

# INTERLINK COMMUNICATION

## THAILAND / INFORMATION&COMM TECH

# ILINK TB

# BUY

**UNCHANGED**

TARGET PRICE	THB10.00
CLOSE	THB7.65
UP/DOWNSIDE	+30.7%
PRIOR TP	THB10.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.0%

## ปัจจัยด้านฤดูกาลจะกระทบกำไร 2Q23

- บริษัท กำลังรอเซ็นสัญญาขนาดใหญ่อย่างน้อย 2 โครงการ
- คาดกำไร 2Q23 จะลดลง 13% q-q จากปัจจัยด้านฤดูกาลแต่เพิ่มขึ้น 22% y-y
- ปัจจุบันหุ้นมีการซื้อขายที่เพียง 8.8x ของค่า 2023E P/E และ 1.1x ของค่า P/BV เราคงแนะนำซื้อ ILINK

### น่าจะได้เซ็นสัญญาโครงการที่ประมูลเพิ่ม

ธุรกิจวิศวกรรมของ ILINK ขณะและได้เซ็นสัญญา (Repair-joint purchase contract) ใหม่ในไตรมาสนี้กับการไฟฟ้าส่วนภูมิภาคอันมีมูลค่า 27 ลบ. และระยะเวลาในการทำงาน 150 วัน สัญญาดังกล่าวทำให้มูลค่างานในมือรวมอยู่ที่ 1.9 พัน ลบ. ซึ่งบริษัท จะรับรู้ 55% เป็นรายได้ในปี 2023 นอกจากนี้บริษัท ยังเป็นผู้ประมูลที่ให้ราคาต่ำสุดสำหรับระบบเคเบิลใต้น้ำขนาด 115kv ไปยังเกาะสมุยอันมีมูลค่า 1.8 พัน ลบ. และสายส่งไฟฟ้าไปยังพัทธามูลค่า 95 ลบ. โดยบริษัท กำลังรอเซ็นสัญญาสำหรับทั้ง 2 โครงการ

### ปกติ 2Q เป็นช่วงซบเซาของทุกธุรกิจ

เนื่องจากโดยปกติ 2Q จะเป็นช่วงซบเซาของธุรกิจวิศวกรรม เราคาดว่ารายได้จากธุรกิจดังกล่าวจะลดลง 32% q-q และ 11% y-y ในไตรมาสนี้ อย่างไรก็ตามเราคาดว่ารายได้วิศวกรรมในช่วง 1H23 เพิ่ม 28% y-y จากโครงการเคเบิลใต้น้ำที่มีอัตรากำไรสูงที่เริ่มใน 4Q22 นอกจากนี้ปัจจัยด้านฤดูกาลยังน่าจะทำให้รายได้ธุรกิจจัดจำหน่ายลดลง q-q เนื่องจากโดยปกติบริษัท จะจัดงานใหญ่กล่าวคือ "Interlink Expo" 2 ครั้งต่อปีในเดือน ม.ค. และ ก.ค. ด้วยเหตุดังกล่าวเราคาดว่ารายได้จากธุรกิจจัดจำหน่าย (47% ของรายได้รวม) จะลดลง 13% q-q แต่เพิ่ม 25% y-y ใน 2Q23 ในขณะที่ความต้องการสินค้าในกลุ่มเคเบิล อุปกรณ์เครือข่าย Solar cable และ Control cable ยังดี

### คาดการณ์กำไร 2Q23 จะลดลง q-q จากปัจจัยด้านฤดูกาล

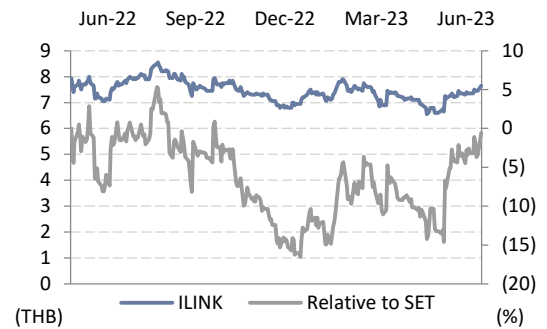
เราคาดว่า ILINK จะบันทึกกำไรปกติ 111 ลบ. ใน 2Q23 ลดลง 13% q-q แต่เพิ่มขึ้น 22% y-y จากรายได้รวมที่คาดว่าจะลดลง 11% q-q และ 10% y-y เราคาดว่าอัตรากำไรขั้นต้นจะปรับตัวดีขึ้นจากปีก่อนหน้าจากผลประกอบการที่ปรับตัวดีขึ้น y-y ในทุกธุรกิจ จากประมาณการ 2Q23 ของเรา เราคาดว่ากำไรปกติ 1H23 ที่ 239 ลบ. (+36% y-y) ซึ่งจะคิดเป็น 51% ของประมารการเต็มปีของเรา

### คงแนะนำซื้อจากการประเมินมูลค่าที่อยู่ในระดับต่ำ

เราคงแนะนำซื้อที่ 10 บาท (SoTP) คิดเป็นค่า 2023E P/E ที่ 11.6x และ 2023E P/BV ที่เพียง 1.4x (ต่ำกว่าค่าเฉลี่ย 5 ปีย้อนหลัง) ปัจจุบันหุ้นมีการซื้อขายที่เพียง 8.8x ของค่า 2023E P/E และ 1.1x ของค่า P/BV เราคงแนะนำซื้อ ILINK

## 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
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	6.7	22.7	7.5	4.8
Core P/E (x)	10.8	8.8	8.2	7.8
Dividend yield (%)	2.6	4.0	4.3	4.5
EV/EBITDA (x)	7.0	6.6	6.3	6.0
Price/book (x)	1.1	1.1	1.0	1.0
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 (%)	7.0	4.8	(11.0)
Relative to country (%)	7.7	8.1	(6.4)
Mkt cap (USD m)			120
3m avg. daily turnover (USD m)			0.2
Free float (%)			50
Major shareholder	Interlink Holding Co Ltd (50%)		
12m high/low (THB)	8.65/6.40		
Issued shares (m)	543.63		

Sources: Bloomberg consensus; FSSIA estimates


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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 13 มิถุนายน 2023

## Investment thesis

ILINK operates three main businesses: 1) distributing cable products; 2) a telecommunication business which is operated under its subsidiary, Interlink Telecom (ITEL TB, BUY); and 3) an engineering business which engages in construction project bidding from state enterprises and large organisations. In 2022, the distribution unit accounted for 35% of its total revenue proportion, with telecoms accounting for 48% and engineering 17%.

2023 should be a great year for all of the company's business units based on its high backlog, strong balance sheet, growing adoption of cables for submarine and underground projects, and higher government spending on transportation and digital services.

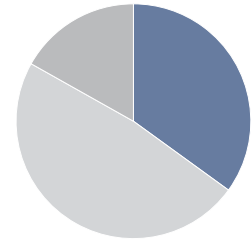
## Company profile

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

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

## Principal activities (revenue, 2022)

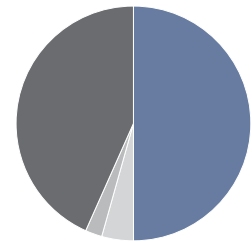
- Distribution - 35.0 %
- Telecom - 48.2 %
- Engineering service (EPC) - 16.9 %



Source: Interlink Communication

## Major shareholders

- Interlink Holding Co Ltd - 50.0 %
- Thai NVDR Co., Ltd. - 4.4 %
- Mr. Viboon Wadcharasurang - 2.3 %
- Others - 43.3 %



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 organizations; 3) exchange rate stability; and 4) the stability of the copper price.

## Risks to our call

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

## Event calendar

Date	Event
August 2023	2Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)
Distribution	2,733	3,033	3,306
<i>Gross margin (%)</i>	25.0	25.1	25.1
Telecom	3,554	3,660	3,861
<i>Gross margin (%)</i>	19.2	18.7	18.7
Engineering	1,518	1,413	1,117
<i>Gross margin (%)</i>	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 the 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 the 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 the engineering business, we project ILINK's 2023 core profit to change by 2.6%, all else being equal.

Source: FSSIA estimates



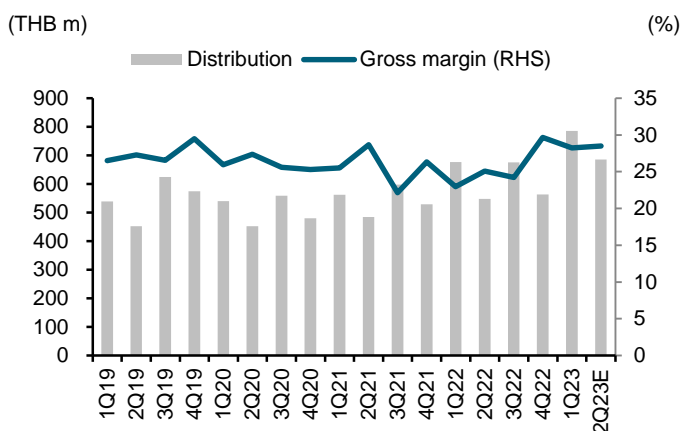
Exhibit 1: 2Q23 earnings preview

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23E	-----Change-----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	1,615	1,788	2,220	1,620	1,449	(10.6)	(10.3)	3,030	3,069	1.3
Cost of sales	(1,298)	(1,471)	(1,788)	(1,220)	(1,100)	(9.8)	(15.2)	(2,425)	(2,320)	(4.3)
Gross profit	317	318	433	400	349	(12.9)	10.1	605	749	23.9
Operating costs	(120)	(147)	(161)	(168)	(149)	(10.9)	24.8	(249)	(317)	27.3
Operating profit	197	170	272	233	200	(14.3)	1.1	356	432	21.6
Operating EBITDA	298	278	366	337	306	(9.2)	2.9	567	644	13.5
Other income	14	16	1	12	13	11.6	(4.5)	41	25	(39.2)
Interest expense	(43)	(46)	(46)	(41)	(39)	(3.0)	(7.9)	(76)	(80)	5.9
Profit before tax	168	140	227	204	173	(15.1)	3.0	321	377	17.6
Tax	34	28	45	44	35	(20.8)	2.4	68	78	15.4
Associates	(2)	2	(2)	(2)	(2)	0.0	(10.7)	(4)	(4)	(8.8)
Minority interests	(41)	(29)	(58)	(31)	(25)	(18.3)	(38.2)	(72)	(56)	(22.7)
Reported net profit	92	85	122	127	111	(12.6)	21.7	176	239	35.6
Core profit	92	85	122	127	111	(12.6)	21.7	176	239	35.6
Reported EPS (THB)	0.17	0.16	0.22	0.23	0.20	(10.9)	22.0	0.33	0.43	32.6
Core EPS (THB)	0.17	0.16	0.22	0.23	0.20	(12.6)	21.7	0.33	0.43	32.6
<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	19.6	17.8	19.5	24.7	24.1	(0.6)	4.4	19.2	19.4	0.2
Operating margin	13.1	10.4	12.3	15.1	14.7	(0.4)	1.6	12.1	12.4	0.2
EBITDA margin	18.4	15.5	16.5	20.8	21.2	0.3	2.7	17.2	17.0	(0.2)
Recurring net margin	5.7	4.8	5.5	7.9	7.7	(0.2)	2.0	5.4	6.0	0.6
SG&A / Sales	7.4	8.2	7.2	10.3	10.3	(0.0)	2.9	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	548	675	563	785	685	(12.8)	25.1	2,462	2,733	11.0
Telecom	842	756	1,209	543	564	4.0	(33.0)	3,390	3,554	4.8
Engineering	225	357	448	293	200	(31.6)	(11.1)	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	25.1	24.2	29.7	28.2	28.5	0.3	3.4	25.3	25.0	(0.3)
Telecom	19.1	17.9	17.4	27.3	24.1	(3.2)	5.0	18.8	19.2	0.5
Engineering	8.4	5.1	12.3	10.5	8.9	(1.6)	0.5	8.1	10.0	1.9

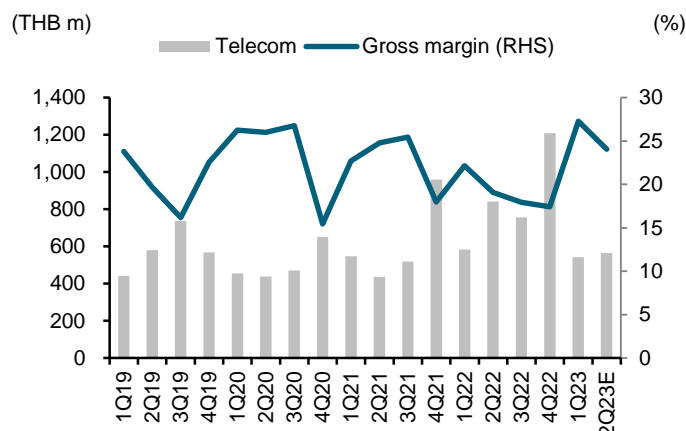
Sources: ILINK, FSSIA estimates

Exhibit 2: Distribution revenue and gross margin

Exhibit 3: Telecom business and gross margin

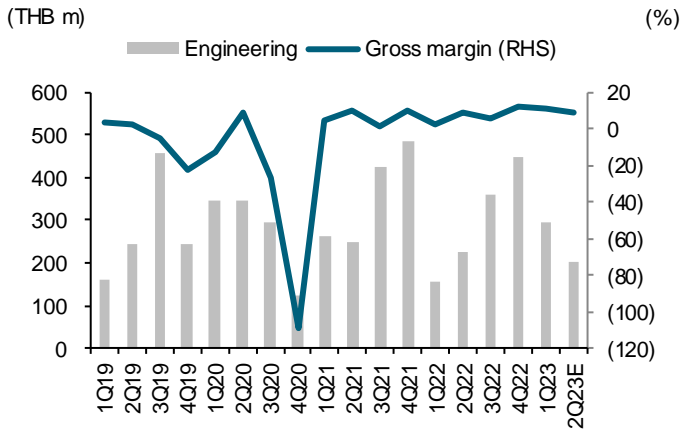


Sources: ILINK, FSSIA estimates



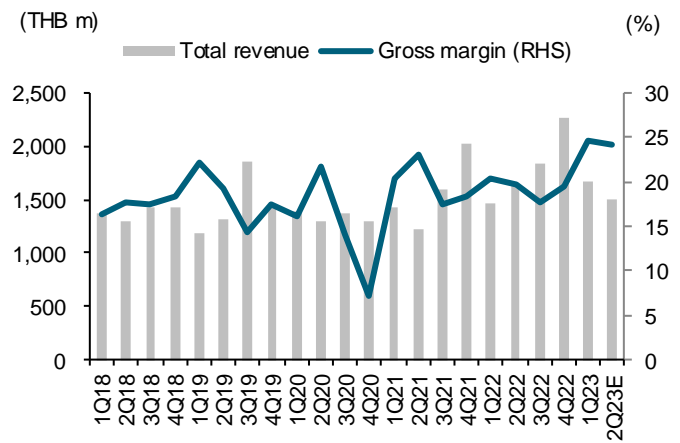
Sources: ILINK, FSSIA estimates

**Exhibit 4: Engineering revenue and gross margin**



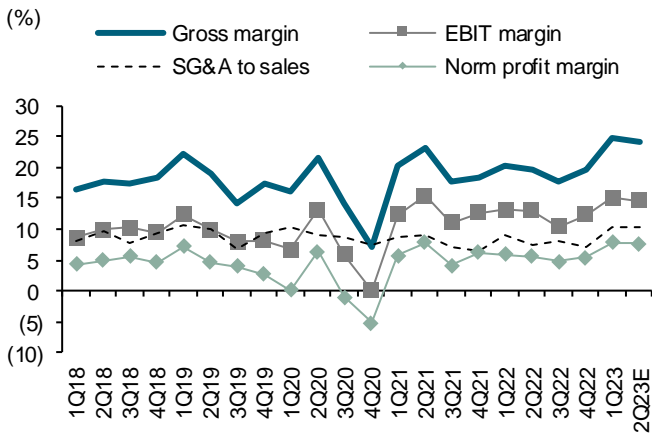
Sources: ILINK, FSSIA estimates

**Exhibit 5: Total revenue and gross margin**



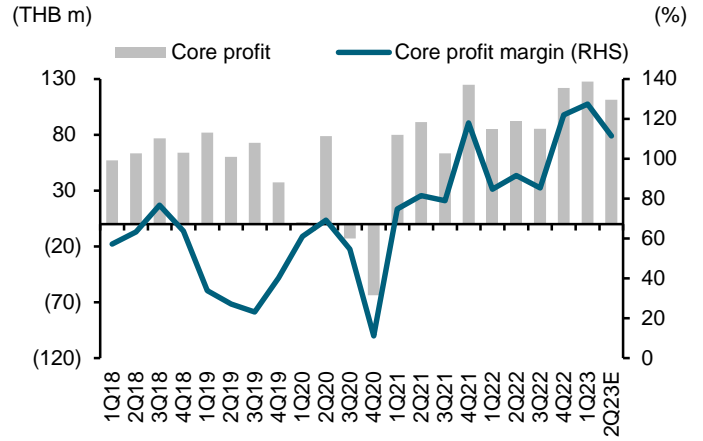
Sources: ILINK, FSSIA estimates

**Exhibit 6: Margins**



Sources: ILINK, FSSIA estimates

**Exhibit 7: Core profit and core profit margins**



Sources: ILINK, 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	(4,875)	(5,684)	(6,287)	(6,521)	(6,644)
<b>Gross profit</b>	<b>1,182</b>	<b>1,355</b>	<b>1,518</b>	<b>1,585</b>	<b>1,640</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 exc. depreciation (%)	25.1	24.3	24.1	24.1	24.4
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					
<b>Revenue by Division (THB m)</b>					
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

### Per share (THB)

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

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
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

### Per share (THB)

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

### Financial strength

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

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>11.6</b>	<b>10.8</b>	<b>8.8</b>	<b>8.2</b>	<b>7.8</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)	11.8	10.8	8.8	8.2	7.8
Dividend yield (%)	5.0	2.6	4.0	4.3	4.5
Price/book (x)	1.2	1.1	1.1	1.0	1.0
Price/tangible book (x)	1.3	1.3	1.2	1.1	1.0
EV/EBITDA (x) **	8.7	7.0	6.6	6.3	6.0
EV/EBITDA @ target price (x) **	9.9	8.1	7.6	7.2	6.9
EV/invested capital (x)	1.1	1.0	1.0	1.0	1.0

\* 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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

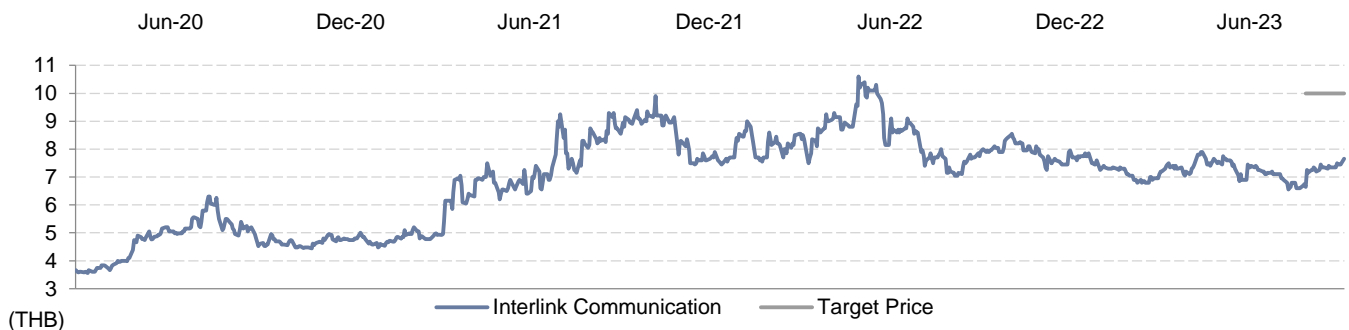
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### History of change in investment rating and/or target price

#### Interlink Communication (ILINK TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-May-2023	BUY	10.00	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 09-May-2023

Price and TP are in local currency

Source: FSSIA estimates

#### Interlink Telecom (ITEL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-May-2023	BUY	4.50	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 03-May-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Interlink Communication	ILINK TB	THB 7.65	BUY	Downside risks to our SoTP-based TP include 1) intense competition and price cuts; 2) the termination of distributorship contracts or appointment of additional distributors in Thailand; 3) uncertainty in project bidding; 4) project delays; and 5) risk from technological changes.
Interlink Telecom	ITEL TB	THB 3.04	BUY	Downside risks to our P/E-based TP include 1) uncertainty regarding bidding outcomes; 2) delays in projects; 3) cost overruns; and 4) risks from technological disruptions.

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 12-Jun-2023 unless otherwise stated.

**RECOMMENDATION STRUCTURE****Stock ratings**

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

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.