

Ref. DBP. 048 / 2023

May 10, 2023

Subject : Clarification on Operating Results for the 1st Quarter ending March 31, 2023

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, 2023 as follows.

The net profit of the Corporate Group for the 1st quarter 2023 was Baht 177.35 million. In comparison with the same period of previous year with the net profit of Baht 191.94 million, the net profit decreased by Baht 14.59 million or 7.60 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, 2023)

(1) Overall Operating Results

For the 1st quarter 2023, the total revenue from sales and services of the Company and its Subsidiary (together referred to as the "Corporate Group") was Baht 1,548.20 million, which increased from the same period of previous year by 12.26 percent and the net profit in the 1st quarter 2023 was Baht 177.35 million, which decreased from the same period of previous year by 7.60 percent.


Although the Corporate Group's revenues from sales and services have increased significantly; however, gross profit margin has decreased from the same period of previous year. This was due to the energy cost that has remained at a high level and the costs of the raw materials including cement, paper pulp and asbestos, have risen higher than the previous year. Such factors have resulted in a lower net profit for the Corporate Group as compared with the same period of previous year.


(2) Analysis of Operating Results and Profitability

(2.1) Revenues from Sales and Services

Description	Year 2023		Year 2022		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
Revenues from Sales	1,416.52	91.24	1,280.34	92.63	136.18	10.64
Revenues from Services	131.68	8.48	98.84	7.15	32.84	33.23
Total Revenue from Sales and Services	1,548.20	99.72	1,379.18	99.78	169.02	12.26
Gain on Sales of Fixed Assets	-	-	0.02	-	(0.02)	(100.00)
Gain on Foreign Exchange Rate – Net	2.87	0.18	0.55	0.04	2.32	421.82
Other Revenue	1.40	0.10	2.45	0.18	(1.05)	(42.86)
Total Other Revenue	4.27	0.28	3.02	0.22	1.25	41.39
Total Revenue	1,552.47	100.00	1,382.20	100.00	170.27	12.32

The Corporate Group's total revenue in the 1st Quarter 2023 increased from the same period of previous year by 12.32 percent, consisting of:

 Revenues from sales were Baht 1,416.52 million, which increased from the same period of previous year by Baht 136.18 million or 10.64 percent, due to the increase in revenues from product sales through group of housing project of 36.77 percent, from the group of overseas distribution agents of 10.97 percent, from the group of domestic distribution agents of 6.85 percent and from the group of modern trade customers of 6.44 percent.

 Revenues from services were Baht 131.68 million, which increased from the same period of previous year by Baht 32.84 million or 33.23 percent, due to the increase in revenue from transportation of Baht 6.30 million and revenue from services increased by Baht 26.54 million.



Other revenue was Baht 4.27 million, which increased from the same period of previous year by Baht 1.25 million, due to the increase in gain on foreign exchange rate of Baht 2.32 million, but there were decrease in gain on sales of fixed assets of Baht 0.02 million and decrease in other income of Baht 1.05 million.

(2.2) Cost of Sales and Services

Description	Year 2023		Year 2022		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Cost of Sales	1,035.15	66.86	883.13	64.03	152.02	17.21
Cost of Services	130.64	8.44	103.53	7.51	27.11	26.19
Total Cost of Sales and Services	1,165.79	75.30	986.66	71.54	179.13	18.16

The Corporate Group's total cost of sales and services in the 1st Quarter 2023 increased from the same period of previous year by 18.16 percent, consisting of:



Cost of sales was Baht 1,035.15 million, which increased from the same period of previous year by Baht 152.02 million or 17.21 percent, due to the increase in product sales volume of 4.01 percent and increase in the costs of raw materials and energy.



Cost of services was Baht 130.64 million, which increased from the same period of previous year by Baht 27.11 million or 26.19 percent, due to the increase in the transportation cost of Baht 5.73 million and increase in cost of services of Baht 21.38 million.

(2.3) Selling and Administrative Expenses

Description	Year 2023		Year 2022		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Selling Expenses	36.04	2.33	32.53	2.36	3.51	10.79
Administrative Expenses	110.37	7.13	107.42	7.79	2.95	2.75
Management's Remuneration*	15.73	1.02	13.68	0.99	2.05	14.99
Total Selling and Administrative Expenses	162.14	10.47	153.63	11.14	8.51	5.54

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 2023 increased from the same period of previous year by 5.54 percent, consisting of:



Selling expenses were Baht 36.04 million, which increased from the same period of previous year by Baht 3.51 million or 10.79 percent, due to the increase in salary and benefits of the employees of Baht 1.22 million, increase in sales promotion expenses of Baht 1.52 million, increase in travelling expenses of Baht 0.53 million, increase in fuel expenses of Baht 0.21 million and increase in service expenses of Baht 0.19 million, but there were decrease in other expenses of Baht 0.16 million.



Administrative expenses were Baht 110.37 million, which increased from the same period of previous year by Baht 2.95 million or 2.75 percent, due to the increase in product packaging expenses of Baht 1.74

million, increase in salary and benefits of the employees of Baht 0.73 million, increase in electricity expenses of Baht 0.59 million, increase in research and development expenses of Baht 0.59 million, increase in maintenance expenses of Baht 0.56 million, increase in allowance for dead stock of Baht 0.37 million, increase in fuel expenses of Baht 0.21 million and increase in other expenses of Baht 0.44 million, but there were decrease in service expenses of Baht 1.10 million, decrease in supplies expenses of Baht 0.48 million, decrease in expenses from product claims of Baht 0.43 million and decrease in depreciation and amortization of Baht 0.27 million.



Management's remunerations were Baht 15.73 million, which increased from the same period of previous year by Baht 2.05 million or 14.99 percent.

(2.4) Profitability

Description	Year 2023		Year 2022		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Revenue from Sales and Services	1,548.20	100.00	1,379.18	100.00	169.02	12.26
Cost of Sales and Services	1,165.79	75.30	986.66	71.54	179.13	18.16
GP	382.41	24.70	392.52	28.46	(10.11)	(2.58)
EBITDA	298.54	19.28	321.60	23.32	(23.06)	(7.17)
EBIT	224.54	14.50	241.92	17.54	(17.38)	(7.18)
NP	177.35	11.46	191.94	13.92	(14.59)	(7.60)
EPS (Baht per Share) *	0.21		0.22		(0.01)	(7.60)
Weighted Average Number of Ordinary Shares (Million Shares) *	855.03		855.03		-	-
Return on Equity (ROE) (%)	28.65%		27.60%		1.05%	
Return on Assets (ROA) (%)	18.85%		17.38%		1.47%	
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 2023 was Baht 382.41 million, a decrease from the same period of previous year by Baht 10.11 million or 2.58 percent, due to the increase in revenues from sales and services of 12.26 percent but there was an increase in cost of sales and services of 18.16 percent.

Net Profit (NP)

The Corporate Group's net profit and net earnings per share in the 1st Quarter 2023 as follows:



The Corporate Group's net profit was Baht 177.35 million, the decrease from the same period of previous year by Baht 14.59 million or 7.60 percent, due to the decrease in gross profit margin of 2.58 percent and increase in selling and administrative expenses of 5.54 percent.



The Corporate Group's net earnings per share was Baht 0.21 per share, a decrease from the same period of previous year of Baht 0.01 per share or 7.60 percent, due to the decrease in net profit of 7.60 percent.

EBITDA



The Corporate Group's EBITDA in the 1st Quarter 2023 was Baht 298.54 million, a decrease from the same period of previous year by Baht 23.06 million or 7.17 percent, due to the decrease in gross profit margin of 2.58 percent and increase in selling and administrative expenses excluding depreciation of 6.20 percent.

Earnings Efficiency



Return on Equity (ROE): The Corporate Group's ROE increased from 27.60 percent as at end of year 2022 to 28.65 percent as at March 31, 2023 or an increase of 1.05 percent, due to an increase in annualized projected annual net profit of 13.39 percent but there was an increase in average shareholders' equity of 9.23 percent from the previous year.



Return on Assets (ROA): The Corporate Group's ROA increased from 17.38 percent as at end of year 2022 to 18.85 percent as at March 31, 2023 or an increase of 1.47 percent, due to an increase in annualized projected annual net profit of 13.39 percent but there was an increase in average total assets of 4.55 percent from the previous year.

(2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at March 31, 2023	As at December 31, 2022		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,787.12	3,740.61	46.51	1.24
Total Liabilities	1,222.54	1,353.38	(130.84)	(9.67)
Total Shareholders' Equity	2,564.58	2,387.23	177.35	7.43
Weighted Average Number of Ordinary Shares (Million Shares)*	855.03	855.03	-	-
Book Value (Baht per Share)*	3.00	2.79	0.21	7.53

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, 2023 increased from the end of year 2022 by Baht 46.51 million or 1.24 percent, due to a net increase in trade accounts receivable and other accounts receivable of Baht 113.59 million, increase in right of use assets of Baht 30.62 million, increase in cash and cash in bank of Baht 7.17 million, increase in other current assets and other non-current assets of Baht 2.83 million and increase in cash advance payment for purchase of assets of Baht 1.50 million, but there were net decrease in inventory of Baht 84.43 million, decrease in fixed assets of Baht 24.10 million, decrease in deferred income tax of Baht 0.47 million and decrease in intangible assets of Baht 0.20 million.



The Corporate Group's total liabilities as at March 31, 2023 decreased from the end of year 2022 by Baht 130.84 million or 9.67 percent, due to the decrease in short-term loan of Baht 271 million, decrease in long-term of Baht 30 million, decrease in other current liabilities of Baht 2.27 million and

decrease in provision for post-employment benefits obligation of Baht 0.49 million, but there were increase in trade accounts payable and other accounts payable of Baht 99.10 million, increase in current income tax payable of Baht 43.90 million and increase in financial lease liabilities of Baht 29.92 million.



The Corporate Group's total shareholders' equity as at March 31, 2023 increased from the end of year 2022 by Baht 177.35 million or 7.43 percent, due to the increase in net profit of Baht 177.35 million, resulting in an increase in share book value from Baht 2.79 per share as at end of year 2022 to Baht 3 per share as at March 31, 2023.

(2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2023	Year 2022
Cash Flows from Operating Activities	393.00	389.75
Cash Flows used in Investing Activities	(77.39)	(66.93)
Cash Flows used in Financing Activities	(309.55)	(333.63)
Effect of exchange rate changes on cash and cash equivalents	1.11	1.30
Cash Increase (Decrease) – Net	7.17	(9.51)
Cash at the Beginning of the Period	11.38	23.00
Cash at the Ending of the Period	18.55	13.49
CFROE = Cash Flow Return on Equity Increase (%)	63.25%	25.37%



The Corporate Group's net cash from operating activities in the 1st Quarter 2023 was Baht 393 million, which was higher than the net profit before tax by Baht 171.29 million, due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 74 million, increase in trade accounts payable and other accounts payable of Baht 130.26 million, net decrease in inventory of Baht 84.43 million and decrease in other non-current assets of Baht 0.02 million, but there were net increase in trade accounts receivable and other accounts receivable of Baht 113.16 million, increase in other current assets of Baht 3.18 million, decrease in other current liabilities of Baht 0.59 million and decrease in non-other current liabilities of Baht 0.49 million.



The Corporate Group's net cash used in investing activities in the 1st Quarter 2023 was Baht 77.39 million, due to cash payment for tools and equipment replacement after their useful life of Baht 44.84 million, cash payment for the purchase of machinery for production of concrete roof tiles (CT-6) of Baht 30.19 million, cash advance payment for purchase of assets of Baht 1.50 million and cash payment for intangible assets of Baht 0.86 million.



The Corporate Group's net cash used in financing activities in the 1st Quarter 2023 was Baht 309.55 million, due to repayment of short-term loan of Baht 271 million, repayment of long-term loan of Baht 30 million, repayment of financial lease of Baht 6.51 million and interest payment of Baht 2.04 million.

(2.7) Financial Ratios

Financial Ratios	As at March 31, 2023	As at December 31, 2022
Current Ratio (Times)	1.97	1.66
Quick Ratio (Times)	0.81	0.58
Cash flow Liquidity Ratio (Times)	1.56	0.56
Account Receivable Turnover Ratio (Times)	9.89	9.80
Average Collection Period (Days)	36	37
Inventory Turnover Period (Days)	16	19
Average Payable Period (Days)	16	13
Cash Cycle (Days)	36	43
Total Debt to Equity Ratio (Times)	0.48	0.57
Interest Coverage Ratio (Times)	154.47	96.76
Debt Service Coverage Ratio (Times)	7.88	7.31

(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, 2023 accounted for 19 percent of the total assets with 84.22 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 no bad debt.

(3.2) Inventory and Deterioration or Obsolete

The Corporate Group's inventory as at March 31, 2023 accounted for 28.52 percent of the total assets, of which 16.02 percent are finished products, 19.57 percent are work in progress, 52.86 percent are raw materials, 4.45 percent are goods in transits and 7.10 percent are supplies.

(4) Liquidity and Capital Sufficiency

The Corporate Group manages its capital by preparing cash flow projection in order to manage the working capital for sufficient liquidity and low financial cost, which can be summarized as follows.



The Corporate Group's total debt to equity ratio as at March 31, 2023 was at 0.48 times, a decrease from end of year 2022, due to the decrease in total liabilities from the end of year 2022 of 9.67 percent and the shareholders' equity increased from the end of year 2022 by 7.43 percent and the interest coverage ratio was at 154.47 times, an increase from end of year 2022, due to an increase in annualized cash flow from operating activities from the previous year of 148.52 percent, but there were increase in annualized interest on loan from the previous year of 53.76 percent.



The Corporate Group's current ratio as at March 31, 2023 was 1.97 times, an increase from the end of year 2022, due to an increase in current assets of 2.19 percent and decrease in current liability of 14.17 percent and the quick ratio of 0.81 times, which increased from the end of year 2022, due to a decrease in inventory of 7.25 percent and decrease in current liability of 14.17 percent and the cash flow liquidity ratio was 1.56 times, an increase from end of year 2022, due to an increase in annualized cash flow from operating activities from the previous year of 148.52 percent.



The Corporate Group's cash cycle as at March 31, 2023 was 36 days, a decrease from the end of year 2022 of 7 days, due to the decrease in inventory turnover period of 3 days, decreases in average collection period of 1 day and increases in average payable period of 3 days.



The Corporate Group's debt service coverage ratio increased from 7.31 times as at end of year 2022 to 7.88 times as at March 31, 2023, due to an increase in annualized EBITDA from end of year 2022 of 9.33 percent and decrease in financial lease liabilities and long-term loan due within one year of 1.27 percent, but there were increase in annualized interest on loan from the previous year of 53.76 percent.

The Corporate Group has policy for setting the credit term period as follows.



Debt Collection Period: The credit term period is determined based on the risk assessment on payment by the customer, including contact period, financial position, guarantee and payment history, depending on the situation involving competition and sales promotion during each period of the Corporate Group by specifying the guarantee protection for credit limit as follows.

Risk Probability	Very Low	Low	Medium	High
Credit Term Period	60 days	45 days	30 days	Payment transfer first if no guarantee



Repayment Period: The repayment period is determined based on the type of product and raw material or hiring services, order value and payment conditions from trade discount negotiation.

Work Value	Type and Order Value of Product and Raw Material
Credit Term Period	30 – 60 days

As at March 31, 2023, the Corporate Group's average collection period was 36 days, in line with the established policy and the average repayment period was 16 days, which was less than the established policy, as the Corporate Group made payments for the raw materials on a cash-basis term in order to receive trade discounts.

(5) Debt Obligation

The Corporate Group has established policy to mitigate risk from interest fluctuation by taking long-term loan with fixed interest rate. Currently, the Corporate Group has obligation to comply with the terms and conditions of the loan agreement with commercial bank in the country as follows:

(5.1) Investment in the machinery installation project for production of fiber cement tiles (NT-11) with loan amount of Baht 300 million with interest rate starting since the first loan installment until September 30, 2023 at a fixed interest rate of 2.10 percent per annum and a loan repayment period within 2 years and 6 months with monthly repayment term and the first loan repayment starting on April 30, 2022. As at March 31, 2023, the outstanding loan balance was Baht 60 million.

(5.2) Investment in the machinery installation project for production of concrete roof tiles (CT-6) with loan amount of Baht 400 million with interest rate starting since the first loan installment until April 30, 2027 at a fixed interest rate of 3.50 percent per annum and a loan repayment period within 3 years and 6 months with monthly repayment term and the first loan repayment starting on June 30, 2024. As at March 31, 2023, the outstanding loan balance was Baht 60 million.

As at March 31, 2023, the Corporate Group had long-term debt obligations with commercial banks totaling Baht 120 million. Accordingly, the Corporate Group must comply with the terms and conditions stipulated in the loan agreements, which state that the Total Debt to Equity Ratio (D/E Ratio) must not exceed 2 times and the Debt Service Coverage Ratio (DSCR) must not be less than 1.25 times. As at March 31, 2023, the Corporate Group was able to maintain the above financial ratios as stipulated by such loan agreements.

(6) Factors Having Impact on Future Operating Results

Since there are several public holidays during the 2nd quarter 2023, product and service deliveries will be adversely affected, as well as the uncertainty in the adjustments of raw materials' pricing and costs; therefore, the Corporate Group must continue to manage the risks concerning the raw materials by emphasizing the management of product mix and maintaining the machinery availability rate above 90 percent to promote the marketing of construction material products under its strategy, namely, "Build your dream home with DIAMOND" to support the demand for construction materials which have increased in every product distribution channel, as well as reducing pressure from the situation where the raw material costs still remain high even though there seems to be a signal that the energy cost may be reduced. The Corporate Group endeavors to achieve the level of gross margin and push for the sales growth as per established targets.