

16 DECEMBER 2020

THAILAND / ICT

ADVANCED INFO SERVICE

ADVANC TB

HOLD

TARGET PRICE	THB200.00
CLOSE	THB187.50
UP/DOWNSIDE	+6.7%
TP vs CONSENSUS	-10.2%

A downside risk ahead**รายได้ที่เพิ่มจาก 5G ไม่คุ้มต้นทุน**

ADVANC ตั้งเป้าให้ผู้ใช้โทรศัพท์ 5G จำนวน 100,000 รายในปีนี้และ 1 ล้านรายในปีหน้า จากเป้าหมายดังกล่าว ทำให้เราคาดว่ารายได้จากการให้บริการ 5G จะเพิ่มขึ้น 700 ลบ. ในปี 2021 อย่างไรก็ดี บริษัทฯ ยังไม่ได้รับการตัดจำหน่ายต้นทุนสำหรับคลื่น 5G อย่างเต็มจำนวน ซึ่งอยู่ที่ 4 พัน ลบ. ต่อปี ดังนั้นเราจึงเชื่อว่าระบบ 5G อาจส่งผลกระทบต่อบริษัทฯ ในระยะแรก เนื่องจาก เราเห็นว่าประโยชน์ของการใช้ระบบ 5G จากทั้งผู้บริโภคและธุรกิจที่เกี่ยวข้องใน แนวตั้งจะชัดเจนมากขึ้นตั้งแต่ช่วง 2H21 เป็นต้นไป

กำไรในปี 2021 มีแนวโน้มอ่อนแอต่อเนื่อง

เมื่อพิจารณาถึงผลกระทบต่อผลกำไรจากต้นทุนระบบ 5G ในขณะที่รายได้จากการให้บริการ โทรศัพท์มือถือที่เพิ่มขึ้นได้เพียงเล็กน้อย เนื่องจากเราคาดว่าการแข่งขันในตลาดจะมีสูง และการฟื้นตัวในอุตสาหกรรมท่องเที่ยวและการค้าขาย ทยอยช้าๆ พลิกฟื้นของเศรษฐกิจไทยหลัง 1H21 เราคาดว่ากำไรสุทธิของ ADVANC ในปี 2021 จะอยู่ที่ 26.1 พัน ลบ. (-5.1% y-y) อย่างไรก็ดี กำไรก่อนดอกเบี้ย ภาษี ค่าเสื่อมและค่าตัดจำหน่าย (EBITDA) ของบริษัทฯ ควรดีขึ้นอย่างมีนัยสำคัญเป็น 92.1 พัน ลบ. (+3.6% y-y) และกระแสเงินสดที่บริษัทฯ จะใช้ให้หลังหักค่าใช้จ่าย และภาษี (FCFF) ควรยังเป็นบวกที่ 44.5 พัน ลบ.

ผู้นำในทุกด้าน

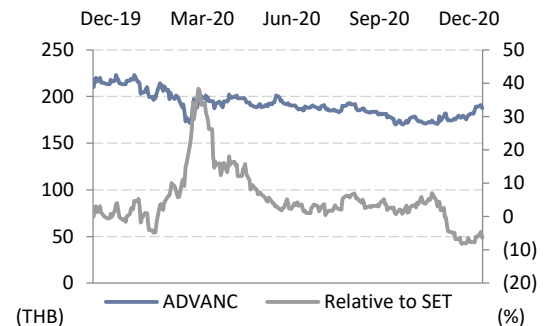
ADVANC เป็นผู้บริการโทรศัพท์มือถืออันดับ 1 ในประเทศไทย บริษัทฯ มีส่วนแบ่งตลาดในแง่จำนวนผู้ใช้บริการสูงสุดและมีปริมาณคลื่นความถี่มากที่สุด โดยเฉพาะสำหรับระบบ 5G ซึ่งอาจเป็นความก้าวหน้าสำคัญในลำดับต่อไปของอุตสาหกรรมโทรคมนาคมโลก บริษัทฯ ได้ลงทุนเป็นจำนวนมากในโครงสร้างระบบ 5G เพื่อรักษาสถานะความผู้นำของบริษัทฯ ในธุรกิจผู้ให้บริการโทรศัพท์มือถือ

กลับมาเริ่มให้คำแนะนำใหม่เป็นถือที่ราคาเป้าหมายในปี 2021 ที่ 200 บาท

เราเชื่อว่าปัจจัยบวกที่สำคัญที่สุดสำหรับราคาหุ้นของ ADVANC อยู่ที่กำไรสุทธิในอนาคต และเนื่องจากเรามองว่าแนวโน้มกำไรของบริษัทในปี 2021 ไม่น่าสนใจ โดยคาดว่ากำไรจะลดลง 5.1% y-y (เทียบกับตลาดที่คาดว่ากำไรจะเพิ่มขึ้น 2.7% y-y) เราจึงมองว่าปัจจัยดังกล่าวอาจเป็นความเสี่ยงด้านลบต่อราคาหุ้นของบริษัทฯ ในอนาคต และทำให้เรากลับมาเริ่มให้คำแนะนำใหม่เป็นถือที่ราคาเป้าหมายในปี 2021 ที่ 200 บาท แม้ว่าบริษัทฯ จะมีความเสี่ยงเกี่ยวกับระบบ 5G และแนวโน้มกำไรสุทธิที่อ่อนแอในอนาคต เราชอบ ADVANC ในแง่ที่ว่าบริษัทฯ เป็นผู้ให้บริการโทรศัพท์มือถืออันดับ 1 ในประเทศไทย เราเชื่อว่าบริษัทฯ ควรสามารถรักษาตำแหน่ง ส่วนแบ่งตลาด และรายได้ของบริษัทฯ ในอนาคต นอกจากนี้ บริษัทฯ ยังมีสถานะทางการเงินที่ดีที่สุดในกลุ่ม รวมถึงให้ผลตอบแทนในรูปแบบเงินปันผลที่ดูอย่างสม่ำเสมอ

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	180,894	170,582	176,599	180,828
Net profit	31,190	27,493	26,098	27,876
EPS (THB)	10.49	9.25	8.78	9.38
vs Consensus (%)	-	(1.3)	(8.8)	(9.5)
EBITDA	78,709	88,938	92,135	94,091
Core net profit	31,937	27,493	26,098	27,876
Core EPS (THB)	10.74	9.25	8.78	9.38
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	7.7	(13.9)	(5.1)	6.8
Core P/E (x)	17.5	20.3	21.4	20.0
Dividend yield (%)	3.8	3.6	3.4	3.6
EV/EBITDA (x)	8.0	7.1	6.7	6.3
Price/book (x)	8.0	7.3	6.6	6.1
Net debt/Equity (%)	104.4	96.0	72.0	36.5
ROE (%)	50.4	37.7	32.5	31.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	7.4	3.6	(10.3)
Relative to country (%)	(2.1)	(9.8)	(4.4)
Mkt cap (USD m)	18,555		
3m avg. daily turnover (USD m)	52.4		
Free float (%)	36		
Major shareholder	Intouch Holdings (40%)		
12m high/low (THB)	224.00/156.50		
Issued shares (m)	2,973.55		

Sources: Bloomberg consensus; FSSIA estimates

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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 16 ธันวาคม 2020

Investment thesis

ADVANC is the biggest mobile operator in Thailand with more than 45% of the market share. The company aims to be the number one 5G service provider. It also has the healthiest financial position in the sector, as well as a fair and consistent dividend yield at around 3.5% p.a.

However, we believe that the most important catalyst to its share price is its future net profit. We believe its earnings outlook for 2021 is unattractive, which we estimate to fall by 5.1% y-y, compared to Bloomberg’s consensus forecast of +2.7% y-y. Thus, we see this as a potential downside risk to its share price in the future.

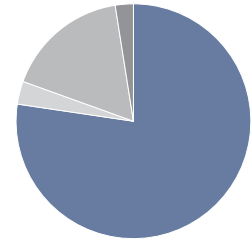
Company profile

ADVANC Operates a telecommunication business, including mobile network services, fixed broadband services, and digital services.

investor.ais.co.th

Principal activities (revenue, 2019)

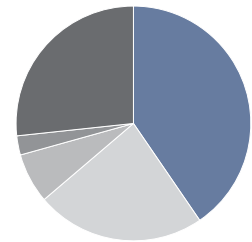
- Mobile - 77.3 %
- Fixed broadband - 3.2 %
- Sale of goods - 17.0 %
- Others - 2.5 %



Source: Advanced Info Service

Major shareholders

- Intouch Holdings - 40.5 %
- Singtel Strategic Investment PTE - 23.3 %
- Thai NVDR - 6.9 %
- Social Security Office - 2.6 %
- Others - 26.7 %



Source: Advanced Info Service

Catalyst

Potential catalysts for ADVANC include:

- Upcoming 5G technology should be a key driver for ADVANC, which aims to be the number one 5G operator;
- Consistent earnings which could lead to a consistent dividend yield at around 3.5% p.a.

Risk to our call

The key upside and downside risks to our DCF-based TP are stronger- or weaker-than-expected competition in the mobile market, and the faster- or slower-than-expected adoption of 5G use cases.

Event calendar

Date	Event
Feb 2021	4Q20 results announcement

Key assumptions

Key assumption	2019	2020E	2021E	2022E
Total subscribers (m)	42.0	41.3	42.0	42.5
Blended ARPU (THB/sub/mth)	254	241	246	249
Fixed broadband				
FBB subscribers (m)	1.0	1.2	1.4	1.5
ARPU (THB/sub/mth)	533	489	474	467

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in mobile blended ARPU, we project 2021 earnings to rise by 2.2%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2021 earnings to rise by 2.1%, and vice versa, all else being equal.

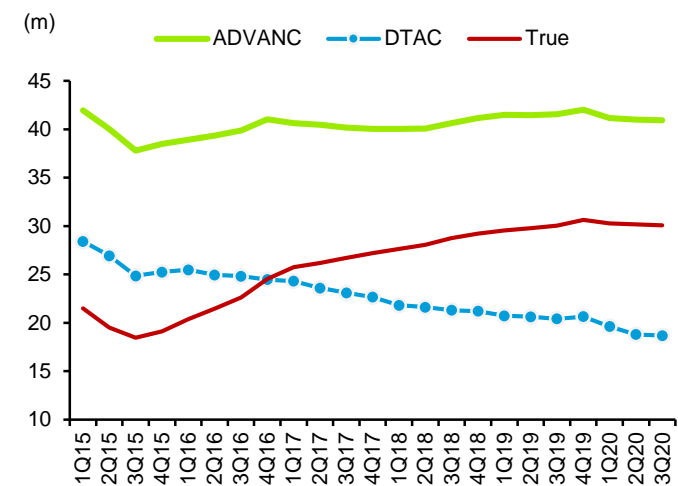
Source: FSSIA estimates

Key highlights

ADVANC is considered the largest mobile operator in Thailand and has a solid track record. It is also the most sustainable mobile operator in Thailand, in our view. The key highlights of the company are as follows:

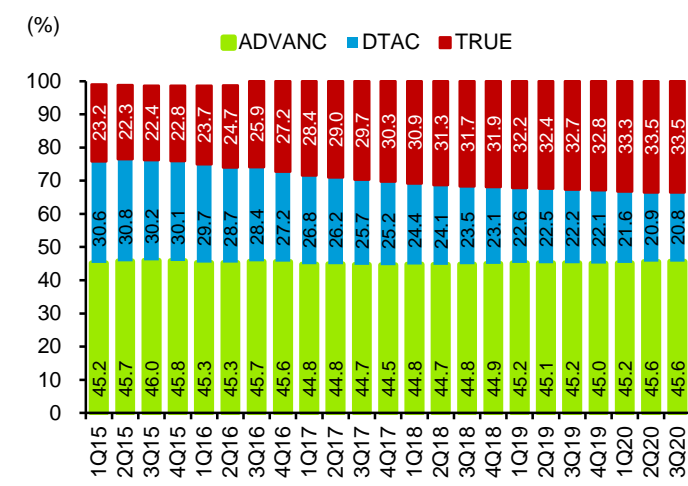
- Highest amount of subscribers.** The total number of mobile subscribers in Thailand has been around 89m-93m for the past five years. ADVANC has consistently been able to maintain its mobile phone subscription market share over the past five years, with total subscribers at 40m subs; between 45-46% of the total market share. This demonstrates good organisation and an ability to maintain the quality level of its services in order to retain its customer base.

Exhibit 1: Total mobile subscribers



Sources: ADVANC; DTAC; TRUE

Exhibit 2: Mobile subscription market share



Sources: ADVANC; DTAC; TRUE

- Largest amount of mobile spectrum bandwidth.** After the 5G spectrum auction in 2019 and at the beginning of 2020, ADVANC acquired all of the spectrums necessary for 5G systems, including 15MHzx2 in the 700MHz band (low-band), 100MHz in the 2600MHz band (mid-band), and 1200MHz in the 26GHz band (high-band), resulting in ADVANC having the largest amount of spectrum bandwidth in Thailand. This should improve the company's service capabilities, as more spectrum bandwidth means more efficiency. Moreover, we believe the quality of the mobile signal is one of the most important factors when customers are deciding which mobile operator to use. Therefore, ADVANC, which has the most spectrum bandwidth, should have a key competitive advantage over its competitors.

Exhibit 3: Mobile industry spectrum portfolio

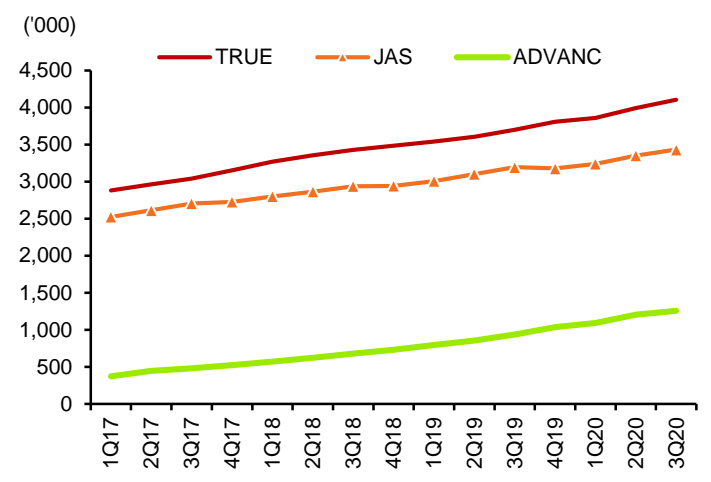
Spectrum (MHz)	AIS (MHz)	TRUE (MHz)	DTAC (MHz)	CAT (MHz)	TOT (MHz)
700	30*	20	20	20*	
850		30** (CAT)		30	
900	20	20	10		
1800	40	30	10	30** (TRUE)	
2100	30	30	30	30** (TRUE)	30
	30** (TOT)				
2300			60** (TOT)		60
2600	100*	90*			
26 (GHz)	1200*	800*	200*		400*
Total	1450	1020	330	110	490

Note: *5G spectrum; **Used or rented from other operators

Source: Office of The National Broadcasting and Telecommunications Commission (NBTC)

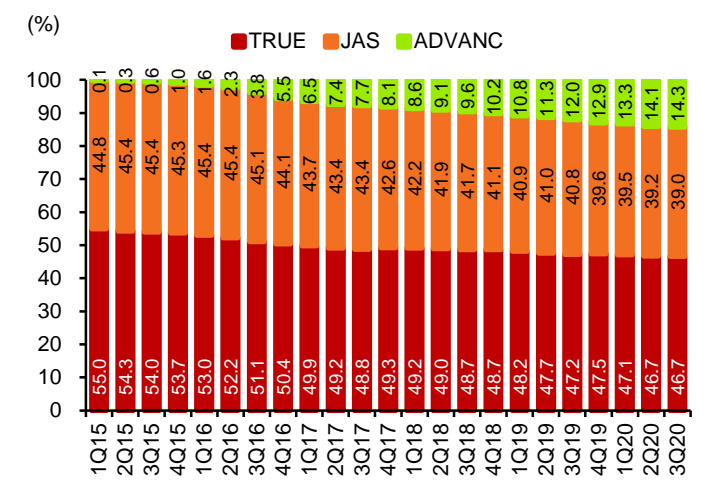
- 3) **Aggressive investment in 5G.** Though we believe 5G is still in its very early stages and consumers might need some time to upgrade their mobile services from 4G to 5G, ADVANC is aiming to have the biggest investment in 5G going forward. The company has the largest amount of 5G spectrum bandwidth compared to its peers, and is planning to invest more than THB30b per year for 5G infrastructure soon; the highest investment in the industry. Therefore, if the 5G adoption rate is faster than our expectation, or becomes widely used, we believe ADVANC will benefit the most from 5G.
- 4) **Fixed broadband business still has a high growth potential.** AIS Fiber, the company's fixed broadband (FBB) business, currently accounts for 14% of FBB market (out of only three public companies), which is growing continuously and starting to take other players' market share. We believe that if ADVANC can create a convergence between FBB and its mobile services, similar to True Corporation (TRUE TB, not rated), the biggest FBB operator, it should be able to create more competitive opportunities and increase its market share in the future.

Exhibit 4: FBB subscribers



Sources: ADVANC; JAS; TRUE

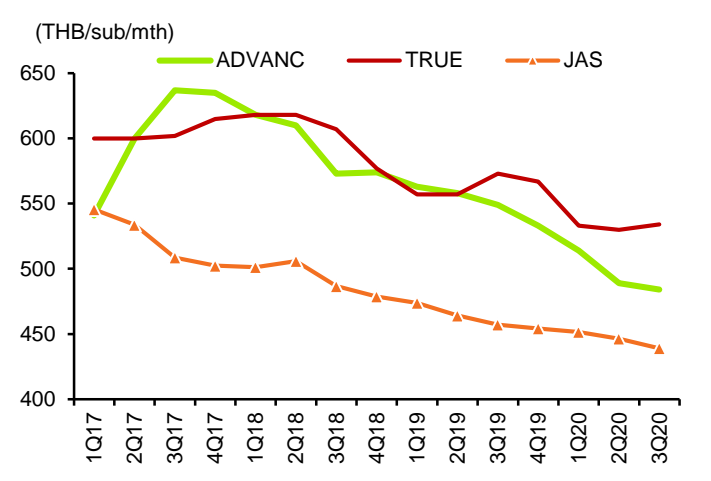
Exhibit 5: FBB market share



Sources: ADVANC; JAS; TRUE

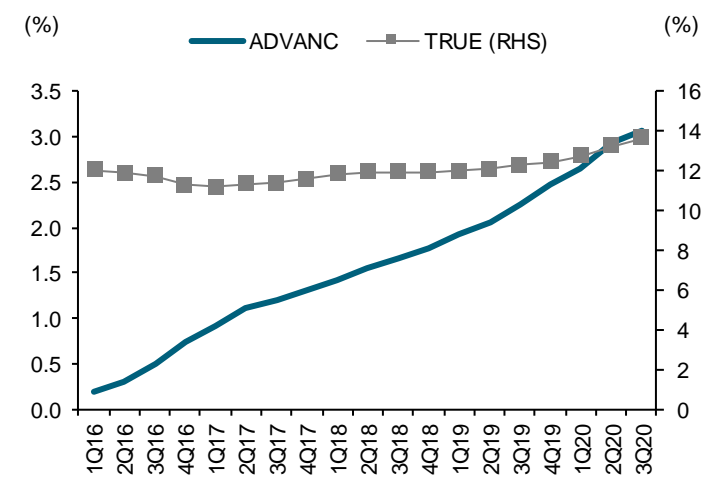
The number of ADVANC's FBB subscribers account for only 3% of its mobile subscribers, which is a lot lower than its competitor, TRUE, at 14%. Therefore, if ADVANC can gain more FBB customers from its current mobile service user base, which is the biggest in the industry, or motivate them to have two services with only one service provider, the company should have a big growth opportunity waiting in the future.

Exhibit 6: FBB ARPU



Sources: ADVANC; JAS; TRUE

Exhibit 7: FBB subscribers to mobile subscribers

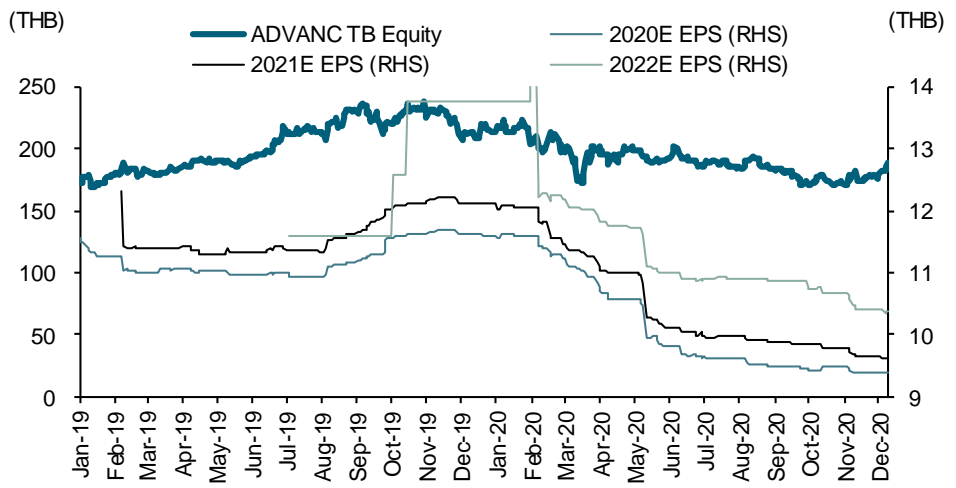


Sources: ADVANC; TRUE

5) Strongest earning growth prospects by consensus. If we focus on the EPS forecasts by Bloomberg consensus, we can see that ADVANC is the strongest company in terms of 2021E EPS growth at 2.7% compared with its peer, TRUE, which would still be loss-making. On the other hand, Total Access Communication (DTAC TB, not rated)'s 2021E EPS may be even lower than this year's by 18% y-y. This shows that ADVANC has the strongest earnings growth prospects by consensus.

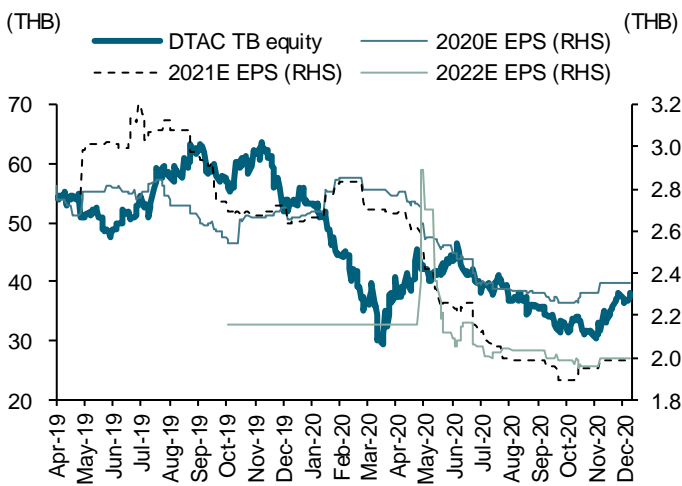
However, based on our estimate, we expect a continuous decline in its earnings during 2021 due to the amortisation cost of the 5G spectrum. Therefore, we think this might be a downside risk if ADVANC's earnings in 2021 are actually lower than the consensus expectation.

Exhibit 8: ADVANC share price and EPS forecast by consensus



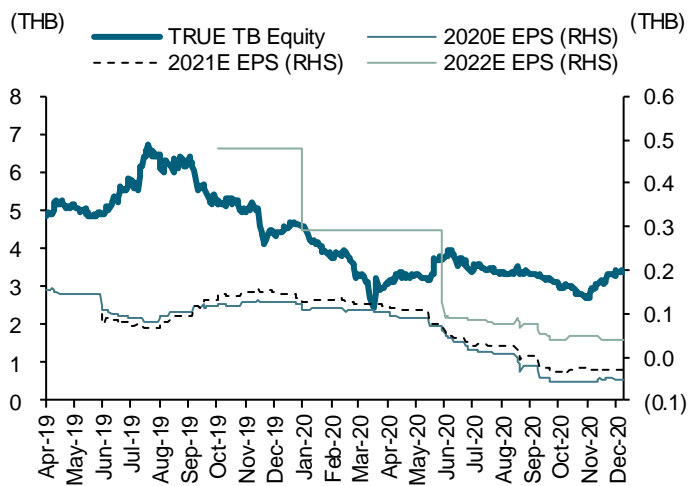
Source: Bloomberg consensus

Exhibit 9: DTAC share price and EPS forecast by consensus



Source: Bloomberg consensus

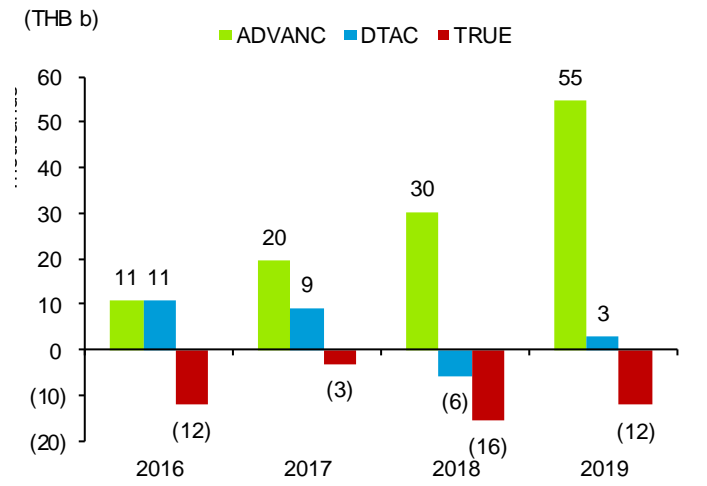
Exhibit 10: TRUE share price and EPS forecast by consensus



Source: Bloomberg consensus

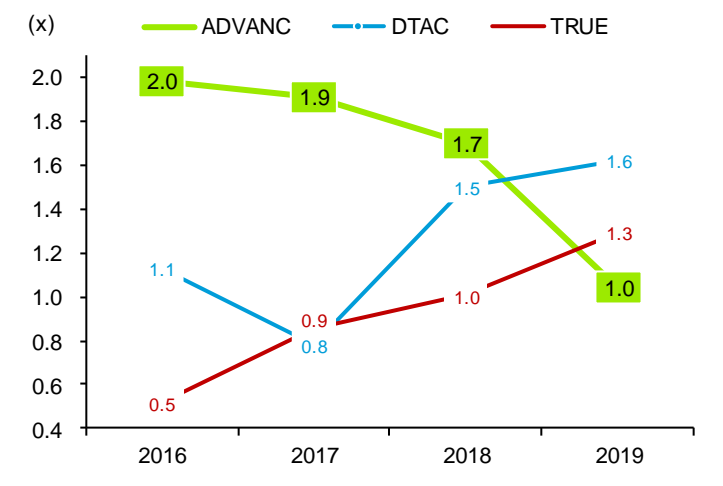
6) Strongest free cash flow to firm and healthiest financial position. Although the company might have a downside risk to its future earnings, we still like ADVANC for its healthiest financial position among the mobile operators in Thailand. ADVANC is the only mobile operator that always has a positive FCFF, thanks to its largest market share in the industry that has helped the company generate more than THB60b in operating cash flows in the past five years. Moreover, in 2019, the company also had a manageable net D/E ratio at only 1x, which decreased continuously from 2016 at 2x vs its peers whose D/E ratios have kept increasing every year.

Exhibit 11: Mobile operator free cash flow to firm



Sources: ADVANC; DTAC; TRUE

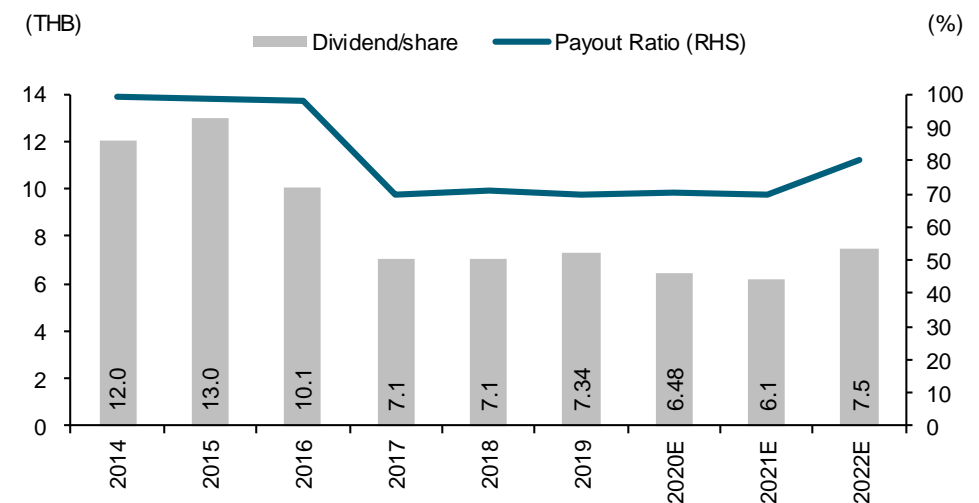
Exhibit 12: Mobile operator D/E ratio



Sources: ADVANC; DTAC; TRUE

7) Consistent dividend payments. ADVANC previously paid a dividend on almost 100% of its profits. But since 2017, the company reduced its dividend payout ratio to 70% to prepare its working capital for 4G infrastructure development and to bid on the 5G spectrum license in 2019. Thus, the company currently has a dividend yield of around 3.5% p.a., which is the highest average dividend yield in the industry. We expect the company to have a dividend payout ratio of 70% until 2021 and increase its payout in the following year after its 5G infrastructure has been installed.

Exhibit 13: ADVANC's dividend payout ratio and DPS



Sources: ADVANC; FSSIA estimates

Upcoming 5G might hurt ADVANC in the short term

The additional spectrums suitable for providing 5G mobile services have come with a huge amount of expenses. ADVANC has spent almost THB60b to secure a 5G spectrum license, almost THB20b higher than the second-largest operator, TRUE, who spent only around THB39b. Therefore, given the 15-year contract, the amortisation cost for the 5G spectrum license would be around THB4b per year, which will be an additional cost on the company's financial performance from 2021 onward.

Exhibit 14: 5G spectrum cost and amortisation cost

	Amount	Cost	Amortisation cost/ year
700MHz	30MHz	34,738	2,316
2600MHz	100MHz	19,560	1,304
26GHz	1200MHz	5,345	356
Total	1330MHz	59,643	3,976

Source: ADVANC; FSSIA's compilation

The company's 5G subscription target of only 1m subscribers in 2021 reflects only 2.5% of its total subscriber base of 41m. Although its 5G package is now starting at THB699 per month, higher than its 4G starting package at THB499 per month, we still believe the higher price plan will not be able to offset the higher operating, depreciation and amortisation costs.

Exhibit 15: 4G vs 5G package price comparison

Package price (THB/month)	4G package				5G package			
	Internet 4G/3G* (GB)	Special** (GB)	Call to all networks (min.)	Content	Internet 5G/4G/3G (GB)	Call within AIS (min.)	Call outside AIS (min.)	Content
499	10	-	200	Youtube premium 3 mths.				
599	16	32	300	Youtube premium 3 mths.				
699	20	40	300	Youtube premium 6 mths.	50	Free	50	
899	30	60	400	Youtube premium 6 mths.	80	Free	70	
1,199					Unlimited	Free	150	Free 1 SIM
1,399					Unlimited	Free	250	Free 2 SIMs
1,699					Unlimited	Free	400	Free 3 SIMs
1,999					Unlimited	Free	600	Free 4 SIMs

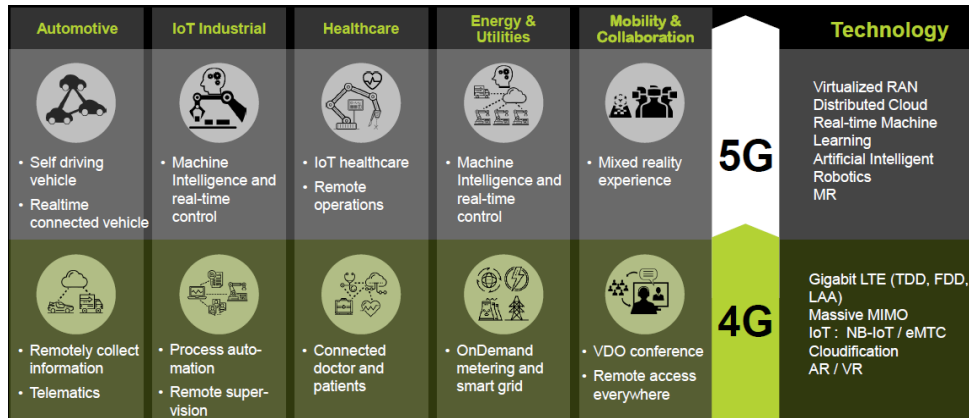
Note: *Non-stop internet per bill cycle, once used up, internet speed will drop to 384 kbps.; **Special for newly registered numbers, switch network, change from pre-paid to post-paid
Sources: ADVANC as of 15 Dec 2020; FSSIA's compilation

Our assumption is based on the average revenue per user (ARPU) for post-paid subscriptions in 3Q20 at THB499 per month. If 1m post-paid subscribers upgrade to the 5G starting package at THB699, this would boost ADVANC's revenue by only THB2.4b in 2021 – 1.3% of its total revenue – which would still be unable to offset the higher amortisation rate of the 5G spectrum license at THB4b per year. Moreover, there will be additional 5G network operating expenditures (network OPEX), such as utilities and depreciation costs, as the company will have to install more base stations. Note that this is our conservative scenario, because the post-paid price plan starts from THB299-1999. We believe those customers that would be likely to upgrade their mobile packages to 5G would be early-adopters who already paid a higher price plan than the current ARPU at THB499.

In our best-case scenario, if the 1m 5G subscribers use the THB899 price plan on average, it would boost ADVANC's revenue by THB4.8b, which would only cover the additional amortisation and network OPEX expenses.

Therefore, in 2021, we believe the start of the 5G era will not yet be the key driver for mobile operators. It could take around 1 or 1.5 years to have a significant improvement in 5G adoption rates. The key factor that could boost the adoption rate is the additional services that the consumers would get from 5G. For example, 3G internet is fast enough for consumers to have video or internet calls, while 4G internet is even faster, enabling consumers to have video conferences, play videos and stream music. However, at the moment, we can't see any key success factors for 5G that could motivate 4G subscribers to switch their plans. Augmented reality (AR), virtual reality (VR), or 3-4x faster internet speeds alone are unlikely to attract enough consumers, in our view.

Exhibit 16: 5G in business evolution



Source: ADVANC

Vertical sectors should have a high growth potential. We believe the key success factor for 5G will not be based on mobile services but on the vertical sectors in various industries, mainly the automotive, internet of things (IoT), industrial, healthcare, and logistics sectors. However, the revenue contributions from these sectors for ADVANC is still very low at around 3% of its total revenue. We believe the revenue from these sectors has a high growth potential, as the attributes of 5G, including ultra-low latency, ultra-high density, and extreme data rates, should be beneficial for the upcoming technologies in the vertical sectors. However, at the moment, 5G is still in the early stages and coverage is still relatively limited. Additionally, the technology that can support 5G and help the vertical sectors is still in development. It will be some time before these sectors can generate significant revenue for ADVANC, in our view.

Exhibit 17: 5G digital enterprise of the future



Source: ADVANC

Financial performance

A revenue recovery in 2021

In 2021, we project ADVANC’s revenue to recover from this year by 3.5% y-y to THB176.6b. We expect blended ARPU to pick up in 2021 to THB246 vs THB238 in 3Q20. There should be a recovery in both post-paid and pre-paid ARPU thanks to a higher price plan for 5G packages, and the continuous conversion from pre- to post-paid packages. Thailand’s border restrictions should be more relaxed starting in 2H21 leading to more migrant and tourist mobile users and helping the overall economy to improve. Early next year, a potential increase in high ARPU 5G users could occur thanks to the new 5G iPhone and other mobile devices that will start supporting the 5G spectrum in late 2020. We expect the adoption of more modern devices to drive the ARPU upward starting in 1Q21 onward.

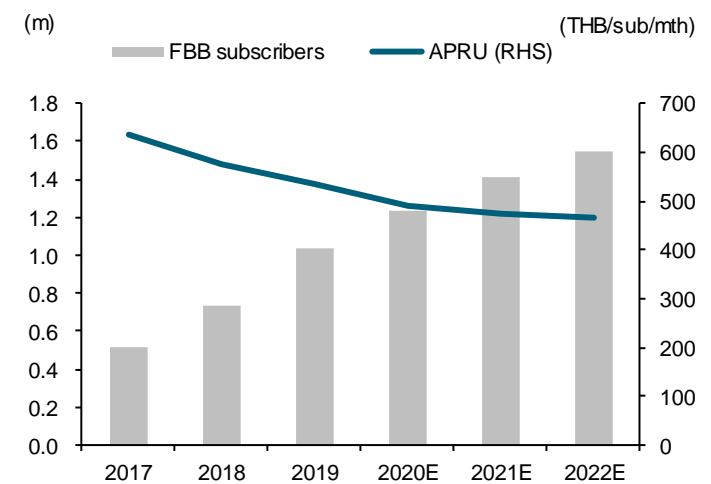
Exhibit 18: Key assumptions

Key assumption	2018	2019	2020E	2021E	2022E
Total subscribers (m)	41.2	42.0	41.3	42.0	42.5
Postpaid (m)	8.2	9.1	9.7	10.1	10.6
Prepaid (m)	33.0	32.9	31.6	31.8	31.8
Blended ARPU (THB/sub/mth)	258	254	241	246	249
Postpaid ARPU (THB/sub/mth)	571	534	510	510	510
Prepaid ARPU (THB/sub/mth)	180	177	159	162	162
Fixed broadband					
FBB subscribers (m)	0.7	1.0	1.2	1.4	1.5
ARPU (THB/sub/mth)	574	533	489	474	467

Sources: ADVANC; FSSIA estimates

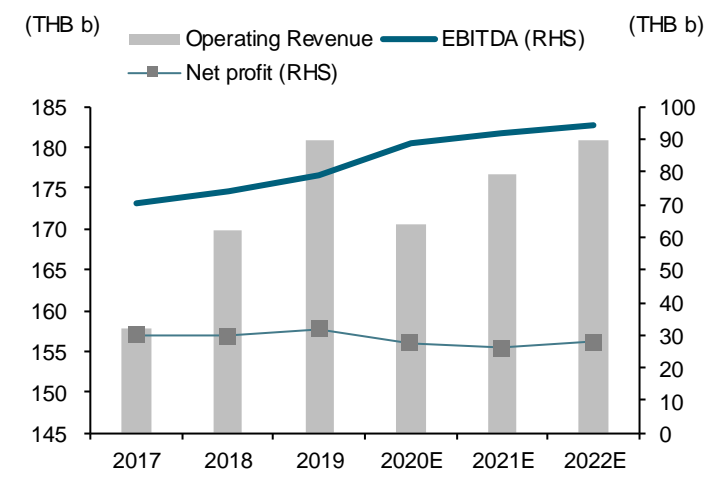
Moreover, we believe the FBB business still has room to grow after COVID-19 has boosted the adoption of FBB significantly in 2Q20. We expect ADVANC’s FBB subscriber base to grow to 1.4m in 2021 (+14% y-y), but the ARPU could still continue to decline to THB474 vs THB484 in 3Q20, due to the highly competitive market.

Exhibit 19: FBB subscribers and ARPU



Sources: ADVANC; FSSIA estimates

Exhibit 20: ADVANC’s revenue, EBITDA, and net profit



Sources: ADVANC; FSSIA estimates

The higher its costs...

On the cost side, we think the additional cost of the 5G infrastructure, which includes depreciation and other operating costs, is still somewhat limited because it is in the early stages. However, the amortisation cost of the 5G spectrum licenses is significant and could hurt ADVANC's bottom line. The validation period of the contracts is 15 years. According to Exhibit 14, the amortisation cost per year for all of the 5G spectrum licenses will be around THB4b per year for the next 15 years. The THB4b additional cost would constitute about 14% of ADVANC's 2020E net profit.

...the lower its net profit

As a result, we expect ADVANC's net profit for 2021 to be lower than its 2020E net profit, given the expectation of the additional 5G amortisation cost, especially for the 700MHz band, to be fully recognised. Meanwhile, we expect the ARPU recovery to start in 2H21 onward. Therefore, we project the company's net profit in 2021 to drop by 5.1% y-y to THB26.1b. Our 2021E EPS is 2.7% lower than Bloomberg's consensus estimate.

We believe that ADVANC's net profit in 2021 and the 5G adoption rate are the most important catalysts that investors should keep an eye on, because these would have the highest potential impact on the company's share price. Therefore, given that 5G in Thailand is still in a very early stage, we think that the net profit will be the key driver on ADVANC's share price until 2Q21, and we believe that there is a very high downside risk on the company's net profit after the 5G costs start to kick in. On the other hand, a potential upside risk could come from a faster-than-expected 5G adoption rate for both the consumer and vertical sectors, which could generate significant revenue growth for the company.

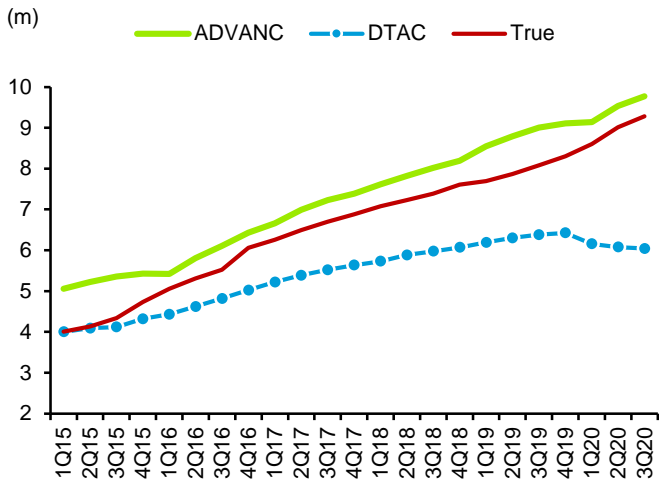
Exhibit 21: DCF-valuation

	(%)	(THB m)
Discount rate (WACC)	7.60	
Terminal growth (%)	0.5	
NPV		270,651
Add: terminal value		398,051
Sum of PV		668,702
Add: cash		22,900
Less: debt		(96,544)
Less: minorities		(158)
Residual ordinary equity		594,900
No. of shares (m)		2,974
Residual ordinary equity (THB/share)		200

Sources: ADVANC, FSSIA estimates

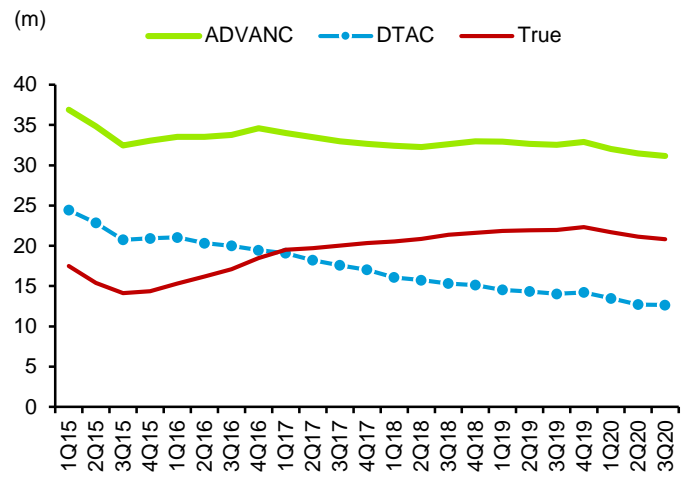
Appendix

Exhibit 22: Post-paid mobile subscribers



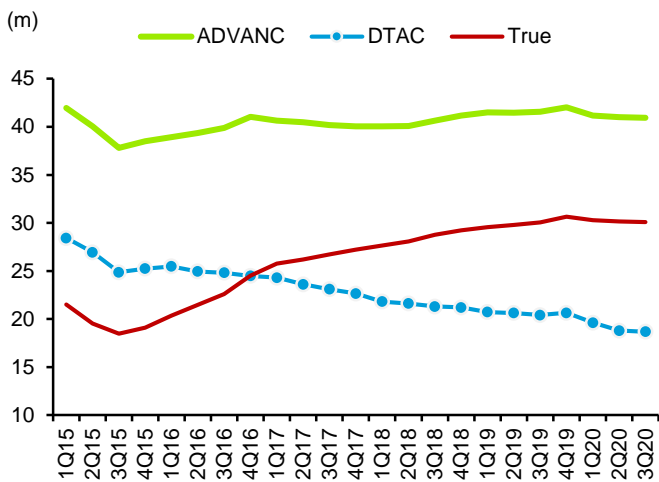
Sources: ADVANC; DTAC; TRUE

Exhibit 23: Pre-paid mobile subscribers



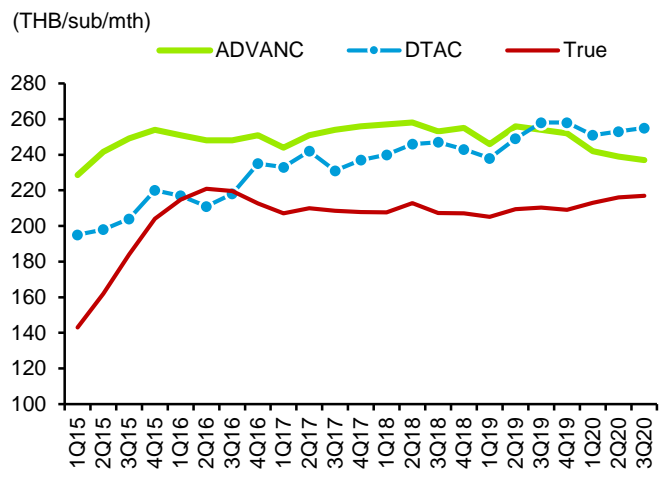
Sources: ADVANC; DTAC; TRUE

Exhibit 24: Total mobile subscribers



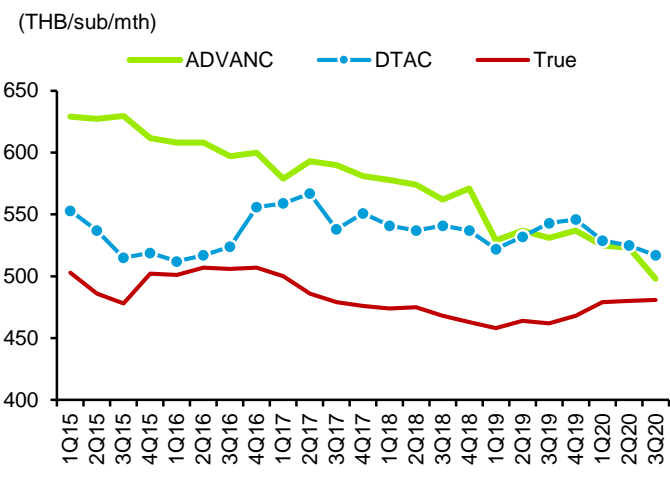
Sources: ADVANC; DTAC; TRUE

Exhibit 25: Blended mobile ARPU



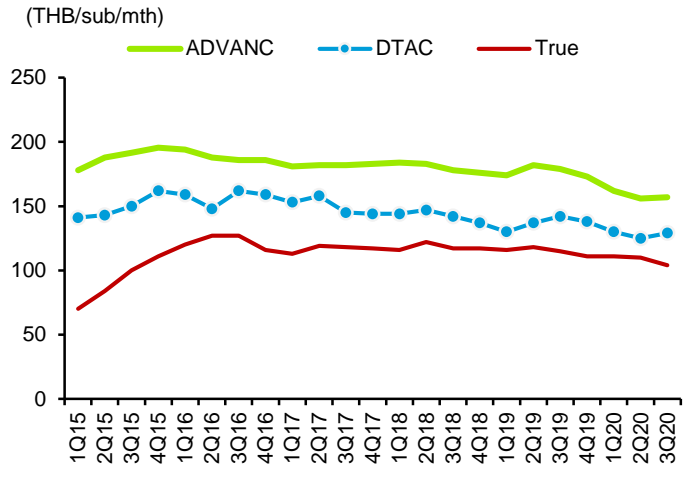
Sources: ADVANC; DTAC; TRUE

Exhibit 26: Post-paid mobile ARPU



Sources: ADVANC; DTAC; TRUE

Exhibit 27: Pre-paid mobile ARPU



Sources: ADVANC; DTAC; TRUE

Financial Statements

Advanced Info Service

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	169,856	180,894	170,582	176,599	180,828
Cost of goods sold	(71,945)	(74,444)	(56,711)	(57,703)	(58,719)
Gross profit	97,911	106,449	113,871	118,896	122,110
Other operating income	-	-	-	-	-
Operating costs	(24,120)	(27,740)	(24,933)	(26,760)	(28,019)
Operating EBITDA	73,791	78,709	88,938	92,135	94,091
Depreciation	(33,879)	(37,456)	(50,285)	(55,118)	(55,467)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	39,912	41,254	38,653	37,017	38,624
Net financing costs	(5,148)	(4,777)	(6,275)	(6,279)	(5,629)
Associates	(123)	(86)	(40)	1	20
Recurring non operating income	855	1,672	955	1,037	1,093
Non recurring items	0	(747)	0	0	0
Profit before tax	35,619	37,402	33,333	31,775	34,088
Tax	(5,923)	(6,209)	(5,810)	(5,650)	(6,182)
Profit after tax	29,696	31,193	27,522	26,126	27,906
Minority interests	(32)	(3)	(30)	(28)	(30)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	29,664	31,190	27,493	26,098	27,876
Non recurring items & goodwill (net)	0	747	0	0	0
Recurring net profit	29,664	31,937	27,493	26,098	27,876
Per share (THB)					
Recurring EPS *	9.98	10.74	9.25	8.78	9.38
Reported EPS	9.98	10.49	9.25	8.78	9.38
DPS	7.35	7.08	6.80	6.31	6.82
Diluted shares (used to calculate per share data)	2,973	2,973	2,973	2,973	2,973
Growth					
Revenue (%)	7.7	6.5	(5.7)	3.5	2.4
Operating EBITDA (%)	4.7	6.7	13.0	3.6	2.1
Operating EBIT (%)	(1.1)	3.4	(6.3)	(4.2)	4.3
Recurring EPS (%)	(1.4)	7.7	(13.9)	(5.1)	6.8
Reported EPS (%)	(1.4)	5.1	(11.9)	(5.1)	6.8
Operating performance					
Gross margin inc depreciation (%)	37.7	38.1	37.3	36.1	36.9
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	43.4	43.5	52.1	52.2	52.0
Operating EBIT margin (%)	23.5	22.8	22.7	21.0	21.4
Net margin (%)	17.5	17.7	16.1	14.8	15.4
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	73.7	65.9	73.5	71.9	72.8
Interest cover (X)	7.9	9.0	6.3	6.1	7.1
Inventory days	19.7	21.2	30.2	29.3	29.7
Debtor days	39.0	37.9	38.4	37.0	37.2
Creditor days	177.1	193.8	264.5	262.7	266.1
Operating ROIC (%)	41.5	48.9	53.2	50.6	61.2
ROIC (%)	18.8	20.9	20.2	17.8	19.1
ROE (%)	55.0	50.4	37.7	32.5	31.8
ROA (%)	12.1	12.7	11.5	10.4	10.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue By Division (THB m)					
Mobile	135,177	139,898	132,479	137,361	140,661
Fixed broadband	4,436	5,722	7,045	7,812	8,481
Sale of goods	25,851	30,765	26,228	25,876	25,915
Others	4,391	4,509	4,829	5,550	5,771

Sources: Advanced Info Service; FSSIA estimates

Financial Statements

Advanced Info Service

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	29,664	31,937	27,493	26,098	27,876
Depreciation	33,879	37,456	50,285	55,118	55,467
Associates & minorities	-	-	-	-	-
Other non-cash items	7,379	7,973	8,360	5,872	5,202
Change in working capital	(1,791)	(738)	(1,095)	745	695
Cash flow from operations	69,132	76,627	85,043	87,833	89,239
Capex - maintenance	(12,119)	(13,817)	(21,420)	(21,540)	(15,420)
Capex - new investment	(28,615)	(13,232)	(38,770)	(28,527)	(21,319)
Net acquisitions & disposals	173	188	415	435	457
Other investments (net)	(3,316)	76	0	0	0
Cash flow from investing	(43,877)	(26,784)	(59,776)	(49,631)	(36,282)
Dividends paid	(21,852)	(21,050)	(20,218)	(18,767)	(20,284)
Equity finance	0	0	0	0	0
Debt finance	(794)	(15,110)	2,500	55	(10,000)
Other financing cash flows	(4,186)	(3,128)	(6,275)	(6,279)	(5,629)
Cash flow from Financing	(26,832)	(39,288)	(23,993)	(24,991)	(35,913)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(428)	(216)	0	0	0
Movement in cash	(2,006)	10,338	1,275	13,211	17,044
Free cash flow to firm (FCFF)	30,402.63	54,619.51	31,542.97	44,480.66	58,586.38
Free cash flow to equity (FCFE)	19,846.87	31,388.54	21,492.29	31,977.83	37,328.55

Per share (THB)

FCFF per share	10.22	18.37	10.61	14.96	19.70
FCFE per share	6.67	10.56	7.23	10.75	12.55
Recurring cash flow per share	23.85	26.02	28.97	29.29	29.78

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Tangible fixed asset (gross)	223,215	241,913	274,545	309,545	334,545
Less: Accumulated depreciation	(93,003)	(116,403)	(154,706)	(195,539)	(236,744)
Tangible fixed assets (Net)	130,212	125,510	119,839	114,006	97,801
Intangible fixed assets (Net)	119,723	111,424	124,946	146,298	132,736
Long-term financial assets	60	67	67	67	67
Invest. In associates & subsidiaries	754	660	660	660	660
Cash & equivalents	11,287	21,626	22,900	36,111	53,155
A/C receivable	19,242	18,298	17,570	18,190	18,625
Inventories	3,823	4,828	4,553	4,714	4,827
Other current assets	553	2,390	2,254	2,333	2,389
Current assets	34,905	47,142	47,277	61,348	78,996
Other assets	4,852	4,865	4,787	4,833	4,865
Total assets	290,505	289,669	297,576	327,212	315,126
Common equity	57,521	69,266	76,541	83,872	91,463
Minorities etc.	148	128	158	186	216
Total Shareholders' equity	57,669	69,394	76,699	84,057	91,679
Long term debt	92,030	69,172	71,322	71,366	63,366
Other long-term liabilities	68,042	45,848	54,868	78,803	67,954
Long-term liabilities	160,072	115,020	126,189	150,169	131,320
A/C payable	37,680	41,377	40,822	42,232	43,369
Short term debt	17,104	24,872	25,222	25,233	23,233
Other current liabilities	17,981	39,007	28,644	25,521	25,525
Current liabilities	72,764	105,255	94,688	92,986	92,127
Total liabilities and shareholders' equity	290,505	289,669	297,576	327,212	315,126
Net working capital	(32,044)	(54,867)	(45,089)	(42,516)	(43,053)
Invested capital	223,557	187,660	205,210	223,348	193,077

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	19.35	23.30	25.74	28.21	30.76
Tangible book value per share	(20.92)	(14.18)	(16.28)	(21.00)	(13.88)

Financial strength

Net debt/Equity (%)	169.7	104.4	96.0	72.0	36.5
Net debt/total assets (%)	33.7	25.0	24.7	18.5	10.6
Current ratio (x)	0.5	0.4	0.5	0.7	0.9
CF interest cover (x)	10.4	10.3	10.6	10.6	11.4

Valuation	2018	2019	2020E	2021E	2022E
Recurring P/E (x) *	18.8	17.5	20.3	21.4	20.0
Recurring P/E @ target price (x) *	20.0	18.6	21.6	22.8	21.3
Reported P/E (x)	18.8	17.9	20.3	21.4	20.0
Dividend yield (%)	3.9	3.8	3.6	3.4	3.6
Price/book (x)	9.7	8.0	7.3	6.6	6.1
Price/tangible book (x)	(9.0)	(13.2)	(11.5)	(8.9)	(13.5)
EV/EBITDA (x) **	8.9	8.0	7.1	6.7	6.3
EV/EBITDA @ target price (x) **	9.4	8.5	7.5	7.1	6.7
EV/invested capital (x)	2.9	3.4	3.1	2.8	3.1

* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income

Sources: Advanced Info Service; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PNR	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMP	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MG	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Advanced Info Service	ADVANC TB	THB 187.50	HOLD	The key upside and downside risks to our DCF-based TP are stronger- or weaker-than-expected competition in the mobile market, and the faster- or slower-than-expected adoption of 5G use cases.

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

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All share prices are as at market close on 15-Dec-2020 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.