



CIVIL ENGINEERING



Civil Engineering Public Company Limited

Management Discussion and Analysis

of Consolidated Financial Statements

for year ended 31 December 2021



Management Discussion and Analysis of Consolidated Financial Statements for year ended 31 December 2021

| Statements of consolidated comprehensive income | FY21 | FY22 | Change (YoY) | |
|---|--------------------------|--------------------------|--------------------------|----------------|
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Percentage |
| Revenues | | | | |
| Revenues from construction services | 4,803.27 | 3,752.31 | 1,050.96 | 28.01% |
| Sales of construction materials | 226.62 | 327.67 | (101.05) | (30.84%) |
| Rental income | 16.00 | 14.73 | 1.27 | 8.62% |
| Other income | 16.95 | 34.87 | (17.92) | (51.39%) |
| Total revenues | 5,062.84 | 4,129.58 | 933.26 | 22.60% |
| Expenses | | | | |
| Cost of construction services | 4,318.91 | 3,404.26 | 914.65 | 26.87% |
| Cost of sales of construction materials | 211.09 | 309.71 | (98.62) | (31.84%) |
| Cost of rent | 10.59 | 9.27 | 1.32 | 14.24% |
| Administrative expenses | 286.31 | 292.72 | (6.41) | (2.19%) |
| Total expenses | 4,826.90 | 4,015.96 | 810.94 | 20.19% |
| Profit from operating activities | 235.94 | 113.62 | 122.32 | 107.66% |
| Finance income | 1.29 | 1.80 | (0.51) | (28.33%) |
| Finance cost | (6.36) | (8.98) | (2.62) | (29.18%) |
| Profit before income tax expenses | 230.87 | 106.44 | 124.43 | 116.90% |
| Income tax expenses | (38.20) | (19.55) | 18.65 | 95.40% |
| Profit for the year | 192.67 | 86.89 | 105.78 | 121.74% |
| Earnings per share (Baht) | 0.39 | 0.17 | 0.22 | 129.41% |

| Statements of consolidated financial position | 31 December 2021 | 31 December 2020 | Change | |
|---|--------------------------|--------------------------|--------------------------|------------|
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Percentage |
| Assets | 6,526.31 | 4,944.85 | 1,581.46 | 31.98% |
| Liabilities | 5,754.21 | 3,885.42 | 1,868.79 | 48.10% |
| Shareholders' equity | 772.10 | 1,059.43 | (287.33) | (27.12%) |



Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the year 2021 amounting to 192.67 million baht, an increase from the same period of the previous year by 105.78 million baht or 121.74%. This was mainly due to the growth in construction revenues in new construction projects incurred in the year and continued from the progress of construction projects which started in the second half of the previous year. At the same time, the trend of gross margins of construction projects in the current year tended to be higher due to efficient management of construction projects following new construction technology and innovations, as well as the benefits from economies of scale. Meanwhile, revenues from the sales of construction materials declined from the same period of the previous year, but gross profit margin increased. Therefore, it did not affect the net profit significantly.

Revenue from construction services

The Company and its subsidiaries had revenues from construction services of 4,803.27 million baht or 94.87% of total revenue, an increase of 1,050.96 million baht from the same period of the previous year, or 28.01%. This was mainly due to the revenue growth from new construction projects in the current year and the continuous progress of the construction projects starting from the second half of the previous year. Besides this, the volume of construction projects during the current year is higher than the same period of the previous year, which comes from the benefit of highly expanded backlog projects in the previous year. Many large construction projects have more construction areas. Thus, the Group could have more construction progress, in line with the implementation of new construction technology and innovations. Meanwhile the works are expedited to be handed over according to the contracts. So, there is a significant increase in construction revenues.

Revenue from sales of construction materials

The Company and its subsidiaries had revenues from sales of construction materials of 226.62 million baht or 4.48% of total revenue, a decrease of 101.05 million baht from the same period of the previous year or 30.84%. This was due to a decrease in the volume of construction material sales, mainly from the trend of rising commodity prices, such as steel and concrete, which increased the burdens on some subcontractors. Therefore, some subcontractors turned to manage their procurement from other sources themselves or slowed down purchasing, whereas some new subcontractors chose to accept the jobs only on part of the labor force.

Revenue from rental

The Company and its subsidiaries had rental revenues of 16 million baht or 0.32% of total revenue, an increase of 1.27 million baht from the same period of the previous year or 8.62%, as a result of increased revenue from office space rental due to new tenants for rental agreements in the current year.



Cost of construction services

The Company and its subsidiaries had cost of construction services of 4,318.91 million baht, an increase of 914.65 million baht from the same period of the previous year or 26.87%, in accordance with an increase in revenue from construction services. The Company and its subsidiaries had gross profit of 484.36 million baht, an increase of 136.31 million baht from the same period of the previous year or 39.16%. The gross profit margin for the year 2021 was 10.08%, an increase from the same period of the previous year of 9.28%. The main factor is due to the gross profit of the current year having an upward trend from efficient construction project management following the construction technology and benefits from economies of scale. This includes the effects of many small-scale road construction projects, which normally have higher gross margins, and the proportion of profits from the increased revenue of the airport group, while in the same period last year, the proportion of the revenue from construction services came from the railway projects more than the road projects. The group of railway projects had a lower gross margin. As a result, the gross profit of the construction projects was lower than the current year. However, the gross profit margin remained higher than the average value of the construction business industry group.

Cost of sales of construction material

The Company and its subsidiaries had cost of sales of construction material of 211.09 million baht, a decrease of 98.62 million baht from the same period of the previous year or 31.84%, in line with the decrease in revenue from sales of construction materials in the year. The Company and its subsidiaries had gross profit of 15.53 million baht, a decrease of 2.43 million baht from the same period of the previous year, or 13.53%. The gross profit margin of sales of construction materials for the year 2021 was 6.85%, an increase from the same period of the previous year of 5.48% due to the cost of sales of construction materials from factories produced by the Group themselves, as well as the benefits from economies of scale following the use of information technology systems for efficient procurement planning. Therefore, the gross margin increased slightly.

Cost of rent

The Company and its subsidiaries had cost of rent of 10.59 million baht, an increase of 1.32 million baht from the same period of the previous year or accounted for 14.24%, with the gross profit of 5.41 million baht, a decrease of 0.05 million baht from the same period of the previous year. The gross profit margin of 2021 was 33.81%, a decrease from the same period of the previous year of 37.07%, which affected the lower gross margin due to an increase in the cost of rent from the depreciation expenses following the partial renovation of the building.



Other income

The Company and its subsidiaries had other income of 16.95 million baht, a decrease of 17.92 million baht from the same period of the previous year or 51.39%. This was due to the revenue in 2020 from transfer of rights in the joint venture of 19.13 million baht and profit from the sales of fixed assets of 11 million baht. In 2021, there was profit from the sale of fixed assets of 7 million baht and the revenue from sales of production scrap of 3.6 million baht.

Administrative expenses

The Company and its subsidiaries had administrative expenses of 286.31 million baht, a decrease of 6.41 million baht or 2.19% from the same period of the previous year. This was mainly due to 1) the decreased depreciation of unused machinery and increased rate of machinery use which caused higher efficiency of use in construction work, 2) the increasing costs related to employees from the increased manpower rate and an annual salary increase to support new construction projects with continuous growth of the Group.

Financial cost

The Company and its subsidiaries had financial cost of 6.36 million baht, a decrease of 2.62 million baht when compared to the same period of the previous year or 29.18%, due to continuous repayment of interest-bearing debts. Also, there was a debt-to-equity ratio according to the consolidated financial statements of 7.45 times, an increase from the end of the previous year of 3.67 times due to receiving advance payments from the large-scale projects in 2021 with significance. In addition, short-term promissory notes and trade accounts payable increased in line with the growth of construction projects and unbilled revenue, including dividend payment of 480.00 million baht to shareholders. Thus, the shareholders' equity decreased significantly. However, the interest-bearing debt-to-equity ratio was 2.35 times, an increase from the end of the previous year of 1.29 times. The Company and its subsidiaries had no obligations from borrowings that must maintain any financial ratios.



Consolidated statements of financial position

Assets

As of December 31, 2021, the Company and its subsidiaries had assets of 6,526.31 million baht, an increase of 1,581.46 million baht from the end of the previous year or 31.98%, mainly from: (1) an increase in unbilled receivables (following the progress of work that not yet up to hand-over period), (2) cash and cash equivalents from advance payments receivables for large construction projects, (3) bank deposits pledge as collateral for materials awaiting transfer to the work site, and (4) advance payments to contractors and deposits for purchase goods. The main components of assets as of December 31, 2021 were (1) unbilled receivables, (2) property, plant, and equipment, (3) cash and cash equivalents, (4) trade and other receivables, and (5) advance payment to contractors and deposits for purchase of goods.

Liabilities

The Company and its subsidiaries had liabilities as of December 31, 2021 of 5,754.21 million baht, an increase of 1,868.79 million baht or 48.1%, mainly due to an increase in construction revenue received in advance from large construction projects, short-term promissory note, trade and other payables. This was in line with the growth in the size and number of construction projects. On the other hand, the Company and its subsidiaries gradually repaid long-term loans, including normal lease liabilities.

The main components of liabilities as of December 31, 2021 were (1) construction revenue received in advance from hirers, (2) short-term loans from financial institutions, (3) trade and other payables, (4) retention payables, and (5) liabilities under rental agreements.

Shareholder's equity

The Company and its subsidiaries had shareholder's equity as of December 31, 2021 amounted to 772.10 million baht, a decrease of 287.33 million baht from the previous year or 27.12% due to the dividend payment in 2021 of 480 million baht. On the other hand, total comprehensive income for the year ended December 31, 2021 amounted to 192.67 million baht.

Cash flow

The Company and its subsidiaries had net cash inflow from operating activities of 714.69 million baht, divided into cash increase from operating results of the Company and its subsidiaries of 503.73 million baht, as well as changes in operating assets and liabilities (Working Capital) in the amount of 210.96 million baht, mainly from an increase in the advance payments received for construction, trade and other payables. On the other hand, there was also a partial offset from the increase in unbilled revenue from construction, advance payments to contractors, and deposits for goods. Besides this, there was cash outflow in investing activities amounted to 175.75 million baht due

**Cash flow (Continued)**

to the increase in bank deposits pledge as collateral. There were investments in buildings and equipment to support new construction projects. There was cash outflow in financing activities amounting to 115.38 million baht from the payment of annual and interim dividends, as well as repayment of liabilities under finance lease agreements. On the other hand, there was an increase in short-term borrowings for investment in construction projects, resulting in the Group's net cash increasing from the previous year of 423.55 million baht.