

THAICOM

MANAGEMENT'S DISCUSSION AND ANALYSIS



Thaicom Public Company Limited

Management's Discussion and Analysis for Q2/2024

Thaicom Public Company Limited

1. Company's Performance Overview

Thaicom Public Company Limited reported a revenue from sales and services of Baht 638 million for Q2/2024, which increased from Baht 609 million in Q1/2024 (QoQ) and Baht 636 million in Q2/2023 (YoY). This was mainly attributed to the revenue from satellite and related services that increased due to domestic clients. In addition, the utilization rate for the Company's conventional satellites providing services under telecommunication licenses via THAICOM-7 and THAICOM-8, reached 62%, demonstrating a consistent upward trend for four consecutive quarters.

The Company reported a net profit of Baht 63 million in Q2/2024, a decrease compared to Q1/2024 and Q2/2023 due to the net foreign exchange gains in Q1/2024 and the recognition of compensation with a business partner arising from a dispute settlement in Q2/2023. However, core profit¹, which reflects the core business performance excluding these non-recurring items, showed significant growth, reaching Baht 49 million, a 308% increase from Q1/2024 (QoQ). This growth was driven by increased revenue from sales and services, demonstrating the Company's agility in addressing market demand and expand its customer base.

In Q2/2024, the Company's satellite business generated Baht 69 million in core profit excluding share of profit/(loss) from telecommunications business, exceeding normal core profit by Baht 20 million. This underscores the core business's robust profitability, exhibiting a 30% (QoQ) growth from Baht 53 million in Q1/2024.

The Company has reinforced its accomplishment in leveraging its satellite expertise into the space technology sector by utilizing Earth observation satellite data, such as satellite imagery, in conjunction with Artificial Intelligence (AI) and Machine Learning (ML) technologies. This has led to the development of the "CarbonWatch" platform, a tool for assessing carbon sequestration in forests, which has been certified by the Thailand Greenhouse Gas Management Organization, a pioneer in Thailand and ASEAN.

¹ Core profit means profit attributable to owner of the Company before unrealized gain (loss) on exchange rate of the Company and joint ventures, and before extra items.

2. Business Summary

Satellite and related Services

[Thaicom unveils 'Carbonwatch', Thailand's first carbon credit platform, utilizing satellite technology and AI, certified by TGO, to foster its Space Tech services and promote sustainable development.](#)

11 July 2024 – Thaicom, the developer of the 'CarbonWatch' platform, received certification for its forest carbon sequestration assessment tool utilizing remote sensing technology and artificial intelligence. This certification was granted by the Greenhouse Gas Management Organization, making it the first in Thailand and ASEAN under the Thailand Voluntary Emission Reduction Program (T-VER). The platform is one of Thaicom's space technology services under Earth Insights, and it is prepared to provide carbon credit services to customers in Thailand. The Company is also moving forward with expanding its collaboration with the Mae Fah Luang Foundation under Royal Patronage to drive Thailand towards its Carbon Neutrality and Net Zero GHG Emission goals.

The 'CarbonWatch' platform can be used to assess carbon in two forest types: dry dipterocarp and mixed deciduous forests in the northern and central regions of Thailand. It is a crucial tool that will help stimulate and incentivize the planting, restoration, and maintenance of forests by private businesses seeking to utilize carbon credits to offset their greenhouse gas emissions. This will contribute to Thailand's broader goal of achieving Carbon Neutrality by 2050 and Net Zero GHG Emission by 2065, based on sustainable development.

[Thaicom and Royal Thai Air Force forge strategic partnership to advance aerospace technology, promoting sustainable self-reliance in the defense industry.](#)

7 June 2024 – The Royal Thai Air Force (RTAF) has partnered with the company in a Memorandum of Understanding (MoU) for collaboration in aerospace technology development. This partnership aims to research and develop aerospace and related technologies, to enhance the RTAF's mission capabilities and safeguard Thai airspace and space as well as to promote sustainable self-reliance in the defense industry. Air Chief Marshal Alongkorn Wannarot, Commander-in-Chief of the RTAF, and Mr. Patompob Suwansiri, the Company's CEO, signed the MoU at the RTAF Headquarters.

Under this collaboration, both parties will jointly study, research, and develop aerospace technology to enhance capabilities and increase competencies in personnel, weaponry, and cutting-edge aviation and space technologies. The agreement focuses on R&D in three key areas: 1) Unmanned aerial vehicle systems

integrated with space technology to expand aviation capabilities across the RTAF's operational areas, 2) Cutting-edge small satellite technology to enhance the RTAF's military operations through space utilization, and 3) Rocket launch vehicle technology, paving the way for future military spaceports and enhancing national security.

[Utilization of THCOM's satellites](#)

As of the end of Q2/2024, the utilization rate for the Company's conventional satellites providing services under telecommunication licenses via THAICOM-7 and THAICOM-8, reached 62.0%, a slight increase from 61.8% in Q1/2024, marking a continuous improvement for four consecutive quarters. The primary factor contributing to this increase was the growth in domestic customers.

[Internet and media Services](#)

The revenue from internet and media services mainly comes from Thai Advance Innovation Company Limited (Thai AI), consisting of the income from the sale of set-top-boxes and related equipment, including the sale and rental services for internet platform such as IPTV channels, video streaming, eSport, LOOX TV and New Space Technology business.

Revenue from internet and media services was Baht 3 million in Q2/2024, remaining stable compared to Q1/2024. Nevertheless, there was a slight increase in advertising revenue from international customers. However, revenue from internet and media services decreased compared to the previous year, primarily attributed to customer churn in certain channels.

[Telephone business abroad](#)

Lao Telecommunications Public Company (LTC) has demonstrated consistent improvement in its operational performance from the first to the second quarter of 2024. This positive trajectory is attributed to the tariff restructuring for telecom services implemented by The Ministry of Telecommunication and Communication of the Lao PDR, which came into effect on March 1st, 2024. As of the conclusion of 2Q/2024, Lao Telecommunications Public Company (LTC) and TPLUS Digital Company Limited (TPLUS) collectively had a total of 2.53 million mobile phone subscribers, a figure comparable to the end of 2023.

3. Consolidated Operating Results

Summary of key financial information of THCOM

Unit: Baht million	Amount			Change		Amount		Change
	Q2 2024	Q1 2024	Q2 2023	%QoQ	%YoY	1H 2024	1H 2023	%YoY
Revenue from sales of goods and rendering of services	638	609	636	5%	0.3%	1,247	1,374	-9%
Other income	41	2	304	1950%	-87%	43	307	-86%
Total Revenue	679	611	940	11%	-28%	1,290	1,681	-23%
Cost of sales of goods and rendering of services	-376	-357	-388	5%	-3%	-733	-779	-6%
SG&A expenses ⁽¹⁾	-255	-225	-216	13%	18%	-480	-430	12%
Profit from operating activities	48	29	336	66%	-86%	77	472	-84%
Profit from operating activities before interest, tax, and depreciation and amortization (EBITDA) ⁽²⁾	194	177	193	10%	1%	372	479	-22%
Financial income	91	72	63	26%	44%	163	139	17%
Financial costs	-23	-29	-30	-21%	-23%	-52	-65	-20%
Reversal of loss on impairment based on Thai Financial Reporting Standard No.9	2	2	-4	N/A	-150%	4	23	-83%
Net gain (loss) from foreign exchange	29	300	184	-90%	-84%	329	130	153%
Share of profit (loss) of investment in subsidiaries and joint ventures	-41	-50	-59	-18%	-31%	-90	-77	17%
Profit before income tax expense	106	324	490	-67%	-78%	431	622	-31%
Income tax expense	-43	-36	-33	19%	30%	-79	-77	3%
Profit attributable to the owner of the Company (Net Profit)	63	288	457	-78%	-86%	352	545	-35%
Less: Unrealized gain (loss) on exchange rate of the Company	33	284	152	-88%	-78%	317	107	196%
Less: Unrealized gain (loss) on exchange rate of joint ventures	(19)	-8	-43	137%	-56%	-27	-39	-31%
Less: Extra items ⁽³⁾	-	-	288	-	-	-	288	-100%
Core Profit	49	12	60	308%	-18%	62	189	-67%
Core profit excluding share of profit/(loss) from telecommunications business	69	53	72	30%	-4%	122	226	-46%
Basic earnings per share (Baht)	0.06	0.26	0.42	-78%	-86%	0.32	0.50	-36%

(1) SG&A expenses included selling and administrative expenses and directors and management benefit expenses.

(2) Excluded gain (loss) on exchange rate and loss on assets impairment.

(3) Other one-time items for the period.



Revenue from sales of goods and rendering of services

The consolidated revenue from sales of goods and rendering of services for Q2/2024 was Baht 638 million, increased by 4.8% from Baht 609 million in Q1/2024 (QoQ) due to increased revenue from satellite and related services. However, when compared with Q2/2023 (YoY) revenue from sales of goods and rendering of services increased slightly by 0.3%.

In the first half of 2024, the company generated total revenue from sales and rendering of services of Baht 1,247 million, a 9.3% decrease compared to the same period in 2023 (YoY), which totaled Baht 1,374 million. The primary factor contributing to this decline was a reduction in other income. In the first half of 2023, the company recognized a substantial amount of other income stemming from a compensation with a business partner arising from a dispute settlement.

Revenue from sales of goods and rendering of services Unit: Baht million	Q2 2024	Q1 2024	Q2 2023	%QoQ	%YoY	1H 2024	1H 2023	%YoY
Satellite and related services	640	607	633	5.4%	1.1%	1,247	1,368	-8.8%
Internet and media services	3	3	10	0.0%	-70.0%	6	19	-68.4%
Consolidation eliminations	(5)	(1)	(7)	400.0%	-28.6%	(6)	(13)	-53.8%
Total	638	609	636	4.8%	0.3%	1,247	1,374	-9.3%

After the expiry of the concession, revenue from satellite and related services comprised of revenue from sales of goods and rendering of services from THAICOM-7 and THAICOM-8, which are operated under licenses to provide telecommunication services. Besides, there were revenue from satellite services from part of bandwidth purchased on THAICOM-4 and THAICOM-6 satellites from National Telecom Public Company Limited, including bandwidth purchased from international satellite service providers in order to continue providing seamless service for both broadcast and broadband.

Revenue from satellite services and related offerings in Q2/2024 reached Baht 640 million, marking a 5.4% QoQ increase from Baht 607 million in Q1/2024, and a 1.1% YoY increase compared to Q2/2023. This growth was primarily driven by domestic sales of equipment to customers.

In the first half of 2024, the company generated Baht 1,247 million in revenue from satellite and related services, reflecting an 8.8% decrease compared to Baht 1,368 million in the corresponding period of 2023. This decline can be attributed to the absence of revenue streams in the first half of 2023, which included ground station management fees for Globalstar and additional consulting services.



[Internet and media Services](#)

Revenue from internet and media services was Baht 3 million in Q2/2024, remaining stable compared to Q1/2024. Nevertheless, there was a slight increase in advertising revenue from international customers. However, revenue from internet and media services decreased compared to the previous year, primarily attributed to customer churn in certain channels.

[Other Income](#)

In Q2/2024, other income amounted to Baht 41 million, a significant increase compared to Q1/2024, which totaled Baht 2 million. This increase was primarily due to the recognition of compensation received from legal proceedings of outstanding debts from customer.

However, compared to Q2/2023, other income decreased due to the recognition of compensation with a business partner arising from a dispute settlement (for further details, please refer to the Management's Discussion and Analysis for Q2/2023 ending June 30, 2023).

Cost of sales of goods and rendering of services

In Q2/2024, the company incurred a total cost of sales and rendering of services of Baht 376 million, marking a 5.3% increase compared to Baht 357 million in the Q1/2024 (QoQ). This rise was primarily attributed to higher costs associated with satellite and related services, aligning with the revenue growth experienced in this quarter.

For the first half of 2024, the company's total cost of sales and rendering of services amounted to Baht 733 million, a 5.9% decrease compared to the same period in 2023 (YoY), which totaled Baht 779 million. This reduction was in line with the decrease in revenue. Additionally, in 2023, the company incurred costs related to ground station (Gateway) management and other consultancy fees, which did not recur in 2024.

Cost of sales of goods and rendering of services Unit: Baht million	Q2 2024	Q1 2024	Q2 2023	%QoQ	%YoY	1H 2024	1H 2023	%YoY
Satellite and related services	375	356	390	5.3%	-3.8%	731	781	-6.4%
Internet and media services	3	2	5	50.0%	-40.0%	5	10	-50.0%
Consolidation eliminations	(2)	(1)	(6)	100.0%	-66.7%	(3)	(12)	-75.0%
Total	376	357	388	5.3%	-3.1%	733	779	-5.9%

In Q2/2024, the cost of satellite and related services amounted to Baht 375 million, a 3.8% decrease compared to Q2/2023 (YoY), which totaled Baht 390 million. The primary driver of this reduction was a decrease in equipment maintenance costs compared to the same period in the previous year. However, when compared to Q1/2024 (QoQ), the company experienced an increase in the cost of satellite and related services due to the sale of equipment to domestic customers.

In the first half of 2024, the company incurred a total cost of Baht 731 million for satellite and related services, a 6.4% decrease compared to the first half of 2023 (YoY), which amounted to Baht 781 million. This decline was primarily attributed to reduced equipment maintenance costs.



Cost of internet and media services

In Q2/2024, the cost relating to the internet and media services amounted to Baht 3 million, relatively consistent with Q1/2024 (QoQ) but experiencing a decrease compared to Q2/2023 due to a reduction in channel-related costs. This aligns with a corresponding decrease in revenue from the channel segment.

Selling and administrative expenses

The SG&A expenses, including directors and management benefits, were Baht 255 million for Q2/2024, increased from Baht 225 million in Q1/2024 and an 18% YoY increase from Baht 216 million in Q2/2023. This was primarily due to the legal consultancy fees associated with the procurement and construction of the new satellite.

Finance costs

Finance costs for Q2/2024 amounted to Baht 23 million, marking a significant decrease from both Baht 29 million in Q1/2024 (QoQ) and Baht 30 million in Q2/2023, mainly due to repayment of loans.

Share of profit of investment in joint venture

The share of profit (loss) of investment in subsidiaries and joint ventures consisted of those from LTC, Nation Space and Technology Co.,Ltd and ATI Technologies Co.,Ltd.

In Q2/2024, the share of loss from investments in joint ventures amounted to Baht (41) million, mainly due to losses from investments in the Laotian telephone business (LTC). However, the share of loss has been steadily decreasing, with an 18% reduction compared to Q1/2024 (QoQ) of Baht (50) million, and a 30% decrease compared to Q2/2023 (YoY) of Baht (59) million. This improvement is attributed to LTC's revenue growth compared to both Q1/2024 (QoQ) and Q2/2023 (YoY). Nevertheless, foreign exchange losses increased due to a depreciation of the Kip against the US Dollar compared to Q1/2024 (QoQ). Additionally, financial costs incurred by Shenington Investments Pte Ltd. witnessed a significant uptick stemming from rising interest rates, resulting in the recognition of losses from investments in joint ventures. Nevertheless, in 2024, the Company is poised to benefit from long-term positive factors arising from the Ministry of Telecommunication and Communication of the Lao PDR's policy to restructure telecommunications service prices. This is expected to lead to a continuous recovery in losses from equity investments in joint ventures.

Profit attributable to the owner of the Company (Net profit)

The Company reported a net profit of Baht 63 million in Q2/2024, a decrease compared to Q1/2024 and Q2/2023 due to net foreign exchange gains of Baht 300 million in Q1/2024 and the recognition of Baht 301 million in compensation from a business partner arising from a dispute settlement in Q2/2023.

Core profit¹, which reflects the core business performance excluding these non-recurring items, showed significant growth, reaching Baht 49 million, a 308% increase from Q1/2024 (QoQ) of Baht 12 million. This growth was driven by increased revenue from sales and services, demonstrating the Company's agility in addressing market demand and expand its customer base.

In Q2/2024, the Company's satellite business generated Baht 69 million in core profit excluding share of profit/(loss) from telecommunications business, exceeding normal core profit by Baht 20 million. This underscores the core business's robust profitability, exhibiting a 30% (QoQ) growth from Baht 53 million in Q1/2024.

4. Financial Position

As at the end of Q2/2024, the Company reported total assets of Baht 13,974 million, a slight 1.3% decrease compared to Baht 14,162 million at the end of 2023. This minor reduction was primarily attributed to the amortization of right-of-use assets and a decrease in cash due to the acquisition of buildings and equipment.

Asset components

Assets Unit: Baht million	30 June 2024		31 December 2023	
	Amount (Baht million)	% of Total Assets	Amount (Baht million)	% of Total Assets
Current assets	4,666	33.4%	5,551	39.7%
Property, plant and equipment	3,768	27.0%	2,079	14.9%
Right-of-use assets*	1,182	8.5%	1,271	9.1%

*Right-of-use assets including satellite's transponders, plant, buildings and vehicles

Trade and other receivables

As at the end of Q2/2024, the Company had trade and other current receivables of Baht 995 million, or 7.1% of total assets, decreased by 2.1% from Baht 1,016 million at the end of 2023. The primary reason for this decline was attributed to the successful collection of outstanding debts from international customers.

¹ Core profit means profit attributable to owner of the Company before unrealized gain (loss) on exchange rate of the Company and joint ventures, and before extra items.



Liquidity

As at the end of Q2/2023, the Company had a current ratio of 3.9x, stabled from the end of 2023 of 3.9x.

Right-of-use assets

As at the end of Q2/2024, the Company had right-of-use assets of Baht 1,182 million or 8.5% of total assets. This was mainly the right-of-use from the agreement to purchase part of the bandwidth capacity on THAICOM-4 and THAICOM-6 Satellites after the expiry of the concession, and the capacity on the foreign satellite operators leased for the Company's customers. The right-of-use assets decreased 0.5% from Baht 1,271 million as at the end of 2023 due to the amortization of right-of-use satellite assets.

Borrowings and shareholders' equity

The Company's net borrowings as at the end of Q2/2024 were Baht 231 million, a decrease of 46.3% from Baht 431 million as at the end of 2023, mainly attributable to the repayment of long-term loans for the satellite projects.

The Company's shareholders' equity as at the end of Q2/2024 was Baht 10,338 million, increased by 1.0% from Baht 10,231 million as at the end of 2023, reflecting from consolidated net profit offsetting with the annual dividend payment.

The company's ratio of net borrowings to equity was 0.4x, decreased by 8.5% from that of the end of 2023. This reduction was primarily driven by a decrease in total liabilities. In July, the company fully repaid its outstanding loans, which is expected to significantly reduce the net borrowings to equity in Q3/2024.

Cash Flows

In the first half of 2024, the company generated net cash from operating activities of Baht 330 million, a 60.6% decrease compared to the first half of 2023, which amounted to Baht 839 million. This decrease was primarily due to lower net profit for the period. Additionally, in the first half of 2023, due to the significant collection of long-outstanding receivables from overseas trade customers.

Net cash used in investing activities for the first half of 2024 was Baht (503) million, an increase compared to the first half of 2023, which totaled Baht (261) million. The main reason was the prepayment for equipment for a new satellite.

Net cash used in financing activities for the first half of 2024 was Baht (502) million, primarily consisting of loan repayments and interest payments.

At the end of Q2/2024, the Company held cash and cash equivalents, including current investments, in total of Baht 3,443 million.

This document contains certain forward-looking statements. They refer to future events and to the future financial performance of the Companies. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue." Although the Companies believe that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

