

SC. 022/65/KS

8 November 2022

Subject: Management Discussion and Analysis for the three-month period ended 30 September 2022

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.

On 3 March 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 September 2022, the Company and its subsidiary (“the Group”) has total revenue of Baht 771.75 million and net profit attributable to owners of the parent of Baht 53.88 million.

For the three-month period ended 30 September 2022, the Company has total revenue of Baht 727.81 million, increasing by Baht 197.59 million, 37.27% comparing to the same period of prior year. In addition, the Company has net profit of Baht 51.31 million; decreasing by Baht 13.87 million, 21.28% comparing to the same period of prior year as well.



## Analysis of Operating Results

### 1. Revenues

For the three-month period ended 30 September 2022, the Group has total revenues of Baht 771.75 million. The Company has total revenues of Baht 727.81 million in which they were increased from the prior year by Baht 197.59 million, or 32.27% as presented table below.

Types of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	30 September 2022		30 September 2022		30 September 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income	756.23	97.99	712.31	97.87	519.01	97.89	193.30	37.24
Other income	15.52	2.01	15.50	2.13	11.21	2.11	4.29	38.27
<b>Total revenues</b>	<b>771.75</b>	<b>100.00</b>	<b>727.81</b>	<b>100.00</b>	<b>530.22</b>	<b>100.00</b>	<b>197.59</b>	<b>37.27</b>

#### 1.1. Service incomes

Type of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	30 September 2022		30 September 2022		30 September 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income from network rendering	332.83	44.01	332.83	46.73	328.77	63.35	4.06	1.23
Service income from network installation service	401.30	53.07	357.38	50.17	170.26	32.80	187.12	109.90
Service income from data center space service	22.10	2.92	22.10	3.10	19.98	3.85	2.12	10.56
<b>Total service incomes</b>	<b>756.23</b>	<b>100.00</b>	<b>712.31</b>	<b>100.00</b>	<b>519.01</b>	<b>100.00</b>	<b>193.30</b>	<b>37.24</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 September 2022, the Company had service income from network rendering for Baht 332.83 million or represented 46.73% of total service incomes. The service income from network rendering increased comparing to the same period of prior year by Baht 4.06 million or 1.23% because of the increasing of the new customers and existing customers branch expansion in the 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 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 September 2022, these services generated revenue for Baht 357.38 million, 50.17% of total service incomes. The service income increased from the same period of prior year by Baht 187.12 million, 109.90% The major projects which recognised revenue in this period are such as the project for a state enterprise amounted to Baht 132.48 million, the project of solar cell installation at base station for a telecommunication provider amounted to Baht 69.94 million, the project of installation of fiber optic cable for a telecommunication service provider amounted to Baht 58.17 million, and the project of procurement and installation of the smart CCTV system amounted to Baht 23.81 million, etc.

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

For the three-month period ended 30 September 2022, the Company had service income from data center space of Baht 22.10 million, 3.10% of total service incomes. Service income from data center space service increased due to the increasing number of customers. The occupancy rate is 97%.

## 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 September 2022, the costs and expenses of the Group was Baht 706.02 million, and the Company was Baht 662.76 million as follows;

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

Costs of services are main expenses of the Group amounted to Baht 620.53 million and the Company amounted to Baht 585.20 million for the three-month period ended 30 September 2022. It was higher than the same period of 2021 by 51.34% which was aligned with the service incomes. The table below illustrated the components of costs of services as;

	Consolidated financial information		Separate financial information		Separate financial information	
	30 September 2022		30 September 2022		30 September 2021	
	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)
<b>Service Costs</b>						
Cost of network rendering	257.33	22.68	257.33	22.68	250.80	23.72
Cost of network installation service	347.59	13.38	312.26	12.63	121.72	28.51
Cost of data center space service	15.61	29.37	15.61	29.37	14.17	29.11
<b>Total costs of services</b>	<b>620.53</b>		<b>585.20</b>		<b>386.69</b>	

#### 2.1.1. Cost of network rendering

For the three-month period ended 30 September 2022, the Company had cost of network rendering of Baht 257.33 million in which resulting to gross profit margin at 22.68% 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 31.77%, 25.00%, 14.93%, 10.70%, 9.68%, and 3.27% of total cost of network rendering for the three-month period ended 30 September 2022, respectively.

#### 2.1.2. Cost of network installation service

For the three-month period ended 30 September 2022, the Company had cost of network installation service of Baht 312.26 million in which resulting to gross profit margin at 12.63%. The gross profit margin of 2022 decreased comparing to prior year. 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 Q3 2022 less than prior year because there is one project has profit margin at 7.05% which cause the average profit of this quarter decreased.

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

For the three-month period ended 30 September 2022, the Company had cost of data center space service of Baht 15.61 million in which resulting to gross profit margin of data center business was at 29.37% increased 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 2022, the Company had gross profit of Baht 127.11 million which the gross profit margin was at 17.84%. The gross profit margin was decreased by comparing the same period of prior year Baht 132.33 million and the gross profit margin was at 25.50%. 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 2022, the Company had finance costs of Baht 45.00 million. The major of finance costs are interest expenses from loans. As of 30 September 2022, the Company had short-term loans from financial institutions amounted to Baht 2,140.78 million, long-term loans from financial institution amounted to Baht 1,593.04 million, and lease liabilities amounted to Baht 238.98 million (30 September 2021: 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 finance lease liabilities amounted to Baht 251.14 million) and lease liabilities under the agreement with Trust, net, amounted to Baht 688.23 million.



### 2.3. Net profit and net profit margin

The Company's net profit for the three-month period ended 30 September 2022 was Baht 51.31 million and the net profit margin was at 7.05% in which they were lower than that in the same period in 2021 which net profit was Baht 65.18 million and the net profit margin was at 12.29%. The increase mainly because of growth of service income as described above.

### 2.4. Share of profit (loss) from investment in a joint venture

For the three-month period ended September 30, 2022, the Company had a share of profit from investments in joint ventures amounting to Baht 1.76 million because the joint venture recognised revenue from installation to prepare for service of one customer which is one-time recognition in Q3 2022.

## Financial Position

### 1. Assets

As at 30 September 2022, the Group had total assets of Baht 9,244.88 million. The Company had total assets of Baht 9,026.62 million, or 11.66% of increasing compared to Baht 8,129.42 million at the end of 2021. 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 September 2022 represented at 1.08%, 21.40%, 1.71%, 12.77%, 8.45%, 43.52% and 3.12% of total assets, respectively. The changes are as follows;

1) Cash and cash equivalents decreased by payments for short-term borrowings from financial institutions, long-term borrowings from financial institutions, purchases in telecommunication networks, short-term borrowings to a joint venture, investments and proceeds from sales of fixed assets and equipment under the agreement with Trust during the period.

2) Trade and other receivables increased from billing the project of providing internet in remote area (USO 2) in both the Central 1 region and the southern region, totaling Baht 675 million, and projects with a government agency, totaling Baht 714 million, all of which were paid in October 2022.

3) Work in process decreased according to the decreasing on advance payment for the project of procurement of the smart CCTV system and project of the base station solar cell installation.

4) Accrued revenue from projects decreased by Baht 565 million. The decrease was due to invoicing for service fees during the period, totaling Baht 1,328 million. During the period, revenue was recognized Baht 354 million and the reclassification of accrued income from network services that is expected to receive payment within 1 year of Baht 372 million.

5) Accrued revenue from network rendering decreased 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.

6) Right-of-use assets decreased by depreciation expense recognised during the year.



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 82.95 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.

8) Net deferred tax assets increased by Baht 121.09 million due to temporary tax difference arising from the sale of immovable and movable properties and equipment to KTBST mixed freehold and leasehold real estate investment trust, which will be amortised over a period of 30 years.

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 88.74 million in the consolidated financial statements.

## 2. Liabilities

As at 30 September 2022, the Group had total liabilities of Baht 5,821.00 million. The Company had total liabilities of Baht 5,686.17 million, increased by 9.87% comparing to Baht 5,175.43 million at the end of 2021. The increasing is mainly from the lease liabilities under the agreement with Trust amounting to Baht 688.23 million from the sale of assets of the INTERLINK DATA CENTER project to freehold and leasehold real estate investment trust, and then lease back during the period, and trade and other payables increased from the purchase of materials and equipment for project.

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 37.65%, 28.01%, 15.79%, 12.10% and 4.20% of total liabilities as at 30 September 2022, respectively.

## 3. Equity

As at 30 September 2022, the Group had equity attributable to owners of the parent company totaled Baht 3,351.51 million. The Company had equities of Baht 3,388.32 million increased by 14.70% comparing to Baht 2,953.99 million at the end of 2021. The shareholders' equity increased by Baht 51.31 million as a result of the profit for the three-month period ended 30 September 2022, and the issuance of shares to acquire Blue Solutions Company Limited amounting to Baht 153.00 million.

## 4. Capital Structure

The Company had debt to equity ratio at 1.67 times as at 30 September 2022 that is decreased from 2.44 times of 2021. The decreasing is due to the Company's performance for the three-month period ended 30 September 2022, the issuance of shares to acquisition. The Company also had debt exclude project finance to equity ratio at 1.14 times as at 30 September 2022.



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 2022, the Company had complied with the conditions which had ratios at 1.31 times and 1.63 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer

