

1 OCTOBER 2021

THAILAND / ICT

ADVANCED INFO SERVICE

ADVANC TB

BUY

UNCHANGED

TARGET PRICE	THB220.00
CLOSE	THB196.00
UP/DOWNSIDE	+12.2%
PRIOR TP	THB200.00
CHANGE IN TP	+10.0%
TP vs CONSENSUS	+0.4%

Numerous opportunities await

Softer earnings in 3Q21

We expect ADVANC's 3Q21 core net profit to decrease by 5.5% q-q to THB6.4b, mainly due to higher operating expenses from 1) network OPEX on the 5G infrastructure rollout; 2) higher content costs from Disney+ and Olympic broadcasting; and 3) higher marketing expenses due to seasonality. The company's 3Q21 service revenue should be flat q-q at THB36b (+1% q-q) thanks to the continually improving fixed broadband and enterprise businesses. Mobile service revenue should also increase slightly from a subscriber net add in the quarter. However, both mobile and fixed broadband average revenue per user (ARPU) should continue to decline due to competition.

First big step in digital services

The announcement of AISC, the JV company established with Siam Commercial Bank (SCB TB, BUY, TP THB158) to provide digital lending via online platforms is the first step for ADVANC in seeking new opportunities in digital service-related businesses. Although the net profit contribution from AISC may have no impact on ADVANC's earnings until 2023, in our view, we still like this move as ADVANC has signalled to the market that it is now ready to expand its business into the digital sphere, embracing the trend of the future. We believe that future digital business investments should continue in the near term.

Numerous catalysts await

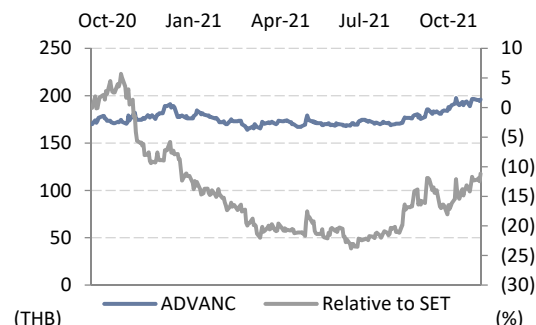
We believe ADVANC has the most opportunities in the mobile sector, including 1) the potential to pay a higher dividend; 2) potentially utilising its assets in an infrastructure fund; 3) likely new projects with Gulf Energy Development (GULF TB, BUY, TP THB47); 4) growth in the enterprise sector; and 5) growth in the digital services business. We expect ADVANC's outlook to be solid, despite its currently slow pace of growth.

Maintain BUY with a revised TP of THB220

ADVANC is our top pick amongst mobile operators. We believe the five opportunities and catalysts we highlighted will be the key supports for its share price in the future. ADVANC is the strongest company in the ICT sector, in our view, with solid financial performance and a strong position. We maintain BUY and roll-over our DCF valuation to 2022, deriving a new TP of THB220. The earliest catalyst we can see is a potentially higher dividend payment, possibly at the end of this year.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	172,890	174,298	179,257	184,409
Net profit	27,352	26,312	28,240	30,592
EPS (THB)	9.20	8.85	9.50	10.29
vs Consensus (%)	-	(0.4)	0.7	(2.1)
EBITDA	89,398	90,277	92,273	95,136
Core net profit	27,105	26,312	28,240	30,592
Core EPS (THB)	9.12	8.85	9.50	10.29
Chg. In EPS est. (%)	(0.3)	2.7	3.2	0.1
EPS growth (%)	(15.1)	(2.9)	7.3	8.3
Core P/E (x)	21.5	22.1	20.6	19.0
Dividend yield (%)	3.5	3.6	3.5	4.2
EV/EBITDA (x)	7.4	7.2	6.8	6.4
Price/book (x)	7.7	7.2	6.6	6.1
Net debt/Equity (%)	102.7	77.1	50.5	30.3
ROE (%)	37.4	33.6	33.2	33.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.3	14.6	14.6
Relative to country (%)	6.4	13.3	(11.7)
Mkt cap (USD m)	17,203		
3m avg. daily turnover (USD m)	45.2		
Free float (%)	36		
Major shareholder	Intouch Holdings (40%)		
12m high/low (THB)	201.00/164.00		
Issued shares (m)	2,973.55		

Sources: Bloomberg consensus; FSSIA estimates



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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 3.9% p.a.

We think the company has various catalysts waiting in the future, including 1) the potential to pay a higher dividend; 2) potentially utilising its assets in an infrastructure fund; 3) likely new projects with Gulf Energy Development (GULF TB, BUY, TP THB47); 4) growth in the enterprise sector; and 5) growth in its digital services business.

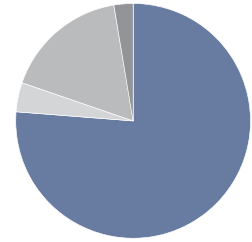
Company profile

ADVANC operates a telecommunications business, including mobile network services, fixed broadband services, and digital services.

investor.ais.co.th

Principal activities (revenue, 2020)

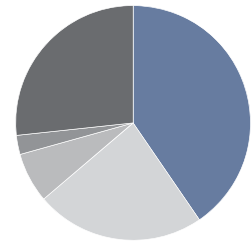
- Mobile - 76.2 %
- Fixed broadband - 4.0 %
- Sale of goods - 17.1 %
- Others - 2.6 %



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

Catalysts

- 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 3.9% p.a.

Risks to our call

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

Event calendar

Date	Event
Nov 2021	3Q21 results announcement

Key assumptions

Key assumption	2020	2021E	2022E	2023E
Total subscribers (m)	41.4	43.9	45.0	45.5
Blended ARPU (THB/sub/mth)	245	228	230	234
Fixed broadband				
FBB subscribers (m)	1.2	1.6	2.0	2.3
ARPU (THB/sub/mth)	489	456	447	440

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

Exhibit 1: 3Q21E results preview

	3Q20	2Q21	3Q21E	Change		9M20	9M21E	Change	2021E
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)
Operating Revenue	41,715	42,757	42,036	(1.7)	0.8	128,052	130,654	2.0	174,298
Operating Expense	(19,624)	(19,751)	(19,373)	(1.9)	(1.3)	(60,887)	(62,405)	2.5	(84,021)
EBITDA	22,091	23,006	22,663	(1.5)	2.6	67,165	68,249	1.6	90,277
EBITDA margin (%)	53	54	54	nm	nm	52	52	nm	52
Depreciation & Amortization	(12,948)	(13,538)	(13,450)	(0.7)	3.9	(38,817)	(39,997)	3.0	(53,171)
EBIT	9,143	9,468	9,213	(2.7)	0.8	28,348	28,252	(0.3)	37,106
Interest expense	(1,449)	(1,460)	(1,485)	1.7	2.5	(4,559)	(4,331)	(5.0)	(6,377)
Other income	215	394	150	(61.9)	(30.2)	711	765	7.6	1,307
Associates	3	(33)	(40)	n.a.	n.a.	(5)	(133)	2,684.8	1
Extra items	(181)	243	-	n.a.	n.a.	(262)	20	(107.6)	-
Pretax profit	7,730	8,612	7,838	(9.0)	1.4	24,233	24,572	1.4	32,037
Tax	(1,215)	(1,571)	(1,411)	(10.2)	16.1	(3,961)	(4,459)	12.6	(5,696)
Tax rate (%)	(16)	(18)	(18)	nm	nm	(16)	(18)	nm	(18)
Minority interests	(2)	(0)	0	n.a.	n.a.	(2)	(1)	(47.3)	(28)
Net profit	6,513	7,041	6,427	(8.7)	(1.3)	20,270	20,112	(0.8)	26,312
Core net profit	6,694	6,798	6,427	(5.5)	(4.0)	20,532	20,092	(2.1)	26,312
EPS (THB)	2.19	2.37	2.16	(8.7)	(1.3)	6.82	6.76	(0.8)	8.85
Core EPS (THB)	2.25	2.29	2.16	(5.5)	(4.0)	6.90	6.76	(2.1)	8.85

Sources: ADVANC; FSSIA estimates

Exhibit 2: Key assumption changes

	New		Previous		Change	
	2021E	2022E	2021E	2022E	2021E	2022E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Total subscribers (m)	43.9	45.0	42.0	42.5	4.5	5.9
Blended ARPU (THB/sub/mth)	228	230	246	249	(7.2)	(7.6)
Revenue	174,298	179,257	176,599	180,828	(1.3)	(0.9)
Operating expense	(84,021)	(86,984)	(84,455)	(86,728)	(0.5)	0.3
EBITDA	90,277	92,273	92,144	94,100	(2.0)	(1.9)
EBIT	37,106	38,975	36,530	38,082	1.6	2.3
Core net profit	26,312	28,240	25,617	27,352	2.7	3.2
Margin	(%)	(%)	(%)	(%)	(ppt)	(ppt)
Gross profit margin	51.8	51.5	52.2	52.0	(0.4)	(0.6)
Net profit margin	15.1	15.8	14.5	15.1	0.6	0.6

Source: FSSIA estimates

Assumption and TP changes

We have made small earnings revisions to our 2021-22 assumptions by adjusting our total subscriber estimates upward in response to the subscription numbers that have recovered faster than we expected. However, this is offset by a weaker-than-expected blended ARPU, for which we have revised our 2021-22 forecasts downward. We have also made small adjustments to our operating cost and other income assumptions, bringing our 2022E net profit up by 3% to THB26.3b.

As a result of our assumption changes, and rolling over our DCF valuation to 2022, we derive a higher TP on ADVANC at THB220 (from THB200). The company remains our top pick in the mobile sector.

Exhibit 3: DCF valuation

	2022E	2023E	2024E	2025E	2026E	2027E
(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA	92,273	95,136	96,026	96,497	96,249	95,672
(less) tax on EBIT	(6,263)	(6,951)	(8,033)	(9,195)	(10,582)	(11,551)
decrease in working cap	1,549	(308)	(937)	(173)	(302)	(124)
(less) capex & investments	(31,000)	(31,000)	(27,500)	(40,500)	(40,500)	(45,220)
Free Cash Flow	53,462	57,492	61,431	46,975	45,470	39,024
WACC (%)	7.9					
Terminal growth (%)	2					
PV of FCF	53,462	53,283	52,764	37,394	33,546	26,682
Enterprise value	718,421					
Net debt+cash	(62,631)					
Minority	(154)					
Equity value	654,393					
No. of shares (m)	2,974					
Equity value / share (THB)	220					

Sources: ADVANC; FSSIA estimates

Top pick in mobile sector thanks to numerous potential catalysts

ADVANC is our top pick in the mobile sector. The company has solid financial performance as well as a strong financial position, in our view. It also has various potential catalysts ahead thanks to its new major shareholder, GULF, via that company's recent acquisition of stakes in Intouch Holdings (INTUCH TB, HOLD, TP THB67). We can divide the five key potential catalysts and opportunities as follows:

1. Growth potential with GULF

The following paragraphs under heading 1 have been excerpted from the FSSIA report, "[Gulf Energy Development \(GULF TB\) - AISC: First fruit from GULF-INTUCH](#)", dated 27 Sep-21.

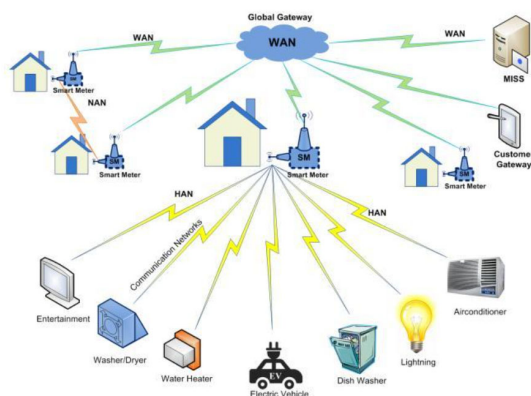
We believe the strategic and financial growth potential under the business alliance of GULF-INTUCH-ADVANC-Thaicom (THCOM TB, REDUCE, TP THB7.10) from GULF's acquisition of INTUCH's stake (GIAT) will manifest in two major ways: asset enhancement and more benign industry competition. This could lead to a series of positive developments for new ventures, leveraging the strengths of ADVANC and GULF to monetise the convergence of Thailand's data and information technology systems, energy and electricity liberalisation, and infrastructure growth.

Strategically, we think GULF could employ ADVANC's big data from its 43.2m mobile subscribers (45.9% market share in Thailand) and 1.5m (16.4% market share) broadband subscribers as a key potential customer base for a smart grid and smart utilities network, along with the retail, nano-financing, and personal loan venture via AISC. This would allow GULF to capitalise on its future integrated power and infrastructure asset portfolio and ADVANC's information technology (IT) platform and large retail customer base, in our view.

Internet of Things (IOT) is the core of a smart grid and smart metering network. WiFi networks work by connecting antenna-controlled devices within a network and allowing such devices to communicate with each other. A smart grid network takes the WiFi and cellular network concept and expands it exponentially using millions of smart meter endpoints, pole-mounted routers, relays, and range extenders to create a large-scale WiFi network over a broad area like a city.

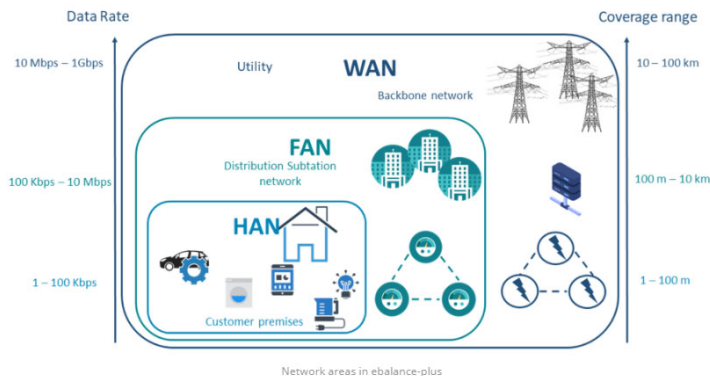
Data centre, smart metering, and a smart grid could be the next golden eggs. We think GIAT's next major strategic growth ventures could be a data centre, smart metering, and a smart grid for the power industry, leveraging ADVANC's IT platform and GULF's large infrastructure portfolio.

Exhibit 4: Smart metering communication



Source: [ResearchGate](https://www.researchgate.net)

Exhibit 5: The smart grid hierarchical network



Source: [ebalanceplus](https://www.ebalanceplus.com)

2. The potential to pay a higher dividend

After becoming the major shareholder of INTUCH with a 42.25% holding, the market has expected that GULF would like to get some return on its investment of over THB48.6b on its tender offer in Aug-21. We think that the fastest way would be to influence ADVANC, INTUCH's subsidiary, to increase its dividend payout policy from not less than 70% of its net profit. Note that ADVANC paid an interim dividend in 1H21 of THB3.45 per share, implying a dividend payout ratio of 75%.

At this moment, Bloomberg consensus expects that ADVANC could raise its 2021 dividend payout ratio from 75% currently to over 90%. This could drive its DPS estimate to THB7.96 (+20% from our current estimate of THB6.64). As a result, ADVANC's dividend yield could jump to 4.1% in 2021 and 4.4% in 2022.

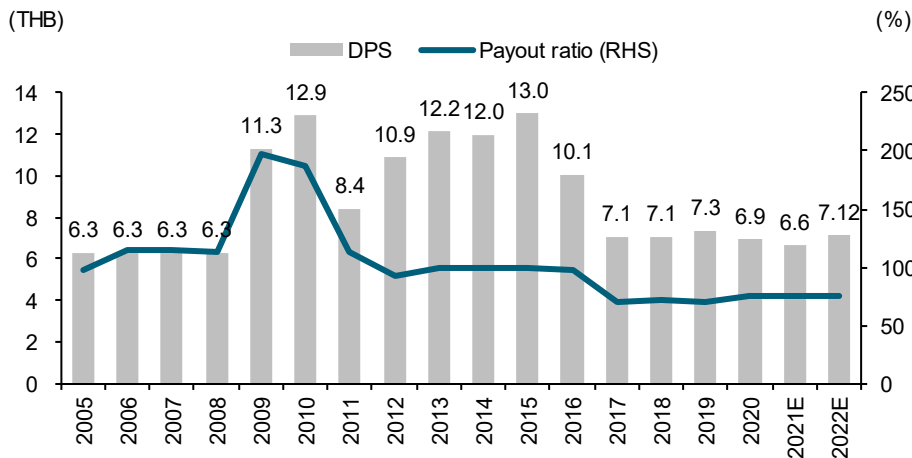
This could be another key catalyst for ADVANC because it was typically a dividend-paying company which had a payout ratio of over 90% from 2005-16, before reducing its payout to 70% in 2017 in preparation for 5G investment. An increase in its dividend payout in 2021 from 75% to 90% would make ADVANC's dividend yield jump from 3.4% p.a. to 4.1%.

Exhibit 6: Potential dividend upside based on dividend payout ratio

	EPS	70%	75%	80%	85%	90%	95%	100%
2021E	8.85	6.19	6.64	7.08	7.52	7.96	8.41	8.85
2022E	9.50	6.65	7.12	7.60	8.07	8.55	9.02	9.50
Yield (%)								
2021E		3.16	3.39	3.61	3.84	4.06	4.29	4.52
2022E		3.39	3.63	3.88	4.12	4.36	4.60	4.85

Sources: ADVANC; FSSIA estimates

We have a conservative view on ADVANC's payout policy. The company still requires a significant amount of working capital in 2022 and 2023. The cost of its 5G infrastructure rollout remains intact, which should better its financial performance in the long run. We increase our dividend payout policy estimates from 70% to 75% in 2021 and 2022, before rising to 90% in 2023. There is an upside risk that ADVANC may pay a higher dividend at 90% sooner than we expect.

Exhibit 7: ADVANC's DPS and dividend payout ratio

Sources: ADVANC; FSSIA estimates

Based on Bloomberg consensus, the current DPS forecasts for ADVANC in 2021 and 2022 are THB6.81 and THB7.31, respectively, reflecting a 77% payout ratio. This can imply that the market has not yet included the potential of increasing the dividend payout into their forecasts yet.

We believe there is a possibility for ADVANC to pay a higher dividend payout of over 75%, but likely not more than 90%. This is due to the slower-than-expected pace of mass 5G adoption. This implies that ADVANC would not have to invest heavily in 5G cell sites during the initial stages in 2021 and 2022, given that the number of 5G users remains low. We believe the 5G adoption rate in 2022 should have a similar trend as in 2021.

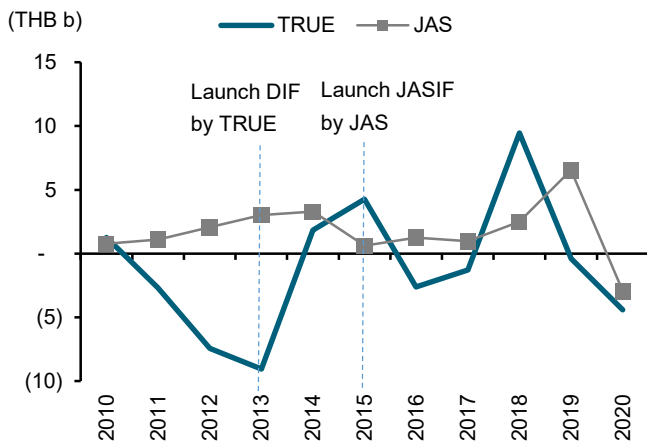
3. Opportunity to utilise its assets in an infrastructure fund

Another expectation the market has had after GULF became the major shareholder of INTUCH is for ADVANC to have an asset spinoff via a towerco or an infrastructure fund model. This possibility was hinted at by ADVANC and INTUCH as management stated that they are studying the possibility of monetising ADVANC's telecoms infrastructure.

The market expects that if ADVANC really decides to do an asset spinoff, it would create a huge upside and benefit the company. Having a towerco would likely reduce ADVANC's CAPEX for future investments and unlock its asset value (cell site tower).

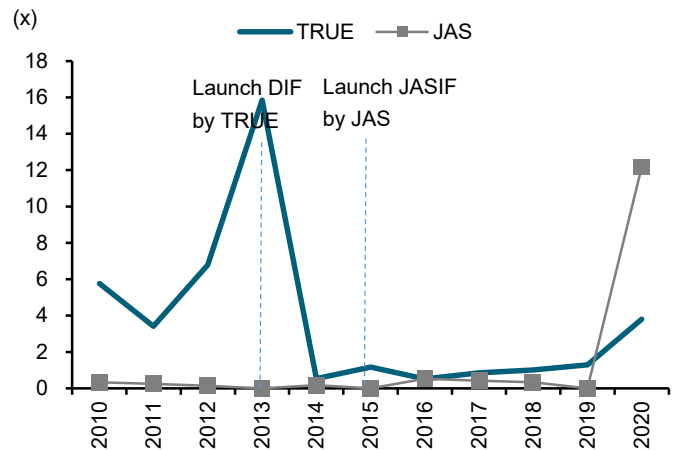
In our view, the initiation of an infrastructure fund by ADVANC is unlikely to occur. We believe that it would not be able to generate a sufficient long-term benefit for the group. Based on the previous infrastructure funds set up by True Corporation (TRUE TB, HOLD, TP THB3.30) and Jasmine International (JAS TB, HOLD, TP THB2.70) in 2013 and 2015, respectively, there was no significant change in both company's financial outlooks or a relaxation in their balance sheets at all. Both companies still have sluggish earnings, mostly loss-making. We can conclude that infrastructure funds have not helped either company have sustainable net profits or healthy balance sheets.

Exhibit 8: TRUE and JAS – core profit



Source: Bloomberg

Exhibit 9: TRUE and JAS – D/E ratio



Source: Bloomberg

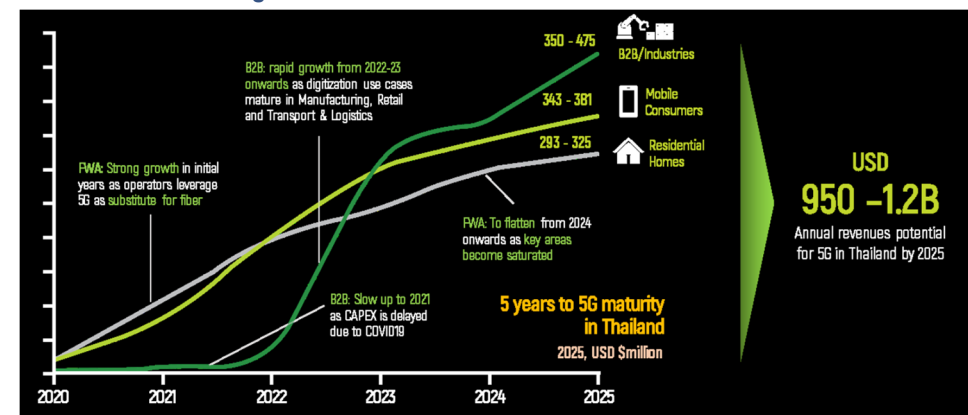
4. Growth in the enterprise sector

Although the enterprise sector contributed only 10% of ADVANC’s service revenue in 2020, we expect that this could be a hidden upside to its growth thanks to 5G technology.

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, IoT, industrial, healthcare, and logistics sectors. We believe the revenues from these sectors have 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.

ADVANC also has a similar view. The company’s research indicates that 5G has the potential to generate up to THB38.4b in revenue in Thailand by 2025. The B2B segment should experience rapid growth starting from 2022 into 2023 onward, as digitalisation use cases mature in manufacturing, retail, and transport & logistics. 5G could reach its maturity stage in 2025.

Exhibit 10: Potential growth in 5G



Sources: ADVANC, Arthur D. Little analysis

5. Stepping out of the box

Given that ADVANC is the biggest mobile operator in Thailand with over 40m subscribers (c45% of subscriber market share), we believe this is the company's most valuable asset whose real value is difficult to estimate. ADVANC could possibly be the company with the largest customer data collection volume in Thailand at the moment. Therefore, we believe it will have various opportunities to utilise this asset, creating value for the company.

This is evidenced by ADVANC's latest new investment, the new JV with SCB called 'AISCB', with registered capital of THB600m. SCB and ADVANC will each hold 50%. AISCB will provide digital lending via online platforms. Its first target group will be AIS' clients and the ticket size per person is intended to be small, cTHB10k-20k. It will operate next year under personal loan and nano-finance licenses.

Our FSSIA banking analyst estimates that after the full operation of this business, possibly in 2024, it would generate about THB300m-600m in net profit. If we look at the potential net profit contribution to ADVANC, it may look unattractive at only 1% of its net profit, but we see this as ADVANC's first step into the new businesses that we expect it to target in the future.

Exhibit 11: AISCB's business outlook

	2022E	2023E	2024E
No. of clients to lend new loans (people)	200,000	400,000	525,000
Ticket size per person (THB k)	10,000	10,000	10,000
Expected accumulated portfolio (THB m)	2,000	5,340	8,610
Net yield on average port (%)	3	5	8
Net profit (THB m)	60	184	558

Source: FSSIA estimates

Financial Statements

Advanced Info Service

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	180,894	172,890	174,298	179,257	184,409
Cost of goods sold	(74,444)	(59,112)	(57,760)	(59,451)	(60,580)
Gross profit	106,449	113,778	116,538	119,806	123,829
Other operating income	-	-	-	-	-
Operating costs	(27,740)	(24,380)	(26,261)	(27,533)	(28,693)
Operating EBITDA	78,709	89,398	90,277	92,273	95,136
Depreciation	(37,456)	(51,923)	(53,171)	(53,298)	(53,768)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	41,254	37,475	37,106	38,975	41,367
Net financing costs	(4,777)	(5,917)	(6,377)	(5,815)	(5,233)
Associates	(86)	(70)	1	20	40
Recurring non-operating income	1,672	638	1,308	1,373	1,442
Non-recurring items	(747)	247	0	0	0
Profit before tax	37,402	32,444	32,037	34,533	37,576
Tax	(6,209)	(5,089)	(5,696)	(6,263)	(6,951)
Profit after tax	31,193	27,355	26,341	28,271	30,625
Minority interests	(3)	(3)	(28)	(30)	(33)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	31,190	27,352	26,312	28,240	30,592
Non-recurring items & goodwill (net)	747	(247)	0	0	0
Recurring net profit	31,937	27,105	26,312	28,240	30,592
Per share (THB)					
Recurring EPS *	10.74	9.12	8.85	9.50	10.29
Reported EPS	10.49	9.20	8.85	9.50	10.29
DPS	7.08	6.80	7.00	6.88	8.19
Diluted shares (used to calculate per share data)	2,973	2,973	2,973	2,973	2,973
Growth					
Revenue (%)	6.5	(4.4)	0.8	2.8	2.9
Operating EBITDA (%)	6.7	13.6	1.0	2.2	3.1
Operating EBIT (%)	3.4	(9.2)	(1.0)	5.0	6.1
Recurring EPS (%)	7.7	(15.1)	(2.9)	7.3	8.3
Reported EPS (%)	5.1	(12.3)	(3.8)	7.3	8.3
Operating performance					
Gross margin inc. depreciation (%)	38.1	35.8	36.4	37.1	38.0
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	43.5	51.7	51.8	51.5	51.6
Operating EBIT margin (%)	22.8	21.7	21.3	21.7	22.4
Net margin (%)	17.7	15.7	15.1	15.8	16.6
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	65.9	74.6	79.1	72.4	79.6
Interest cover (X)	9.0	6.4	6.0	6.9	8.2
Inventory days	21.2	22.2	15.1	14.9	15.0
Debtor days	37.9	38.1	37.4	37.0	37.0
Creditor days	193.8	253.0	257.2	255.1	258.0
Operating ROIC (%)	48.9	37.7	30.2	34.6	40.3
ROIC (%)	20.9	17.2	14.7	15.8	18.4
ROE (%)	50.4	37.4	33.6	33.2	33.3
ROA (%)	12.7	10.3	9.0	9.2	10.1
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Mobile	139,898	131,804	133,282	135,515	138,883
Fixed broadband	5,722	6,959	8,786	10,368	11,771
Sale of goods	30,765	29,574	26,538	27,296	27,415
Others	4,509	4,553	5,692	6,079	6,341

Sources: Advanced Info Service; FSSIA estimates

Financial Statements

Advanced Info Service

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	31,937	27,105	26,312	28,240	30,592
Depreciation	37,456	51,923	53,171	53,298	53,768
Associates & minorities	-	-	-	-	-
Other non-cash items	7,973	8,643	7,405	5,388	4,786
Change in working capital	(738)	(2,041)	(277)	697	212
Cash flow from operations	76,627	85,630	86,611	87,624	89,359
Capex - maintenance	(13,817)	(16,834)	(18,300)	(18,600)	(18,600)
Capex - new investment	(13,232)	(38,058)	(22,738)	(23,439)	(23,439)
Net acquisitions & disposals	188	326	435	457	480
Other investments (net)	76	(129)	(383)	(121)	(134)
Cash flow from investing	(26,784)	(54,694)	(40,986)	(41,703)	(41,692)
Dividends paid	(21,050)	(20,219)	(20,808)	(20,457)	(24,357)
Equity finance	0	0	0	0	0
Debt finance	(15,110)	4,071	55	(10,000)	(10,000)
Other financing cash flows	(3,128)	(15,977)	(9,740)	(7,815)	(7,233)
Cash flow from financing	(39,288)	(32,124)	(30,494)	(38,272)	(41,590)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(216)	(95)	0	0	0
Movement in cash	10,338	(1,284)	15,132	7,648	6,077
Free cash flow to firm (FCFF)	54,619.51	36,852.20	52,001.96	51,735.38	52,899.55
Free cash flow to equity (FCFE)	31,388.54	18,934.97	35,940.05	28,105.58	30,433.54

Per share (THB)

FCFF per share	18.37	12.39	17.49	17.40	17.79
FCFE per share	10.56	6.37	12.09	9.45	10.23
Recurring cash flow per share	26.02	29.49	29.22	29.24	29.98

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	241,913	337,010	364,890	394,390	423,890
Less: Accumulated depreciation	(116,403)	(155,769)	(194,433)	(233,206)	(272,452)
Tangible fixed assets (net)	125,510	181,241	170,457	161,184	151,438
Intangible fixed assets (net)	111,424	120,224	141,639	128,613	115,591
Long-term financial assets	67	110	110	110	110
Invest. in associates & subsidiaries	660	831	1,214	1,335	1,469
Cash & equivalents	21,626	20,342	35,474	43,122	49,199
A/C receivable	18,298	17,781	17,926	18,436	18,966
Inventories	4,828	2,372	2,391	2,459	2,530
Other current assets	2,390	1,660	1,674	1,722	1,771
Current assets	47,142	42,155	57,465	65,739	72,466
Other assets	4,865	5,610	6,035	6,531	7,074
Total assets	289,669	350,171	376,919	363,512	348,148
Common equity	69,266	75,564	81,068	88,851	95,087
Minorities etc.	128	125	154	184	217
Total shareholders' equity	69,394	75,689	81,222	89,035	95,304
Long term debt	69,172	79,301	79,345	71,345	63,345
Other long-term liabilities	45,848	101,367	122,981	110,308	97,551
Long-term liabilities	115,020	180,668	202,326	181,653	160,897
A/C payable	41,377	40,571	40,828	42,268	43,380
Short term debt	24,872	18,748	18,759	16,759	14,759
Other current liabilities	39,007	34,494	33,785	33,798	33,808
Current liabilities	105,255	93,813	93,372	92,825	91,947
Total liabilities and shareholders' equity	289,669	350,171	376,919	363,512	348,148
Net working capital	(54,867)	(53,251)	(52,621)	(53,448)	(53,921)
Invested capital	187,660	254,765	266,833	244,325	221,760

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

Per share (THB)

Book value per share	23.30	25.42	27.27	29.88	31.98
Tangible book value per share	(14.18)	(15.02)	(20.37)	(13.37)	(6.90)

Financial strength

Net debt/equity (%)	104.4	102.7	77.1	50.5	30.3
Net debt/total assets (%)	25.0	22.2	16.6	12.4	8.3
Current ratio (x)	0.4	0.4	0.6	0.7	0.8
CF interest cover (x)	10.3	10.6	10.2	9.9	11.3

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	18.2	21.5	22.1	20.6	19.0
Recurring P/E @ target price (x) *	20.5	24.1	24.9	23.2	21.4
Reported P/E (x)	18.7	21.3	22.1	20.6	19.0
Dividend yield (%)	3.6	3.5	3.6	3.5	4.2
Price/book (x)	8.4	7.7	7.2	6.6	6.1
Price/tangible book (x)	(13.8)	(13.0)	(9.6)	(14.7)	(28.4)
EV/EBITDA (x) **	8.3	7.4	7.2	6.8	6.4
EV/EBITDA @ target price (x) **	9.2	8.2	7.9	7.6	7.2
EV/invested capital (x)	3.5	2.6	2.4	2.6	2.8

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

Sources: Advanced Info Service; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RICHY	RML	RPC	RWI	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Advanced Info Service	ADVANC TB	THB 196.00	BUY	The key downside risks to our DCF-based TP are stronger-than-expected competition in the mobile market and the slower-than-expected adoption of 5G use cases.
Intouch Holdings	INTUCH TB	THB 80.50	HOLD	The key downside risks to our NAV-discounted TP are if the sluggish performance from the satellite business continues and if there is a slower-than-expected 5G adoption rate. The key upside risk is if INTUCH synergizes with GULF faster than expected.
Siam Commercial Bank	SCB TB	THB 122.00	BUY	Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Gulf Energy Development	GULF TB	THB 41.50	BUY	The downside risks to our SoTP-based TP on GULF include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) delays in project commercial operation dates.
Thaicom	THCOM TB	THB 10.00	REDUCE	The key upside risks to our P/BV-based TP are 1) if the company is able to secure a new right of use concession for the satellite orbital slots and can generate significant revenue from it; 2) if it can form a partnership with NT or LEO satellite operators; and 3) if its operating costs after the expiration of Thaicom 4 and 6 are lower than expected.
True Corporation	TRUE TB	THB 3.80	HOLD	The key upside and downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are better or worse than our expectation, if the company can reduce its costs better or worse than we expect, and if there is a faster or slower-than-expected adoption of 5G use cases.
Jasmine International	JAS TB	THB 2.86	HOLD	The key upside and downside risks to our SOTP-based TP include better or worse-than-expected growth in FBB and ARPU and better or worse-than-expected cost reduction.

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 30-Sep-2021 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.