559.28	2,200.80	(641.52)	(29.15)
Total Shareholder's Equity	Baht Million	1,798.69	1,935.83	(137.14)	(7.08)
Book Value	Baht per Share	1.80	1.94	(0.14)	(7.22)
Remark: Registered per value of Baht 1 per share					



ASSETS: The Company's total assets as at December 31, 2020 decreased from the end of year 2019 by Baht 778.66 million or 18.82 percent. The total assets consisting of:

(1) Current assets decreased from the end of 2019 by Baht 775.89 million or 59.55 percent, due to (A) Cash and cash equivalent increased by Baht 1.06 million or 4.17 percent; (B) Trade accounts receivable and other receivables decreased by Baht 21.23 million or 10.60 percent; (C) Inventories, most of which were molasses, decreased by Baht 299.93 million or 70.66 percent; (D) Advances payment for purchase raw materials decreased by Baht 421.38 million or 69.93 percent, and (F) Other current assets decreased by Baht 34.41 million or 68.68 percent.

(2) Non-Current Assets decreased from the end of year 2019 by Baht 2.77 million or 0.10 percent, consisting of: (A) Biological assets increased by Baht 4.50 million or 229.59 percent; (B) Land, plant and equipment decreased by Baht 41.57 million or 1.47 percent; (C) Right-of-use assets increased by Baht 33.30 million or 100 percent; and (D) Other non-current assets increased by Baht 1.00 million or 17.39 percent.

LIABILITIES : The Company's total liabilities as at December 31, 2020 decreased from the end of year 2019 by Baht 641.52 million or 29.15 percent, due to (A) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 36.16 million or 22.46 percent, (B) Short term and long term loans which were for raw material supply and the construction of the Wastewater Evaporation Plant, decreased by Baht 619.79 million or 31.06 percent; and (C) Other liabilities which most were liabilities under lease agreement increased by Baht 14.43 million or 32.51 percent;

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at December 31, 2020 decreased from the end of year 2019 by Baht 137.14 million or 7.08 percent, resulting in a decrease of the share's book value from Baht 1.94 per share to Baht 1.80 per share due to the decrease of net profit as described above.

CASH FLOWS

Description	(Unit : Baht Million)	
	Year 2020	Year 2019
Cash Flows from (used in)Operating Activities	991.33	419.63
Cash Flows from (used in)Investing Activities	(159.27)	(266.23)
Cash Flows from (used in)Financing Activities	(831.00)	(160.15)
Net Increase (Decrease) in Cash	1.06	(6.75)
Cash at the Beginning of the Period	25.44	32.19
Cash at the End of the Period	26.50	25.44



(1) The Company's net cash used in operating activities of year 2020 was Baht 991.33 million, consisting of: (A) Profit before corporate income tax of Baht 76.24 million; (B) Non-cash items such as depreciation of Baht 217.66 million; (C) A decrease in operating assets of Baht 782.10 million due to a decrease in trade and other receivables and inventories and advance payments for purchase of molasses; (D) A decrease in operating liabilities of Baht 29.68 million due to a decrease in trade accounts payable, other accounts payable and other current liabilities; (E) An interest received of Baht 0.05 million; (F) An interest expense of Baht 40.87 million, and (G) Corporate income tax expense of Baht 14.17 million.

(2) The Company's net cash used in investment activities of year 2020 was Baht 159.27 million, consisting of: (A) The cost of industrial crops planting of Baht 4.50 million and (B) Assets purchasing by Baht 154.77 million.

(3) The Company's net cash used in financing activities of year 2020 was Baht 831 million consisting of : (A) Repayment of short-term loan of Baht 475.97 million, (B) Repayment of long-term loan by Baht 144 million, (C) Dividend payment of Baht 203.15 million, and (D) Repayment under financial lease of Baht 7.88 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at December 31, 2020 were 0.44 times and 0.17 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 December 31, 2020 was 0.87:1 times.

(3) The cash cycle of the Company of year 2020 was 13.83 days, which decreased from the end of year 2019 by 6.74 days. The average debt collection period was 27.02 days, which decreased from the end of year 2019 by 3.51 days. The average inventory turnover was at 5.55 days, which decreased from the end of year 2019 by 2.02 days, and the average debt repayment period was at 18.74 days, which increased from the end of year 2019 by 1.21 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 time 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 trend of raw sugar and molasses price in the 2020/2021 season increase extremely which affect an increase of raw materials cost of the Company. This was due to a decrease of sugarcane entering mills because of drought during the early of planting season. While the world crude oil price outlook in 2021 is expected to increase as the COVID-19 pandemic situation is expected to improve and the economic activity is projected to recover which will affect improvement of the ethanol selling price of the Company.

Meanwhile, the wastewater evaporation plant with a capacity of 3,000 cubic meters per day (EVAPORATOR SYSTEM FOR BIO METHANATED SPENT WASH) is projected to operate and have commercial revenue in the 2nd quarter of 2021. Potassium humate can be derived as a by-product from this wastewater evaporation process, which can be sold for additional revenue and profit. Furthermore, the Company is studying for business expanding to other business in order to risk diverse in dependence on the main income from ethanol sale. Also, integration of resource consumption efficiency for the sustainable growth of the Company.

In this regard, the Company continues to place great importance on maintaining product quality and the cost management of ethanol production efficiently and effectively, in order to enable the Company to have good operating results in year 2021 and able to proceed with regular dividend payments to shareholders according to the established policy.