

30th September 2021

Subject Management Discussion and Analysis on the Financial Statements for the 2nd Quarter of 2021 (1st April – 30th June)

Attention The President
The Stock Exchange of Thailand

CPANEL Public Company Limited (the “Company”) would like to notify the operating and financial performances for the 2nd quarter of 2021 (1st April – 30th June) with details as follows;

Items	2 nd Quarter 2020		2 nd Quarter 2021	
	mn THB	%	mn THB	%
Sales Revenue	43.47	100.00%	70.48	100.00%
Cost of Goods Sold	(29.35)	(67.53%)	(46.37)	(65.79%)
Gross Profit	14.12	32.47%	24.11	34.21%
Other Revenue	0.05	0.11%	0.44	0.62%
Distribution and Sales Expenses	(3.84)	(8.82%)	(6.87)	(9.75%)
General and Admin Expenses	(6.10)	(14.03%)	(9.54)	(13.53%)
Operating Profit	4.23	9.73%	8.14	11.55%
Financial Costs	(4.00)	(9.21%)	(4.07)	(5.77%)
Income Tax Revenue (Expenses)	0.07	0.17%	1.30	1.85%
Net Profit	0.30	0.69%	5.37	7.62%

In the 2nd quarter of 2020 and 2021, the Company has generated sales revenue of 43.47 mn baht and 70.48 mn baht, and net profit of 0.30 mn baht and 5.37 mn baht which can be calculated as net profit margin of 0.68% and 7.57% of total revenue, respectively.

Sales Revenue

The Company has sales revenue from selling precast concrete to real estate developers and contractors with details as follows;

Revenue Composition	2 nd Quarter 2020 (Apr. – Jun.)		2 nd Quarter 2021 (Apr. – Jun.)	
	mn THB	%	mn THB	%
Real Estate Developers	39.88	91.73%	36.64	51.99%
Contractors	3.55	8.18%	33.75	47.89%
Others	0.04	0.09%	0.09	0.12%
Total Sales Revenue	43.47	100.00%	70.48	100.00%

and sales revenue according to residential real estate type can be sorted as follows;

Revenue Composition	2 nd Quarter 2020 (Apr. – Jun.)		2 nd Quarter 2021 (Apr. – Jun.)	
	mn THB	%	mn THB	%
Sales Revenue				
Low-Rise Projects				
Single House	4.86	11.17%	8.69	12.33%
Twin House	5.54	12.74%	1.25	1.78%
Townhomes	27.06	62.26%	46.83	66.44%
Total Sales Revenue from Low-Rise Projects	37.46	86.17%	56.77	80.55%
High-Rise Projects				
Low Rise	2.46	5.65%	0.70	0.99%
High Rise	0.00	0.00%	0.00	0.00%
Total Sales Revenue from High-Rise Projects	2.46	5.65%	0.70	0.99%
Others ^{/1}	3.55	8.18%	13.01	18.46%
Total Sales Revenue	43.47	100.00%	70.48	100.00%

Note: /1 – Revenue categorized as others comprise of other building materials and non-residential projects such as factories, laundry house, and warehouses

In 2nd quarter 2021, the Company's sales revenue increased from the same quarter of the previous year of 27.01 mn baht or 62.13%. During COVID-19 pandemic in 2020 which forced the customers to halt the construction process thereby, postponing the shipment orders. However, the pandemic situation has improved from the preventive measures from the government and higher vaccination rate in 2021. Moreover, the customers have accelerated the construction of unfinished projects from the halt in 2020.

In 2nd quarter 2021, the Company has sales revenue from real estate developers, contractors, and others of 51.99%, 47.89%, and 0.12%, respectively. The contractors' sales revenue proportion increased from factory projects and low-rise projects with revenue proportion of 18.39% and 19.80%, respectively.

Other Revenue

Other revenue comprised of gain from exchange rates, gain(loss) from asset disposition, revenue from sales of metal scraps from the production process with steady sales every year. Moreover, it is deemed to be recurring operating revenue, interest income, and other revenue. In 2nd quarter 2021, the Company has other revenue of 0.44 mn baht or 0.62% of sales revenue.

Cost of Goods Sold and Gross Profit Margin

Items	2 nd Quarter 2020 (Apr. – Jun.)		2 nd Quarter 2021 (Apr. – Jun.)	
	mn THB	%	mn THB	%
Sales Revenue	43.47	100.00%	70.48	100.00%
Cost of Goods Sold	29.35	67.53%	46.37	65.79%
Gross Profit and Gross Profit Margin	14.12	32.47%	24.11	34.21%

Cost of Goods Sold comprised of raw material for concrete mixture which include cement, stones, sand, and concrete admixture, other raw material in precast concrete which include steel, water pipes, electrical pipes, and insert system. Other cost of goods sold include machine depreciation, labor, and miscellaneous. In 2nd quarter 2021, the Company has cost of goods sold of 46.37 mn baht with gross profit of 24.11 mn baht or gross profit margin of 34.21%. The increased in the gross profit margin due to the development of concrete mixture to be more cost efficient and another reason is economy of scale from the significant increase in sales revenue, even though steel price has increased significantly in the 2nd quarter 2021.

Distribution and Sales Expenses

The Company has distribution and sales expenses in the 2nd quarter 2021 of 6.87 mn baht or 9.75% of sales revenue. The majority of the distribution and sales expenses are considered to be variable costs such as traveling and shipment expenses with ratio of 5.54% - 5.83% of sales revenue and the rest are mostly fixed costs such as salary and individual expenses that related to sale and delivery truck depreciation, etc. The increasing in distribution and sales expenses correspond with the increasing in sales revenue. However, the

ratio of distribution and sales expenses to sales revenue slightly increased from the same quarter of the previous year due to higher shipment costs.

General and Administrative Expense

The Company has general and administrative expenses in 2nd quarter 2021 of 9.54 mn baht, an increase of 3.44 mn baht from the same quarter of the previous year. From the loss recognition of the write-off of machine parts due to reach the maintained date, bonus expenses for the year 2021 (no bonus expenses for the year 2020), provident fund contribution expenses which was established on 5th March 2021, and other expenses regarding the securities listing activities.

Financial Costs

Financial costs comprised of interest expenses paid to financial institutions, interest expenses from lease contracts, bank's fees, and interest expenses paid to related parties. In 2nd quarter 2021, the Company has financial costs of 4.07 mn baht or 5.73% of total revenue. The Company borrowed loans from financial institution of 53.96 mn baht to repay the loans from related parties since May 2021 which will increase the interest expenses by 3% of the aforementioned amount. The reason is the interest rate charged by the financial institution on the new loan was amount to MLR p.a. comparing to the rate charged by the related parties which was MLR-3% according to the loan agreement signed by the shareholders in 2014.

Net Profit and Net Profit Margin

The Company has net profit in 2nd quarter 2021 of 1.94 mn baht or net profit margin of 2.73%, an increase of 1.64 mn baht from the significant increase in sales revenue from the rush to finish the construction process, the significant increase in gross profit margin, even though the Company was impacted by the increase in steel price in the early 2021, and the increase in expenses related to securities listing activities.

Return on Equity

The Company has return on equity in 2nd quarter of 2020 and 2021 of 1.07% and 5.85% (annually adjusted for comparison purposes), respectively. The return on equity increased from the same quarter of the previous year mainly from the increase in net profit.

Assets

The Company has total assets on 30 June 2021 of 542.70 mn baht, an increase from 31 December 2020 of 6.39 mn baht or 1.19%. The increase was from cash and cash equivalents from the sales of products during the first 6 months period of 2021 and the increase in inventories according to the near shipment schedule.

Liabilities

The Company has total liabilities on 30 June 2021 of 399.12 mn baht, a decrease from 31 December 2020 of 10.39 mn baht or 2.54% from financial institutions' long term loan repayment according to the pre-determined loan repayment schedule.

Shareholders' Equity

The Company has shareholders' equity on 30 June 2021 of 143.58 mn baht, an increase from 31 December 2020 of 16.78 mn baht or 13.24% from the increase retained earnings generated during the first 6 months of 2021.

Cash Flows

According to the Cash Flow Statement of the first 6 months period of 2021, the Company has net cash inflows from operating activities of 60.38 mn baht from the increase in net profit, account receivable payments from clients, and advances and deposits received from the clients. The Company has net cash outflows from investing activities of 12.31 mn baht for the purchase of machinery parts to maintain the machines according to the preventive maintenance standard. Lastly, the Company has net cash outflows from financing activities of 36.65 mn baht from financial institutions' long term loan repayment according to the repayment schedule. Consequently, the Company has cash and cash equivalents of 30 June 2021 of 26.74 mn baht.

Please be informed accordingly

Best Regards,
CPANEL Public Company Limited

(Mr. Chakrit Theepakornsukkasame)
Managing Director