

No. CAZ 017-2022

9 November 2022

 Subject: Management Discussion and Analysis for the 3rd Quarter ended 30 September 2022

Attention: The President, The Stock Exchange of Thailand

CAZ (Thailand) Public Company Limited (“the Company”) and its Subsidiary (“the Group”) would like to clarify the change in operating result for the 3rd Quarter ended 30 September 2022, which changed in revenue and net profit compared with same period of last year as follows:

Statement of Comprehensive Income

(Unit : Million Baht)

Detail	3 Months				9 Months			
	30 Sep 2022	30 Sep 2021	Changed	(%)	30 Sep 2022	30 Sep 2021	Changed	(%)
Revenues from construction contracts	760.16	510.18	249.98	49.00	2,318.00	1,464.14	853.86	58.32
○ EPC Service	12.45	(3.89)	16.34	420.05	19.51	9.42	10.09	107.11
○ Structure Mechanic and Pinging (SMP and E&I Services)	386.17	363.42	22.75	6.26	1,323.14	906.32	416.82	45.99
○ Civil & Building Service	117.17	141.55	(24.38)	(17.22)	380.06	466.20	(86.14)	(18.48)
○ General Construction Service	147.78	-	147.78	n/a	408.10	-	408.10	n/a
○ Fabrication and Other service	96.59	9.10	87.49	961.43	187.19	82.20	104.99	127.73
Cost of construction contracts	(667.78)	(436.20)	231.58	53.09	(2,021.18)	(1,266.04)	755.14	59.65
Gross profit	92.38	73.98	18.40	24.87	296.82	198.10	98.72	49.83
Other income	0.42	0.44	(0.02)	(4.54)	1.33	1.82	(0.49)	(26.92)
Administrative expenses	(24.59)	(22.78)	1.81	7.95	(72.10)	(66.54)	5.56	8.36
Profit before finance cost and income tax	68.21	51.64	16.57	32.09	226.05	133.38	92.67	69.48
Finance cost	(3.27)	(7.94)	(4.67)	(58.81)	(12.23)	(24.09)	(11.86)	(49.24)
Profit before income tax	64.94	43.70	21.24	48.60	213.82	109.29	104.53	95.65
Income tax	(12.98)	(9.86)	3.12	31.64	(42.43)	(22.90)	19.53	85.28
Profit for the year	51.96	33.84	18.12	53.55	171.39	86.39	85.00	98.39
Owners of the parent	50.91	33.89	17.02	50.22	168.66	85.41	83.25	97.47
Non-controlling interests	1.05	(0.05)	1.10	2,200.00	2.73	0.98	1.75	178.57

Revenues from construction contracts

The Group has revenue from construction contracts for Q3/2022 ended 30 September 2022, totaling of Baht 760.16 Million. Increasing of Baht 249.98 Million or 49%, compared with the same period of last year, which was Baht 510.18 Million. Due to the revenue recognized of the work progression during the period by the gradual work delivered and the transferred right of control to customers in several projects. Especially, projects which signed contract during Q3/21 to Q2/22. As at 3rd quarter of 2022, all those projects were on the middle stage of construction works which have higher work progression to delivered and transferred right of control to customers than the same period of last year.

At present, the Group has projects under construction and revenue has not yet been recognized (Backlog) for construction services which included new projects awarded. Referred to the notification of projects awarded no. CAZ-015-2022, dated 4 October 2022. And the notification no. CAZ-016-2022, dated 3 November 2022, the total backlog totalling of Baht 3,119.35 Million.

Administrative expenses

The Group's administrative expenses for Q3/2022 ended 30 September 2022, totaling of Baht 24.59 Million. Increased of Baht 1.81 Million, or 7.95% compared with Q3/2021 which was totaling of Baht 22.78 million. Due to the increased of employee expenses.

Finance costs

The Group has financial costs during Q3/2022 totaling of Baht 3.27 Million, decreased of Baht 4.67 Million or 58.81%, compared to the same period of last year which finance costs was totaling of Baht 7.94 Million. Due to repayment short-term loan which used as existing ongoing projects' working capital to financial institutes and a related party company according to the specified period.

Profitability

Gross profit and net profit of the 3rd quarter ended 30 September 2022 and 2021 as follows;

Profitability	Q3/2022		Q3/2021	
	Million Baht	%	Million Baht	%
Gross profit	92.38	12.15	73.98	14.50
Profit attributable to owners of the parent	50.91	6.69	33.89	6.64

On Q3/2022, the Group's gross profit totaling of Baht 92.38 Million, considered to gross profit margin of 12.15%. Compared with Q3/2021 totaling of Baht 73.98 Million or gross profit margin of 14.50%. Gross profit margin of Q3/2022 was reduced, compared with Q3/2021. Because of some projects has updated and adjusted budget costs since the end of 2021, while existing projects on hand which have high margin were on the final construction

stage and have not much work progression. All these reasons, leads to gross profit margin of Q3/2022 were reduced, when compared with the same period of last year.

The Group's Q3/2022 has net profit attributable to owners of the parent totaling of Baht 50.91 Million, considered to net profit margin of 6.69%. Slightly higher when compared to the same period last year with a net profit attributable to the parent company totaling of Baht 33.89 Million, or net profit margin of 6.64%. Resulted from, the financial costs have been reducing from short-term loan repayment to financial institutes and a related party company during the period.

Statement of Financial Position

(Unit: Million Baht)

Details	30 Sep 2022	31 Dec 2021	Increased (Decreased)	% Changed
Assets				
Current assets				
Cash and cash equivalents	87.13	262.45	(175.32)	(66.80)
Trade and other current receivables	521.28	324.14	197.14	60.82
Contract assets	510.03	617.01	(106.98)	(17.34)
Inventories	50.61	40.84	9.77	23.93
Other current assets	9.05	10.80	(1.76)	(16.30)
Total current assets	1,178.10	1,255.24	(77.14)	(6.15)
Non-current assets				
Restricted deposit at financial institution	7.71	7.69	0.02	0.26
Property, plant and equipment	537.74	557.76	(20.02)	(3.59)
Intangible assets	12.38	12.38	-	N/A
Retention receivables	178.11	96.98	81.13	83.66
Withholding tax deducted at source	74.35	35.36	38.99	110.26
Deposits	4.37	4.41	(0.04)	(0.91)
Deferred tax assets	3.20	2.70	0.50	18.52
Total non-current assets	817.86	717.28	100.58	14.02
Total assets	1,995.96	1,972.52	23.44	1.19
Liabilities and equity				
Current liabilities				
Short-term borrowing from financial institutions	135.00	373.50	(238.50)	(63.86)
Trade and other current payables	359.68	377.92	(18.24)	(4.83)
Contract liabilities	478.00	289.86	188.14	64.91
Short-term borrowing from other party	20.00	20.00	-	N/A
Current portion of long-term borrowings from financial institutions	79.04	38.64	40.40	104.55
Current portion of Lease liabilities	24.70	30.99	(6.29)	(20.29)
Other current liabilities	50.17	44.40	5.77	13.00
Total current liabilities	1,146.59	1,175.31	(28.72)	(2.44)

Details	30 Sep 2022	31 Dec 2021	Increased (Decreased)	% Changed
Non-current liabilities				
Long-term borrowing from financial institutions	17.56	87.66	(70.10)	(79.97)
Lease liabilities	13.34	29.03	(15.69)	(54.04)
Retention payables	24.85	11.96	12.89	107.78
Non-current provisions for employee benefits	7.96	7.28	0.68	9.34
Total non-current liabilities	63.71	135.93	(72.22)	(53.13)
Total liabilities	1,210.30	1,311.24	(100.94)	(7.70)
Equity				
Share Capital – Authorized				
Issued and paid-up	147.00	147.00	-	-
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	14.70	14.70	-	-
Unappropriated	359.45	237.81	121.64	51.15
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	775.71	654.07	121.64	18.60
Non-controlling interests	9.95	7.21	2.74	38.00
Total equity	785.66	661.28	124.38	18.61
Total liabilities and equity	1,995.96	1,972.52	23.44	1.19

Assets

As at 30 September 2022, the Group's total assets of Baht 1,995.96 Million, increased of Baht 23.44 Million, or 1.19%, compared with as at 31 December 2021, which total assets totaling of Baht 1,972.52 Million. Changing of total assets as following;

Current assets; comprising of

- Account receivable and other current receivables total of Baht 521.28 Million. Increased from last year of Baht 197.14 Million. Resulted from, the increasing of transfer right of controlling contract assets and billing invoice to customers for construction contracts on hand during these period. And also those invoices, the customers have already paid its debt by the following period.
- Cash and cash equivalents totaling of Baht 87.13 Million, decreased of Baht 175.32 Million from last year. Due to, the Group has repayment short-term loan and payment for construction material to suppliers and subcontractors during the period.
- Contract assets totaling of Baht 510.03 Million, decreased from last year totaling of Baht 106.98 Million. Resulted from, the revenue recognized from percentage of work completion of previous period be able to issue invoice to customers during the period ended 30 September 2022.

- Inventories of Baht 50.61 Million, Increased from the previous year of Baht 9.77 Million. Resulted from purchased of material to be used in fabrication work for new projects signed during the period.

Non-current assets: comprising of

- Retention receivables increased of Baht 81.13 Million. Resulted from, asset right transfer and collection of construction work to customers by work completion during the period. And it has been the retention work which were deducted follow by contract's condition.
- Withholding tax deducted at source total of Baht 74.35 Million. Increasing of Baht 38.99 Million, compared with last year. Due to, the received payment from customers during the nine-month period ended 30 September 2022.
- Net total of Property, plant and equipment, including intangible assets totaling of Baht 550.12 Million, decreased of Baht 20.02 Million. Due to depreciation and amortization of construction tool and equipment. Including, the invested of new construction tools and equipment during the period.

Liabilities

As at 30 September 2022, the Group's liabilities total of Baht 1,210.30 Million, decreased of Baht 100.94 Million, or 7.70% compared with 31 December 2021. Changing of total liabilities consist of:

- The Group has short-term loan which used as working capital for existing construction projects on hand during period totaling of Baht 135 Million. These loans were reduced by repayment totaling of Baht 238.50 Million due to the debt repayment by specified time.
- Trade and other payables totaling of Baht 359.68 Million, increased totaling of Baht 18.24 Million. Resulted from, purchased of construction materials and consumable from suppliers and subcontractors during the period.
- Contract liabilities total of Baht 478 Million, increased of Baht 188.14 Million, compared with last year. Comprising as follows;

1) Construction income received in advance (the value of total billed by contract's milestone payment condition which was higher than revenue recognition of this period) total of Baht 393.07 Million. Increased of Baht 251.87 Million, these amount would be revenue recognition in the future when the Group transfer control on goods and services to customer by contract's condition.

2) Advance received from construction contracts total of Baht 84.94 Million. Decreased of Baht 63.72 Million, due to the decreasing in proportion to billing received from customers. These amount going to reduce by portion of milestone's payment which complied with contracts conditions.



Equity

For shareholders' equity to the parent Company as of 30 September 2022, total of Baht 775.71 Million, increased from previous year, total of Baht 121.64 Million, or 18.60%. The details of changing of equities consist of;

- The Group's operating results with net profit attributable to owners of the parent for the nine-month period ended 30 September 2022, totaling of Baht 168.66 Million.
- Dividend payment for the year 2021's operating results to shareholders whose names appear in the shareholder register on 18 March 2022 at 0.16 Baht per share. The total payment amounted of Baht 47.02 Million on payment schedule of 20 May 2022.

Key financial ratios

As at 30 September 2022, comparing with last year, the Group doesn't have significant changed in the key financial ratios as following;

- Current ratio was 1.03 times.
- Debt to Equity ratio (D/E) was 1.56 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer