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## **Management's Discussion and Analysis for the Third Quarter Ended September 30, 2022**

### **1. Overview of the Interlink Group**

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Interlink Communication Public Company Limited: ILINK has operated for 35 years till now by being a pioneer of introducing and distributing LAN cable technology in Thailand 30 years ago. With the vision as well as strong intention to bring technology to develop the country, the founder of Interlink Group put a great effort in importing and distributing cabling products. ILINK mainly focuses on B2B transactions whose partners are ICT dealer, IT system integrator, Contractor, and Electrical Shop. Other than the head office in Bangkok, the company has 4 more branches in other main parts of Thailand including Chiang Mai in the northern region, Song Khla in the southern region, Khon Kaen in the northeastern region, and Rayong in the eastern region. Moreover, the Distribution Center and R&D Center have been additionally built to serve customers high-quality products all over the country on a timely manner.

Currently, ILINK has more than 20,000 dealers selling our products to the end users who are from both public and private sectors. Furthermore, the company starts expanding the market of distribution business to several neighboring countries such as Lao People's Democratic Republic, Republic of the Union of Myanmar, and Kingdom of Cambodia. In the future, the company will continuously tap into the markets of other Asian countries.

In order to promote sustainable growth for business, new executives took an advantage of being the biggest cabling importer and distributor to establish a subsidiary company named Interlink Telecom Public Company Limited: ITEL focusing on telecom business. ITEL has installed fiber optic network along with telegraph poles of the State Railway of Thailand as well as along with the road through the electricity poles all over Thailand. Moreover, ITEL has been licensed through NBTC to render Data Service over installed fiber optic network and also build Data Center to offer better services with Service Level Agreement (SLA) 99.99% capturing customers such as Mobile and Internet Operators, Banks and Financial institutions, and Business with Branch Offices.

Gaining strong reliability from the government sectors together with having an own professional engineering team, the company diversified engineering business bidding on the turnkey projects of Fiber Optic, Submarine Cable, Underground Cable, High Voltage Transmission Line, Substation etc. This business is operated under another subsidiary company named Interlink Power and Engineering Company Limited: IPOWERR and mainly works on the huge projects from the government sectors.

In summary, the operation results of ILINK, the parent company, have been reflected by 3 main businesses which are 1. Distribution Business that is the pioneer continuously generates income and has consistent profits 2. Telecom Business that rapidly grow and did the spin off creating an independent entity to be listed on the Stock Exchange of Thailand (SET) under the name "ITEL" and 3. Engineering Business where most construction projects in the company's expertise are possessed by the government sectors.



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### 2. Overview of the Interlink Group's Operation Results

Total revenues of Interlink Communication Public Company Limited: ILINK in Q3/2022 was 1,806.61 Million Baht, an increase of 16.42% compared to 1,551.77 Million Baht in Q3/2021. The growth of total revenues was from the sales of Distribution Business increase by 13.01% while Telecom Business has a 45.84% increase in service revenue. Meanwhile, the Engineering Business has a 16.03% decrease in revenue recognition, which was in line with the nature of the business that recognized revenue based on the success of different tasks each period, as shown in the table below.

| Revenues                            | Quarter 3/2022  |               | Quarter 3/2021  |               | Increase/(Decrease) |              |
|-------------------------------------|-----------------|---------------|-----------------|---------------|---------------------|--------------|
|                                     | Million Baht    | %             | Million Baht    | %             | Million Baht        | %            |
| Revenues from Distribution Business | 675.41          | 37.39         | 597.65          | 38.51         | 77.76               | 13.01        |
| Revenues from Telecom Business      | 755.60          | 41.82         | 518.11          | 33.39         | 237.49              | 45.84        |
| Revenues from Engineering Business  | 357.23          | 19.77         | 425.27          | 27.41         | (68.05)             | (16.00)      |
| Other Revenues                      | 18.37           | 1.02          | 10.74           | 0.69          | 7.63                | 71.10        |
| <b>Total Revenues</b>               | <b>1,806.61</b> | <b>100.00</b> | <b>1,551.77</b> | <b>100.00</b> | <b>254.84</b>       | <b>16.42</b> |

In this regard, the Company's Profit for Q3/2022 amounted to 113.99 million baht, an increase of 5.06% compared to 108.50 million baht in Q3/2021, while the company have net profit (Contribute to Owner of the Parent Company) in the amount of 85.29 million baht, a growth of 8.17% compared to 78.85 million baht in Q3/2021, as shown in the table below.

| Net Profit                                 | Quarter 3/2022 |      | Quarter 3/2021 |      | Increase/(Decrease) |        |
|--------------------------------------------|----------------|------|----------------|------|---------------------|--------|
|                                            | Million Baht   | %    | Million Baht   | %    | Million Baht        | %      |
| Profit for the period                      | 113.99         | 6.31 | 108.50         | 6.99 | 5.49                | 5.06   |
| <b>Profit Contribution</b>                 |                |      |                |      |                     |        |
| Owner of the Parent Company <sup>(1)</sup> | 85.29          | 4.72 | 78.85          | 5.08 | 6.44                | 8.17   |
| Non-Controlling Interests (NCI)            | 28.70          | 1.59 | 29.65          | 1.91 | (0.95)              | (3.20) |

<sup>(1)</sup> At the end of Q3/2022, the shareholding in the subsidiary "ITEL" was 48.43%, decreasing from 48.44% at the end of Q2/2022 and decreasing from 51.04% at the end of Q3/2021 while the shareholding in the subsidiary "IPOWER" is 95.07% with no changes.

### 3. Operation Results by Business

#### Distribution Business

Revenues from distribution business result from importing and distributing cabling products, networking equipment, and racks. The company's revenue from sales in Q3/2022 amounted to 675.41 Million Baht, an increase of 13.01% when compared to 597.65 Million Baht in Q3/2021. This period, the revenue accounted for 37.39% of total revenue.



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For the third quarter of every year, it is the high season of the distribution business. In Q3/2022, the company's product sales have increased by 13.01% compared to Q3/2021 (YoY) and 23.35% compared to Q2/2022 (QoQ), which the growth rate of such sales consistently outstanding for the past 9 months and it meets the 2022 goals that the management has set. The main contributing factor remains from the change in infrastructure technology making both old and new customers in all sectors improve and develop the system through the purchase and installation of more efficient equipment. Moreover, the announcement of the electricity tariff adjustment that has a continuous upward trend is also a driving force behind the solar roof market to grow outstandingly. As a result, in this period, sales of Solar Cable products grew by 49.86%, while those in Rack and UTP (LAN Cable) products grew 19.52% and 12.81% respectively compared to Q3/2021 (YoY).

In this regard, the Company's cost of sales in Q3/2022 amounted to 511.84 million baht, an increase of 10.00% compared to 465.31 million baht in Q3/2021, and the gross profit margin in this period was 24.22% improved from 22.14% in Q3/2022 as a result of a significant drop in copper prices since July 2022. However, the gross margin for this quarter was slightly lower from 25.06% in the previous period. This is in line with the forecast that during the 1<sup>st</sup> and the 3<sup>rd</sup> quarter of every year, the company has organized the product exhibitions "INTERLINK EXPO" and "MID YEAR SALES", causing the gross profit margin of this business to decline temporarily and has a normal upward trend in the 2<sup>nd</sup> and 4<sup>th</sup> quarter.

### Telecom Business

Telecom business generates revenue from the subsidiary company; ITEL, which provides fiber optic network rental services through various forms, such as Interlink MPLS IP-VPN service, Interlink Dark Fiber service, and Interlink IPLC service, including data center rental service. Both of these services are part of recurring revenue and the last is the revenue from network installation services. The Company's revenue from Telecom business in Q3/2022 amounted to 755.60 million baht, an increase of 45.84% when compared to 518.11 million baht in Q3/2021. This period, the revenue accounted for 41.82% of total revenue.

The main proportion of revenue recognized in Q3/2022 was revenue from network installation services of 401.30 million baht, an increase of 135.90% compared to 170.11 million baht in Q3/2021. Recognized revenue in this period was a project for a government agency amounting to 132.48 million baht, a project to install a solar cell at a telecommunication service provider's base station amounting 69.94 million baht, a project to install fiber optic cables of a telecommunication service provider amounting to 58.17 million baht, and a project to purchase and install a smart closed-circuit television camera system (Smart CCTV) of a government agency amounting to 23.81 million baht etc. Next is the revenue from network services in the amount of 332.19 million baht, an increase of 1.27% compared to 328.02 million baht in Q3/2021 as a number of new customers coming to use the service including the expansion of existing customers' branches that increased during the period.



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In this regard, the Company's cost of services in Q3/2022 amounted to 619.99 million baht, an increase of 60.54% compared to 386.18 million baht in Q3/2021. The main proportion of costs recognized in Q3/2022 is the cost of network installation services and the cost of network rental service, which accounted for 56.06% and 41.42% of the total cost of telecom services, respectively.

### Engineering Business

Engineering business generates revenue from the subsidiary company; IPOWERR, which operates electrical engineering projects and other special projects. arising under the employment contract focusing on the construction of high voltage transmission lines, the construction of substations, the submarine cable installation, and underground cable which in the company has an expertise. The company had revenue from engineering business in Q3/2022 amounted to 357.23 million baht, a decrease of 16.00% when compared to 425.27 million baht in Q3/2021. This period, the revenue accounted for 19.77% of total revenue.

The nature of the engineering business is to recognize income based on the success of different works in each period. For Q3/2022, the company recognized revenue from projects decreased by 16.00% compared to the Q3/2021 (YoY), but increased by 58.82% compared to Q2/2022 (QoQ), which was a result of the delivery of the CC4 project or the purchase and installation of automated people movers (APM) to the Airports of Thailand. Also, there is the progress of important projects in hand, such as the construction of substations in Chiang Mai and Suphan Buri provinces, the construction for renovating the Nonsi Power Station in Prachinburi Province etc.

In this regard, the Company's cost from engineering business in Q3/2022 amounted to 338.84 million baht, a decrease of 19.11% compared to 418.90 million baht in Q3/2021 while the Company's cost from the engineering business with other net Profit (Loss) amounting to 342.51 million baht, a decrease of 14.62% when compared to 401.16 million baht in Q3/2021. Therefore, the gross profit margin of the engineering business in this period is 4.12%, while the finance cost of this business decreases 83.34% from the same period of the previous year.

## 4. Overview of the Interlink Group's Financial Position

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### Assets

As of September 30, 2022, the Company had total assets of 12,738.22 million baht, an increase of 12.29% compared to 11,344.32 million baht as of December 31, 2021. The Company's major assets were accrued income from engineering and network services, trade accounts receivable and other receivables, and property, plant and equipment. As of the end of Q3/2022, the proportions of such important assets to total assets were 12.47%, 27.81% and 34.07%, respectively. List of assets that change materially, for example:



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1) Trade accounts receivable and other receivables increased from the billing to collect money for various projects of the subsidiary company; ITEL and IPOWERR, such as the Internet Projects in Remote Areas (USO 2) in both the central region 1 and the south totaling 675 million baht, the project work with government agencies totaling 714 million baht, and the procurement and installation of Automatic People Movers (APM) totaling 1,137 million baht. However, all of these projects have been paid in October 2022.

2) Accrued income from engineering and network services decreased from the invoicing for service in the period and the gradual recognition of income from various projects of subsidiaries; ITEL and IPOWERR, which is in the process of closing and delivering works to the project owner.

### Liabilities

As of September 30, 2022, the Company had total liabilities of 7,342.58 million baht, an increase of 13.33% compared to 6,478.96 million baht as of December 31, 2021. This increase was a result of the sale of real estate and movable properties to the Real Estate Investment Trust and the Leasehold Real Estate KTBST Mix in which the subsidiary ITEL received cash payment including VAT in the amount of 750.00 million baht, resulting in financial liabilities under the lease agreement with the trust which will be gradually recognized over 30 years according to the lease term.

### Shareholders' Equity

As of September 30, 2022, the Company had total shareholders' equity of 5,395.64 million baht, an increase of 10.90% compared to 4,865.36 million baht as of December 31, 2021. This increase was due to an increase in non-controlling interests as the shareholding in ITEL subsidiaries decreased from the previous year

## 5. Important Financial Ratios

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### Debt-to-Equity Ratio

The debt to equity ratio at the end of Q3/2022 was 1.36 times, an increase of 2.26% from the end of 2021 when the debt to equity ratio was 1.33 times.

## 6. Analysis of Return and Stock Price

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### Return on Equity

The Return on Equity (ROE) at the end of Q3/2022 was 9.34%, a decrease of 15.01% from the end of 2021 with the Return on Equity (ROE) of 10.99%.



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### Return on Asset

Return on Assets (ROA) at the end of Q3/2022 was 3.98%, a decrease of 8.92% from year-end 2021 with a Return on Assets (ROA) of 4.37%.

### Stock Price

The share price as of September 30, 2022 was 7.75 baht, compared to at the end of 2021 was 7.70 baht. The share price rose 0.05 baht or accounted for an increase of 0.65%.

### P/E Ratio

P/E Ratio as of September 30, 2022 was 11.30 times, compared to at the end of 2021 was 17.00 times. P/E Ratio decreased by 5.70 times, or a decrease of 33.53%.

## 7. Significant Events

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### Signing Contracts for Construction Projects of Engineering Business

On November 1, 2022, the Company has signed a contract for the construction of a 33 KV submarine cable system to Koh Tao in Surat Thani Province totaling of 1,786.17 million baht (including VAT) with a working period of 540 days from the date of signing the employment contract.

Please be informed accordingly.



Yours sincerely

(Mr. Sombat Anuntarumporn)

President