

**BUY**

Initiation

TP: Bt 28.00

Upside: 33.3%

15 JULY 2016

# Interlink Communication (ILINK TB)

## Extending the growth cycle

We initiate coverage on ILINK with a BUY and regard its valuation as undemanding with 2016-17F EPS growth of 24-40% and a 0.6x 2017F PEG. We foresee strong growth of its existing businesses and projects in the pipeline, while underground cable projects potentially extending its growth cycle could provide upside to our forecasts.



**CHATCHAWIN LERTAPIRUK**  
662 – 617 4981  
chatchawin.ler@thanachartsec.co.th

### A growth, digital economy play

We initiate coverage on ILINK with a BUY and a 12-month DCF-based TP of Bt28.0, using a base year of 2017F, seeing it as a digital economy play with an extended growth cycle. 1) Its core business as Thailand's largest distributor of telecom cables is growing at 15% p.a. on heavy spending by the government and telecom operators. 2) We expect ILINK as a key player to win another submarine cable project either to Samui or Tao islands. 3) ILINK successfully entered the fixed-broadband business three years ago with its revenue base rising to 14% of the total in 2015 and still growing strongly. 4) We see potential Bt7.0/share upside to our TP if ILINK wins government underground cable projects. But even without those, ILINK is already a growth stock with a three-year EPS CAGR of 31% in 2015-18F vs. a 2017F 0.6x PEG.

### Existing businesses still growing well

While ILINK's core cable (LAN, fiber optic and co-axial) distribution business (60% of revenue, 23% gross margin) is still growing by 15% p.a., its engineering contracting work (20% of revenue, ~20% gross margin) is enjoying a new lease of life with the recently-won Bt1bn sub-station and underground cables project at Suvarnabhumi Airport. We also expect ILINK to win another big submarine cable project, either the Bt2.1bn Samui Island or the Bt1.7bn Tao Island project. There are likely to be only two experienced bidders and ILINK is one of them.

### Expanding its recurring income base

ILINK moved into the fixed-broadband business a few years ago. As a new player, ILINK doesn't have old-economy, low-speed copper broadband investment to worry about, but rather in-demand high-speed fiber optics. Its telecom business has proven to be successful with revenue jumping from nothing in 2012 to Bt419m in 2015. We forecast an S-curve growth period to kick-start as ILINK just completed laying its core network last year and we project revenue to jump to Bt758m this year and Bt1.2bn in 2018F. Note that ILINK doesn't position itself as a competitor to the first-tier players such as telecom operators or Jasmine International (JAS, Bt5.65, SELL), but as a minor player and a back-up broadband operator, which have gained ground fast.

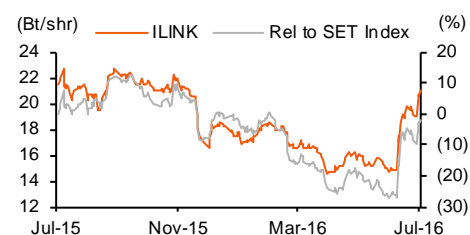
### Potential new business as upside

ILINK plans to bid for a series of government underground cable projects (putting all the cables underground) over the next five to six years with a combined value of Bt52bn. If ILINK wins the first project (the announcement is scheduled for 21 July 2016), we expect its track record and advantage of having a cable-trading business to allow it to win again in the other bids. We foresee potential upside of Bt7.0 to our TP.

### COMPANY VALUATION

Y/E Dec (Bt m)	2015A	2016F	2017F	2018F
Sales	3,058	3,764	4,855	5,752
Net profit	266	329	459	593
Consensus NP	—	323	432	425
Diff frm cons (%)	—	1.9	6.4	39.5
Norm profit	266	329	459	593
Prev. Norm profit	—	329	459	593
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	0.7	0.9	1.3	1.6
Norm EPS grw (%)	26.0	23.9	39.5	29.2
Norm PE (x)	28.7	23.1	16.6	12.8
EV/EBITDA (x)	17.6	14.4	10.8	8.6
P/BV (x)	4.2	3.7	3.2	2.7
Div yield (%)	1.1	1.3	1.8	3.1
ROE (%)	16.1	16.9	20.4	22.6
Net D/E (%)	30.6	34.1	22.6	8.5

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: (Bt) as of 14-Jul-16	21.00
Market Cap (US\$ m)	217.1
Listed Shares (m shares)	362.4
Free Float (%)	36.6
Avg. Daily Turnover (US\$ m)	1.0
12M Price H/L (Bt)	22.70/14.60
Sector	Telecom
Major Shareholder	Interlink Holding Ltd 25.6%

Sources: Bloomberg, Company data, Thanachart estimates



## All three engines on the go; initiate with a BUY

*We expect all three of ILINK's businesses to experience strong growth*

Interlink Communication Pcl (ILINK) operates three businesses: 1) telecommunication cable distribution (trading), 2) engineering contracting work (project-based), and 3) telecom services (fiber-optic leased lines, datacenter and network installation services).

We believe all three of ILINK's businesses are still growing fast with its distribution business riding on Thailand's digital infrastructure development at 15% growth p.a. in 2016-18F, while we expect its engineering contracting business to win around Bt3bn of new work value this year. Lastly, we also project its fiber-optic network and other parts of its telecom arm to experience a big revenue jump in 2016F and margins to expand from the leverage effect.

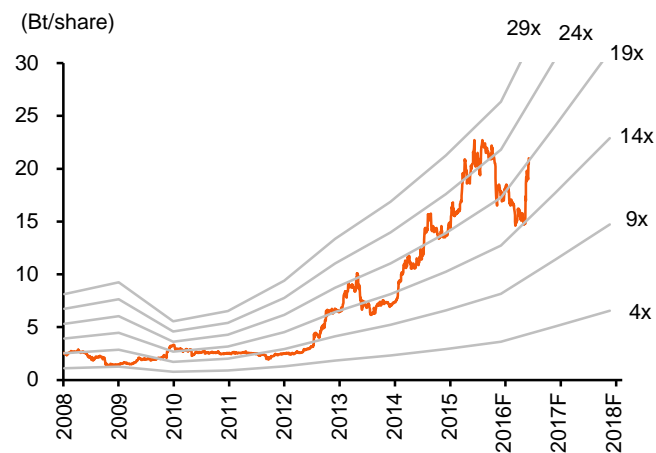
*We initiate with a BUY rating and regard ILINK as a growth stock ...*

Even without winning the anticipated government underground cable projects, we still expect ILINK's earnings to grow by 24% in 2016F, 40% in 2017F and 30% in 2018F. We keep our forecasts conservative and assume no new projects in 2017F, but still regard ILINK's valuation as undemanding with PE dropping from 23x in 2016F to 17x in 2017F and a 2017F PEG ratio of only 0.6x. We initiate coverage on ILINK shares with a BUY rating and a 12-month DCF-based TP of Bt28.0, using 2017F as our base year.

*... even without winning underground cable projects*

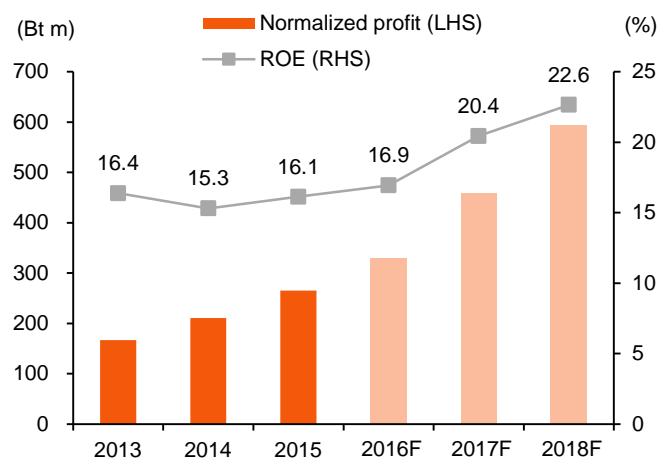
At the same time, we see potential upside for the stock if ILINK wins the first round of underground cable project bidding (auction scheduled for 21 July 2016), which we expect to pave the way for ILINK to win a series of underground cable contracts and extend its growth cycle for the next five to six years. We foresee potential upside of Bt7.0/share to our TP.

**Ex 1: Forward PE Band**



Sources: Company data; Thanachart estimates

**Ex 2: Normalized Earnings And ROE**



Sources: Company data; Thanachart estimates

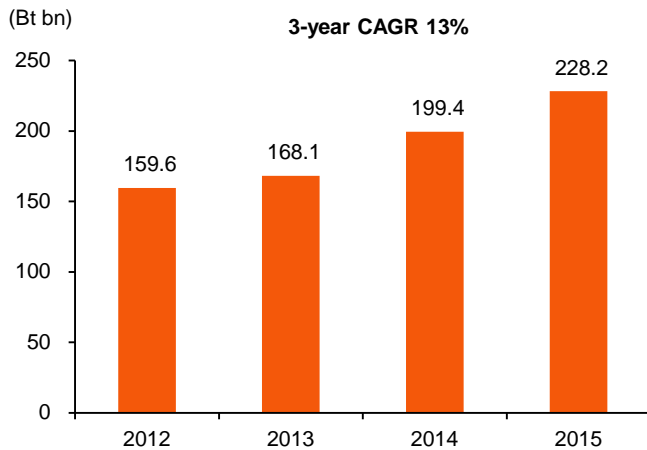
### Distribution: riding on the digital economy

*ILINK is the market leader in the telecom cabling industry*

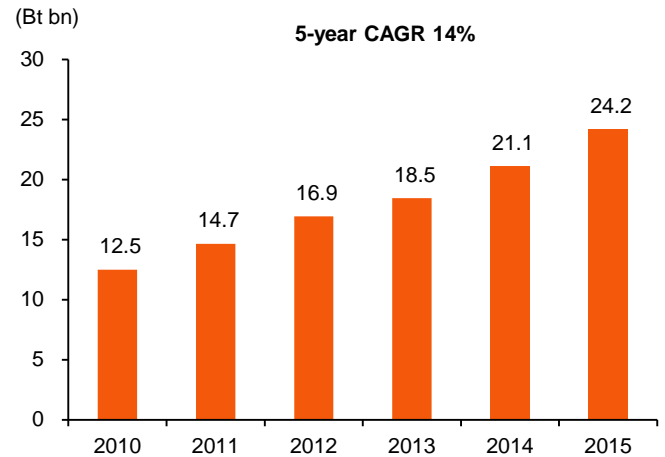
ILINK is the No.1 importer and distributor of telecommunication cables in Thailand. The company sells LAN cables, fiber-optic cables, co-axial cables for CCTV and other telecom-related equipment under the LINK, AMP and 19" Germany Export Rack brands. More than half of its sales comprise telecom system integrators and contractors, while retail and IT modern trade channels account for the rest.

*We expect its core trading business to grow by 15% p.a. in 2016-18F*

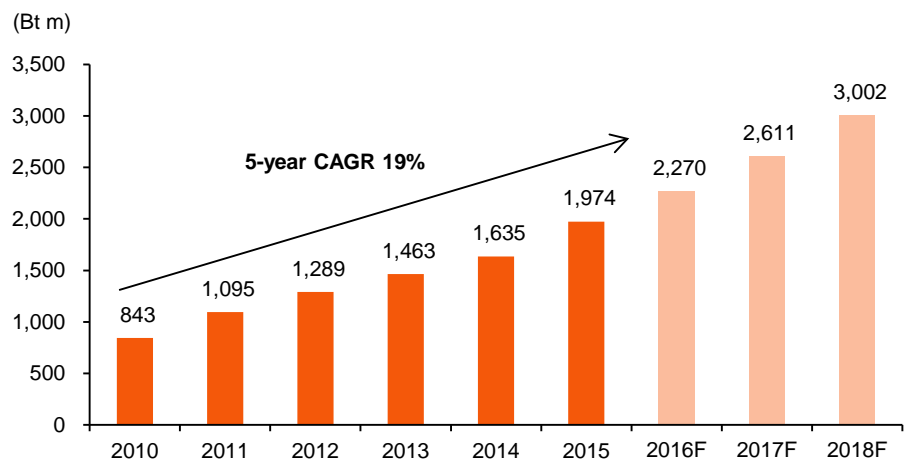
We believe ILINK's bread-and-butter cable-trading business, which contributes around 60% of its total sales, is set to benefit from the development of the digital economy in Thailand. Its distribution business has grown at a five-year CAGR of 19% in 2011-15 and we expect it to continue riding on the industry's growth and grow by 15% p.a. along with heavy spending on fiber-optic infrastructure by the government and telecom operators.

**Ex 3: Communication Equipment Industry**

Sources: NBTC, Company data

**Ex 4: Infrastructure Cabling Market Size And Growth**

Sources: NBTC, NECTEC, Company data

**Ex 5: Consistent Growth In ILINK's Cable Trading Business**

Sources: Company data, Thanachart estimates

**Telecom: expanding its recurring base**

**We forecast its telecom business to bring in as much as Bt1.2bn by 2018**

In 2012, ILINK started laying its fiber-optic cable network throughout Thailand while it officially entered the fixed-broadband business in June 2013. The telecom business, which includes fiber-optic leased line, datacenter and network installation services, has proven to be successful with revenue jumped from nothing in 2012 to Bt419m in 2015, or around 14% of its total sales. And we expect its recurring revenue from telecom (fiber-optic network + data center) to increase from Bt507m in 2016F to Bt1bn in 2018F, while cable installation services should add another Bt200m-250m/year to the top line.

We see several key competitive advantages from ILINK's fiber-optic network:

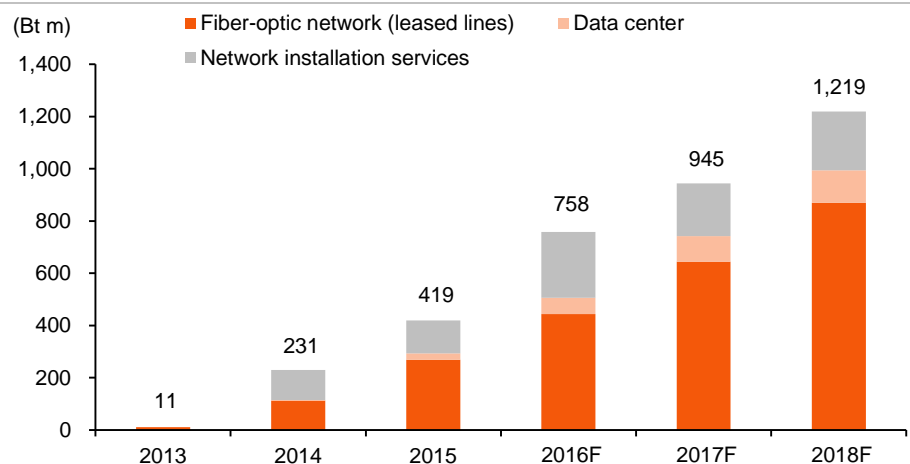
- 1) ILINK is the only fixed-broadband service provider to have its cables both along rail poles (mainly) and on electrical poles (partly). We believe this gives ILINK a geographical edge to offer alternative connection routes (i.e. when electrical poles are undergoing maintenance/road accidents) for telecom and broadband operators.
- 2) We believe ILINK's services are priced competitively due to its lower construction costs. Unlike Symphony Communication Pcl (SYMC, Bt8.70, SELL), ILINK has its own fiber-optic cable sourcing and doesn't have to pay a margin to a middleman. Over the past three years, ILINK has gained market share while SYMC has lost market share.

- 3) We see ILINK, as a new player, offering more of a cutting-edge fiber-optic backbone network and not having to worry about old-economy, low-speed copper broadband investments.

*We foresee ILINK's fiber-optic network entering an S-curve growth period*

ILINK fully deployed its core fiber-optic network last year, covering 75 provinces, and we expect S-curve growth to start taking off this year. We forecast revenues from fiber-optic network leasing to grow from Bt269m in 2015 to Bt444m in 2016 and Bt870m in 2018 respectively. And while it cost Bt1.8bn to build its backbone network nationwide, ILINK only plans to spend Bt400m-500m in 2016 and half of that amount in 2017 on its last-mile network. Therefore, we expect gross margin to expand from 30% in 2015 to 40% in 2018F.

**Ex 6: Revenues From Telecom Business In 2013-18F**



Sources: Company data, Thanachart estimates

*We also expect a data center boost*

We also expect ILINK's data-center services business to capture growth given increasing data usage and cloud computing. Its new state-of-the-art Interlink Data Center (IDC) was launched in October 2014 and it brought in revenues of Bt2.8m in its first year of operation before increasing sharply to Bt25m in 2015.

*ILINK already plans to open a second data center this year*

As we expect the industry to move toward public cloud services, rather than companies having onsite, private data centers, we expect ILINK to experience high demand from corporates to lease its data-center space. We forecast IDC to run at a 95% utilization rate by year-end and generate revenues of Bt62m with a 30%+ gross margin. The rental contracts are also long term in nature (typically a five-year term). With IDC fully occupied in less than two years, ILINK already plans to open a second data center, nearly twice the size of the first, in 4Q16 with 30% occupancy (presales) at launch.

### Engineering: enjoying a new lease of life

*Its engineering business has a decent track record with large-scale projects*

ILINK's contracting services are mainly in three areas: 1) submarine cable systems, 2) underground cables, substation and transmission lines, and 3) indoor and outdoor construction of fiber-optic networks. Some of its flagship projects in the past include the fiber-optic network for Suvarnabhumi Airport, TOT Pcl, the Metropolitan Electricity Authority (MEA) and the Provincial Electricity Authority (PEA), a submarine cable to the Mook, Sukorn and Libong islands in Trang province, a transmission line project in Pai district of Mae Hong Son province and the construction of a substation in Lamphun province.

**ILINK recently got a new lease of life for its contracting work**

ILINK's engineering business arm has been a major driver for the company over the past three years with ILINK having won two big submarine cable projects in 2013 (a combined project value of Bt1.95bn). Even though there were no sizable new projects in 2014-15, ILINK's contracting revenue base was lifted from Bt200m-400m/year in the past to Bt500m-800m in 2013-15. But while these two projects already came to an end in 2015, ILINK's engineering business has just received a new lease of a life from the new Bt1bn sub-station and underground cables project at Suvarnabhumi Airport.

### Ex 7: Past Projects And Current Backlog

Project type	Site location	Value (Bt m)	kV	Start	End
<b>Past projects</b>					
Submarine cable	Mook Island, Sukorn Island and Libong Island in Trang province	337.5	33	2010	2012
Submarine cable	Lan Island and Sichang Island in Chonburi province	112.0	22	2010	2011
Transmission line	Construction of a transmission line to a sub-station in Pai, Mae Hong Son province	122.0	115	2011	2013
Sub-station	Construction of a sub-station in Lamphun	73.5	115	2011	2013
Submarine cable	Kood Island and Mak Island in Trat province	1,150.0	22	2013	2015
Submarine cable	Phangan Island, Surat Thani province	800.0	115	2013	2015
<b>Current backlog</b>					
Fiber optic	Turnkey fiber-optic network installation for PTT Exploration and Production in Bang Krabue, Kamphaengphet province	23.4		2014	2016
Submarine cable	Cable extension on Kood Island and Mak Island in Trat province	17.9	22	2015	2016
Submarine cable	Cable extension on Phangan Island, Surat Thani province	16.0	115	2015	2016
Underground cable/sub-station	Suvarnabhumi Airport C3	1,000.0		2016	2018

Sources: Company data, Thanachart estimates

**We expect ILINK to win either the Bt2.1bn Samui or Bt1.7bn Tao island projects**

On top of that, we also expect ILINK to win another big submarine cable project, either the Bt2.1bn Samui Island or the Bt1.7bn Tao Island project, which have just recently received the green light from the government. We believe there are likely to be only two experienced bidders in this auction and ILINK should be one of them.

With the airport project and upcoming submarine cable projects in the pipeline, we forecast ILINK's engineering business to book revenues of Bt736m in 2016F (including the current backlog) and Bt1.3bn in 2017F with an 18-19% gross margin.

### Ex 8: Upcoming Submarine Cable Project Biddings

No.	Project type	Site location	Estimated value (Bt m)	kV	Length (km)
1	Submarine cable	Tao Island in Surat Thani province	1,686.0	33	45
2	Submarine cable	Samui Island in Surat Thani province	2,130.0	115	26

Sources: Company data

## Potential new business as upside

*Underground cables could potentially extend ILINK's growth cycle to 2020F*

While we don't anticipate large-scale submarine cable project biddings (value >Bt1bn) beyond 2018F given the limited number of large, highly-populated islands left in Thailand, we still believe ILINK could potentially extend its growth cycle via the government's Bt52bn worth of underground cable projects in the Bangkok metropolitan area. We see the first underground cable bid as a strategic project for ILINK that could allow it to win a series of underground cable contracts over the next five to six years.

*But we leave this as upside to our forecasts*

While we are confident that ILINK will be able to win contracts for this work given its track record and cost advantages from having a cable-trading business, we leave the underground cable projects as upside to our forecasts.

*Winning a series of underground projects could add Bt7.0 to our TP*

For the first 10km+ Narathiwat-Rama 3-Sathupradit project valued at Bt2.5bn, we expect ILINK to earn net revenues of Bt1.5bn in 2016-18F (revenue sharing with the ground-work contractor), if ILINK wins the contract in this month's auction. However, we consider this first underground cable project as a strategic move for ILINK to obtain a bid-winning track record. Therefore, we would not be surprised if ILINK earned nothing at the bottom line from this project instead of a normal 20% gross margin for its engineering work. We believe that winning the first project, even without making a profit, would be very positive news for ILINK to help it win a series of projects in the future which would likely earn normal profits.

As we expect ILINK to win three more similar-sized projects every other year until 2020F, we estimate this would add Bt7.0 to our TP, though we leave this as upside.

### Ex 9: 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	755	916	983	1,081	1,161	1,249	1,345	1,433	1,528	1,630	1,718	1,811	—
Free cash flow	394	510	509	636	699	774	855	922	1,001	1,086	1,149	1,225	16,604
PV of free cash flow	393	425	387	442	444	448	452	445	441	437	422	411	5,570
Risk-free rate (%)	4.5												
Market risk premium (%)	7.5												
Beta	0.8												
WACC (%)	9.5												
Terminal growth (%)	2.0												
Enterprise value - add investments	10,717												
Net debt (2016F)	710												
Minority interest	5												
Equity value	10,003												
# of shares (m)	362												
<b>Equity value/share (Bt)</b>	<b>28</b>												

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 10: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div Yield	
			16F (%)	17F (%)	16F (x)	17F (x)	16F (x)	17F (x)	16F (x)	17F (x)	16F (%)	17F (%)
China Mobile	941 HK	HK	1.8	9.5	17.1	15.7	1.9	1.8	4.8	4.5	2.5	2.8
China Unicom Hon	762 HK	HK	(27.7)	29.6	25.5	19.7	0.8	0.8	3.4	3.2	1.6	2.1
Bharti Airtel	BHARTI IN	India	(4.1)	6.1	27.9	26.3	2.2	2.0	6.1	5.6	0.8	0.8
Idea Cellular	IDEA IN	India	(2.4)	(41.8)	12.9	22.2	1.5	1.4	5.9	5.2	0.7	0.6
Onmobile Global	ONMB IN	India	na	na	na	13.6	1.9	1.9	5.7	4.6	1.2	1.2
Reliance Communi	RCOM IN	India	1.9	(3.8)	18.3	19.0	0.3	0.3	6.2	5.9	0.7	0.4
Tata Communication	TCOM IN	India	na	139.7	63.2	28.9	na	24.3	6.7	5.9	1.0	1.1
Indosat	ISAT IJ	Indonesia	na	74.7	32.3	18.5	2.7	2.5	4.8	4.4	1.4	2.3
Telekomunikasi Indonesia	TLKM IJ	Indonesia	18.5	15.3	22.0	19.1	4.9	4.5	7.5	6.8	2.7	3.2
DiGi.Com	DIGI MK	Malaysia	(1.8)	1.8	22.4	22.0	0.6	0.6	13.1	12.8	4.4	4.5
Singapore Telecom	ST SP	Singapore	0.0	4.1	17.5	16.8	2.6	2.5	15.3	15.0	4.3	4.4
StarHub	STH SP	Singapore	(6.0)	0.5	19.4	19.3	0.4	0.4	10.0	9.9	5.1	5.2
SK Telecom	017670 KS	S.Korea	(3.4)	(5.4)	10.9	11.5	1.1	1.0	4.8	4.7	4.5	4.6
Taiwan Mobile	3045 TT	Taiwan	(0.6)	6.1	19.5	18.4	5.3	5.1	12.7	12.1	4.9	5.2
Advanced Info Service*	ADVANC TB	Thailand	(7.2)	(8.8)	14.2	15.5	11.0	11.2	8.8	8.7	6.9	6.4
Total Access Comm. *	DTAC TB	Thailand	(46.4)	16.7	22.7	19.4	2.8	2.8	4.0	3.5	4.3	4.7
Interlink Communication*	ILINK TB	Thailand	23.9	39.5	23.1	16.6	3.7	3.2	14.4	10.8	1.3	1.8
Intouch Holdings *	INTUCH TB	Thailand	(18.2)	18.0	13.6	11.6	7.7	7.1	10.3	8.6	8.0	7.1
Jasmine International *	JAS TB	Thailand	20.5	22.5	12.8	10.4	3.2	2.6	8.8	6.8	4.3	7.7
Samart Corporation *	SAMART TB	Thailand	15.3	14.2	17.6	15.4	2.6	2.4	9.5	8.1	3.1	3.6
Samart i-Mobile *	SIM TB	Thailand	na	na	na	218.2	1.8	1.8	28.3	27.0	0.0	0.3
Symphony Communication *	SYMC TB	Thailand	6.9	10.0	21.5	19.5	1.8	1.7	7.6	7.0	3.2	3.6
Thaicom *	THCOM TB	Thailand	15.3	16.4	8.6	7.4	1.2	1.1	4.5	3.7	4.7	5.4
True Corp *	TRUE TB	Thailand	na	na	na	na	3.2	3.6	22.6	16.1	0.0	0.0
<b>Average</b>			<b>(0.7)</b>	<b>17.4</b>	<b>21.1</b>	<b>26.3</b>	<b>2.8</b>	<b>3.6</b>	<b>9.4</b>	<b>8.4</b>	<b>3.0</b>	<b>3.3</b>

Source: Bloomberg

Note: \* Thanachart estimates , using Thanachart normalized EPS

Based on 14 July 2016 closing prices

## COMPANY DESCRIPTION

Interlink Communication Pcl (ILINK) and its subsidiaries are engaged in three main business segments. 1) Distribution as 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.
- Owns the only fiber-optic network on railway poles.

### O — Opportunity

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

## CONSENSUS COMPARISON

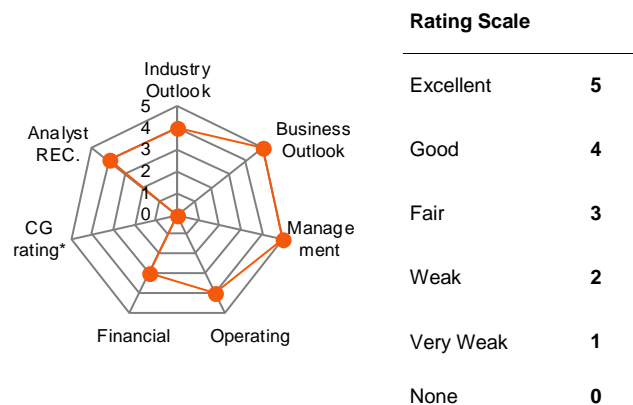
	Consensus	Thanachart	Diff
Target price (Bt)	22.50	28.00	24%
Net profit 16F (Bt m)	323	329	2%
Net profit 17F (Bt m)	432	459	6%
<b>Consensus REC</b>	<b>BUY: 4</b>	<b>HOLD: 0</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is 24% above the Bloomberg consensus number, which we believe is due to our positive view on sustainable growth in ILINK's distribution and telecom businesses.
- We also believe that using 2017F as our base year leads to our TP being higher.

Sources: Bloomberg consensus, Thanachart estimates

## COMPANY RATING



Source: Thanachart; \*No 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 biddings.
- Competitive bidding for some projects could erode margins.

## RISKS TO OUR INVESTMENT CASE

- Winning Bangkok underground cable projects would provide upside to our earnings forecasts and TP.
- Delays and/or cost overruns for the Suvarnabhumi Airport project would lead to downside risk to our forecasts.
- Fewer-than-expected new contracts for its fiber-optic leased lines would also result in downside risk to our numbers.

Source: Thanachart



## INCOME STATEMENT

*We see the Suvarnabhumi project boosting revenue growth in 2017F*

FY ending Dec (Bt m)	2014A	2015A	2016F	2017F	2018F
Sales	2,677	3,058	3,764	4,855	5,752
Cost of sales	2,093	2,336	2,876	3,677	4,310
<b>Gross profit</b>	<b>584</b>	<b>722</b>	<b>888</b>	<b>1,178</b>	<b>1,441</b>
% gross margin	21.8%	23.6%	23.6%	24.3%	25.1%
Selling & administration expenses	320	371	452	583	690
<b>Operating profit</b>	<b>264</b>	<b>351</b>	<b>437</b>	<b>595</b>	<b>751</b>
% operating margin	9.9%	11.5%	11.6%	12.3%	13.1%
Depreciation & amortization	70	112	142	159	166
<b>EBITDA</b>	<b>334</b>	<b>463</b>	<b>579</b>	<b>755</b>	<b>917</b>
% EBITDA margin	12.5%	15.1%	15.4%	15.5%	16.0%
Non-operating income	12	21	25	31	36
Non-operating expenses	0	0	0	0	0
Interest expense	(15)	(37)	(49)	(51)	(43)
<b>Pre-tax profit</b>	<b>262</b>	<b>335</b>	<b>413</b>	<b>576</b>	<b>743</b>
Income tax	50	68	83	115	149
<b>After-tax profit</b>	<b>211</b>	<b>266</b>	<b>330</b>	<b>460</b>	<b>595</b>
% net margin	7.9%	8.7%	8.8%	9.5%	10.3%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(1)	(1)	(1)	(1)	(2)
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>211</b>	<b>266</b>	<b>329</b>	<b>459</b>	<b>593</b>
<b>Normalized profit</b>	<b>211</b>	<b>266</b>	<b>329</b>	<b>459</b>	<b>593</b>
EPS (Bt)	0.6	0.7	0.9	1.3	1.6
Normalized EPS (Bt)	0.6	0.7	0.9	1.3	1.6

## BALANCE SHEET

*ILINK plans to take out some loans for its fiber-optic network expansion*

FY ending Dec (Bt m)	2014A	2015A	2016F	2017F	2018F
<b>ASSETS:</b>					
Current assets:	1,563	1,147	1,386	1,661	2,017
Cash & cash equivalent	196	305	380	400	550
Account receivables	345	312	382	492	583
Inventories	213	224	276	353	413
Others	809	306	349	416	471
Investments & loans	2	2	2	2	2
Net fixed assets	1,747	2,272	2,780	2,920	3,054
Other assets	96	29	36	47	55
<b>Total assets</b>	<b>3,408</b>	<b>3,450</b>	<b>4,204</b>	<b>4,630</b>	<b>5,129</b>
<b>LIABILITIES:</b>					
Current liabilities:	1,487	816	1,123	1,329	1,557
Account payables	1,073	720	882	1,128	1,323
Bank overdraft & ST loans	148	0	0	0	0
Current LT debt	99	57	109	95	79
Others current liabilities	168	39	131	106	155
<b>Total LT debt</b>	<b>413</b>	<b>802</b>	<b>981</b>	<b>852</b>	<b>711</b>
Others LT liabilities	25	17	21	26	31
<b>Total liabilities</b>	<b>1,925</b>	<b>1,635</b>	<b>2,124</b>	<b>2,208</b>	<b>2,299</b>
Minority interest	3	4	5	6	8
Preferreds shares	0	0	0	0	0
Paid-up capital	261	335	362	362	362
Share premium	517	576	576	576	576
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
<b>Retained earnings</b>	<b>702</b>	<b>900</b>	<b>1,136</b>	<b>1,477</b>	<b>1,883</b>
Shareholders' equity	1,480	1,811	2,075	2,416	2,821
<b>Liabilities &amp; equity</b>	<b>3,408</b>	<b>3,450</b>	<b>4,204</b>	<b>4,630</b>	<b>5,129</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Earnings before tax	262	335	413	576	743
Tax paid	(48)	(74)	(83)	(115)	(149)
Depreciation & amortization	70	112	142	159	166
Chg In working capital	312	(331)	41	58	43
Chg In other CA & CL / minorities	(643)	326	43	(94)	(8)
<b>Cash flow from operations</b>	<b>(47)</b>	<b>368</b>	<b>572</b>	<b>594</b>	<b>802</b>
Capex	(1,150)	(636)	(650)	(300)	(300)
ST loans & investments	412	60	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	(2)	0	0	0	0
Chg In other assets & liabilities	226	51	3	(2)	(2)
<b>Cash flow from investments</b>	<b>(515)</b>	<b>(524)</b>	<b>(647)</b>	<b>(302)</b>	<b>(302)</b>
Debt financing	613	200	231	(143)	(157)
Capital increase	141	133	28	0	0
Dividends paid	(14)	(7)	(93)	(118)	(187)
Warrants & other surplus	(128)	(60)	0	0	0
<b>Cash flow from financing</b>	<b>612</b>	<b>265</b>	<b>166</b>	<b>(262)</b>	<b>(344)</b>
<b>Free cash flow</b>	<b>(1,197)</b>	<b>(268)</b>	<b>(78)</b>	<b>294</b>	<b>502</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2014A</b>	<b>2015A</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Normalized PE (x)	36.1	28.7	23.1	16.6	12.8
Normalized PE - at target price (x)	48.2	38.2	30.8	22.1	17.1
PE (x)	36.1	28.7	23.1	16.6	12.8
PE - at target price (x)	48.2	38.2	30.8	22.1	17.1
EV/EBITDA (x)	24.2	17.6	14.4	10.8	8.6
EV/EBITDA - at target price (x)	31.8	23.1	18.8	14.2	11.3
P/BV (x)	5.1	4.2	3.7	3.2	2.7
P/BV - at target price (x)	6.9	5.6	4.9	4.2	3.6
P/CFO (x)	(161.7)	20.7	13.3	12.8	9.5
Price/sales (x)	2.8	2.5	2.0	1.6	1.3
Dividend yield (%)	0.1	1.1	1.3	1.8	3.1
FCF Yield (%)	(15.7)	(3.5)	(1.0)	3.9	6.6
<b>(Bt)</b>					
Normalized EPS	0.6	0.7	0.9	1.3	1.6
EPS	0.6	0.7	0.9	1.3	1.6
DPS	0.0	0.2	0.3	0.4	0.7
BV/share	4.1	5.0	5.7	6.7	7.8
CFO/share	(0.1)	1.0	1.6	1.6	2.2
FCF/share	(3.3)	(0.7)	(0.2)	0.8	1.4

Sources: Company data, Thanachart estimates

*We see ILINK's valuation as inexpensive at a 0.6x PEG in 2017F*

*We forecast a three-year EPS CAGR of 31% in 2015-18F*

## FINANCIAL RATIOS

FY ending Dec	2014A	2015A	2016F	2017F	2018F
<b>Growth Rate</b>					
Sales (%)	34.9	14.2	23.1	29.0	18.5
Net profit (%)	26.3	26.0	23.9	39.5	29.2
EPS (%)	26.3	26.0	23.9	39.5	29.2
Normalized profit (%)	26.3	26.0	23.9	39.5	29.2
Normalized EPS (%)	26.3	26.0	23.9	39.5	29.2
Dividend payout ratio (%)	3.4	32.8	30.0	30.0	40.0
<b>Operating performance</b>					
Gross margin (%)	21.8	23.6	23.6	24.3	25.1
Operating margin (%)	9.9	11.5	11.6	12.3	13.1
EBITDA margin (%)	12.5	15.1	15.4	15.5	16.0
Net margin (%)	7.9	8.7	8.8	9.5	10.3
D/E (incl. minor) (x)	0.4	0.5	0.5	0.4	0.3
Net D/E (incl. minor) (x)	0.3	0.3	0.3	0.2	0.1
Interest coverage - EBIT (x)	18.1	9.5	9.0	11.7	17.3
Interest coverage - EBITDA (x)	22.8	12.5	11.9	14.8	21.1
ROA - using norm profit (%)	7.5	7.7	8.6	10.4	12.2
ROE - using norm profit (%)	15.3	16.1	16.9	20.4	22.6
<b>DuPont</b>					
ROE - using after tax profit (%)	15.4	16.2	17.0	20.5	22.7
- asset turnover (x)	1.0	0.9	1.0	1.1	1.2
- operating margin (%)	10.3	12.2	12.3	12.9	13.7
- leverage (x)	2.0	2.1	2.0	2.0	1.9
- interest burden (%)	94.7	90.1	89.4	91.9	94.5
- tax burden (%)	80.8	79.6	80.0	80.0	80.0
WACC (%)	9.5	9.5	9.5	9.5	9.5
ROIC (%)	18.2	14.4	14.8	17.1	20.3
NOPAT (Bt m)	213	279	349	476	601

Sources: Company data, Thanachart estimates

**General Disclaimers And Disclosures:**

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

### Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, we look at two areas, ie, the sector outlook and the sector weighting. For the sector outlook, an arrow pointing up, or the word "Positive", is used when we see the industry trend improving. An arrow pointing down, or the word "Negative", is used when we see the industry trend deteriorating. A double-tipped horizontal arrow, or the word "Unchanged", is used when the industry trend does not look as if it will alter. The industry trend view is our top-down perspective on the industry rather than a bottom-up interpretation from the stocks we cover. An "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

### Thanachart Securities Pcl.

Research Team

19 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 617 4900

Email: thanachart.res@thanachartsec.co.th

#### **Pimpaka Nichgaroon, CFA**

Head of Research

pimpaka.nic@thanachartsec.co.th

#### **Chak Reungsinpinya**

Energy, Petrochemical

chak.reu@thanachartsec.co.th

#### **Phannarai Tiyapittayarut**

Property, Retail

phannarai.von@thanachartsec.co.th

#### **Sarachada Sornsong**

Bank, Financial, Telecom

sarachada.sor@thanachartsec.co.th

#### **Chatchawin Lertapiruk**

Electronics, Insurance

chatchawin.ler@thanachartsec.co.th

#### **Chalida Tantriyonant**

Assistant Analyst

chalida.tan@thanachartsec.co.th

#### **Kampon Adireksombat, Ph.D.**

Deputy Head of Research

Economics, Strategy

kampon.adi@thanachartsec.co.th

#### **Kalvalee Thongsomaung**

Food, Hotel, Media

kalvalee.tho@thanachartsec.co.th

#### **Rata Limsuthiwanpoom**

Industrial Estate, Property Fund, REITs

rata.lim@thanachartsec.co.th

#### **Siriporn Arunothai**

Small Cap Research, Healthcare

siriporn.aru@thanachartsec.co.th

#### **Wichaya Wongpanuwich, CFA, FRM**

Analyst, Retail Market

wichaya.won@thanachartsec.co.th

#### **Sittichet Rungrassameephat**

Assistant Analyst, Quantitative

sittichet.run@thanachartsec.co.th

#### **Adisak Phupiphathirungul, CFA**

Retail Market Strategy

adisak.phu@thanachartsec.co.th

#### **Pattarawan Wangmingmat**

Senior Technical Analyst

pattarawan.wan@thanachartsec.co.th

#### **Saksid Phadthananarak**

Construction, Transportation

saksid.pha@thanachartsec.co.th

#### **Supanna Suwankird**

Energy, Utilities

supanna.suw@thanachartsec.co.th

#### **Witchanan Tambamroong**

Technical Analyst

witchanan.tam@thanachartsec.co.th