



ALT Telecom Public Company Limited

Management Discussion and Analysis

For the operating results of the Quarter

ended 30 June 2019



*Moving forward
to create more opportunities*



ALT Telecom Public Company Limited

9 August 2019

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for the quarter ended as of 30 June 2019

ALT Telecom Public Company Limited ("ALT")'s performance in 2Q/2019 in consolidated financial statements are summarized as follows:

- 2Q/2019, total revenues were Baht 186.31 million, YoY increased by Baht 0.36 million or 0.2% from 2Q/2018 at Baht 185.94 million
- Revenue from network service increased by Baht 37.14 million or 346.2%, from 2Q/2018 at Baht 10.73 million to Baht 47.87 million in 2Q/2019 and the growth still be going on steadily.
- Net result of operation was loss Baht 37.18 million, improved from loss in 2Q/2018 at Baht 88.74 million
- Net cash from operating activities for 1H/2019 was Baht 53.00 million.
- Net Debt to equity ratio was 1.12 times at the end 2Q/2019
- Backlog as at the end of 2Q/2019 was Baht 1,593 million.

Executive Summary

The Company's performance in 2Q/2019 was better than 2Q/2018. The revenue structure has changed significantly, the portion of network services revenue increased from 5.8% in 2Q/2018 to 25.7% in 2Q/2019. The projects that the company have invested, starting to get the passive income explicitly and steadily. Revenue from construction services still shrank in short term. While sales revenue grew up about 20%. Backlog on hand at end of 2Q/2019 was Baht 1,593 million.

Revenue & Gross Margin – 2Q/2019 YoY Comparison

| Income Statement | 2Q/2019 | | 2Q/2018 | | YoY Incr (Decr) | |
|--------------------------------|-----------------|---------------|-----------------|----------------|-----------------|---------------|
| | Value | % | Value | % | Value | % |
| Revenue | 186.31 | 100.0% | 185.94 | 100.0% | 0.36 | 0.2% |
| Sales | 68.41 | 36.7% | 56.75 | 30.5% | 11.66 | 20.5% |
| Services - Construction | 70.02 | 37.6% | 118.46 | 63.7% | (48.44) | -40.9% |
| Services - OFC Network | 47.87 | 25.7% | 10.73 | 5.8% | 37.14 | 346.2% |
| Cost | (164.65) | -88.4% | (212.69) | -114.4% | (48.04) | -22.6% |
| Cost of goods sold | (54.84) | -80.2% | (49.44) | -87.1% | 5.40 | 10.9% |
| Cost of services -Construction | (29.40) | -42.0% | (107.69) | -90.9% | (78.28) | -72.7% |
| Cost of service - OFC network | (80.40) | -167.9% | (55.57) | -517.9% | 24.84 | 44.7% |
| Gross profit (loss) | 21.66 | 11.6% | (26.75) | -14.4% | 48.41 | 181.0% |
| Sales | 13.57 | 19.8% | 7.31 | 12.9% | 6.26 | 85.6% |
| Services - Construction | 40.62 | 58.0% | 10.77 | 9.1% | 29.85 | 277.0% |
| Services - OFC Network | (32.53) | -67.9% | (44.84) | -417.9% | 12.31 | 27.4% |

Million Baht

Sales Business

- Total sales of telecom products such as optical fiber cable and network equipment, totally Baht 68.41 million, YoY increased by Baht 11.66 million or 20.5% from 2Q/2018 at Baht 56.75 million.
- Gross profit was Baht 13.57 million, YoY increased by Baht 6.26 million or 85.6% from 2Q/2018 at Baht 7.31 million.
- Gross Profit Margin was at 19.8%, increased from 12.9% in 2Q/2018.

Construction Services Business

- Revenues from construction and installation services, such as construction of base stations, equipment and optical fiber cable installation, totally of Baht 70.02 million, YoY decreased by Baht 48.44 million or 40.9% from 2Q/2018 at Baht 118.46 million.
- Gross profit was Baht 40.62 million, YoY increased by Baht 29.85 million or 277.0% from 2Q/2018 at Baht 10.77 million.
- Gross profit margin was at 58.0%, up from 2Q/2018 at 9.1% because the actual cost of the fully completed projects were lower than the budget cost.

Network Service Business

- Recurring income in this period was Baht 47.87 million, mainly from the SRT project. The revenue increased by Baht 37.14 million or 346.2%, compared with 2Q/2018 at Baht 10.73 million. The growth still be going on steadily.
- Even the gross profit of network service business has still been loss but the amount of loss in this period has decreased to Baht 32.53 million, compared to loss in 2Q/2018 at Baht 44.84 million.
- In addition, the loss of the network service business has included depreciation of Hemaraj Project amounting to Baht 5.66 million per quarter. The revenue of this project was stop to recognize, because customer has defaulted the payment. But the depreciation is still perceived continuously. The Company filed a lawsuit against the Central Administrative Court and the Central Administrative Court announced a judgment on 30 September 2016, ordered the Counter Party to pay indemnity to the Company. But the Counter Party appealed to the Supreme Administrative Court. Right now, the case is awaiting a decision of the Supreme Administrative Court, which the Court have finished the process of exploring for the fact from both parties and will begin the judicial process in the third quarter of this year.

Operating expense in 2Q/2019 comparison with 2Q/2018 (YoY)

| Income Statement | 2Q/2019 | | 2Q/2018 | | YoY Incr (Decr) | |
|--|----------------|---------------|----------------|---------------|-----------------|--------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Other income | 8.70 | 4.7% | 9.33 | 5.0% | (0.63) | -6.8% |
| Selling expense | (16.28) | -8.7% | (20.47) | -11.0% | (4.19) | -20.5% |
| Administrative expense | (31.12) | -16.7% | (26.96) | -14.5% | 4.17 | 15.5% |
| Gain (loss) from exchange rate | (0.06) | 0.0% | (2.06) | -1.1% | 2.00 | 97.3% |
| Share of loss from associate | (4.40) | -2.4% | (3.78) | -2.0% | (0.62) | -16.3% |
| Share of loss from joint venture | (0.96) | -0.5% | (9.50) | -5.1% | 8.54 | 89.9% |
| Finance costs | (8.91) | -4.8% | (9.60) | -5.2% | (0.69) | -7.2% |
| Profir (loss) before income tax | (31.37) | -16.8% | (89.79) | -48.3% | 58.42 | 65.1% |
| income tax | (5.80) | -3.1% | 1.05 | 0.6% | 6.85 | 651.7% |
| Profit (loss) for the year | (37.18) | -20.0% | (88.74) | -47.7% | 51.57 | 58.1% |

Selling & Administrative Expense

- In this period, the selling expenses decreased by Baht 4.19 million, while the administrative increased by Baht 4.17 million or 15.5 %, the major change caused by bad debt provision complied to accounting policy.

Finance Cost

- The financial cost Baht 8.91 million decreased by Baht 0.69 million from 2Q/2018, as a result of lower borrowing debt.

Net Loss for the period

- The net financial result of Company was loss amounting to Baht 37.18 million, most resulted from loss of network services, However, the loss has continuously decreased, which expected that the revenue will be growing up steadily and turnaround the result soon.

2019 MANAGEMENT OUTLOOK & STRATEGY

The 2Q/2019 operating result of the Company have still been loss, as a consequence of the delay of investment in the construction of network and base stations of mobile operators. While network services were not large enough to cover the costs of service. However, the Company is quite aware of such problems and attempt to adjust the business strategies by trying to expand revenue base to new businesses in order to compensate for the shrinkage of the traditional income sources. For example, the Data Analytic, Smart Grid Construction Project in Pattaya for the Provincial Electricity Authority, expanding the telecom network service to foreign markets, which the result was quite satisfied and has the better trend steady. For the local market, we are seeking for the opportunity to provide network service for serving the other segment apart from the traditional telecom, such as power business, including adjusting the investment plans to be in line with the market situation and seeking the ways to create new business to utilize the existing network, the businesses that are in the rising trend, such as logistics or the businesses related to the vehicles. In this regard, the Company will seek for the partners with the specific expertise and new funding sources.

Upcoming Positive factors

The Bangkok Metropolitan Administration had announced the policy to bring all aerial telecom cable to underground around Bangkok completely within 2 years. So, it is an opportunity for the Company to obtain this construction project because the Company has a direct experience in replacing overhead cables with underground fiber cables on three main roads: Phaholyothin Road, Phayathai Road and Sukhumvit Road. Moreover, the government sector is attempting to speed up the 5G technology of Thailand as soon as possible, which will increase the opportunity of the Company to conduct more construction services in expanding the base stations and more utilization of network services.

Data Analytic business, which will supplement the new revenue source from the advertising. The company has increased the opportunity to step up for another level of success. We were chosen by Facebook to be a partner to provide Express WiFi Services to the public area, creating the opportunity for the people to access the higher quality internet services with a lower cost. The project is expected to launch in the fourth quarter of this year.

The widening make-use of optical fiber network, rather than traditional service for telecom operators, the company has engaged with Ratch Group Public Company Limited to set up a joint venture company to provide communication service for supporting the long-term development of power business to be power smart grid in strategic area accordingly.

For your information.

Yours faithfully,



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