



ALT Telecom Public Company Limited

Management Discussion and Analysis 1Q/2017



Vision

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

May 12, 2017

The President
 The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for 1Q/17

ALT Telecom Public Company Limited

- Gross margin increased from 23.2% in 1Q/16 to 27.1% in 1Q/17, despite the decline in revenues
- EBITDA was 47.3 million THB with EBITDA margin of 17.4% in 1Q/17
- Net profit margin remained satisfactory at 11.2%, with net profit of 30.5 million THB in 1Q/17

Executive Summary

M.THB	1Q/16	4Q/16	1Q/17	%YoY	%QoQ
Revenues	575.3	683.1	271.9	-52.7%	-60.2%
Gross Profit	133.6	189.8	73.7	-44.8%	-61.2%
Gross Margin (%)	23.2%	27.8%	27.1%		
EBITDA	102.5	139.7	47.3	-53.8%	-66.1%
EBITDA Margin (%)	17.8%	20.4%	17.4%		
Net Profit/(Loss)	64.7	102.4	30.5	-52.8%	-70.2%
Net Profit Margin (%)	11.3%	15.0%	11.2%		
Number of Shares (million Shares)	750	1,000	1,000		
Basic earnings per share (in Baht)	0.09	0.11	0.03		

Amidst the Thai economy, which is likely to continue to grow as a result of improved exports and from the tourism sector that is gradually recovering, but spending in the country is still under pressure. Although the recovery in the manufacturing sector will simultaneously help improve the purchasing power of Thai households, yet, high household debt still drags on consumer spending. The aggressive competition continued among the three-major mobile phone service providers (Operators) in the digital communications businesses and new wireless technology services. Operators have announced significant investment plans as well as strategies for Thailand's transformation into Thailand 4.0 according to the government's policy.

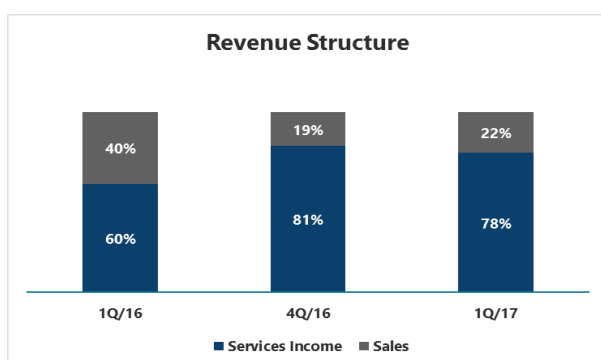
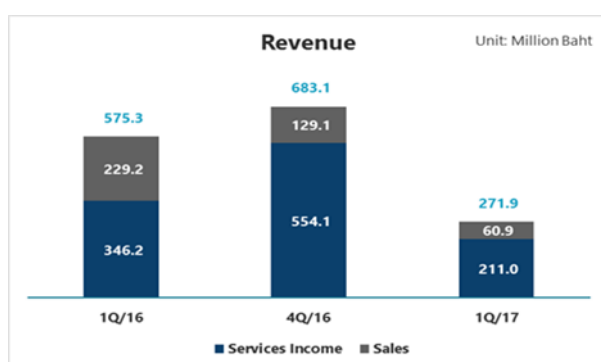
Hence, the investment by Operators for the construction and installation of telecommunication base station facilities during 1Q/17 was still delayed and in the process of preparing for new jobs as majority of the jobs were completed during the end of year 2016. However, this risk factor was foreseen 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.

“ALT has backlog of approximately 497 million THB as at ending 1Q/17”

However, at the end of 1Q/17, ALT Telecom Public Company Limited (“ALT”) has backlog of approximately 497 million THB, despite the decline of revenues from sales and services. Revenues from sales and services in 1Q/17 was 271.9 million THB, decreasing 52.7% YoY and 60.2% QoQ from 575.3 million THB in 1Q/16 and 683.1 million THB in 4Q/16 million, respectively. Nevertheless, ALT’s Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) was 47.3 million THB with EBITDA margin at 17.4%. ALT reported consolidated net profit of 30.5 million THB in 1Q/17, with net cash flow from operation of 309.6 million THB and with cash and short-term investments on its consolidated balance sheet totaling to 242.3 million THB as at ending 1Q/17.

Consolidated Performance Summary

STATEMENT OF INCOME	1Q/16		4Q/16		1Q/17		YoY		QoQ	
	M.TH.B	%	M.TH.B	%	M.TH.B	%	(+/-)	%	(+/-)	%
Revenues from sales and services	575.3	100.0%	683.1	100.0%	271.9	100.0%	(303.4)	-52.7%	(411.2)	-60.2%
Cost of goods sold and services	(441.8)	-76.8%	(493.3)	-72.2%	(198.2)	-72.9%	(243.6)	-55.1%	(295.2)	-59.8%
Gross profit	133.6	23.2%	189.8	27.8%	73.7	27.1%	(59.8)	-44.8%	(116.1)	-61.2%
Other income	5.6	1.0%	6.9	1.0%	11.4	4.2%	5.8	102.8%	4.5	64.1%
Selling and admin expenses	(59.2)	-10.3%	(69.3)	-10.1%	(52.3)	-19.2%	(6.9)	-11.6%	(17.0)	-24.5%
Gain/(Loss) from exchange rate	4.4	0.8%	(3.3)	-0.5%	1.0	0.4%	(3.5)	-78.6%	4.2	129.1%
Share of Gain/(Loss) of investments in associate and joint venture	9.1	1.6%	6.8	1.0%	4.7	1.7%	(4.5)	-48.8%	(2.1)	-31.5%
Finance costs	(11.3)	-2.0%	(5.2)	-0.8%	(2.6)	-1.0%	(8.6)	-76.6%	(2.6)	-49.2%
Profit before income tax expense	82.3	14.3%	125.8	18.4%	35.8	13.2%	(46.5)	-56.5%	(90.0)	-71.5%
Income tax (expense) revenue	(17.6)	-3.1%	(23.4)	-3.4%	(5.3)	-1.9%	(12.3)	-70.0%	(18.2)	-77.5%
Profit for the period	64.7	11.3%	102.4	15.0%	30.5	11.2%	(34.2)	-52.8%	(71.9)	-70.2%



In 1Q/17, revenues from sales and services was 271.9 million THB, decreasing 52.7% YoY and 60.2% QoQ from 575.3 million THB in 1Q/16 and 683.1 million THB in 4Q/16 million, respectively.

Services Business During 1Q/17, there was delay of investment by Operators for the construction and installation of telecommunication base station facilities as majority of the jobs were completed during the end of year 2016. Whereas, ALT’s services revenue in 1Q/17 declined to 211.0 million THB, down 39.1% YoY from 346.2 million THB in 1Q/16 and down 61.9% QoQ from 554.1 million THB in 4Q/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 1Q/17 was 60.9 million THB, a decrease of 73.4% YoY from 1Q/16 at 229.2 million THB and a decrease of 52.8% QoQ from 4Q/16 at 129.1 million THB, which was mainly from the decline in fiber optic cable and cell on wheels (COWs) sales.

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.

Revenues contribution between Services to Sales Business changed from 60% : 40% in 1Q/16 to 78% : 22% in 1Q/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 1Q/17, consolidated gross profit was at 73.7 million THB, decreased by 44.8% from 1Q/16 at 133.6 million THB and decreased 61.2% from 4Q/16 at 189.8 million THB. Accordingly, the consolidated gross margin remained strong at 27.1%, while the gross margin for services business was at 37.8% and gross margin for sales business was at 23.9%.

ALT's selling and administrative expenses in 1Q/17 was 52.3 million THB, down 11.6% from 1Q/16 at 59.2 million THB and down 24.5% from 4Q/16 at 69.3 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 1Q/17 of 4.7 million THB, which consist of:

1. Share of loss from investments in associates (TSP) of 3 million THB, which 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 7.6 million THB, which 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 decreased significantly to 2.6 million THB or decreased 76.6% from 1Q/16 at 11.3 million THB and decreased 49.2% from 4Q/16 at Baht 5.2 million THB as a result of taking a portion of the proceeds from the IPO to repay the loan as well as ALT's ability to access to lower interest rate loan facilities.

In conclusion, ALT reported consolidated net profit of 30.5 million THB in 1Q/17, a decrease of 52.8% from 1Q/16 at 64.7 million THB and a decrease of 70.2% from 4Q/16 at 102.4 million THB. However, ALT is still able to maintain its net profit margin at 11.2%.

2017 MANAGEMENT OUTLOOK & STRATEGY

ALT still has a backlog of approximately 497 million THB at the end of 1Q/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 FTF 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, which is expected commissioning in June and be available for service by 3Q/17.

Yours faithfully,

ALT Telecom Public Company Limited

Pyut Bhuwakulwong

Vice President - Corporate Administration

Contact Investor Relations

www.alt.co.th

Email: IR@alt.co.th

Tel (66) 2863-8999

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