



CIVIL ENGINEERING



Civil Engineering Public Company Limited

Management Discussion and Analysis

of Consolidated Financial Statements

for the third quarter ended 30 September 2022



Management Discussion and Analysis of Consolidated Financial Statements for the third quarter ended 30 September 2022 (YoY)

Statements of consolidated comprehensive income	9M22	9M21	Change (YoY)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Revenues				
Revenues from construction services	4,489.27	3,532.14	957.13	27.10%
Sales of construction materials	101.58	179.25	(77.67)	(43.34%)
Rental income	11.97	11.92	0.05	0.42%
Other income	25.70	12.54	13.16	104.94%
Total revenues	4,628.52	3,735.85	892.66	23.89%
Expenses				
Cost of construction services	4,243.45	3,140.63	1,102.82	35.11%
Cost of sales of construction materials	93.44	167.21	(73.77)	(44.12%)
Cost of rent	7.54	7.93	(0.39)	(4.92%)
Administrative expenses	245.50	213.22	32.28	15.14%
Total expenses	4,589.93	3,528.99	1,060.94	30.06%
Profit from operating activities	38.59	206.86	(168.27)	(81.34%)
Finance income	1.05	0.83	0.22	26.51%
Finance cost	(3.22)	(4.98)	(1.76)	(35.34%)
Profit before income tax expenses	36.42	202.71	(166.29)	(82.03%)
Income tax expenses	(34.43)	(32.54)	1.89	5.81%
Profit for the year	1.99	170.17	(168.18)	(98.83%)
Earnings per share (Baht)	0.003	0.34	(0.337)	(99.12%)

Statements of consolidated financial position	30 September 2022	31 December 2021	Change	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Assets	7,865.87	6,526.31	1,339.56	20.53%
Liabilities	6,207.25	5,754.21	453.04	7.87%
Shareholders' equity	1,658.62	772.10	886.52	114.82%



Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the nine-month period ended 30 September 2022, amounting to 1.99 million baht, a decrease from the same period of the previous year by 168.18 million baht or 98.83%. This was mainly due to the proportion of revenue recognition from railway project that normally contributed the lower gross profit margin than the road and airport projects. Furthermore, the increasing in major construction material prices and the extension of construction period were also affected the higher construction costs and lower gross profit. Moreover, revenues from the sales of construction materials declined from the same period of the previous year, however the gross profit margin of sales of construction materials was a bit higher than the previous year. Besides, there was an increase in administrative expense in this period from depreciation expense of machines which was under the installation process for new construction projects that was finished since the second quarter.

Revenue from construction services

The Company and its subsidiaries had revenues from construction services for the nine-month period of 4,489.27 million baht or 96.99% of total revenue, an increase of 957.13 million baht from the same period of the previous year, or 27.10%. This was mainly due to the revenue growth from railway projects in the current year which were 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 was higher than the same period of the previous year, which came from the higher backlog projects in the previous year that 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 nine-month period of 101.58 million baht or 2.19% of total revenue, a decrease of 77.67 million baht from the same period of the previous year or 43.34%. 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 subcontractors switch to accept only the labor force works. 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 21.08 million baht.



Revenue from rental

The Company and its subsidiaries had rental revenues for the nine-month period of 11.97 million baht or 0.26% of total revenue, which were closed to the same period of the previous year. The mainly rental revenue consisted of the office space rental and machinery rental to subcontractor.

Cost of construction services

The Company and its subsidiaries had cost of construction services for the nine-month period of 4,243.45 million baht, an increase of 1,102.82 million baht from the same period of the previous year or 35.11%. The Company and its subsidiaries had gross profit of 245.82 million baht, a decrease of 145.69 million baht from the same period of the previous year or accounted for the rate of decline by 37.21%. The gross profit margin for the nine-month period ended 30 September 2022 was 5.48%, a decrease from the same period of the previous year of 11.08 %. The mainly factor were due to the gross profit margin of the current year having a downward trend from the proportion of the railway projects revenue which was lower gross profit margin than the others and this was also affected by the increase in construction cost estimate. The main factor is the increase in construction material prices and the affected from the extension period in construction. Co works, therefore the above factor was reduced the profit in this period. consequently, the overall profit was reduced.

Cost of sales of construction material

The Company and its subsidiaries had cost of sales for the nine-month period of construction material of 93.44 million baht, a decrease of 73.77 million baht from the same period of the previous year or 44.12%, in line with the decrease in revenue from sales of construction materials in the year. The Company and its subsidiaries had gross profit of 8.14 million baht, a decrease of 3.90 million baht from the same period of the previous year, or 32.39%. The gross profit margin of sales of construction materials for the nine-month period ended 30 September 2022 was 8.01%, an increase from the same period of the previous year of 6.72% due to the use of information technology systems for efficient procurement planning and the profit of the limestone product under concession certificate held by CCSP (a subsidiary of CIVIL) that had quite higher gross profit margin than other construction materials.

Cost of rent

The Company and its subsidiaries had cost of rent for the nine-month period of 7.54 million baht, a decrease of 0.39 million baht from the same period of the previous year or accounted for 4.92%, with the gross profit of 4.43 million baht, an increase of 0.44 million baht from the same period of the previous year or 11.03%. The gross profit margin of the nine-month period ended 30 September 2022 was 37.01%, an increase from the same period of the previous year of 33.47%, 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 25.70 million baht, an increase of 13.16 million baht or 104.94% from the same period of the previous year. This was due to an increase of revenue from a joint venture management fee, revenues from scrap sale and gain from sale unused assets, 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 245.50 million baht, an increase of 32.28 million baht or 15.14% from the same period of the previous year. This was mainly due to 1) the increased depreciation of machinery under the installation process for new projects 2) the increasing costs related to employees from the increased manpower and annual salary adjustment 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 5.71% to 5.30%.

Financial cost

The Company and its subsidiaries had financial cost of 3.22 million baht, a decrease of 1.76 million baht from the same period of the previous year or 35.34%, due to continuous repayment of interest-bearing debts. Also, there was a debt-to-equity ratio according to the consolidated financial statements of 3.74 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 1.29 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 September 30, 2022, the Company and its subsidiaries had assets of 7,865.87 million baht, an increase of 1,339.56 million baht from the end of the previous year or 20.53%, 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 cash and cash equivalent as working capital. On the other hand, there was decrease in trade and other receivables and sales of unused machines. The main components of assets as of September 30, 2022 were (1) unbilled receivables, (2) cash and cash equivalents, (3) property, plant, and equipment, (4) trade and other receivables, and (5) retention receivable.

Liabilities

The Company and its subsidiaries had liabilities as of September 30, 2022, of 6,207.25 million baht, an increase of 453.04 million baht or 7.87%, mainly due to (1) an increase in short-term loan from financial institutions for construction of railway projects and short-term loan under project finance such as Rama3 express way and 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 construction due to gradually deducted according to proportion up to hand-over period.

The main components of liabilities as of September 30, 2022, were (1) short-term loans from financial institutions, (2) construction revenue received in advance from hirers, (3) trade and other account payable trade and other payable, (4) retention payables, and (5) liabilities under rental agreements (current portion).

Shareholder's equity

The Company and its subsidiaries had shareholder's equity as of September 30, 2022 amounted to 1,658.62 million baht, an increase of 886.52 million baht from the previous year or 114.82% due to the capital increase from IPO in 2022 of 884.53 million baht. Meanwhile, total comprehensive income for the nine-month period ended September 30, 2022 amounted to 1.99 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 712.85 million baht, divided into cash increase from operating results of the Company and its subsidiaries of 261.48 million baht, as well as changes in operating assets and liabilities (Working Capital) in the amount of 974.33 million baht, The main reason for the decline was mainly from (1) an increase in unbilled revenue from construction and retention receivable which in line with construction revenue growth. On the other hand, cash increase from (1) an increase in trade and other payables (2) a decrease in trade and other receivables (3) a decrease in construction revenue received in advance from construction due to gradually deducted according to proportion up to hand-over period.

Besides this, there was cash outflow in investing activities amounted to 315.19 million baht due to the increase in short-term bond fund and investing in machinery and equipment and an increase in purchases of building improvements and equipment.

There was cash inflow in financing activities amounting to 1,240.26 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 212.22 million baht.



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

Profit or loss:	3Q2022	2Q2022	Change (QoQ)		3Q2021	Change (YoY)	
	Million THB	Million THB	Million THB	%	Million THB	Million THB	%
Revenues							
Revenues from construction services	1,365.76	1,514.65	(148.89)	(9.83%)	1,266.80	98.96	7.81%
Sales of construction materials	37.33	32.92	4.41	13.40%	49.38	(12.05)	(24.40%)
Rental income	3.95	3.92	(0.03)	(0.77%)	4.15	(0.20)	(4.82%)
Other income	10.67	9.90	0.77	7.78%	5.36	5.31	99.07%
Total revenues	1,417.71	1,561.39	(143.68)	(9.20%)	1,325.69	92.03	6.94%
Expenses							
Cost of construction services	1,365.60	1,400.05	(34.45)	(2.45%)	1,129.69	235.91	20.88%
Cost of sales of construction materials	34.09	30.31	3.78	12.47%	45.06	(10.97)	(24.35%)
Cost of rent	2.52	2.49	0.03	1.20%	2.67	(0.15)	(5.62%)
Administrative expenses	75.62	88.17	(12.55)	(14.23%)	78.89	(3.27)	(4.15%)
Total expenses	1,477.83	1,521.02	(43.19)	(2.84%)	1,256.31	221.52	17.63%
Profit from operating activities	(60.12)	40.37	(100.49)	(248.92%)	69.38	(129.50)	(186.65%)
Finance income	0.20	0.71	(0.51)	(71.83%)	0.17	0.03	17.65%
Finance cost	(0.89)	(1.14)	(0.25)	(21.93%)	(1.36)	(0.47)	(34.56%)
Profit before income tax expenses	(60.81)	39.94	(100.75)	(252.28%)	68.19	(129.00)	(189.18%)
Income tax expenses	(7.85)	(9.61)	(1.76)	(18.31%)	(10.83)	(2.98)	(27.52%)
Profit for the year	(68.66)	30.33	(98.99)	(326.38%)	57.36	(126.02)	(219.70%)



Summary of operating performance for the three-month period

The Company and its subsidiaries had net loss profit for the three-month period ended 30 September 2022, amounting to 68.66 million baht, a decrease from the previous quarter by 98.99 million baht or 326.38%. This was mainly due to an increase in major construction material prices such as steel and fuel and the extension of construction period that was affected the higher construction costs, and also rainy season that was affected the slow down progress of construction works.

Revenue from construction services for the three-month period

The Company and its subsidiaries had revenues from construction services of 1,365.76 million baht or 96.34% of total revenue, a decrease of 148.89 million baht from the previous quarter, or 9.83% This was mainly due to an increase in major construction material prices such as steel and fuel and the extension of construction period was affected the higher construction costs. Moreover, the slow down progress of construction works due to the rainy season. Revenue from construction services decreased in Flood Prevention and Dam and Reservoir construction works and slightly increased in road and railway construction works in this quarter.

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

The Company and its subsidiaries had revenues from sales of construction materials of 37.33 million baht or 2.63% of total revenue, an increase of 4.41 million baht from the previous quarter or 13.40%. 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 3.95 million baht or 0.28% of total revenue, an increase of 0.03 million baht from the previous quarter or 0.77%, resulted from an increase 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 1,365.60 million baht, a decrease of 34.46 million baht from the previous quarter or 2.45%. The Company and its subsidiaries had gross profit of 0.16 million baht, a decrease of 114.44 million baht from the previous quarter or 99.86%. The gross profit margin for the three-month period ended 30 September 2022 was 0.01%, a decrease from the previous quarter of 7.57%. The



main factor was due to increase in construction cost estimate due to the increasing in construction materials prices and changes in the scope of construction works 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 34.09 million baht, an increase of 3.78 million baht from the previous quarter or 12.47%, in line with an increase in revenue from sales of construction materials. The Company and its subsidiaries had gross profit of 3.24 million baht, an increase of 0.63 million baht from the previous quarter, or 24.14%. The gross profit margin of sales of construction materials for the three-month period ended 30 September 2022 was 8.68%, an increase from the same period of the previous quarter of 7.93% due to this quarter, the sales of limestone product under concession which had higher profit margin than sales of other types of construction materials.

Cost of rent for the three-month period

The Company and its subsidiaries had cost of rent of 2.52 million baht, a slightly increase of 0.03 million baht from the previous quarter or accounted for 1.20%, with the gross profit of 1.43 million baht, which was closed to the previous quarter. The gross profit margin of the three-month period ended 30 September 2022 was 36.20%, a slightly decrease from the previous quarter of 36.48%.

Other income for the three-month period

The Company and its subsidiaries had other income of 10.67 million baht, an increase of 0.77 million baht from the previous quarter or 7.78%. This was due to an increase of scrap sales from construction projects and sales from unused assets.

Administrative expenses for the three-month period

The Company and its subsidiaries had administrative expenses of 75.62 million baht, a decrease of 12.55 million baht or 14.23% from the previous quarter. This was mainly due to 1) decrease from depreciation of machinery. 2) reversal of accrued expense in the quarter.



Financial cost for the three-month period

The Company and its subsidiaries had financial cost of 0.89 million baht, a decrease of 0.25 million baht, compared with the previous quarter or 21.93% due to repayment of interest-bearing debts.