

22 July 2021

Subject: Management Discussion and Analysis for the year ended 31 December 2020

To: President
The Stock Exchange of Thailand

Siam Technic Concrete Public Company Limited (“the Company”) provides Management Discussion and Analysis for the year ended 31 December 2020 as follows:

Summary of operating results

Item	Separate financial statements for the year ended		Change	
	31 Dec 2019	31 Dec 2020	THB Million	%
	THB Million	THB Million		
Sale of goods and rendering of services				
Revenue from sale of goods and rendering of services	1,652.69	1,442.59	(210.10)	(12.71)
Cost of sale of goods and rendering of services	1,277.64	1,140.55	(137.09)	(10.73)
Gross Profit from sale of goods and rendering of services	375.05	302.04	(73.01)	(19.47)
Project construction				
Revenue from construction contract	35.76	90.34	54.58	152.63
Costs of project construction	72.27	66.25	(6.02)	(8.33)
Gross Profit (Loss) from construction contract	(36.51)	24.09	60.60	165.98
Gross profit	338.54	326.13	(12.41)	(3.67)
Other Income	24.38	17.40	(6.98)	(28.63)
Selling expenses	22.37	20.42	(1.95)	(8.72)
Administrative expenses	187.26	129.17	(58.09)	(31.02)
Finance cost	37.51	26.30	(11.21)	(29.89)
Profit before income tax expenses	115.78	167.64	51.86	44.79
Income tax expenses	22.55	27.04	4.49	19.91
Profit for the period	93.23	140.60	47.37	50.81
Total comprehensive income for the period	93.23	151.85	58.62	62.88
Basic earnings per share (EPS) (THB per share)	0.18	0.27	0.09	50.00

Summary of financial position

Item	Separate financial statements		Change	
	as of			
	31 Dec 2019	31 Dec 2020	THB Million	%
Total assets	1,712.86	1,802.91	90.05	5.26
Total liabilities	1,103.83	1,042.91	(60.92)	(5.52)
Total equities	609.03	760.01	150.98	24.79

Summary of key financial ratios

Item	Unit	Separate financial statements for the year ended	
		31 Dec 2019	31 Dec 2020
Cash Cycle	(Days)	58.81	58.09
Net profit margin	(percent)	5.44	9.07
Return on equity	(percent)	15.43	20.54
Return on assets	(percent)	5.31	8.00
Debt to equity ratio	(times)	1.81	1.37

Discussion and Analysis of financial position and performance:

Operating results

■ Revenue from sale of goods and rendering of services.

In 2020, the Company's revenue from sales and services fell by THB 210.11 million, or 12.71 percent, compared to the previous year due to intense price competition in the COVID-19 pandemic situation, as well as deferral and suspension of investment in various private sector projects, including budget changes and delays in various PEA projects. They were the main cause to a decrease in revenue from sales of prestressed concrete piles and prestressed concrete power poles, and component products used to assemble power poles.

■ Revenue from construction contract

The Company's revenue from construction projects increased by 152.63 percent to THB 54.58 million in 2020, due largely to revenue recognition of the 115 kV high voltage transmission line projects (Stuek) in the amount of THB 59.89 million and the 115 kV Transmission Line Project (Bang Khla) in the amount of THB 30.45 million, respectively. The specified projects are continuations from 2019, with the Company already delivered two 115 kV Transmission Line Projects to PAE in the third quarter of 2020. The Company is now bidding on new 115 kV projects on a continual basis.

■ **Other Income**

Regarding a fall in scrap metal revenue of THB 6.53 million in 2020, the Company's other income decreased by THB 6.98 million, or 28.63 percent, from the previous year. Furthermore, on 15 January 2020, the Company received the release of the Company's and connected persons' guarantee letters from a financial institution and a leasing company, which has a negative impact on the Company's income.

■ **Cost of sale of goods and rendering of services**

Cost of sale of goods and rendering of services decreased by THB 137.09 million or 10.73 percent in 2020 compared to the prior year, attributable to lower revenue from sales of goods and services.

■ **Costs of project construction**

In 2020, project construction costs decreased by THB 6.02 million, or 8.33 percent, over the previous year. This was mainly impacted from the THB 43.60 million cost of the 115 kV Transmission Line Project (Stuek) and THB 22.65 million cost of the 115 kV Transmission Line Project (Bang Khla).

■ **Gross profit**

The Company's gross profit for sales and services in 2020 decreased by THB 73.01 million, or 19.47 percent, compared to 2019, due to price competition in the COVID-19 pandemic situation and a drop in private sector workloads from postponements in investment.

The Company's gross profit in the construction business increased by THB 60.60 million, or 165.98 percent, compared to the previous year's gross loss. This was primarily due to an increase in revenue from the Company's projects, the 115 kV Transmission Line Project (Stuek) and the 115 kV Transmission Line Project (Bang Khla). These projects mainly used the Company's products and were projects with a high profit margin for the Company.

For the reasons stated above, the Company's gross profit fell by THB 12.41 million or 3.67 percent in 2020, due mainly to a decrease in gross profit from sales and services.

■ **Selling expenses**

In 2020, the Company's selling expenses decreased by THB 1.95 million or 8.72 percent when comparing to the previous year as the Company has cancel paying any broker fee to a third party to be inline with the Company's good governance policy.

■ **Administrative expenses**

In 2020, the Company's selling and administrative expenses decreased by THB 58.09 million, or 31.02 percent, due to the investment in 2019 for the purchase of a land and buildings where the head office is located from

Ruam Chai Kij Company Limited for THB 102.25 million based on independent appraiser's price. As a result, beginning in 2020, the Company will not be required to pay for annual office building rental expenses totaling THB 10.49 million. Furthermore, no recurring administrative costs are incurred (one-time expenses).

■ **Finance cost**

Compared to the previous year, the financial cost decreased by THB 11.21 million, or 29.89 percent, in 2020. This was primarily owing to the decrease in financial cost of loan from financial institutions by THB 8.13 million due to the Company's gradual repayment of liabilities and lower interest rate.

■ **Net Profit**

The Company's net profit in 2019 and 2020 were THB 93.23 million and THB 140.60 million, respectively. The increase in the Company's net profit in 2020 was THB 47.37 million, representing a 50.81 percent increase over the previous year. This was due to the Company's ability to effectively manage raw material costs as key raw material prices fell, along with increased profit from construction projects, and better management of selling and administrative expenses.

However, when excluding one-time expenses such as write-offs and doubtful accounts amounting THB 18.88 million, as well as impairment of investment properties amount THB 9.91 million in 2019, the Company's net profit in 2019 - 2020 would be THB 122.02 million and THB 140.60 million, respectively.

Financial Position

■ **Total Assets**

The Company's total assets as of 31 December 2019 and 2020 were THB 1,712.86 million and THB 1,802.91 million, respectively. The Company's main assets are lands, plants, and equipment, which are important assets in business operations, as well as assets related to the Company's office, accounting for approximately 50.00 to 60.00 percent of the Company's total assets. As of 31 December 2020, the Company's total assets had increased by THB 90.05 million, or 5.26 percent. This was primarily due to Chonburi province's investment (Branch 2).

■ **Total Liabilities**

The Company's total liabilities as of 31 December 2019 and 2020 were THB 1,103.83 million and THB 1,042.91 million, respectively. The Company's main liabilities are short-term and long-term loans from financial institutions used as working capital for business operations and as funds for investment in the Company's property, plant, and equipment, which account for approximately 40.00 to 50.00 percent of total liabilities. The Company's total liabilities decreased by THB 60.92 million, or 5.26 percent, as of 31 December 2020, due to the payment of loans from financial institutions to reduce the company's financial cost.

▪ **Shareholders' equity**

The Company's shareholders' equity as of 31 December 2019 and 2020 were THB 609.03 million and THB 760.01 million, respectively. For the annual period ended 31 December 2020, the Company's shareholders' equity increased by THB 150.98 million, representing an increase of THB 151.85 million on the Company's total comprehensive income for 2020.

Financial Ratio

▪ **Cash Cycle**

The Company's cash cycle in 2020 was similar to that of 2019, at around 58 - 59 days, owing to an increase in the Company's collection period.

▪ **Net Profit Margin**

In 2019 and 2020, the Company's net profit margin were 5.44 percent and 9.07 percent, respectively. The Company's net profit margin increased in 2020 as a result of the Company's ability to effectively manage raw material costs as key raw material prices fell, along with increased profit from construction projects, and better management of selling and administrative expenses.

▪ **Return on Equity**

In 2019-2020, the Company's return on equity were 15.43 percent and 20.54 percent, respectively. The growth in return on equity is due to the increase in net profit throughout each period.

▪ **Return on Assets**

Increased return on assets in 2020 compared to the previous year, driven by net profit in each year, including improved production capacity management of the company's products each year. This enables the organization to generate income and profit from existing lands, buildings, and equipment more efficiently.

▪ **Debt to Equity ratio**

The Company's debt to equity ratio declined in 2020 compared to the previous year, mainly to an increase in retained earnings of THB 152.11 million and no dividend payment to the Company's shareholders this year.

Your Sincerely .

(Mr. Songsak Piyawannarat)

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Deputy of Chief of Executive