



Civil Engineering Public Company Limited

Management Discussion and Analysis

of Consolidated Financial Statements

for the Second quarter ended 30 June 2022



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Statements of consolidated comprehensive income	6M22	6M21	Change (YoY)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Revenues				
Revenues from construction services	3,123.51	2,265.34	858.17	37.88%
Sales of construction materials	64.24	129.88	(65.64)	(50.54%)
Rental income	8.02	7.78	0.24	3.08%
Other income	15.03	7.17	7.86	109.62%
Total revenues	3,210.80	2,410.17	800.63	33.22%
Expenses				
Cost of construction services	2,877.85	2,010.94	866.91	43.11%
Cost of sales of construction materials	59.35	122.16	(62.81)	(51.42%)
Cost of rent	5.02	5.26	(0.24)	(4.56%)
Administrative expenses	169.88	134.33	35.55	26.46%
Total expenses	3,112.10	2,272.69	839.41	36.93%
Profit from operating activities	98.70	137.48	(38.78)	(28.21%)
Finance income	0.86	0.66	0.20	30.30%
Finance cost	(2.33)	(3.62)	1.29	(35.64%)
Profit before income tax expenses	97.23	134.52	(37.29)	(27.72%)
Income tax expenses	(26.58)	(21.70)	(4.88)	22.49%
Profit for the year	70.65	112.82	(42.17)	(37.38%)
Earnings per share (Baht)	0.11	0.23	(0.12)	(55.27%)

Statements of consolidated financial position	30 June 2022	31 December 2021	Change	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Assets	7,987.18	6,526.31	1,460.87	22.38%
Liabilities	6,259.90	5,754.21	505.69	8.79%
Shareholders' equity	1,727.28	772.10	955.18	123.71%



Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the for the six-month period ended 30 June 2022, amounting to 70.65 million baht, a decrease from the same period of the previous year by 42.17 million baht or 37.38%. This was mainly due to the growth in construction revenues. On the other hand, the trend of gross margins of construction projects in the current year tended to be lower due to the proportion of revenue recognition from the railway projects in this period are higher than the road and airport projects. Normally, the railways projects have average of gross margins lower than the other construction projects and these were also affected by the increase in construction cost estimate. The main factor is the increase in construction material prices. Consequently, the overall profit was reduced. Meanwhile, revenues from the sales of construction materials declined from the same period of the previous year, gross profit decreased in accordance with a decrease in revenue but it did not affect the net profit significantly. Moreover, there was an increase in administrative expense in this period from depreciation expense of machines which is under the installation process for new construction projects. Therefore, the overall net profit is declined. As for the machines, they already installed at the end of second quarter.

Revenue from construction services

The Company and its subsidiaries had revenues from construction services for the for the six-month period of 3,123.51 million baht or 97.28 % of total revenue, an increase of 858.17 million baht from the same period of the previous year, or 37.88%. This was mainly due to the revenue growth from railway projects in the current year and the continuous progress of the construction projects starting from the second half of the previous year such as high-speed railway projects which have more construction areas. 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. 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 for the for the six-month period of 64.24 million baht or 2.0% of total revenue, a decrease of 65.64 million baht from the same period of the previous year or 50.54%. 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. Besides this, The Company and its subsidiaries had begun sales of limestone product under concession certificate held by CCSP (a subsidiary of CIVIL) since May 2022, resulting in an increase in revenue in this segment by 8.43 million baht.



Revenue from rental

The Company and its subsidiaries had rental revenues for the for the six-month period of 8.02 million baht or 0.25% of total revenue, an increase of 0.24 million baht from the same period of the previous year or 3.08 %, result from the increased in revenue from office space rental due to new tenants for rental agreements in the current year. Moreover, there were an increased in machinery rental in this period.

Cost of construction services

The Company and its subsidiaries had cost of construction services for the for the six-month period of 2,877.85 million baht, an increase of 866.91 million baht from the same period of the previous year or 43.11%, in accordance with an increase in revenue from construction services. The Company and its subsidiaries had gross profit of 245.66 million baht, a decrease of 8.74 million baht from the same period of the previous year or accounted for the rate of decline by 3.44%. The gross profit margin for the six-month period ended 30 June 2022 was 7.86%, a decrease from the same period of the previous year of 11.23 %. The main factor is due to the gross profit of the current year having a downward trend from 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 than the others. As a result, the gross profit of the construction projects was lower than the same period of the previous year and this was also affected by the increase in construction cost estimate. The main factor is the increase in construction material prices. Consequently, the overall profit was reduced.

Cost of sales of construction material

The Company and its subsidiaries had cost of sales for the for the six-month period of construction material of 59.35 million baht, a decrease of 62.81 million baht from the same period of the previous year or 51.42%, in line with the decrease in revenue from sales of construction materials in the year. The Company and its subsidiaries had gross profit of 4.89 million baht, a decrease of 2.83 million baht from the same period of the previous year, or 36.66%. The gross profit margin of sales of construction materials for the six-month period ended 30 June 2022 was 7.61%, an increase from the same period of the previous year of 5.94% due to the use of information technology systems for efficient procurement planning.

Cost of rent

The Company and its subsidiaries had cost of rent for the for the six-month period of 5.02 million baht, a decrease of 0.24 million baht from the same period of the previous year or accounted for 4.56%, with the gross profit of 3.00 million baht, an increase of 0.48 million baht from the same period of the previous year or 19.05%. The gross profit



Cost of rent (Continued)

margin of the six-month period ended 30 June 2022 was 37.41%, an increase from the same period of the previous year of 32.39%, which affected the higher gross margin due to an increase in revenue from machinery rental which normally has high gross margin. Moreover, there were an increase in revenue from office space rental due to new tenants for rental agreements in the current year while the cost of rent did not change significantly. Therefore, the gross profit and gross margin from this segment increased when compare with same period of the previous year.

Other income

The Company and its subsidiaries had other income of 15.03 million baht, an increase of 7.86 million baht or 109.62 % from the same period of the previous year. This was due to an increase of revenue from a joint venture management fee, increase of scrap sales from construction projects and increase of revenue from disposal of old and unused machines.

Administrative expenses

The Company and its subsidiaries had administrative expenses of 169.88 million baht, an increase of 35.55 million baht or 26.46% from the same period of the previous year. This was mainly due to 1) the increased depreciation of unused machinery under the installation process for new projects 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. Besides this, there was an increase of machinery maintenance fee to support new construction projects throughout the year. However, the administrative expense to total sales ratio decreased from same period of the previous year from 5.57% to 5.29%.

Financial cost

The Company and its subsidiaries had financial cost of 2.33 million baht, a decrease of 1.29 million baht when compared to the same period of the previous year or 35.64%, due to continuous repayment of interest-bearing debts. Also, there was a debt-to-equity ratio according to the consolidated financial statements of 3.62 times, a decrease from the end of the previous year of 7.45 times due to the capital increased from IPO. Thus, the shareholders' equity increased significantly. Moreover, the interest-bearing debt-to-equity ratio was 1.15 times, a decrease from the end of the previous year of 2.35 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 June 30, 2022, the Company and its subsidiaries had assets of 7,987.18 million baht, an increase of 1,460.87 million baht from the end of the previous year or 22.38%, mainly from: (1) an increase in unbilled receivables (following the progress of work that not yet up to hand-over period), (2) an acquisition of investments in low risk open-end funds, and (3) an increase in trade and other receivables. . On the other hand, there was a decrease in advance payments to contractors and deposit for purchases of goods. The main components of assets as of June 30, 2022 were (1) unbilled receivables, (2) property, plant, and equipment, (3) trade and other receivables, (4) cash and cash equivalents, and (5) other current financial assets.

Liabilities

The Company and its subsidiaries had liabilities as of June 30, 2022, of 6,259.90 million baht, an increase of 505.69 million baht or 8.79%, mainly due to (1) an increase in short-term loan from financial institutions for construction of railway projects, (2) an increase in trade and other payables. This was in line with the growth in the size and number of construction projects. On the other hand, there was a decrease in construction revenue received in advance from large construction projects and trade and other payables in proportion up to hand-over period.

The main components of liabilities as of June 30, 2022, 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 June 30, 2022 amounted to 1,727.28 million baht, an increase of 955.18 million baht from the previous year or 123.71% due to the capital increase from IPO in 2022 of 884.53 million baht. Meanwhile, total comprehensive income for the six-month period ended June 30, 2022 amounted to 70.65 million baht. As a result, the shareholders' equity increased significantly.

Cash flow

The Company and its subsidiaries had net cash outflow from operating activities of 459.04 million baht, divided into cash increase from operating results of the Company and its subsidiaries of 246.40 million baht, as well as changes in operating assets and liabilities (Working Capital) in the amount of 705.44 million baht, The main reason for the decline was mainly from an increase in unbilled revenue from construction and an increase in trade and other receivables. On the other hand, cash increase from a decrease in advances payment to contractors and an increase



Cash flow (Continued)

in trade and other payables. Besides this, there was cash outflow in investing activities amounted to 557.46 million baht due to the increase in short-term bond fund and an increase in purchases of building improvements and equipment. There was cash inflow in financing activities amounting to 1,108.87 million baht mainly from the capital increase from IPO and an increase in short-term loan from financial institutions. However, there was a repayment of liabilities under finance lease agreements and short-term borrowings for construction projects, resulting in the Group's net cash increasing from the previous year of 92.37 million baht.



Management Discussion and Analysis of Consolidated Financial Statements for the second quarter ended 30 June 2022 (QoQ)

Statements of consolidated comprehensive income	2Q22	1Q22	Change (QoQ)		2Q21	Change (YoY)	
	(Million Baht)	(Million Baht)	(Million Baht)	Percentage	(Million Baht)	(Million Baht)	Percentage
Revenues							
Revenues from construction services	1,514.65	1,608.86	(94.21)	(5.86%)	1,154.35	360.30	31.21%
Sales of construction materials	32.92	31.32	1.60	5.11%	62.48	(29.56)	(47.31%)
Rental income	3.92	4.10	(0.18)	(4.32%)	3.97	(0.05)	(1.26%)
Other income	9.90	5.14	4.76	92.64%	2.55	7.35	288.69%
Total revenues	1,561.39	1,649.42	(88.03)	(5.34%)	1,223.35	338.04	27.63%
Expenses							
Cost of construction services	1,400.05	1,477.81	(77.76)	(5.26%)	1,044.55	355.50	34.03%
Cost of sales of construction materials	30.31	29.04	1.27	4.37%	58.33	(28.02)	(48.04%)
Cost of rent	2.49	2.53	(0.04)	(1.58%)	2.67	(0.18)	(6.74%)
Administrative expenses	88.17	81.71	6.46	7.91%	69.98	18.19	25.99%
Total expenses	1,521.02	1,591.09	(70.07)	(4.40%)	1,175.53	345.49	29.39%
Profit from operating activities	40.37	58.33	(17.96)	(30.79%)	47.82	(7.45)	(15.58%)
Finance income	0.71	0.15	0.56	370.67%	0.50	0.21	41.77%
Finance cost	(1.14)	(1.19)	0.05	(4.20%)	(1.82)	0.68	(37.30%)
Profit before income tax expenses	39.94	57.29	(17.35)	(30.28%)	46.49	(6.56)	(14.11%)
Income tax expenses	(9.61)	(16.98)	7.37	43.40%	(2.82)	(6.78)	(240.40%)
Profit for the year	30.33	40.31	(9.98)	(24.76%)	43.67	(13.34)	(30.55%)



Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the for the three-month period ended 30 June 2022, amounting to 30.33 million baht, a decrease from the previous quarter by 9.98 million baht or 24.76%. This was mainly due to the increase in project cost estimate from the expansion of construction and an increase in construction materials such as steel and changes in scope of construction in some projects. In addition, during the quarter, there was decrease in projects progress from the previous quarter due to the long holiday season.

Revenue from construction services for the three-month period

The Company and its subsidiaries had revenues from construction services of 1,514.65 million baht or 97.01 % of total revenue, a decrease of 94.21 million baht from the previous quarter, or 5.86%. This was mainly due to decrease in projects progress from the previous quarter due to the long holiday season which decreased from the railway and airport projects but slightly increased from flood prevention and road projects.

Revenue from sales of construction materials for the three-month period

The Company and its subsidiaries had revenues from sales of construction materials of 32.92 million baht or 2.11% of total revenue, an increase of 1.60 million baht from the previous quarter or 5.11%. Partly increased from sales of limestone product under concession certificate held by CCSP (a subsidiary of CIVIL) since May 2022.

Revenue from rental for the three-month period

The Company and its subsidiaries had rental revenues of 3.92 million baht or 0.25% of total revenue, a decrease of 0.18 million baht from the previous quarter or 4.32 %, result from a decrease in machinery rental in this quarter.

Cost of construction services for the three-month period

The Company and its subsidiaries had cost of construction services of 1,400.05 million baht, a decrease of 77.76 million baht from the previous quarter or 5.26%. The Company and its subsidiaries had gross profit of 114.60 million baht, a decrease of 16.45 million baht from the previous quarter or 12.55%. The gross profit margin for the three-month period ended 30 June 2022 was 7.57%, a decrease from the previous quarter of 8.15 %. The main factor is due to the gross profit of the current quarter having a downward trend from the proportion of the revenue from construction services came from increase in construction cost estimate due to the increase in construction material prices and changes in the scope of construction in some projects.



Cost of sales of construction material for the three-month period

The Company and its subsidiaries had cost of sales of construction material of 30.31 million baht, an increase of 1.27 million baht from the previous quarter or 4.37%, in line with an increase in revenue from sales of construction materials. The Company and its subsidiaries had gross profit of 2.61 million baht, an increase of 0.33 million baht from the previous quarter, or 14.47%. The gross profit margin of sales of construction materials for the three-month period ended 30 June 2022 was 7.93%, an increase from the same period of the previous quarter of 7.28% due to this quarter, The Company and its subsidiaries had sales of limestone product under concession which had higher profit margin than sales of other types of construction material.

Cost of rent for the three-month period

The Company and its subsidiaries had cost of rent of 2.49 million baht, a decrease of 0.04 million baht from the same period of the previous year or accounted for 1.58%, with the gross profit of 1.43 million baht, an increase of 0.14 million baht from the last quarter. The gross profit margin of the three-month period ended 30 June 2022 was 36.48%, a decrease from the same period of the previous quarter of 38.29%, which affected the lower gross margin due to a decrease in revenue from machinery rental.

Other income for the three-month period

The Company and its subsidiaries had other income of 9.90 million baht, an increase of 4.76 million baht from the previous quarter or 92.64 %. This was due to an increase of scrap sales from construction projects.

Administrative expenses for the three-month period

The Company and its subsidiaries had administrative expenses of 88.17 million baht, an increase of 6.46 million baht or 7.91% from the previous quarter. This was mainly due to 1) unrealize loss from exchange rate from weak currency during the period. 2) reversal of accrued expense from previous quarter. While slightly decrease from depreciation of machinery.

Financial cost for the three-month period

The Company and its subsidiaries had financial cost of 1.14 million baht, a decrease of 0.05 million baht when compared to the previous quarter or 4.20% with insignificant change.