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## **Management's Discussion and Analysis for the Year 2022 Performance**

### **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 2022 was 7,095.66 Million Baht, an increase of 16.13% compared to 6,109.97 Million Baht in 2021. The growth of total revenues was from the sales of Distribution Business increase by 13.31% while Telecom Business has a 37.68% increase in service revenue. Meanwhile, the Engineering Business has a 16.60% 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                            | 31 December 2022 |               | 31 December 2021 |               | Increase/(Decrease) |              |
|-------------------------------------|------------------|---------------|------------------|---------------|---------------------|--------------|
|                                     | Million Baht     | %             | Million Baht     | %             | Million Baht        | %            |
| Revenues from Distribution Business | 2,462.04         | 34.70         | 2,172.92         | 35.56         | 289.12              | 13.31        |
| Revenues from Telecom Business      | 3,390.09         | 47.78         | 2,462.31         | 40.30         | 927.78              | 37.68        |
| Revenues from Engineering Business  | 1,186.34         | 16.72         | 1,422.47         | 23.28         | (236.13)            | (16.60)      |
| Other Revenues                      | 57.19            | 0.81          | 52.27            | 0.86          | 4.92                | 9.41         |
| <b>Total Revenues</b>               | <b>7,095.66</b>  | <b>100.00</b> | <b>6,109.97</b>  | <b>100.00</b> | <b>985.69</b>       | <b>16.13</b> |

In this regard, the Company's Profit for 2022 amounted to 541.97 million baht, an increase of 15.96% compared to 467.39 million baht in 2021, while the company have net profit (Contribute to Owner of the Parent Company) in the amount of 383.48 million baht, a growth of 8.60% compared to 353.11 million baht in 2021, as shown in the table below.

| Net Profit                                 | 31 December 2022 |      | 31 December 2021 |      | Increase/(Decrease) |       |
|--|------------------|------|------------------|------|---------------------|-------|
|  | Million Baht     | %    | Million Baht     | %    | Million Baht        | %     |
| Profit for the period                      | 541.97           | 7.64 | 467.39           | 7.65 | 74.58               | 15.96 |
| <b>Profit Contribution</b>                 |                  |      |                  |      |                     |       |
| Owner of the Parent Company <sup>(1)</sup> | 383.48           | 5.40 | 353.11           | 5.78 | 30.37               | 8.60  |
| Non-Controlling Interests (NCI)            | 158.49           | 2.23 | 114.28           | 1.87 | 44.21               | 38.69 |

<sup>(1)</sup> At the end of 2022, the shareholding in the subsidiary "ITEL" was 48.41%, decreasing from 51.04% at the end of 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 2022 amounted to 2,462.04 Million Baht, an increase of 13.31% when compared to 2,172.92 Million Baht in 2021. This period, the revenue accounted for 34.70% of total revenue.



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In 2022, the company's product sales have increased by 13.31% compared to 2021 (YoY), which the growth rate of such sales consistently outstanding for the past 12 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 55.36%, while those in Rack and UTP (LAN Cable) products grew 13.32% and 14.92% respectively compared to Q3/2021 (YoY).

In this regard, the Company's cost of sales in 2022 amounted to 1,838.93 million baht, an increase of 13.58% compared to 1,619.10 million baht in 2021, and the gross profit margin for this year was 25.31% slightly decrease from 25.49% in 2022. However, the 2022 gross profit margin is still in line with the Company's policy which is to maintain the gross profit margin not lower than 25%.

### 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 2022 amounted to 3,390.09 million baht, an increase of 37.68% when compared to 2,462.31 million baht in 2021. This period, the revenue accounted for 47.78% of total revenue.

The main proportion of revenue recognized in 2022 was revenue from network installation services of 1,994.56 million baht, an increase of 82.62% compared to 1,092.18 million baht in 2021. Recognized revenue in this year was from the system development project for a government agency in the amount of 308.39 million baht, the smart CCTV trading and installation project for a government agency in the amount of 265.99 million baht, the solar cell installation project at the base station of a telecommunication service provider in the amount of 156.95 million baht, and the fiber optic cable installation project of a telecommunication service provider in the amount of 92.42 million baht. Next is the revenue from network services in the amount of 1,308.19 million baht, an increase of 2.34% compared to 1,278.33 million baht in 2021 as a number of new customers coming to use the service including the expansion of existing customers' branches that increased during the period.

In this regard, the Company's cost of services in 2022 amounted to 2,754.11 million baht, an increase of 43.05% compared to 1,925.32 million baht in 2021. The main proportion of costs recognized in 2022 is the cost of network installation services and the cost of network rental service, which accounted for 61.60% and 36.18% of the total cost of telecom services, respectively.



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### Engineering Business

Engineering business generates revenue from the subsidiary company; IPOWER, 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 2022 amounted to 1,186.34 million baht, a decrease of 16.60% when compared to 1,422.47 million baht in 2021. This period, the revenue accounted for 16.72% of total revenue.

A major portion of revenue recognized in 2022 came from the major project backlog, namely the 33 KV Submarine Cable Construction Project at Koh Tao in Surat Thani Province to the Provincial Electricity Authority in the amount of 382.16 million baht, the CC4 project or the purchase and installation of automated people movers (APM) to the Airports of Thailand in the amount of 211.90 million baht, the construction of substations in Chiang Mai and Suphan Buri provinces to the Provincial Electricity Authority in the amount of 185.77 million baht, and the 33 KV submarine cable construction project at Panyee Island in Phang Nga Province to the Provincial Electricity Authority in the amount of 118.11 million baht.

In this regard, the Company's cost from engineering business in 2022 amounted to 1,090.61 million baht, a decrease of 18.05% compared to 1,330.79 million baht in 2021 while the Company's cost from the engineering business with other net Profit (Loss) amounting to 1,088.11 million baht, a decrease of 18.69% when compared to 1,338.28 million baht in 2021. Therefore, the gross profit margin of the engineering business this year therefore significantly improved from 6.44% last year to 8.28% due to the company is able to effectively manage the cost of contracting projects in hand and also able to sign contracts for other high-margin projects as planned.

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

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### Assets

As of December 31, 2022, the Company had total assets of 11,594.90 million baht, an increase of 2.21% 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 2022, the proportions of such important assets to total assets were 17.39%, 16.96% and 37.67%, respectively. List of assets that change materially, for example:



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### Liabilities

As of December 31, 2022, the Company had total liabilities of 6,004.13 million baht, a decrease of 7.33% compared to 6,478.96 million baht as of December 31, 2021. This decline was due to lower borrowings from financial institutions after receiving payment from various projects.

### Shareholders' Equity

As of December 31, 2022, the Company had total shareholders' equity of 5,590.77 million baht, an increase of 14.91% 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 2022 was 1.07 times, a decrease of 19.55% 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 2022 was 10.59%, a decrease of 3.60% from the end of 2021 with the Return on Equity (ROE) of 10.99%.

### Return on Asset

Return on Assets (ROA) at the end of 2022 was 4.83%, an increase of 10.48% from the end of 2021 with a Return on Assets (ROA) of 4.37%.

### Stock Price

The share price as of December 31, 2022 was 6.95 baht, compared to at the end of 2021 was 7.70 baht. The share price lessened 0.75 baht or accounted for a decrease of 9.74%.

### P/E Ratio

P/E Ratio as of December 31, 2022 was 9.96 times, compared to at the end of 2021 was 17.00 times. P/E Ratio decreased by 7.04 times, or a decrease of 41.41%.



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### 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.

On January 18, 2023, the Company has signed a contract for the purchase of 3 various types of submarine cables totaling of 67.20 million baht (including VAT) with a working period of 270 days from the date of signing the employment contract.

Please be informed accordingly.



Yours sincerely

(Mr. Sombat Anuntarumporn)

Chairman