

SC. 005/66/KS

23 February 2023

Subject: Management Discussion and Analysis for the year ended 31 December 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**

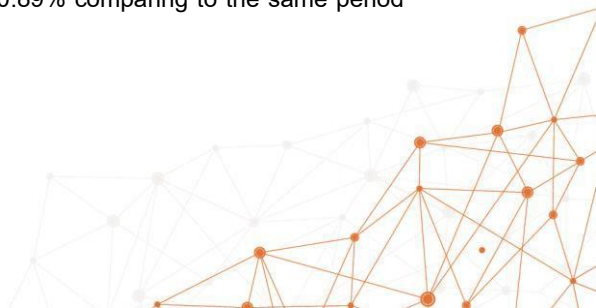
Interlink Telecom Public Company Limited ("the Company") operates in telecommunication business by providing telecommunication services through nationwide fiber optic network and providing installation of telecommunication infrastructure. On 8 May 2012, the Company obtained telecommunication license 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 year ended 31 December 2022, the Company and its subsidiary ("the Group") has total revenue of Baht 3,437.77 million and net profit attributable to owners of the parent of Baht 251.67 million.

For the year ended 31 December 2022, the Company has total revenue of Baht 2,932.27 million, increasing by Baht 423.09 million, 16.86% comparing to the same period of prior year. In addition, the Company has net profit of Baht 228.70 million; decreasing by Baht 27.95 million, 10.89% comparing to the same period of prior year as well.



## Analysis of Operating Results

### 1. Revenues

For the year ended 31 December 2022, the Group has total revenues of Baht 3,437.77 million. The Company has total revenues of Baht 2,932.27 million in which they were increased from the prior year by Baht 423.09 million, or 16.86% as presented table below.

Types of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	31 December 2022		31 December 2022		31 December 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income	3,392.59	98.69	2,886.92	98.45	2,465.88	98.27	421.04	17.07
Other income	45.18	1.31	45.35	1.55	43.30	1.73	2.05	4.73
<b>Total revenues</b>	<b>3,437.77</b>	<b>100.00</b>	<b>2,932.27</b>	<b>100.00</b>	<b>2,509.18</b>	<b>100.00</b>	<b>423.29</b>	<b>16.86</b>

#### 1.1. Service incomes

Type of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	31 December 2022		31 December 2022		31 December 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income from network rendering	1,310.73	38.64	1,310.73	45.40	1,281.31	51.96	29.42	2.30
Service income from network installation service	1,994.52	58.79	1,488.85	51.57	1,092.78	44.32	396.07	36.24
Service income from data center space service	87.34	2.57	87.34	3.03	91.79	3.72	(4.45)	(4.85)
<b>Total service incomes</b>	<b>3,392.59</b>	<b>100.00</b>	<b>2,886.92</b>	<b>100.00</b>	<b>2,465.88</b>	<b>100.00</b>	<b>421.04</b>	<b>17.07</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 year ended 31 December 2022, the Company had service income from network rendering for Baht 1,310.73 million or represented 45.40% of total service incomes. The service income from network rendering increased comparing to the same period of prior year by Baht 29.42 million or 2.30% 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 year ended 31 December 2022, these services generated revenue for Baht 1,488.85 million, 51.57% of total service incomes. The service income increased from the same period of prior year by Baht 396.07 million, 36.24% The major projects which recognised revenue in this period are such as the project system development for a state enterprise amounted to Baht 308.39 million, the project of procurement and installation of the smart CCTV system amounted to Baht 265.99 million, the project for a state enterprise amounted to Baht 232.56 million, the project of solar cell installation at base station for a telecommunication provider amounted to Baht 156.95 million, and the project of installation of fiber optic cable for a telecommunication service provider amounted to Baht 92.42 million, etc.

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

For the year ended 31 December 2022, the Company had service income from data center space of Baht 87.34 million, 3.03% of total service incomes. 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 year ended 31 December 2022, the costs and expenses of the Group was Baht 3,089.41 million, and the Company was Baht 2,651.05 million as follows;

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

Costs of services are main expenses of the Group amounted to Baht 2,757.16 million and the Company amounted to Baht 2,354.00 million for the year ended 31 December 2022. It was higher than the same period of 2021 by 22.14% 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	
	31 December 2022		31 December 2022		31 December 2021	
	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)
<b>Service Costs</b>						
Cost of network rendering	1,024.99	21.80	1,024.99	21.80	977.59	23.70
Cost of network installation service	1,670.94	16.22	1,267.78	14.85	886.88	18.84
Cost of data center space service	61.23	29.89	61.23	29.89	62.86	31.52
<b>Total costs of services</b>	<b>2,757.16</b>		<b>2,354.00</b>		<b>1,927.33</b>	

#### 2.1.1. Cost of network rendering

For the year ended 31 December 2022, the Company had cost of network rendering of Baht 1,024.99 million in which resulting to gross profit margin at 21.80% which decreased comparing to the prior year. The major expenses are such as cost of service for USO, depreciation expenses, interconnection of network expenses, repair and maintenance expenses, rental fee for space to install the network, and employee benefit expenses which represented 32.80%, 24.34%, 14.74%, 10.08%, 8.78%, and 3.56% of total cost of network rendering for the year ended 31 December 2022, respectively.

#### 2.1.2. Cost of network installation service

For the year ended 31 December 2022, the Company had cost of network installation service of Baht 1,267.78 million in which resulting to gross profit margin at 14.85%. 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 YE2022 less than prior year because there are projects have low profit margin.

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

For the year ended 31 December 2022, the Company had cost of data center space service of Baht 26.11 million in which resulting to gross profit margin of data center business was at 29.89% 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. The ratio of electricity cost to the cost of data center space in 2022 is 43.62% (2021: 33.49%).

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

For the year ended 31 December 2022, the Company had gross profit of Baht 532.92 million which the gross profit margin was at 18.46%. The gross profit margin was decreased by comparing the same period of prior year Baht 538.55 million and the gross profit margin was at 21.84%. The decrease derived from gross profit margin for each type of service as stated above.

### 2.2. Administrative expenses

For the year ended December 31, 2022, the Company had administrative expenses of Baht 90.45 million baht, in which they were increased from the prior year by 16.86%. Administrative expenses increased mainly due to the setup of Expected Credit Loss ("ECL") of accrued revenue from network rendering in USO 1 and USO 2 projects in the amount of Baht 8.86 million, and employee benefits by Baht 4.63 million.



### 2.3. Finance costs

For the year ended 31 December 2022, the Company had finance costs of Baht 164.22 million. The major of finance costs are interest expenses from loans. As of 31 December 2022, the Company had short-term loans from financial institutions amounted to Baht 881.26 million, long-term loans from financial institution amounted to Baht 1,468.19 million, and lease liabilities amounted to Baht 242.85 million (31 December 2021: short-term loans from financial institutions amounted to Baht 2,248.34 million, long-term loans from financial institution amounted to Baht 1,760.30 million, and finance lease liabilities amounted to Baht 241.32 million) and lease liabilities under the agreement with Trust, net, amounted to Baht 688.31 million.

### 2.4. Net profit and net profit margin

The Company's net profit for the year ended 31 December 2022 was Baht 228.70 million and the net profit margin was at 7.80% in which they were lower than that in the same period in 2021 which net profit was Baht 256.65 million and the net profit margin was at 10.23%. The decrease mainly due to the increasing of administrative expenses and finance costs, and the decreasing of gross profit margin of network installation service as described above.

## Financial Position

### 1. Assets

As at 31 December 2022, the Group had total assets of Baht 8,396.21 million. The Company had total assets of Baht 8,043.92 million, or 1.05% of decreasing 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 31 December 2022 represented at 2.77%, 6.82%, 1.46%, 18.85%, 8.27%, 49.10% and 3.47% 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 in available-for-sale investments and general 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 interconnection of network installation, totaling Baht 22.81 million, and projects with a customer, totaling Baht 13.14 million.

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 201.46 million. The decrease was due to invoicing for service fees during the period, totaling Baht 2,055.78 million. During the period, revenue was recognized Baht 1,453.12 million and the reclassification of accrued income from network services that is expected to receive payment within 1 year of Baht 461.98 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 and the Company recognised Expected Credit Loss on such a project.

6) Right-of-use assts 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 78.83 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 118.70 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 31 December 2022, the Group had total liabilities of Baht 4,705.07 million. The Company had total liabilities of Baht 4,418.85 million, decreased by 14.62% 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 688.31 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 19.94%, 33.23%, 24.40%, 15.58% and 5.20% of total liabilities as at 31 December 2022, respectively.

## 3. Equity

As at 31 December 2022, the Group had equity attributable to owners of the parent company totaling Baht 3,602.78 million. The Company had equities of Baht 3,625.07 million increased by 22.72% comparing to Baht 2,953.99 million at the end of 2021. The shareholders' equity increased by Baht 228.70 million because of the profit for the year ended 31 December 2022, the exercise of ITEL-W3 amounting to Baht 305.96 million, 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 1.22 times as at 31 December 2022 that is decreased from 2.44 times of 2021. The decreasing is due to the Company's performance for the year ended 31 December 2022, the issuance of shares to acquisition. The Company also had debt exclude project finance to equity ratio at 1.08 times as at 31 December 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 31 December 2022, the Company had complied with the conditions which had ratios at 0.85 times and 1.62 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer

