

# INTERLINK COMMUNICATION

THAILAND / INFORMATION&amp;COMM TECH

## ILINK TB

**BUY**

### Growth momentum continues

- Management targets 2023 revenue of THB7.4b, with a net margin of 8%.
- We expect core profit to rise 23%/8%/5% in 2023-25, with record-setting profits every year.
- Recommend BUY with a TP of THB10.

#### Thailand's network and communications link

ILINK operates three main businesses: 1) distributing cable products; 2) telecommunications operated by its subsidiary ITEL; and 3) engineering services for construction projects tendered by state enterprises and large organisations. In 2022, the proportion of total revenue from its distribution unit was 35%, telecoms 48%, and engineering 17%.

#### All business arms poised for growth in 2023

Revenue from its distribution business has grown consistently every year except in 2020, the first year of the pandemic. While LAN cables – its best-seller for 30 years – have generated nearly half of ILINK's distribution revenue, its sales of solar cables and control cables continue to rise. In 2023, management targets distribution unit revenue of over THB2.7b with gross and net profit margins of 25% and 9%, respectively. The engineering unit has a backlog worth THB2.1b, 60% of which will be recognised in 2023. Management targets a net project margin of 8% for its engineering business.

#### Expect record profits in 2023-25

We project ILINK's core profit to rise 23%/8%/5% in 2023-25, with record profits every year and growth from all three business units. In 1Q23, we project ILINK's core profit to fall 13% q-q but rise 25% y-y, with the q-q drop due to the 1Q low season for ITEL's project-based network installation revenue and ILINK's engineering business, and the y-y revenue growth coming solely from its distribution business amid high demand for cables.

#### Recommend BUY with a TP of THB10

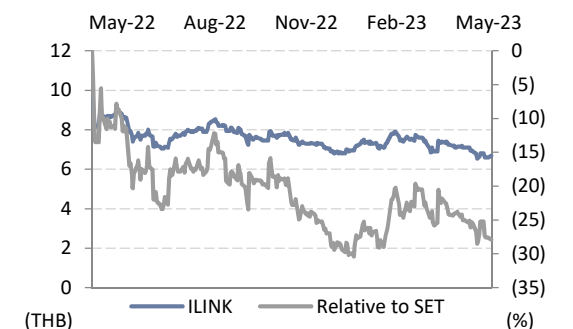
We recommend BUY with an SoTP-based TP of THB10. Our TP implies a 2023E P/E of 11.6x and a 2023E P/BV of only 1.4x, below its five-year historical averages of 12.7x and 1.5x. Our 2023 revenue assumptions are in line with management's guidance, but our core profit margin forecast of 6% is more conservative than their target of over 8%. We have a positive view of 2023 profit growth given the growing use of cables for submarine and underground projects, and higher government spending on transportation and digital services. This report represents the continuation of FSSIA's coverage of ILINK, previously published under FSS Research.

TARGET PRICE	THB10.00
CLOSE	THB6.70
UP/DOWNSIDE	+49.3%
TP vs CONSENSUS	-

#### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	7,038	7,805	8,106	8,284
Net profit	383	471	506	530
EPS (THB)	0.71	0.87	0.93	0.98
vs Consensus (%)	-	-	-	-
EBITDA	1,211	1,328	1,381	1,431
Core net profit	383	471	506	530
Core EPS (THB)	0.71	0.87	0.93	0.98
EPS growth (%)	6.7	22.7	7.5	4.8

Core P/E (x)	9.5	7.7	7.2	6.9
Dividend yield (%)	3.0	4.5	4.9	5.1
EV/EBITDA (x)	6.6	6.2	5.9	5.6
Price/book (x)	1.0	0.9	0.9	0.8
Net debt/Equity (%)	42.8	46.0	43.4	40.1
ROE (%)	10.9	12.5	12.7	12.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.3)	(14.1)	(31.3)
Relative to country (%)	(4.4)	(7.2)	(27.4)
Mkt cap (USD m)	108		
3m avg. daily turnover (USD m)	0.3		
Free float (%)	50		
Major shareholder	Interlink Holding Co Ltd (50%)		
12m high/low (THB)	9.80/6.40		
Issued shares (m)	543.63		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

ILINK operates three main businesses: 1) the distribution of cable products; 2) telecommunications operated by its subsidiary Interlink Telecom (ITEL TB, not rated); and 3) engineering services for construction projects tendered by state enterprises and large organisations. In 2022, the proportion of its total revenue from the distribution unit was 35%, telecoms 48%, and engineering 17%.

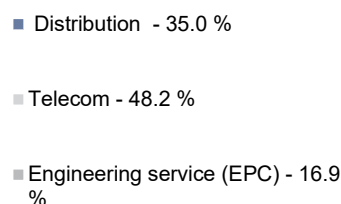
The year 2023 should be a great one for all its business units given the high backlogs, a strong balance sheet, the growing adoption of cables for submarine and underground projects, and higher government spending on transportation and digital services.

## Company profile

Interlink Communication was founded in 1987 to operate as a distributor of electrical and computer equipment. Currently, the company has three major business arms which are cable distribution, telecoms (operated by its subsidiary, ITEL TB), and engineering services.

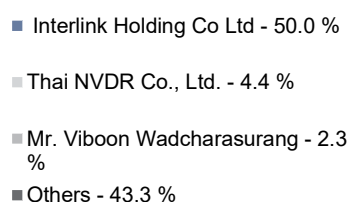
[www.interlink.co.th](http://www.interlink.co.th)

## Principal activities (revenue, 2022)



Source: Interlink Communication

## Major shareholders



Source: Interlink Communication

## Catalysts

Key potential catalysts include 1) the adoption of cables for submarine, underground, and overhead projects; 2) larger technology budgets at state enterprises and private organisations; 3) a stable exchange rate; and 4) stability in the copper price.

## Risks to our call

Downside risks to our SoTP-based TP include 1) intense competition and price wars; 2) the termination of distributorship contracts or the appointment of additional distributors in Thailand; 3) uncertainty in bidding; 4) delays in projects; and 5) risks from changing technology.

## Event calendar

Date	Event
May 2023	1Q23 results announcement

## Key assumptions

	2023E (THB m)	2024E (THB m)	2025E (THB m)
Distribution	2,733	3,033	3,306
Gross margin (%)	25.0	25.1	25.1
Telecom	3,554	3,660	3,861
Gross margin (%)	19.2	18.7	18.7
Engineering	1,518	1,413	1,117
Gross margin (%)	10.0	10.0	8.2
SG&A to sales (%)	7.8	7.8	7.8

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% change in the gross margin of its distribution business, we project ILINK's 2023 core profit to change by 4.6%, all else being equal.
- For every 1% change in the gross margin of its telecom business, we project ILINK's 2023 core profit to change by 6.0%, all else being equal.
- For every 1% change in the gross margin of its engineering business, we project ILINK's 2023 core profit to change by 2.6%, all else being equal.

Source: FSSIA estimates

## ILINK at a glance

Interlink Communication (ILINK TB) was established in 1987 to initially operate as a distributor of electrical and computer equipment such as computer cables, printer cables, ribbon cartridges, diskettes, etc. The company was the first importer of UTP or LAN (Local Area Network) cables in Thailand. Later, the company added value to its cable distribution business by putting the experience of its engineering teams to work on cable installation contracts, particularly for megaprojects such as Suvarnabhumi airport.

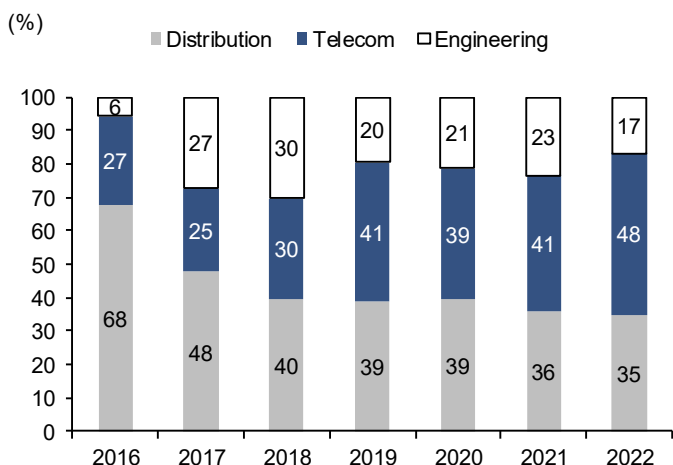
To support continued growth, ILINK established two subsidiaries, Interlink Telecom (ITEL TB, not rated) in 2007, to operate a telecommunications business and data storage centre, and Interlink Power and Engineering (not listed) for special projects.

Currently, ILINK operates three main business arms 1) distribution; 2) telecommunications operated by ITEL; and 3) engineering services for construction projects tendered by state enterprises and large organisations.

1. **Distribution** is ILINK's core competency. The company distributes the world's leading cable and networking equipment brands, including COMMSCOPE (formerly known as AMP) from the US. It also offers UTP (LAN), fiber optic, solar cables, and control cables, as well as 19-inch server rack cabinets. Its main focus is acting as a wholesaler for its suppliers and dealers.
2. **Telecommunications** are operated by ITEL, its subsidiary, which provides data connectivity and big data transmission. ITEL also operates a data centre based on its nationwide fiber optic network, providing server storage, virtual server space leasing, and disaster recovery to meet customer demand.
3. **Engineering.** ILINK offers turnkey services that include the design, construction, installation, and maintenance of electrical engineering projects and telecommunications systems for the public sector.

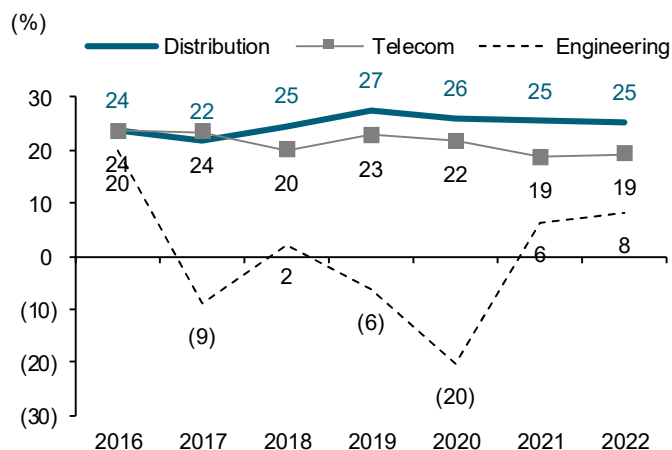
During the past seven years (2016-22), ILINK's total revenue grew at a CAGR of 16%, driven by its engineering unit (+38% CAGR) and its telecom unit (+28% CAGR) via ITEL. Over the same period, its cable distribution business grew at a 4% CAGR, nearly matching Thailand's GDP growth rate. The distribution business offered the highest gross margin among the three units at 25-26%. The engineering business, its most volatile unit, generated losses from 2019-20 before becoming profitable during 2021-22.

**Exhibit 1: Revenue structure**



Sources: ILINK; FSSIA's compilation

**Exhibit 2: Gross margin by business type**



Sources: ILINK; FSSIA's compilation

Opportunities in new products and new markets

ILINK’s revenue from its distribution business has grown consistently every year except 2020, the first year of the pandemic. LAN cable, the company’s key product group, generated nearly half of the distribution unit’s revenue and has been its best-selling product for 30 years. Recently, solar cable sales have been rising fast, and control cable (cable that sends signals to control the functioning of equipment) has started to show outstanding potential. The domestic market has dominated sales, with 2% of the unit’s revenue coming from exports to Myanmar, Cambodia, and Laos. In 2022, the company entered two new markets with high potential, Vietnam and the Maldives, where demand for cable and communications systems is high, particularly in the hotel and resort business.

Most of the company’s sales (c98%) are to repeat customers and its repeat purchase rate is c87%. New technological developments support continued demand for upgrading communications infrastructure, which includes cable and related products.

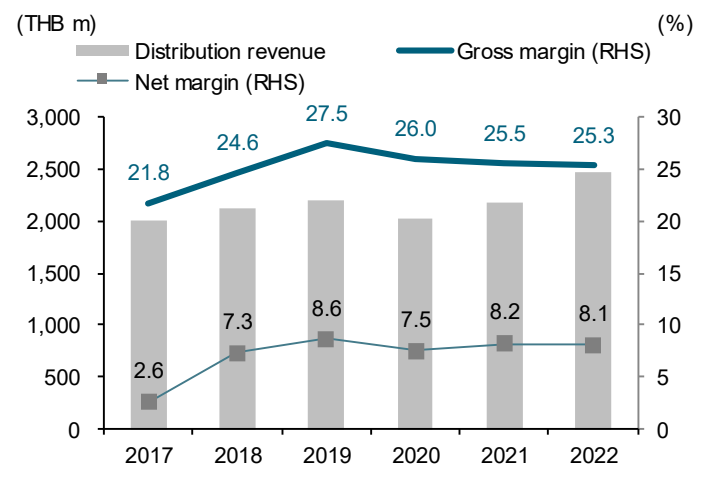
During the past six years, the distribution unit generated strong revenue with a base value of THB2b. In 2023, management targets over THB2.7b in revenue from the distribution unit with gross and net profit margins of 25% and 9%, respectively. To achieve that target, the company will monitor its SG&A expenses more closely, push high-margin products (LAN and fiber optic cables) and high-growth products such as solar and control cables, and expand into modern trade and export channels.

Exhibit 3: Distribution unit’s product groups



Source: ILINK

Exhibit 4: Distribution unit’s revenue and margins



Sources: ILINK; FSSIA’s compilation

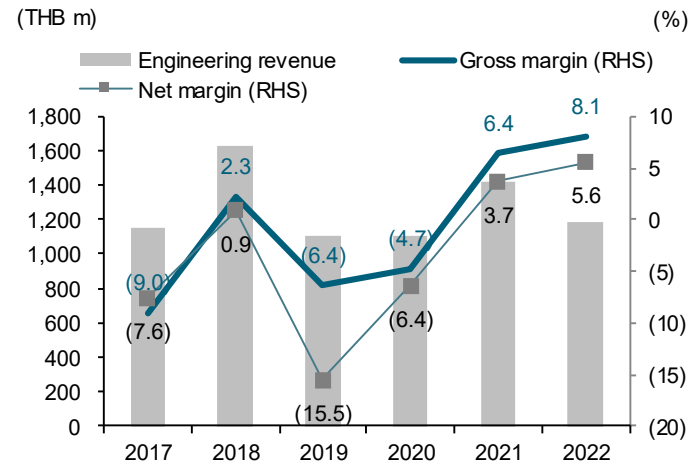
Bidding for more projects

ILINK’s engineering unit specialises in turnkey projects related to transmission lines, submarine cables, underground cables, and power substation projects. After generating losses in 2019-20, management focuses more on cost control and accepting only profitable projects. At end-January 2023, ILINK had a backlog worth THB2.1b, 60% of which will be recognised in 2023 and 40% in 2024.

With its strength in high-margin, submarine cable projects, management targets revenue of no less than THB1.2b for the engineering unit in 2023 and a net project margin of 8%.

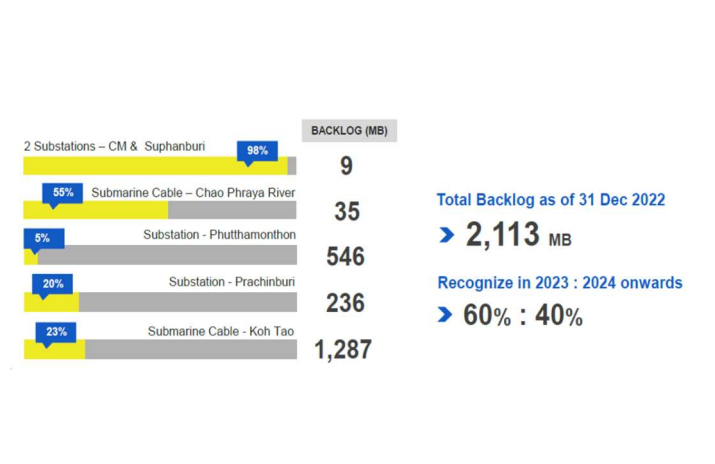
In March 2023, ILINK was the winning bidder for a 115kv underwater cable system to Koh Samui worth THB1.8b, but the contract remains unsigned. The company also participated in the bidding for a 22kv underwater cable to Koh Si Chang valued at THB812m and a THB300m high voltage transmission line project in Chonburi. Winning bids for both projects have yet to be announced.

Exhibit 5: Engineering unit revenue and margins



Sources: ILINK; FSSIA's compilation

Exhibit 6: ILINK’s engineering backlog



Source: ILINK

## Distribution business to drive 1Q23E profit

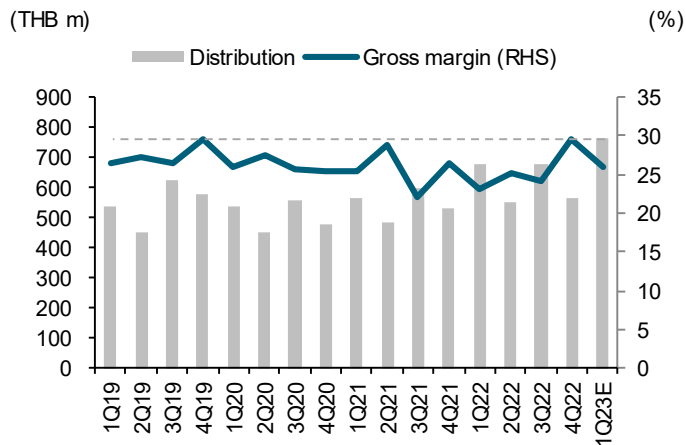
We project ILINK to post a core profit of THB106m in 1Q23, down 13% q-q but up 25% y-y, in line with total revenue which is expected to plunge 29% q-q but grow 11% y-y. The normal low season in 1Q for project-based network installation revenue from ITEL and ILINK's engineering business should explain the q-q decrease in revenue. The y-y revenue growth should come solely from ILINK's distribution business, for which we project a rise of 35% q-q and 12% y-y, contributing 48% of total revenue.

We expect the gross margin to increase both q-q and y-y in 1Q23 due to the higher proportion of revenue from its distribution unit, which has the highest margin of all three business units. SG&A and other expenses should be well-controlled, in our view.

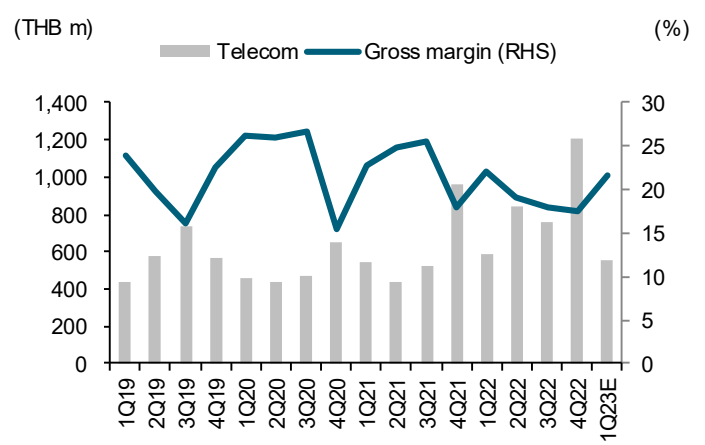
### Exhibit 7: 1Q23 results preview

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23E	-----Change-----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales revenue	1,415	1,615	1,788	2,220	1,576	(29.0)	11.4	7,038	7,805	10.9
Cost of sales	(1,127)	(1,298)	(1,471)	(1,788)	(1,233)	(31.0)	9.4	(5,684)	(6,287)	10.6
Gross profit	288	317	318	433	343	(20.7)	19.3	1,355	1,518	12.0
Operating costs	(129)	(120)	(147)	(161)	(144)	(10.4)	11.5	(557)	(609)	9.2
Operating profit	158	197	170	272	199	(26.8)	25.7	797	909	14.0
Operating EBITDA	269	298	278	366	297	(18.9)	10.3	1,211	1,328	9.7
Interest expense	(33)	(43)	(46)	(46)	(45)	(2.3)	36.7	(167)	(166)	(0.7)
Profit before tax	152	168	140	227	159	(29.9)	4.4	687	798	16.1
Tax	34	34	28	45	32	(29.5)	(6.6)	141	160	13.4
Associates	(2)	(2)	2	(2)	(2)	0.0	(7.6)	(5)	(4)	(8.4)
Minority interests	(32)	(41)	(29)	(58)	(20)	(65.9)	(37.6)	(158)	(164)	3.3
<b>Reported net profit</b>	<b>85</b>	<b>92</b>	<b>85</b>	<b>122</b>	<b>106</b>	<b>(13.4)</b>	<b>24.7</b>	<b>383</b>	<b>471</b>	<b>22.7</b>
<b>Core profit</b>	<b>85</b>	<b>92</b>	<b>85</b>	<b>122</b>	<b>106</b>	<b>(13.4)</b>	<b>24.7</b>	<b>383</b>	<b>471</b>	<b>22.7</b>
Reported EPS (THB)	0.16	0.17	0.16	0.22	0.19	(11.9)	21.4	0.71	0.87	22.7
Core EPS (THB)	0.16	0.17	0.16	0.22	0.19	(13.4)	24.7	0.71	0.87	22.7
<b>Key ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	20.3	19.6	17.8	19.5	21.8	2.3	1.4	19.2	19.4	0.2
Operating margin	13.1	13.1	10.4	12.3	12.9	0.7	(0.2)	12.1	12.4	0.2
EBITDA margin	19.0	18.4	15.5	16.5	18.8	2.4	(0.2)	17.2	17.0	(0.2)
Recurring net margin	6.0	5.7	4.8	5.5	6.7	1.2	0.7	5.4	6.0	0.6
SG&A / Sales	9.1	7.4	8.2	7.2	9.2	1.9	0.0	7.9	7.8	(0.1)
<b>Revenue structure</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q %)</b>	<b>(y-y %)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y %)</b>
Distribution	676	548	675	563	761	35.1	12.4	2,462	2,733	11.0
Telecom	583	842	756	1,209	555	(54.1)	(4.8)	3,390	3,554	4.8
Engineering	156	225	357	448	261	(41.8)	67.4	1,186	1,518	28.0
<b>Gross margin by business</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Distribution	23.0	25.1	24.2	29.7	26.0	(3.7)	3.0	25.3	25.0	(0.3)
Telecom	22.1	19.1	17.9	17.4	21.5	4.1	(0.6)	18.8	19.2	0.5
Engineering	2.1	8.4	5.1	12.3	10.0	(2.3)	7.9	8.1	10.0	1.9

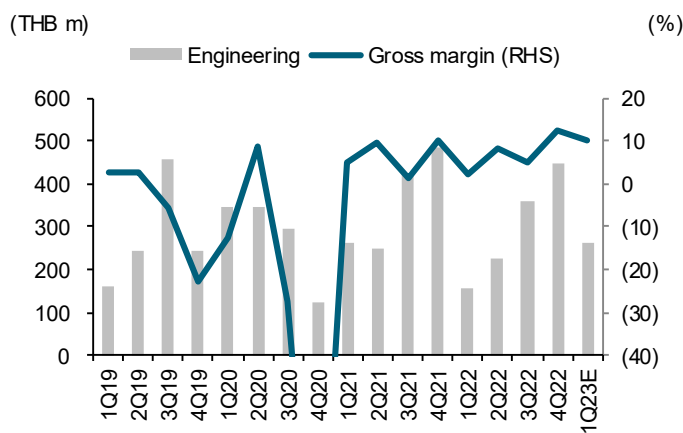
Sources: ILINK, FSSIA estimates

**Exhibit 8: Distribution unit and gross margin**

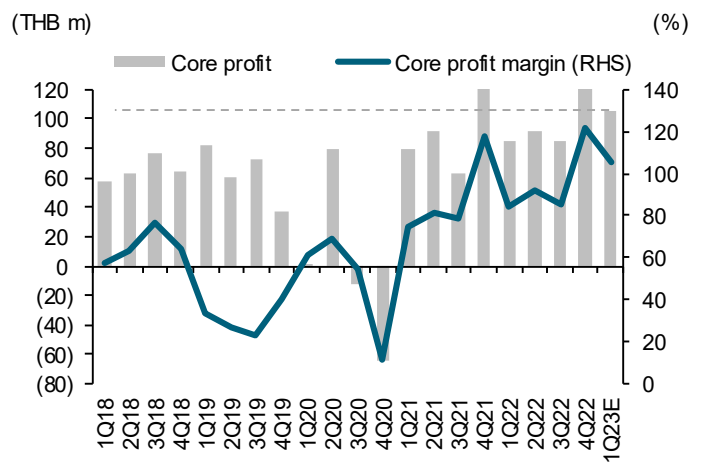
Sources: ILINK; FSSIA estimates

**Exhibit 9: Telecom unit and gross margin**

Sources: ILINK; FSSIA estimates

**Exhibit 10: Engineering revenue and gross margin**

Sources: ILINK; FSSIA estimates

**Exhibit 11: Core profit and core profit margin**

Sources: ILINK; FSSIA estimates



## All engines poised for growth in 2023

We project ILINK's core profit to rise 23%/8%/5% in 2023-25 based on the following assumptions:

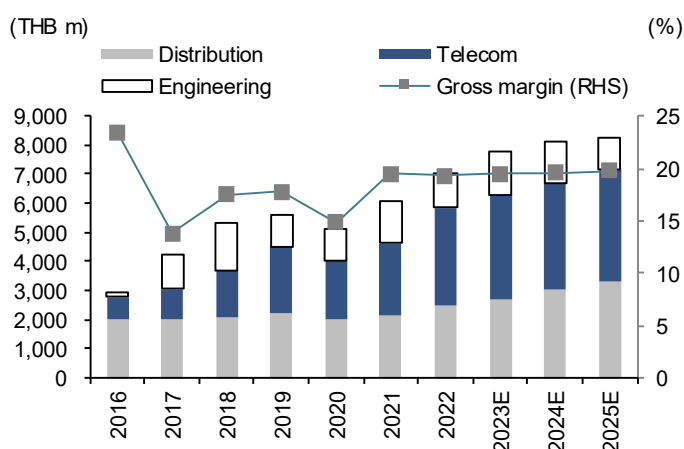
1. We expect the revenue from its distribution business to grow by 11% to THB2.7b in 2023, in line with management's guidance, and continue to rise 11% and 9% in 2024-25, respectively, tracking Thailand's investment expansion growth. We believe that a 25% gross margin should be achievable given ILINK's history.
2. We assume ITEL, its telecom unit, will recover in 2023 onwards in terms of revenue and margins given ITEL's high backlog, efficient cost control, and declining interest expenses.
3. We assume THB1.5b in revenue from its engineering unit in 2023, 79% of which is already secured by its current backlog. There will be an upside should the company sign the Koh Samui project contract in 3Q23 and deliver part of the project in 4Q23. With submarine cable projects usually delivering double-digit margins, we estimate the gross margin at 10% in 2023-24 and slightly lower in 2025 when the company completes all its submarine cable projects.

### Exhibit 12: Key assumptions

	2022	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)
Revenue from distribution unit	2,462	2,733	3,033	3,306
Gross margin (%)	25.3	25.0	25.1	25.1
Revenue from telecom unit	3,390	3,554	3,660	3,861
Gross margin (%)	18.8	19.2	18.7	18.7
Revenue from engineering unit	1,186	1,518	1,413	1,117
Gross margin (%)	8.1	10.0	10.0	8.2
<b>Total revenue</b>	<b>7,038</b>	<b>7,805</b>	<b>8,106</b>	<b>8,284</b>
Growth (%)	16.2	10.9	3.9	2.2
Blended gross margin (%)	19.2	19.4	19.6	19.8
SG&A to sales (%)	7.9	7.8	7.8	7.8
<b>Core profit</b>	<b>383</b>	<b>471</b>	<b>506</b>	<b>530</b>
Growth (%)	6.7	22.7	7.5	4.8
Core profit margin (%)	5.4	6.0	6.2	6.4

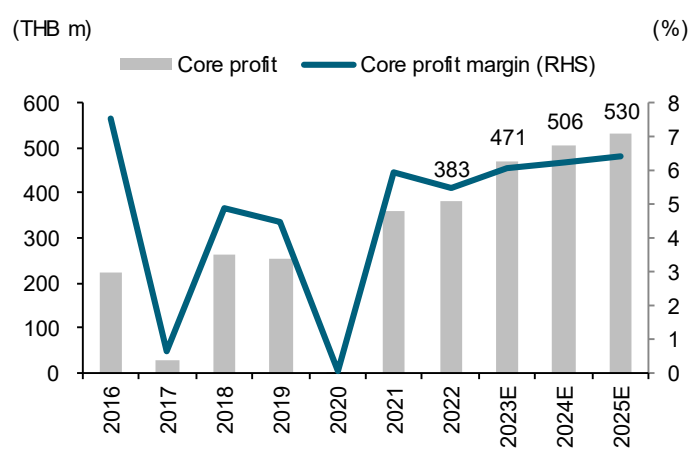
Sources: ILINK, FSSIA estimates

### Exhibit 13: Revenue and gross margin



Sources: ILINK, FSSIA estimates

### Exhibit 14: Core profit and core profit margin



Sources: ILINK, FSSIA estimates



## Recommend BUY with a TP of THB10

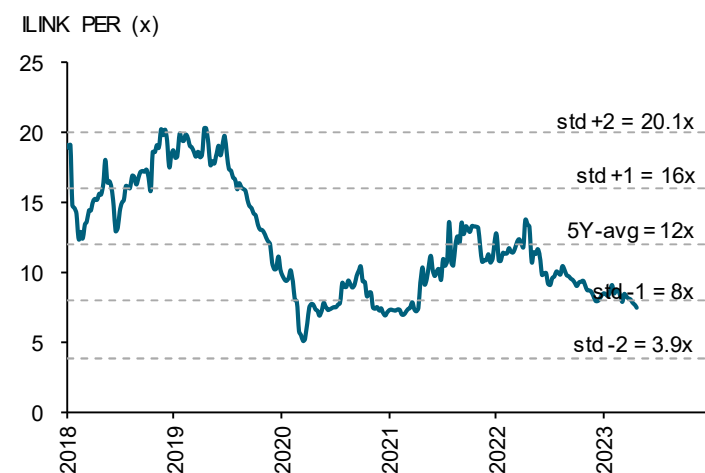
We recommend BUY for ILINK with an SoTP-based TP of THB10. Our TP implies a 2023E P/E ratio of 11.6x and a 2023E P/BV of only 1.4x, below its five-year historical averages 12.7x and 1.5x. Our 2023 revenue assumptions are in line with management's guidance, but our core profit margin of 6% is more conservative than management's target of above 8%. If the company achieves its 2023 targets, our core profit would be around 20% less than the company's expectation. We have a positive view for 2023 profit growth from all three business units given the high backlogs, strong balance sheet, growing adoption of cables for submarine and underground projects, and higher government spending on transportation and digital services.

### Exhibit 15: Sum-of-the-parts (SoTP) valuation

	(THB m)
ITEL's TP (THB)	4.50
ILINK number of shares (m)	1,389
ITEL value for whole company	6,250
% held by ILINK (%)	50
Value of ITEL to ILINK	3,124
ILINK's value at 15x 2023 P/E	4,190
Less: Net debt	1,874
<b>Sum of SoTP value</b>	<b>5,440</b>
Number of shares (m)	544
<b>Equity value for ILINK (THB)</b>	<b>10.01</b>

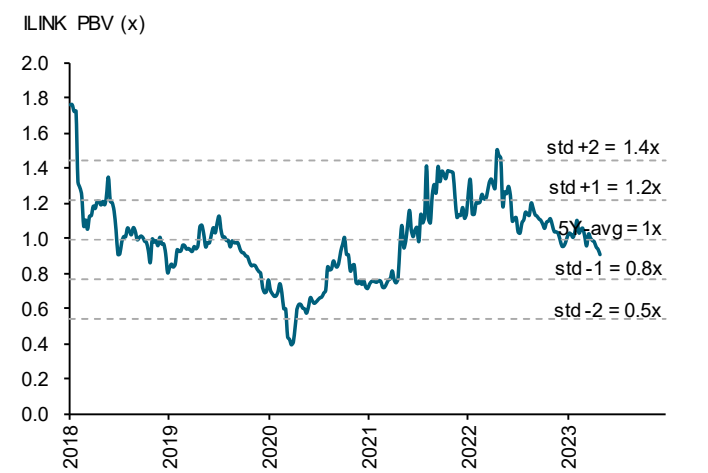
Source: FSSIA estimates

### Exhibit 16: Historical P/E band



Sources: Bloomberg, FSSIA estimates

### Exhibit 17: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Interlink Communication

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	6,058	7,038	7,805	8,106	8,284
Cost of goods sold	(4,536)	(5,327)	(5,923)	(6,150)	(6,265)
<b>Gross profit</b>	<b>1,522</b>	<b>1,711</b>	<b>1,881</b>	<b>1,957</b>	<b>2,019</b>
Other operating income	52	57	55	57	58
Operating costs	(464)	(557)	(609)	(632)	(646)
<b>Operating EBITDA</b>	<b>1,110</b>	<b>1,211</b>	<b>1,328</b>	<b>1,381</b>	<b>1,431</b>
Depreciation	(339)	(356)	(364)	(371)	(379)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>771</b>	<b>855</b>	<b>964</b>	<b>1,010</b>	<b>1,052</b>
Net financing costs	(149)	(167)	(166)	(164)	(169)
Associates	(6)	(5)	(4)	(4)	(4)
Recurring non-operating income	(6)	(5)	(4)	(4)	(4)
Non-recurring items	(6)	0	0	0	0
<b>Profit before tax</b>	<b>609</b>	<b>683</b>	<b>794</b>	<b>842</b>	<b>880</b>
Tax	(142)	(141)	(160)	(169)	(177)
<b>Profit after tax</b>	<b>467</b>	<b>542</b>	<b>634</b>	<b>673</b>	<b>703</b>
Minority interests	(114)	(158)	(164)	(167)	(173)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>353</b>	<b>383</b>	<b>471</b>	<b>506</b>	<b>530</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>359</b>	<b>383</b>	<b>471</b>	<b>506</b>	<b>530</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.66	0.71	0.87	0.93	0.98
Reported EPS	0.65	0.71	0.87	0.93	0.98
DPS	0.38	0.20	0.30	0.33	0.34
Diluted shares (used to calculate per share data)	544	544	544	544	544
<b>Growth</b>					
Revenue (%)	17.5	16.2	10.9	3.9	2.2
Operating EBITDA (%)	70.9	9.1	9.7	4.0	3.6
Operating EBIT (%)	131.4	10.9	12.8	4.7	4.2
Recurring EPS (%)	9,049.9	6.7	22.7	7.5	4.8
Reported EPS (%)	80.3	8.6	22.7	7.5	4.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	19.5	19.2	19.4	19.6	19.8
Gross margin of key business (%)	19.5	19.2	19.4	19.6	19.8
Operating EBITDA margin (%)	18.3	17.2	17.0	17.0	17.3
Operating EBIT margin (%)	12.7	12.1	12.4	12.5	12.7
Net margin (%)	5.9	5.4	6.0	6.2	6.4
Effective tax rate (%)	23.3	20.6	20.1	20.1	20.1
Dividend payout on recurring profit (%)	57.5	28.4	35.0	35.0	35.0
Interest cover (X)	5.1	5.1	5.8	6.1	6.2
Inventory days	24.8	26.7	26.6	26.0	26.3
Debtor days	65.7	77.7	87.5	79.5	77.7
Creditor days	121.4	127.7	124.8	117.1	116.1
Operating ROIC (%)	8.2	9.2	10.6	10.9	11.0
ROIC (%)	7.1	7.7	8.9	9.3	9.5
ROE (%)	11.5	10.9	12.5	12.7	12.6
ROA (%)	5.5	5.9	6.7	7.0	7.1

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Distribution	2,173	2,462	2,733	3,033	3,306
Telecom	2,462	3,390	3,554	3,660	3,861
Engineering service (EPC)	1,422	1,186	1,518	1,413	1,117

Sources: Interlink Communication; FSSIA estimates

## Financial Statements

Interlink Communication

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	359	383	471	506	530
Depreciation	339	356	364	371	379
Associates & minorities	6	5	4	4	4
Other non-cash items	287	382	(257)	(165)	(175)
Change in working capital	(669)	521	(453)	(123)	(55)
<b>Cash flow from operations</b>	<b>323</b>	<b>1,647</b>	<b>128</b>	<b>594</b>	<b>683</b>
Capex - maintenance	(323)	(318)	(403)	(410)	(450)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	1	1	5	(1)	(2)
Other investments (net)	(177)	(104)	173	48	60
<b>Cash flow from investing</b>	<b>(500)</b>	<b>(421)</b>	<b>(225)</b>	<b>(363)</b>	<b>(392)</b>
Dividends paid	(74)	(207)	(165)	(177)	(186)
Equity finance	556	175	0	0	0
Debt finance	(385)	(1,728)	336	14	(149)
Other financing cash flows	170	530	0	0	0
<b>Cash flow from financing</b>	<b>267</b>	<b>(1,230)</b>	<b>172</b>	<b>(163)</b>	<b>(335)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	130	136	0	0	0
<b>Net other adjustments</b>	<b>130</b>	<b>136</b>	<b>(12)</b>	<b>(4)</b>	<b>(4)</b>
<b>Movement in cash</b>	<b>221</b>	<b>131</b>	<b>64</b>	<b>64</b>	<b>(47)</b>
Free cash flow to firm (FCFF)	(27.51)	1,392.82	69.83	395.00	459.53
Free cash flow to equity (FCFE)	(261.95)	163.23	228.51	241.61	138.11
<b>Per share (THB)</b>					
FCFF per share	(0.05)	2.56	0.13	0.73	0.85
FCFE per share	(0.48)	0.30	0.42	0.44	0.25
Recurring cash flow per share	1.82	2.07	1.07	1.32	1.36
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	5,852	6,197	6,507	6,832	7,174
Less: Accumulated depreciation	(1,552)	(1,825)	(2,092)	(2,379)	(2,650)
<b>Tangible fixed assets (net)</b>	<b>4,300</b>	<b>4,372</b>	<b>4,414</b>	<b>4,453</b>	<b>4,524</b>
<b>Intangible fixed assets (net)</b>	<b>279</b>	<b>358</b>	<b>340</b>	<b>346</b>	<b>353</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	76	93	93	93	93
Cash & equivalents	490	621	685	749	702
A/C receivable	1,031	1,966	1,775	1,755	1,770
Inventories	348	432	431	447	455
Other current assets	3,796	2,766	2,845	3,009	3,176
<b>Current assets</b>	<b>5,664</b>	<b>5,785</b>	<b>5,735</b>	<b>5,959</b>	<b>6,104</b>
Other assets	1,026	991	841	791	726
<b>Total assets</b>	<b>11,344</b>	<b>11,599</b>	<b>11,425</b>	<b>11,643</b>	<b>11,799</b>
Common equity	3,402	3,665	3,871	4,100	4,345
Minorities etc.	1,463	1,925	1,925	1,925	1,925
<b>Total shareholders' equity</b>	<b>4,865</b>	<b>5,591</b>	<b>5,797</b>	<b>6,026</b>	<b>6,270</b>
Long term debt	1,358	1,114	1,295	1,333	1,352
Other long-term liabilities	84	737	117	122	124
<b>Long-term liabilities</b>	<b>1,442</b>	<b>1,851</b>	<b>1,412</b>	<b>1,454</b>	<b>1,477</b>
A/C payable	1,657	2,069	1,981	1,965	2,021
Short term debt	3,194	1,898	2,056	2,031	1,862
Other current liabilities	186	186	179	167	170
<b>Current liabilities</b>	<b>5,037</b>	<b>4,153</b>	<b>4,216</b>	<b>4,163</b>	<b>4,052</b>
<b>Total liabilities and shareholders' equity</b>	<b>11,344</b>	<b>11,595</b>	<b>11,425</b>	<b>11,643</b>	<b>11,799</b>
Net working capital	3,331	2,909	2,890	3,078	3,212
Invested capital	9,011	8,723	8,580	8,761	8,907
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	6.26	6.74	7.12	7.54	7.99
Tangible book value per share	5.74	6.08	6.50	6.91	7.34
<b>Financial strength</b>					
Net debt/equity (%)	83.5	42.8	46.0	43.4	40.1
Net debt/total assets (%)	35.8	20.6	23.3	22.5	21.3
Current ratio (x)	1.1	1.4	1.4	1.4	1.5
CF interest cover (x)	(0.8)	2.0	2.4	2.5	1.8
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>10.1</b>	<b>9.5</b>	<b>7.7</b>	<b>7.2</b>	<b>6.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>15.1</b>	<b>14.2</b>	<b>11.6</b>	<b>10.7</b>	<b>10.3</b>
Reported P/E (x)	10.3	9.5	7.7	7.2	6.9
Dividend yield (%)	5.7	3.0	4.5	4.9	5.1
Price/book (x)	1.1	1.0	0.9	0.9	0.8
Price/tangible book (x)	1.2	1.1	1.0	1.0	0.9
EV/EBITDA (x) **	8.3	6.6	6.2	5.9	5.6
EV/EBITDA @ target price (x) **	9.9	8.1	7.6	7.2	6.9
EV/invested capital (x)	1.0	0.9	1.0	0.9	0.9
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Interlink Communication; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"** by the Thai Institute of Directors Association (Thai IOD); 2) **"AGM Checklist"** by the Thai Investors Association (TIA), a **"CAC certified member"** of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The **"AGM Checklist"** quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Interlink Communication	ILINK TB	THB 6.70	BUY	Downside risks to our SoTP-based TP include 1) the intense competition and price cut 2) the termination of distributorship contract or appointment of additional distributors in Thailand 3) the uncertainty in bidding success 4) the delays in projects 5) risk from technology changes.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 08-May-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.