

No. CAZ 004-2021

23 February 2021

Subject: Management Discussion and Analysis for the year ended 31 December 2020

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 year ended 31 December 2020, which changed in revenue and net profit compared with same period of last year as follows:

Statement of Comprehensive Income

(Unit : Million Baht)

Details	31 Dec 2020	31 Dec 2019	Increased (Decreased)	(%)
Revenues from construction contracts	2,233.06	2,034.46	198.60	9.76
- EPC Service	44.98	434.44	(389.46)	(89.65)
- Structure Mechanic and Pinging (SMP and E&I Services)	1,037.52	778.26	259.26	33.31
- Civil & Building Service	808.40	540.30	268.10	49.62
- Fabrication and Other service	342.16	281.46	60.70	21.57
Cost of construction contracts	(2,055.14)	(1,851.87)	(203.27)	(10.98)
Gross profit	177.92	182.59	(4.67)	(2.56)
Other income	3.37	6.19	(2.82)	(45.51)
Administrative expenses	(74.62)	(78.03)	3.41	(4.36)
Profit before finance cost and income tax	106.67	110.75	(4.08)	(3.69)
Finance cost	(27.15)	(15.31)	(11.84)	77.36
Profit before income tax	79.52	95.44	(15.92)	(16.69)
Income tax	(15.59)	(20.44)	4.85	(23.73)
Profit for the year	63.93	75.00	(11.07)	(14.77)
Owners of the parent	61.51	75.46	(13.95)	(18.49)
Non-controlling interests	2.42	(0.46)	2.88	(627.60)

Business overview

As the coronavirus (COVID-19) has been spreads to global pandemic, including Thailand, which the pandemic has started since February 2020. It leads the government has lunched many preventive measures to prevent the outbreak of COVID-19. The Group has strictly adhered to government preventive measures. Especially, curfew during period of Quarter 2/2020, and up to present for social distancing campaign. However, due to the government's prevent of COVID-19 spread measures, its has been affected to the Group's 2020 plan which was started from Q2/2020's operating results and still continuing upto present. Main reasons were postpone to start work of new projects which signed during the beginning of this year. Including, signing new contracts and award schedule was delayed. It effects to the Company's operating performance of 2020 as following;

1. Revenues from contruction contracts

The Group has revenue from construction contracts for 2020 ended 31 December 2020, totaling of Baht 2,233.06 Million, increased of Baht 198.61 Million, or 9.76%. Compared with the same period of last year which totaling of Baht 2,034.46 Million. Resulted from transferred right of control on the construction projects both revenue from constuction of EPC service by using output method and revenue from construction contracts which are defined by using the percentage of completion method.

As at 31 December 2020, the Group has backlog for construction services in oil, gas and petrochemical industrial totaling of Baht 3,816.46 Million. And also on 7 January 2021(**Reference to notification of project awarded no. CAZ-001-2021, dated 7 January 2021**), The Group announcement of two new projects awarded which a Clean Fuel Project total value of Baht 106.58 Million be going to start contract on January 2021. Resulting to, At present the Group has backlog totaling of Baht 3,923.04 Million. Additional, at present bidding construction contracts from target customers are based on their requirements. Lead to the Group construction segment services income are varieties into each segment and not focusing on any particular service group.

2. Adminstrative expenses

On 2020, the Group's administrative expenses totaling of Baht 74.62 Million, decreased of Baht 3.40 Million, or 4.36% compared with 2019 which was totaling of Baht 78.03 million. Resulted from, the COVID-19 pandemic which cause reducing of 2020's revenue planning. On the other hand, its lead to construction costs increasing from budget as well. By these reasons, the Group tries to control administrative expenses and reduce estimates of key expenses, including employee bonuses to comply with the declining of this year performance.

3. Profitability

Gross profit and net profit of the year ended 31 December 2020 and 2019 as follows;

Profitability	2020		2019	
	(Million Baht)	%	(Million Baht)	%
Gross profit	177.92	7.97	182.59	8.97
Profit attributable to owners of the parent	61.51	2.75	75.46	3.70

The Group's profitability for 2020 has gross profit margin of 7.97% and net profit margin of 2.75%. Reduced from 2019, compared with gross profit margin of 8.97% and net profit margin of 3.70%. Due to the impact of COVID-19 pandemic, which caused the Group had to improve budget costs control in some projects. Such as increased costs of labor, tool and consumable, including hygiene products used for preventing the spread of coronavirus. Additional, by COVID-19's impact, it also caused the new contracts which signed during 2020 were postponed to start work on Q3 – Q4/2020 period. It leads the quantities of delivery works of each project and billing are small amount as well. As a result, the Group has to get short-term financial assistance from financial institutions and related parties for the Group's working capital and projects on hand which cause the Group has financial cost higher than last year.

Statement of Financial Position

(Unit: Million Baht)

Details	31 Dec 2020	31 Dec 2019	Increased (Decreased)	%
Assets				
Current assets				
Cash and cash equivalents	142.42	31.33	111.09	354.58
Trade and other current receivables	204.87	186.08	18.80	10.10
Contract assets	512.28	564.88	(52.60)	(9.31)
Inventories	34.54	9.72	24.82	255.41
Other current assets	7.26	13.16	(5.90)	(44.81)
Total current assets	901.38	805.17	96.21	11.95
Non-current assets				
Restricted deposit at financial institution	10.02	32.95	(22.93)	(69.59)
Property, plant and equipment	557.39	527.97	29.42	5.57
Intangible assets	13.22	11.28	1.94	17.17



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Details	31 Dec 2020	31 Dec 2019	Increased (Decreased)	%
Retention receivables	54.17	10.56	43.61	412.99
Withholding tax deducted at source	132.81	96.48	36.33	37.66
Deposits	3.41	2.11	1.30	61.48
Deferred tax assets	2.63	1.08	1.55	143.61
Total non-current assets	773.65	682.43	91.22	13.37
Total assets	1,675.02	1,487.60	187.43	12.60
Liabilities and equity				
Current liabilities				
Bank overdraft	0.01	16.70	(16.69)	(99.95)
Short-term borrowing from financial institutions	509.10	222.25	286.86	129.07
Trade and other current payables	265.03	327.16	(62.12)	(18.99)
Contract liabilities	141.08	217.25	(76.16)	(35.06)
Short-term borrowing from related parties	-	2.50	(2.50)	(100.00)
Short-term borrowing from third party	20.00	-	20.00	100.00
Current portion of long-term borrowings from financial institutions	38.64	38.64	-	-
Current portion of Lease liabilities	20.39	8.34	12.05	144.53
Other current liabilities	25.80	21.38	4.42	20.69
Total current liabilities	1,020.07	854.22	165.85	19.42
Non-current liabilities				
Long-term borrowing from financial institutions	84.30	105.06	(20.76)	(19.76)
Lease liabilities	26.37	20.69	5.68	27.44
Retention payables	8.94	8.30	0.64	7.7
Non-current provisions for employee benefits	7.14	5.06	2.08	41.07
Total non-current liabilities	126.74	139.11	(12.36)	(8.89)
Total liabilities	1,146.81	993.33	153.49	15.45
Equity				
Share Capital – Authorized	140.00	140.00	-	-
Issued and paid-up	140.00	140.00	-	-
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	12.00	9.15	2.85	31.14
Unappropriated	116.03	87.31	28.71	32.89
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	522.58	491.02	31.56	6.43



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Details	31 Dec 2020	31 Dec 2019	Increased (Decreased)	%
Non-controlling interests	5.68	3.25	2.42	74.37
Total equity	528.26	494.27	33.98	6.88
Total liabilities and equity	1,675.07	1,487.60	187.47	12.60

Assets

As at 31 December 2020, the Group's total assets of Baht 1,675.07 Million, increased of Baht 187.47 Million, or 12.60% compared with last year as at 31 December 2019, which total assets of Baht 1,487.60 Million. The changing of total assets as follows;

Current assets: comprising of

- Cash and cash equivalents totaling of Baht 142.42 Million, increased of Baht 111.09 Million from last year. Resulted from, short-term loan for the Group working capital.
- Account receivable and other current receivables totaling of Baht 204.87 Million. Increased from last year of Baht 18.80 Million. Due to increasing of transfer right of controlling asset and billing invoice to customers for construction contracts on hand. The Group's has duration credit term payment period with customer around 30 days to 45 days.
- Contract assets (Unbilled receivables) totaling of Baht 512.28 Million. Reduced of Baht 52.60 Million, compared with last year. Resulted from, the Group has gradually delivered right of controlling asset and issuing invoices to customers during the period.
- Inventories totaling of Baht 34.54 Million, increased from the previous year of Baht 24.82 Million by purchasing material for projects on hand.

Non-current assets: comprising of

- Restricted deposit at financial institution totaling of Baht 10.02 Million, reduced of Baht 22.93 Million. Resulted from, return of cash collateral totaling of Baht 22.50 Million from financial institutions which were the release bank guarantee and short-term loan.
- Net total of Property, plant and equipment, including intangible assets totaling of Baht 570.61 Million, increased of Baht 31.36 Million. Due to improving of the new land and property at Pluangdang district, Rayong province. Moreover, the Group invested into construction tool and equipment in order to improving capabilities and support new projects.



- Retention receivables totaling of Baht 54.17 Million, increased of Baht 43.61 Million from last year. Resulted from projects retention deduction when the Group delivered work in each progress during period. The rate of retention is accordance with construction service agreement with customers.
- Withholding tax deducted at source increasing of Baht 36.33 Million. Due to, customers' payment for construction service during the period. (On process with revenue department)

Liabilities

As at 31 December 2020, the Group's liabilities total of Baht 1,146.81 Million, decreased of Baht 153.49 Million, or 15.45% compared 2019. Changing of total liabilities consist of:

- The Group has short-term loan from banks to be used as working capital during the period as follows;
 - Short-term borrowing from financial institutions such as; factoring, and promissory note in accordance with the credit facilities that the Group has. Increased of Baht 286.86 Million, due to the short-term finance assistance for pay off debt such vendors and sub-contractors. Including, for the Group's working capital and new projects which signed during the period.
 - The short-term borrowing from a third party increased of Baht 20.00 Million
- Trade and other payables totaling of Baht 265.03 Million, decreased of Baht 62.12 Million. Resulted from, payoff suppliers for materials and subcontractors during period.
- Contract liabilities total of Baht 141.03 Million, 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 31.64 Million. 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 Baht 109.44 Million which were advanced received from customers. And these amount going to reduce by portion of next milestone's payment follow by contract.

However, contract liabilities that mention above decreased of Baht 76.16 Million, or 35.06% compared with last year. These changing resulted from construction income received in advance decreasing during the period.

- Long-term loan from banks totaling of Baht 122.94 Million, decreased of Baht 20.76 Million, compared with 31 December 2019, or decreased of 14.45%. Due to the repayment according to the contract schedule. In addition, in April 2020, the Group amended its credit facility agreement with a financial institution by having the grace period of principal loan repayment for 6 months from April to September 2020. The final repayment date of long-term borrowings from financial institutions will be due within February 2024 which is replaced the formal one in September 2023.

Equity

Shareholders' equity to the parent Company as of 31 December 2020, totaling of Baht 522.58 Million, increased from previous year totaling of Baht 31.56 Million, or 6.43%. Changing of equities of the Group as following;

- Operating results with net profit attributable to owners of the parent for the year ended 31 December 2020 total amount of Baht 61.51 Million.
- Interim dividend payment for the year 2019's operating results to shareholders whose names appear in the shareholder register on 16 March 2020 total of 280 Million shares, at 0.11 Baht per share. The total payment amounted of Baht 30 Million on 5 May 2020.

Key financial ratios

As at 31 December 2020, comparing with last year, the Group has significant financial ratios as following;

- Debt to Equity ratio (D/E) as of 31 December 2020 was 2.19 times. A little bit increased compare with end of last year which D/E ratio was at 2.02 times.
- Interest bearing debt as of 31 December 2020 was 1.30 times. Similar with 31 December 2019 which has interest bearing debt was 0.84 times. Resulted from, short-term loan for the Group working capital.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer