

No. CAZ 007/2019

15 May 2019

 Subject: Management Discussion and Analysis 1<sup>st</sup> Quarter ended 31 March 2019

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 first quarter ended 31 March 2019, which changed in revenue and net profit compared with the last year as follows:

**Statement of Comprehensive Income**

(Unit : Million Baht)

Details	31 Mar 2019	31 Dec 2018	Increased (Decreased)	% (%)
<b>Revenues from construction contracts</b>	414.34	374.54	39.80	10.63
- EPC Service	41.23	243.83	(202.60)	(83.09)
- Structure Mechanic and Pinging (SMP Service)	152.55	53.34	99.21	185.94
- Civil & Building Services	100.78	74.84	25.94	34.65
- Fabrication and Other services	119.78	2.53	117.25	4,634.39
Cost of construction contracts	(368.25)	(333.53)	34.72	10.41
<b>Gross profit</b>	46.09	41.01	5.08	12.38
Other income	2.70	0.27	2.43	910.24
Administrative expenses	(21.86)	(16.63)	5.23	31.45
<b>Profit before finance cost and income tax</b>	26.93	24.65	2.28	9.23
Finance cost	(2.76)	(2.97)	(0.21)	(6.96)
<b>Profit before income tax</b>	24.17	21.68	2.48	11.45
Income tax	(4.83)	(4.32)	0.51	11.75
<b>Profit for the year</b>	19.34	17.36	1.98	11.38
<b>Profit attributable to:</b>				
Owners of the parent	19.23	16.83	2.40	14.27
Non-controlling interests	0.11	0.53	(0.43)	(80.08)

## 1. Revenues from contraction contracts

On 1<sup>st</sup> Quarter 2019, the Group has revenue from construction contracts total of 414.34 Million Baht, compared with same period of last year, total revenue from construction of 374.54 Million Baht. Increased to 39.80 Million Baht, or or 10.63%. The main reason of revenue growth resulted from revenue recognition by percentage of completion of projects which were hired on 2017 – 2018.

Since 1<sup>st</sup> January 2019, the Group has adopted the new Thai Financial Reporting Standards (TFRS) no. 15, Revenue from contracts with customer. The adoption of TFRS 15 mainly affects the Group's accounting treatment cause the Group could not record revenue for procurement and fabrication service which not yet deliver to the client. As IFRS 15 state that revenue can be recognized when customer obtains control of that good or service. In the past, the Group recorded revenue and cost of procurement and fabrication service by percentage of completion according to TAS11.

The portion of each segment revenue of Q1-2018 & Q1-2019 as follows;

Revenue by segment	Q1-2019 (Million Baht)	Portion (%)	Q1-2018 (Million Baht)	Portion (%)
1. EPC Service	41.23	9.95	243.83	65.10
2. SMP Service	152.55	36.82	53.34	14.24
3. Civil & Building Service	100.78	24.32	74.84	19.98
4. Fabrication and Other Service	119.78	28.91	2.53	0.68
<b>Total construction service income</b>	<b>414.34</b>	<b>100.00</b>	<b>374.54</b>	<b>100.00</b>

1<sup>st</sup> Quarter 2019, the Group has main proportion of revenue from SMP E&I service, Fabrication and Other services, and Civil & Building Services. As the customers in Petrochemical and Energy sector have project value more than 10,000 Million Baht, the Group can perform construction service by being sub-contractor from the main contractors. As at 31 March 2019, the Group has backlog for construction service in oil and gas sector totaling of 2,133.33 Million Baht.

## 2. Other revenue

The Group's other revenue comprise of office rental, sales scrap, or unused assets. On Q1-2019, the Group's other revenue was total amount of 2.70 Million Baht. Increased from same period of last year, resulted from profit and loss from exchange rate and profit from selling unused assets.

### 3. Administrative expenses

On 1<sup>st</sup> Quarter, 2019, the Group's administrative expense total amount of 21.86 Million Baht, increased by 5.23 Million Baht, or 31.45% compared with Q1-2018, resulted from the increasing of employee expenses & compensations, director remuneration expense, audit fee, training, and utilities. Including, directly attributable expense of the initial public offering.

#### Statement of Financial Position

(Unit: Million Baht)

Details	31 Mar 2019	31 Dec 2018	Increased (Decreased)	%
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	16.45	35.22	(18.77)	53.27
Short-term investment	94.00	-	94.00	n.a.
Trade and other receivables	116.68	208.40	(91.72)	(44.01)
Unbilled receivables	402.97	273.72	129.25	47.22
Inventories	120.84	135.92	(15.08)	(11.09)
Other current assets	12.61	6.85	5.75	83.92
<b>Total current assets</b>	<b>763.55</b>	<b>660.11</b>	<b>103.45</b>	<b>15.67</b>
<b>Non-current assets</b>				
Restricted bank deposits	14.84	20.79	(5.95)	(28.64)
Property, plant and equipment	366.10	357.14	8.96	2.51
Intangible assets	11.88	11.65	0.23	1.97
Retention receivables	31.93	37.25	(5.32)	(14.27)
Withholding tax deducted at source	66.61	61.31	5.30	8.65
Deposits	0.93	0.85	0.08	9.86
Deferred tax assets	0.68	0.67	0.01	2.10
<b>Total non-current assets</b>	<b>492.97</b>	<b>489.65</b>	<b>3.32</b>	<b>0.68</b>
<b>Total assets</b>	<b>1,256.53</b>	<b>1,149.76</b>	<b>106.77</b>	<b>9.29</b>
<b>Current liabilities</b>				
Short-term borrowing from banks	-	59.18	(59.18)	n.a.
Trade and other payables	233.68	286.57	(52.89)	(18.46)

Details	31 Mar 2018	31 Dec 2018	Increased (Decreased)	%
Service income received in advance	356.83	422.43	(65.60)	(15.53)
Current portion of long-term borrowings from banks	38.68	38.64	-	-
Current portion of liabilities under finance lease agreements	1.21	1.45	(0.24)	(16.29)
Other current liabilities	9.98	22.16	(12.18)	(54.95)
<b>Total current liabilities</b>	<b>640.35</b>	<b>830.43</b>	<b>(190.08)</b>	<b>(22.89)</b>
<b>Non-current liabilities</b>				
Long-term borrowing form banks	133.32	143.70	(10.38)	(7.22)
Finance lease liabilities	2.72	3.00	(0.28)	(9.32)
Retention payables	9.58	7.96	1.62	20.34
Employee benefit obligations	3.15	3.07	0.08	2.62
<b>Total non-current liabilities</b>	<b>148.76</b>	<b>157.72</b>	<b>(8.96)</b>	<b>(5.68)</b>
<b>Total liabilities</b>	<b>789.11</b>	<b>988.16</b>	<b>(199.04)</b>	<b>(20.14)</b>
<b>Equity</b>				
Share Capital - Authorized	140.00	140.00	-	-
Issued and paid-up	140.00	100.00	40.00	40.00
Share premium	246.11	-	246.11	n.a.
Retained earning				
Appropriated - legal reserve	5.09	5.09	-	-
Unappropriated	63.87	44.31	19.56	44.13
Equity attributable to owners of the parent	8.45	8.45	-	-
<b>Equity attributable to owners of the parent</b>	<b>463.51</b>	<b>157.85</b>	<b>305.66</b>	<b>193.64</b>
Non-controlling interests	3.90	3.75	0.15	4.03
<b>Total equity</b>	<b>467.41</b>	<b>161.60</b>	<b>305.81</b>	<b>189.24</b>
<b>Total liabilities and equity</b>	<b>1,256.52</b>	<b>1,149.76</b>	<b>106.77</b>	<b>9.29</b>

## Assets

As at 31 March 2019, the Group's total assets were 1,256.53 Million Baht, increased by 106.77 Million Baht, or 9.29% compared with 31 December 2018 which total assets were 1,149.76 Million Baht. The increasing of total assets came from the increased cash and cash equivalents, including with short-term investment by 75.24 Million Baht. Resulted from the Group's offered its ordinary shares to the initial public offering on 8-15 January 2019. And the Group's assets increased from Unbilled receivables total of 129.25 Million Baht. Increased from revenue recognized which greater than milestone payment of the Group customers.

The Group's invested in property, plant and equipment, including intangible assets in order to increase capabilities and support new projects total of 24.11 Million Baht. After depreciation deducted and decreasing of Restricted bank deposits which cause the Group's non-current assets as 31 March 2019, increased by 3.32 Million Baht, or 0.68% compared with end last year.

## Liabilities and equity

As at 31 March 2019, the Group's liabilities were 789.11 Million Baht, decreased to 199.04 Million Baht or 20.14% compared to 31 December 2018. Total liabilities at the end of Q1-2019 consist of;

- As at 31 March 2019, the Group doesn't have Short-term loans from the bank. Due to, repayment all short-term loans amount which used as working capital in the Group of 59.18 Million Baht on January 2019.
- Trade and other payables amounted to 233.68 Million Baht, decreased of 52.89%, or 18.46%. Resulted from, the purchase of products and construction materials and outsourcing subcontractors.
- Advance received from construction contracts and construction income received in advance amounted of 356.83 Million Baht, 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 77.47 Million Baht. These amount would be recognized revenue 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 279.36 Million Baht which were advanced received from customers. And these amount going to reduce by portion of next milestone's payment follow by contract.

However, Service income received in advance and Advance received from construction contracts were reduced by 65.60 Million Baht or 15.53%, compared with last year. Due to revenue recognize during this period.



# CAZ (Thailand) Public Company Limited



239 Huaypong-Nongbon Rd, T.Huaypong,  
A.Muangrayong, Rayong 21150. Thailand

Telephone: (+66)-336-062-42. Facsimile: (+66)-336-061-66

- Long-term loans from banks decreased from the end of previous year total of 10.31 Million Baht, or 7.22%, due to the repayment in accordance with the contract and the duration.

## Equity

For shareholders' equity to the parent Company as of 31 March 2019, total amount of 463.51 Million Baht increased from last year, by total amount of 305.66 Million Baht, or 193.64%. Resulted as reasons following;

- The Group's operating results with net profit for 3-month period of 19.36 Million Baht.
- The Group offered its ordinary shares to the initial public offering (IPO) by issuing 80,000,000 ordinary shares on 8-15 January 2019. The new shares were sold to the subscribers at the price of Baht 3.90 per share (0.50 Baht for paid up capital and 3.40 Baht for share premium) total of 312 Million Baht. And the shares of the Company began trading in the Stock Exchange of Thailand (mai) on 22 January 2019. Directly attributable expenses of the IPO total of 25.89 Million Baht were deducted with share premium received from the shareholders.

## Key financial ratios

- The Group has current ration as of 31 March 2019 was 1.19 times, which higher liquidities than last year ratio. Resulting from;
  - 1) The value of current assets increased from cash received from IPO and unbilled receivables.
  - 2) Current liabilities of the Group were decreased from Advance received from construction contracts and construction income received in advance. Due to revenue recognized during this period.
  - 3) The Group's liabilities were decreased from payment term of the purchase of products and construction materials and outsourcing subcontractors.
- After the initial public offering (IPO), including with cash received after deducted directly attributable expenses of IPO, the Group has total equity of 467.41 Million Baht lead Debt to Equity ratio (D/E) as of 31 March 2019 was 1.70 times. Decreased from last year, which has D/E 6.26 times.
- The Group's Interest bearing debt as of 31 March 2019 was 0.38 times, decreased from last year of 1.56 times. Due to the increasing of equity by IPO which mention above.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer