

Business Overview

Symphony Communication Public Company Limited (SYMC) is a Neutral Premium Telecom Network Service Provider. SYMC provides both domestic and international bandwidth to serve growing data demand within the ASEAN markets. We have been committed to continually improve network performance and strategically grow our coverage to retain customer base and to support future growth.

Key Milestones in 2017

Strategic Partnership with TIME

During the Q4, 2017, TIME dotCom International Sdn Bhd (“TdCI”), a wholly-owned subsidiary of TIME dotCom Berhad (“TIME”), a Malaysia-based telecommunication network service provider, completed a strategic investment in SYMC and with effect on 22 December 2017, became a 46.84% shareholder in SYMC. This partnership is expected to bring in synergies and opportunities to leverage on each other strengths and expertise to achieve higher strategic business value and open a horizon of new opportunities to enter to new services or market segments.

Strengthening Financial Structure

SYMC successfully raised funds in the amount of Baht 952 million through the rights offering. The increased capital enhanced the investment potential to support the existing network coverage expansion and enhancement, to build new international gateway network and interconnection points and to invest in new businesses with a high growth potential (e.g. the data center business). The Company also plans to review and optimise its capital structure more efficiently.

Launch of Malaysia-Cambodia-Thailand Submarine Cable System (MCT)

In 2017, Malaysia-Cambodia-Thailand Submarine Cable System (MCT) was fully completed, marking SYMC as the first private company in Thailand to operate a submarine cable network system. The MCT Submarine Cable Project is entitled to incentives and tax privileges from Board of Investment (BOI).

2017 Performance Overview

2017 was a challenging year for the telecom network business. We had strong bandwidth demand growth, however, market competition was intensified and price erosion affected telecom network operators across the industry. Nevertheless, we considered this challenge as a benefit of customers that network operators need to deliver their best service at competitive prices. We have been well aware of this situation and have tried our best to maintain high customer retention rate by delivering best service we can and keep on improving our network quality and service level to meet the customers' dynamic requirements.

We achieved revenue growth in 2017, with total revenue of Baht 1,413.0 million, representing growth of 1.8% from the previous year resulting from increasing number of customers and higher bandwidth sold despite challenging market landscape with intense price erosion.

The Company recorded an EBITDA of Baht 442.6 million and net loss of Baht 88.7 million, mainly due to one-off impact from:

- non-cash allowance for impairment loss of network equipment of Baht 173.1 million;
- one-off expense incurred for professional fees on corporate exercises of Baht 12.5 million;
- allowance for doubtful debt of Baht 3.4 million (2016: Baht 6.9 million); and
- provision for obsolete inventories of Baht 1.8 million.

Excluding the above one-off items, EBITDA would have been at Baht 633.4 million and net profit of Baht 65.5 million, which were lower by 1.6% and 38.4%, respectively, compared to previous year. The decrease in EBITDA and net profit was attributable to:

- higher operating expenses (excluding the above one-off items) of Baht 779.6 million (2016: 745.3 million);
- higher depreciation of Baht 470.8 million in 2017 (2016: Baht 423.7 million)
- increase in financing cost to Baht 94.2 million from Baht 92.3 million in 2016
- decrease in tax expense to Baht 5.1 million (excluding recognition of deferred tax assets of Baht 36.7 million arising from the above one-off items) from previous year of Baht 21.1 million.

Allowance for impairment loss

The allowance for impairment loss of network equipment of Baht 173.1 million, representing approximately 5% of net book value of network equipment, has been provided in the last quarter of 2017, which is line with the Thai Accounting Standards (TAS) 36 (*clause 12*) and TAS 16 (*clause 67*). An impairment loss is recognized if there is any indication that assets may be impaired, based on external and internal sources of information. The Company performs an assessment periodically on its network equipment to identify any equipment which no longer has future economic benefit, is physically damaged or is obsolete.

Firstly, some parts of the network equipment which was impaired has been used for Digital Broadcast services and has been identified to be no longer used in the future. The digital broadcasting industry is facing intense competitions and economic downturn which have resulted in many operators shuttering their operations and closing down their business. The market condition was more evident in last quarter of current year with significant revenue loss from existing customers, compared to the previous year. The Company assessed in the last quarter of the current year that there were very limited new sales opportunities going forward and it was not worthwhile to continue the Digital Broadcast service in near future (which contributing approximately 2-3% to total revenues) in view of the future industry outlook and greater risk of further revenue loss from existing customers' contract expiry. Moreover, the Company also has strategic plans to focus more on its core data/internet services especially in the Enterprise segment in near future.

In the previous year, the market condition was not as significant and the Company had continued to push and explore various options to secure more sales from digital broadcasting customers, including the plan to recover the cost of equipment via sales to external parties. As such, the Company did not undertake any impairment loss in the previous year.

Secondly, the optical fiber which forms a major part of the Company's network equipment was also assessed in the current quarter and certain portion of the fiber was concluded to be no longer usable, including the last-mile fiber from terminated customers, as well as, unused fiber resulting from either damaged/broken conditions or which was no longer standard specification compliant. Based on past experiences, the Company managed to recover the last-mile fiber from terminated customers but over the passage of time, the probability to recover has decreased meaningfully, partly due to the high volume of customer base, easiness to switch to new entrant of competitors in the similar market, operational practicality and cost recovery factor. In view of the current situation, the Company, on a prudent assessment view, has now considered to provide the full allowance for impairment loss on the unusable optical fiber.

Other than the above-mentioned equipment for digital broadcasting and optical fiber, the other minimal equipment being impaired includes switches, routers and access points, which were broken/damaged and no longer usable.

In summary, the Company had weighed on the nature and importance of several factors in concluding the assessment on [full allowance for impairment loss on network equipment as mentioned above, based upon, among other things, the physical verification of existence, review and validation of system records together with internal revaluation and discounted future cash flow models to assess future economic benefits from the network equipment.](#) The Company would like to reiterate that the impairment loss is a non-cash accounting adjustment, which does not affect the future business operation and cash management, and reflects the Company's strict adherence to conservative financial reporting standards.

Statement of comprehensive income

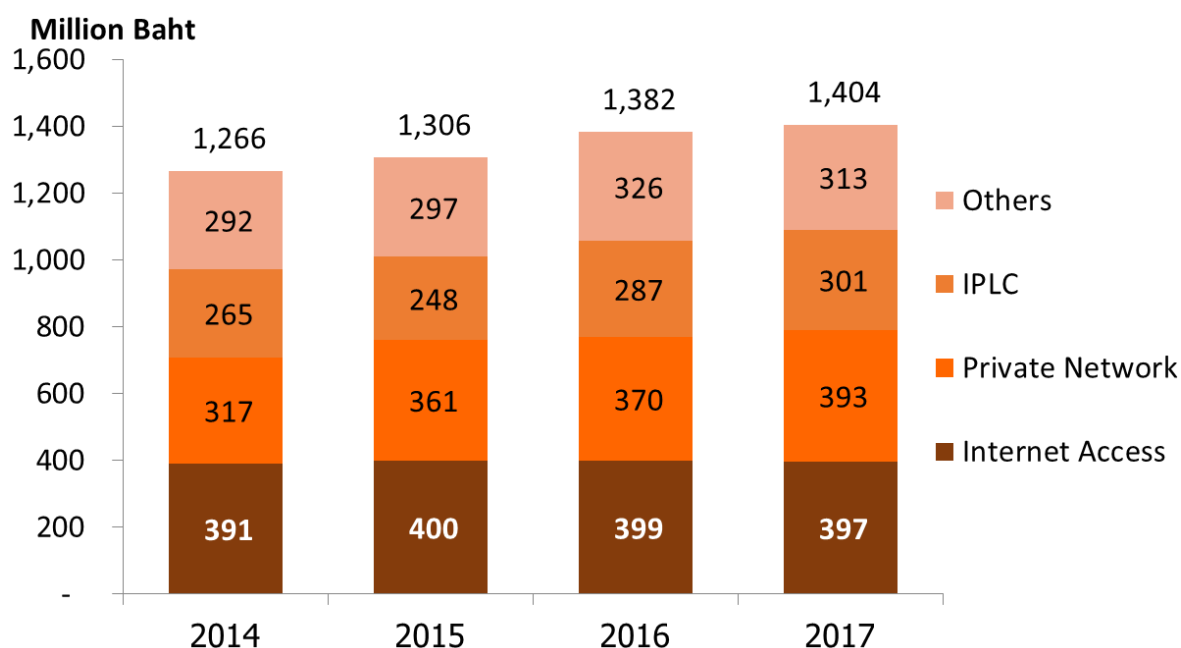
Unit Million Baht	Amount		Change YoY	
	2016	2017	Amount	%
Revenue				
Lease line service income	1,366.6	1,388.7	22.1	1.6%
Management and maintenance service income-network	15.4	15.4	0.0	0.0%
Revenue from sales	0.0	4.1	4.1	>100%
Total Revenues from Services and Sales	1,382.1	1,408.3	26.2	1.9%
Other income	6.6	4.7	(1.9)	-28.6%
Total Revenue	1,388.7	1,413.0	24.3	1.8%
Cost of Services and Sales				
Cost of Services	(473.6)	(483.7)	(10.1)	2.1%
Depreciation	(370.7)	(413.0)	(42.3)	11.4%
Total Cost of Services and Sales	(844.3)	(896.6)	(52.4)	6.2%
Gross Profit	537.8	511.6	(26.2)	-4.9%
<i>Gross Profit Margin</i>	<i>38.9%</i>	<i>36.3%</i>		
SG&A				
Service Expenses	(71.9)	(86.7)	(14.8)	20.5%
General & Administrative expense	(206.6)	(400.0)	(193.4)	93.6%
Depreciation & Amortization	(53.0)	(57.8)	(4.8)	9.0%
Operating Profit/(Loss)	212.8	(28.1)	(241.0)	<-100%
Finance Cost	(92.3)	(94.2)	(1.8)	2.0%
Income Tax	(21.1)	33.6	54.8	<-100%
Net Profit/(Loss) for the year	99.4	(88.7)	(188.0)	<-100%
<i>Net Profit/(Loss) Margin</i>	<i>7.2%</i>	<i>-6.3%</i>		

Unit Million Baht	Amount		Change YoY	
	2016	2017	Amount	%
EBITDA				
Operating Profit	212.8	(28.1)	(241.0)	<-100%
Depreciation & Amortization	423.7	470.8	47.1	11.1%
EBITDA	636.5	442.6	(193.9)	-30.5%
<i>EBITDA Margin</i>	<i>45.8%</i>	<i>31.3%</i>		
One-Off items	6.9	190.8	183.9	>100%
Adjusted EBITDA	643.4	633.4	(10.0)	-1.6%
<i>Adjusted EBITDA Margin</i>	<i>46.3%</i>	<i>44.8%</i>		

Revenue

Total revenue in 2017 was Baht 1,413.0 million, grew 1.8% from previous year. The core revenue from service income was Baht 1,404.27 million, grew 1.6% from previous year as a result of increasing number of customers and higher bandwidth sold. The Company has continued to focus in growing the core data/internet services, particularly in enterprise market to grow its customers base and market share.

Revenue by segments



Unit: Million Baht	2016		2017		Change	
	Amount	(%) of total	Amount	(%) of total	Amount	% Change
Internet Access	399	28.9%	397	28.3%	-3	-0.6%
Private Network	370	26.8%	393	28.0%	23	6.3%
IPLC	287	20.8%	301	21.4%	14	4.7%
Others	326	23.6%	313	22.3%	-12	-3.8%
Total	1,382	100.0%	1,404	100.0%	22	1.6%

Revenue from Internet Access segment was Baht 397 million, accounted for 28.3% of total service income. The Company gained more customers but Internet access revenue was slightly lower due to higher market competition.

The revenue from Private Network segment was Baht 393 million, grew Baht 23 million or 6.3% YoY. The portion of the private network revenue accounted for 28 % of total service income. The revenue from international private leased circuits segment (IPLC) was Baht 301 million, increased by Baht 14 million or 4.7% YoY.

Costs of Services and Sales

Costs of services and sales in 2017 were Baht 896.8 million, increased by Baht 52.5 million or 6.2% mainly resulting from depreciation due to network addition, MCT cable system and increased network rental cost.

The depreciation and amortization include in costs of service in 2017 were Baht 413.0 million, increased by Baht 42.3 million or 11% YoY. The total network rental was Baht 155.0 million, increased by Baht 10.1 million YoY.

The other costs were rather stable and USO fee decreased due to the National Broadcasting and Telecommunications Commission (NBTC) had resolved to reduce USO fee charged for telecom operators from 3.75% of revenue to 2.5%.

Service Expenses

Service Expenses in 2017 was Baht 86.7 million, increased by Baht 14.8 million or 20.5% YoY, mainly from marketing activities to maintain customer base and sale promotion expenses.

Administrative expenses

Administrative Expenses in 2017 were Baht 457.8 million, increased by Baht 198.1 million mainly due to one-off items (as mentioned above) amounted to Baht 190.8 million.

EBITDA and Net profit

EBITDA was Baht 442.6 million, which was lower than previous year of Baht 636.5 million. Excluding the above one-off items, the adjusted EBITDA was Baht 633.4 million, slightly lower by 1.6%, mainly due to higher operating cost incurred in 2017.

Net loss for the period amounted to Baht 88.7 million, compared to net profit of Baht 99.4 million in 2016. Excluding the effect of one-off items, the net profit would have been Baht 65.5 million. The lower net profit on YoY was mainly due to higher operating cost, depreciation and finance cost, offset by decrease in tax expense for current year.

Statement of Financial Position

Unit : Million Baht	31-Dec-16		31-Dec-17		Change	
	Amount	%	Amount	%	Amount	%
Assets						
<u>Current assets</u>						
Cash and cash equivalents	81.4	2.0%	969.3	19.7%	887.9	>100%
Trade and other receivables	207.2	5.1%	197.5	4.0%	(9.7)	-4.7%
Inventories	12.5	0.3%	10.0	0.2%	(2.5)	-20.3%
Prepaid expenses	16.2	0.4%	18.8	0.4%	2.7	16.5%
Undue input VAT	32.6	0.8%	8.4	0.2%	(24.2)	-74.2%
Other current assets	26.5	0.7%	73.0	1.5%	46.5	>100%
Total current assets	376.4	9.3%	1,277.0	25.9%	900.6	>100%
<u>Non-current assets</u>						
Network equipment	3,232.1	80.1%	3,200.5	64.9%	(31.6)	-1.0%
Property, building and equipment	341.4	8.5%	329.0	6.7%	(12.4)	-3.6%
Intangible assets	28.0	0.7%	26.4	0.5%	(1.5)	-5.5%
Network equipment guarantees	19.0	0.5%	20.1	0.4%	1.1	5.6%
Other guarantees and deposits	17.6	0.4%	18.3	0.4%	0.7	3.8%
Deferred tax assets	8.8	0.2%	46.3	0.9%	37.5	>100%
Other non-current assets	13.5	0.3%	11.8	0.2%	(1.7)	-12.5%
Total non-current assets	3,660.5	90.7%	3,652.4	74.1%	(8.0)	-0.2%
Total assets	4,036.9	100.0%	4,929.4	100.0%	892.6	22.1%
Liabilities and shareholders' equity						
<u>Current liabilities</u>						
Short-term loans from financial institutions	110.0	2.7%	30.0	0.6%	(80.0)	-72.7%
Trade and other payables	220.7	5.5%	321.7	6.5%	101.0	45.8%
Current portion of deferred income and advance received from customers	26.3	0.7%	28.4	0.6%	2.1	8.0%
Current portion of long-term loans	143.0	3.5%	354.7	7.2%	211.7	>100%
Other current liabilities	51.8	1.3%	18.4	0.4%	(33.4)	-64.5%
Total current liabilities	551.8	13.7%	753.2	15.3%	201.4	36.5%
<u>Non-current liabilities</u>						
Liabilities under hire purchase lease agreements, net of current portion	0.0	0.0%	0.0	0.0%	0.0	N/A
Deferred income and advance received from customers, net of current portion	54.1	1.3%	33.3	0.7%	(20.8)	-38.4%
Long-term loans, net of current portion	1,348.2	33.4%	1,205.8	24.5%	(142.3)	-10.6%
Debentures	657.1	16.3%	658.2	13.4%	1.1	0.2%
Provision for long-term employee benefits	25.7	0.6%	26.9	0.5%	1.2	4.6%
Total non-current liabilities	2,085.1	51.7%	1,924.3	39.0%	(160.8)	-7.7%
Total liabilities	2,636.8	65.3%	2,677.5	54.3%	40.6	1.5%
<u>Shareholders' equity</u>						
Share capital						
Issued and paid up						
325,393,681 ordinary shares of Baht 1 each	325.4	8.1%	433.7	8.8%	108.3	33.3%
Share premium	555.5	13.8%	1,384.4	28.1%	828.8	>100%
Capital reserve for share-based payment transactions	22.8	0.6%	26.3	0.5%	3.5	15.3%
Retained earnings						
Appropriated - statutory reserve	33.1	0.8%	33.1	0.7%	0.0	0.0%
Unappropriated	463.1	11.5%	374.4	7.6%	(88.7)	-19.1%
Total shareholders' equity	1,400.0	34.7%	2,252.0	45.7%	852.0	60.9%
Total liabilities and shareholders' equity	4,036.9	100.0%	4,929.4	100.0%	892.6	22.1%

As of 31 December 2017, total assets were Baht 4,929.4 million, increased by Baht 892.6 million from 31 December 2016. Cash and cash equivalents was Baht 969.4 million, increased by Baht 887.9 million from 31 December 2016 mainly due to the proceeds from capital increase in December 2017. Network equipment and PPE respectively was Baht 3,529.5 million, decreased by Baht 44.0 million from 31 December 2016 due to the recognition of depreciation and allowance for impairment loss.

Total liabilities were Baht 2,677.5 million, increased by Baht 40.6 million from 31 December 2016 mainly due to increase of non-interest bearing debt from suppliers while the Company had also reduced its interest bearing debt.

Total shareholders' equity was Baht 2,252.0 million, increased by Baht 852.0 million from 31 December 2016 due to the capital increase and net operating result of the year. As of 31 December 2017, Debt to Equity (D/E) ratio was 1.19x.