



CIVIL ENGINEERING



Civil Engineering Public Company Limited

Management Discussion and Analysis

of Consolidated Financial Statements

for the first quarter ended 31 March 2023

**Management Discussion and Analysis of Consolidated Financial Statements
for the first quarter ended 31 March 2023 (YoY)**

Statements of consolidated comprehensive income	1Q23	1Q22	Change (YoY)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Revenues				
Revenue from construction services	1,382.20	1,608.86	(226.66)	(14.09%)
Sales of construction materials	52.86	31.32	21.54	68.77%
Rental income	3.93	4.10	(0.17)	(4.15%)
Other income	8.10	5.14	2.96	57.59%
Total revenues	1,447.09	1,649.42	(202.33)	(12.27%)
Expenses				
Cost of construction services	1,264.90	1,477.81	(212.91)	(14.41%)
Cost of sales of construction materials	45.54	29.04	16.50	56.82%
Cost of rent	2.47	2.53	(0.06)	(2.37%)
Administrative expenses	69.97	81.71	(11.74)	(14.37%)
Total expenses	1,382.89	1,591.09	(208.20)	(13.09%)
Profit from operating activities	64.21	58.33	5.88	10.08%
Finance income	0.28	0.15	0.13	86.67%
Finance cost	(0.97)	(1.19)	(0.22)	(18.49%)
Profit before income tax expenses	63.51	57.30	6.21	10.84%
Income tax expenses	(15.53)	(16.98)	(1.45)	(8.54%)
Profit for the year	47.99	40.32	7.67	19.02%
Earnings per share (Baht)	0.07	0.06	0.01	16.67%

Statements of consolidated financial position	31 March 2023	31 March 2022	Change	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Assets	7,706.06	7,784.93	(78.87)	(1.01%)
Liabilities	5,938.33	6,065.19	(126.86)	(2.09%)
Shareholders' equity	1,767.73	1,719.74	47.99	2.79%



Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the first quarter ended 31 March 2023, amounting to 47.99 million baht, an increase from the same period of the previous year by 7.67 million baht or 19.02%. This was due to a higher total gross profit margin compared to the same period of the previous year, which came from the higher gross profit margin of construction services from the proportion of revenue from the road work sector which increased from 28% of total revenue construction services to 55% and higher gross profit margin from sales of construction materials which increased from the sale of limestone products. As a result, the overall net profit margin of the Company and its subsidiaries increased from 2.44% to 3.32%.

Revenue from construction services

The Company and its subsidiaries had revenues from construction services for this period of 1,382.20 million baht or 95.52% of total revenues, a decrease of 226.66 million baht from the same period of the previous year, or 14.09%. This was mainly due to a decrease in revenue from railway projects such as the double-track railway construction project and the Bangkok-Nong khai high-speed railway project contract 2-1 which were almost the end phase of construction work. As a result, the proportion of construction revenue from the railway sector decreased from 55% to 39% from the same period of the previous year. Meanwhile the work progress from the road work sector increased from 28% to 51% from the same period of the previous year such as the Rama 3 express way project and Rama II express way project. However, although the proportion of revenue from the road work sector increased, the railway work sector had a larger project value. As a result, the overall revenue from construction services in this quarter was less than in the same period of the previous year.

Revenue from sales of construction materials

The Company and its subsidiaries had revenues from sales of construction materials for this period of 52.86 million baht or 3.65% of total revenues, an increase of 21.54 million baht from the same period of the previous year or 68.77%. This was mainly due to the Company and its subsidiaries having begun to sales of limestone products under concession certificate held by CCSP (a subsidiary of CIVIL) since May 2022, resulting in an increase in revenue from sales of limestone products.

Revenue from rental

The Company and its subsidiaries had rental revenue of 3.93 million baht or 0.27% of total revenue, which was close to the same period of the previous year, The Group's rental revenue was mainly from real estate.



Cost of construction services

The Company and its subsidiaries had costs of construction services for this period of 1,264.90 million baht, a decrease of 212.91 million baht from the same period of the previous year or 14.41%. The gross profit of 117.30 million baht, a decrease of 13.75 million baht from the same period of the previous year or representing a decrease of 10.50%. The gross profit margin for this period was 8.49%, an increase from the same period of the previous year, which had a gross profit margin of 8.15%. The mainly due to the increase in the proportion of the road work project that had a higher gross profit margin than the railway project, which was mainly revenue proportion in the same period of the previous year. As a result, the gross profit margin of this period increased, compared to the same period of the previous year.

Cost of sales of construction material

The Company and its subsidiaries had cost of sales of construction material for this period of 45.54 million baht, an increase of 16.50 million baht from the same period of the previous year or 56.82%, in line with the increasing revenue from sales of limestone products under concession in this period. The Company and its subsidiaries had gross profit of 7.32 million baht, an increase of 5.04 million baht from the same period of the previous year, or 221.05%. The gross profit margin of sales of construction materials for this period was 13.85%, an increase from the same period of the previous year of 7.28% due to the profit of the limestone products under concession that had higher gross profit margin than other construction materials.

Cost of rent

The Company and its subsidiaries had a rental cost for this period of 2.47 million baht. The gross profit of 1.46 million baht or 37.18%, a slight decrease from the same period of the previous year, which was 38.34%. Due to the company's group had to bring unused machines to subcontractor for rent during the first quarter of the previous year, which had higher gross profit margin than revenue from real estate rental. However, regards the rental business was small proportion, it wasn't affected on the overall profit of the group company.

Other income

The Company and its subsidiaries had other income for this period of 8.1 million baht, an increase of 2.96 million baht or 57.59% from the same period of the previous year. This was due to an increase in revenue from disposal of unused assets.



Administrative expenses

The Company and its subsidiaries had administrative expenses for this period of 69.97 million baht, a decrease of 11.74 million baht or 14.37% from the same period of the previous year. This was mainly due to a significant decrease in depreciation of machinery regarding the relocation and installation process for the new project during the beginning of the previous year. The administrative expenses to total revenue ratio decreased from 4.95% to 4.84% compared to the same period of the previous year.

Financial cost

The Company and its subsidiaries had financial cost for this period of 0.97 million baht, a decrease of 0.22 million baht from the same period of the previous year or 18.49%, 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. The Company and its subsidiaries had debt-to-equity ratio according to the consolidated financial statements of 3.36 times, a decrease from the end of the previous year of 3.53 times due to the shareholders' equity increased from the operating profit for the period. The Interest-bearing debt to equity ratio decreased from 1.30 times to 1.28 times compared to the end of the previous year. The Company and its subsidiaries had no obligation to maintain any financial ratios from borrowings.



Consolidated statements of financial position

Assets

As of March 31, 2023, the Company and its subsidiaries had assets of 7,706.06 million baht, a decrease of 78.87 million baht from the end of the previous year or 1.01%, There was mainly from: (1) a decrease in trade and other receivables and unbilled receivables due to delivery construction work and collection in this period. On the other hand, there was increase in cash and cash equivalents and retention receivable as the above reason and increase from inventories and construction supplies to prepare for construction projects. The main components of assets as of March 31, 2023, were (1) unbilled receivables, (2) property, plant, and equipment, (3) cash and cash equivalents, (4) retention receivable, and (5) trade and other receivables.

Liabilities

The Company and its subsidiaries had liabilities as of March 31, 2023, of 5,938.33 million baht, an increase of 126.86 million baht or 2.09%, mainly due to (1) a decrease in advances received from hirers according to increase delivery of construction work , (2) an increase in short-term loan from financial institutions under project finance, (3) an increase in trade and other payables, this was in line with the growth of construction projects. The main components of liabilities as of March 31, 2023, were (1) short-term loans from financial institutions, (2) trade and other account payable trade and other payable, (3) advances received from hirers, (4) retention payables, and (5) liabilities under rental agreements.

Shareholder's equity

The Company and its subsidiaries had shareholder's equity as of March 31, 2023, amounting to 1,767.73 million baht, an increase of 47.99 million baht from the end of previous year or 2.79% due to the net profit for the period, amounting to 47.99 million baht.

Cash flow

The Company and its subsidiaries had net cash inflow from operating activities of 103.46 million baht, came from cash increase from operating results of the Company and its subsidiaries mainly due to the management of work processes in accordance with work delivery plans and accelerating the collection according to the payment term of billing especially from the large projects. As a result, this quarter, The Company and its subsidiaries had net cash inflow from operating activities. Besides this, there was cash outflow in investing activities amounting to 24.20 million baht due to investment in building improvements and equipment and sales of unused machinery and equipment. There was cash outflow in financing activities amounting to 0.96 million baht due to repayment of liabilities under finance lease agreements and increase in short-term loans from financial institutions for construction projects, resulting in the Group's net cash increasing during the period of 78.30 million baht.



Management Discussion and Analysis of Consolidated Financial Statements for the first quarter ended 31 March 2023 (QoQ)

Profit or loss:	1Q2023	4Q2022	Change (QoQ)	
	Million THB	Million THB	Million THB	%
Revenues				
Revenues from construction services	1,382.20	1,406.84	(24.64)	(1.75%)
Sales of construction materials	52.86	50.31	2.55	5.07%
Rental income	3.93	3.94	(0.01)	(0.25%)
Other income	8.10	5.12	2.98	58.20%
Total revenues	1,447.09	1,466.21	(19.12)	(1.30%)
Expenses				
Cost of construction services	1,264.90	1,298.91	(34.01)	(2.62%)
Cost of sales of construction materials	45.54	45.58	(0.04)	(0.09%)
Cost of rent	2.47	2.52	(0.05)	(1.98%)
Administrative expenses	69.97	70.82	(0.85)	(1.20%)
Total expenses	1,382.89	1,417.82	(34.93)	(2.46%)
Profit from operating activities	64.21	48.39	15.82	32.69%
Finance income	0.28	0.89	(0.61)	(68.54%)
Finance cost	(0.97)	(1.11)	(0.14)	(12.61%)
Profit before income tax expenses	63.51	48.17	15.34	31.85%
Income tax expenses	(15.53)	14.33	29.86	208.37%
Profit for the year	47.99	62.50	(14.51)	(23.22%)

Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the first quarter ended 31 March 2023, amounting to 47.99 million baht, a decrease from the previous quarter by 14.51 million baht or 23.22%. This was mainly due to the previous quarter, the company's subsidiaries had recognized tax benefit by recalculated for the whole year, the resulting in a tax credit of 18.7 million baht while this quarter was recognized tax expense as normal, this was affected decrease in net profit compared to the previous quarter. However, the operating results for this quarter, The Company and its subsidiaries had the profit before income tax expenses higher than the previous quarter, mainly due to higher gross profit margins of construction services, sales of construction materials and also higher other income in this quarter.



Revenue from construction services

The Company and its subsidiaries had revenues from construction services of 1,382.20 million baht or 95.52% of total revenues, a decrease of 24.64 million baht from the previous quarter, or 1.75%. This was mainly due to a decrease in revenue from railway projects such as the double-track railway construction project and the Bangkok-Nong khai high-speed railway project contract 2-1 which were almost the end phase of construction work. As a result, the proportion of construction revenue from the railway work sector decreased from 44% to 39% from the previous quarter. Meanwhile the work progress from the road work sector and airport work sector increased from 48% and 2% to 51% and 6% respectively from the previous quarter. However, due to the railway work sector having the large project value than other. As a result, the overall revenue from construction services in this quarter was slightly lower than in the previous quarter.

Revenue from sales of construction materials

The Company and its subsidiaries had revenues from sales of construction materials of 52.86 million baht or 3.65% of total revenues, an increase of 2.55 million baht from the previous quarter or 5.07%. Mainly increased from sales of limestone products under concession certificate held by CCSP (a subsidiary of CIVIL).

Revenue from rental

The Company and its subsidiaries had rental revenues of 3.93 million baht or 0.27% of total revenues, close to the previous quarter. The Group's rental revenue was mainly from real estate.

Cost of construction services

The Company and its subsidiaries had costs of construction services of 1,264.90 million baht, a decrease of 34.01 million baht from the previous quarter or 2.62%. The Company and its subsidiaries had gross profit of 117.30 million baht, an increase of 9.37 million baht from the previous quarter or 8.68%. The gross profit margin for this period was 8.49%, an increase from the previous quarter which was 7.67%. The mainly due to the proportion of revenue from road work and airport work increasing, which the road and airport work sector had higher gross profit margin than the railway work sector. As a result, the gross profit margin increased compared to the previous quarter.

Cost of sales of construction material

The Company and its subsidiaries had cost of sales of construction material of 45.54 million baht, a decrease of 0.04 million baht from the previous quarter or 0.09%. The Company and its subsidiaries had gross profit of 7.32 million baht, an increase of 2.59 million baht from the previous quarter, or 54.76%. The gross profit margin of sales of construction materials for this quarter was 13.85%, an increase from the previous quarter of 9.40% due to the sales of limestone products under concession which had higher profit margin than other construction materials.



Cost of rent

The Company and its subsidiaries had costs of rent of 2.47 million baht, a decrease of 0.05 million baht or 1.98%, with a gross profit of 1.46 million baht and the gross profit margin of 37.18%, increased from the previous quarter, which was 36.21%. However, the change in gross profit margin was insignificant.

Other income

The Company and its subsidiaries had other income of 8.1 million baht, an increase of 2.98 million baht from the previous quarter or 58.20%. This was due to sales of unused assets in this quarter.

Administrative expenses

The Company and its subsidiaries had administrative expenses of 69.97 million baht, a decrease of 0.85 million baht or 1.20% from the previous quarter. The change in administrative expenses was insignificant.

Financial cost

The Company and its subsidiaries had financial costs for this quarter of 0.97 million baht, a decrease of 0.14 million baht, compared to the previous quarter or 12.61%. This was due to a decrease in interest paid from the lease agreement according to the installment period.