
Management's Discussion and Analysis for Q3/2021 Results
Thaicom Public Company Limited

I. Overview

Performance overview

Thaicom Plc (the Company or THCOM) reported consolidated revenue from sales of goods and rendering of services for Q3/2021 at Baht 925 million, increased by Baht 7 million or 0.8% from Baht 918 million for Q3/2020, mainly from the appreciation of US dollar against Thai Baht that resulted in an increase of revenue recognition from foreign currency. Compared with Q2/2021, consolidated revenue from sales of goods and rendering of services increased by Baht 130 million or 16.3% from Baht 796 million, regarding an increase of project sale revenue from conventional satellite business and value-added services from broadband business.

The Company's consolidated net profit for Q3/2021 was Baht 146 million, improved from the consolidated net profit of Baht 77 million for Q3/2020 and the consolidated net loss of Baht 41 million for Q2/2021 as a result of lower cost of satellite depreciation and concession fee, together with an increase in consolidated revenue from sales of goods and rendering of services both conventional and broadband satellites and gain from foreign exchange.

The normalized loss from operation was at Baht 61 million for Q3/2021, decreased from the normalized loss of Baht 21 million for Q3/2020, while increased in comparison with the normalized loss for Q2/2021 of Baht 112 million.

For Q3/2021, the normalized profit (loss) from operation excluding share of profit (loss) of investment in subsidiaries and joint ventures was Baht 6 million, increased from Q3/2020 and the previous quarter for Baht (23) million and Baht (108) million, respectively. This was resulted from an increase in revenue, together with a drop in cost of satellites and related services.

II. Business Summary

Satellite and related Services

The Company obtained an agreement from the Ministry of Transport and Communication for a period of 30 years to operate and administer satellite projects and to render transponder services for domestic and international communications as well as the right to collect, for a 30-year period, service charges from users of the transponders. Subsequently, such agreement was transferred to the Ministry of Digital Economy and Society (MDE).

Under the aforementioned agreement, the Company must transfer its ownership of all satellites, and monitoring stations and other operating equipment to MDE on the date of completion of construction and installation. Currently, the agreement has expired and the Company completely handed over possession of the satellites and other assets under the agreement to MDE on 10 September 2021.

After the end of satellite operation agreement for domestic and international, a Company's subsidiary has entered into the memorandum of agreement to purchase some bandwidth capacity on Thaicom 4 and Thaicom 6 Satellites from National Telecom Public Company Limited which has been assigned by the Ministry of Digital Economy and Society to operate Thaicom 4 and Thaicom 6 Satellites after the expiry of the Concession. Therefore, the group of Company are able to continue providing transponder services on Thaicom 4 and Thaicom 6 Satellites to some of the customers since 11 September 2021.

Thaicom's right to operate and administer satellite projects and to render transponder services after the Concession are Thaicom 7 and Thaicom 8. The overall utilization rate was 59.3% as at the end of Q3/202.

Internet and media Services

The revenue from internet and media services solely comes from Thai Advance Innovation Co., Ltd (Thai AI), comprise of the sale of set-top-boxes and related equipment, including the sale and rental services for internet platform such as IPTV channels, video streaming, eSport and LOOX TV.

Telephone business abroad

As of the end of Q3/2021, Lao Telecommunications Public Company (LTC), reported total mobile subscribers of 1.86 million, increased in comparison with the subscribers as at the end of Q3/2020 of 1.59 million.

III. Consolidated Operating Results

Summary of key financial information of THCOM

Unit: Baht million	Amount			Changes		Amount		Change YoY (%)
	Q3/2021	Q2/2021	Q3/2020	QoQ (%)	YoY (%)	9M21	9M20	
Revenue from sales of goods and rendering of services	925	796	918	16.3%	0.8%	2,509	2,756	-9.0%
Cost of sales of goods and rendering of services	(656)	(650)	(736)	0.9%	-10.9%	(1,955)	(2,070)	-5.5%
Normal SG&A expenses ⁽¹⁾	(225)	(222)	(191)	1.6%	18.0%	(652)	(599)	8.8%
EBIT from normal operations	44	(76)	(8)	n.a.	n.a.	(98)	87	n.a.

Unit: Baht million	Amount			Changes		Amount		Change YoY (%)
	Q3/2021	Q2/2021	Q3/2020	QoQ (%)	YoY (%)	9M21	9M20	
Other incomes	5	5	8	-1.1%	-37.3%	66	660	-90.0%
Gain (loss) from foreign exchange	206	71	97	191.1%	112.5%	428	112	282.7%
EBIT from operations	256	(0.2)	96	n.a.	165.1%	397	858	-53.8%
EBITDA from operations ⁽²⁾	323	252	344	28.5%	-5.9%	914	1,004	-9.0%
Finance income	33	36	31	-9.2%	5.8%	99	116	-14.5%
Financial costs	(46)	(40)	(48)	15.1%	-3.9%	(126)	(147)	-14.3%
Bad debt and doubtful accounts and Reversal of loss on impairment (loss on impairment) based on Thai Financial Reporting Standard No.9	(18)	(12)	7	56.4%	n.a.	(29)	7	n.a.
Share of profit of investment in joint venture	(67)	(4)	2	-1452.3%	n.a.	(86)	23	n.a.
Profit (loss) before income tax expense	158	(20)	89	n.a.	76.5%	254	857	-70.3%
Profit (loss) attributable to owner of the Company	146	(41)	77	n.a.	90.3%	216	772	-72.1%
Earnings (loss) per share (Baht)	0.13	(0.04)	0.07	n.a.	90.3%	0.20	0.70	-72.1%
Extra items ⁽³⁾	206	71	97	191.1%	112.5%	428	733	-41.6%
Normalized profit	(61)	(112)	(21)	-45.9%	-195.1%	(213)	39	n.a.

(1) Normal SG&A expenses were selling and administrative expenses, including directors and management benefit expenses.

(2) Exclude other incomes, gain (loss) from foreign exchange, asset impairment and write-off.

(3) Extra item was gain (loss) from foreign exchange, compensation income and other one-time items.

Revenue from sales of goods and rendering of services

Consolidated revenue from sales of goods and rendering of services for Q3/2021 was Baht 925 million, an increase of 0.8% from Baht 918 million for Q3/2020. Compared to Q2/2021, the revenue increased 16.3% from Baht 796 million, caused by an increase of revenue from satellite and related services.

For 9M/2021, the consolidated revenue from sales of goods and rendering of services was Baht 2,509 million, declined by 9% from Baht 2,756 million for 9M/2020, mainly due to a decrease of revenue from satellite and related services business.

Revenue from sales of goods and rendering of services Unit: Baht million	Q3/2021	Q2/2021	Q3/2020	QoQ (%)	YoY (%)	9M21	9M20	YoY (%)
Satellite and related services	924	795	915	16.3%	1.0%	2,505	2,750	-8.9%
Internet and media services	7	7	9	5.6%	-19.3%	22	23	-5.2%
Consolidation eliminations	(6)	(6)	(6)	6.8%	4.3%	(18)	(17)	3.7%
Total	925	796	918	16.3%	0.8%	2,509	2,756	-9.0%

Satellite and related services

Revenue from satellite and related services for Q3/2021 was Baht 924 million, an increase of 1% from Baht 915 million for Q3/2020, due to the appreciation of US dollar against Thai Baht resulting to an increase of broadband service revenue related to foreign currency. Comparing with Q2/2021, the revenue rose 16.3% from Baht 795 million, regarding an increase of revenue from related services of conventional and broadband satellites.

For 9M/2021, the revenue from satellite and related services was Baht 2,505 million, decreased by 8.9% from Baht 2,750 million for 9M/2020, owing to a drop of revenue from both conventional and broadband satellite services.

Satellite and related services Unit: Baht million	Q3/2021	Q2/2021	Q3/2020	QoQ (%)	YoY (%)	9M/21	9M/20	YoY (%)
Conventional*	569	473	577	20.4%	-1.4%	1,505	1,652	-8.9%
Thaicom 4 Broadband	355	322	338	10.3%	5.1%	1,000	1,098	-8.9%
Services	353	315	333	11.8%	5.9%	983	1,064	-7.6%
Sales	2	6	5	-63.5%	-48.9%	17	34	-48.8%
Total	924	795	915	16.3%	1.0%	2,505	2,750	-8.9%

* Includes the Thaicom 6, 7, and 8 satellites and rental satellites. The Thaicom 5 satellite was de-orbited on 26 February 2020.

- Revenue from the conventional satellites and related services for Q3/2021 was Baht 569 million, decreased by 1.4% from Baht 577 million for Q3/2020, mainly caused by the loss of broadcast customers. Compared to Q2/2021, the revenue from conventional satellites and related services increased by 20.4% from Baht 473 million, resulting from an increase of sale project which was an occasional service.

For 9M/2021, the revenue from conventional satellites and related services was Baht 1,505 million, dropped by 8.9% from Baht 1,652 million for 9M/2020, regarding the Thaicom 5 satellite de-orbit in February 2020 and a decline of conventional revenue from broadcast customers.

- Revenue from the Thaicom 4 broadband satellite and related services for Q3/2021 was Baht 355 million, increased by 5.1% from Baht 338 million for Q3/2020, mainly due to US dollar appreciation against Thai Baht, resulting to an increase of revenue recognition from foreign currency. Comparing with Q2/2021, the revenue from Thaicom 4 rose by 10.3% from Baht 322 million, owing to an increase of value-added services for foreign customers of broadband business

The revenue from Thaicom 4 Broadband and related services for 9M/2021 was Baht 1,000 million, dropped by 8.9% from Baht 1,098 million for 9M/2020 regarding a ramp down of utilization from foreign customers.

Internet and media services

For Q3/2021, revenue from Internet and media services was Baht 7 million, decreased by 19.3% comparing with Q3/2020, due to a drop from rental service revenue for eSport platform. The revenue rose 5.6% from Q2/2021, resulted from an increase of sale revenue of set-top-boxes and related equipment, together with higher marketing activities for eSport platform as an occasional service.

For 9M/2021, the revenue from internet and media services was Baht 22 million declined by 5.2% from Baht 23 million for 9M/2020, mainly due to lower service revenue from eSport platform.

Cost of sales of goods and rendering of services

The Company reported consolidated cost of sales of goods and rendering of services for Q3/2021 of Baht 656 million, decreased by 11% compared to Baht 736 million for Q3/2020, from a decrease of satellite depreciation and concession fee. The cost remained constant compared to Q2/2021 at Baht 650 million, corresponding with an increase in equipment cost of sale project from related service for conventional satellite .

For the 9M/2021, the cost was Baht 1,955 million, dropped by 5.6% from Baht 2,070 million for 9M/2020. This was corresponding to a decrease of satellite depreciation and concession fee due to the Company completely handed over possession of the satellites and other assets under the agreement to MDE on 10 September 2021.

Cost of sales of goods and rendering of services Unit: Baht million	Q3/2021	Q2/2021	Q3/2020	QoQ (%)	YoY (%)	9M/21	9M/20	YoY (%)
Satellite and related services	657	652	738	0.8%	-10.9%	1,959	2,077	-5.7%
Internet and media services	4	3	4	10.1%	4.7%	13	9	37.9%
Consolidation eliminations	(6)	(6)	(6)	4.5%	5.2%	(17)	(17)	3.8%
Total	656	650	736	0.8%	-11.0%	1,955	2,070	-5.6%

Cost of satellite and related services

Cost relating to satellite and related services for Q3/2021 was Baht 657 million, decreased by 10.9% from Baht 738 million for Q3/2020, mainly due to a decrease of satellite depreciation and concession fee. The satellite cost rose by 0.8% compared to Q2/2021 from an additional equipment cost related to sale project of conventional satellite service as an occasional service.

For 9M/2021, the cost of relating to satellite and related services was Baht 1,959 million, declined by 5.7% from Baht 2,077 million for 9M/2020 due to the decrease of cost relating to both conventional and broadband satellites from the decrease of satellite depreciation and concession fee.

Satellite and related services Unit: Baht million	Q3/2021	Q2/2021	Q3/2020	QoQ (%)	YoY (%)	9M/21	9M/20	YoY (%)
Conventional*	346	338	411	2.5%	-15.7%	1,015	1,097	-7.4%
Thaicom 4 Broadband	311	314	327	-1.0%	-4.9%	944	980	-3.7%
Total	657	652	738	0.8%	-10.9%	1,959	2,077	-5.7%

* Includes the Thaicom 6, 7, and 8 satellites and rental satellites. The Thaicom 5 satellite was de-orbited on 26 February 2020.

- Cost relating to the conventional satellites and related services was Baht 346 million for Q3/2021, decreased from Baht 411 million for Q3/2020, mainly caused by a decline of satellite depreciation and concession fee for Thaicom 6 satellite. Compared to Q2/2021, the cost relating to the conventional satellites rose by 2.5% from Baht 338 million corresponding to additional equipment cost related to occasional service from sale project of conventional satellite service.

For 9M/2021, the cost relating to the conventional satellites and related services decreased by 7.4% from Baht 1,097 million for 9M/2020 to Baht 1,015 million in 9M/2021 regarding lower cost of satellite depreciation and concession fee.

- Cost relating to the Thaicom 4 Broadband Satellite and related services for Q3/2021 was Baht 311 million, a drop of 4.9% from Baht 327 million for Q3/2020, mainly due to a decrease of satellite depreciation and concession fee for Thaicom 4 satellite. Compared with the previous quarter, the cost of satellite and related services declined 1%. Despite the decrease of satellite depreciation and concession fee, there was an additional cost corresponding with an increase of sale and related service or value-added service revenue from broadband business.

For 9M/2021, the cost relating to the Thaicom 4 Broadband Satellite and related services declined by 3.7% from Baht 980 million in 9M/2020 to Baht 944 million in 9M/2021 owing to a drop of satellite depreciation and concession fee.

Cost of internet and media services

Cost relating to the internet and media services for Q3/2021 was Baht 4 million, increased by 4.7% in comparison with Q3/2020, and rose by 10.1% compared to Q2/2021. This was mainly from an increase in cost of set-top-box equipment.

Selling and administrative expenses

The SG&A expenses including directors and management benefit expenses were Baht 225 million for Q3/2021, increased by 18% from Baht 191 million for Q3/2020 and 1.6% from Baht 222 million for Q2/2021, mainly caused by additional legal fee together with administrative expense corresponding with an increase in revenue from sale of goods and rendering service.

Finance costs

Finance costs for Q3/2021 were Baht 46 million, decreased 3.9% from Baht 48 million as at Q3/2020 due to repayment of long-term loans according to schedule.

Share of profit of investment in joint venture

Share of profit (loss) of investment in joint venture was Baht (67) million for Q3/2021, decreased from share of profit of Baht 2 million for Q3/2020. This consisted of the share of profit (loss) from LTC, Nation Space and Technology Co.,Ltd and ATI Technologies Co.,Ltd of Baht (66.2) million, (0.2) million and (0.1) million, respectively. The major loss was from share of profit of investment in LTC due to an appreciation of US dollar against Lao KIP resulting loss from mark-to-market of its accrued dividend and US dollar loan, together with lower usages from a decline of tourists which was affected from the Covid-19 pandemic.

Net profit

The Company's consolidated net profit for Q3/2021 was Baht 146 million, improved from the net profit for Q3/2020 of Baht 77 million and net loss in Q2/2021 of 41 million, resulted from a decrease of satellite depreciation and concession fee, together with an increase of revenue from sales of goods and rendering of services from both conventional and broadband services and gain from foreign exchange.

Considering the normalized profit from operation excluding the extra items, i.e., foreign exchange, the Company had normalized net loss from operation for Q3/2021 of Baht 61 million, decreased from normalized net loss in Q3/2020 of Baht 21 million, resulted from higher legal fee and the loss from share of investment. The normalized net loss from operation for Q3/2021 improved from that net loss of Q2/2021 of Baht 112 million due to an increase of revenue and decrease of cost from satellite and related services.

For Q3/2021, the normalized profit (loss) from operation excluding share of profit (loss) of investment in subsidiaries and joint ventures was Baht 6 million, improved from Q3/2020 and Q2/2021 for Baht (23) million and Baht (108) million, respectively. This was resulted from an increase in revenue from related service, together with a drop of satellite depreciation concession fee.

IV. Financial Position

As at the end of Q3/2021, the Company reported total assets of Baht 17,695 million, increased by 6.1% from Baht 16,676 million as at the end of 2020. This was mainly caused by an increase in non-current assets from right-of-use assets, together with cash and cash equivalent.

THCOM's major asset components

Major Assets Unit: Baht million	30 September 2021		31 December 2020	
	Amount (Bt mn)	% of Total assets	Amount (Bt mn)	% of Total assets
Current assets	10,058	56.8%	9,473	56.8%
Property, plant and equipment	2,835	16.0%	3,091	18.5%
Intangible assets under operating agreement	-	-	560	3.4%
Right-of-use assets	1,473	8.3%	151	0.9%

Trade and other receivables

As at the end of Q3/2021, the Company had net trade and other current receivables of Baht 1,861 million or 10.5% of total assets, increased by 1.6% from Baht 1,832 million as at the end of 2020, mainly due to foreign receivables.

Right-of-use assets

As of Q3/2021, the Company had right-of-use assets of Baht 1,473 million or 8.3% of total assets, increased from Baht 151 million compared to the end of 2020. This was mainly from the memorandum of agreement to purchase some bandwidth capacity on Thaicom 4 and Thaicom 6 Satellites after the expiry of the Concession.

Liquidity

As at the end of Q3/2021, the Company had a current ratio of 2.80x, increased from 2.70x as compared to the end of 2020, due to an increase of cash and cash equivalent.

Non-current assets

Total non-current assets as at the end of Q3/2021 was Baht 7,637 million, a rise of 6% from Baht 7,204 million as at the end of 2020 as a result of an increase in right-of-use assets from purchase bandwidth agreement from other operators after the Concession.

Borrowings and shareholders' equity

The Company's net borrowings as at the end of Q3/2021 were Baht 3,527 million, decreased 9.8% from Baht 3,908 million as at the end of 2020, due mainly to the long-term loans repayments as scheduled.

The Company's shareholders' equity as at the end of Q3/2021 was Baht 11,241 million, dropped by 0.1% from Baht 11,247 million as at the end of 2020.

As at the end of Q3/2021, the ratio of net borrowings to equity was 0.31x, slightly decreased from 0.35x as at the end of 2020.

Cash flows

Net cash provided by operating activities for 9M/2021 was Baht 1,021 million, a drop of 25.1% compared to 9M/2020, mainly due to a drop in operating profit.

Net cash provided (used) by investing activities for 9M/2021 was Baht 1,363 million, most of which was a decrease in current financial assets from converting current financial asset to cash preparing for bond redemption in Q4/2021.

Net cash provided (used) in financing activities for 9M/2021 was Baht (818) million, mainly comprised of finance cost and long-term loan repayment.

The Company had ending cash and cash equivalents, including the current investment or current financial assets, of Baht 7,050 million as at the end of Q3/2021.

This document contains certain forward-looking statements. They refer to future events and to the future financial performance of the Companies. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue." Although the Companies believe that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.