

No. CAZ 019-2019

12 November 2019

 Subject: Management Discussion and Analysis 3rd Quarter ended 30 September 2019

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 second quarter ended 30 September 2019, which changed in revenue and net profit compared with the last year as follows:

Statement of Comprehensive Income

(Unit : Million Baht)

Details	Three-Month Period				Nine-Month Period			
	30 Sep 19	30 Sep 18	Changed	(%)	30 Sep 19	30 Sep 18	Changed	(%)
Revenues from construction contracts	496.14	344.87	151.27	43.86	1,450.80	1,060.09	390.71	36.86
- EPC Services	104.92	110.21	(5.29)	(4.80)	315.80	525.70	(209.90)	(39.93)
- Structure Mechanic and Pinging (SMP and E&I Services)	189.40	99.07	90.32	91.18	504.73	231.48	273.25	118.04
- Civil & Building Services	160.40	95.68	64.72	67.64	376.13	254.60	121.53	47.73
- Fabrication and Other services	41.42	39.91	1.51	3.78	254.14	48.31	205.83	426.06
Cost of construction contracts	(447.80)	(311.70)	136.10	43.66	(1,308.05)	(955.05)	352.99	36.96
Gross profit	48.34	33.17	15.17	45.73	142.75	105.04	37.71	35.90
Other income	2.29	0.75	1.54	204.59	5.14	1.74	3.39	194.42
Administrative expenses	(18.97)	(16.76)	2.21	13.21	(58.60)	(48.33)	10.27	21.25
Profit before finance cost and income tax	31.67	17.17	14.50	84.44	89.28	58.45	30.84	52.76
Finance cost	(4.64)	(3.21)	1.43	44.49	(11.13)	(9.29)	1.84	19.78
Profit before income tax	27.02	13.96	13.07	93.63	78.16	49.16	29.00	58.00
Income tax	(6.28)	(2.28)	3.46	122.44	(16.53)	(9.82)	6.71	68.31
Profit for the year	20.74	11.13	9.61	86.32	61.63	39.34	22.29	56.66
Owners of the parent	20.73	9.89	10.85	109.65	61.57	36.74	24.83	67.60
Non-controlling interests	0.01	1.24	(1.24)	(99.58)	0.06	2.60	(2.54)	(97.79)

1. Revenues from contraction contracts

On Q3/2019, the Group has revenue from construction contracts totaling of Baht 496.14 Million, increased by Baht 151.27 Million or 43.86% compared with the same period of last year. Resulted from revenue recognition which has progress of the construction of the project on hand (Backlog) which were hired on 2017 until 30 September 2019. As at 30 September 2019, the Group has backlog for construction service total of Baht 1,868.31 Million.

Since 2018, the Group has been hired construction projects by the main contractor rather than owner. Due to the construction projects in the Petrochemical and Energy Group are large projects and project valuation have exceeding than Baht 10,000 Million. As a result, the construction segment services income of the Group are varieties into each service segment. Due to customer's requirement which are not focusing on any particular service group

2. Other revenue

The Group's other revenue of Q3/2019 totaling of Baht 2.29 Million. Increased from same period of last year, because of the Group has profit from selling scrap and unused construction consumable.

3. Administrative expenses

On Q3/2019, the Group's administrative expense totaling of Baht 18.97 Million, increased by Baht 2.21 Million, or 13.21% compared with Q3/2018 which has administrative expense totaling of Baht 16.76 Million. Resulted from the increasing of employee expenses & compensations, audit fee, consulting fee and advertising expenses.

4. Profitability

Gross profit and net profit of 3rd Quarter, 2019 ended 30 September 2019 and 2018 as follows;

Profitability	Quarter 3/2019		Quarter 3/2018	
	(Million Baht)	%	(Million Baht)	%
Gross profit	48.34	9.74	33.17	9.62
Profit attributable to owners of the parent	20.73	4.16	9.89	2.86

Q3/2019, the Group's gross profit of totaling of Baht 48.34 Million, increased by Baht 15.17 Million, or 45.73%, compared with Q3/2018 which has gross profit of Baht 33.17 Million, The Group's gross profit margin of Q3/2019 has a similar rate to the same period of the previous year.

Q3/2019, the Group's has net profit attributable to owners of the parent totaling of Baht 20.74 Million. Increased by Baht 10.85 Million, or increased 109.65%, compared with Q3/2018, which net profit attributable to owners of the parent totaling of Baht 9.89 Million. The Group's net profit margin of Q3/2019 was 4.16% greater than same period of last year, which was 2.86%. Resulted from revenue growth of the Group, including efficiency of administrative expenses controlling.

Statement of Financial Position

(Unit: Million Baht)

Details	30 Sep 2019	31 Dec 2018	Increased (Decreased)	%
Assets				
Current assets				
Cash and cash equivalents	1.71	35.22	(33.51)	(95.14)
Trade and other receivables	269.21	208.40	60.81	29.18
Unbilled receivables	426.99	273.72	153.27	56.00
Inventories	14.35	135.92	(121.57)	(89.44)
Other current assets	11.21	6.85	4.36	63.58
Total current assets	723.47	660.11	63.36	9.60
Non-current assets				
Restricted bank deposits	14.92	20.79	(5.87)	(28.24)
Property, plant and equipment	484.80	357.14	127.66	35.75
Intangible assets	11.66	11.65	0.01	0.11
Retention receivables	49.06	37.25	11.81	31.70
Withholding tax deducted at source	83.42	61.31	22.11	36.07
Deposits	1.39	0.85	0.54	63.34
Deferred tax assets	0.74	0.67	0.07	10.43
Total non-current assets	645.98	489.65	156.33	31.93
Total assets	1,369.45	1,149.76	219.69	19.11
Liabilities and equity				
Current liabilities				
Bank overdraft	14.21	-	14.21	N/A
Short-term borrowing from banks	101.02	59.18	41.84	70.69
Trade and other payables	263.14	286.57	(23.43)	(8.18)
Service income received in advance	283.44	422.43	(139.00)	(32.90)
Current portion of long-term borrowings from banks	38.64	38.64	-	-
Current portion of liabilities under finance lease agreements	1.75	1.45	0.31	21.10



CAZ (Thailand) Public Company Limited



239 Huaypong-Nongbon Rd, T.Huaypong,
A.Muangrayong, Rayong 21150. Thailand

Telephone: (+66)-336-062-42. Facsimile: (+66)-336-061-66

Details	30 Sep 2019	31 Dec 2018	Increased (Decreased)	%
Short-term borrowing from third party	3.00	-	3.00	N/A
Short-term borrowing from related party	23.50	-	23.50	N/A
Other current liabilities	30.52	22.16	8.36	37.74
Total current liabilities	759.21	830.43	(71.22)	(8.58)
Non-current liabilities				
Long-term borrowing form banks	114.00	143.70	(29.70)	(20.67)
Finance lease liabilities	4.42	3.00	1.42	47.40
Retention payables	8.09	7.96	0.13	1.60
Employee benefit obligations	3.65	3.07	0.58	18.93
Total non-current liabilities	130.15	157.72	(27.57)	(17.48)
Total liabilities	889.36	988.16	(98.80)	(10.00)
Equity				
Share Capital - Authorized	140.00	140.00	-	-
Issued and paid-up	140.00	100.00	40.00	40.00
Share premium	246.11	-	246.11	n.a.
Retained earning				
Appropriated - legal reserve	5.09	5.09	-	-
Unappropriated	78.20	44.31	33.89	76.48
Equity attributable to owners of the parent	8.45	8.45	-	-
Equity attributable to owners of the parent	477.85	157.85	319.99	202.72
Non-controlling interests	2.25	3.75	(1.51)	(40.16)
Total equity	480.09	161.60	318.48	197.08
Total liabilities and equity	1,369.45	1,149.76	219.69	19.11

Assets

As at 30 September 2019, the Group's total assets of Baht 1,369.45 Million, increased by Baht 219.69 Million, or 19.11% compared with 31 December 2018, which total assets of Baht 1,149.76 Million. The changing of total assets as follows;

Current assets: comprising of

- Trade and other receivables totaling of Baht 269.21 Million. Increased of Baht 60.81 Million, compared with last year. Resulted from the value of work billing during the period are not yet due for customer payment term.
- Unbilled receivables totaling of Baht 426.99 Million. Increased of Baht 153.27 Million from last year. The main reason is revenue recognized were greater than milestone payment of the Group's customers.
- Inventories of Baht 14.35 Million, decreased from the previous year of Baht 121.57 Million for use during the period of projects on hand.

Non-current assets: comprising of

- Net total of Property, plant and equipment, including intangible assets totaling of Baht 496.46 Million, increased of Baht 127.67 Million. Due to invested in the new land and property which followed by the resolution of the Extraordinary General Meeting of Shareholders meeting No. 1/2019, on 1 July 2019, to change objectives of raised fund using from increase capital by the offering new ordinary share of the company. Moreover, the Group invested into construction tool and equipment in order to improving capabilities and support new projects.
- Retention receivables increased of Baht 11.81 Million from the previous year due to the gradual delivery of the completed project work to customers during the period.
- Withholding tax deducted at source increased from previous year total of Baht 22.11 Million. Resulting from customer payment during the period.

Liabilities

As at 30 September 2019, the Group's liabilities total of Baht 889.36 Million, decreased by Baht 98.80 Million, or 10% compared 2018. Changing of total liabilities consist of:

- The Group has short-term loan to be used as working capital during the period increased by Baht 82.55 Million.
- Trade and other payables total of Baht 263.14 Million, decreased of Baht 23.43 Million. Resulted from, the purchase of products and construction materials and outsourcing subcontractors.

- Advance received from construction contracts and construction income received in advance total of Baht 283.44 Million, 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 32.32 Million. These amount would be recognized revenue 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 251.12 Million which were advanced received from customers. And these amount going to reduce by portion of next milestone's payment follow by contract.

However, Construction income received in advance and Advance received from construction contracts were reduced by total of Baht 139.00 Million, or 32.90%, compared with last year. Due to revenue recognize during this period.

- Long-term loans from banks decreased from the end of previous year total of Baht 29.70 Million, or 20.67%, due to the repayment in accordance with the contract and the duration.

Equity

For shareholders' equity to the parent Company as of 30 September 2019, total of Baht 477.85 Million, increased from last year, by total of Baht 320.00 Million, or 202.72%. Resulted as reasons following;

- The Group offered its ordinary shares to the initial public offering (IPO) by issuing 80,000,000 ordinary shares on 8-15 January 2019. The new shares were sold to the subscribers at the price of Baht 3.90 per share (0.50 Baht for paid up capital and 3.40 Baht for share premium) total of 312 Million Baht. And the shares of the Company began trading in the Stock Exchange of Thailand (mai) on 22 January 2019. Directly attributable expenses of the IPO total of 25.89 Million Baht were deducted with share premium received from the shareholders.
- Dividend payment of 2018 (April – December) to shareholders whose names appear in the shareholder register as of March 13, 2019 for 280 Million shares at 0.10 Baht per share. Totaling of Baht 28.00 Million on May 17, 2019.
- The Group's operating results with net profit attributable to owners of the parent for the period totaling of Baht 61.69 Million.



CAZ (Thailand) Public Company Limited



239 Huaypong-Nongbon Rd, T.Huaypong,
A.Muangrayong, Rayong 21150. Thailand

Telephone: (+66)-336-062-42. Facsimile: (+66)-336-061-66

Key financial ratios

- Debt to Equity ratio (D/E) as of 30 September 2019 was 1.86 times. Decreased from last year, which has D/E 6.26 times. Due to the increasing capital of the initial public offering (IPO), including cash received after deducted directly attributable expenses of IPO on January 2019.
- The Group's Interest bearing debt as of 30 September 2019 was 0.57 times, decreased from last year of 1.56 times. Due to the increasing of equity by IPO which mention above.

Please be informed accordingly.

Sincerely yours,

(Mr. Chung Sik Hong)

Chief Executive Officer