



# ALT Telecom Public Company Limited

---

## Management Discussion and Analysis 2Q/2017



### **Vision**

To be leader in providing network infrastructure and being business partner with the telecom operators in this region

---

August 11, 2017

The President  
 The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for 2Q/17

**ALT Telecom Public Company Limited ("ALT")'s** performance in 2Q/17 are summarized as follows:

- Gross margin increased from 27.1% in 1Q/17 to 34.2% in 2Q/17, despite a slight increase in revenues of 2.6%
- EBITDA was 78.7 million THB with EBITDA margin of 28.2% compared to 17.4% in 1Q/17
- Net profit of 46.0 million THB, increased 50.7% from 1Q/17 at 30.5 million THB, with net profit margin of 16.5% compared to 11.2% in 1Q/17

### Executive Summary

M.TH.B	2Q/16	1Q/17	2Q/17	%YoY	%QoQ
<b>Revenues</b>	440.6	271.9	<b>278.9</b>	-36.7%	2.6%
<b>Gross Profit</b>	133.5	73.7	<b>95.4</b>	-28.5%	29.4%
Gross Margin (%)	30.3%	27.1%	<b>34.2%</b>		
<b>EBITDA</b>	84.5	47.3	<b>78.7</b>	-6.9%	66.3%
EBITDA Margin (%)	19.2%	17.4%	<b>28.2%</b>		
<b>Net Profit/(Loss)</b>	70.1	30.5	<b>46.0</b>	-34.4%	50.7%
Net Profit Margin (%)	15.9%	11.2%	<b>16.5%</b>		
Number of Shares (million Shares)	750	1,000	1,000		
Basic earnings per share (in Baht)	0.09	0.03	0.05		

**"In 2Q/17, EBITDA Margin increased to 28.2%"**

The intense competition continued among the three-major mobile phone service providers (Operators) with the focus on attractive campaign in offering incentive discounts on mobile phone and offering unlimited data packages to attracts and retain more active customers. In addition, the overall market continues to grow as a result of more monthly customers, coupled with customer trends switching from pre-paid to monthly customers. Moreover, the high-speed Internet service providers are continually expanding their service areas to accommodate the needs of their customers in new areas. At the same time, high-speed internet access via fiber-based technology has continued to grow in popularity.

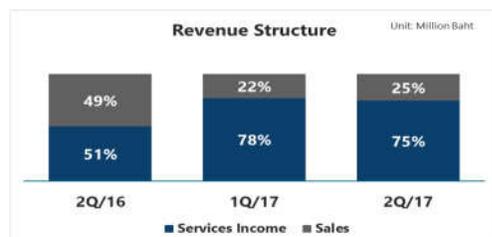
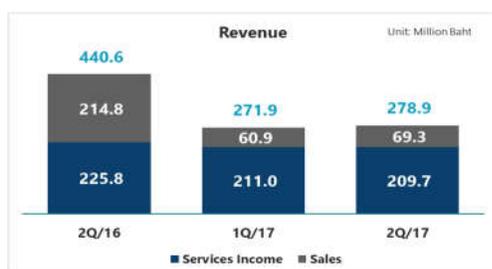
Hence, the investment by Operators for the construction and installation of telecommunication base station facilities during the first half of 2017 was still lagging and contraction beyond what ALT had anticipated, with only one Operator announcing significant construction and installation of telecommunication base station facilities. However, this risk factor was foreseen by ALT and has already adjusted the business model in order to mitigate this circumstance in advance. ALT's principle strategy is focusing on increasing the portion of revenue and/or net profit from Recurring Income Business by investing in telecom infrastructure for lease. The investments are directly invested by ALT or invested via the associate or joint venture

companies. ALT has set the goal of net profit proportion to be contributed from Recurring Income Business by approximately 50% of total net profit within 5 years or year 2020.

However, at the end of 2Q/17, ALT has backlog of approximately 391 million THB. Revenues from sales and services in 2Q/17 was 278.9 million THB, increasing 2.6% QoQ but decreased 36.7% YoY from 271.9 million THB in 1Q/17 and 440.6 million THB in 2Q/16 million, respectively. Nevertheless, ALT's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) was at 78.7 million THB with EBITDA margin at 28.2%. ALT reported consolidated net profit of 46.0 million THB in 2Q/17, with net cash flow from operation of 380.5 million THB and with cash and short-term investments on its consolidated balance sheet totaling to 116.8 million THB as at ending 2Q/17.

## Consolidated Performance Summary

STATEMENT OF INCOME	2Q/16		1Q/17		2Q/17		YoY		QoQ	
	M.THB	%	M.THB	%	M.THB	%	(+/-)	%	(+/-)	%
Revenues from sales and services	440.6	100.0%	271.9	100.0%	278.9	100.0%	(161.7)	-36.7%	7.0	2.6%
Cost of goods sold and services	(307.1)	-69.7%	(198.2)	-72.9%	(183.5)	-65.8%	(123.6)	-40.2%	(14.7)	-7.4%
<b>Gross profit</b>	<b>133.5</b>	<b>30.3%</b>	<b>73.7</b>	<b>27.1%</b>	<b>95.4</b>	<b>34.2%</b>	<b>(38.1)</b>	<b>-28.5%</b>	<b>21.7</b>	<b>29.4%</b>
Other income	6.4	1.5%	11.4	4.2%	7.1	2.5%	0.7	11.2%	(4.3)	-37.6%
Selling and admin expenses	(66.6)	-15.1%	(52.3)	-19.2%	(52.5)	-18.8%	(14.1)	-21.2%	0.2	0.3%
Gain/(Loss) from exchange rate	(0.0)	0.0%	1.0	0.4%	0.3	0.1%	0.3	2461.9%	(0.7)	-72.4%
Share of Gain/(Loss) of investments in associate and joint venture	2.4	0.6%	4.7	1.7%	10.3	3.7%	7.8	321.5%	5.6	120.4%
Finance costs	(11.1)	-2.5%	(2.6)	-1.0%	(4.4)	-1.6%	(6.6)	-60.0%	1.8	67.7%
<b>Profit before income tax expense</b>	<b>64.7</b>	<b>14.7%</b>	<b>35.8</b>	<b>13.2%</b>	<b>56.2</b>	<b>20.1%</b>	<b>(8.5)</b>	<b>-13.2%</b>	<b>20.4</b>	<b>56.9%</b>
Income tax (expense) revenue	5.4	1.2%	(5.3)	-1.9%	(10.2)	-3.6%	15.6	287.8%	4.9	92.9%
<b>Profit for the period</b>	<b>70.1</b>	<b>15.9%</b>	<b>30.5</b>	<b>11.2%</b>	<b>46.0</b>	<b>16.5%</b>	<b>(24.1)</b>	<b>-34.4%</b>	<b>15.5</b>	<b>50.7%</b>



The services revenues of ALT group are comprised mainly of construction service for base stations construction, fiber optic network installation and repair of telecom equipment.

The sales revenues of ALT group are comprised of the sale of telecom product such as fiber optic cable, telecom shelter and Rapid Deployment Unit (RDU), antenna, and other telecom equipment. Local sales are major portion income.

**In 2Q/17, revenues from sales and services was 278.9 million THB, increasing 2.6% QoQ from 271.9 million THB in 1Q/17 but decrease 36.7% YoY from 440.6 million THB in 2Q/16 mainly due to the decline in sales business.**

**Services Business** is still able to generate satisfactorily revenue despite the slowdown of investment by Operators for the construction and installation of telecommunication base station in 2Q/17. ALT's services revenue in 2Q/17 was at 209.7 million THB, a slight decrease of 0.6% QoQ from 1Q/17 at 211 million THB but down 7.2% YoY from 225.8 million THB in 2Q/16 as a result from the declined of construction and installation of base station jobs and lower fiber optic cables laying jobs.

**Sales Business** ALT's sales revenues in 2Q/17 was at 69.3 million THB, increased of 13.7% QoQ from 1Q/17 at 60.9 million THB but decreased by 65.6% YoY from 2Q/16 at 214.8 million THB, which was mainly from the decline in fiber optic cable and cell on wheels (COWs) sales.

**Revenues contribution** between Services to Sales Business changed from 78% : 22% in 1Q/17 to 75% : 25% in 2Q/17.

A New project of fiber optic cable for rent on telegram poles along with the railway was still under construction, therefore, revenue has not yet been recognized in 2Q/17.

In 2Q/17, consolidated gross profit was at 95.4 million THB, increased by 29.4% QoQ from 1Q/17 at 73.7 million THB but decreased 28.5% YoY from 2Q/16 at 133.5 million THB. Accordingly, the consolidated gross margin in 2Q/17 remained strong and increased to 34.2% from 27.1% in 1Q/17.

ALT's selling and administrative expenses in 2Q/17 was 52.5 million THB, a slight increase of 0.3% QoQ from 1Q/17 but decline of 21.2% YoY from 2Q/16 at 66.6 million THB, due to the lower selling expenses from lower sales while administrative expenses decrease from effective cost control policy.

In addition, ALT has share of profit from investments in associates and joint ventures in 2Q/17 of 10.3 million THB or increased 120.4% QoQ, which consist of:

1. Share of loss from investments in associates (TSP) was at 0.79 million THB or decreased from 1Q/17 at 3 million THB. TSP is a joint investment to invest in the Republic of the Union of Myanmar to operate telecommunication infrastructure for rental business in Myanmar. Currently, it is in the process of installing optical network and networking equipment for lease and is expected to be completed by the end of this year.
2. Share of profit from investments in joint ventures (IH) of 11.1 million THB or increased from 1Q/17 at 7.7 million THB. IH operates fiber optic cable network (FOC) and networking equipment for lease in the central business district (CBD) and the main route around Bangkok. In addition, IH also provides telecom tower and site facilities for rental in gas stations.

Financing cost was at 4.4 million THB or increased 67.7% from 1Q/17 at 2.6 million THB and decreased 60% from 2Q/16 at 11.1 million THB.

**In conclusion, ALT reported consolidated net profit of 46.0 million THB in 2Q/17,** an increase of 50.7% QoQ from 1Q/17 at 30.5 million THB but a decline of 34.4% YoY from 2Q/16 at 70.1 million THB. However, ALT's net profit margin increase to 16.5%.

## 2017 MANAGEMENT OUTLOOK & STRATEGY

---

ALT still has a backlog of approximately 391 million THB at the end of 2Q/17.

Accordingly, ALT have 5 projects of investments in the telecom infrastructure, whereas, 2 projects are operated and owned by ALT while another 3 projects are operated and owned by a joint venture company (IH), which started to realize income since 4Q/15. ALT recognized profit/(loss) from investment as 71% of shareholding in consolidated income statement in the line of "Share of profit (loss) of investment in joint venture".

The 2 projects operated by ALT are

1) Hemaraj Industrial Estate Project

- The project was stopped to recognized income since beginning of 2013 due to default of payment by a customer. However, ALT had claimed from an insurance company amounting to 90% of such default amount according to the risk insurance policy. The rest of damages and opportunity loss were in proceeding of prosecution.
- On September 30, 2016, The Administrative Court has sentenced the Contract Party to pay the Company for loss of use in FTTF asset in the rate of 13.50 million THB per month, starting from February 12, 2013 (the date following the Target Asset Return Date) until such asset will be returned back to ALT. Right now, the Contract Party has appealed to The Administrative Court. The case still has not been finalized yet, therefore, there are no material change to the financial status or operating results of ALT.

2) A New project of fiber optic cable for rent on telegram poles along with the railway was still under construction. In order to fulfill the requirement of customers, both domestic and foreign, ALT required to change and/or extend the route of optical fiber cable network including installed some equipment for the more completion of network. The system was commissioning during 2Q/17 and is available for service to customer in 3Q/17.

Yours faithfully,

**Somboon Setsuntipong**  
**Vice President - Finance and Accounting**  
**ALT Telecom Public Company Limited**

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.