

SET 2019/14

7 August 2019

Subject: Management Discussion and Analysis for the second quarter ended 30 June 2019

To: President
The Stock Exchange of Thailand

TEAM Consulting Engineering and Management Public Company Limited (“the Company”) would like to submit this Management Discussion and Analysis for the second quarter ended 30 June 2019, with details as follow:

Consolidated Financial Performance	Apr - Jun 2019		Apr - Jun 2018		% Growth (Y-o-Y)
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	
Service Income	476.70	99.8%	429.23	99.3%	11.1%
Total Revenue	477.74	100.0%	432.10	100.0%	10.6%
Cost of Services	352.79	73.8%	278.98	64.6%	26.5%
Administrative Expenses	110.63	23.2%	109.02	25.2%	1.5%
Share of Profit from Investment in Associated Company	0.06	0.0%	0.45	0.1%	(86.3%)
Profit before Finance Cost and Income Tax	14.38	3.0%	44.55	10.3%	(67.7%)
Finance Cost	0.52	0.1%	1.62	0.4%	(67.6%)
Income Tax Expenses	2.94	0.6%	5.57	1.3%	(47.3%)
Profit for the period	10.92	2.3%	37.36	8.6%	(70.8%)

Net Profit and Net Profit Margin

During the second quarter of 2019, the Company and its subsidiaries have generated the total net profit of 10.92 million Baht, significantly declining from 37.36 million Baht generated during the same period of 2018 or at the rate of 70.8%. The net profit margin was at 2.3% of total revenue during the period, dropping from 8.6% of total revenue during the same period of 2018. This was mainly due to the recognition of the one-time non-cash expense resulting from the amendment of labour law which has become effective since 5 May 2019. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The Company and its subsidiaries have recognized the effect of such change in the total amount of 49.51 million Baht (38.79 million Baht as cost of services and 10.72 million Baht as administrative expenses) in the income statement during the second quarter of 2019. For comparison purpose, the quarterly financial performance with and without such impact can be shown in the table below.

Consolidated Financial Performance	Apr - Jun 2019		Apr - Jun 2019 <i>(Excluding the impact of labour law amendment)</i>		
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	% Growth (Y-o-Y)
Service Income	476.70	99.8%	476.70	99.8%	11.1%
Cost of Services	352.79	73.8%	314.00	65.7%	12.6%
Gross Profit	123.91	25.9%	162.70	34.1%	8.3%
Administrative Expenses	110.63	23.2%	99.91	20.9%	(8.4%)
Profit before Finance Cost and Income Tax	14.38	3.0%	63.89	13.4%	43.4%
Income Tax Expenses	2.94	0.6%	12.84	2.7%	130.7%
Net Profit	10.92	2.3%	50.52	10.6%	35.2%

It can be seen that, excluding the impact of the mentioned labour law amendment, the Company and its subsidiaries generated total net profit of 50.52 million Baht during the second quarter of 2019, rising by 35.2% of the same period of 2018, and posted the net profit margin of 10.6% of total revenue. This mainly came as a result of higher revenue generation from the continuous progress of its various projects on hand as well as its ability to better control incurred administrative expenses.

Revenue

The Company and its subsidiaries have generated the total revenue of 477.74 million Baht during the second quarter of 2019, increasing at the rates of 8.6% and 10.6% from the previous quarter and the same quarter of 2018 respectively. This consists of Service Income of 476.70 million Baht and Other Income of 1.04 million Baht.

Service Income (Million Baht)	Q2 (2019)	Q1 (2018)	q-o-q	Q2 (2019)	y-o-y	Jan - Jun 19	Jan - Jun 18	% Growth
Government Sector (G)	262	197	33%	218	20%	459	424	8%
Private Sector (P)	130	149	-12%	104	25%	279	205	36%
International Sector (I)	58	70	-18%	72	-20%	128	139	-8%
Related Business Sector (R)	27	19	37%	35	-23%	46	75	-38%
Total Service Income	477	435	10%	429	11%	912	844	8%

Service income

The Company and its subsidiaries have generated total service income of 476.70 million Baht during the second quarter of the year, rising by 11.1% from the same period of 2018, accounting for 99.8% of total revenue with the following revenue structure.

(1) Revenue from Government Project Segment

During the second quarter of 2019, the Company and its subsidiaries have generated revenue from Government projects in the amount of 262.41 million Baht, accounting for 55.0% of total service income. This grew at the rate of 20.2% from those of the same quarter of 2018. In addition to the fact that the Company and its subsidiaries have managed the sizable government projects and made continuous progress during the period, the Company was also able to recognize additional revenue from the contract extension of a sizable project management consulting project, which the Company has conducted and recognized cost of services during 2015 - 2018.

(2) Revenue from Domestic Private Project Segment

During the second quarter of 2019, the Company and its subsidiaries have generated revenue from the domestic private projects in the amount of 129.97 million Baht, accounting for 27.3% of total service income. This increased at the rate of 24.8% from those of the same quarter of 2018. This was due to the significant progress in large private infrastructure project operation as well as construction management for several property development projects awarded during the past years.

(3) Revenue from International Project Segment

The Company and its subsidiaries have generated the second quarter revenue from the international projects in the amount of 57.7 million Baht, accounting for 12.1% of total service income. This declined by 19.9% from those of the same period of 2018. This came as revenue from large international projects were already recognized in previous periods whereas the Company and its subsidiaries has yet to be awarded sizable international projects during the first half of 2019.

(4) Revenue from Related Business Segment

During the second quarter of 2019, the Company and its subsidiaries have generated revenue from the related businesses in the amount of 26.62 million Baht, accounting for 5.6% of total service income. This was down by 23.4% from those of the same quarter of 2018 following the slowdown in the Company and its subsidiaries' related business contract acquisition during the first half of the year.

Cost of Service, Gross Profit and Gross Profit Margin

During the second quarter of 2019, the Company and its subsidiaries, have incurred total cost of services of 352.79 million Baht, increasing at the rate of 26.5% from the same period of last year. This resulted in total gross profit of 123.91 million Baht, which declined by 17.5% from the second quarter of 2018. As a consequence, the gross profit margin amounts to 26.0% compared with 35.0% of the same quarter of 2018.

As mentioned above, the main reason behind such significant increase was from the one-time, non-cash expense recognition due to the labour law amendment, which amounted to 38.79 million Baht. Excluding such expense, the Company and its subsidiaries, would have incurred total cost of services of 314.0 million Baht, increasing by only 12.6% from the same period of last year. This would lead to the gross profit of 162.70 million Baht, which rose by 8.3% from the second quarter of 2018. The gross profit margin would have been 34.1% compared with 35.0% during the same quarter of 2018

Administrative Expenses

During the second quarter of 2019, the Company and its subsidiaries, have incurred total administrative expenses of 110.63 million Baht, increasing by 1.5% from the same period of 2018. Excluding the mentioned labour law amendment impact, this expense would total 99.91 million baht, dropping by 8.4% from the second quarter of last year. This was the direct consequence of more effective expense control particularly non-revenue generating personnel/staff expenses.

Please be informed accordingly.

Yours Sincerely,

(Mr.Issarin Patramai)

Senior Executive Vice President – Accounting and Finance

TEAM Consulting Engineering and Management Public Company Limited