

November 14, 2019

Subject : Management Discussion and Analysis of quarter 3/2019

To : The Director and Manager  
The Stock Exchange of Thailand**Analysis of company's performance of quarter 3/2019 and as of 30 September (Nine-month period)**

Southern Concrete Pile Public Company Limited (the company hereafter) reports the company's performance in the 3/2019 quarter YoY and as of 30 September 2019 (Nine-Month Period) YoY as follows:

Thousand Baht	Q3/2019	%	Q3/2018	%	YoY (%)	9 month /2019	%	9 month /2018	%	YoY (%)
Revenue from sales	365,130	75.72%	423,303	74.76%	(13.74%)	1,085,745	74.37%	1,176,851	75.66%	(7.74%)
Revenue from rendering of services	117,078	24.28%	142,908	25.24%	(18.07%)	374,084	25.63%	378,637	24.34%	(1.20%)
Total Revenue	482,208	99.16%	566,211	99.36%	(14.84%)	1,459,829	98.05%	1,555,488	98.75%	(6.15%)
Other income	4,080	0.84%	3,619	0.64%	12.74%	29,049	1.95%	19,704	1.25%	47.43%
Total Revenue	486,288	100.00%	569,830	100.00%	(14.66%)	1,488,878	100.00%	1,575,192	100.00%	(5.48%)
Cost of sales	262,762	71.96%	298,378	70.49%	1.47%	792,605	73.00%	832,592	70.75%	2.25%
Cost of services	93,722	80.05%	109,010	76.28%	3.77%	284,582	76.07%	281,722	74.40%	(1.67%)
Total Cost of sales and rendering of services	356,484	73.93%	407,388	71.95%	1.98%	1,077,187	73.79%	1,114,314	71.64%	2.15%
Gross Profit	125,724	26.07%	158,823	28.05%	(1.98%)	382,642	26.21%	441,174	28.36%	(2.15%)
Selling and administrative expenses	52,557	10.81%	43,662	7.66%	3.15%	173,444	11.65%	141,014	8.95%	2.70%
EBIT	77,247	15.89%	118,780	20.84%	(4.95%)	238,247	16.00%	319,864	20.31%	(4.31%)
Finance costs	1,101	0.23%	1,002	0.18%	0.05%	3,542	0.24%	2,396	0.15%	0.09%
Income tax	16,345	3.36%	23,609	4.14%	(0.78%)	46,572	3.13%	61,220	3.89%	(0.76%)
Net profit for the period	59,801	12.30%	94,169	16.53%	(4.23%)	188,133	12.64%	256,248	16.27%	3.63%
EBITDA	96,369		135,521			293,881		368,080		
Basic earnings per share (Baht)	0.20		0.31			0.63		0.85		

**Overall performance**

The real estate sector and construction projects have slowed down in both public and private sectors. These affected the company's performance as follows;

### Third quarter of 2019

- Revenue of 486.288 million Baht, decreased 14.66% YoY
- Cost of goods sold and service 356.484 million Baht, increased by 1.98% YoY (compared by percentage to revenue)
- Selling and administrative expenses 52.557 million Baht, increased by 3.15% YoY
- Gross profit margin decreased to 125.724 million Baht or 26.07% of revenue (decreased by 1.98% YoY) and net profit margin decreased to 59.801 million Baht or 12.30% (decreased by 4.23% YoY).
- Other income of 4.080 million Baht
- Profit per share decreased to 0.20 Baht
- EBITDA decreased to 96.369 million Baht

### As of 30 September 2019

- Revenue of 1,488.878 million Baht, decreased 5.48% YoY
- Cost of goods sold and service 1,077.187 million Baht, increased 2.15% YoY (compared by percentage to revenue)
- Selling and administrative expenses 173.444 million Baht, increased 2.70% YoY
- Gross profit margin decreased to 382.642 million Baht or 26.21% of revenue (decreased by 2.15% YoY) and net profit margin decreased to 188.133 million Baht or 12.64% (decreased by 3.63% YoY).
- Profit per share decreased to 0.63 Baht
- EBITDA decreased to 293.881 million Baht
- Retained earnings increased to 1,667.956 million Baht

### Total Revenue

In the third quarter of 2019, the company had the total revenue of 486.288 million Baht, decreased by 14.66% YoY. The amount was accounted of 3 income categories as follows:

1. Sales income of 365.130 million Baht, decreased by 13.74% YoY
2. Service income of 117.078 million Baht, decreased by 18.07% YoY
3. Other incomes of 4.080 million Baht, increased by 12.74% YoY (from interest received, bad debt recovery, dividend and gain from disposal of equipment)

As of 30 September 2019, the company had the total revenue of 1,488.878 million Baht, decreased by 5.48% YoY. The amount was accounted of 3 income categories as follows:

1. Sales income of 1,085.745 million Baht, decreased by 7.74% YoY
2. Service income of 374.084 million Baht, decreased by 1.2% YoY
3. Other incomes of 29.049 million Baht, increased by 47.43% YoY (from the interest received, bad debt recovery, dividend and gain from disposal of equipment)

Here are some of the main continuous projects to be carried to Q4/2019:

- Yellow Line Mass Rapid Transport (MRT) Project
- Bangyai – Karnchanaburi, Bang Pa In – Saraburi – Nakorn Ratchasima Motorway Projects\*
- Bangkok – Karnchanaburi Intercity Motorway Project\*
- Blupearl Mall Phuket\*

- Shore Protection Dam, Hat Yai, Songkhla
- Shore Protection Dam, Suratthani
- Flood Mitigation Project, Hat Yai
- Thai Oil CFP Project Green Part, Sriracha, Chonburi
- Block Valve Work BV 5.13, 5.17, 5.18
- GDF4, Map-Ta-Put, Rayong
- Tourist Police Command Centre
- Big C, namdaeng branch, Samutprakan
- Hilton, Phuket

*Note: \*Projects are pending due to land expropriation process*

### **Cost and Expenses**

Cost of goods sold and cost of services in the third quarter of 2019 increased by 1.98% YoY to 73.93% and as of 30 September 2019 numbers increased by 2.15% YoY to 73.93%. The increase was mainly due to the competitive market condition which drove the selling prices down.

Selling and administrative expenses in the third quarter increased from 7.66% to 10.81% and as of 30 September 2019 increased from 8.95% to 11.65%. The reasons behind were; the company had noted down the bonus payment estimate according to the performance. The company also set the doubtful bad debt at 1.967 million Baht. Lastly, the new labour protection act to increase the severance pay for laid-off workers from 300 days to 400 days that the company has started to take into the account since the second quarter.

### **Profit**

In the third quarter of 2019, the company had the gross profit of 125.724 million Baht and net profit of 59.801 million Baht. The profit per share was at 0.20 Baht. These led to the nine-month period as of 30 September 2019, the company had the gross profit and net profit of 382.642 million Baht and 188.133 million Baht respectively. The profit per share decreased to 0.63 Baht and EBITDA decreased to 293.881 million Baht with the retained earnings increased to 1,667.956 million Baht.

### **Statements of Financial Position**

#### **Asset**

As of 30 September 2019, the company had the total asset of 2,374.465 million Baht, increased by 25.964 million Baht from increased in current asset of 53.738 million Baht but decreased in non-current asset of 27.774 million Baht. The current asset was increased from cash equivalent and temporary investment of 98.771 million Baht, the account receivable of 12.090 million Baht and inventories of 29.706 million Baht. For the non-current asset had decreased in available for sales security due to the current value adjustment by 39.924 million Baht and the deposit in other non-current assets increment by 8.291 million Baht.

## Liability

As of 30 September 2019, the company had the total liability of 391.357 million Baht, decreased from financial lease liabilities of 6.153 million Baht, and decreased in non-current provisions for employee benefits decreased by 2.871 million Baht and accrued income tax decreased by 13.187 million Baht.

## Statements of Cash Flows

As of 30 September 2019, the company had cash and cash equivalents increased from 161.946 million Baht to 359.986 million Baht. The amount was from the net cash from operation 303.542 million Baht, deducted the investing activities of 20.200 million Baht and deducted the net financing activities of 156.531 million Baht. These led to the net cash increased by 126.811 million Baht.

The net cash used in investment activities of 20.200 million Baht was the cash used to buy temporary investment of 50.374 million Baht and production related machinery investment 68.636 million Baht. The cash was gained from selling the temporary investment of 85.546 million Baht, dividend gains of 9.684 million Baht, interests gains of 3.542 million Baht and equipment sales of 0.038 million Baht.

For the financing activities, the cash was paid out 156.531 million Baht consisted of dividend payout of 150.000 million Baht, financial lease payment 6.153 million Baht and interest paid 0.378 million Baht.

## Financial Ratios

Financial Ratios	9 month period 2019	9 month period 2018
Current Ratio (times)	4.90	4.26
Cash Cycle (Day)	92.65	92.95
Return on Equity (%)	9.49	13.25
Return on Assets (%)	7.97	11.27
Debt to Equity (times)	0.20	0.23

Yours Sincerely,

(Ms.Arunee Nganthavee)

Managing Director