



INTERLINK COMMUNICATION PUBLIC COMPANY LIMITED

48 Interlink Building, Ratchadapisek Road, Huay Khwang, Bangkok 10310

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ที่ AC. 114/63/AC

26 February 2020

Topic Management's Discussion and Analysis for the Year Ended December 31, 2019

Dear The Stock Exchange of Thailand Board Members

Discussion and Analysis of Operation Results and Financial Condition

Overview of the Interlink Group

Interlink Communication Public Company Limited: ILINK has operated for 32 years till now by being a pioneer of introducing and distributing LAN cable technology in Thailand 28 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, Distribution Center and R&D Center have been built since 2012 in order 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 telecoms business. This business provides several services, including Data Service and Data Center, over fiber optic network which the company has been licensed through NBTC to widely install all over the country. ITEL focuses on rendering better services with SLA99.99% to Mobile and Internet Operators, Banks and Financial institutions, and 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: IPOWER and mainly works on the huge projects from the government sectors.



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In summary, the operation results of ILINK, the parent company, have been reflected by 3 main businesses which are 1) **Distribution** that is the initial business continuously generating revenue 2) **Telecom** that supports recurring income and from year to year, telecom business grew outstandingly and did the spin off creating an independent entity to be listed on the Market for Alternative Investment (MAI) under the name "ITEL" and 3) **Engineering** whose most projects are possessed by the government sectors. From 2020 onwards, the group of Interlink focuses on adjusting revenue contribution to be more sustainable while aggressively improving total net profit margin. As a result, revenues from Distribution Business are expected to be 45% of total revenues, increased from 40% on prior years. Revenues from Telecom Business are expected to be 50% of total revenues, increased from 40% on prior years and revenues from Engineering Business are expected to be only 5% of total revenues, decreased from 20% on prior years in order to mitigate the inherent risk of engineering business itself which negatively affects the whole operation results.

Analysis of Operation Results

1. Revenue

For the year ended December 31, 2019, company's total revenues were 5,662.29 Million Baht, increased from the year ended of 2018 by 292.42 Million Baht or approximately 5.44% as shown on the following table.

Revenues	December 30, 2019		December 30, 2018		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from Distribution Business	2,260.92	39.93	2,118.57	39.45	142.35	6.72
Revenues from Telecoms Business	2,327.62	41.11	1,588.22	29.58	739.40	46.56
Revenues from Engineering Business	1,038.24	18.33	1,622.41	30.21	(584.17)	(36.01)
Other Revenues	35.51	0.63	40.67	0.76	(5.16)	(12.69)
Total Revenues	5,662.29	100.00	5,369.87	100.00	292.42	5.44

1.1 Revenues from Distribution Business

Revenues from distribution business result from importing and distributing cabling products including networking equipment and server racks (19" Rack). For the year ended December 31, 2019, revenues were 2,260.92 Million Baht, increased from the year ended of 2018 by 142.35 Million Baht or approximately 6.72%. This growth mainly resulted from the sales of UTP (LAN) cables and server racks that are in line with the 5-7% growth of revenues from distribution business in each quarter throughout 2019 comparing to a previous year.



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1.2 Revenues from Telecoms Business

Revenues from telecoms business result from rendering several services which are Data Service, Network Installation, and Data Center. For the year ended December 31, 2019, revenues were 2,327.62 Million Baht, increased from the year ended of 2018 by 739.40 Million Baht or approximately 46.56%. This significant improvement resulted from providing network installation to customers. The major projects of this period are such as the project of providing high-speed internet service in remote area (USO Phase 2) which recognized revenue of Baht 950.18 million, and the project in contractor of communication system for DMS which recognized revenue of Baht 258.32 million.

1.3 Revenues from Engineering Business

Revenues from engineering business result from working on electrical engineering projects as well as special projects based on agreements. For the year ended December 31, 2019, revenues based on the new accounting standard "IFRS 15: Revenue from Contracts with Customers" were 1,038.24 Million Baht, decreased from the year ended of 2018 by 584.17 Million Baht or approximately 36.01%. The reduction was directly affected by a change in accounting policy. Since January 1, 2019, the company has adopted IFRS 15: Revenue from Contracts with Customers including the requirements of this new revenue accounting standard.

2. Costs and Expenses

For the year ended December 31, 2019, Distribution business's costs of sales were 1,652.54 Million Baht, increased from the year ended of 2018 by 56.16 Million Baht or approximately 3.52%. Comparing to the growth of Distribution business's revenues at 6.72%, it strongly ensures that cost efficiency policy being launched since the end of second quarter last year was effective. Furthermore, for the year ended December 31, 2019, costs of engineering business were 1,115.79 Million Baht, decreased from the year ended December 31, 2018 by 472.24 Million Baht or approximately 29.74%. The decrease in costs of engineering business is in the same direction as revenues from engineering business.

3. Net Profit

For the year ended December 31, 2019, company's total net profit was 297.87 Million Baht, excluding unrealized loss on exchange rate amounting to 128.15 Million Baht (After tax amount is 102.52 Million Baht). The current total net profit decreased from the year ended December 31, 2018, by 16.71 Million Baht or approximately 5.31%. The decline was directly affected by higher costs and expenses of engineering projects as well as the finance cost.



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Analysis of Financial Condition

1. Assets

As of December 31, 2019, company's total assets were 10,855.29 Million Baht, increased from the year ended December 31, 2018 by 1,388.59 Million Baht or approximately 14.67%. Significant assets are account receivables, accrued revenues, and fixed assets including equipment for telecoms network. As of December 30, 2019, the proportions of these significant assets to the total assets are 9.25%, 20.71%, and 39.41% respectively. Below is the list of significant changes in the company's total assets.

- 1) Account receivable mainly increased according to the higher sale revenues
- 2) Accrued revenues decreased in the same direction with the higher progress of project works
- 3) Fixed assets and equipment for telecoms network went up to support sales and to increase the stability and coverage of network

2. Liabilities

As of December 31, 2019, company's total liabilities were 7,384.46 Million Baht, increased from the year ended December 31, 2018 by 1,373.37 Million Baht or approximately 22.85%. The increase was mainly impacted by short-term and long-term loans from financial institutions used to invest in the project works and to expand the telecoms network, unearned revenue based on the construction agreement etc.

3. Shareholders' Equity

As of December 31, 2019, company's total shareholders' equities were 3,470.83 Million Baht, increased from the year ended December 31, 2018 by 15.23 Million Baht or approximately 0.44%. The slight increase resulted from accumulated net incomes.

Analysis of Returns

1. Return on Equity

Return on Equity (ROE) as at December 31, 2019 is 5.64%, decreased from December 31, 2018 at 9.48% by approximately 40.50%.

2. Return on Asset

Return on Equity (ROA) as at December 31, 2019 is 1.92%, decreased from December 31, 2018 at 3.79% by approximately 49.27%.



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Analysis of Stock Price

1. Stock Price

Stock price as at December 30, 2019 is 3.80 Bath, decreased from the stock price as at December 28, 2018 by 0.28 Baht or approximately 6.86%.

2. P/E Ratio

P/E Ratio as at December 30, 2019 is 14.01 times, while P/E Ratio as at December 28, 2018 is 24.64 times



Yours sincerely,

(Mr. Sombat Anuntarumporn)

President