

Ref. DBP. 066 / 2020

May 11, 2020

Subject : Clarification on Operating Results for the 1st Quarter ending March 31, 2020

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, 2020 as follows.

The net profit of the Corporate Group for the 1st quarter 2020 was Baht 168.20 million. In comparison with the same period of previous year with the net profit of Baht 211.93 million, the net profit decreased by Baht 43.73 million or 20.63 percent. However, if the extraordinary item from the sale of unused land of Baht 46.31 million had not been included for the same period of previous year, the net profit of the Corporate Group for the 1st quarter 2020 increased by 1.56 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 1st Quarter Ending March 31, 2020)

(1) Overall Operating Results


For the 1st quarter 2020, the total revenue from sales and services of the Company and its Subsidiary (together referred to as the “Corporate Group”) was Baht 1,233.51 million, which decreased from the same period of previous year by 7.20 percent and the net profit in the 1st quarter 2020 was Baht 168.20 million, which decreased from the same period of previous year by 20.63 percent. However, if the extraordinary item from the sale of unused land of Baht 46.31 million had not been included in the same period of previous year, the net profit of the Corporate Group increased by 1.56 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 maintained good gross profit margin and increased net profit in 2020.


(2) Analysis of Operating Results and Profitability


(2.1) Revenues from Sales and Services

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
Revenues from Sales	1,143.16	92.40	1,213.54	87.01	(70.38)	(5.80)
Revenues from Services	90.35	7.30	115.64	8.29	(25.29)	(21.87)
Total Revenue from Sales and Services	1,233.51	99.70	1,329.18	95.30	(95.67)	(7.20)
Gain on Sales of Fixed Assets	2.48	0.20	62.93	4.51	(60.45)	(96.06)
Gain on Foreign Exchange Rate – Net	-	-	0.78	0.06	(0.78)	(100.00)
Other Revenue	1.23	0.10	1.84	0.13	(0.61)	(33.15)
Total Other Revenue	3.71	0.30	65.55	4.70	(61.84)	(94.34)
Total Revenue	1,237.22	100.00	1,394.73	100.00	(157.51)	(11.29)

The Corporate Group's total revenue in the 1st Quarter 2020 increased from the same period of previous year by 11.29 percent, consisting of:

 Revenues from sales were Baht 1,143.16 million, which decreased from the same period of previous year by Baht 70.38 million or 5.80 percent, due to the decrease in sales revenue from roofing tiles, board products, trusses and accessories.


 Revenues from services were Baht 90.35 million, which decreased from the same period of previous year by Baht 25.29 million or 21.87 percent, due to the decrease in revenue from services of Baht 21.25 million and the revenue from transportation decreased by Baht 4.04 million.


 Other revenue was Baht 3.71 million, which decreased from the same period of previous year by Baht 61.84 million, as there was a revenue from the sale of unused land in Chon Buri Province of Baht 63.30 million in the same period of previous year.

(2.2) Cost of Sales and Services

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Cost of Sales	776.49	62.95	859.53	64.67	(83.04)	(9.66)
Cost of Services	90.66	7.35	113.92	8.57	(23.26)	(20.42)
Total Cost of Sales and Services	867.15	70.30	973.45	73.24	(106.30)	(10.92)

The Corporate Group's total cost of sales and services in the 1st Quarter 2020 decreased from the same period of previous year by 10.92 percent, consisting of:

 Cost of sales was Baht 776.49 million, which decreased from the same period of previous year by Baht 83.04 million or 9.66 percent, due to the decrease in product sales volume of 3.55 percent and decrease in raw material cost, gas expense and repairs and maintenance expense but there were increases in salary and benefits of the employees.


 Cost of services was Baht 90.66 million, which decreased from the same period of previous year by Baht 23.26 million or 20.42 percent, due to the decrease in cost of services of Baht 15.59 million and decrease in the transportation cost of Baht 7.67 million.


(2.3) Selling and Administrative Expenses

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Selling Expenses	35.35	2.87	29.35	2.21	6.00	20.44
Administrative Expenses	112.79	9.14	116.63	8.77	(3.84)	(3.29)
Management's Remuneration*	10.76	0.87	8.67	0.65	2.09	24.11
Total Selling and Administrative Expenses	158.90	12.88	154.65	11.63	4.25	2.75

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 selling and administrative expenses in the 1st Quarter 2020 increased from the same period of previous year by 2.75 percent, consisting of:

 Selling expenses were Baht 35.35 million, which increased from the same period of previous year by Baht 6 million or 20.44 percent, due to the increase in sales promotion expenses of Baht 5.50 million and increase in service expenses of Baht 0.77 million but there was a decrease in salary and benefits of the employees of Baht 0.51 million.

 Administrative expenses were Baht 112.79 million, which decreased from the same period of previous year by Baht 3.84 million or 3.29 percent, due to the decrease in the fee and commission of Baht 5.41 million (from the sale of unused land in the same period of previous year of Baht 5.43 million), decrease in processing expenses for export products of Baht 2.46 million and decrease in consulting expenses of Baht 0.77 million but there was an increase in salary and benefits of the employees of Baht 1.20 million, increase in product packaging expenses of Baht 1.29 million, increase in expenses from product claims of Baht 0.90 million and increase in depreciation of Baht 1.95 million.



Management's remunerations were Baht 10.76 million, which increased from the same period of previous year by Baht 2.09 million or 24.11 percent, due to the appointment of 2 additional executives in July 2019.

(2.4) Profitability

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Revenue from Sales and Services	1,233.51	100.00	1,329.18	100.00	(95.67)	(7.20)
Cost of Sales and Services	867.15	70.30	973.45	73.24	(106.30)	(10.92)
GP	366.36	29.70	355.73	26.76	10.63	2.99
EBITDA	276.65	22.43	324.52	24.52	(47.87)	(14.75)
EBIT	211.17	17.12	266.63	20.06	(55.46)	(20.80)
NP	168.20	13.64	211.93	15.94	(43.73)	(20.63)
EPS (Baht per Share) *	0.18		0.22		(0.04)	(18.18)
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		947.96		-	-
Return on Equity (ROE) (%)	28.71%		26.37%		2.34%	
Return on Assets (ROA) (%)	19.75%		17.67%		2.08%	
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 1st Quarter 2020 was Baht 366.36 million, an increase from the same period of previous year by Baht 10.63 million or 2.99 percent, due to the decrease in revenues from sales and services of 7.20 percent but there was a decrease in cost of sales and services of 10.92 percent.

Net Profit (NP)

The Corporate Group's net profit and net earnings per share in the 1st Quarter 2020 as follows:



The Corporate Group's net profit was Baht 168.20 million, the decrease from the same period of previous year by Baht 43.73 million or 20.63 percent. If the extraordinary item from the sale of unused land of Baht 46.31 million had not been included in the same period of previous year, the net profit increased from the same period of previous year by Baht 2.58 million or 1.56 percent. This was due to the increase in gross profit margin of 2.99 percent but there was an increase in selling and administrative expenses of 2.75 percent.



The Corporate Group's net earnings per share was Baht 0.18 per share, a decrease from the same period of previous year of Baht 0.04 per share or 18.18 percent, due to the decrease in net profit of 20.63 percent. If the extraordinary item from the sale of unused land of Baht 46.31 million had not been included in the same period of previous year, net earnings per share increased from the same period of previous year of Baht 0.01 per share or 5.88 percent.

EBITDA



The Corporate Group's EBITDA in the 1st Quarter 2020 was Baht 276.65 million a decrease from the same period of previous year by Baht 47.87 million or 14.75 percent. If the extraordinary item from the sale of unused land of Baht 63.30 million had not been included in the same period of previous year (before reduction of corporate income tax), EBITDA increased from the same period of previous year by Baht 15.43 million or 5.91 percent. This was due to the increase in gross profit margin of 2.99 percent, but the increase selling and administrative expenses excluding depreciation of 1.60 percent.

Earnings Efficiency



Return on Equity (ROE): The Corporate Group's ROE increased from 26.37 percent as at end of 2019 to 28.71 percent as at March 31, 2020 or an increase of 2.34 percent, due to an increase in annualized projected annual net profit of 17.72 percent and there was an increase in average shareholders' equity of 8.10 percent from the previous year.



Return on Assets (ROA): The Corporate Group's ROA increased from 17.67 percent as at end of 2019 to 19.75 percent as at March 31, 2020 or an increase of 2.08 percent, due to an increase in annualized projected annual net profit of 17.72 percent and there was an increase in average total assets of 5.33 percent from the previous year.

(2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at March 31, 2020	As at December 31, 2019		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,482.62	3,331.97	150.65	4.52
Total Liabilities	1,055.24	1,072.79	(17.55)	(1.64)
Total Shareholders' Equity	2,427.38	2,259.18	168.20	7.45
Weighted Average Number of Ordinary Shares (Million Shares)*	947.96	947.96	-	-
Book Value (Baht per Share)*	2.56	2.38	0.18	7.56
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, 2020 increased from the end of year 2019 by Baht 150.65 million or 4.52 percent, due to increase in fixed assets of Baht 56.12 million, a net increase in trade accounts receivable and other accounts receivable of Baht 50.44 million, increase in right of use assets of Baht 49.27 million, increase in cash and cash in bank of Baht 12.85 million, a net increase in inventory of Baht 5.59 million and increase in other current assets and other non-current assets of Baht 1.80 million but there were decrease in cash advance payment for purchase of assets of Baht 24.38 million and decrease in intangible assets of Baht 1.04 million.



The Corporate Group's total liabilities as at March 31, 2020 decreased from the end of year 2019 by Baht 17.55 million or 1.64 percent, due to the decrease in short-term loan of Baht 189 million and decrease in other current liabilities of Baht 4.79 million but there was an increase in trade accounts

payable and other accounts payable of Baht 98.23 million, increase in current income tax payable of Baht 41.57 million, increase in financial lease liabilities of Baht 36 million and increase in provision for post-employment benefits obligation of Baht 0.44 million.



The Corporate Group's total shareholders' equity as at March 31, 2020 increased from the end of year 2019 by Baht 168.20 million or 7.45 percent, due to the increase in net profit of Baht 168.20 million, resulting in an increase in share book value from Baht 2.38 per share as at end of year 2019 to Baht 2.56 per share as at March 31, 2020.

(2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2020	Year 2019
Cash Flows from Operating Activities	291.08	254.19
Cash Flows from (used in) Investing Activities	(85.32)	75.83
Cash Flows used in Financing Activities	(193.72)	(317.01)
Unrealized exchange gain (loss) of cash and cash equivalents	(0.81)	0.24
Cash Increase – Net	12.85	13.25
Cash at the Beginning of the Period	31.32	20.31
Cash at the Ending of the Period	44.17	33.57
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	49.23%	46.60%



The Corporate Group's net cash from operating activities in the 1st Quarter 2020 was Baht 291.08 million, which was higher than the net profit before tax by Baht 81.31 million, due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 65.48 million, increase in trade accounts payable and other accounts payable of Baht 79.26 million and increase in other current liabilities of Baht 0.43 million but there were net increase in trade accounts receivable and other accounts receivable of Baht 50.34 million, net increase in inventory of Baht 5.59 million, decrease in non-other current liabilities of Baht 3.39 million, increase in non-other current assets of Baht 2.55 million and increase in other current assets of Baht 1.99 million.



The Corporate Group's net cash used in investing activities in the 1st Quarter 2020 was Baht 85.32 million, due to cash payment for the purchase of fiber cement machinery (NT-11) of Baht 51.89 million, cash payment for tools and equipment replacement after their useful life of Baht 33.23 million and cash advance payment for purchase of assets of Baht 2.71 million but there was cash received from sale of damaged and unusable assets of Baht 2.51 million.



The Corporate Group's net cash used in financing activities in the 1st Quarter 2020 was Baht 193.72 million, due to repayment of financial lease of Baht 3.61 million, interest payment of Baht 1.11 million and repayment of short-term loan of Baht 189 million.

(2.7) Financial Ratios

Financial Ratios	As at March 31, 2020	As at December 31, 2019
Current Ratio (Times)	1.82	1.64
Quick Ratio (Times)	0.76	0.65
Cash flow Liquidity Ratio (Times)	1.38	0.74
Account Receivable Turnover Ratio (Times)	9.80	9.77
Average Collection Period (Days)	37	37
Inventory Turnover Period (Days)	21	19
Average Payable Period (Days)	19	16
Cash Cycle (Days)	39	40
Total Debt to Equity Ratio (Times)	0.43	0.47
Interest Coverage Ratio (Times)	235.76	126.53
Debt Service Coverage Ratio (Times)	94.15	75.36

(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, 2020 account for 16.31 percent of the total assets with 79.86 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 2020 and there was no bad debt in the past year 2019.

(3.2) Inventory and Deterioration or Obsolete

The Corporate Group's inventory as at March 31, 2020 accounts for 24.72 percent of the total assets, of which 23.31 percent are finished products, 17.73 percent are work in progress and 40.46 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, 2020 was at 0.43 times, a decrease from end of year 2019, due to the decrease in total liabilities from the end of 2019 of 1.64 percent and the shareholders' equity increased from the end of year 2019 by 7.45 percent and the interest coverage ratio increased from 126.53 times as at end of year 2019 to 235.76 times as at March 31, 2020, due to an increase in annualized cash flow from operating activities from the previous year of 69.29 percent, and decrease in annualized interest on loan from the previous year of 10.38 percent.



The Corporate Group's current ratio as at March 31, 2020 was 1.82 times, an increase from the end of year 2019, due to an increase in current assets of 5.01 percent and decrease in current liability by 4.94 percent and the quick ratio of 0.76 times, which increased from the end of year 2019, due to an increase in inventory of 0.65 percent but there was a decrease in current liability of 4.94 percent and the cash flow liquidity ratio was 1.38 times, an increase from end of year 2019, due to the increase in annualized cash flow from operating activities from the previous year of 69.29 percent.



The Corporate Group's cash cycle as at March 31, 2020 was 39 days, a decrease from the end of year 2019 of 1 day due to the increase in average payable period of 3 day but there was an increase in inventory turnover period of 2 days and the average collection period was 37 days, which was the same as the end of year 2019.



The Corporate Group's debt service coverage ratio increased from 75.36 times as at end of year 2019 to 94.15 times as at March 31, 2020 due to an increase in annualized EBITDA from end of year 2019 of 16.15 percent and a decrease in annualized interest on loan payment of 10.38 percent and decrease in financial lease liabilities due within one year of 3.77 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, 2020, 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 for the 2nd quarter 2020, the situation concerning consumer purchasing power and spending still have to be closely monitored. If the government sector is able to control the outbreak of Covid-19 and starts relaxing the lockdown measures for certain businesses to reopen partially, especially for the modern retail building materials stores, should benefit the sales from such distribution channel for the recovery. Accordingly, the Corporate Group has already prepared product inventory in order to deliver to the modern retail building material stores. Nonetheless, the recovery of project housing customer channel remains unclear as there are remaining inventory of completed houses ready for ownership transfer. According to such direction, it has been assessed that sales in the first half of 2020 will slow down.