

SC. 021/66/SR

8 August 2023

Subject: Management Discussion and Analysis for the three-month period ended 30 June 2023

To: Directors and Managers  
The Stock Exchange of Thailand

### **Management Discussion and Analysis of operating results and financial position**

#### **Overview of the past results' operation**

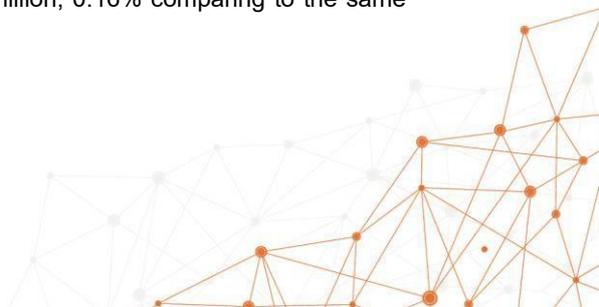
Interlink Telecom Public Company Limited ("the Company") operates in telecommunication business by providing telecommunication services through nationwide fiber optic network and providing installation of telecommunication infrastructure. On 8 May 2012, the Company obtained telecommunication license type 3 from National Broadcasting and Telecommunication Commission (NBTC) in which, allowed the Company to own the network and rendering service through the mentioned network. The period of license is 15 years. The Company has started to construct core fiber optic network since 2012 in which the fiber optic were installed along with telegraph poles that the Company has 30 years' right of way since 19 October 2012 from The State Railway of Thailand. The Company has also constructed the main trunk routes and sub-routes along with the road through the poles as to connect to customers. The Company has launched a service under the network called "Interlink Fiber Optic Network" in June 2013.

In 2014, the Company has entered into data center business by acquiring assets from Interlink Communication Public Company Limited ("ILINK") including building and equipment as to provide data center space services for companies and organizations according to their needs. The data center services have been operated in October 2014.

According to the policies of the government, Digital Economy and Thailand 4.0, they are to use information technology to apply to the economic and social activities, by focusing on the development of digital infrastructure and aiming to provide stability data connection in all areas with adequately supply for demand and could be access at a reasonable cost, as to lead to further development of the nation in both economic and social aspects in efficiency way. These policies are important to help promote the growth of information and communications technology industry (ICT) of Thailand and the Company as well.

In 2022, the Company acquired Blue Solutions Company limited ("the Subsidiary"), which provides IT products and services, to expand sustainable growth for business. For the three-month period ended 30 June 2023, the Company and its subsidiary ("the Group") has total revenue of Baht 628.04 million and net profit attributable to owners of the parent of Baht 66.26 million.

For the three-month period ended 30 June 2023, the Company has total revenue of Baht 577.69 million, decreasing by Baht 175.27 million, 23.28% comparing to the same period of prior year. In addition, the Company has net profit of Baht 62.23 million, decreasing by Baht 0.10 million, 0.16% comparing to the same period of prior year as well.



## Analysis of Operating Results

### 1. Revenues

For the three-month period ended 30 June 2023, the Group has total revenues of Baht 628.04 million in which they were decreased from the prior year by Baht 226.51 million, or 26.51%. The Company has total revenues of Baht 577.69 million in which they were decreased from the prior year by Baht 175.27 million, or 23.28% as presented table below.

Types of Services	Consolidated financial information						Separate financial information					
	30 June 2023		30 June 2022		Increase/(Decrease)		30 June 2023		30 June 2022		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income	622.23	99.07	842.83	98.63	(220.60)	(26.17)	566.48	98.06	741.27	98.45	(174.79)	(23.58)
Other income	5.81	0.93	11.72	1.37	(5.91)	(50.43)	11.21	1.94	11.69	1.55	(0.48)	(4.11)
<b>Total revenues</b>	<b>628.04</b>	<b>100.00</b>	<b>854.55</b>	<b>100.00</b>	<b>(226.51)</b>	<b>(26.51)</b>	<b>577.69</b>	<b>100.00</b>	<b>752.96</b>	<b>100.00</b>	<b>(175.27)</b>	<b>(23.28)</b>

#### 1.1. Service incomes

Type of Services	Consolidated financial information						Separate financial information					
	30 June 2023		30 June 2022		Inc/(Dec)		30 June 2023		30 June 2022		Inc/(Dec)	
	MB	%	MB	%	MB	%	MB	%	MB	%	MB	%
Service income from network rendering	335.24	53.88	338.30	40.14	(3.06)	(0.90)	335.24	59.18	338.30	45.64	(3.06)	(0.90)
Service income from network installation service	263.35	42.32	484.32	57.46	(220.97)	(45.62)	207.60	36.65	382.76	51.64	(175.16)	(45.76)
Service income from data center space service	23.64	3.80	20.21	2.40	3.43	16.97	23.64	4.17	20.21	2.73	3.43	16.97
<b>Total service incomes</b>	<b>622.23</b>	<b>100.00</b>	<b>842.83</b>	<b>100.00</b>	<b>(220.60)</b>	<b>(26.17)</b>	<b>566.48</b>	<b>100.00</b>	<b>741.27</b>	<b>100.00</b>	<b>(174.79)</b>	<b>(23.58)</b>

Service incomes consist of 3 categories as follows;

#### 1.1.1. Service income from network rendering

Service income from network rendering is categorized into various types such as Interlink MPLS IP-VPN, Interlink Dark Fiber, and Interlink IPLC which the Company has started the services since June 2013.

For the three-month period ended 30 June 2023, the Company had service income from network rendering for Baht 338.30 million or represented 45.64% of total service incomes.

### 1.1.2. Service income from network installation service

Service income from network installation is related to the construction of telecommunication hi-speed network and is categorized into 2 types as follows;

1) Service income from installation in which recognises revenue when the Company satisfies a performance obligation by transferring services to customers over time in accordance with term of each service contract with customers.

2) Service income from network connection or other service in which recognises revenue once the service from network connection has been completed or the service has been completed.

For the three-month period ended 30 June 2023, these services generated revenue of Baht 263.35 million for the Group and Baht 207.60 million for the Company, or 42.32% and 36.65% of total service incomes, respectively. The service income decreased for The Group and the Company from the same period of the prior year by Baht 220.97 million, 57.46% and Baht 175.16 million, 45.76%, respectively. The major projects which recognised revenue in this period are such as the project system development for two state enterprise amounted to Baht 88.55 million and a private organization amounted to Baht 50 million, and the project of installation of fiber optic cable for a telecommunication service provider amounted to Baht 14.32 million, etc.

### 1.1.3. Service income from data center space service

For the three-month period ended 30 June 2023, the Company had service income from data center space of Baht 23.64 million, 4.17% of total service incomes. The current occupancy rate is 98%.

## 2. Costs and expenses

The major costs of the Group are such as costs of services, service expenses, administrative expenses and finance cost. For the three-month period ended 30 June 2023, the costs and expenses of the Group was Baht 543.63 million, and the Company was Baht 500.48 million as follows;

### 2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Group amounted to Baht 447.44 million and the Company amounted to Baht 418.08 million for the three-month period ended 30 June 2023. It was lower than the same period of 2022 by 34.39% and 30.85% which was aligned with the service incomes. The table below illustrated the components of costs of services as;

Service Costs	Consolidated financial information				Separate financial information			
	30 June 2023		30 June 2022		30 June 2023		30 June 2022	
	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	249.31	25.63	254.67	24.72	249.31	25.63	254.67	24.72
Cost of network installation service	181.59	31.05	413.16	14.69	152.23	26.67	335.76	12.28
Cost of data center space service	16.54	30.03	14.14	30.03	16.54	30.03	14.14	30.03
<b>Total costs of services</b>	<b>447.44</b>		<b>681.97</b>		<b>418.08</b>		<b>604.57</b>	

#### 2.1.1. Cost of network rendering

For the three-month period ended 30 June 2023, the Company had cost of network rendering of Baht 249.31 million in which resulting to gross profit margin at 25.63% which increased comparing to the prior year. The major expenses are such as cost of service for USO, depreciation expenses, rental fee for space to install the network, interconnection of network expenses, repair and maintenance expenses, and employee benefit expenses which represented 34.47%, 26.11%, 11.15%, 8.89%, 8.19%, and 3.59% of total cost of network rendering for the three-month period ended 30 June 2023, respectively.

#### 2.1.2. Cost of network installation service

For the three-month period ended 30 June 2023, the Group and the Company had cost of network installation service of Baht 181.59 million and Baht 152.23 million in which resulting to gross profit margin at 31.05% and 26.67%, respectively. The major costs of network installation service are such as material cost and installation cost which vary according to the projects. Gross profit margin of Q22023 is more than the prior year as there are projects deriving higher gross profits than usual.

#### 2.1.3. Cost of data center space service

For the three-month period ended 30 June 2023, the Company had cost of data center space service of Baht 16.54 million in which resulting to gross profit margin of data center business was at 30.03% which the same as the prior year. Major costs of data center space service are such as depreciation expenses, utilities expenses, employee benefit expenses, and repair & maintenance expenses.

#### 2.1.4. Gross profit and gross profit margin

For the three-month period ended 30 June 2023, the Group and the Company had gross profit of Baht 174.79 million and Baht 148.40 million which the gross profit margin was at 28.09% and 26.20%, respectively. The gross profit margin was increased by comparing the same period of prior year Baht 160.86 million and Baht 136.70 million and the gross profit margin was at 19.09% and 18.44%, respectively. The increase derived from gross profit margin for each type of service as stated above.

### 2.2. Administrative expenses

For the three-month period ended 30 June 2023, the Company had administrative expenses of Baht 23.38 million baht, in which they were increased from the prior year by 31.05%. Administrative expenses increased mainly due to the expense of employees and allowance for expected credit losses expense.



### 2.3. Finance costs

For the three-month period ended 30 June 2023, the Company had finance costs of Baht 44.17 million. The major of finance costs are interest expenses from loans. As of 30 June 2023, the Company had short-term loans from financial institutions amounted to Baht 1,353.68 million, long-term loans from financial institution amounted to Baht 1,212.55 million, lease liabilities amounted to Baht 232.58 million, and lease liabilities under the agreement with Trust, net, amounted to Baht 687.99 million (30 June 2022: short-term loans from financial institutions amounted to Baht 2,084.37 million, long-term loans from financial institution amounted to Baht 1,498.20 million, finance lease liabilities amounted to Baht 138.88 million, and lease liabilities under the agreement with Trust, net, amounted to Baht 688.16 million).

### 2.4. Net profit and net profit margin

The Group and The Company's net profit for the three-month period ended 30 June 2023 was Baht 66.54 million and Baht 62.23 million and the net profit margin was at 10.59% and 10.77% which were lower than that in the same period in 2022 which net profit was Baht 72.24 million and Baht 62.33 million and the net profit margin was at 8.45% and 8.28%, respectively. The increase was mainly due to the increase of administrative expenses and finance costs, and stop recognizing revenue from one of the projects.

## Financial Position

### 1. Assets

As at 30 June 2023, the Group had total assets of Baht 8,515.99 million. The Company had total assets of Baht 8,342.27 million, or 3.71% of increasing compared to Baht 8,043.92 million at the end of 2022. Major assets are such as cash and cash equivalents, trade and other receivables, work in process, accrued revenue from network installation service, accrued revenue from network rendering, fixed assets and telecommunication networks, and right-of-use assets which were presented as at 30 June 2023 represented at 0.20%, 12.10%, 2.13%, 16.03%, 8.09%, 48.69% and 3.39% of total assets, respectively. The changes are as follows;

1) Cash and cash equivalents decreased by payments for long-term borrowings from financial institutions, purchases in telecommunication networks, dividend payment and interest payment. However, the Company had proceeds from short-term borrowings from financial institutions and proceeds from issue of ordinary shares.

2) Trade and other receivables increased from billing the project of procurement and installation of the smart CCTV system, totaling Baht 128.94 million, and projects of e-budgeting system development, totaling Baht 159.13 million.

3) Work in process increased according to the increasing on progress of the projects.

4) Accrued revenue from projects decreased by Baht 179.29 million. The decrease was due to invoicing for service fees during the period more than revenue recognition.

5) Accrued revenue from network rendering increased from the reclassification of accrued income expected to be received within 1 year net with income from the providing mobile broadband and High-speed

Internet service in border area and providing High-Speed Internet service in remote area and the Company recognised Expected Credit Loss on such a project.

6) Right-of-use assets increased by new contract.

7) Right-of-use assets under trust is the right to use the land, buildings, and equipment related to the operations of INTERLINK DATA CENTER amounting to Baht 70.93 million arising from the transfer of assets under TFRS 15 contracts with customers as a sale of asset, and recognise such items arising from the lease back.

In addition, the Company acquired Blue Solution Company Limited, where the acquisition value exceeds the fair value of the net assets, resulting in goodwill of Baht 40.00 million in the consolidated financial statements.

## 2. Liabilities

As at 30 June 2023, the Group had total liabilities of Baht 4,669.20 million. The Company had total liabilities of Baht 4,607.51 million, increased by 4.27% comparing to Baht 4,418.85 million at the end of 2022. The increasing is mainly from short-term borrowings from financial institutions.

Major liabilities are such as short-term and long-term loans from financial institutions, trade and other payables, lease liabilities under the Trust and lease liabilities which are represented approximately at 29.38%, 26.32%, 22.79%, 14.93% and 5.05% of total liabilities as at 30 June 2023, respectively.

## 3. Equity

As at 30 June 2023, the Group had equity attributable to owners of the parent company totaling Baht 3,712.26 million. The Company had equities of Baht 3,734.76 million increased by 3.03% comparing to Baht 3,625.07 million at the end of 2022. The shareholders' equity increased by Baht 62.11 million because of the profit for the three-month period ended 30 June 2023, and the exercise of ITEL-W3. However, the Company had dividend payment for the shareholders amounted to Baht 88.20 million.



#### 4. Capital Structure

The Company had debt to equity ratio at 1.23 times as at 30 June 2023 that increased from 1.22 times in 2022. Due to the Company's performance for the three-month period ended 30 June 2023. The Company also had debt exclude project finance to equity ratio at 0.98 times as at 30 June 2023.

In addition, the Company had to comply to 2 conditions of debt covenant as follows:

1) Loans from financial institution to equities and loans from related party must not be greater than 2.5 times; and

2) DSCR must not be less than 1.2 times.

As at 30 June 2023, the Company had complied with the conditions which had ratios at 0.85 times and 1.90 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr.Nuttanai Anuntarumporn)

Chief Executive officer

