

Ref. DBP. 024 / 2020

February 25, 2020

Subject : Clarification on Operating Results of Year 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 of Year 2019 for the year ended December 31, 2019 as follows.

The net profit of the Corporate Group for Year 2019 was Baht 571.54 million. In comparison with the previous year with the net profit of Baht 422.85 million, the net profit increased by Baht 148.69 million or an increase of 35.16 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 23.04 million had not been included, the net profit of the Corporate Group for Year 2019 would be Baht 548.27 million or an increase of 29.66 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)

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

(For the Consolidated Financial Statements of the Year Period Ending December 31, 2019)

**(1) Overall Operating Results**


For the year 2019, the total revenue from sales and services of the Company and its subsidiary (together referred to as the “Corporate Group”) was Baht 4,747.55 million, which increased from the previous year by 9.66 percent and the net profit of year 2019 was Baht 571.54 million, which increased from the previous year by 35.16 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 23.04 million had not been included, the net profit of the Corporate Group for Year 2019 would be Baht 548.27 million or an increase of 29.66 percent. This was due to expansion of distribution channels and use of business strategy, namely “**Complete Set of Beauty, Entirely Filled with Diamond Brand**”, as well as effective cost management having resulted in Corporate Group achieving highest record for revenue and net profit during the past several years.


**(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	%
Revenues from Sales	4,326.87	89.67	3,948.85	90.92	378.02	9.57
Revenues from Services	420.68	8.72	380.50	8.76	40.18	10.56
<b>Total Revenue from Sales and Services</b>	<b>4,747.55</b>	<b>98.39</b>	<b>4,329.35</b>	<b>99.68</b>	<b>418.20</b>	<b>9.66</b>
Gain on Sales of Fixed Assets	64.21	1.33	1.67	0.04	62.54	3,744.91
Gain on Foreign Exchange Rate – Net	4.96	0.10	4.61	0.11	0.35	7.59
Other Revenue	8.64	0.18	7.40	0.17	1.24	16.76
<b>Total Other Revenue</b>	<b>77.81</b>	<b>1.61</b>	<b>13.68</b>	<b>0.32</b>	<b>64.13</b>	<b>468.79</b>
<b>Total Revenue</b>	<b>4,825.36</b>	<b>100.00</b>	<b>4,343.03</b>	<b>100.00</b>	<b>482.33</b>	<b>11.11</b>

The Corporate Group’s total revenue of year 2019 increased from the previous year by 11.11 percent, consisting of:

 Revenues from sales were Baht 4,326.87 million, which increased from the previous year by Baht 378.02 million or 9.57 percent, due to the increase in sales revenue from the roofing tile, autoclaved aerated concrete blocks, siding board and truss.

 Revenues from services were Baht 420.68 million, which increased from the previous year by Baht 40.18 million or 10.56 percent, due to the increase in revenue from services of Baht 22.32 million and increase in revenue from transportation of Baht 17.86 million.



Other revenue was Baht 77.81 million, which increased from the previous year by Baht 64.13 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	%
Cost of Sales	3,060.00	64.45	2,849.00	65.81	211.00	7.41
Cost of Services	414.68	8.73	392.61	9.07	22.07	5.62
<b>Total Cost of Sales and Services</b>	<b>3,474.68</b>	<b>73.19</b>	<b>3,241.61</b>	<b>74.88</b>	<b>233.07</b>	<b>7.19</b>

The Corporate Group's total cost of sales and services of year 2019 increased from the previous year by 7.19 percent, consisting of:



Cost of sales was Baht 3,060 million, which increased from the previous year by Baht 211 million or 7.41 percent, due to the increase in product sales volume of 6.66 percent.



Cost of services was Baht 414.68 million, which increased from the previous year by Baht 22.07 million or 5.62 percent, due to the increase in the cost of services of Baht 19.40 million and increase in transportation cost of Baht 2.67 million.

### (2.3) Selling and Administrative Expenses

Description	Year 2019		Year 2018		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Selling Expenses	132.63	2.79	127.84	2.95	4.79	3.75
Administrative Expenses	455.19	9.59	402.48	9.30	52.71	13.10
Management's Remuneration*	49.02	1.03	40.07	0.93	8.95	22.34
<b>Total Selling and Administrative Expenses</b>	<b>636.84</b>	<b>13.41</b>	<b>570.39</b>	<b>13.17</b>	<b>66.45</b>	<b>11.65</b>
<b>Remarks:</b> * 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 selling and administrative expenses of year 2019 increased from the previous year by 11.65 percent, consisting of:



Selling expenses were Baht 132.63 million, which increased from the previous year by Baht 4.79 million or 3.75 percent, due to the increase in salary and benefits of the employees of Baht 8.82 million and service expenses of Baht 3.73 million but there was a decrease in sales promotion expenses of Baht 7.64 million.



Administrative expenses were Baht 455.19 million, which increased from the previous year by Baht 52.71 million or 13.10 percent, due to the increase in salary and benefits of the employees of Baht 34.83 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 5.92

million, increase in consulting expenses of Baht 4.04 million and increase in service other expenses of Baht 4.17 million.


 Management's remunerations were Baht 49.02 million, which decreased from the previous year by Baht 8.95 million or 22.34 percent.

#### (2.4) Profitability

Description	Year 2019		Year 2018		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Revenues from Sales and Services	4,747.55	100.00	4,329.35	100.00	418.20	9.66
Costs of Sales and Services	3,474.68	73.19	3,241.61	74.88	233.07	7.19
GP	1,272.87	26.81	1,087.74	25.12	185.13	17.02
EBITDA	952.71	20.07	767.99	17.74	184.72	24.05
EBIT	713.84	15.04	531.03	12.27	182.81	34.43
NP	571.54	12.04	422.85	9.77	148.69	35.16
EPS (Baht per Share) *	0.60		0.45		0.15	33.33
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		947.96		-	-
Return on Equity (ROE) (%)	26.37%		20.78%		5.59%	
Return on Assets (ROA) (%)	17.67%		13.74%		3.93%	


**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 of year 2019 was Baht 1,272.87 million, an increase from the previous year by Baht 185.13 million or 17.02 percent, due to the increase in revenues from sales and services of 9.66 percent but increase in the cost of sales and services of 7.19 percent.


#### Net Profit (NP)

The Corporate Group's net profit and net earnings per share of year 2019 increased from the previous year as follows:

 The Corporate Group's net profit was Baht 571.54 million, an increase from the previous year by Baht 148.69 million or 35.16 percent, due to the increase in gross profit margin of 17.02 percent despite the increase in selling and administrative expenses of 11.65 percent.

 The Corporate Group's net earnings per share was Baht 0.60 per share, an increase from the previous year of Baht 0.15 per share or 33.33 percent, due to the increase in net profit of 35.16 percent.

#### EBITDA

 The Corporate Group's EBITDA of year 2019 was Baht 952.71 million, an increase from the previous year of Baht 184.72 million or 24.05 percent, due to the increase in gross profit margin of 17.02 percent despite the increase in selling and administrative expenses excluding depreciation of 12.13 percent.

## Earnings Efficiency



**Return on Equity (ROE):** The Corporate Group's ROE increased from 20.78 percent as at end of 2018 to 26.37 percent as at December 31, 2019 or an increase of 5.59 percent, due to an increase in net profit of 35.16 percent but there was an increase in average shareholders' equity of 6.50 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 17.67 percent as at December 31, 2019 or an increase of 3.93 percent, due to an increase in net profit of 35.16 percent but there was an increase in average total assets of 5.11 percent from the previous year.

### (2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at December 31, 2019	As at December 31, 2018		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,331.97	3,137.70	194.27	6.19
Total Liabilities	1,072.79	1,061.61	11.18	1.05
Total Shareholders' Equity	2,259.18	2,076.09	183.09	8.82
Weighted Average Number of Ordinary Shares (Million Shares)*	947.96	947.96	-	-
Book Value (Baht per Share)*	2.38	2.19	0.19	8.68
<b>Remark:</b> * 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 December 31, 2019 increased from the end of year 2018 by Baht 194.27 million or 6.19 percent, due to increase in fixed assets of Baht 111.62 million, increase in inventory of Baht 93.38 million, increase in cash advance payment for purchase of assets of Baht 24.03 million, increase in deferred income tax of Baht 15.01 million, increase in cash and cash in bank of Baht 11 million, and increase in other current assets and other non-current assets of Baht 0.82 million but there were net decrease in trade accounts receivable and other accounts receivable of Baht 35.28 million, decrease in non-current assets classified as held for sale (unused land) of Baht 25.45 million and decrease in intangible assets of Baht 0.86 million.



The Corporate Group's total liabilities as at December 31, 2019 increase from the end of year 2018 by Baht 11.18 million or 1.05 percent, due to the increase in current income tax payable of Baht 15.15 million, increase in other current liabilities of Baht 9.11 million and increase in provision for post-employment benefits obligation of Baht 76.23 million but there were decrease in short-term loan of Baht 65 million, decrease in trade accounts payable and other accounts payable of Baht 23.83 million and decrease in financial lease liabilities of Baht 0.48 million.



The Corporate Group's total shareholders' equity as at December 31, 2019 increased from the end of year 2018 by Baht 183.09 million or 8.82 percent, due to the increase in net profit of Baht 571.54 million but there was a dividend payment of Baht 360.22 million and loss of Baht 28.23 million from new valuation of employee benefits established net of income tax, resulting in an increase in share book value from Baht 2.19 per share as at end of year 2018 to Baht 2.38 per share as at December 31, 2019.

## (2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2019	Year 2018
Cash Flows from Operating Activities	687.78	506.66
Cash Flows used in Investing Activities	(238.81)	(139.97)
Cash Flows used in Financing Activities	(437.94)	(369.59)
Unrealized loss of cash and cash equivalents	(0.03)	(0.62)
Cash Increase (Decrease) – Net	11.00	(3.52)
Cash at the Beginning of the Period	20.31	23.83
Cash at the Ending of the Period	31.31	20.31
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	30.18%	23.87%



The Corporate Group's net cash from operating activities of year 2019 was Baht 687.78 million, which was lower than the net profit before tax by Baht 19.81 million, due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 238.87 million, net decrease in trade accounts receivable and other accounts receivable of Baht 35.49 million, increase in other non-current liabilities of Baht 40.94 million and increase in other current liabilities of Baht 15.82 million but there were net increase in inventory of Baht 93.38 million, decrease in trade accounts payable and other accounts payable of Baht 59.22 million, increase in other current assets of Baht 5.19 million, increase in other non-current assets of Baht 0.99 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 35.30 million, payment of mid-year corporate income tax of year 2019 of Baht 85.66 million and payment of withholding tax of Baht 7.89 million.



The Corporate Group's net cash used in investing activities of year 2019 was Baht 238.81 million, due to cash payment for the purchase of fiber cement machinery (NT-11) of Baht 123.93 million, cash payment for tools and equipment replacement after their useful life of Baht 170.55 million, cash advance payment for purchase of assets of Baht 33.49 million and cash payment for intangible assets of Baht 3.29 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 3.64 million and cash received from interest of Baht 0.07 million.



The Corporate Group's net cash used in financing activities of year 2019 was Baht 437.94 million, due to dividend payment of Baht 360.22 million, repayment of financial lease of Baht 7.52 million, interest payment of Baht 5.20 million and repayment of short-term loan of Baht 65 million.

## (2.7) Financial Ratios

Financial Ratios	As at December 31, 2019	As at December 31, 2018
Current Ratio (Times)	1.64	1.48
Quick Ratio (Times)	0.65	0.65
Cash flow Liquidity Ratio (Times)	0.74	0.54
Account Receivable Turnover Ratio (Times)	9.77	8.44
Average Collection Period (Days)	37	43
Inventory Turnover Period (Days)	19	19
Average Payable Period (Days)	16	18
Cash Cycle (Days)	40	44
Total Debt to Equity Ratio (Times)	0.47	0.51
Interest Coverage Ratio (Times)	126.53	72.99
Debt Service Coverage Ratio (Times)	75.36	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 December 31, 2019 account for 15.54 percent of the total assets with 78.69 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 December 31, 2019 accounts for 25.67 percent of the total assets, of which 24.14 percent are finished products, 18.90 percent are work in progress and 48.48 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 December 31, 2019 was at 0.47 times, a decrease from the end of year 2018, due to the increase in total liabilities from the end of 2018 of 1.05 percent but shareholders' equity increased from the end of year 2018 by 8.82 percent and the interest coverage ratio increased from 72.99 times as at end of year 2018 to 126.53 times as at December 31, 2019, due to an increase in cash flow from operating activities from the previous year of 35.75 percent and decrease in interest on loan from the previous year of 22.20 percent.



The Corporate Group's current ratio as at December 31, 2019 was 1.64 times, an increase from the end of year 2018, due to an increase in current assets of 3.25 percent and decrease in current liability of 7 percent and the quick ratio of 0.65 times, which was equivalent to the end of year 2018, due to an increase in inventory of 12.26 percent but there was a decrease in current liability of 7 percent and the cash flow liquidity ratio was 0.74 times, an increase from end of year 2018, due to the increase in cash flow from operating activities from the previous year of 35.75 percent.



The Corporate Group's cash cycle as at December 31, 2019 was 40 days, a decrease from the end of year 2018 by 4 days due to the decrease in average collection period of 6 days but the average payable period decreased by 2 days and inventory turnover period was 19 days, which was equivalent to the end of year 2018.



The Corporate Group's debt service coverage ratio increased from 56.23 times as at end of year 2018 to 75.36 times as at December 31, 2019 due to an increase in EBITDA from end of year 2018 of 24.05 percent and a decrease in interest on loan payment of 22.20 percent but the financial lease liabilities due within one year increased by 13.64 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 December 31, 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

It is anticipated that in year 2020, Thai businesses will be confronted with various problems including stronger Thai currency, drought crisis, increase of minimum wages and current epidemic disease, which are factors causing higher inflation, as well as slowdown in Thai and global economy, impacting purchasing power of domestic consumers. Nonetheless, the Corporate Group still adheres to its strategy, namely "**Complete Set of Beauty, Entirely Filled with Diamond Brand**", to convey that the Corporate Group produces variety of products which can be used to build a whole beautiful house under the "**Diamond**" brand name, that is strong and entrusted by the customers. In addition, the Corporate Group has expanded its sales and marketing base in both domestic and overseas for Corporate Group's continuous growth, including carrying out effective cost management to maintain profit margin target.