

BUY (Unchanged)

Transfer Coverage

TP: Bt 20.00

(From: Bt 24.00)

Upside: 30.7%**4 MAY 2017**

Interlink Com. Pcl (ILINK TB)

An undervalued stock

ILINK delivered a disappointing 2016 performance, resulting in a slump in its share price. However, we believe the shares are currently undervalued and foresee high earnings growth visibility in 2017F given its existing project backlog. We reaffirm our BUY call with a lower TP of Bt20 (from Bt24).

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Stock price reaches our worst case scenario

ILINK's share price has been punished due to its disappointing 2016 earnings from submarine cable project bidding delays and a failed bid underground cable project. However, we consider the shares to be undervalued and reaffirm our BUY call on 40% 2017F normalized earnings growth vs. 18x PE. Our DCF-based 12-month TP, using a 2017F base year, is at Bt20, down from Bt24, and we also calculate a worst-case value of Bt16/share on the assumption of no further new engineering projects (~20% and 5% of sales in 2015-16). Under these assumptions, our 2017F EPS estimate is for 27% growth vs. 20x PE. *This report marks a transfer of analyst coverage.*

High earnings visibility in 2017F

Our EPS growth projection of 40% in 2017F is mainly on revenue recognition of existing engineering work backlog. Of the total Bt1.6bn backlog, we expect Bt700m (vs. Bt170m in 2016) to be booked in 2017F, Bt600m in 2018F and the rest in 2019F. Backlog is Suvarnabhumi Airport's substation/underground work, two Provincial Electricity Authority and Chonburi underground projects. We assume only Bt200m in revenue is booked from the Bt2.1bn Samui island submarine project due to open for bidding by 3Q17. We still see fixed broadband telecom business under its 60%-owned Interlink Telecom Pcl. (ITEL, Unrated) (30% of sales) as another good recurring income contributor. Its profit grew 120% last year.

Cutting earnings

Due to the 2016 disappointment, we cut ILINK's earnings by 16% in 2017F, 10% in 2018F and 30% in 2019F. The cut in 2017F is mainly due to the delay of the Bt2.1bn Samui submarine cable project bid from last year to 3Q17F. We factor in only 10% revenue recognition this year. The downward revisions in 2018-19F are on our expectation of more intense competition in engineering project bids where we now assume Bt800m p.a. of new work (vs. Bt1bn previously) with a lower margin. The reduction in our TP to Bt20 is a result of our earnings cuts.

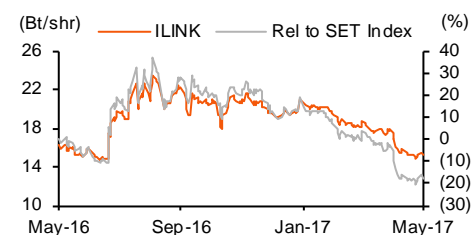
1Q17F in a nutshell

We expect weak 1Q17F earnings on slow sales from its cable trading business due to delayed demand given many project hold-ups. Engineering backlog is back-loaded to 2H17. On top of this is a Bt35m one-time tax adjustment expense. Net-net, we expect 1Q17F earnings of Bt5m-10m (or ~Bt40m in normalized profit vs. Bt60m in normalized profit in 1Q16). We expect growth to resume from 2Q17F onward from a recovery in its trading business and the booking of engineering backlog.

COMPANY VALUATION

Y/E Dec (Bt m)	2016A	2017F	2018F	2019F
Sales	2,942	3,861	5,444	5,185
Net profit	221	276	514	514
Consensus NP	—	359	457	na
Diff frm cons (%)	—	(23.0)	12.6	na
Norm profit	221	311	514	514
Prev. Norm profit	—	371	572	730
Chg frm prev (%)	—	(16.1)	(10.0)	(29.7)
Norm EPS (Bt)	0.6	0.9	1.4	1.4
Norm EPS grw (%)	(16.8)	40.8	65.4	(0.2)
Norm PE (x)	25.1	17.8	10.8	10.8
EV/EBITDA (x)	13.8	9.7	6.5	6.0
P/BV (x)	2.1	2.0	1.7	1.6
Div yield (%)	1.3	1.5	2.8	3.7
ROE (%)	10.0	11.4	17.0	15.2
Net D/E (%)	18.8	17.6	8.9	1.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) as of 3-May-17	15.30
Market Cap (US\$ m)	160.8
Listed Shares (m shares)	362.4
Free Float (%)	36.6
Avg. Daily Turnover (US\$ m)	0.7
12M Price H/L (Bt)	23.50/14.70
Sector	Telecom
Major Shareholder	Interlink Holding Ltd 25.05%

Sources: Bloomberg, Company data, Thanachart estimates

Stock price reaches our worst case scenario

Share price now 35% off 2016's peak

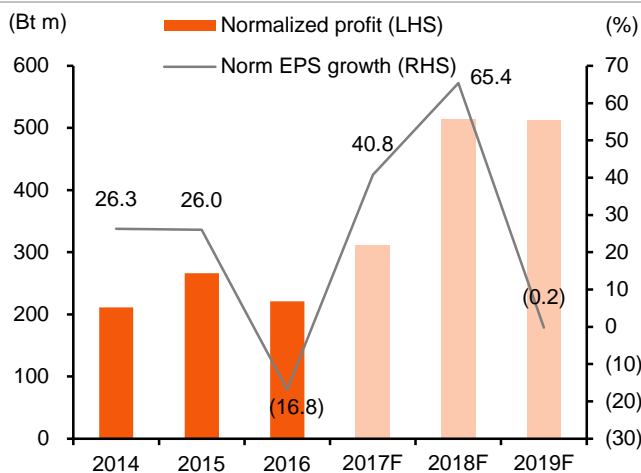
Interlink Communication Pcl's (ILINK) share price has corrected sharply by 35% from 2016's peak of Bt23.5 on the back of disappointment over the bidding delays for two submarine projects, the Bt2.1b Samui Island and Bt1.7 Tao island projects, wherein we expected ILINK to win the first, along with the failed bid for the Bt2.5bn Chongnonsri underground cable project in Bangkok. As a result, its earnings didn't grow in 2H16.

However, we believe that ILINK's shares are currently undervalued.

Now trading near our worst-case scenario of Bt16/share

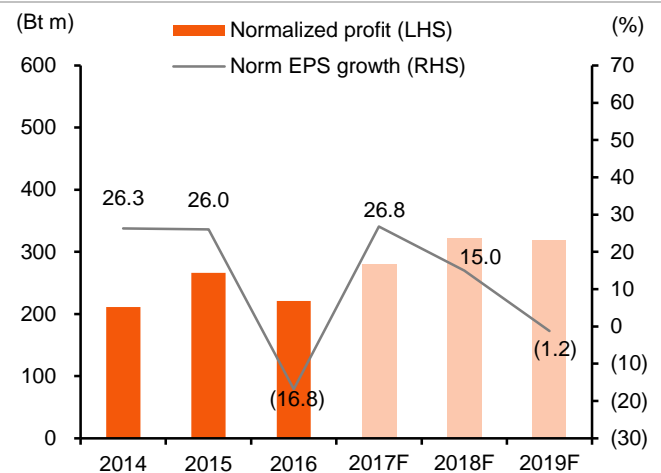
- First, it is trading near our worst-case DCF-based valuation of Bt16/share, which assumes no more new engineering work from now on. With this assumption, our base-case earnings growth assumption of 40% would fall to only 27% and 2017F PE would rise from 18x to 20x. This worst-case assumption isn't realistic in our view as we believe ILINK remains competitive in the engineering work market and the company has no intention of terminating this business. ILINK is the largest communication cable trading company in Thailand, implying raw material cost competitiveness while it has lots of experience and good relationships with customers.

Ex 1: Normalized Earnings



Sources: Company data; Thanachart estimates

Ex 2: Normalized Earnings (No New Engineering Work)

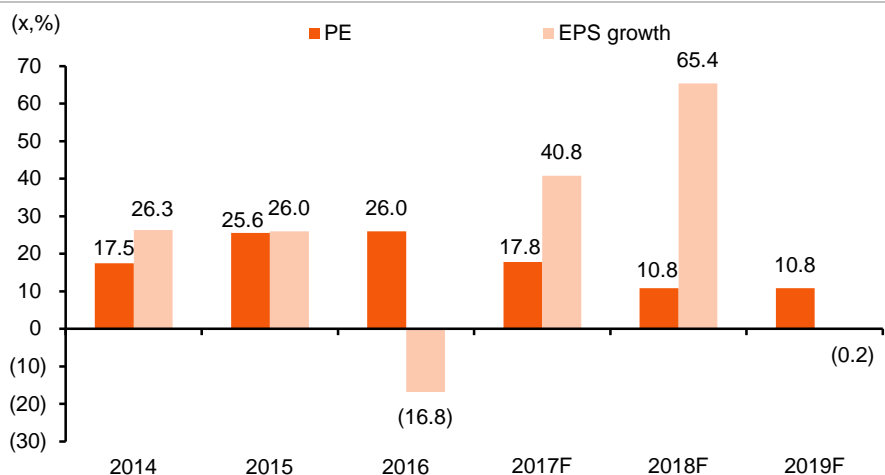


Sources: Company data; Thanachart estimates

Already cheap on PE to growth matrix in our view

- Second, ILINK looks inexpensive on a PE basis in our view at a valuation matrix of 18x vs. 40% EPS growth in 2017F and only 11x vs. 65% growth in 2018F.

Ex 3: PE vs EPS Growth

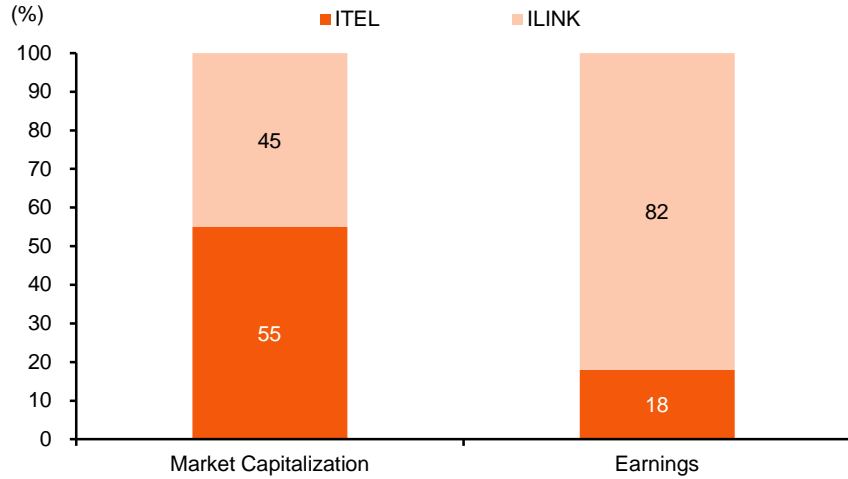


Sources: Company data, Thanachart estimates

ITEL accounts for 55% of ILINK's market cap vs. only 18% of ILINK's earnings

- Third, ILINK owns a 60% stake in its fixed-broadband telecom subsidiary Telecom Pcl (ITEL, Unrated). ITEL's market capitalization for the 60% holding now accounts for as much as 55% of ILINK's market cap. This is despite ITEL contributing only 18% of ILINK's bottom-line in 2016.

Ex 4: ITEL's Contribution To ILINK's Market Cap vs Earnings

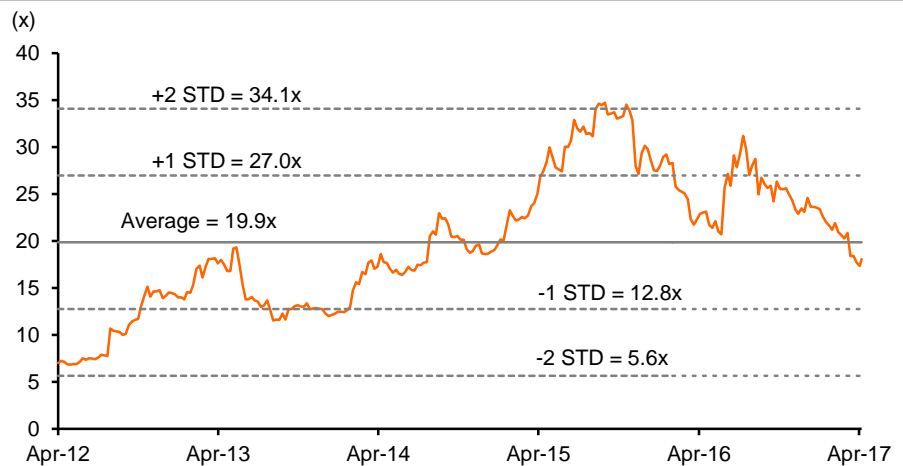


Sources: Bloomberg, Thanachart estimates

ILINK has already de-rated

- Lastly, on a five-year rolling average forward PE basis, ILINK's share price has also been de-rated.

Ex 5: ILINK Has Been De-rated On A Five-year Forward Rolling Average PE



Sources: Bloomberg, Thanachart estimates

High earnings visibility in 2017F

Growth looks secure from existing backlog

We foresee strong earnings growth visibility for ILINK in 2017F. We estimate normalized EPS growth of 40% in 2017F and 65% in 2018F. The growth visibility in 2017F is high because a key contributor is the revenue booking of Bt700m from its Bt1.6bn of backlog on hand. Note that ILINK booked revenue from its engineering business of only Bt170m (see Exhibit 8). The Bt1.6bn of backlog carried over from 2016 is from Suvarnabhumi Airport's substation/underground cable work, two Provincial Electricity Authority (PEA) and Chonburi underground projects. Of the total of Bt1.6bn in existing backlog, we estimate ILINK to book around Bt700m in 2017F, Bt600m in 2018F and the remainder in 2019F.

Ex 6: ILINK's Current Backlog

Project name	Project value for ILINK (Bt m)	Duration (days)	Status	Estimated gross margin (%) (by the company)	Remaining backlog as of 2016 (Bt m)
Suvarnabhumi Airport C3 substation/underground cable projects	808	900	In progress	15	787
Lamphun-Lampang 115-22KV substation for the Provincial Electricity Authority (PEA)	530	540	In progress	16	460
Hod-Mae Sarieng 115KV transmission line for the Provincial Electricity Authority (PEA)	290	360	In progress	17	290
Chonburi Underground Cable	76	290	In progress	12	76

Sources: Company data, Thanachart estimates

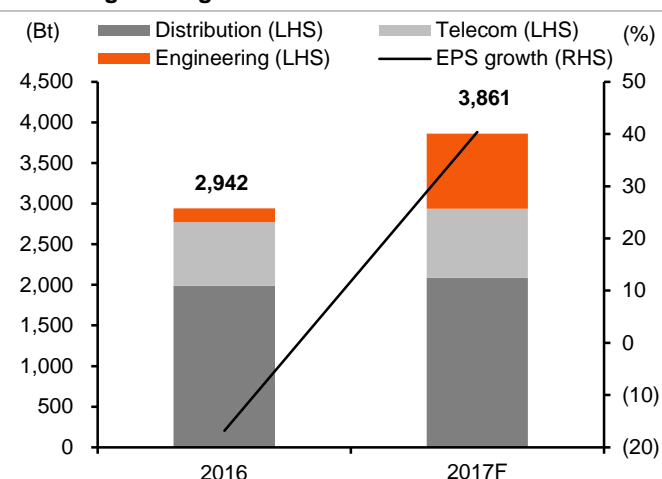
We project >Bt900m of engineering revenue in 2017F vs. Bt170m in 2016

On top of the existing backlog, we expect two submarine cable project bids to eventually proceed this year after being delayed from September 2016. The two projects originally scheduled to open for bidding last year are the Bt2.1bn Samui Island and the Bt1.7bn Tao Island submarine cable projects. ILINK now expects a worst-case timeline scenario of August 2017 for the bidding to take place. There are only two key qualified bidders with strong track records in previous work, ILINK and Italian-Thai Development (ITD, Unrated), and we expect each to win one project. ILINK expects to win the Bt2.1bn Samui project.

Of the total Bt2.1bn Samui Island project, we estimate only 10% of the project value or Bt200m to be booked as revenue in 2017F.

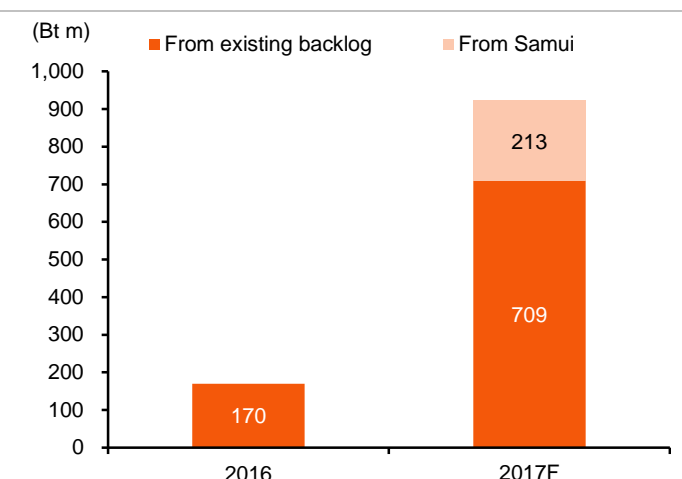
Thus, together with the booking from the existing backlog, ILINK can potentially book almost Bt1bn from engineering business in 2017F vs only Bt170m in 2016.

Ex 7: Engineering Work Is The Driver In 2017F

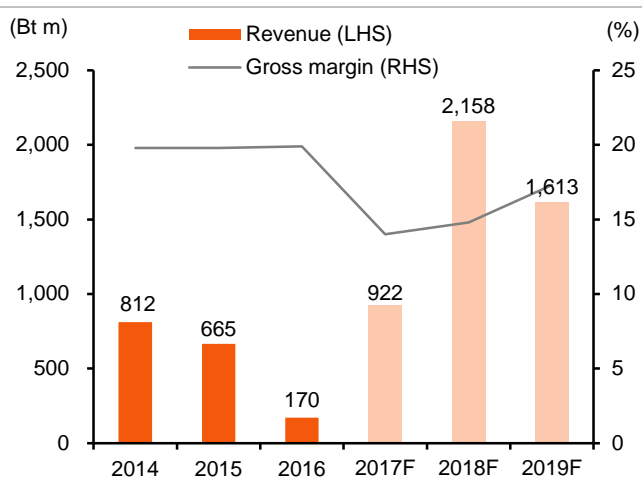


Sources: Company data; Thanachart estimates

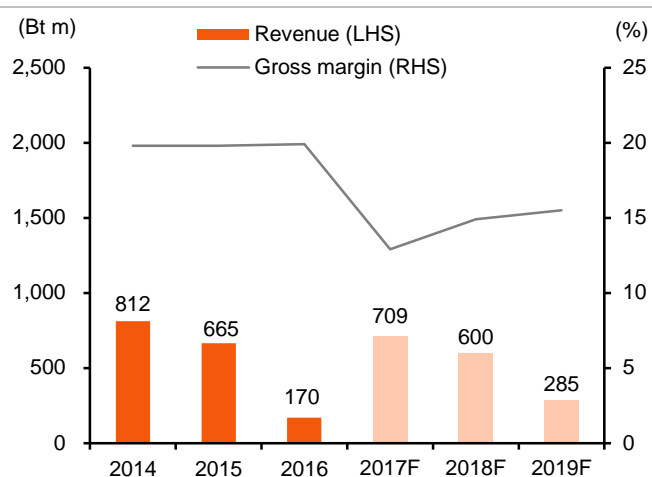
Ex 8: From Bt170m To Bt930m Of Revenue



Sources: Company data; Thanachart estimates

Ex 9: Engineering Business

Sources: Company data; Thanachart estimates

Ex 10: Engineering Business (No Samui Project)

Sources: Company data; Thanachart estimates

We leave the rest of the potential engineering work as upside

There are other potential engineering projects, including power substations worth over Bt10bn a year or Bt300m-500m per project, some of which are scheduled to open for bidding in 1H-2H17F. We leave these as upside to our earnings forecasts.

Ex 11: We Leave Other Potential Project Bids As Upside

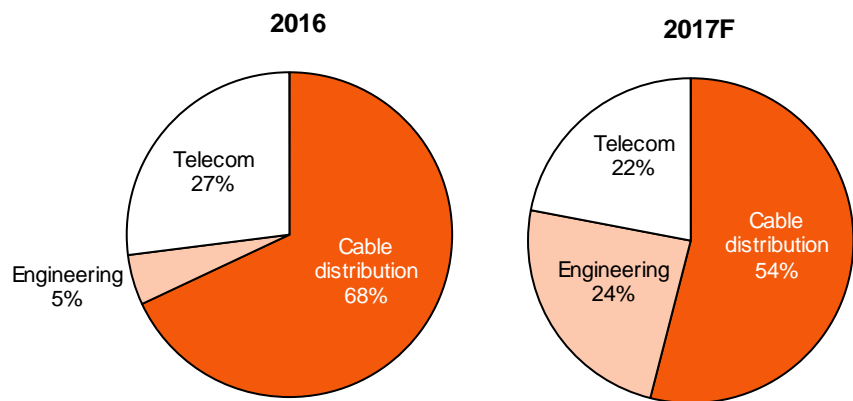
Project name	Project value for ILINK (Bt m)	Consortium (Yes/No)	Status	Estimated competition	Included in our forecast (Yes/No)
Tao and Samui islands submarine cable	1,686-2,130	No	Bidding expected in 2H17 (Delayed)	Low	Yes (Samui)
Automatic People Mover (APM) at Suvarnabhumi Airport	2,894	Yes	Bidding expected in 2H17	High	No
PEA substation projects	Bt~15bn (Bt300-500m each)	No	Bidding expected in 1-2H17	Moderate	No

Sources: Company data, Thanachart estimates

The other two businesses are recurring in nature

ILINK's two other core businesses are communications distribution or cable trading (54% of 2017F sales) and fixed-broadband telecom (22% of 2017F sales). We consider these businesses to be recurring and resilient.

Ex 12: ILINK's Revenue Breakdown – 2016 vs 2017F



Sources: Company data, Thanachart estimates

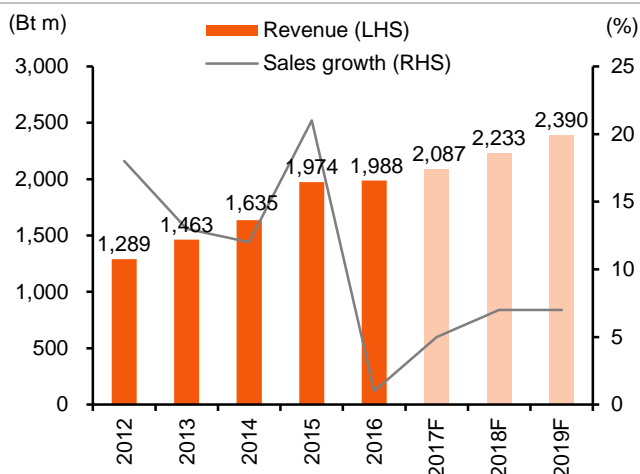
Soft 1Q17F but the industry is growing at around 13% p.a. in the digital era

Cable distribution: We expect ILINK's cable trading business (54% of sales) to benefit from the development of the digital economy in Thailand. The industry grew at a 13% five-year CAGR in 2012-16 with continued spending on fiber-optic infrastructure both by the government and the private sector. We conservatively forecast this business to grow by around 5-7% in 2017F (vs. 10% in 2016, after a big-lot TOT project in 2015) as a result of the minor hiccups of project delays in 1Q17F that caused a demand drop. We believe the pricing and margin blip in 1Q17F has been due to substantial low-margin government work. However, we still see this part of ILINK's business as generating decent recurring income and we expect it to bounce back to grow at a normal rate of around 7-10% from 2018F.

Another good recurring business

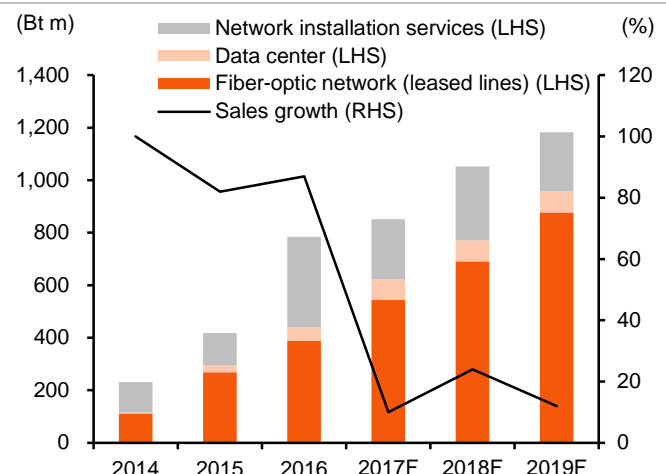
Telecom: ILINK's telecom business is under its listed 60%-owned ITEL. ITEL operates a fiber-optic fixed-line broadband business, network installation services and a data center business. ITEL in our view provides another source of recurring income, especially its core fiber-optic leased-line business. We expect ITEL to contribute 22% of LINK's sales in 2017F. ITEL's profit grew 120% in 2016 and we expect it to grow at half the rate in 2017F due to higher earnings base.

Ex 13: Cable Trading Revenue



Sources: Company data; Thanachart estimates

Ex 14: Telecom Business (Under ITEL)



Sources: Company data; Thanachart estimates

Cutting earnings

Due to the project bidding disappointments in 2016, we revise down ILINK's earnings by 16% in 2017F, 10% in 2018F and 30% in 2019F.

16% cut in 2017F due mainly to delay of Samui submarine cable project

2017F: The 16% cut in 2017F earnings is due mainly to the delay of the Bt2.1bn Samui submarine cable project bidding that has been postponed from September last year. We now expect the bidding to take place by 3Q17F with ILINK winning it, though we factor in only 10% revenue recognition in 2017F. Management however is more optimistic, targeting around 30% revenue recognition.

Soft demand for cables because of many project delays in 1Q17

We estimate only 5% sales growth in 2017F from the cable trading business vs. our previous expectation of over 10%. This is because of soft demand in 1Q17 from many project hold-ups that caused delays to cable purchases while there have been more large-sized government projects that have pushed down trading margin. But we still foresee the cable business remaining resilient in the digital era and forecast higher growth in later years

More intense long-term competition in engineering work bids

2018-19F: We cut our earnings estimates by 10-30% in 2018-19F to reflect our more conservative assumptions for the engineering work business. We note that project biddings have recently been offering low margins because of more intense competition. We therefore cut our new work assumption to Bt800m p.a. from Bt1bn previously. We also lower our gross margin assumption for this business to 17% from 20%-plus previously.

Given our earnings cuts, we lower our DCF-based 12-month TP, using a base year of 2017F, from Bt24 to Bt20/share.

Ex 15: Changes In Key Assumptions

	2017F	2018F	2019F
Revenue (Bt m)			
New	3,861	5,444	5,185
Old	4,079	5,291	5,756
Change (%)	(5.3)	2.9	(9.9)
Gross margin (%)			
New	23.0	22.3	24.5
Old	23.5	24.1	26.3
Change (pp)	(0.5)	(1.8)	(1.8)
SG&A to sales (%)			
New	10.9	8.8	10.1
Old	10.4	9.0	9.1
Change (pp)	0.5	(0.2)	1.0
Normalized profit (Bt m)			
New	311	514	513
Old	371	572	730
Change (%)	(16.1)	(10.0)	(29.7)

Sources: Company data, Thanachart estimates

Short-term hiccups in 1Q17F

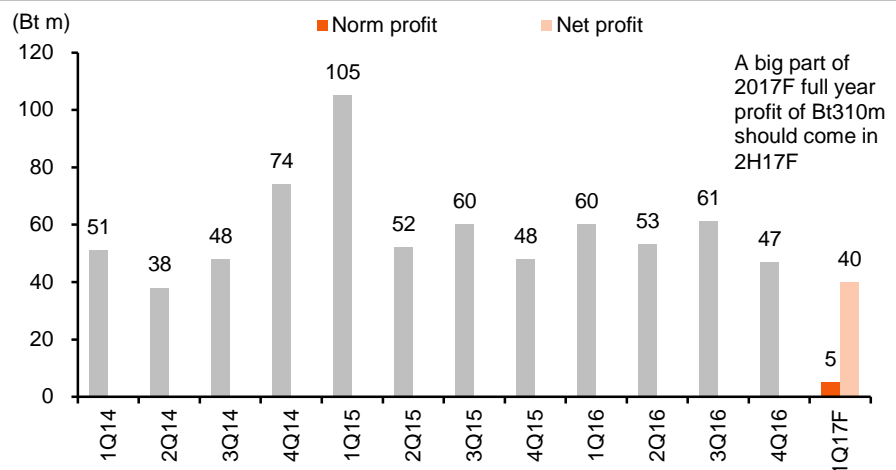
We expect a very weak 1Q17F

We expect ILINK to report weak earnings in 1Q17F of Bt5m-10m or norm earnings of Bt40m, down 33% y-y. The weak bottom-line earnings are due to a one-off Bt35m tax adjustment expense. We believe the weak norm earnings were due to a drop in revenue from its cable distribution business on many project delays in the quarter causing soft cable demand. The cable business however has been improving in 2Q17F. The bookings from its engineering backlog are back-loaded so we expect revenue booking to be heavy from 3Q17F onward.

Opportunity to BUY on 2H17F turnaround and submarine cable project bid

Having said that, we see an opportunity to BUY ILINK for a sharp operational turnaround in 2H17F and given our view that the stock is currently inexpensive as discussed in the first part of this report. The one-off item will disappear in 2Q17 while we assume the bulk of engineering work to be booked in 2H17F. That is, we estimate ILINK's 2H17F normalized profit to jump to around Bt200m or almost double from 2H16. We also foresee another positive catalyst when the submarine cable project biddings take place given our expectation that ILINK will win one project.

Ex 16: Potential Turnaround In 2H17F



Sources: Company data, Thanachart estimates

Ex 17: 12-month DCF-based TP Calculation Using A Base Year Of 2017F

(Bt m)	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	Terminal Value
EBITDA	636	914	926	844	915	982	1,044	1,115	1,165	1,220	1,282	1,336	
Free cash flow	322	628	444	402	598	656	711	767	813	854	899	941	12,606
PV of free cash flow	322	523	337	279	378	378	374	368	356	341	327	313	4,187
Risk-free rate (%)	4.5												
Market risk premium (%)	7.5												
Beta	0.8												
WACC (%)	9.6												
Terminal growth (%)	2.0												
Enterprise value - add investments	8,481												
Net debt (2016F)	599												
Minority interest	563												
Equity value	7,319												
# of shares (m)	362												
Equity value/share (Bt)	20												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 18: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div Yield	
			17F (%)	18F (%)	17F (x)	18F (x)	17F (x)	18F (x)	17F (x)	18F (x)	17F (%)	18F (%)
China Mobile	941 HK	HK	6.3	7.3	14.7	13.7	1.6	1.5	3.9	3.7	3.1	3.4
China Unicom Hon	762 HK	HK	na	92.9	47.5	24.6	1.0	1.0	4.2	4.0	0.7	1.4
Bharti Airtel	BHARTI IN	India	(25.8)	(11.5)	34.1	38.5	2.0	1.9	7.2	7.3	0.8	0.9
Idea Cellular	IDEA IN	India	na	na	na	na	1.2	1.4	7.6	8.2	0.4	0.5
Onmobile Global	ONMB IN	India	na	15.7	9.6	8.3	na	na	3.3	2.7	1.8	1.8
Reliance Communi	RCOM IN	India	na	na	na	na	0.2	0.2	6.9	7.0	0.2	0.2
Tata Communication	TCOM IN	India	na	(11.9)	33.6	38.1	52.4	25.4	9.2	8.3	0.7	0.7
Indosat	ISAT IJ	Indonesia	66.4	43.3	21.1	14.7	2.6	2.3	4.4	4.1	2.0	3.1
Telekomunikasi Indonesia	TLKM IJ	Indonesia	16.0	12.7	19.1	16.9	4.5	4.2	6.9	6.2	3.3	3.8
DiGi.Com	DIGI MK	Malaysia	0.0	0.0	23.9	23.9	0.7	0.6	13.9	13.7	4.2	4.1
Singapore Telecom	ST SP	Singapore	(0.4)	5.8	15.5	14.6	2.3	2.2	14.2	13.9	4.8	4.9
StarHub	STH SP	Singapore	(18.2)	(5.6)	17.2	18.2	0.3	0.3	8.5	8.6	5.8	5.7
SK Telecom	017670 KS	S.Korea	12.0	0.3	9.1	9.1	1.1	1.0	5.1	5.0	4.2	4.3
Taiwan Mobile	3045 TT	Taiwan	0.2	4.4	20.0	19.2	5.6	5.5	12.9	12.4	5.0	5.1
Advanced Info Service*	ADVANC TB	Thailand	(9.7)	9.0	19.2	17.6	12.7	11.1	9.8	9.7	5.1	4.0
Total Access Comm. *	DTAC TB	Thailand	19.8	31.7	41.0	31.1	3.6	3.5	4.6	4.0	2.8	3.2
Interlink Communication*	ILINK TB	Thailand	40.8	65.4	17.8	10.8	2.0	1.7	9.7	6.5	1.5	2.8
Intouch Holdings *	INTUCH TB	Thailand	(12.7)	10.7	16.2	14.6	7.0	6.4	11.5	10.5	6.0	5.1
Jasmine International *	JAS TB	Thailand	12.0	(1.1)	20.4	20.6	3.8	3.2	11.9	11.2	3.9	4.0
Samart Corporation *	SAMART TB	Thailand	474.5	43.1	36.2	25.3	2.5	2.4	10.0	8.7	1.7	2.4
Samart i-Mobile *	SIM TB	Thailand	na	na	na	na	2.4	2.6	na	111.7	0.0	0.0
Thaicom *	THCOM TB	Thailand	(0.0)	(17.5)	14.1	17.1	1.0	1.0	5.3	5.2	3.2	2.6
True Corp *	TRUE TB	Thailand	na	na	na	na	1.7	1.7	13.5	10.0	0.0	0.0
Average			36.3	15.5	22.6	19.8	5.1	3.7	8.4	12.3	2.7	2.8

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS

Based on 3 May 2017 closing prices

COMPANY DESCRIPTION

Interlink Communication Pcl (ILINK) and its subsidiaries are engaged in three main business segments. 1) Distribution is the main business: the company is the importer and distributor of cabling under the LINK and AMP brands. ILINK is also the distributor of products under the 19" Germany Export Rack brand. 2) Engineering business: ILINK designs, constructs and/or installs all cable-type systems such as fiber-optic cables, submarine cables, underground cables and others. 3) Telecom business: divided into Interlink fiber-optic network, Interlink data centers and network installation services.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

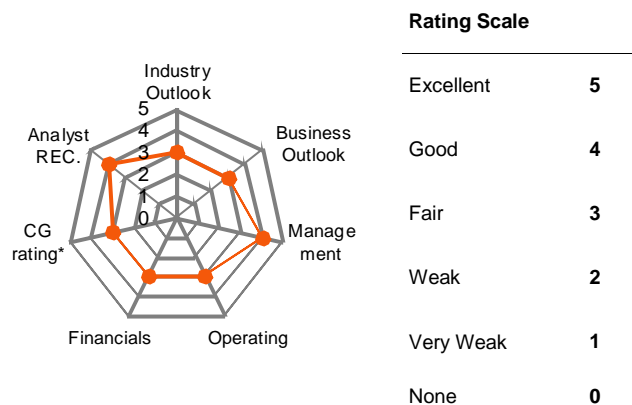
S — Strength

- No.1 telecom cabling company in Thailand.
- Engineering business has a decent track record with large-scale projects.
- Cost advantages in fiber-optic network construction.

O — Opportunity

- The early development of the digital economy in Thailand.
- Underground cable projects in the Bangkok metropolitan area.
- Untapped market for fiber-optic leased lines, especially international connection points.

COMPANY RATING



Source: Thanachart; *CG Rating

W — Weakness

- Depends on external brands such as LINK and AMP.
- Contracting work can lead to fluctuations in earnings.
- Fiber-optic network has a limited market for small players.

T — Threat

- A slowdown in telecom infrastructure spending.
- Delays in contract work bidding.
- Competitive bidding for some projects could erode margins.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	18.35	20.00	9%
Net profit 17F (Bt m)	359	276	-23%
Net profit 18F (Bt m)	457	514	13%
Consensus REC	BUY: 2	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2017F earnings are well below the Bloomberg consensus, which we believe is due to us factoring in lower cable trading sales and submarine cable project bid delays.
- Our TP and 2018F earnings are still higher than the Street's which we attribute to us having a more positive long-term view on sustainable growth in the distribution and telecom businesses.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Winning Bangkok underground cable projects would provide upside to our earnings forecasts and TP.
- Further delays to the submarine cable project bidding present the key downside risk to our 2017-18F earnings.
- Cost overruns for the Suvarnabhumi Airport project would be a secondary downside risk to our forecasts.
- Fewer-than-expected new contracts for its fiber-optic leased lines would be another downside risk to our call.

Source: Thanachart

INCOME STATEMENT

We expect sales to jump in 2017-18F as engineering projects start

FY ending Dec (Bt m)	2015A	2016A	2017F	2018F	2019F
Sales	3,058	2,942	3,861	5,444	5,185
Cost of sales	2,340	2,254	2,972	4,228	3,916
Gross profit	718	688	889	1,216	1,269
% gross margin	23.5%	23.4%	23.0%	22.3%	24.5%
Selling & administration expenses	367	388	419	477	524
Operating profit	351	300	470	739	745
% operating margin	11.5%	10.2%	12.2%	13.6%	14.4%
Depreciation & amortization	112	145	166	175	181
EBITDA	463	445	636	914	926
% EBITDA margin	15.1%	15.1%	16.5%	16.8%	17.9%
Non-operating income	21	30	31	38	36
Non-operating expenses	0	0	0	0	0
Interest expense	(37)	(45)	(53)	(57)	(50)
Pre-tax profit	335	286	447	720	732
Income tax	68	58	89	144	146
After-tax profit	266	227	358	576	586
% net margin	8.7%	7.7%	9.3%	10.6%	11.3%
Shares in affiliates' Earnings	0	(0)	3	8	14
Minority interests	(1)	(6)	(50)	(70)	(86)
Extraordinary items	0	0	(35)	0	0
NET PROFIT	266	221	276	514	514
Normalized profit	266	221	311	514	514
EPS (Bt)	0.7	0.6	0.8	1.4	1.4
Normalized EPS (Bt)	0.7	0.6	0.9	1.4	1.4

Despite cutting earnings, we still expect EPS to grow 40-65% in 2017-18F

BALANCE SHEET

Rise in long-term debt is due to capex for core fiber-optic network

FY ending Dec (Bt m)	2015A	2016A	2017F	2018F	2019F
ASSETS:					
Current assets:	1,147	2,721	3,110	3,753	3,636
Cash & cash equivalent	305	695	800	800	800
Account receivables	310	468	529	746	710
Inventories	224	270	326	463	429
Others	307	1,288	1,455	1,744	1,697
Investments & loans	2	39	39	39	39
Net fixed assets	2,272	2,768	2,951	3,076	3,170
Other assets	29	59	77	109	103
Total assets	3,450	5,586	6,177	6,977	6,949
LIABILITIES:					
Current liabilities:	816	1,227	1,454	2,009	1,828
Account payables	719	975	1,221	1,738	1,609
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	57	140	140	115	85
Others current liabilities	40	112	92	156	133
Total LT debt	802	1,153	1,264	1,034	768
Others LT liabilities	17	18	23	33	31
Total liabilities	1,635	2,398	2,741	3,075	2,627
Minority interest	4	563	613	683	769
Preferreds shares	0	0	0	0	0
Paid-up capital	335	362	362	362	362
Share premium	576	771	771	771	771
Warrants	0	0	0	0	0
Surplus	0	462	462	462	462
Retained earnings	900	1,030	1,228	1,624	1,958
Shareholders' equity	1,811	2,625	2,823	3,219	3,553
Liabilities & equity	3,450	5,586	6,177	6,977	6,949

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2015A	2016A	2017F	2018F	2019F
Earnings before tax	335	286	447	720	732
Tax paid	(74)	(61)	(89)	(144)	(146)
Depreciation & amortization	112	145	166	175	181
Chg In working capital	(330)	52	130	162	(59)
Chg In other CA & CL / minorities	314	282	(186)	(216)	38
Cash flow from operations	357	703	469	696	746
Capex	(636)	(640)	(350)	(300)	(275)
ST loans & investments	60	(633)	0	0	0
LT loans & investments	0	(37)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	63	(30)	(47)	(21)	4
Cash flow from investments	(513)	(1,340)	(397)	(321)	(271)
Debt financing	200	434	112	(256)	(295)
Capital increase	133	222	0	0	0
Dividends paid	(7)	(90)	(78)	(119)	(180)
Warrants & other surplus	(60)	461	0	0	0
Cash flow from financing	265	1,027	34	(375)	(475)
Free cash flow	(279)	63	119	396	471

Lower capex needed in 2018-19F for last-mile extension

VALUATION

FY ending Dec	2015A	2016A	2017F	2018F	2019F
Normalized PE (x)	20.9	25.1	17.8	10.8	10.8
Normalized PE - at target price (x)	27.3	32.8	23.3	14.1	14.1
PE (x)	20.9	25.1	20.1	10.8	10.8
PE - at target price (x)	27.3	32.8	26.3	14.1	14.1
EV/EBITDA (x)	13.2	13.8	9.7	6.5	6.0
EV/EBITDA - at target price (x)	16.9	17.6	12.3	8.3	7.9
P/BV (x)	3.1	2.1	2.0	1.7	1.6
P/BV - at target price (x)	4.0	2.8	2.6	2.3	2.0
P/CFO (x)	15.5	7.9	11.8	8.0	7.4
Price/sales (x)	1.8	1.9	1.4	1.0	1.1
Dividend yield (%)	1.6	1.3	1.5	2.8	3.7
FCF Yield (%)	(5.0)	1.1	2.1	7.1	8.5
(Bt)					
Normalized EPS	0.7	0.6	0.9	1.4	1.4
EPS	0.7	0.6	0.8	1.4	1.4
DPS	0.2	0.2	0.2	0.4	0.6
BV/share	5.0	7.2	7.8	8.9	9.8
CFO/share	1.0	1.9	1.3	1.9	2.1
FCF/share	(0.8)	0.2	0.3	1.1	1.3

Sources: Company data, Thanachart estimates

We see 18x PE in 2017F as undemanding given ILINK's earnings-growth potential

FINANCIAL RATIOS

FY ending Dec	2015A	2016A	2017F	2018F	2019F
Growth Rate					
Sales (%)	14.2	(3.8)	31.2	41.0	(4.8)
Net profit (%)	26.0	(16.8)	25.0	86.3	(0.2)
EPS (%)	26.0	(16.8)	25.0	86.3	(0.2)
Normalized profit (%)	26.0	(16.8)	40.8	65.4	(0.2)
Normalized EPS (%)	26.0	(16.8)	40.8	65.4	(0.2)
Dividend payout ratio (%)	32.8	32.8	30.0	30.0	40.0
Operating performance					
Gross margin (%)	23.5	23.4	23.0	22.3	24.5
Operating margin (%)	11.5	10.2	12.2	13.6	14.4
EBITDA margin (%)	15.1	15.1	16.5	16.8	17.9
Net margin (%)	8.7	7.7	9.3	10.6	11.3
D/E (incl. minor) (x)	0.5	0.4	0.4	0.3	0.2
Net D/E (incl. minor) (x)	0.3	0.2	0.2	0.1	0.0
Interest coverage - EBIT (x)	9.5	6.7	8.8	13.0	15.0
Interest coverage - EBITDA (x)	12.5	10.0	11.9	16.1	18.7
ROA - using norm profit (%)	7.7	4.9	5.3	7.8	7.4
ROE - using norm profit (%)	16.1	10.0	11.4	17.0	15.2
DuPont					
ROE - using after tax profit (%)	16.2	10.2	13.1	19.1	17.3
- asset turnover (x)	0.9	0.7	0.7	0.8	0.7
- operating margin (%)	12.2	11.2	13.0	14.3	15.1
- leverage (x)	2.1	2.0	2.2	2.2	2.1
- interest burden (%)	90.1	86.5	89.3	92.7	93.7
- tax burden (%)	79.6	79.6	80.0	80.0	80.0
WACC (%)	9.6	9.6	9.6	9.6	9.6
ROIC (%)	14.4	10.1	11.7	17.2	16.7
NOPAT (Bt m)	279	239	376	591	596

Sources: Company data, Thanachart estimates

Higher contribution from engineering business should boost net margin

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