

Subject : Management Discussion and Analysis in 2018

To : The Director and Manager
The Stock Exchange of Thailand

Summary the company performance in 2018

Southern Concrete Pile Public Company Limited (the company hereafter) reports the company's performance of 2018 compared to 2017 and 2016. The details of company performance are as follows:

Overall performance in 2018

The company was awarded in several major projects from both public and private sectors. This affected the overall company's as follows:

- Revenue of 2,068.512 million Baht, increased 28.15% yoy (consisted of sales income of 1,545.937 million Baht (increased 26.35% yoy), service income of 499.118 million Baht (increased 35.20% yoy), and other income of 23.457 million Baht (increased 9.64% yoy))
- Cost of goods sold and service 1,485.386 million Baht, or 72.63% of revenue, increased 3.20% yoy
- Gross profit increased to 559.669 million Baht, or 27.37% of revenue, decreased by 3.20% yoy
- Net profit increased to 287.392 million Baht, or 13.89% of revenue, decreased by 0.54% yoy
- Dividend 0.50 Baht/share, or 52.19% of profit

Thousand Baht	YEAR						YoY			
	2018		2017		2016		2018/2017		2017/2016	
		%		%		%	+ / -	%	+ / -	%
Revenue										
Revenue from sales	1,545,937	75.59%	1,223,516	76.82%	1,181,870	74.68%	322,421	26.35%	41,646	3.52%
Revenue from rendering of services	499,118	24.41%	369,168	23.18%	400,688	25.32%	129,950	35.20%	(31,520)	(7.87%)
Total Revenue	2,045,055	98.87%	1,592,684	98.67%	1,582,558	97.77%	452,371	28.40%	10,126	0.64%
Other income	23,457	1.13%	21,394	1.33%	36,070	2.23%	2,063	9.64%	(14,676)	(40.69%)
Total Revenue	2,068,512	100.00%	1,614,078	100.00%	1,618,628	100.00%	454,434	28.15%	(4,550)	(0.28%)
Cost										
Cost of sales	1,101,466	71.25%	824,809	67.41%	783,727	66.31%		3.84%		1.10%
Cost of services	383,920	76.92%	280,952	76.10%	303,472	75.74%		0.82%		0.36%
Total Cost of sales and rendering of services	1,485,386	72.63%	1,105,761	69.43%	1,087,199	68.70%		3.20%		0.73%
Gross Profit	559,669	27.37%	486,923	30.57%	495,359	31.30%		(3.20%)		(0.73%)
Selling and administrative expenses	222,175	10.74%	203,371	12.60%	194,702	12.03%		(1.86%)		0.57%
Profit before interest & tax	360,951	17.45%	304,946	18.89%	336,727	20.80%		(1.44%)		(1.91%)
Finance costs	3,460	0.17%	5,029	0.32%	4,174	0.26%		(0.15%)		0.06%
Income tax	70,099	3.39%	66,956	4.15%	65,806	4.07%		(0.76%)		0.08%
Net profit for the year	287,392	13.89%	232,961	14.43%	266,747	16.48%		(0.54%)		(2.05%)
EBITDA	426,670		350,929		378,437					
Basic earnings per share (Baht)	0.96		0.78		0.89					
Dividend Summary – Baht per share	0.50		0.40		0.35					
Payout Ratio (% of Net Profit)	52.19%		51.51%		39.36%					
Dividend Yield (%)	4.71%		3.93%		4.47%					

Total Revenue

During 2016-2018, the company had the total revenue from the sale income and service income at 1,582.558 million Baht, 1,592.684 million Baht and 2,045.055 million Baht, or reduction of 8.16% yoy, increased 0.64% yoy and 28.40% yoy respectively. The performance had been increasing in the past two years from the major projects from both public and private sectors such as Orange Line MRT (Thai Cultural Centre – Min Buri (Contract 5) (continued from 2017), Yellow Line MRT (Ladprao - Samrong), Provincial Electricity Authority (PEA), Bang Yai - Karnchanaburi and Bangpain - Saraburi Nakornratchasima Motorway (Section 6), Bangkok – Karnchanaburi Motorway, Flood Mitigation Project, Hat Yai (Contract 2), coastal dam, PTTGC Olefin Refinery, Continental Tyre Plant etc. (more information could be found on 2018 56-1 documents)

The other income was mainly from the bad debt receipt, dividend from available for sale security, interest from mutual funds and gain on disposal of equipment etc. During 2016-2018, the company had other income of 36.070 million Baht, 21.394 million Baht, and 23.457 million Baht respectively. In 2018, the other income of 23.457 million Baht consisted of interest income of 8.422 million Baht, bad debt receipt of 3.019 million Baht, gain from disposal of equipment of 3.047 million Baht, and dividend of 3.830 million Baht.

Cost and Expenses

During 2016-2018, the company had the cost of goods sold for sales at 66.31%, 67.41% and 71.25% respectively, decreased by 0.62% yoy in 2016, increased 1.10% yoy in 2017 and increased 3.84% yoy in 2018. The cost of goods sold for services were at 75.74%, 76.10% and 76.92% respectively. The cost of goods sold are clearly in the increasing trend. This is partially from higher material prices especially the prestressed concrete wire amid in the competitive market leading to lower selling prices.

Selling and administrative expenses during 2016-2018 were 12.03%, 12.60% and 10.74% respectively. These had been slightly increasing in during 2016-2017 because the company set the doubtful account of 1.079 million Baht, 6.616 million Baht. However, the company set the doubtful account of 1.046 million Baht in 2018.

From the above information, these reflected the EBITDA in 2018 increased to 426.670 million Baht from previously at 350.929 million Baht and 378.437 million Baht in 2017 and 2016 respectively.

Profit

In 2018, the company had the net profit of 287.392 million Baht or profit of 0.96 Baht per share and equivalent to 13.89% of revenue. This percentage to revenue reduced to the lower product selling prices and higher material costs. In 2016-2017, the company had the net profit of 266.747 million Baht and 232.961 million Baht respectively or profit per share of 0.89 Baht and 0.78 Baht respectively, and percentage to revenue were at 16.48% and 14.43% respectively.

From the above information, the retained earnings increased to 1,629.822 million Baht, consisted of legal reserve of 30.000 million Baht and unappropriated of 1,599.822 million Baht.

Statements of Financial Position

As of 31 December 2018, the company had the total asset of 2,348.500 million Baht, increased from 2016 and 2017, which were at 2,081.512 million Baht and 2,171.250 million Baht respectively. The increment was partly from the current assets in cash and cash equivalents, current investments, account receivable and inventories. The cash and current investment increased 59.754 million Baht, which consisted of 4-12 month short-term deposit, mutual fund, cash on hand, account receivable, retention of 84.489 million Baht and inventories increased to 14.828 million Baht.

Non-current assets increased in long-term investment of 20.000 million Baht and increased of property, plant and equipment 75.989 million Baht.

In 2018, the returns from fixed assets and return rate of fixed asset and fixed asset turnover ratio increased to 12.72%, 59.18% and 0.92 times respectively. In 2017, the values were 10.96%, 53.19% and 0.76 times respectively. In 2016, the values were 13.51%, 68.81% and 0.82 times respectively. This was from the higher sales.

Statements of Cash Flows

As of 31 December 2018, the company had the net cash increased to 233.175 million Baht from 203.119 million Baht. The amount incurred from the net cash from operation 285.781 million Baht, deducted by investing activities of 115.960 million Baht and investing in financing activities of 139.766 million Baht. These led to higher net cash by 30.055 million Baht.

The net cash from operation of investing activity in property, plant and equipments of 75.989 million Baht and investing and selling the available-for-sale investments of 54.264 million Baht. The property, plant and equipment was mainly the building, machinery, accessory in spun pile factory and the machinery, mould, building repair works. The net cash from financing activity for dividend payout of 120 million Baht and finance lease payment 18.734 million Baht.

Financial Ratios

Financial Ratios	2018	2017	2016
Current Ratio (times)	4.89	4.63	3.95
Cash Cycle (Day)	95.86	104.77	92.33
Return on Equity (%)	14.65	12.95	15.62
Return on Assets (%)	12.72	10.96	13.51
Debt to Equity (times)	0.20	0.21	0.22

From the current ratio and cash cycle analysis, during 2016-2018, the company has a healthy current ratio and had all ability to pay back the short-term debts in the past three years. For the return on equity and return on assets had increased to 14.65% and 12.72% respectively from higher sales pushing higher revenue.

For the debt to equity ratio (D/E) during 2016-2018 were 0.22 times, 0.21 times and 0.20 times respectively and been decreasing in the past 3 years due to the payback of financial lease liabilities.

Dividend Payout

For the 2018 performance, the committee meeting on 22nd February 2019 has agreed to payout the dividend of 0.50 Baht per share, total of 150 million Baht.

Yours Sincerely,

(Ms.Arune Nganthavee)

Managing Director