



Ref. DBP. 068 / 2018

May 14, 2018

Subject : Clarification on operating results for the 1st Quarter ending March 31, 2018

To : President
The Stock Exchange of Thailand

Diamond Building Products Public Company Limited and its Subsidiary (together referred to as "Corporate Group") would like to clarify on the operating results according to the consolidated financial statements for the 1st quarter ending March 31, 2018 as follows.

The net profit of the Corporate Group for the 1st quarter 2018 was Baht 140 million. In comparison with the same period of previous year with the net profit of Baht 135.56 million, the Corporate Group's net profit for the year increased by Baht 4.44 million or an increase of 3.28 percent. Details of the changes or impacts are described in the Management Discussion and Analysis (MD&A) as attached herewith.

Please be informed accordingly.

Yours faithfully,

For and on behalf of Diamond Building Products Public Company Limited

(Mr. Satid Sudbuntad)

Chief Executive Officer

DIAMOND BUILDING PRODUCTS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the 1st Quarter Ending March 31, 2018)

(1) Overall Operating Results


For the 1st quarter 2018, the total revenue of the Company and its subsidiary (together referred to as the “Corporate Group”) was Baht 1,205.80 million, which increased from the same period of previous year by 3.92 percent, net profit in the 1st quarter 2018 of Baht 140 million, which increased from the same period of previous year by 3.28 percent, due to the decrease in depreciation, financial cost and administrative expenses.


(2) Analysis of Operating Results and Profitability


(2.1) Revenues from Sales and Services

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
Revenues from Sales	1,108.57	91.65	1,065.12	91.41	43.45	4.08
Revenues from Services	97.23	8.04	95.16	8.17	2.07	2.18
Total Revenue from Sales and Services	1,205.80	99.70	1,160.28	99.58	45.52	3.92
Gain on Sales of Fixed Assets	0.02	-	1.95	0.17	(1.93)	(98.97)
Gain on Foreign Exchange Rate - Net	1.78	0.15	-	-	1.78	100.00
Other Revenue	1.78	0.15	3.04	0.25	(1.26)	(41.64)
Total Other Revenue	3.58	0.3	4.99	0.42	(1.41)	(28.25)
Total Revenue	1,209.38	100.00	1,165.27	100.00	44.11	3.79

The Corporate Group's total revenue in the 1st Quarter 2018 increased from the same period of previous year by 3.79 percent, consisting of:

 Revenues from sales were Baht 1,108.57 million, which increased from the same period of previous year by Baht 43.45 million or 4.08 percent, due to the increase in sales revenue from roof tiles, siding board and autoclaved aerated concrete.


 Revenues from services were Baht 97.23 million, which increased from the same period of previous year by Baht 2.07 million or 2.18 percent, due to the increase in revenue from transportation of Baht 2.38 million but revenue from services decreased by Baht 0.31 million.


 Other Revenue was Baht 3.58 million, which decreased from the same period of previous year by Baht 1.41 million or 28.25 percent, due to the decrease in profit from sale of fixed assets of Baht 1.93 million.

(2.2) Cost of Sales and Services

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Cost of Sales	780.73	64.75	746.03	64.30	34.70	4.65
Cost of Services	97.43	8.08	96.87	8.35	0.56	0.58
Total Cost of Sales and Services	878.16	72.83	842.90	72.65	35.26	4.18

The Corporate Group's total cost of sales and services in the 1st Quarter 2018 increased from the same period of previous year by 4.18 percent, consisting of:


 Cost of sales was Baht 780.73 million, which increased from the same period of previous year by Baht 34.70 million or 4.65 percent, due to the increase in sales volume of 5.14 percent.


 Cost of services was Baht 97.43 million, which increased from the same period of previous year by Baht 0.56 million or 0.58 percent, due to the increase in transportation cost of Baht 1.88 million but the decrease in cost of services of Baht 1.32 million.


(2.3) Selling and Administrative Expenses

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Selling Expenses	41.69	3.46	39.73	3.42	1.96	4.93
Administrative Expenses	105.41	8.74	100.32	8.65	5.09	5.07
Management's Remuneration*	7.76	0.64	9.45	0.81	(1.69)	(17.88)
Total Expenses	154.86	12.84	149.50	12.88	5.36	3.59
Remark: * Management means the director, managing director or the next four executives succeeding the chief executive officer, the persons holding equivalent position to the fourth executive and shall include the persons holding the position of manager or equivalent in accounting or finance departments.						

The Corporate Group's total expenses in the 1st Quarter 2018 increased from the same period of previous year by 3.59 percent, consisting of:

 Selling expenses were Baht 41.69 million, which increased from the same period of previous year by Baht 1.96 million or 4.93 percent, due to the increase in marketing and sales promotion expenses.


 Administrative expenses were Baht 105.41 million, which increased from the same period of previous year by Baht 5.09 million or 5.07 percent, due to the increase in warehouse expenses of Baht 2.21 million.

 Management's remunerations were Baht 7.76 million, which decreased from the same period of previous year by Baht 1.69 million or 17.88 percent.

(2.4) Profitability


Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Revenues from Sales and Services	1,205.80	100.00	1,160.28	100.00	45.52	3.92
Costs of Sales and Services	878.16	72.83	842.90	72.65	35.26	4.18
GP	327.64	27.17	317.38	27.35	10.26	3.23
EBITDA	235.97	19.57	238.05	20.52	(2.08)	(0.87)
EBIT	176.36	14.63	172.87	14.90	3.49	2.02
NP	140.00	11.61	135.56	11.68	4.44	3.28
EPS (Baht per Share) *	0.15		0.14		0.01	7.14
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		947.96		-	-
Return on Equity (ROE) (%)	27.12%		27.62%		(0.50)%	
Return on Assets (ROA) (%)	18.48%		16.68%		1.80%	
<p>Remark: * Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury stock</p> <p>GP = Gross Profit, EBITDA = Earnings before Interest, Tax, Depreciation & Amortization, EBIT = Earnings before Interest & Tax,</p> <p>NP = Net Profit after Tax, EPS = Net Earnings per Share</p>						


Gross Profit (GP)

 The Corporate Group's gross profit in the 1st Quarter 2018 increased from the same period of previous year by Baht 10.26 million or 3.23 percent, due to the increase in revenues from sales and services of 3.92 percent but the costs of sales and services increased by 4.18 percent.


Net Profit (NP)

The Corporate Group's net profit and net earnings per share in the 1st Quarter 2018 increased from the same period of previous year as follows:


 The Corporate Group's net profit was Baht 140 million, an increase from the same period of previous year by Baht 4.44 million or 3.28 percent, due to the increase in gross profit margin of 3.23 percent despite the increase in selling and administrative expenses of 3.59 percent.

 The Corporate Group's net earnings per share was Baht 0.15 per share, an increase from the same period of previous year by Baht 0.01 per share or 7.14 percent, due to the increase in net profit of 3.28 percent.

EBITDA

 The Corporate Group's EBITDA in the 1st Quarter 2018 was Baht 235.97 million, a decrease from the same period of previous year by Baht 2.08 million or 0.87 percent, due to the increase in gross profit margin of 3.23 percent and increase in selling and administrative expenses of 3.59 percent.

Earnings Efficiency

 **Return on Equity (ROE):** The Corporate Group's ROE decreased from 27.62 percent as at end of 2017 to 27.12 percent as at March 31, 2018 or an decrease of 0.50 percent, due to the increase in

annualized projected annual net profit of 36.05 percent and the total shareholders' equity increased by 6.14 percent from the previous year.



Return on Assets (ROA): The Corporate Group's ROA increased from 16.68 percent as at end of 2017 to 18.48 percent as at March 31, 2018 or an increase of 1.80 percent, due to the increase in annualized projected annual net profit of 36.05 percent and there was a decrease in total assets of 3.12 percent from the previous year.

(2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at March 31, 2018	As at December 31, 2017		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,042.24	3,017.15	25.09	0.83
Total Liabilities	907.73	1,022.64	(114.91)	(11.24)
Total Shareholders' Equity	2,134.51	1,994.51	140.00	7.02
Weighted Average Number of Ordinary Shares (Million Shares)*	947.96	947.96	-	-
Book Value (Baht per Share)*	2.25	2.10	0.15	7.14

Remark: * Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury stock



The Corporate Group's total assets as at March 31, 2018 increased from the end of year 2017 by Baht 25.09 million or 0.83 percent, due to the increase in cash and cash in bank of Baht 3.30 million, net increase in trade accounts receivable and other accounts receivable of Baht 50.97 million, net increase in inventory of Baht 12.81 million and increase in other current assets and other non-current assets of Baht 0.49 million but decrease in deferred income tax of Baht 0.77 million, there were decrease in fixed assets of Baht 40.72 million and decrease in intangible assets of Baht 0.99 million




The Corporate Group's total liabilities as at March 31, 2018 decreased from the end of year 2017 by Baht 114.91 million or 11.24 percent, due to the decrease in short-term loan of Baht 260 million, decrease in provision for post-employment benefits obligation of Baht 3.68 million and decrease in other current liabilities of Baht 6.52 million but there were increase in trade accounts payable and other accounts payable of Baht 118.43 million, increase in current income tax payable of Baht 33.59 million and increase in financial lease liabilities of Baht 3.27 million.





The Corporate Group's total shareholders' equity as at March 31, 2018 increased from the end of year 2017 by Baht 140 million or 7.02 percent due to the increase in net profit of Baht 140 million, resulting in the share book value increase from Baht 2.10 per share as at end of year 2017 to Baht 2.25 per share as at March 31, 2018.

(2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2018	Year 2017
Cash Flows from (used in) Operating Activities	274.97	296.18
Cash Flows from (used in) Investing Activities	(7.85)	(5.28)
Cash Flows from (used in) Financing Activities	(263.59)	(245.83)
Unrealized exchange gain (loss) of cash and cash equivalents	(0.23)	(1.35)
Cash Increase (Decrease) – Net	3.30	43.72
Cash at the Beginning of the Period	23.83	20.59
Cash at the Ending of the Period	27.13	64.31
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	52.88%	42.68%

 The Corporate Group's net cash from operating activities in the 1st Quarter 2018 was Baht 274.97 million, which was higher than the net profit before tax by Baht 100.61 million due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 59.61 million and increase in trade accounts payable and other accounts payable of Baht 113.90 million but there were net increase in trade accounts receivable and other accounts receivable of Baht 50.97 million, net increase in inventory of Baht 12.81 million, increase in other current assets and other non-current assets of Baht 1.06 million, decrease in other current liabilities of Baht 3.68 million and decrease in other non-current liabilities of Baht 4.38 million.

 The Corporate Group's net cash used in investing activities in the 1st Quarter 2018 was Baht 7.85 million, due to cash received from sale of damaged and unusable assets of Baht 0.04 million but there were cash paid for equipment replacement after their useful life of Baht 5.83 million and cash advance payment for purchase of assets of Baht 2.06 million.

 The Corporate Group's net cash used in financing activities in the 1st Quarter 2018 was Baht 263.59 million, due to the repayment of loan of Baht 260 million, repayment of financial lease of Baht 1.83 million and interest payment of Baht 1.76 million.

(2.7) Financial Ratios

Financial Ratios	As at March 31, 2018	As at December 31, 2017
Current Ratio (Times)	1.58	1.30
Quick Ratio (Times)	0.82	0.65
Cash flow Liquidity Ratio (Times)	1.32	0.78
Account Receivable Turnover Ratio (Times)	8.74	7.81
Average Collection Period (Days)	41	46
Inventory Turnover Period (Days)	16	19
Average Payable Period (Days)	21	17
Cash Cycle (Days)	36	48
Total Debt to Equity Ratio (Times)	0.43	0.51
Interest Coverage Ratio (Times)	153.16	73.26
Debt Service Coverage Ratio (Times)	10.69	6.55

(3) Asset Management Capability

(3.1) Debtor Quality, Accounts Receivable Aging, Provision and Sufficiency of Allowance for Doubtful Debts

The Corporate Group's trade accounts receivable and other accounts receivable as at March 31, 2018 account for 19.56 percent of the total assets with 87.38 percent not yet due for payment. The Corporate Group has established policy for setting provision or allowance for doubtful debts which is based on the analysis of accounts receivable aging and assessment of past debt collection experience. Accordingly, the Corporate Group has experienced very little bad debts and has not found any irregularity in 2018 and there was no bad debt in the past 2017.

(3.2) Inventory and Deterioration or Obsolete

The Corporate Group's inventory as at March 31, 2018 accounts for 19.35 percent of the total assets, of which 24.65 percent are finished products, 24.64 percent are work in progress and 30.69 percent are raw materials. The Corporate Group conducts inventory inspection every month and has employed accounting policy for setting provision for deteriorated inventory based on product life which is based on the generally accepted accounting standards.

(4) Liquidity and Capital Sufficiency

The Corporate Group has appropriate capital management, having prepared operating cash flows statements every day to acknowledge the daily cash-in and cash-out, in order to learn about liquidity, debt service coverage and sources of fund for the best interest, which can be summarized as follows.



The Corporate Group's total debt to equity ratio as at March 31, 2018 was at 0.43 times, a decrease from end of year 2017, due to the decrease in total liabilities from the end of 2017 of 11.24 percent but the shareholders' equity increased from the end of year 2017 by 7.02 percent, and the interest coverage ratio was at 153.16 times, an increase from end of 2017, due to an increase in annualized cash flow from operating activities from the previous year of 33.73 percent and decrease in annualized interest on loan from the previous year of 36.21 percent.



The Corporate Group's current ratio as at March 31, 2018 was 1.58 times, an increase from the end of year 2017, due to the increase in current assets of 5.87 percent and decrease in current liabilities of 12.84 percent and the quick ratio was 0.82 times, an increase from the end of year 2017, despite the increase in inventory by 2.22 percent and the cash flow liquidity ratio was 1.32 times, an increase from end of year 2017 due to an increase in annualized cash flow from operating activities from the previous year by 33.73 percent.



The Corporate Group's cash cycle as at March 31, 2018 was 36 days, a decrease from the end of year 2017 by 12 days due to an decrease in average collection period of 5 day, decrease in inventory turnover period of 3 days and increase in average payable period of 4 days.



The Corporate Group's debt service coverage ratio increased from 6.55 times as at end of year 2017 to 10.69 times as at March 31, 2018 due to an increase in annualized EBITDA from end of year 2017 of 21.88 percent, an decrease in long-term loan and financial lease liabilities due within one year of 24 percent and a decrease in loan interest payment of 36.21 percent.

(5) Debt Obligation

The Corporate Group has policy to mitigate risk from interest fluctuation by taking long-term loan with fixed interest rate. Accordingly, as at March 31, 2018, the Corporate Group had no long-term debt obligation to comply with the terms and conditions of the loan agreement with the commercial bank.

(6) Factors Having Impact on Future Operating Results

The Corporate Group expects the trend for the 2nd Quarter 2018 to maintain the growth rate, having factors including the recovery of construction material market after the improvement of purchasing power of the provincial customers and also the construction material modern trade retailers have continued to invest in their expansion and opened more branches, as well as development of new residential housing project by the group of project customers.