



**ALT Telecom**

**Public Company Limited**

---

## **Management Discussion and Analysis**

**3Q/2017**



### **Vision**

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

---

14 November 2017

The President  
 The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for 3Q/17

**ALT Telecom Public Company Limited ("ALT")'s** performance in 3Q/17 are summarized as follows:

- Income growth has slowed down. Total revenues were Baht 281.8 million, increased by 6.1% YoY and increased by 1.0% QoQ
- Gross margin was Baht 56.5 million, decreased by Baht 28.1 million or 33.2% YoY and decreased by Baht 38.9 million or 40.8% QoQ
- Net result of operation was loss of Baht 5.9 million.
- Net cash flow from operating activities in 9M/2017 was Baht 425.0 million
- Net Debt to equity ratio was 0.74 at the end of 3Q/2017
- Backlog as at the end of 3Q/2017 was Baht 658 million.

#### Executive Summary

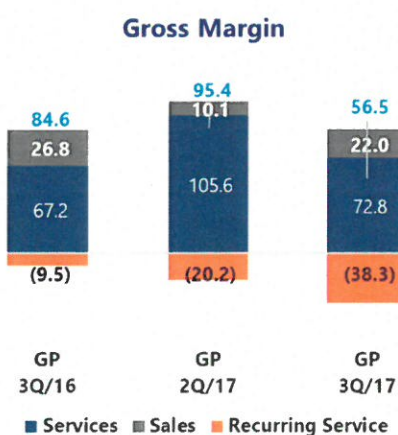
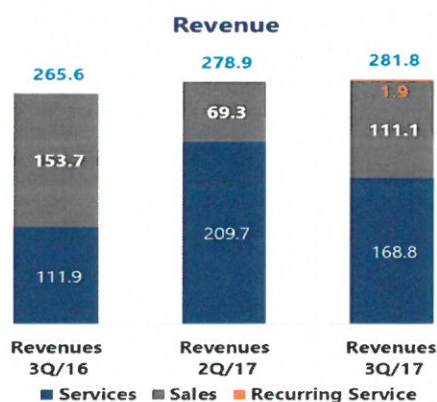
M.THB	3Q/16	2Q/17	3Q/17	%YoY	%QoQ
<b>Revenues</b>	265.6	278.9	<b>281.8</b>	6.1%	1.0%
<b>Gross Profit</b>	84.6	95.4	<b>56.5</b>	-33.2%	-40.8%
Gross Margin (%)	31.9%	34.2%	<b>20.1%</b>		
<b>EBITDA</b>	84.5	47.3	<b>78.7</b>	-6.9%	66.3%
EBITDA Margin (%)	31.8%	17.0%	<b>27.9%</b>		
<b>Net Profit/ (Loss)</b>	42.3	46.0	<b>(5.9)</b>	-114.0%	-112.8%
Net Profit Margin (%)	15.9%	16.5%	<b>-2.1%</b>		

The declining of performance in 3Q/17 was only a short-term result. The company's long-term direction and business plans has focused on sustainable growth of income and profit by balancing the profit sources, which generated by the recurring revenue project to be 50% of total net profit in year 2020 and align the corporate strategy to be consistent

The telecommunications industry in the third quarter of the year was still in a decelerate mode, to adapt and cope with the impact of technology disruption, which began broaden in various industries including telecommunication. All operators need to change their way of doing business to in line with the changing of consumer behavior, such as the use of voice services has continued to shrink. While the use of social media and online entertainment content has grown exponentially. In this circumstance of intense competition, basic measures to save and make cost efficiency have been taken seriously. Hence revenue and profit of supply chain of the industry in 3Q/17 has declined explicitly.

## Consolidated Performance Summary

STATEMENT OF INCOME	3Q/16		2Q/17		3Q/17		YoY		QoQ	
	M. THB	%	M. THB	%	M. THB	%	(+/-)	%	(+/-)	%
Revenues from sales and services	265.6	100.0%	278.9	100.0%	281.8	100.0%	16.2	6.1%	2.9	1.0%
Cost of goods sold and services	(181.0)	-68.1%	(183.5)	-65.8%	(225.3)	-79.9%	44.3	24.5%	41.8	22.8%
<b>Gross profit</b>	<b>84.6</b>	<b>31.9%</b>	<b>95.4</b>	<b>34.2%</b>	<b>56.5</b>	<b>20.1%</b>	<b>(28.1)</b>	<b>-33.2%</b>	<b>(38.9)</b>	<b>-40.8%</b>
Other income	7.2	2.7%	7.1	2.5%	10.6	3.8%	3.4	46.3%	3.5	49.0%
Selling and admin expenses	(60.7)	-22.9%	(52.5)	-18.8%	(64.4)	-22.9%	3.7	6.1%	12.0	22.8%
Gain/(Loss) from exchange rate	2.1	0.8%	0.3	0.1%	0.4	0.1%	(1.7)	-82.3%	0.1	38.5%
Share of Gain/(Loss) of investments in associate and joint venture	23.3	8.8%	10.3	3.7%	(0.0)	0.0%	(23.3)	-100.1%	(10.3)	-100.2%
Finance costs	(8.9)	-3.3%	(4.4)	-1.6%	(7.6)	-2.7%	(1.3)	-14.4%	3.2	71.2%
<b>Profit before income tax expense</b>	<b>47.6</b>	<b>17.9%</b>	<b>56.2</b>	<b>20.1%</b>	<b>(4.5)</b>	<b>-1.6%</b>	<b>(52.2)</b>	<b>-109.5%</b>	<b>(60.7)</b>	<b>-108.1%</b>
Income tax (expense) revenue	(5.4)	-2.0%	(10.2)	-3.6%	(1.4)	-0.5%	(4.0)	-74.6%	(8.8)	-86.6%
<b>Profit for the period</b>	<b>42.3</b>	<b>15.9%</b>	<b>46.0</b>	<b>16.5%</b>	<b>(5.9)</b>	<b>-2.1%</b>	<b>(48.2)</b>	<b>-114.0%</b>	<b>(51.9)</b>	<b>-112.8%</b>



### I) Services Business – 3Q/2017

- Revenues from construction and installation services, such as construction of base stations, equipment and optical fiber cable installation, totally of Baht 168.8 million, YoY increased by Baht 56.9 Baht or 50.8% from 3Q/2016 at Baht 111.9 million and QoQ decreased by Baht 40.9 million or 19.5% from 2Q/2017 at Baht 209.7 million
- Gross margin was Baht 72.8 million, YoY increased Baht 5.6 million or 8.3% but QoQ decreased by Baht 33.8 million or 31.7%.
- Gross profit margin was at 43.1%, down from 60.1% in Q3/2016 and 50.4% in 2Q/2017. The rates in both comparison quarters were higher than the normal operating rate, as a result of cost control succession, the actual cost was lower than budget, with quality of works still complied with customers' standard and criteria

### II) Sales Business – 3Q/2017

- Total sales of telecommunication products such as optical fiber cable and Wi-Fi devices, etc., totally 111.1 million baht, compared YoY decrease of Baht 42.6 million or 27.7% from the same quarter of last year at Baht 153.7 million. Compared QoQ increased by Baht 41.8 million or 60.4% from previous quarter at Baht 69.3 million
- Gross profit was Baht 22.0 million, compared YoY decreased by Baht 4.9 million or 18.1% but QoQ increased of Baht 11.9 million or 117.7

- Gross Profit Margin was at 19.8% increased from 17.5% and 14.6% in 3Q/2016 and 2Q/2017 respectively

#### Revenues contribution

In 3Q/2017, the revenue contribution of Services Businesses to Sales Business was about 60 to 40, which changed from 75 to 25 in 2Q/2017 and 42 to 58 in 3Q/2016

### III) Recurring Income – 3Q/2017

- The Company has begun to recognize revenue from the optical fiber cable network on telegram poles along with the railway (SRT Project) at the end of 3Q/2017, which was the beginning of revenue stream, approximately Baht 2 million. The significant amount of the project revenue expected to happen in 1Q/2018. Currently it is in the process of negotiation with target customers. The progress has been in order.
- The cost of optical fiber network services was Baht 40.2 million, comprised of depreciation cost Baht 12.9 million. The remaining was cash cost amounting to Baht 27.3 million, which was the cost of right of way, network maintenance and utilities. In addition, the such depreciation cost of Baht 11.7 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.

#### Selling & Administrative Expense

- 3Q/2017, selling and administrative expenses were Baht 64.4 million, up by 6.1% YoY and QoQ by 22.9%. Most of them were marketing expense and consultancy fee.
- 

#### Finance Cost

- Baht 7.6 million, decreased from 3Q/2016 at Baht 8.8 million and increased from 2Q/2017 at Baht 4.4 million. The expense was in line with the amount of borrowing from the banks for internal working capital and project investment.
- 

#### Net Loss

- Net result of operation was a loss of Baht 5.9 million

## 2017 MANAGEMENT OUTLOOK & STRATEGY

---

The volatility of the revenue from sales and services in the telecommunications industry is what the Company has anticipated. We have a long-term business plan to reduce such volatility by invested in telecommunication infrastructure projects - optical fiber cable network for lease to telecommunication operators, both mobile operators and Internet service providers, both

domestic and regional operators. We try to encourage them to use shared resources to help them reduce their investment costs. It also aims to develop the projects, those are in line with the government's policy to move forward with the Digital Economy to be Thailand 4.0. It promotes a comfortable life, smooth and safe state or aim to develop to Smart City.

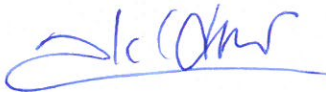
The Overview of our business plan, we still keep to maintain the long-term investment plan to encourage our sustainable growth. The company still has confidence, and make a careful investment decision. But the results in short term, sometime may be slowdown. The revenue from the recurring Income project has been delayed, resulted in revenue to be added for topping up for the shrinkage of sales and services revenue was not address timely.

The Company also has the projects in hands as follows:

- o The Company still has a backlog of service and rental of Baht 658 million at the end of 3Q/2017
- o SRT Project started to be recognized revenue in late of 3Q/2017 and expected to increase the contribution significantly in beginning of 2018
- o The project of relocation the optical fiber cable network from aerial on the electricity pole to underground. On Phaholyothin – Phayathai Road, some parts have been completed and ready to service in the beginning of 2018
- o Navanakorn Smart City Project - relocation the optical fiber cable network from aerial on the electricity pole to be on ground, is on construction phase. The project is expected to start to contribute revenue in 3Q/2018.
- 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  
Email: 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.