

No. CAZ 010-2022

10 May 2022

 Subject: Management Discussion and Analysis for the 1st Quarter ended 31 March 2022

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 1st Quarter ended 31 March 2022, 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 Mar 2022	31 Mar 2021	Increased (Decreased)	(%)
Revenues from construction contracts	782.25	467.10	315.15	67.47
- EPC Service	6.35	2.61	3.74	143.30
- Structure Mechanic and Pinging (SMP and E&I Services)	479.05	255.15	223.90	87.75
- Civil & Building Service	123.36	164.53	(41.17)	(25.02)
- General Construction Service	118.02	-	118.02	n.a.
- Fabrication and Other service	55.47	44.81	10.66	23.79
Cost of construction contracts	(677.09)	(413.88)	263.21	63.60
Gross profit	105.16	53.22	51.94	97.59
Other income	0.66	0.48	0.18	37.53
Administrative expenses	(22.47)	(22.00)	0.47	2.15
Profit before finance cost and income tax	83.35	31.70	51.65	163.02
Finance costs	(5.09)	(7.90)	2.82	35.69
Profit before income tax	78.26	23.80	54.48	229.12
Income tax	(15.28)	(4.24)	11.04	260.47
Profit for the year	62.98	19.56	43.44	222.32
Owners of the parent	61.97	18.91	41.92	209.09
Non-controlling interests	1.01	0.65	0.90	799.34

Revenues from construction contracts

The Group has revenue from construction contracts for the three-month period ended 31 March 2022, totaling of Baht 782.25 Million. Increasing of Baht 315.15 Million or 67.47% compared with the same period of last year, which was Baht 467.10 Million. Resulted from, work progression of Q1/2022 were from projects which signed contracts on previous years and most of all were on middle stage of construction works. Moreover, its had higher proportion of work delivered and transferred right of control to customers when compared with Q1/2021's works progress which could be revenue recognized. Such as Nong Fab LNG Receiving Terminal Project, Clean Fuel Project, and Olefins I-4/2 Modification for Propane Feedstock Project etc. In addition, the construction projects which signed in late 2021 starting to get higher work progression lead to the increasing of work delivered and transferred right of control to customers during Q1/2022 as well.

As at 31 March 2022, the Group has backlog for construction services totaling of Baht 3,397.90 Million. Additional, by 26 April 2022, the Group announced new projects awarded which total contract value of Baht 482.61 Million (Reference to notification of project awarded no. CAZ-007-2022, dated 26 April 2022). Resulting to, the Group has backlog totaling of Baht 3,880.51 Million.

Finance costs

The Group has financial costs during Q1/2022 totaling of Baht 5.09 Million, decreased of Baht 2.82 Million or 35.69% when compared to the same period of last year which finance costs was totaling of Baht 7.91 Million. Due to repayment short-term loan which used as existing ongoing projects' working capital to financial institutes and a related party company according to the specified period.

Profitability

Gross profit and net profit of the first quarter ended 31 March 2022 and 2021 as follows;

Profitability	Q1/2022		Q1/2021	
	Million Baht	%	Million Baht	%
Gross profit	105.16	13.44	53.22	11.39
Profit attributable to owners of the parent	61.97	7.92	18.92	4.05

On Q1/2022, the Group's gross profit totaling of Baht 105.16 Million, considered to gross profit margin of 13.44%. Compared with Q1/2021 totaling of Baht 53.22 Million or gross profit margin of 11.39%. The reason of gross profit margin of Q1/2022 higher than same period of last year. Resulted from the revenue recognition of some projects

have high profit margins, compared with previous projects which the Group has been contracted. Together with the efficiency cost management of each projects which lead the Group has higher gross profit margin than same period of last year as well.

Q1/2022, the Group's has net profit attributable to owners of the parent totaling of Baht 61.97 Million, considered to net profit margin of 7.92%. Increased from Q1/2021 with a net profit attributable to the parent company totaling of Baht 18.92 Million, or net profit margin of 4.05%. Main reasons were some new construction projects which signed contract on late 2021 have higher gross profit margins than previous projects. Including, the reducing of financial costs from short-term loan repayment to financial institutes and a related party company during the period.

Statement of Financial Position

(Unit: Million Baht)

Details	31 Mar 2022	31 Dec 2021	Increased (Decreased)	%
				Changed
Assets				
Current assets				
Cash and cash equivalents	161.22	262.45	(101.23)	(38.57)
Trade and other current receivables	473.09	324.14	148.95	45.95
Contract assets	565.65	617.01	(51.36)	(8.32)
Inventories	26.89	40.84	(13.95)	(34.16)
Other current assets	13.73	10.80	2.93	27.13
Total current assets	1,240.58	1,255.24	(14.66)	(1.17)
Non-current assets				
Restricted deposit at financial institution	7.69	7.69	-	-
Property, plant and equipment	551.64	557.76	(5.81)	(1.04)
Intangible assets	11.90	12.38	(0.48)	(3.87)
Retention receivables	116.21	96.98	19.23	19.83
Withholding tax deducted at source	44.16	35.36	8.80	24.89
Deposits	6.20	4.41	1.79	40.59
Deferred tax assets	3.06	2.70	0.36	13.33
Total non-current assets	740.86	717.28	23.58	3.29
Total assets	1,981.44	1,972.52	8.92	0.45
Liabilities and equity				
Current liabilities				
Short-term borrowing from financial institutions	187.72	373.50	(185.78)	(49.74)
Trade and other current payables	413.11	377.92	35.19	9.31
Contract liabilities	318.26	289.86	28.40	9.80

Details	31 Mar 2022	31 Dec 2021	Increased (Decreased)	% Changed
Short-term borrowing from other party	20.00	20.00	-	-
Short-term borrowing from related party	70.00	-	70.00	n.a.
Current portion of long-term borrowings from financial institutions	38.48	38.64	(0.16)	(0.41)
Current portion of Lease liabilities	29.15	30.99	(1.84)	(5.94)
Other current liabilities	53.41	44.40	9.01	20.30
Total current liabilities	1,130.13	1,175.31	(45.18)	(3.84)
Non-current liabilities				
Long-term borrowing from financial institutions	77.44	87.66	(10.22)	(11.66)
Lease liabilities	23.41	29.03	(5.62)	(19.36)
Retention payables	18.66	11.96	6.70	56.02
Non-current provisions for employee benefits	7.54	7.28	0.26	3.57
Total non-current liabilities	127.05	135.93	(8.88)	(6.53)
Total liabilities	1,257.18	1,311.24	(54.06)	(4.12)
Equity				
Share Capital – Authorized				
Issued and paid-up	147.00	147.00	-	-
Share premium	246.11	246.11	-	-
Retained earning				
Appropriated - legal reserve	14.70	14.70	-	-
Unappropriated	299.78	237.81	61.97	26.06
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	716.04	654.07	61.96	9.47
Non-controlling interests	8.22	7.21	1.01	14.04
Total equity	724.26	661.28	62.98	9.52
Total liabilities and equity	1,981.44	1,972.52	8.93	0.45

Assets

As at 31 March 2022, the Group's total assets of Baht 1,981.44 Million, increased of Baht 8.92 Million, or 0.45%, compared with as at 31 December 2021, which total assets totaling of Baht 1,972.52 Million. Changing of total assets as following;

Current assets; comprising of

- Account receivable and other current receivables total of Baht 473.09 Million. Increased from last year by Baht 148.95 Million. Resulted from, the increasing of transfer right of controlling contract assets and billing invoice to customers for construction contracts on hand during these period. And also those invoices, the customers have already paid its debt by the following period.
- Cash and cash equivalents totaling of Baht 161.22 Million, decreased of Baht 101.23 Million from last year. Due to, the Group has repayment short-term loan and payment for construction material to suppliers and subcontractors during the period.
- Contract assets totaling of Baht 565.65 Million, decreased from last year totaling of Baht 51.36 Million. Resulted from, the revenue recognized from percentage of work completion of previous period be able to issue invoice to customers during three-months period ended 31 Mar 2022.
- Inventories of Baht 26.89 Million, decreased from the previous year of Baht 13.95 Million. Resulted from material used of construction and fabrication works during the period for projects on hand.

Non-current assets; comprising of

- Retention receivables increased of Baht 19.23 Million. Resulted from, asset right transfer and collection of construction work to customers by work completion. And it has been retention which were deducted follow by contract's condition.
- Withholding tax deducted at source total of Baht 44.16 Million. Increasing of Baht 8.80 Million, compared with last year. Due to, the received payment from customers during the three-month period ended 31 March 2022.

Liabilities

As at 31 March 2022, the Group's liabilities total of Baht 1,257.18 Million, decreased of Baht 54.06 Million, or 4.12% compared with 31 December 2021. Changing of total liabilities consist of:

- The Group has short-term loan which used as working capital for existing construction projects on hand during period totaling of Baht 277.72 Million. However, these loans were reduced by repayment totaling of Baht 115.78 Million due to the debt repayment by specified time.



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- Trade and other payables totaling of Baht 413.11 Million, increased totaling of Baht 35.19 Million.
Resulted from, purchased of construction materials and consumable from suppliers and subcontractors during the period.
- Contract liabilities total of Baht 318.26 Million, increased of Baht 28.40 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 209.30 Million. Increased of Baht 68.10 Million, these amount would be revenue recognition 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 108.96 Million. Decreased of Baht 39.70 Million, due to the decreasing in proportion to billing received from customers. These amount going to reduce by portion of milestone's payment which complied with contracts conditions.

Equity

For shareholders' equity to the parent Company as of 31 March 2022, total of Baht 716.05 Million, increased from previous year, total of Baht 61.97 Million, or 9.47%. The changing of equities resulted from the Group's operating results with net profit attributable to owners of the parent for the three-month period ended 31 March 2022.

Key financial ratios

As at 31 March 2022, comparing with last year, the Group doesn't have significant changed in the key financial ratios as following;

- Current ratio was 1.10 times.
- Debt to Equity ratio (D/E) was 1.76 times.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer