

Date May 15, 2024

Subject: Management Discussion and Analysis for the three months period ended March 31, 2024

To: Director and Manager
Stock Exchange of Thailand

Delta Paint Public Company Limited (“the Company”) would like to clarify the operating results for the three months ended March 31, 2024 with the following details:

Results of Operations for the 1st Quarter of the Year 2024

Income Statement

(Million Baht)

	three-months	three-months	Change	
	period ended March 31, 2023	period ended March 31, 2024	Amount	Percentage
Revenue from sales and services	260.3	217.2	(43.1)	(16.6)
Cost of sales and services	158.5	155.6	(2.9)	(1.8)
Gross profit	101.8	61.6	(40.2)	(39.4)
<i>Gross profit margin (%)</i>	<i>39.1</i>	<i>28.4</i>	<i>(10.7)</i>	<i>(27.3)</i>
Other revenues	2.8	1.7	(1.1)	(40.0)
Distribution Costs	66.2	72.9	6.8	10.2
Administrative expenses	16.6	20.6	4.0	24.1
Financial cost	1.4	3.3	1.9	136.2
Share of profit (loss) of associated companies using the equity method	-	-	-	-
Income tax expense	5.3	(2.1)	(7.4)	(139.6)
Net profit	16.0	(31.4)	(47.4)	(296.2)
<i>(Loss) attributable to Non-controlling interests of subsidiary</i>	<i>(0.2)</i>	<i>(0.2)</i>	<i>0.0</i>	<i>0.0</i>
Profit attributable to owners of the parent company	16.2	(31.2)	(47.4)	(292.5)
<i>Net profit margin (%)</i>	<i>6.2</i>	<i>(14.3)</i>	<i>(8.1)</i>	<i>(130.6)</i>
Earnings per share (Baht)	0.07	(0.14)	(0.21)	(300.0)

Revenue Structure Categorized by Product Grade

Million Baht)

	three-months period ended March 31, 2023	Sale Proportions	three-months period ended March 31, 2024	Sale Proportions
Premium	99.9	38.4	74.8	34.4
Growth (%)	-		(25.1)	
Standard	88.9	34.2	74.7	34.4
Growth (%)	-		(16.0)	
Economy	71.5	27.4	67.7	31.2
Growth (%)	-		(5.3)	
Revenue from sales and services	260.3	100.0	217.2	100.0
% Growth	-		(16.6)	

Revenue from sales and services

For the three-months ended March 31, 2023 and 2024, The company had revenue from sales and services amount of THB 260.3 million and THB 217.2 million, respectively, which decreased THB (43.1) million, or (16.6%). The main reason was due to the recession in decorative market resulting in lower Sales quantity. Also, the fierce competition in price and promotion caused the lower sales price. Revenue can be categorized in to premium, standard, and economy in the proportion of 34.4 percent, 34.4 percent, and 31.2 percent respectively. Such temporary changes in revenue structure resulted from the adjustment in sales strategy to cope with current market situation

Gross Profit

For the three-months ended March 31, 2023 and 2024, The company had gross profit amount to THB 101.8 million and THB 61.6 million, respectively, or as a percentage of sales revenue, 39.1% and 28.4%, respectively. The decrease in gross profit margin was primarily attributable to the lower sales price from fierce competition in price and promotion. In addition, changes in sales proportion which included the new revenue from new sales of construction materials products, which have a lower gross profit margin comparing to decorative paint product and changes in revenue structure from the adjustment in sales strategy to cope with the current market situation as mentioned above.

Other Revenues

For the three-months ended March 31, 2023 and 2024, The company had other Revenues amount of THB 2.8 million and THB 1.7 million, respectively, which decrease THB (1.1) million, or (40.0%) which was due to lower rental income.

Selling Expenses and Administrative Expenses

For the three-months ended March 31, 2023 and 2024, The company had expense amount to THB82.8 million and THB93.5 million respectively, which increased THB10.8 million, or 13.0%. The is mainly due to the higher reserve for doubtful debts of 5.9 million and the higher in both personnel and management expenses from the investment in major company's reorganization in order to support the sustainable long-term growth.

Net Profit

For the three-months ended March 31, 2023 and 2024, The company had profit amount to THB16.2 million and THB (31.2) million respectively, which decreased THB(47.4) million, or (292.5%), The decrease was primarily due to the market recession and fierce competition in price and promotion. In Addition, the adjustment in sales strategy to cope with current market situation and expenses from the investment in major company's reorganization in order to support the sustainable long-term growth in the future.

From this quarter's performances as stated above, management team has adopted a new strategy to cope with the current market situation. Firstly, sales boost strategies, CRM oriented for both old and new customer, the focused expansion of dealer network and the CLMV market penetration has been implemented. Next, cost and expense reduction strategies, enhancing more effectiveness on asset utilization has been adopted. Such assets that have been mainly focused on is human resources such as sales forces and PC, resulting in the lower personal expenses. Also, higher plant productivity has been included in such strategies in order to reduce cost and gain higher %GP. As a result of such strategies, management team have a firm believe that company can compete in a current market situation and gain a better performance.

Balance Sheet

(Million Baht)

	As of December 31, 2023	As of March 31, 2024	Change	
			Amount	Amount
Total Assets	1,228.4	1,215.2	(13.2)	(1.1)
Total Liabilities	598.9	616.9	18.0	3.0
Total Shareholder's Equity	629.5	598.3	(31.2)	(4.9)
Debt to Equity Ratio (Time)	0.9	1.0	0.1	11.1

Assets

As of March 31, 2024, the Company and its subsidiaries had total assets of Baht 1,215.2 million, an decrease from total assets as of 31 December 2023 by Baht 13.2 million due to:

- Decreased in cash and cash equivalents of Baht 11.0 million.
- Decreased in trade and other current receivables of Baht 16.4 million due to sales decreasing.
- Increased in inventory of Baht 8.4 million.
- Increased in land, building and equipment's of Baht 10.0 million due to investment in equipment for new distribution channels.

Liabilities

As of March 31, 2024, the Company and its subsidiaries had total liabilities of Baht 616.9 million, an increase of Baht 18.0 million from 31 December 2023, an increase of 3.0 percent due to:

- Increased in bank overdrafts and short-term loans from financial institutions in the amount of Baht 45.4 million
- Decreased in Trade and other current payables in the amount of Baht 30.3 million

Equity

As of March 31, 2024, the Company and its subsidiaries had shareholders' equity of Baht 598.3 million, an decrease of Baht 31.2 million from 31 December 2023, an decrease of 5.0 percent.

Debt to Equity Ratio

As of March 31, 2024, compared to the year ended December 31,2023, the Company and its subsidiaries' debt to equity ratio at 1.0 and 0.9 respectively.

Yours sincerely

(Mr.Athapon Tangkaravakoon)
Chief Financial Officer
Delta Paint Public Company Limited