

SET 2019/27

November 14, 2019

Subject: Management Discussion and Analysis for the third quarter ended 30 September 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 third quarter ended 30 September 2019 with details as follows:

Revenue

During the third quarter ended 30 September 2019, the Company and its subsidiaries have generated total revenue of 453.48 million Baht, rising by 12 % from 404.93 million Baht in the same period of 2018. However, this declined 5% from 477.74 million Baht in the second quarter of 2019. The total revenue in this quarter consisted of Service Income and Other income in the amount of 451.16 and 2.32 million Baht respectively.

Service Income

The Company and its subsidiaries have generated service income in the third quarter of 2019 in total of 451.16 million Baht, accounting for 99.5 % of total revenue with the following revenue structure:

Service Income (Million Baht)	Q3 (2019)	Q2 (2019)	Q-o-Q	Q3 (2018)	Y-o-Y	Jan- Sep 2019	Jan- Sep 2018	% Growth
Government Sector (G)	248	262	(5%)	220	13%	707	645	10%
Private Sector (P)	133	130	2%	113	18%	411	318	29%
International Sector (I)	57	58	(2%)	48	19%	185	187	(1%)
Related Business Sector (R)	13	27	(48%)	21	(33%)	60	96	(38%)
Total Service Income	451	477	(5%)	402	12%	1,363	1,246	9%

(1) Revenue from Government Project Segment

During the third quarter of 2019, the Company and its subsidiaries have generated revenue from Government projects in the amount of 247.58 million Baht, accounting for 55 % of total service income. This increased at the rate of 13 % from the same period of 2018. This was due to the recognition of additional revenue of the Company and its subsidiaries from a few of new medium sized projects recently awarded. However, the service income of this quarter declined by 5% compared to the previous quarter. This was because in the previous quarter the Company has recognized additional revenue from the contract extension of one Project Management Consulting Project as reported in the Management Discussion and Analysis of the second quarter of 2019.

(2) Revenue from Private Project Segment

During the third quarter of 2019, the Company and its subsidiaries have generated revenue from private projects in the amount of 132.81 million Baht, accounting for 29.4 % of total service income. This increased at the rate of 18 % from the same period of 2018 and 2 % from the second quarter of 2019. This was because the Company and its subsidiaries have continuously recognized the revenue from the design of Mass Rapid Transit and Real Estate Development Projects employed by private companies.

(3) Revenue from International Project Segment

The Company and its subsidiaries have generated revenue from international projects during the third quarter of 2019 in the amount of 57.24 million Baht, accounting for 12.7 % of total service income. This increased at the rate of 19% from the same period of 2018 but slightly declined by 2 % from the second quarter of 2019. This was due to the contract extension of some international projects that have generated additional income which resulted in the gradual revenue recognition since the second quarter up to this third quarter of 2019.

(4) Revenue from Related Business Project Segment

During the third quarter of 2019, the Company and its subsidiaries have generated income from related business projects in the amount of 13.53 million Baht, accounting for 2.9 % of total service income. This declined by 33% from the same period of 2018 and 48% from the second quarter of 2019. It was due to the postponement of the bidding of several instrumentation projects from 2019 to 2020.

Consolidated Financial Performance	Jul –Sep 2019		Jul-Sep 2018		% Growth (Y-o-Y)
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	
Service Income	451.16	99.5%	402.09	99.3%	12.2%
Total Revenue	453.48	100.0%	404.93	100.0%	12.0%
Cost of Services	301.97	66.6%	265.86	65.7%	13.6%
Administrative Expenses	96.00	21.2%	97.16	24.0%	(1.2%)
Share of Profit from Investment in Associated Companies	0.02	0.0%	0.06	0.0%	(65.5%)
Profit before Finance Cost and Income Tax	55.53	12.2%	41.97	10.4%	32.3%
Financial Cost	0.47	0.1%	0.92	0.2%	(48.5%)
Income Tax Expenses	10.81	2.4%	7.62	1.9%	41.9%
Profit for the period	44.25	9.8%	33.43	8.3%	32.4%

Cost of Service, Gross Profit, Net Profit, and Net Profit Margin

During the third quarter of 2019, the Company and its subsidiaries' total cost of services accounted for 66.6% of the total revenue. This declined from 73.8% of total revenue in the second quarter of 2019. The reason is that the one time impact of the labour law has already been recorded and recognized since the previous quarter. Nevertheless, comparing to the total cost of services in the same period of 2018 which was 65.7% of total revenue, the cost of services in this quarter increased at the rate of 13.6%.

Gross profit of the third quarter of 2019 was 44.25 million Baht, increasing by 32.4% from 33.43 million Baht in the same period of 2018. Net profit margin in this quarter was 9.8% of total revenue, increasing from 8.3% of total revenue in the same period of 2018. This was because the Company and its subsidiaries have delivered more work production especially from large scale Construction Supervision Projects despite the increase in the cost of services.

Administrative Expenses

During the third quarter 2019, the Company and its subsidiaries were able to efficiently control the administrative expenses compared to the same period of 2018 and the second quarter of 2019. The total administrative expenses in this quarter was 96.0 million Baht, accounting for 21.2 % of total revenue. This decreased from 24% of total revenue in the third quarter of 2018 and 23.16% of total revenue in the second quarter of 2019. The reason was that the Company and its subsidiaries can efficiently manage staff workload leading to higher rate of production and revenue recognition compared to the past two quarters.

Financial Ratio and Cash Flow

During the third quarter of 2019, the operating cash flow of the Company and its subsidiaries was 188 million Baht. This figure increased from negative 77.4 million in the same period of last year and also increased from positive 43.4 million Baht in the second quarter of 2019. This was because of continuing effort on the acceleration of cash collection from the governmental Construction Supervision Projects. This resulted in the improvement of liquidity and cash flow which in turn reflects on the better financial status of the Company. Moreover, the debt to equity ratio and the gearing ratio were at satisfactory level of 1.1 and 0.04 respectively. Thus, the interest coverage ratio in this quarter increased to 165 times from negative 14.6 times in the same period of 2018 and from 75.6 times in the second quarter of 2019.

Please be informed accordingly.

Yours sincerely,

(Mrs. Penpilai Phonchaipanich)

Executive Vice President - Accounting and Finance

TEAM Consulting Engineering and Management Public Company Limited.