

SC. 018/64/SJ

11 May 2021

Subject: Management Discussion and Analysis for the three-month period ended 31 March 2021

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.

For the three-month period ended 31 March 2021, the Company has total revenue of Baht 511.31 million, increasing by Baht 50.66 million, 11.00% comparing to the same period of prior year. In addition, the Company has net profit of Baht 45.91 million; increasing by Baht 5.82 million, 14.53% comparing to the same period of prior year as well.



Analysis of Operating Results

1. Revenues

For the three-month period ended 31 March 2021, the Company has total revenues of Baht 511.31 million in which they were increased from the prior year by Baht 50.66 million, 11.00% as presented table below.

Types of Services	31 March 2021		31 March 2020		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Service income	496.92	97.19	455.69	98.92	41.23	9.05
Other income	14.39	2.81	4.96	1.08	9.43	190.12
Total revenues	511.31	100.00	460.65	100.00	50.66	11.00

1.1. Service incomes

Type of Services	31 March 2021		31 March 2020		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Service income from network rendering	300.06	60.38	267.45	58.69	32.61	12.19
Service income from network installation service	176.00	35.42	164.94	36.20	11.06	6.71
Service income from data center space service	20.86	4.20	23.30	5.11	(2.44)	(10.47)
Total service incomes	496.92	100.00	455.69	100.00	41.23	9.05

Service incomes are consisted 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 31 March 2021, the Company had service income from network rendering for Baht 300.06 million or represented 60.38% of total service incomes. The service income increased comparing to the same period of prior year by Baht 32.61 million or 12.19% because the Company recognised service income of the project of providing high-speed internet service in remote area (USO Phase 2) and the increasing of the new customers during the period.

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 network 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 in which recognises revenue once the service has been completed.

For the three-month period ended 31 March 2021, these services generated revenue for Baht 176.00 million, 35.42% of total service incomes. The service income increased from the same period of prior year by Baht 11.06 million, 6.71% The major projects which recognized revenue in this period are such as the procurement of IP microwave radio sets with system accessories amounted to Baht 78.75 million, a contract for the installation of a fiber optic network of the telecommunication service provider amounted to Baht 50.94 million and a contract for the purchase and installation of fiber optic for a government entity amounted to Baht 11.00 million.

1.1.3. Service income from data center space service

For the three-month period ended 31 March 2021, the Company had service income from data center space of Baht 20.86 million, 4.20% of total service incomes. It decreased because the Company had revised the price of the service contract.

2. Costs and expenses

The major costs of the Company are such as costs of services, service expenses, administrative expenses, and finance cost. For the three-month period ended 31 March 2021, the costs and expenses was Baht 449.60 million as followings:

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company amount to Baht 378.89 million for the three-month period ended 31 March 2021. It was higher than the same period of 2020 by 12.82% which was aligned with the service incomes. The table below illustrated the components of costs of services as;

Service Costs	31 March 2021		31 March 2020	
	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	216.31	27.91	186.44	30.29
Cost of network installation service	149.97	14.79	137.13	16.86
Cost of data center space service	12.61	39.55	12.26	47.38
Total costs of services	378.89		335.83	

2.1.1. Cost of network rendering

For the three-month period ended 31 March 2021, the Company had cost of network rendering of Baht 216.31 million in which resulting to gross profit margin at 27.91% which decreased comparing to the prior year. The major expenses are such as cost of service for USO, depreciation expenses, interconnection of network expenses, rental fee for space to install the network, repair and maintenance expenses, and employee benefit expenses which represented 29.12%, 26.38%, 13.00%, 11.00%, 10.21%, and 4.21% of total cost of network rendering for the three-month period ended 31 March 2021, respectively.

2.1.2. Cost of network installation service

For the three-month period ended 31 March 2021, the Company had cost of network installation service of Baht 149.97 million in which resulting to gross profit margin at 14.79%. The gross profit margin of 2021 decreased comparing to prior year. Major costs of network installation service are such as installation cost and material cost.

2.1.3. Cost of data center space service

For the three-month period ended 31 March 2021, the Company had cost of data center space service of Baht 12.61 million in which resulting to gross profit margin of data center business was at 39.55% decreased from 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 31 March 2021, the Company had gross profit of Baht 118.04 million which the gross profit margin was at 23.75%. The gross profit margin was decreased by comparing the same period of prior year Baht 119.86 million and the gross profit margin was at 26.30%. The decrease derived from gross profit margin for each type of service as stated above.

2.2. Finance costs

For the three-month period ended 31 March 2021, the Company had finance costs of Baht 38.85 million. The major of finance costs are interest expenses from loans. As of 31 March 2021, the Company had short-term loans from financial institutions amounted to Baht 2,029.56 million, long-term loans from financial institution amounted to Baht 1,830.21 million, and lease liabilities amounted to Baht 289.52 million (31 March 2020: short-term loans from financial institutions amounted to Baht 2,131.12 million, long-term loans from financial institution amounted to Baht 1,810.92 million, and finance lease liabilities amounted to Baht 217.25 million).



2.3. Net profit and net profit margin

The Company's net profit for the three-month period ended 31 March 2021 was Baht 45.91 million and the net profit margin was at 8.98% in which they were higher than that in the same period in 2020 which net profit was Baht 40.08 million and the net profit margin was at 8.70%. The increase mainly because of growth of service income as described above.

Financial Position (Equity Method)

1. Assets

As at 31 March 2021, the Company had total assets of Baht 7,008.84 million, 0.99% of decreasing compared to Baht 7,078.92 million at the end of 2020. Major assets are such as 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 31 March 2021 represented at 7.94% , 1.15% , 17.51% , 8.59% , 55.03% and 4.70% of total assets, respectively. The significant change were such as:

1) Trade and other receivables decreased from the cash receiving from the project of providing High-Speed Internet service in remote area (USO Phase 2) and the procurement of IP microwave radio sets with system accessories.

2) Work in process decreased according to the usage of equipment for the project of procurement of IP microwave radio sets with system accessories and installation of a fiber optic network of the telecommunication service provider which had been delivered in 2021.

3) Accrued revenue from network installation service increased by Baht 10.63 million according to complete work but not yet billed. The Company recognized service income from network installation Baht 176.00 million.

4) Accrued revenue from network rendering increased from the providing mobile broadband and High-speed Internet service in border area and providing High-Speed Internet service in remote area

5) Fixed assets and telecommunication networks increased from expanding as to support sales and increase its coverage as well as its stability.

2. Liabilities

As at 31 March 2021, the Company had total liabilities of Baht 5,058.20 million decreased by 2.47% comparing to Baht 5,186.20 million of the end of 2020. The decreasing is mainly from the repayments for short-term loans from financial institutions by Baht 145.62 million.

Major liabilities are such as short-term and long-term loans from financial institutions, trade and other payables, and lease liabilities which are represented approximately at 76.31%, 16.61% and 5.72% of total liabilities as at 31 March 2021, respectively.



3. Equity

As at 31 March 2021, the Company had equities of Baht 1,950.65 million increased by 3.06% comparing to Baht 1,892.72 million at the end of 2020. The shareholders' equity increased by Baht 45.91 million as a result of the profit for the three-month period ended 31 March 2021.

4. Capital Structure

The Company had debt to equity ratio at 2.59 times as at 31 March 2021 that is decreased from 2.90 times of 2020. The decreasing is due to the improvement of the Company's performance for the three-month period ended 31 March 2021 and the repayment of loans by cash collection from project. In addition, the Company had debt exclude project finance to equity ratio at 1.87 times as at 31 March 2021.

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 31 March 2021, the Company had complied with the conditions which had ratios at 1.98 times and 1.47 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer

