



**CIVIL** ENGINEERING



# Civil Engineering Public Company Limited

Management Discussion and Analysis

of Consolidated Financial Statements

for the year ended 31 December 2022



## Management Discussion and Analysis of Consolidated Financial Statements for the year ended 31 December 2022 (YoY)

Statements of consolidated comprehensive income	FY22	FY21	Change (YoY)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
<b>Revenues</b>				
Revenue from construction services	5,896.11	4,803.27	1,092.84	22.75%
Sales of construction materials	151.89	226.62	(74.73)	(32.98%)
Rental income	15.91	16.00	(0.09)	(0.56%)
Other income	30.82	16.95	13.87	81.83%
<b>Total revenues</b>	<b>6,094.73</b>	<b>5,062.84</b>	<b>1,031.89</b>	<b>20.38%</b>
<b>Expenses</b>				
Cost of construction services	5,542.36	4,318.91	1,223.45	28.33%
Cost of sales of construction materials	139.02	211.09	(72.07)	(34.14%)
Cost of rent	10.06	10.59	(0.53)	(5.00%)
Administrative expenses	316.31	286.31	30.00	10.48%
<b>Total expenses</b>	<b>6,007.75</b>	<b>4,826.90</b>	<b>1,180.85</b>	<b>24.46%</b>
<b>Profit from operating activities</b>	<b>86.98</b>	<b>235.94</b>	<b>(148.95)</b>	<b>(63.13%)</b>
Finance income	1.94	1.29	0.65	50.39%
Finance cost	(4.34)	(6.36)	(2.02)	(31.76%)
<b>Profit before income tax expenses</b>	<b>84.58</b>	<b>230.87</b>	<b>(146.29)</b>	<b>(63.36%)</b>
Income tax expenses	(20.10)	(38.20)	(18.10)	(47.38%)
<b>Profit for the year</b>	<b>64.48</b>	<b>192.67</b>	<b>(128.19)</b>	<b>(66.53%)</b>
<b>Earnings per share (Baht)</b>	<b>0.09</b>	<b>0.39</b>	<b>(0.30)</b>	<b>(76.92%)</b>

Statements of consolidated financial position	31 December 2022	31 December 2021	Change	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Assets	7,784.93	6,526.31	1,258.62	19.29%
Liabilities	6,065.19	5,754.21	310.98	5.40%
Shareholders' equity	1,719.74	772.10	947.64	122.74%



### Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the year ended December 31, 2022, amounting to 64.48 million baht, a decrease from the previous year by 128.19 million baht or 66.53%. This were mainly due to the proportion of revenue recognition in this period that mainly from railway projects which were normally contributed the lower gross profit margin than the road and airport projects. Furthermore, there was an additional cost adjustment from the indetermination of the construction scopes of the railway project, this were impacted a one-time adjustment in amount 57 million baht in the third quarter that the caused of the lower gross profit and net profit. Moreover, revenues from the sales of construction materials declined from the previous year, however the gross profit margin of sales of construction materials were slightly higher than the previous year. In addition, in 2022, there were higher administrative expenses from the idle depreciation of machinery during the relocation and 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 year of 5,896.11 million baht or 96.74% of total revenues, an increase of 1,092.84 million baht from the previous year, or 22.75%. This was mainly due to the revenue growth from railway projects which were the continuous progress of the previous year such as high-speed railway projects that had been accessed more construction areas. The high-speed railway project contract 4-7 had started to hang the bridge segment and the high-speed railway project contract 2-1 was almost the end phase of construction works. The construction progress were higher than last year as a result of the backlog being a large-scale projects, resulting in 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 year of 151.89 million baht or 2.49% of total revenues, a decrease of 74.73 million baht from the previous year or 32.98%. This was mainly due to a decrease in the volume of construction material sales regarding the trend of commodity price adjustments, such as steel and concrete. Therefore, some subcontractors slowed down purchasing, whereas some subcontractors switch to accept only the labor force works. In addition, the Company and its subsidiaries had begun sales of limestone products under concession certificate held by CCSP (a subsidiary of CIVIL) since May 2022, resulting in an increase in revenue in this segment.



### Revenue from rental

The Company and its subsidiaries had rental revenues for the year of 15.91 million baht or 0.26% of total revenue, which were closed to 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 year of 5,542.36 million baht, an increase of 1,223.45 million baht from the previous year or 28.33%. The Company and its subsidiaries had gross profit of 353.75 million baht, a decrease of 130.61 million baht from the previous year or representing a decrease rate by 26.97%. The gross profit margin for the year ended December 31, 2022, was 6%, a decrease from the previous year with a gross profit margin 10.08%. The mainly factor of the current year gross profit margin having a downward margin caused from the proportion of the railway projects revenue which was lower gross profit margin than the other construction works. In addition, there was an additional cost adjustment from the indetermination of the construction scopes of the railway project, this were impacted a one-time adjustment in amount 57 million baht in the third quarter. However, if it hadn't the one-time cost adjustment, the gross margin would be 7.00 %.

### Cost of sales of construction material

The Company and its subsidiaries had cost of sales of construction material for the year of 139.02 million baht, a decrease of 72.07 million baht from the previous year or 34.14%, in line with the decreasing revenue from sales of construction materials in the year. The Company and its subsidiaries had gross profit of 12.87 million baht, a decrease of 2.66 million baht from the previous year, or 17.14%. The gross profit margin of sales of construction materials for the year ended December 31, 2022, was 8.47%, an increase from the previous year of 6.85% due to the efficiency of procurement planning and the profit of the limestone products 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 year of 10.06 million baht, a decrease of 0.53 million baht from the previous year or representing for 5.00%, with the gross profit of 5.85 million baht, an increase of 0.44 million baht from the previous year or 8.26%. The gross profit margin of the year ended December 31, 2022, was 36.82%, an increase from the previous year of 33.82%, which due to increasing the rental rate for renewed leased contracts during the year while the cost of rent decreased from the proportion of office space increased which accounted as the company's administrative expenses.



### Other income

The Company and its subsidiaries had other income of 30.82 million baht, an increase of 13.87 million baht or 81.83% from the previous year. This were due to an increase of revenue from joint venture management fee, the scrap sales from construction projects and increase of revenue from disposal of unused assets.

### Administrative expenses

The Company and its subsidiaries had administrative expenses of 316.31 million baht, an increase of 30 million baht or 10.48% from the previous year. This was mainly due to 1) the increased depreciation of machinery under the relocation and installation process for new projects in the second quarter 2) the increasing in employees related expenses by the increasing in manpower and annual salary adjustment to support new construction projects also the continuous growth of the Group. 3) the increasing in respect of joint ventures in which the Company was a partner in a joint venture. However, the administrative expense to total revenues ratio decreased from the previous year from 5.66% to 5.19%.

### Financial cost

The Company and its subsidiaries had financial cost of 4.34 million baht, a decrease of 2.02 million baht from the previous year or 31.76%, due to continuous repayment of interest-bearing debts, by taking part of the capital from initial public offering (IPO) to repay loans from financial institutions to reduce debt and financial expenses. There were a debt-to-equity ratio according to the consolidated financial statements of 3.53 times, a decrease from the end of the previous year of 7.45 times and also the interest-bearing debt-to-equity ratio was 1.30 times, a decrease from the end of the previous year of 2.35 times due to the decrease in liabilities and the shareholders' equity increased significantly as above reasons. The Company and its subsidiaries had no obligations to maintain any financial ratios from borrowings.



## Consolidated statements of financial position

### Assets

As of December 31, 2022, the Company and its subsidiaries had assets of 7,784.93 million baht, an increase of 1,258.62 million baht from the end of the previous year or 19.29%, mainly from: (1) an increase in unbilled receivables, following the progress of construction works that have not yet up to hand over period, an increase was caused by the railway construction projects, which had an average inspection period for acceptance construction works rather longer than the others. However, the inspection period was still within the required time frame. After December 31, 2022, railway projects had gradually been inspected for acceptance of works and had been partial placed for collection. (2) an acquisition of investments in low-risk open-end funds by taking part of the capital from the initial public offering (IPO), and (3) an increase in retention receivables. On the other hand, there was decrease in cash and cash equivalents and sales of unused assets in property, plant, and equipment. The main components of assets as of December 31, 2022, were (1) unbilled receivables, (2) property, plant, and equipment, (3) trade and other receivables, (4) cash and cash equivalents, and (5) retention receivable.

### Liabilities

The Company and its subsidiaries had liabilities as at December 31, 2022, of 6,065.19 million baht, an increase of 310.98 million baht or 5.40%, mainly due to (1) an increase in short-term loan from financial institutions for railway construction projects and short-term loan under project finance such as Rama3 express way, (2) an increase in trade and other payables. This was in line with the growth of construction projects. On the other hand, there was a decrease in construction revenue received in advance based on the proportion of delivery works. The main components of liabilities as at December 31, 2022, were (1) short-term loans from financial institutions, (2) construction revenue received in advance, (3) trade and other account payable trade and other payable, (4) retention payables, and (5) liabilities under rental agreements.

### Shareholder's equity

The Company and its subsidiaries had shareholder's equity as at December 31, 2022, amounted to 1,719.74 million baht, an increase of 947.64 million baht from the previous year or 122.74% due to the capital increase from IPO in 2022 of 883.16 million baht. Meanwhile, total comprehensive income for the period ended December 31, 2022, amounted to 64.48 million baht and dividend had been paid in amount of 14.00 million baht during 2022. As a result, the shareholders' equity increased significantly.



### Cash flow

The Company and its subsidiaries had net cash outflow from operating activities of 1,176.66 million baht, came from cash increase from operating results of the Company and its subsidiaries of 366.07 million baht, as well as changes in operating assets and liabilities (Working Capital) in the amount of 1,542.73 million baht, The main reason for the decline was mainly from (1) an increase in unbilled revenue from construction due to the construction of the railway projects, which had an average inspection period for acceptance construction works rather longer than the others. However, the inspection period was still within the required time frame. After December 31, 2022, railway projects had gradually been inspected for acceptance of works and had been partial placed for collection. (2) an increase in retention receivable which in line with construction revenue growth (3) a decrease in advances received based on the proportion of delivery works (4) an increase in other current assets.

Besides this, there was cash outflow in investing activities amounted to 305.61 million baht due to the increase in short-term low-risk open-end funds (amount of 251.46 million baht which was reserved for investment in the machinery according to the objective of the Initial Public Offering (IPO), the postponement of investment in machinery due to awaiting bidding plans for large-scale projects which was expected to invest in 2023) and increasing investment in building improvements and equipment.

There was cash inflow in financing activities amounting to 1,331.92 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 decreasing from the previous year of 150.35 million baht.



## Management Discussion and Analysis of Consolidated Financial Statements for the fourth quarter ended 31 December 2022 (QoQ)

Profit or loss:	4Q2022	3Q2022	Change (QoQ)		4Q2021	Change (YoY)	
	Million THB	Million THB	Million THB	%	Million THB	Million THB	%
<b>Revenues</b>							
Revenues from construction services	1,406.84	1,365.76	41.08	3.01%	1,271.13	135.71	10.68%
Sales of construction materials	50.31	37.33	12.98	34.77%	47.36	2.95	6.23%
Rental income	3.94	3.95	(0.01)	(0.25%)	4.09	(0.15)	(3.67%)
Other income	5.12	10.67	(5.55)	(52.01%)	4.41	0.71	16.10%
<b>Total revenues</b>	<b>1,466.21</b>	<b>1,417.71</b>	<b>48.50</b>	<b>3.42%</b>	<b>1,326.99</b>	<b>139.22</b>	<b>10.49%</b>
<b>Expenses</b>							
Cost of construction services	1,298.91	1,365.60	(66.69)	(4.88%)	1,178.28	120.63	10.24%
Cost of sales of construction materials	45.58	34.09	11.49	33.70%	43.88	1.70	3.87%
Cost of rent	2.52	2.52	0.00	0.00%	2.66	(0.14)	(5.26%)
Administrative expenses	70.82	75.62	(4.80)	(6.35%)	73.09	(2.27)	(3.11%)
<b>Total expenses</b>	<b>1,417.82</b>	<b>1,477.83</b>	<b>(60.01)</b>	<b>(4.06%)</b>	<b>1,297.91</b>	<b>119.91</b>	<b>9.24%</b>
<b>Profit from operating activities</b>	<b>48.39</b>	<b>(60.12)</b>	<b>108.51</b>	<b>180.49%</b>	<b>29.08</b>	<b>19.31</b>	<b>66.40%</b>
Finance income	0.89	0.20	0.69	345.00%	0.46	0.43	93.48%
Finance cost	(1.11)	(0.89)	(0.22)	(24.72%)	(1.38)	(0.27)	(19.42%)
<b>Profit before income tax expenses</b>	<b>48.17</b>	<b>(60.81)</b>	<b>108.98</b>	<b>179.21%</b>	<b>28.16</b>	<b>20.01</b>	<b>71.06%</b>
Income tax expenses	14.34	(7.85)	(22.19)	(282.68%)	(5.66)	(20.00)	(353.36%)
<b>Profit for the year</b>	<b>62.51</b>	<b>(68.66)</b>	<b>131.17</b>	<b>191.04%</b>	<b>22.50</b>	<b>40.01</b>	<b>177.90%</b>





### Summary of operating performance for the three-month period

The Company and its subsidiaries had net profit for the three-month period ended December 31, 2022, amounting to 62.51 million baht, an increase from the previous quarter by 131.17 million baht or 191.04%. This was mainly due to there was an additional cost adjustment from the indetermination of the construction scopes of the railway project, this were impacted a one-time adjustment in amount 57 million baht in the third quarter and construction material cost adjustment, and in addition, the previous quarter was the rainy season that was the low season of construction works. In the current quarter, the progress of construction works can continue as planned. Moreover, income tax expenses were adjusted by recalculating for the whole year, the resulting in an additional tax credit of approximately 18.70 million baht.

### Revenue from construction services for the three-month period

The Company and its subsidiaries had revenues from construction services of 1,406.84 million baht or 95.95% of total revenues, an increase of 41.08 million baht from the previous quarter, or 3.01%. In this quarter, the Company and its subsidiaries were able to work as planned without being affected by the rainy season as the previous quarter. The revenue from construction services mainly from the railway construction works and road works.

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

The Company and its subsidiaries had revenues from sales of construction materials of 50.31 million baht or 3.43% of total revenues, an increase of 12.98 million baht from the previous quarter or 34.77%. Partly increased from sales of limestone products 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 3.94 million baht or 0.27% of total revenues, closed to the previous quarter.

### Cost of construction services for the three-month period

The Company and its subsidiaries had cost of construction services of 1,298.91 million baht, a decrease of 66.69 million baht from the previous quarter or 4.88%. The Company and its subsidiaries had gross profit of 107.93 million baht, an increase of 107.77 million baht from the previous quarter more than 100%. The gross profit margin for the three-month period of the fourth quarter was 7.67%, an increase from the previous quarter of 0.01%. The main factor were due to an additional cost adjustment from the indetermination of the construction scopes of the railway project, this were impacted a one-time adjustment in amount 57 million baht in the third quarter.



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

The Company and its subsidiaries had cost of sales of construction material of 45.58 million baht, an increase of 11.49 million baht from the previous quarter or 33.70%, in line with an increase in revenue from sales of construction materials. The Company and its subsidiaries had gross profit of 4.73 million baht, an increase of 1.49 million baht from the previous quarter, or 45.99%. The gross profit margin of sales of construction materials for this three-month period was 9.40%, an increase from the previous quarter of 8.68% due to this quarter, the sales of limestone products under concession which had higher profit margin than other construction materials.

#### Cost of rent for the three-month period

The Company and its subsidiaries had cost of rent of 2.52 million baht, same as the previous quarter, with the gross profit of 1.42 million baht. The gross profit margin of the three-month period ended December 31, 2022, was 36.04%, closed to the previous quarter.

#### Other income for the three-month period

The Company and its subsidiaries had other income of 5.12 million baht, a decrease of 5.55 million baht from the previous quarter or 52.01%. This was due to a decrease of scrap sales from construction projects and sales from unused assets in the previous quarter.

#### Administrative expenses for the three-month period

The Company and its subsidiaries had administrative expenses of 70.82 million baht, a decrease of 4.80 million baht or 6.35% from the previous quarter. This was mainly due to a decrease in depreciation of machinery used in construction projects and some of the machinery was fully depreciated during the year.

#### Financial cost for the three-month period

The Company and its subsidiaries had financial cost of the fourth quarter 1.11 million baht, an increase of 0.22 million baht, compared with the previous quarter or 24.72% due a slightly increase in interest-bearing debts related to construction progress.