

SC. 029/64/SJ

9 November 2021

Subject: Management Discussion and Analysis for the three-month period ended 30 September 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 30 September 2021, the Company has total revenue of Baht 530.22 million, increasing by Baht 54.44 million, 11.44% comparing to the same period of prior year. In addition, the Company has net profit of Baht 63.73 million; increasing by Baht 13.77 million, 27.56% comparing to the same period of prior year as well.

Analysis of Operating Results

1. Revenues

For the three-month period ended 30 September 2021, the Company has total revenues of Baht 530.22 million in which they were increased from the prior year by Baht 54.44 million, 11.44% as presented table below.

Types of Services	30 September 2021		30 September 2020		Increase	
	Million Baht	%	Million Baht	%	Million Baht	%
Service income	519.01	97.89	471.75	99.15	47.26	10.02
Other income	11.21	2.11	4.03	0.85	7.18	178.16
Total revenues	530.22	100.00	475.78	100.00	54.44	11.44

1.1. Service incomes

Type of Services	30 September 2021		30 September 2020		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Service income from network rendering	328.76	63.34	284.49	60.31	44.27	15.56
Service income from network installation service	170.26	32.81	164.89	34.95	5.37	3.26
Service income from data center space service	19.99	3.85	22.37	4.74	(2.38)	(10.64)
Total service incomes	519.01	100.00	471.75	100.00	47.26	10.02

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 30 September 2021, the Company had service income from network rendering for Baht 328.76 million or represented 63.34% of total service incomes. The service income increased comparing to the same period of prior year by Baht 44.27 million or 15.56% 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 3 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.

3) Income from sale of information technology and telecommunication products which recognises revenue upon delivery of the goods in accordance with the terms of each contract with customers.

For the three-month period ended 30 September 2021, these services generated revenue for Baht 170.26 million, 32.81% of total service incomes. The service income increased from the same period of prior year by Baht 5.37 million, 3.26%. The major projects which recognized revenue in this period are such as the project of procurement of operating vehicles, equipped with an unmanned aerial vehicle detection system and unmanned aerial vehicle control signal interference, with portable unmanned aerial vehicle (Drone Gun) amounted to Baht 86.53 million, a contract for the purchase and installation of fiber optic for a government entity amounted to Baht 67.78 million and the contract of preventive maintenance of fiber optic network of a state enterprise amounted to Bath 14.32 million.

1.1.3. Service income from data center space service

For the three-month period ended 30 September 2021, the Company had service income from data center space of Baht 19.99 million, 3.85% of total service incomes. It decreased because in the same period of prior year there was a customer who had postponed the extension of the service contract from the 2nd quarter to the 3rd quarter of 2020.

2. Costs and expenses

The major costs of the Company are such as costs of services, service expenses, administrative expenses, share of loss from investment in a joint venture and finance cost. For the three-month period ended 30 September 2021, the costs and expenses was Baht 452.63 million as followings;

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company amount to Baht 386.69 million for the three-month period ended 30 September 2021. It was higher than the same period of 2020 by 11.96% which was aligned with the service incomes. The table below illustrated the components of costs of services as;

Service Costs	30 September 2021		30 September 2020	
	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	250.80	23.71	186.49	34.45
Cost of network installation service	121.72	28.51	144.05	12.64
Cost of data center space service	14.17	29.11	14.84	33.66
Total costs of services	386.69		345.38	

2.1.1. Cost of network rendering

For the three-month period ended 30 September 2021, the Company had cost of network rendering of Baht 250.80 million in which resulting to gross profit margin at 23.71% 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 34.69%, 24.12%, 13.31%, 10.76%, 8.43%, and 4.58% of total cost of network rendering for the three-month period ended 30 September 2021, respectively.

2.1.2. Cost of network installation service

For the three-month period ended 30 September 2021, the Company had cost of network installation service of Baht 121.72 million in which resulting to gross profit margin at 28.51%. The gross profit margin of 2021 increased comparing to prior year. Major costs of network installation service are such as material cost and installation cost.

2.1.3. Cost of data center space service

For the three-month period ended 30 September 2021, the Company had cost of data center space service of Baht 14.17 million in which resulting to gross profit margin of data center business was at 29.11% 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 30 September 2021, the Company had gross profit of Baht 132.32 million which the gross profit margin was at 25.49%. The gross profit margin was decreased by comparing the same period of prior year Baht 126.37 million and the gross profit margin was at 26.79%. 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 30 September 2021, the Company had finance costs of Baht 36.53 million. The major of finance costs are interest expenses from loans. As of 30 September 2021, the Company had short-term loans from financial institutions amounted to Baht 1,962.75 million, long-term loans from financial institution amounted to Baht 1,717.22 million, and lease liabilities amounted to Baht 251.14 million

2.3. Net profit and net profit margin

The Company's net profit for the three-month period ended 30 September 2021 was Baht 63.73 million and the net profit margin was at 12.02% in which they were higher than that in the same period in 2020 which net profit was Baht 49.96 million and the net profit margin was at 10.49%, as described above.



Financial Position (Equity Method)

1. Assets

As at 30 September 2021, the Company had total assets of Baht 7,466.58 million, 5.48% of increasing 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 30 September 2021 represented at 6.21%, 4.27%, 17.28%, 11.22%, 51.84% and 4.12% 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), the procurement of IP microwave radio sets with system accessories and the procurement of leased line service for Krungthai Bank.

2) Work in process increased according to the advance payment for the project of procurement of operating vehicles, equipped with an unmanned aerial vehicle detection system and unmanned aerial vehicle control signal interference, with portable unmanned aerial vehicle (Drone Gun) and a contract of procurement of the smart CCTV system.

3) Accrued revenue from network installation service increased by Baht 73.70 million according to complete work but not yet billed. The Company recognized service income from network installation Baht 494.44 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 30 September 2021, the Company had total liabilities of Baht 4,675.59 million decreased by 9.85% comparing to Baht 5,186.20 million of the end of 2020.

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 78.71%, 14.10% and 5.37% of total liabilities as at 30 September 2021, respectively.

3. Equity

As at 30 September 2021, the Company had equities of Baht 2,790.98 million increased by 47.46% comparing to Baht 1,892.72 million at the end of 2020. The shareholders' equity increased by Baht 156.76 million as a result of the profit for the nine-month period ended 30 September 2021 and the warrants exercised to be ordinary shares of Baht 741.50 million.

4. Capital Structure

The Company had debt to equity ratio at 1.68 times as at 30 September 2021 that is decreased from 2.64 times of 2020. The decreasing is due to the improvement of the Company's performance for the nine-month period ended 30 September 2021, addition of equity from exercised warrants to be ordinary shares and the repayment of loans by cash collection from project and the addition of equity. In addition, the Company had debt exclude project finance to equity ratio at 1.10 times as at 30 September 2021.

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

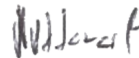
1) Loans from financial institution to equities and loans from related party must not be greater than 2.5 times; and

2) DSCR must not be less than 1.2 times.

As at 30 September 2021, the Company had complied with the conditions which had ratios at 1.41 times and 1.22 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer

