

Business Overview

Telecommunication sector in Thailand has still been in good position according to increasing demand of digital transaction services driven by technology and productivity for almost all business sectors. The investments from private sectors and growing tourism business are still key economic driving forces for Thailand this year.

Thailand's communication market is expected to continue growing in 2019, thanks to government policies and changes in consumer behaviors. Fixed line data services, composed of leased line, internet, data center colocation and cloud services will continue to drive demand within enterprises and corporates segment. Likewise, the overall internet users in Thailand on both fixed and wireless broadband are also on increasing trend. Overall, these will contribute positively to the market industry and service providers, including for SYMC.

Going into 2H2019, SYMC expects to increase more sales and maintain profitability with new opportunities within domestic enterprise markets and introduce new value-added services/ ICT solutions to serve the enterprise business requirements. The Company will also look into serving more opportunities by partnering with industrial estate provider to expand the fiber optic and connectivity services to wider group of customers as part of long-term roadmap to enhance overall revenue growth and growing customer base.

SYMC posted higher service revenue in 2Q19 as a result of positive impact on higher sales from Enterprise and International segments. However, the EBITDA and Net Profit were lower at Baht 136.7 million and Baht 4.3 million respectively, mainly due to one-off adjustments recorded in Q2, namely:

- adjusted provision for employee retirement benefit of Baht 7.6 million* ; and
- interest payable ruled by the Central Administration Court's judgment of Baht 3.8 million**.

Stripping out the adjustments, the normalised EBITDA and Net Profit would have been Baht 148.0 million and Baht 15.7 million.

* According to new Labor Protection Act, the change of retirement benefit for employee who work longer than 20 years from 300 days to 400 days has been recognized in 2Q2019.

** With reference to the note to financial statement in No. 21.5 – As at 31 July 2019, the Central Administrative Court issued judgment that the Company is liable to pay remuneration for using conduits to the telecom operator with company's reference service rate (which is lower than the service rate that the telecom operator requested) together with interest payable until payment date. The Company recorded this interest expense in 2Q19.

2Q2019 Performance Overview

Revenue

In 2Q2019, the Services revenue was Baht 326.4 million, increased by 3.7% QoQ and 0.5% YoY, mainly due to higher revenue from enterprise and international service segments.

Other income was Baht 5.4 million, decreased by both QoQ and YoY comparative periods, mainly due to higher forex loss in Q2 (compared to gain on exchange rate in prior periods last year) and also one-time transactions of gain on network assets sold and penalty compensation from vendor in 1Q19.

For 6M2019, Service revenue was Baht 641.1 million, decreased by 3.6% YoY, mainly due to drop in maintenance income from Wholesale operator. The drop was due to lower negotiable rate applicable with effect from 2019 and expects to moderate throughout 2019. Other Income was Baht 17 million, increased by 45.9% due to one-time transactions in 1Q19 relating to gain on network assets sold and penalty compensation from network vendor.

Income statement (Unit : Million Baht)	Amount			Change		Amount		Change
	Q2/18	Q1/19	Q2/19	(%) QoQ	(%) YoY	6M18	6M19	(%) YoY
Revenue								
Service revenue	324.6	314.7	326.4	3.7%	0.5%	665.3	641.1	-3.6%
Other income	8.3	11.6	5.4	-53.6%	-34.7%	11.7	17.0	45.9%
Total Revenue	332.9	326.3	331.8	1.7%	-0.3%	677.0	658.1	-2.8%
Costs of Services and Sales (excl. D&A)	(102.6)	(110.2)	(127.2)	15.4%	24.0%	(220.6)	(237.4)	7.6%
Depreciation & Amortization (D&A)	(106.5)	(102.4)	(102.0)	-0.4%	-4.3%	(212.5)	(204.3)	-3.9%
Total Cost of Services and Sales	(209.1)	(212.6)	(229.2)	7.8%	9.6%	(433.1)	(441.7)	2.0%
Service & Administrative Expenses (excl. D&A)	(57.4)	(68.0)	(67.9)	-0.1%	18.4%	(123.2)	(135.9)	10.3%
Depreciation & Amortization (D&A)	(13.0)	(11.4)	(10.3)	-9.6%	-20.8%	(26.7)	(21.7)	-18.7%
Total Service & Administrative Expenses	(70.4)	(79.4)	(78.2)	-1.4%	11.1%	(149.9)	(157.6)	5.1%
Operating Profit /(Loss)	53.4	34.4	24.4	-29.0%	-54.3%	94.0	58.8	-37.5%
Financial Cost	(24.6)	(21.0)	(20.6)	-2.3%	-16.5%	(50.2)	(41.6)	-17.2%
Income Tax Expenses	(8.6)	(1.9)	0.5	-124.6%	-105.5%	(10.1)	(1.4)	-85.7%
Net Profit/(Loss) for the period	20.2	11.4	4.3	-62.3%	-78.7%	33.6	15.7	-53.3%
<i>Net Profit/(Loss) Margin</i>	<i>6.1%</i>	<i>3.5%</i>	<i>1.3%</i>			<i>5.0%</i>	<i>2.4%</i>	
One-off items	-	-	11.4	100.0%	100.0%	-	11.4	100.0%
Normalized Net Profit/(Loss) for the period	20.2	11.4	15.7	37.3%	-22.4%	33.6	27.1	-19.5%
<i>Normalized Net Profit/(Loss) Margin</i>	<i>6.1%</i>	<i>3.5%</i>	<i>4.7%</i>			<i>5.0%</i>	<i>4.1%</i>	

EBITDA (Unit : Million Baht)	Amount			Change		Amount		Change
	Q2/18	Q1/19	Q2/19	(%) QoQ	(%) YoY	6M18	6M19	(%) YoY
EBITDA								
Operating Profit /(Loss)	53.4	34.4	24.4	-29.0%	-54.3%	94.0	58.8	-37.5%
Depreciation & Amortization (D&A)	119.5	113.8	112.3	-1.3%	-6.1%	239.3	226.0	-5.5%
EBITDA	173.0	148.1	136.7	-7.7%	-21.0%	333.2	284.8	-14.5%
<i>EBITDA Margin</i>	<i>52.0%</i>	<i>45.4%</i>	<i>41.2%</i>			<i>49.2%</i>	<i>43.3%</i>	
One-off items	-	-	11.4	100.0%	100.0%	-	11.4	100.0%
Normalized EBITDA	173.0	148.1	148.0	-0.1%	-14.4%	333.2	296.2	-11.1%
<i>Normalized EBITDA Margin</i>	<i>52.0%</i>	<i>45.4%</i>	<i>44.6%</i>			<i>49.2%</i>	<i>45.0%</i>	

Costs of Services and Sales (COSS)

In 2Q2019, Costs of Services and Sales were Baht 229.2 million, increased by 9.6% YoY and 7.8% QoQ, mainly due to higher cable rental international, higher cost of trading equipment, one-off adjustment of provision for employee retirement benefit and one-off transaction of interest imposed by Court's judgment.

For 6M2019, Cost of Service and Sales were Baht 441.7 million, increased by 2.0% YoY, mainly due to additional employee expense, higher cable rental international, one-off adjustment of provision for employee retirement benefit and also one-off of interest imposed by Court's judgment. Depreciation and amortization decreased by 3.9% due to fully depreciated network assets.

Service & Administrative (S&A) Expenses

In 2Q2019, Service & Administrative expenses were Baht 78.2 million, decreased by 1.4% QoQ, mainly due to the decrease of maintenance and depreciation expense. However, it increased by 11.1% YoY mainly due to higher employee expense, loss on exchange rate in current quarter and one-off transactions for both provision for retirement benefit and interest imposed by Court's judgment.

For 6M2019, Service & Administrative expenses were Baht 157.6 million, increased by 5.1%, mainly due to higher employee expense, loss on exchange rate in current quarter and one-off transactions for both provision for retirement benefit and interest imposed by Court's judgment. However, depreciation and amortisation decreased by 18.7% due to fully depreciated company assets.

EBITDA and Net Profit

In 2Q2019, EBITDA and Net Profit closed at Baht 136.7 million and Baht 4.3 million, respectively, mainly due to higher costs of services & sales, service and administrative expenses, loss on exchange rate together with adjusted one-off transactions of both provision for employee retirement benefit and interest expense from Court's judgment.

Excluding Baht 7.6 million of the adjusted one-off transaction of provision for employee retirement benefit and Baht 3.8 million of the interest payable ruled by the Central Administration Court's judgment, the normalized EBITDA and Net Profit were Baht 148.0 million and Baht 15.7 million.

For 6M2019, EBITDA and Net Profit were Baht 284.8 million and Baht 15.7 million, respectively, due to lower revenue, higher cost and expenses, adjusted one-off transaction of employee benefit and interest expense from Court's judgement but lower depreciation expense and financing cost incurred on comparative periods. Excluding one-off transitions as abovementioned, the normalized EBITDA and Net Profit were 296.2 million and Baht 27.1 million, respectively.

Statement of Financial Position and Cashflows

Unit : Million Baht	31-Dec-18		30-Jun-19		Change	
	Amount	%	Amount	%	Amount	(%) YoY
Assets						
Cash and cash equivalents	819.9	18.3%	839.6	18.9%	19.7	2.4%
Trade and other account receivables	215.8	4.8%	249.2	5.6%	33.4	15.5%
Other current assets	112.0	2.5%	138.8	3.1%	26.7	23.9%
Total current assets	1,147.8	25.7%	1,227.5	27.6%	79.8	6.9%
Network equipment and PPE	3,211.0	71.8%	3,075.8	69.1%	(135.2)	-4.2%
Other non-current assets	110.7	2.5%	145.0	3.3%	34.3	31.0%
Total non-current assets	3,321.7	74.3%	3,220.8	72.4%	(100.9)	-3.0%
Total assets	4,469.5	100.0%	4,448.4	100.0%	(21.1)	-0.5%
Liabilities and shareholders' equity						
Trade payables	215.4	4.8%	245.7	5.5%	30.3	14.1%
Current portion of long-term/ short-term loans/ debenture	966.7	21.6%	589.6	13.3%	(377.1)	-39.0%
Other current liabilities	35.5	0.8%	35.2	0.8%	(0.3)	-0.9%
Total current liabilities	1,217.7	27.2%	870.5	19.6%	(347.2)	-28.5%
Long-term loans	896.9	20.1%	1,209.9	27.2%	313.0	34.9%
Other non-current liabilities	35.5	0.8%	48.8	1.1%	13.3	37.4%
Total non-current liabilities	932.4	20.9%	1,258.7	28.3%	326.3	35.0%
Total liabilities	2,150.1	48.1%	2,129.2	47.9%	(20.8)	-1.0%
Shareholders' Equities	2,319.4	51.9%	2,319.1	52.1%	(0.3)	0.0%
Total liabilities and shareholders' equity	4,469.5	100.0%	4,448.4	100.0%	(21.1)	-0.5%

Unit : Million Baht	As of 30-Jun-18	As of 30-Jun-19
Cash flows from operating activities	244.8	161.0
Cash flows used in investing activities	(166.8)	(63.3)
Free cash flows	77.9	97.7
Cash flows used in financial activities	(201.8)	(78.0)
Net change in cash	(123.9)	19.7
Beginning Cash and Cash Equivalents	969.3	819.9
Ending Cash and Cash Equivalents	845.5	839.6

As of 30 June 2019, total assets were Baht 4,448.4 million, decreased by 0.5% from 31 December 2018, mainly from lower Network equipment and PPE assets.

Cash and cash equivalents were Baht 839.6 million, increased by 2.4% from 31 December 2018 due to higher cash generated from operation performance.

Network equipment and PPE assets were Baht 3,075.8 million, decreased by 4.2% from 31 December 2018 mainly due to the recognition of depreciation and sale & disposal of network equipment.

Total liabilities were Baht 2,129.2 million, decreased by 1.0% from 31 December 2018 mainly due to higher loan repayment during the period.

Total shareholders' equity was Baht 2,319.1 million, decreased by 0.01% from 31 December 2018 due to Baht 13 million of dividend paid set off with positive net operating result of the period.

As of 30 June 2019, Debt to Equity (D/E) ratio was 0.92x.

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. As the Company is aggressively pushing its focus to Enterprise market, there will be some margin impact as a result of additional network costs to acquire the customers.

However, the Company is fully committed to long-term business expansion and profitable growth by continuing to introduce more new service offerings, which will be more customer-centric for Enterprise market.