



ALT Telecom Public Company Limited

# Management Discussion and Analysis

## For the operating results of 3<sup>rd</sup> Quarter ended 30 September 2018



8 November 2018

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for the operating results of 3Q/2018

ALT Telecom Public Company Limited ("ALT")'s performance in 3Q/2018 as consolidated financial statements are summarized as follows:

- Total revenues were Baht 247.0 million, YoY decreased by 12.4% from 3Q/2017 at Baht 281.8 million and QoQ increased by 32.8% from 2Q/2018 at Baht 185.9 million
- Gross margin was Baht 13.8 million
- Net result of operation was loss of Baht 68.8 million.
- Cash from operating activities for 9 months ended 30 September, 2018 was Baht 86.8 million.
- Net Debt to equity ratio was 1.13 times at the end of 3Q/2018
- Backlog as at the end of 3Q/2018 was Baht 996.5 million.

### Executive Summary

Overview	3Q/18	3Q/17	YoY		2Q/18	QoQ	
	M.TH.B	M.TH.B	M.TH.B	%CHG.	M.TH.B	M.TH.B	%CHG.
Revenues	247.0	281.8	(34.8)	-12.4%	185.9	61.1	32.8%
Gross Profit	13.8	56.5	(42.8)	-75.6%	(13.9)	27.7	198.9%
Gross Margin (%)	5.6%	20.1%			-7.5%		
Net Profit/(Loss)	(68.8)	(5.9)	(62.8)	-1063.7%	(88.7)	20.0	22.5%
Net Profit Margin (%)	-27.8%	-2.1%			-47.7%		

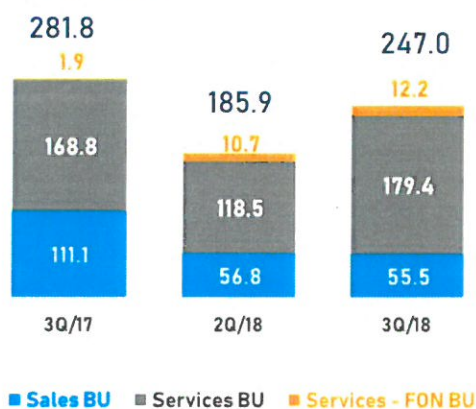
The Company's performance in 3Q/2018 has increased in term of revenue, comparing with 2Q/2018. Nevertheless, the Company still showed net loss owing to a consequence of slowdown investment of mobile and telecom operators and recognizing the depreciation of SRT project. The investment in this project was rather big amount but revenue which came from it was gradually increase. Anyhow the growth signal of this project is going to better from now on. The other projects still are in developing status. At ended 3Q/2018, the Company had backlog on hand Baht 996.5 million.

Moreover, the Company has continuously explored more business partnerships to enhance the utilization rate of the Company's assets and expand diversity sources of income. The Company aims to run the business which conform with the government policy to move forward to Thailand 4.0 and Smart City, which shall be harmonized with the people life style trend that rapidly change. Those projects would involve with communication infrastructure or information platform developing, which can serve consumers' demand more pertinent and faster.

## Consolidated Performance Summary

Statement of income	3Q/18 M.TH.B	YoY			QoQ		
		3Q/17 M.TH.B	M.TH.B	%CHG.	2Q/18 M.TH.B	M.TH.B	%CHG.
Total Revenues	247.0	281.8	(34.8)	-12%	185.9	61.1	33%
Total Cost	(233.2)	(225.3)	7.9	4%	(199.9)	33.4	17%
Gross profit	13.8	56.5	(42.8)	-76%	(13.9)	27.7	199%
Other income	9.1	10.6	(1.5)	-14%	9.3	(0.2)	-2%
Selling and admin expenses	(67.2)	(64.4)	2.7	52%	(60.3)	6.9	21%
Gain/(Loss) from exchange rate	0.9	0.4	0.5	140%	(2.1)	2.9	143%
Share of Gain/(Loss) of investments in associate and joint venture	(9.2)	(0.0)	(9.2)	-738%	(13.3)	4.0	49%
Finance costs	(11.4)	(7.6)	3.8	50%	(9.6)	1.8	18%
Profit before income tax expense	(64.0)	(4.5)	(59.4)	-1308%	(89.8)	25.8	29%
Income tax (expense) revenue	(4.8)	(1.4)	3.4	249%	1.1	5.8	553%
Profit for the period	(68.8)	(5.9)	(62.8)	-1064%	(88.7)	20.0	23%

### Revenue

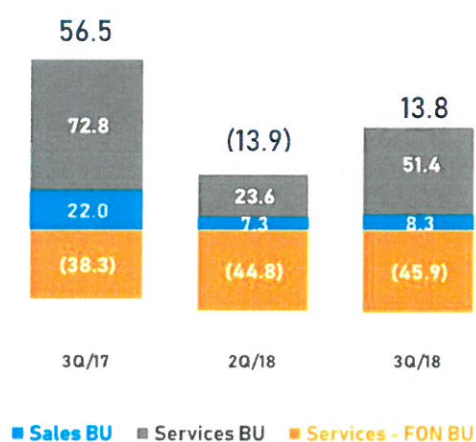


#### I) Sales Business – 3Q/2018

Total sales of telecommunication products such as optical fiber cable and Wi-Fi devices, etc., totally Baht 55.5 million, compared YoY decreased of Baht 55.6 million or 50.1% from the same quarter of last year at Baht 111.1 million, compared QoQ decreased by Baht 1.3 million or 2.3% from previous quarter at Baht 56.8 million.

- Gross profit was Baht 8.3 million, compared YoY decreased by Baht 13.7 million or 62.3% from 3Q/2017 at Baht 22.0 million and QoQ increased by Baht 1.0 million or 13.3% from last quarter at Baht 7.3 million.
- Gross Profit Margin was at 14.9% slightly decreased from 19.8% in 3Q/2017 and increased from 12.9% in 2Q/2018.

### Gross profit



#### II) Services Business – 3Q/2018

- Revenues from construction and installation services, such as construction of base stations, equipment and optical fiber cable installation, totally of Baht 179.4 million, YoY increased by Baht 10.6 million or 6.3% from 3Q/2017 at Baht 168.8 million and QoQ increased by Baht 60.9 million or 51.4% from 2Q/2018 at Baht 118.5 million.
- Gross profit was Baht 51.4 million, YoY decreased Baht 21.4 million or 29.5% from 3Q/2017 at Baht 72.8 million and QoQ increased by Baht 27.8 million or 117.6% from 2Q/2018 at Baht 23.6 million.
- Gross profit margin was at 28.6%, down from 43.1% in 3Q/2017 and increased from 19.9% in 2Q/2018.

### III) Network Service Business – 3Q/2018

- Recurring income in this period was Baht 12.2 million, mainly from the SRT project. Although the revenue from this business came lately, there are good signs of growth opportunity in from now on.
- The cost of optical fiber network services was Baht 58.0 million, comprised of depreciation cost Baht 18.5 million. The remaining costs were rental cost, network service, salary, wage and maintenance.
- In addition, the such depreciation cost of Baht 18.5 million has included depreciation of Hemaraj Project amounting to Baht 5.6 million per quarter. The revenue of this project was stop to recognize, because customer has defaulted the payment. The Company filed a lawsuit against the Central Administrative Court and the Central Administrative Court announced a judgment on 30 September 2016, that the parties should pay the indemnity to the Company. But the party applied to appeal. Currently, the case is awaiting a decision of the Supreme Administrative Court.

#### Revenues contribution

In 3Q/2018, the revenue contribution of Sales Businesses, Services Business and Network Services Business was about 22.5%, 72.6% and 4.9% respectively.

Revenue Structure	3Q/17	2Q/18	3Q/18
Sales	39.4%	30.5%	22.5%
Services	59.9%	63.7%	72.6%
Services - FON	0.7%	5.8%	4.9%

#### Selling & Administrative Expense

- 3Q/2018, selling and administrative expenses were Baht 67.2 million, up by Baht 2.7 million YoY and QoQ increased by Baht 6.9 million, due mainly to increasing of marketing cost to explore and expand the market particularly for foreign customers.

#### Finance Cost

- 3Q/2018, financial cost was Baht 11.4 million, increased Baht 3.8 million from 3Q/2017 at Baht 7.6 million and slightly increased by Baht 1.8 million form 2Q/2018 at Baht 9.6 million due to increasing short-term loan.

#### Net Loss

- 3Q/2018, the Company still showed the result of operation as a loss of Baht 68.8 million. It was due mainly to recognizing a high depreciation cost of fiber optic network while revenue from network service business was quite low because of being in early state.

## 2018 MANAGEMENT OUTLOOK & STRATEGY

Although the results of the Quarter of 3/2018 decreased from the same period of last year. But compared QoQ, the trend of result was better. The impact of slowdown investment from mobile operators, still affect to the result of the Company. The company has changed its strategy from being solely depended on the telecommunications industry, to expand for new industries and add-on benefit with following;

1. Rising up occupancy rate of existing network - increasing the utilization rate of company's existing network that has been invested, it is the first priority.

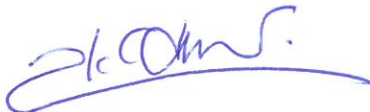
2. Exploring new business opportunity to enhance our existing network - adding-on the benefit on existing network of the Company to the new adjacent businesses.
3. Making synergy with business partners - creating a business alliance with strategic partner both domestic and international to enhance competitive advantage.
4. Exploring new revenue stream apart from traditional telecom business - seeking new revenue stream, cross-over industries with telecom business such as the Power Smart Grid project and Big Data Analytics.
5. Entering into e-auction bidding projects of the government regarding telecommunication infrastructure, which there are several projects in the pipeline.

**The Company also has the projects in hands as follows:**

- o The Company still has a backlog of Baht 996.5 million as at the end of 3Q/2018
- o SRT Project had satisfying growth of utilization rate from customers and there has been good sign of market potential.
- o The BTS Wi-Fi project is equipped with free Wi-Fi and allows the operator to off-load the cell phone channel. The project is expected to start to contribute revenue in late of 4Q/2018
- o The Power Smart Grid Project by installing Digital Meter in Pattaya, Chonburi. The period of operation and revenue recognition in 2019-2020.
- o Other projects are under negotiation with landlords to gain the right to use, together with conducting a survey of customer demand, prior to make decision of investment accordingly.

For your information.

Yours faithfully,



**Somboon Setsuntipong**  
**Vice President - Finance and Accounting**

Contact Investor Relations

[www.alt.co.th](http://www.alt.co.th)

Email: [IR@alt.co.th](mailto:IR@alt.co.th)

Tel (66) 2863-8999

Disclaimer

Some statements made in this material are forward-looking statements with the relevant assumptions, which are subject to various risks and uncertainties. These include statements with respect to ALT Telecom Public Company Limited and companies in the group's corporate plans, strategies and beliefs and other statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "intend", "estimate", "continue" "plan" or other similar words. The statements are based on our management's assumptions and beliefs in light of the information currently available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please note that the company and executives/staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.