

Business Overview

Market landscape of Thailand's telecommunication service will remain competitive in year 2019. The overall bandwidth and internet demand still showed positive momentum growth and service providers have improved their cost competitiveness and business efficiency performance to offset intense price competition in the market. Moreover, the overall Thai economic growth in 1Q2019 weakening mainly driven by contraction of exports from a slowdown of global demand as well as the uncertainty from election aftermath could affect the market environment and businesses operation.

Post 1Q2019, SYMC is optimistic towards the enterprise business which has been the new key focus since early 2018. The company has seen increasing trend on its enterprise business with steady sales growth and expects to contribute to overall revenue growth in 2019. The wholesale domestic and international markets remain challenging in near term especially with strong competition and price pressure amongst the competitors fighting to maintain their market share.

SYMC continued to leverage on its prudent cost control and margin focus with EBITDA and Net Profit closed at Baht 148.1 million and Baht 11.4 million respectively. The lower profitability on comparable periods was mainly due to lower revenue contribution from the International and Wholesale segments.

In view of current trend of high competition which expected to be throughout the year, SYMC is firmly committed to focus on operational cost efficiencies, market share protection and profitability margin enhancement.

Significant change in accounting policy

Adoption of the Thai Financial Reporting Standard No. 15 (TFRS 15)

During the period, the Company and its subsidiaries have adopted the new financial reporting standards which are effective for fiscal periods beginning on or after 1 January 2019, TFRS 15. The Company is using the modified retrospective method of adoption. The cumulative effect of initially applying TFRS 15 is recognised as an adjustment to retained earnings as at 1 January 2019. Therefore, the comparative information was not restated.

The cumulative effect of the change is shown in the table below

(unit : million Baht)	Previous accounting policy	Adjustment	IFRS 15
<u><i>Income Statement</i></u>			
Lease line service revenue	306.0	(0.3)	305.7
Cost of service and sales	(212.8)	0.2	(212.6)
Service and selling expenses	(18.7)	0.9	(17.8)
Profit for the period	10.7	0.7	11.4
<u><i>Asset</i></u>			
Prepaid expenses	21.0	5.0	26.0
Other non-current assets	14.5	1.7	16.0
<u><i>Liabilities</i></u>			
Trade and other payable	247.0	1.7	248.7
Current portion of deferred revenue and advance received from customers	11.7	3.7	15.4
Deferred revenue and advance received from customer, net of current portion	5.0	4.0	9.0
<u><i>Shareholders' equity</i></u>			
Retained earnings	443.1	(3.8)	439.3

The nature of this adjustment is described below;

- Revenue from first installation fee - The Company considers that the first installation fee is a part of the customer contract should be recorded as a liability and amortised to revenue in accordance with the period that the customer has used the service with the company. Therefore, the first installation fee is to be recognised as deferred installation revenue.
- Commission paid to obtain a contract - The Company has determined that commission paid to obtain a customer contract should be recorded as an asset and amortised to expenses in accordance with the period that the customer has used the service with the company. Therefore, commission paid to obtain customer contract is to be recognised as prepaid expenses.
- First-time fee for network connectivity of domestic and international - The Company has determined that first-time fee paid to obtain a customer contract should be recorded as an asset and amortised to expenses in accordance with the period that the customer has used the service with the company. Therefore, the company change amortised period from minimum contract period to the customer has used the service with the company.

1Q2019 Performance Overview

Revenue

In 1Q2019, the Services revenue was Baht 314.7 million, lowered by 7.6% YoY mainly due to churn effect from domestic wholesale and international service segment in 2018 coupled with price erosion seen in International segment.

Compared with last quarter, the Services revenue declined by 4.5% QoQ, mainly due to higher non-recurring revenue recognised in 4Q2018.

Other revenue was Baht 11.6 million, increased significantly from comparative periods in previous year, mainly due to higher interest income earned and a gain on network assets sold.

Income statement (Unit : Million Baht)	Amount			Change	
	Q1/18	Q4/18	Q1/19	(%) QoQ	(%) YoY
Revenue					
Service revenue	340.7	329.3	314.7	-4.5%	-7.6%
Other revenue	3.4	5.4	11.6	115.0%	241.3%
Total Revenue	344.1	334.7	326.3	-2.5%	-5.2%
Cost of Services and Sales					
Costs of Services and Sales (excl. D&A)	(118.0)	(109.4)	(110.2)	0.7%	-6.6%
Depreciation & Amortization (D&A)	(106.0)	(106.4)	(102.4)	-3.8%	-3.5%
Total Cost of Services and Sales	(224.0)	(215.8)	(212.6)	-1.5%	-5.1%
Service & Administrative Expenses (excl. D&A)	(65.8)	(64.2)	(68.0)	5.8%	3.3%
Depreciation & Amortization (D&A)	(13.7)	(12.6)	(11.4)	-9.3%	-16.7%
Total Service & Administrative Expenses	(79.5)	(76.8)	(79.4)	3.4%	-0.2%
Operating Profit/(Loss)	40.6	42.1	34.3	-18.4%	-15.2%
Financial Cost	(25.6)	(22.6)	(21.0)	-7.0%	-17.7%
Income Tax Expenses	(1.5)	(3.9)	(1.9)	-50.9%	27.6%
Net Profit/(Loss) for the period	13.5	15.6	11.4	-26.8%	-15.1%
<i>Net Profit/(Loss) Margin</i>	<i>3.9%</i>	<i>4.7%</i>	<i>3.5%</i>		

EBITDA (Unit : Million Baht)	Amount			Change	
	Q1/18	Q4/18	Q1/19	(%) QoQ	(%) YoY
EBITDA					
Operating Profit/(Loss)	40.6	42.1	34.3	-18.4%	-15.2%
Depreciation & Amortization (D&A)	119.7	119.0	113.8	-4.4%	-5.0%
EBITDA	160.3	161.1	148.1	-8.0%	-7.6%
<i>EBITDA Margin</i>	<i>46.6%</i>	<i>48.1%</i>	<i>45.4%</i>		

Costs of Services and Sales (COSS)

In 1Q2019, Costs of Services and Sales were Baht 212.6 million, lowered by 5.1% YoY due to cost reduction and lower depreciation on network assets. On QoQ comparison, the cost decreased by 1.5% due to lower depreciation on network assets, set-off the higher connectivity costs.

Service & Administrative (S&A) Expenses

In 1Q2019, S&A expenses were Baht 79.4 million, lowered by 0.2% YoY but increased by 3.4% QoQ due to higher personnel costs recorded in current quarter, but offset by lower depreciation on company assets.

EBITDA and Net Profit

EBITDA closed at Baht 148.1 million, which was impacted by lower revenue on YoY and QoQ periods. The lower EBITDA and lower financial costs resulted in Net Profit closed at Baht 11.4 million.

Statement of Financial Position and Cashflows

Unit : Million Baht	31-Dec-18		31-Mar-19		Change	
	Amount	%	Amount	%	Amount	(%) YY
Assets						
Cash and cash equivalents	819.9	18.3%	845.0	19.0%	25.1	3.1%
Trade and other account receivables	215.8	4.8%	218.9	4.9%	3.1	1.4%
Other current assets	112.0	2.5%	113.2	2.5%	1.1	1.0%
Total current assets	1,147.8	25.7%	1,177.1	26.5%	29.3	2.6%
Network equipment and PPE	3,211.0	71.8%	3,138.4	70.6%	(72.7)	-2.3%
Other non-current assets	110.7	2.5%	126.8	2.9%	16.1	14.5%
Total non-current assets	3,321.7	74.3%	3,265.2	73.5%	(56.6)	-1.7%
Total assets	4,469.5	100.0%	4,442.2	100.0%	(27.3)	-0.6%
Liabilities and shareholders' equity						
Trade payables	215.4	4.8%	248.7	5.6%	33.3	15.5%
Current portion of long-term/ short-term loans/Debenture	966.7	21.6%	976.1	22.0%	9.4	1.0%
Other current liabilities	35.5	0.8%	36.0	0.8%	0.5	1.4%
Total current liabilities	1,217.7	27.2%	1,260.8	28.4%	43.1	3.5%
Long-term loans	896.9	20.1%	814.0	18.3%	(82.9)	-9.2%
Other non-current liabilities	35.5	0.8%	40.3	0.9%	4.8	13.5%
Total non-current liabilities	932.4	20.9%	854.3	19.2%	(78.1)	-8.4%
Total liabilities	2,150.1	48.1%	2,115.2	47.6%	(34.9)	-1.6%
Shareholders' Equities	2,319.4	51.9%	2,327.1	52.4%	7.7	0.3%
Total liabilities and shareholders' equity	4,469.5	100.0%	4,442.2	100.0%	(27.3)	-0.6%

Unit : Million Baht	As of 31-Mar-18	As of 31-Mar-19
Cash flows from operating activities	169.8	140.8
Cash flows used in investing activities	(90.8)	(41.7)
Free cash flows	79.0	99.1
Cash flows from financial activities	(109.1)	(74.0)
Net change in cash	(30.0)	25.1
Beginning Cash and Cash Equivalents	969.3	819.9
Ending Cash and Cash Equivalents	939.3	845.0

As of 31 March 2019, total assets were Baht 4,442.2 million, decreased by 0.6% from 31 December 2018, mainly from lower Network equipment and PPE assets.

Cash and cash equivalents were Baht 845.0 million, increased by 3.1% from 31 December 2018 due to higher cash generated from operation performance.

Network equipment and PPE assets were Baht 3,138.4 million, decreased by 2.3% from 31 December 2018 mainly due to the recognition of depreciation and sale & disposal of network equipment.

Total liabilities were Baht 2,115.2 million, decreased by 1.6% from 31 December 2018 mainly due to higher loan repayment during the period.

Total shareholders' equity was Baht 2,327.1 million, increased by 0.3% from 31 December 2018 due to the positive net operating result of the period.

As of 31 March 2019, Debt to Equity (D/E) ratio was 0.91x.

2019 Outlook

In 2019, SYMC will continue striving to improve its quality of network efficiency to offer value proposition to customers, including new capex expansion to strengthen its domestic backbone connectivity. In addition, the Company will also plan to introduce more new service offerings, which will be more customer-centric for Enterprise market.

In view of the solid business fundamentals, SYMC is fully committed to deliver turnaround growth in 2019 by continuously investing in innovation and operating efficiencies for long-term profitable growth.