

No. CAZ 018-2023

9 August 2023

 Subject: Management Discussion and Analysis for the 2nd Quarter ended 30 June 2023

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 2nd Quarter ended 30 June 2023, 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 Month				6 Month			
	30 Jun 23	30 Jun 22	Changed	(%)	30 Jun 23	30 Jun 22	Changed	(%)
Revenues from construction contracts	750.68	775.59	(24.91)	(3.21)	1,628.38	1,557.83	70.55	4.53
○ EPC Service	-	0.71	(0.71)	(100.00)	-	0.75	(0.75)	(100.00)
○ Structure Mechanic and Pinging (SMP E&I Service)	442.28	457.92	(15.64)	(3.41)	906.99	936.97	(29.98)	(3.20)
○ Civil & Building Service	234.80	139.53	95.27	68.28	413.89	262.89	151.00	57.44
○ General Construction Service	53.00	142.30	(89.30)	(62.75)	180.82	260.32	(79.50)	(30.54)
○ Fabrication and Other service	20.60	35.13	(14.53)	(41.36)	126.68	90.60	36.08	(39.82)
Cost of construction contracts	(654.42)	(676.32)	(21.90)	(3.24)	(1,432.63)	(1,353.40)	(79.23)	5.85
Gross profit	96.26	99.27	(3.01)	(3.03)	195.74	204.43	(8.69)	(4.25)
Other income	0.27	0.26	0.01	3.85	4.25	0.92	3.33	361.96
Administrative expenses	(34.39)	(25.03)	9.36	37.40	(59.99)	(47.50)	(12.49)	26.29
Profit before finance cost and income tax	62.14	74.50	(12.36)	(16.59)	140.00	157.85	(17.85)	(11.30)
Finance cost	(3.72)	(3.87)	0.15	(3.88)	(6.52)	(8.96)	2.44	(27.23)
Profit before income tax	58.42	70.63	(12.21)	(17.29)	133.48	148.89	(15.41)	(10.35)
Income tax	(11.93)	(14.17)	(2.24)	(15.80)	(27.45)	(29.45)	(2.00)	(6.79)
Profit for the year	46.49	56.46	(9.97)	(17.66)	106.03	119.44	(13.41)	(11.23)
Owners of the parent	46.56	55.79	(9.23)	(16.54)	102.23	117.76	(15.53)	(13.18)
Non-controlling interests	(0.07)	0.67	(0.74)	(110.45)	3.80	1.68	2.12	126.19

Revenues from construction contracts

The Group has revenue from construction contracts for Q2/2023 ended 30 June 2023, totaling of Baht 750.68 Million. Decreased of Baht 24.91 Million, or 3.21% compared with the same period of last year, which was Baht 775.59 Million. Due to several ongoing projects were in the final stage of construction works. Lead to the revenue recognition from work progression which could delivered work and transferred right of control to customers during the period decreased. Moreover, new projects signed during 2nd quarter were on the first stage of construction works which have not much revenue recognition as well.

As at 30 June 2023, the Group has backlog for construction services totaling of Baht 3,580.20 Million.

Administrative expenses

The Group's administrative expenses for Q2/2023 ended 30 Jun 2023, totalling of Baht 34.39 Million, increased of Baht 9.36 Million, or 37.40% compared with Q2/2022 which was totaling of Baht 25.03 million. Due to the increased of employee expenses.

Finance costs

The Group has financial costs during Q2/2023 totaling of Baht 3.72 Million, slightly decreased of Baht 0.15 Million or 3.88%, compared to the same period of last year. Due to repayment short-term loan which used as existing ongoing projects' working capital to financial institutes according to the maturity dates of each short-term loan.

Profitability

Gross profit and net profit of the 2nd quarter ended 30 June 2023 and 2022 as follows;

Profitability	Q2/2023		Q2/2022	
	Million Baht	%	Million Baht	%
Gross profit	96.26	12.82	99.27	12.80
Profit attributable to owners of the parent	46.56	6.20	55.79	7.19

On Q2/2023, the Group's gross profit totaling of Baht 96.26 Million, considered to gross profit margin of 12.82%. Similarly, with Q2/2022 totaling of Baht 99.27 Million or gross profit margin of 12.80%. Resulted from, several ongoing projects were in the final stage. Together with new projects signed during quarter 2nd were in the first stage of construction works as mention above.

Q2/2023, the Group's has net profit attributable to owners of the parent totaling of Baht 46.56 Million, considered to net profit margin of 6.20%. Decreased from Q2/2022 with a net profit attributable to the parent company totaling of Baht 55.79 Million, or net profit margin of 7.19%. The main reason is an increasing of administrative expenses such from employee expenses.

Statement of Financial Position

(Unit: Million

Baht)

Details	30 Jun 2023	31 Dec 2022	Increased (Decreased)	% Changed
Assets				
Current assets				
Cash and cash equivalents	187.16	116.41	70.75	60.77
Trade and other current receivables	342.03	452.42	(110.39)	(24.40)
Contract assets	948.16	589.25	358.91	60.91
Inventories	21.89	46.97	(25.08)	(53.40)
Withholding tax deducted at source	-	35.72	(35.72)	(100.00)
Other current assets	9.99	8.03	1.96	24.41
Total current assets	1,509.23	1,248.79	260.44	20.86
Non-current assets				
Restricted deposit at financial institution	0.02	7.73	(7.71)	(99.74)
Property, plant and equipment	540.90	536.92	3.98	0.74
Intangible assets	11.81	12.78	(0.97)	(7.59)
Retention receivables	140.83	220.29	(79.46)	(36.07)
Withholding tax deducted at source	81.28	57.98	23.30	40.19
Deposits	4.20	3.93	0.27	6.87
Deferred tax assets	3.21	2.94	0.27	9.18
Total non-current assets	782.25	842.57	(60.32)	(7.16)
Total assets	2,291.48	2,091.36	200.12	9.57
Liabilities and equity				
Current liabilities				
Short-term borrowing from financial institutions	197.58	175.30	22.28	12.71
Trade and other current payables	326.50	369.31	(42.81)	(11.59)
Contract liabilities	715.91	527.88	188.03	35.62
Current portion of long-term borrowings from financial institutions	26.50	77.76	(51.26)	(65.92)
Current portion of Lease liabilities	23.37	22.70	0.67	2.95
Other current liabilities	44.26	43.01	1.25	2.91
Total current liabilities	1,334.12	1,215.96	118.16	9.72

Details	30 Jun 2023	31 Dec 2022	Increased (Decreased)	% Changed
Non-current liabilities				
Long-term borrowing from financial institutions	42.00	8.62	33.38	387.24
Lease liabilities	21.07	11.83	9.24	78.11
Retention payables	18.96	28.11	(9.15)	(32.55)
Non-current provisions for employee benefits	6.78	5.52	1.26	22.83
Total non-current liabilities	88.81	54.08	34.73	64.22
Total liabilities	1,422.93	1,270.04	152.89	12.04
Equity				
Share Capital – Authorized	147.00	147.00	-	-
Issued and paid-up	147.00	147.00	-	-
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	14.70	14.70	-	-
Unappropriated	437.43	394.00	43.43	11.02
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	853.69	810.26	43.43	5.36
Non-controlling interests	14.86	11.06	3.80	34.36
Total equity	868.55	821.32	47.23	5.75
Total liabilities and equity	2,291.48	2,091.36	200.12	9.57

Assets

As at 30 June 2023, the Group's total assets of Baht 2,291.48 Million, increased of Baht 200.12 Million, or 9.57%, compared with as at 31 December 2022, which total assets totaling of Baht 2,091.36 Million. Changing of total assets as following;

Current assets; comprising of

- Cash and cash equivalents totaling of Baht 187.16 Million, increased of Baht 70.75 Million from last year. Due to, the Group has advance received from a project signed during the period, retention received from clients for works completion delivered. Including, cash received from Revenue Department for the refundable of withholding tax at source of the year 2021 during the period.
- Contract assets totaling of Baht 948.16 Million, increased from last year totaling of Baht 358.91 Million. Resulted from, the revenue recognized from percentage of projects' work completion during the period which be able to transfer right of control and issue invoices to clients in next periods.
- Account receivable and other current receivables total of Baht 342.03 Million. Decreased from last year of Baht 110.39 Million. Resulted from, invoices of ongoing projects received during the period.

- Inventories of Baht 21.89 Million, decreased from the previous year of Baht 25.08 Million. Resulted from material used of construction and fabrication works during the period for projects on hand.

Non - Current assets; comprising of

- Retention receivables decreased from the previous year of Baht 79.46 Million. Due to the receipt of retention payments from some projects which delivered work already according to the condition of contract.

Liabilities

As at 30 June 2023, the Group's liabilities total of Baht 1,422.93 Million, increased of Baht 152.89 Million, or 12.04% compared with 31 December 2022.

Current liabilities: changing consist of:

- The Group has short-term loan which used as working capital for existing construction projects on hand during period totaling of Baht 197.58 Million, or increased of Baht 22.28 Million.
- Contract liabilities total of Baht 715.91 Million, increased of Baht 188.03 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 467.10 Million, decreased of Baht 16.02 Million. Resulted from, the Group could record revenue recognition by transferred the right of control on goods and services to customer during the period from contract liabilities of last year.
- Advance received from construction contracts total of Baht 248.81 Million. Increased of Baht 201.06 Million from last year. Due to advance received of new projects signed during the year and according to the contract's condition.
- Trade and other payables totaling of Baht 326.50 Million, decreased totaling of Baht 42.81 Million. Resulted from, repayment of construction materials and consumable from suppliers and subcontractors during the period.

Non - Current liabilities: changing consist of

- Loan from financial institution totaling of Baht 42.00 Million, increased totaling of Baht 33.38 Million. Due to the Group issued a new promissory note to replace existing promissory note to a local financial institution according to the condition in the revolving loan agreement. The promissory note had term of 2 years, maturing in May 2025.

Equity

For shareholders' equity to the parent Company as of 30 June 2023, total of Baht 853.69 Million, increased from previous year, total of Baht 43.43 Million, or 5.36%. The details of changing of equities consist of;

- The Group's operating results with net profit attributable to owners of the parent for six-month ended 30 June 2023, totaling of Baht 102.23 Million.
- Dividend payment for the year 2022's operating results to shareholders whose names appear in the shareholder register on 17 March 2023 at 0.20 Baht per share. The total payment amounted of Baht 58.80 Million on payment date of 19 May 2023.

Key financial ratios

As at 30 June 2023, the key financial were similar when compared with last year. The Group have significant changed in ratios as following;

- Current ratio was 1.13 times.
- Debt to Equity ratio (D/E) was 1.67 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer