

BKK.MD. 015/2019

Head Office

August 9, 2019

Subject : Management Discussion and Analysis of quarter 2/2019 and first half of 2019

To : The Director and Manager
The Stock Exchange of Thailand

Analyze of company's performance of quarter 2/2019 and first half of 2019

Southern Concrete Pile Public Company Limited (the company hereafter) reports the company's performance in the 2/2019 quarter YoY and the first half of 2019 YoY as follows:

Thousand Baht	Q2/2019	%	Q2/2018	%	YoY (%)	first half /2019	%	first half /2018	%	YoY (%)
Revenue from sales	366,240	75.24%	415,256	77.10%	(11.80%)	720,615	73.71%	753,548	76.17%	(4.37%)
Revenue from rendering of services	120,510	24.76%	123,372	22.90%	(2.32%)	257,006	26.29%	235,729	23.83%	9.03%
Total Revenue	486,750	96.43%	538,628	98.66%	(9.63%)	977,621	97.51%	989,277	98.40%	(1.18%)
Other income	18,037	3.57%	7,293	1.34%	147.32%	24,969	2.49%	16,085	1.60%	55.23%
Total Revenue	504,787	100.00%	545,921	100.00%	(7.53%)	1,002,590	100.00%	1,005,362	100.00%	(0.28%)
Cost of sales	270,145	73.76%	293,478	70.67%	3.09%	529,843	73.53%	534,214	70.89%	2.64%
Cost of services	96,605	80.16%	94,775	76.82%	3.34%	190,860	74.26%	172,712	73.27%	0.99%
Total Cost of sales and rendering of services	366,750	75.35%	338,253	72.08%	3.27%	720,703	73.72%	706,926	71.46%	2.26%
Gross Profit	120,000	24.65%	150,375	27.92%	(3.27%)	256,918	26.28%	282,351	28.54%	(2.26%)
Selling and administrative expenses	65,948	13.06%	50,346	9.22%	3.84%	120,887	12.06%	97,352	9.68%	2.38%
EBIT	72,089	14.28%	107,322	19.66%	(5.38%)	161,000	16.06%	201,084	20.00%	(3.94%)
Finance costs	1,561	0.31%	662	0.12%	0.19%	2,441	0.24%	1,394	0.14%	0.10%
Income tax	12,075	2.39%	19,636	3.60%		30,227	3.01%	37,611	3.74%	
Net profit for the period	58,453	11.58%	87,024	15.94%		128,332	12.08%	162,079	16.12%	
EBITDA	90,704		123,174			197,512		232,559		
Basic earnings per share (Baht)	0.20		0.29			0.43		0.54		

Overall performance

Second quarter of 2019

- Revenue of 486.750 million Baht, decreased by 9.63% YoY
- Cost of goods sold and service 366.750 million Baht, increased by 3.27% YoY (compared by percentage to revenue)

- Selling and administrative expenses 65.948 million Baht, increased by 3.84% YoY (compared by percentage to total income)
- Gross profit of 120.000 million Baht or 24.65%, decreased by 3.27% YoY (compared by percentage to revenue)
- Net profit decreased to 58.453 million Baht or 11.58%, decreased by 4.36% YoY (compared by percentage to total income)
- Profit per share decreased to 0.20 Baht
- EBITDA decreased to 90.704 million Baht

First half of 2019

- Revenue of 1,002.590 million Baht, decreased by 0.28% YoY
- Cost of goods sold and service 720.703 million Baht, increased by 2.26% YoY (compared by percentage to revenue)
- Selling and administrative expenses 120.887 million Baht, increased by 2.38% YoY (compared by percentage to total income)
- Gross profit of 256.918 million Baht or 26.28%, decreased by 2.26% YoY (compared by percentage to total income)
- Net profit decreased to 128.332 million Baht or 12.80%, decreased by 3.32% YoY (compared by percentage to revenue)
- Profit per share decreased to 0.43 Baht
- EBITDA increased to 197.512 million Baht

The main factors affecting the company's 2019 first half performance were the company had higher costs of goods sold and service and selling and administration expenses due to the competitive market condition and taking into the account of the new labour protection act to increase the severance pay for laid-off workers from 300 days to 400 days.

Total Revenue

In the second quarter of 2019, the company had the total revenue of 486.750 million Baht, decreased by 9.63% YoY. The amount was accounted of 3 income categories as follows:

1. Sales income of 366.240 million Baht, decreased by 11.80% YoY
2. Service income of 120.510 million Baht, decreased by 2.32% YoY
3. Other incomes of 18.037 million Baht, increased by 147.32% YoY

In the first half of 2019, the company had the total revenue of 1,002.590 million Baht, decreased by 0.28% YoY. The amount was accounted of 3 income categories as follows:

1. Sales income of 720.615 million Baht, decreased by 4.37% YoY
2. Service income of 257.006 million Baht, increased by 9.03% YoY
3. Other incomes of 24.969 million Baht, increased by 55.23% YoY

Other income of 24.969 million Baht was accounted of interest received and dividend from marketable equity securities of 15.424 million Baht, doubtful account received of 1.414 million Baht, Realized gain from current investment of 3.073 million Baht, Unrealized (Gain) loss from charging in value of current investment 3.791 million Baht.

Here are some of the main projects, which the company is operating in Q3/2019:

- Thai Oil CFP Project Green Part, Sriracha Chonburi
- Water Supply System, Klongnoi Suratthani
- Prachubkhirikhan-Chumporn Double Track Project
- 115 KV Transmission Line – Chaiphaphum
- The Marine Phuket
- Flood Mitigation Projects phase II, Suratthani
- The Aspire Condominium, Ratchada 3
- Car Park Building for Royal Irrigation Department, Samsen
- Bearing Road Unit connecting Kanchanapisek Road-Phuttamonton Sai 2
- Wang Chan Valley Development for EEC Project
- Port, Ayutthaya
- PTT Lubricant Distribution Centre
- Robinson Department Store, Bowin Chonburi
- Bangyai – Karnchanaburi, Bang Pa In – Saraburi – Nakorn Ratchasima Motorway Projects (*Pending due to land expropriation process*)
- Bangkok – Karnchanaburi Motorway Project (*Pending due to land expropriation process*)

Cost and Expenses

Cost of goods sold and cost of services in the second quarter of 2019 and the first half of 2019 were 75.35% and 73.72% respectively, increased by 3.27% YoY and 2.26% YoY respectively. This was because the cost of goods sold had slightly increased by 3.09% YoY and 2.64% YoY respectively. The cost of services had increased 3.34% YoY and 0.99% YoY respectively, due to the competitive market affected the selling price.

Selling and administrative expenses in the second quarter and the first half of 2019 increased 3.84% and 2.38% respectively. This was mainly from the new labour protection act of 12.46 million Baht and the allowance for doubtful account of 1.967 million Baht.

Profit

In the second quarter of 2019, the company had the gross profit and net profit of 120.000 million Baht and 58.543 million Baht respectively. The profit per share was 0.20 Baht. The gross profit and net profit of the first half of 2019 decreased to 256.918 million Baht and 128.332 million Baht respectively. This led profit per share decreased to 0.43 Baht, EBITDA decreased to 197.512 million Baht and retained earnings decreased to 1,608.155 million Baht from the dividend pay-out in 2019.

Statements of Financial Position

Asset

In the end of first half of 2019, the company had the total asset of 2,363.667 million Baht, increased by 15.166 million Baht from increased in current asset of 7.770 million Baht from cash, cash equivalent and retention receivables. For the non-current asset increased by 7.396 million Baht from the new spun pile mould replacing the old ones.

Liability

In the end of first half 2019, the company had the total liability of 416.621 million Baht, increased by 29.406 million Baht from the account payable and other undue account payable of 38.298 million Baht, and decreased in non-current liability of financial lease liabilities decreased by 4.915 million Baht and non-current provisions for employee benefits decreased by 4.271 million Baht.

Statements of Cash Flows

In the end of first half of 2019, the company had cash and cash equivalents increased to 287.911 million Baht from 157.726 million Baht. The amount was from cash and cash equivalents on 1st January 2019 from operation of 220.118 million Baht, deducted by the investing activities of 10.186 million Baht of fixed asset investment, purchasing and selling current investments and interest and dividend received and deduct with financing activities of 155.196 million Baht (Dividend Payout of 150.000 million Baht and financial lease payment of 4.915 million Baht).

Financial Ratios

Financial Ratios	First half of 2019	First half of 2018
Current Ratio (times)	4.43	3.85
Cash Cycle (Day)	94.10	104.61
Return on Equity (%)	6.59	8.82
Return on Assets (%)	5.45	7.25
Debt to Equity (times)	0.21	0.25

Yours Sincerely,

(Ms.Arune Nganthavee)

Managing Director