

Ref. DBP. 153 / 2019

November 11, 2019

Subject : Clarification on Operating Results for the 3rd quarter and 9-month Period ending September 30, 2019

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 3rd quarter and 9-month Period ending September 30, 2019 as follows.

The net profit of the Corporate Group for the 3rd quarter and 9-month Period ending September 30, 2019 was Baht 130.16 million and Baht 474.14 million, respectively. In comparison with the same period of previous year with the net profit of Baht 79.64 million and Baht 335.21 million, respectively, the net profit for the 3rd quarter increased by Baht 50.52 million or an increase of 63.44 percent and for the 9-month period, the net profit increased by Baht 138.93 million or an increase of 41.45 percent. However, if the extraordinary item from the sale of unused land of Baht 46.31 million and the provision for employee retirement benefits from 300 to 400 days of Baht 18.87 million had not been included, the net profit of the Corporate Group for the 9-month period would be Baht 446.70 million or an increase of 33.26 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

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

(For the Consolidated Financial Statements of the 3rd Quarter Ending September 30, 2019)

(1) Overall Operating Results


For the 3rd quarter 2019, the total revenue from sales and services of the Company and its Subsidiary (together referred to as the "Corporate Group") was Baht 1,113.27 million, which increased from the same period of previous year by 11.91 percent and the net profit in the 3rd quarter 2019 was Baht 130.16 million, which increased from the same period of previous year by 63.44 percent. As for the 9-month period, the revenue from sales and services totaled Baht 3,693.43 million, an increase from the same period of previous year by 11.51 percent and the net profit was Baht 474.14 million, an increase from the same period of previous year of 41.45 percent. However, if the extraordinary item from the sale of unused land of Baht 46.31 million and the provision for employee retirement benefits from 300 to 400 days of Baht 18.87 million had not been included, the net profit of the Corporate Group for the 9-month period would be Baht 446.70 million or an increase of 33.26 percent, due to expansion of distribution channels and effective cost management having resulted in maintaining profit margin at a good level.


(2) Analysis of Operating Results and Profitability


(2.1) Revenues from Sales and Services

Description	Year 2019		Year 2018		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
3rd Quarter (July – September)						
Revenues from Sales	1,006.93	90.13	900.13	90.21	106.80	11.86
Revenues from Services	106.34	9.52	94.63	9.48	11.71	12.37
Total Revenue from Sales and Services	1,113.27	99.65	994.76	99.69	118.51	11.91
Gain on Sales of Fixed Assets	1.21	0.11	0.05	0.01	1.16	2,320.00
Gain on Foreign Exchange Rate – Net	1.42	0.13	0.85	0.09	0.57	67.06
Other Revenue	1.29	0.11	2.17	0.21	(0.88)	(40.55)
Total Other Revenue	3.92	0.35	3.07	0.31	0.85	27.69
Total Revenue	1,117.19	100.00	997.83	100.00	119.36	11.96
9-Month Period (January – September)						
Revenues from Sales	3,368.02	89.40	3,029.74	91.24	338.28	11.17
Revenues from Services	325.41	8.64	282.47	8.51	42.94	15.20
Total Revenue from Sales and Services	3,693.43	98.04	3,312.21	99.75	381.22	11.51
Gain on Sales of Fixed Assets	64.15	1.70	0.16	-	63.99	39,993.75
Gain on Foreign Exchange Rate – Net	3.71	0.10	2.83	0.09	0.88	31.10
Other Revenue	5.91	0.16	5.48	0.16	0.43	7.85
Total Other Revenue	73.77	1.96	8.47	0.25	65.30	770.96
Total Revenue	3,767.20	100.00	3,320.68	100.00	446.52	13.45


The Corporate Group's total revenue in the 3rd Quarter 2019 increased from the same period of previous year by 11.96 percent, consisting of:


 Revenues from sales were Baht 1,006.93 million, which increased from the same period of previous year by Baht 106.80 million or 11.86 percent, due to the increase in sales revenue from roofing tiles, siding boards and trusses.


 Revenues from services were Baht 106.34 million, which increased from the same period of previous year by Baht 11.71 million or 12.37 percent, due to the increase in the revenue from transportation fee increased by Baht 6.61 million and increase in the revenue from service fee of Baht 5.10 million.

 Other revenue was Baht 3.92 million, which increased from the same period of previous year by Baht 0.85 million or 27.69 percent, due to revenue from sales of scrap and gain on foreign exchange rate.

The Corporate Group's total revenue in the 9-month period of year 2019 increased from the same period of previous year by 13.45 percent, consisting of:

 Revenues from sales were Baht 3,368.02 million, which increased from the same period of previous year by Baht 338.28 million or 11.17 percent, due to the increase in sales revenue from roofing tiles, autoclaved aerated concrete blocks, siding boards and trusses.


 Revenues from services were Baht 325.41 million, which increased from the same period of previous year by Baht 42.94 million or 15.20 percent, due to the increase in revenue from service fee of Baht 27.32 million and increase in the revenue from transportation fee of Baht 15.62 million.


 Other revenue was Baht 73.77 million, which increased from the same period of previous year by Baht 65.30 million, due to revenue from the sale of unused land in Chon Buri province of Baht 63.30 million, due to revenue from sales of scrap and gain on foreign exchange rate.

(2.2) Cost of Sales and Services


Description	Year 2019		Year 2018		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
3rd Quarter (July – September)						
Cost of Sales	698.90	62.78	661.57	66.51	37.33	5.64
Cost of Services	104.89	9.42	98.49	9.90	6.40	6.50
Total Cost of Sales and Services	803.79	72.20	760.06	76.41	43.73	5.75
9-Month Period (January – September)						
Cost of Sales	2,382.40	64.50	2,186.04	66.00	196.36	8.98
Cost of Services	321.77	8.71	291.99	8.82	29.78	10.20
Total Cost of Sales and Services	2,704.17	73.22	2,478.03	74.82	226.14	9.13


The Corporate Group's total cost of sales and services in the 3rd Quarter 2019 increased from the same period of previous year by 5.75 percent, consisting of:

 Cost of sales was Baht 698.90 million, which increased from the same period of previous year by Baht 37.33 million or 5.64 percent, due to the increase in product sales volume of 9.31 percent.

 Cost of services was Baht 104.89 million, which increased from the same period of previous year by Baht 6.40 million or 6.50 percent, due to the increase in transportation cost of Baht 2.10 million and the increase in cost of services of Baht 4.30 million.

The Corporate Group's total cost of sales and services in the 9-month period of year 2019 increased from the same period of previous year by 9.13 percent, consisting of:


 Cost of sales was Baht 2,382.40 million, which increased from the same period of previous year by Baht 196.36 million or 8.98 percent, due to the increase in product sales volume of 8.50 percent.


 Cost of services was Baht 321.77 million, which increased from the same period of previous year by Baht 29.78 million or 10.20 percent, due to the increase in cost of services of Baht 24.31 million and increase in transportation cost of Baht 5.47 million.


(2.3) Selling and Administrative Expenses

Description	Year 2019		Year 2018		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
3rd Quarter (July – September)						
Selling Expenses	31.18	2.80	29.32	2.95	1.86	6.34
Administrative Expenses	107.79	9.68	97.98	9.85	9.81	10.01
Management's Remuneration*	12.31	1.11	9.67	0.97	2.64	27.30
Total Selling and Administrative Expenses	151.28	13.59	136.97	13.77	14.31	10.45
9-Month Period (January – September)						
Selling Expenses	92.13	2.49	90.41	2.73	1.72	1.90
Administrative Expenses	345.08	9.34	300.60	9.08	44.48	14.80
Management's Remuneration*	32.09	0.87	28.68	0.87	3.41	11.89
Total Selling and Administrative Expenses	469.30	12.71	419.69	12.67	49.61	11.82
Remarks: * Management means the director, chief executive officer 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 3rd Quarter 2019 increased from the same period of previous year by 10.45 percent, consisting of:


 Selling expenses were Baht 31.18 million, which increased from the same period of previous year by Baht 1.86 million or 6.34 percent, due to the increase in salary and benefits of the employees of Baht 2.50 million and increase in service expenses of Baht 1.13 million but there was a decrease in sales promotion expenses of Baht 1.84 million.


 Administrative expenses were Baht 107.79 million, which increased from the same period of previous year by Baht 9.81 million or 10.01 percent, due to the increase in salary and benefits of the employees of Baht 9.43 million.

 Management's remunerations were Baht 12.31 million, which increased from the same period of previous year by Baht 2.64 million or 27.30 percent.

The Corporate Group's total expenses in the 9-month period of year 2019 increased from the same period of previous year by 11.82 percent, consisting of:

 Selling expenses were Baht 92.13 million, which increased from the same period of previous year by Baht 1.72 million or 1.90 percent, due to the increase in salary and benefits of the employees of Baht 6.49 million from the provision for employee retirement benefits and increase in service expenses of Baht 2.81 million but there was a decrease in sales promotion expenses of Baht 7.38 million.

 Administrative expenses were Baht 345.08 million, which increased from the same period of previous year by Baht 44.48 million or 14.80 percent, due to the increase in salary and benefits of the employees of Baht 27.84 million from the provision for employee retirement benefits, increase in the fee and commission from the sale of unused land of Baht 5.43 million, increase in product packaging expenses of Baht 4.37 million and increase in other expenses of Baht 7.20 million.

 Management's remunerations were Baht 32.09 million, which increased from the same period of previous year by Baht 3.41 million or 11.89 percent.

(2.4) Profitability

Description	Year 2019		Year 2018		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
3rd Quarter (July – September)						
Revenues from Sales and Services	1,113.27	100.00	994.76	100.00	118.51	11.91
Costs of Sales and Services	803.79	72.20	760.06	76.41	43.73	5.75
GP	309.48	27.80	234.70	23.59	74.78	31.86
EBITDA	222.37	19.97	159.88	16.07	62.49	39.09
EBIT	162.11	14.56	100.80	10.13	61.31	60.82
NP	130.16	11.69	79.64	8.01	50.52	63.44
EPS (Baht per Share) *	0.14		0.08		0.06	75.00
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		947.96		-	-
9-Month Period (January – September)						
Revenues from Sales and Services	3,693.43	100.00	3,312.21	100.00	381.22	11.51
Costs of Sales and Services	2,704.17	73.22	2,478.03	74.82	226.14	9.13
GP	989.26	26.78	834.18	25.18	155.08	18.59
EBITDA	770.44	20.86	600.86	18.14	169.58	28.22
EBIT	593.73	16.08	422.97	12.77	170.76	40.37
NP	474.14	12.84	335.21	10.12	138.93	41.45
EPS (Baht per Share) *	0.50		0.35		0.15	42.86
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		947.96		-	-
Return on Equity (ROE) (%)	29.60%		20.78%		8.82%	
Return on Assets (ROA) (%)	19.58%		13.74%		5.84%	
Remark: * Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury share GP = Gross Profit, EBITDA = Earnings before Interest, Tax, Depreciation & Amortization, EBIT = Earnings before Interest & Tax, NP = Net Profit after Tax, EPS = Net Earnings per Share						

Gross Profit (GP)




The Corporate Group's gross profit in the 3rd Quarter 2019 was Baht 309.48 million, an increase from the same period of previous year by Baht 74.78 million or 31.86 percent, due to the increase in revenues from sales and services of 11.91 percent but there was an increase in costs of sales and services of 5.75 percent.




The Corporate Group's gross profit in the 9-month period of year 2019 was Baht 989.26 million, an increase from the same period of previous year by Baht 155.08 million or 18.59 percent, due to the increase in revenues from sales and services of 11.51 percent but there was an increase in costs of sales and services of 9.13 percent.


Net Profit (NP)


The Corporate Group's net profit and net earnings per share in the 3rd Quarter 2019 are as follows:

 The Corporate Group's net profit was Baht 130.16 million, an increase from the same period of previous year by Baht 50.52 million or 63.44 percent, due to the increase in gross profit margin of 31.86 percent despite the increase in selling and administrative expenses of 10.45 percent.


 The Corporate Group's net earnings per share was Baht 0.14 per share, an increase from the same period of previous year of Baht 0.06 per share or 75 percent, due to the increase in net profit of 63.44 percent.


The Corporate Group's net profit and net earnings per share in the 9-month period of year 2019 are as follows:

 The Corporate Group's net profit was Baht 474.14 million, an increase from the same period of previous year by Baht 138.93 million or 41.45 percent, due to an increase in gross profit margin of 18.59 percent and net income on extraordinary item from the sale of unused land of Baht 46.31 million despite the increase in selling and administrative expenses of 11.82 percent.


 The Corporate Group's net earnings per share was Baht 0.50 per share, an increase from the same period of previous year of Baht 0.15 per share or 42.86 percent, due to the increase in net profit of 18.59 percent.


EBITDA

 The Corporate Group's EBITDA in the 3rd Quarter 2019 was Baht 222.37 million, an increase from the same period of previous year by Baht 62.49 million or 39.09 percent, due to the increase in gross profit margin of 31.86 percent despite the increase in selling and administrative expenses excluding depreciation of 10.91 percent.

 The Corporate Group's EBITDA in the 9-month period of year 2019 was Baht 770.44 million, an increase from the same period of previous year by Baht 169.58 million or 28.22 percent, due to the increase in gross profit margin of 18.59 percent and income from the extraordinary item from the sale of unused land of Baht 63.30 million (before reduction of corporate income tax) despite the increase in selling and administrative expenses excluding depreciation of 12.40 percent.


Earnings Efficiency


 **Return on Equity (ROE):** The Corporate Group's ROE increased from 20.78 percent as at end of 2018 to 29.60 percent as at September 30, 2019 or an increase of 8.82 percent, due to an increase in annualized projected annual net profit of 49.51 percent but there was an increase in the shareholders' equity of 4.95 percent from the previous year.


 **Return on Assets (ROA):** The Corporate Group's ROA increased from 13.74 percent as at end of 2018 to 19.58 percent as at September 30, 2019 or an increase of 5.84 percent, due to an increase in annualized projected annual net profit of 49.51 percent but there was an increase in total assets of 4.94 percent from the previous year.

(2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at September 30, 2019	As at December 31, 2018		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,321.08	3,137.70	183.38	5.84
Total Liabilities	1,125.17	1,061.61	63.56	5.99
Total Shareholders' Equity	2,195.91	2,076.09	119.82	5.77
Weighted Average Number of Ordinary Shares (Million Shares)*	947.96	947.96	-	-
Book Value (Baht per Share)*	2.32	2.19	0.13	5.94
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 September 30, 2019 increased from the end of year 2018 by Baht 183.38 million or 5.84 percent, due to increase in inventory of Baht 99.60 million, increase in fixed assets of Baht 79.36 million, increase in cash and cash in bank of Baht 13.39 million, increase in deferred income tax of Baht 4.86 million, increase in cash advance payment for purchase of assets of Baht 10 million and increase in other current assets and other non-current assets of Baht 2.41 million but there were net decrease in trade accounts receivable and other accounts receivable of Baht 0.79 million and decrease in non-current assets classified as held for sale (unused land) of Baht 25.45 million.

 The Corporate Group's total liabilities as at September 30, 2019 increase from the end of year 2018 by Baht 63.56 million or 5.99 percent, due to the increase in short-term loan of Baht 18.40 million, increase in trade accounts payable and other accounts payable of Baht 25.98 million, increase in provision for post-employment benefits obligation of Baht 24.48 million and increase in other current liabilities of Baht 3.02 but there were decrease in financial lease liabilities of Baht 4.32 million and decrease in current income tax payable of Baht 4 million.

 The Corporate Group's total shareholders' equity as at September 30, 2019 increased from the end of year 2018 by Baht 119.82 million or 5.77 percent, due to the increase in net profit of Baht 474.14 million and gain projection based on actuarial science method for employee benefits program of Baht 5.90 million, but there was a dividend payment of Baht 360.22 million, resulting in an increase in share book value from Baht 2.19 per share as at end of year 2018 to Baht 2.32 per share as at September 30, 2019.

(2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2019	Year 2018
Cash Flows from (used in) Operating Activities	515.06	399.65
Cash Flows from (used in) Investing Activities	(149.98)	(73.41)
Cash Flows from (used in) Financing Activities	(351.67)	(307.20)
Unrealized exchange gain (loss) of cash and cash equivalents	(0.02)	(0.61)
Cash Increase (Decrease) – Net	13.39	18.43
Cash at the Beginning of the Period	20.31	23.83
Cash at the Ending of the Period	33.70	42.26
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	30.94%	23.87%



The Corporate Group's net cash from operating activities in the 3rd Quarter 2019 was Baht 515.06 million, which was lower than the net profit before tax by Baht 74 million, due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 176.71 million, increase in other non-current liabilities of Baht 31.86 million, increase in other current liabilities of Baht 8.16 million, increase in trade accounts payable and other accounts payable of Baht 1.36 million and net decrease in trade accounts receivable and other accounts receivable of Baht 1.01 million but there were net increase in inventory of Baht 99.60 million, increase in other current assets of Baht 4.07 million, increase in other non-current assets of Baht 0.88 million, increase in income from the sale of unused land of Baht 63.30 million and payment of accrued corporate income tax for year 2018 of Baht 125.25 million.



The Corporate Group's net cash used in investing activities in the 3rd Quarter 2019 was Baht 149.98 million, due to cash payment for the purchase of fiber cement machinery (NT-11) of Baht 102.07 million, cash payment for tools and equipment replacement after their useful life of Baht 117.72 million, cash advance payment for purchase of assets of Baht 19.45 million and cash payment for intangible assets of Baht 3.08 million but there were cash received from the sale of unused land of Baht 88.74 million, cash received from sale of damaged and unusable assets of Baht 3.57 million and cash received from interest of Baht 0.03 million.



The Corporate Group's net cash used in financing activities in the 3rd Quarter 2019 was Baht 351.67 million, due to dividend payment of Baht 360.22 million, interest payment of Baht 4.19 million and repayment of financial lease of Baht 5.66 million but there was an increase in short-term loan of Baht 18.40 million.

(2.7) Financial Ratios

Financial Ratios	As at September 30, 2019	As at December 31, 2018
Current Ratio (Times)	1.51	1.48
Quick Ratio (Times)	0.61	0.65
Cash flow Liquidity Ratio (Times)	0.70	0.54
Account Receivable Turnover Ratio (Times)	9.69	8.58
Average Collection Period (Days)	37	42
Inventory Turnover Period (Days)	17	19
Average Payable Period (Days)	17	18
Cash Cycle (Days)	37	43
Total Debt to Equity Ratio (Times)	0.51	0.51
Interest Coverage Ratio (Times)	130.33	72.99
Debt Service Coverage Ratio (Times)	79.87	56.23

(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 September 30, 2019 account for 16.63 percent of the total assets with 81.92 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 2019 and there was no bad debt in the past year 2018.

(3.2) Inventory and Deterioration or Obsolescence

The Corporate Group's inventory as at September 30, 2019 accounts for 25.94 percent of the total assets, of which 20.79 percent are finished products, 21.45 percent are work in progress and 45.67 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 September 30, 2019 was at 0.51 times, which was equivalent to the end of year 2018, due to the increase in total liabilities from the end of 2018 of 5.99 percent and the shareholders' equity increased from the end of year 2018 by 5.77 percent and the interest coverage ratio increased from 72.99 times as at end of year 2018 to 130.33 times as at September 30, 2019, due to an increase in annualized cash flow from operating activities from the

previous year of 41.35 percent and decrease in annualized interest on loan from the previous year of 22.21 percent.



The Corporate Group's current ratio as at September 30, 2019 was 1.51 times, an increase from the end of year 2018, due to an increase in current assets of 6.53 percent but there was an increase in current liability of 4.64 percent and the quick ratio of 0.61 times, which decreased from the end of year 2018, due to an increase in inventory of 13.07 percent and increase in current liability of 4.64 percent and the cash flow liquidity ratio was 0.70 times, an increase from end of year 2018, due to the increase in annualized cash flow from operating activities from the previous year of 41.35 percent.



The Corporate Group's cash cycle as at September 30, 2019 was 37 days, a decrease from the end of year 2018 by 6 days due to the decrease in average collection period of 5 days and decrease in inventory turnover period of 2 days but the average payable period decreased by 1 days.



The Corporate Group's debt service coverage ratio increased from 56.23 times as at end of year 2018 to 79.87 times as at September 30, 2019 due to an increase in annualized EBITDA from end of year 2018 of 33.76 percent and a decrease in annualized interest on loan payment of 22.10 percent but the financial lease liabilities due within one year increased by 17.53 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 September 30, 2019, 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 slowdown in Country's economic conditions has persisted. Nonetheless, the Corporate Group still adheres to its business strategy, namely "Complete Set of Beauty, Entirely Filled with Diamond Brand", having communicated to customer groups to become aware of the variety of "Diamond" brand products, which are strong and durable resulting in trustworthiness from the customers through every distribution channel, as well as market expansion in both domestic and overseas to continue the Corporate Group's growth, along with effective cost management to maintain profit margin target.