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Thailand ICT

Colours of event-driven tailwinds

ปัจจัยบวกจากเหตุการณ์ต่าง ๆ มีผลต่อราคามากกว่าปัจจัยพื้นฐาน

เมื่อเดือนที่แล้วกลุ่มโทรศัพท์เคลื่อนที่เคลื่อนไหวดีกว่าตลาด แม้ว่าแนวโน้มกำไรในปีนี้และปีหน้ายังคงไม่เปลี่ยนแปลง เราเชื่อว่าราคาที่ปรับตัวดีเกิดจากการเก็งกำไรของต่างชาติ และข่าวลือที่ปรากฏในตลาด เนื่องจากเราเห็นว่าการเติบโตของกำไรของกลุ่ม ไม่น่าสนใจ เราจึงแนะนำให้ลงทุนในกลุ่มโทรศัพท์เคลื่อนที่โดยยึดจากปัจจัยบวกที่อาจเกิดขึ้นของหุ้นแต่ละตัว เราเห็นว่าประเด็นสำคัญของกลุ่มอยู่ที่เงินปันผล ซึ่งเราคิดว่าจะมีการจ่ายใน 1Q22 เราเชื่อว่าการลงทุนในกลุ่มโทรศัพท์เคลื่อนที่ใน 1Q ซึ่งเป็นฤดูกาลจ่ายเงินปันผล น่าจะให้ผลตอบแทนที่ดี โดยเฉพาะอย่างยิ่งสำหรับ ADVANC และ DTAC ซึ่งจากการศึกษาของเราเรามีแนวโน้มให้ตอบแทนเป็นบวกสำหรับการลงทุนใน 1Q บ่อยครั้งกว่าบริษัท ICT อื่น ๆ

โอกาสเกิดบริษัทเสาคลื่นโทรศัพท์เคลื่อนที่ (towerco) และการควบรวมระหว่าง TRUE และ DTAC มีต่ำ

เราเชื่อว่าเป็นไปได้ต่ำที่จะเกิดบริษัทเสาคลื่นโทรศัพท์เคลื่อนที่ในขนาดอันใกล้ แม้ว่าบริษัทดังกล่าวจะให้ประโยชน์หลายประการต่อผู้ประกอบการเครือข่ายโทรศัพท์เคลื่อนที่ มีข้อจำกัดบางประการเกี่ยวกับประเด็นเรื่องราวในอดีตและในด้านภูมิภาค ในขณะที่เรายังเชื่อว่าการเก็งกำไรของตลาดเกี่ยวกับข่าวที่ DTAC และ TRUE จะเข้าร่วมเป็นพันธมิตรหรือควบรวมกิจการมีความเป็นไปได้ต่ำ เราเห็นว่าการควบรวมระหว่างผู้ประกอบการทั้งรายจะสร้างบริษัทใหม่ที่สามารถครอบคลุมตลาดบริการโทรศัพท์เคลื่อนที่ในประเทศไทย เพราะฉะนั้นเราจึงคิดว่าสำนักงานคณะกรรมการการแข่งขันทางการค้าไม่น่าจะอนุญาตให้รายการดังกล่าวเกิดขึ้น ไม่มีประเทศใดในโลกที่มีประชากรจำนวนมากกว่า 50 ล้านที่มีผู้ให้บริการโทรศัพท์เคลื่อนที่เพียง 2 ราย ในกรณีที่การเป็นพันธมิตร/การควบรวมกิจการระหว่างบริษัททั้ง 2 เกิดขึ้นจริง เราคิดว่าการเกิดขึ้นของ towerco จะยังเป็นเรื่องที่ไม่น่าจะเกิดขึ้น

มุมมองเป็นกลางสำหรับปัจจัยพื้นฐานของกลุ่มฯ แต่คุ้มค่าที่จะมองดูในแง่เงินปันผลที่น่าสนใจ

เราให้น้ำหนักเท่ากับตลาดสำหรับกลุ่ม ICT โดยเฉพาะอย่างยิ่งกลุ่มผู้ประกอบการโทรศัพท์มือถือ เราเชื่อว่าแนวโน้มการเติบโตของกำไรในปี 2022 ไม่น่าสนใจ เนื่องจากเราคาดว่ากำไรจะเริ่มฟื้นตัวดีใน 2Q22 หรือ 3Q22 ดังนั้นเราจึงเชื่อว่าปัจจัยหลักที่สำคัญสำหรับกลุ่มฯ ในอีก 2 ไตรมาสข้างหน้าจะอยู่ที่เงินปันผลและปัจจัยบวกในอนาคต ADVANC ยังเป็นหุ้นเด่นของเรา เราแนะนำซื้อที่ราคาเป้าหมาย 220 เราคาดว่า ADVANC จะมีปัจจัยบวกมากที่สุดในกลุ่มฯ

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Advanced Info Service	ADVANC TB	190.00	BUY	Unchanged	220.00	220.00	Unchanged	+15.8%
Total Access Communication	DTAC TB	41.00	HOLD	Unchanged	42.00	42.00	Unchanged	+2.4%
Intouch Holdings	INTUCH TB	73.00	HOLD	Unchanged	72.00	65.00	+10.77%	-1.4%
Jasmine International	JAS TB	2.92	HOLD	Unchanged	3.10	2.70	+14.81%	+6.2%
Thaicom	THCOM TB	11.30	REDUCE	Unchanged	7.10	7.10	Unchanged	-37.2%
True Corporation	TRUE TB	4.18	HOLD	Unchanged	4.20	3.30	+27.27%	+0.5%

Note: Priced at close of business 18/10/2021. Share prices and TPs are in listing currency.; Sources: FSSIA estimates



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Investment thesis

Mobile services are an essential need for everyone nowadays, with the growth of internet data consumption and mobile usage still in an uptrend. Mobile network operators typically have stable revenue as well as earnings. Although the sector may have a small growth outlook, most of the companies should still be able to pay a decent dividend yield to shareholders. We believe the mobile sector is a cash cow that pays solid dividends and has a resilient cash flow.

There are a lot of potential catalysts in the market at this moment. All of them are positive and could drive mobile companies' share prices toward continuous growth. However, we believe that most of these are based on speculation. Therefore, we recommend investing in the mobile sector with caution.

Catalysts

- Potential to pay decent dividends in 1Q22;
- The recovery of mobile service revenue after the Covid pandemic;

Risks to our call

- If the 5G adoption is faster or slower than our expectation;
- A new wave of Covid-19;
- Establishment of a towerco or a partnership or merger between mobile operators;
- Weaker or stronger competition on mobile packages.

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Event Calendar

Date	Event
Late Oct 2021	DTAC's 3Q21 results announcement
Nov 2021	ADVANC, THCOM, INTUCH, TRUE, JAS 3Q21 results announcements

Executive summary

Focus on the catalysts

We think mobile network operators' (MNOs) earnings outlooks in 2022 and 2023 remain the same as in the beginning of 2021. Despite the huge increase in the mobile sector's share price since Jun-21, 2022 EPS estimates by BBG consensus have remained the same since 1Q21 at around THB7.86. This indicates that at this moment, the market is not focused on the fundamental outlook but is highly speculative about potential future catalysts.

Therefore, we have concluded that the strategy for investing in the mobile sector now would be to focus on the catalysts that should be positive for each company over their financial outlooks. Future earnings remain essential for investment because they will provide returns to shareholders in terms of dividends.

Dividend season should be a key investment period for the ICT sector in 1Q22

In our view, the ICT sector is a cash cow which has only single-digit but sustainable net profit growth. Therefore, we suggest investors focus on dividends received from investments in MNOs. We believe that investments in the mobile sector during 1Q, which is the dividend season, should provide promising returns. This investment idea is supported by our study, as we have found that MNOs, especially ADVANC and DTAC, have tended to offer a higher frequency of positive returns on 1Q investments than other ICT companies. Since 2010 (12 years), ADVANC and DTAC have provided positive returns eight times in 1Q.

Low possibility of a towerco

We think that a towerco would be a great choice for MNOs to unlock and monetise their asset values. A towerco can provide various benefits to MNOs, considering that mobile service revenue growth should only be in the low single digits over the next 3-5 years, based on our estimate. Divesting assets, utilising the cash, and reducing CAPEX in the future for new investment opportunities seems to be the better choice. If a towerco really does emerge in Thailand, we believe it would take at least 6-12 months to finalise every issue, which may already be too late because the 5G rollout in Thailand is already underway. As time goes by, the likelihood of a towerco becomes more remote.

Industry outlook to remain weak until 1H22

We strongly believe that once the Covid situation is well under control, competition between mobile service providers will return. In the past several years, competition in the mobile industry has never subsided for more than one year. Competition comes and goes as mobile operators attempt to acquire more subscribers by dropping the prices of mobile packages. This has been the main strategy for the past several years. We believe that a price war remains the key strategy for mobile operators to grow their subscriber base.

5G should play a bigger role in 2023

We believe that 5G services will start to play a bigger role in Thailand, as well as the rest of the world, in 2023 onward. We think the 5G situation in Thailand during 2022 should be similar to 2021 since 1) the Covid pandemic should continue to pressure consumer confidence and purchasing power; and 2) there will likely be no significant improvement in the new technologies and services that require 5G.

Exhibit 1: Peers comparison as of 18 Oct 2021

Company	BBG	Market Cap	----- PE -----		----- ROE -----		----- PBV -----		--- EV/EBITDA ---		---- Dividend ----	
			21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
		(USD m)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)	(x)	(x)
Mobile												
Advanced Info Serv.	ADVANC TB	16,886	21.5	20.0	33.6	33.2	7.0	6.4	7.0	6.6	3.7	3.6
Total Access Comm.	DTAC TB	2,901	23.1	21.4	18.5	21.4	4.6	4.6	5.0	4.8	4.8	4.7
True Corp	TRUE TB	4,165	(67.4)	(311.1)	(2.5)	(0.6)	1.7	1.7	6.2	6.0	0.0	0.0
Mobile average (ex-TRUE)		19,787	22.3	20.7	26.0	27.3	5.8	5.5	6.0	5.7	4.2	4.1
Other												
Intouch Holdings	INTUCH TB	6,995	22.5	20.4	26.6	27.7	5.8	5.5	253.3	399.1	3.5	3.9
Thaicom	THCOM TB	370	(298.9)	336.6	(0.4)	0.3	1.1	1.1	9.7	23.2	0.0	0.2
Jasmine Intl	JAS TB	750	(12.5)	(32.6)	(69.3)	(50.8)	13.2	22.2	3.1	2.7	0.0	0.0
Other average		8,115	(96.3)	108.1	(14.4)	(7.6)	6.7	9.6	88.7	141.7	1.2	1.4
Mobile & other avg. (ex-TRUE)		27,902	(48.9)	73.2	1.8	6.4	6.3	7.9	55.6	87.3	2.4	2.5
Regional												
Digi.Com	DIGI MK	8,134	29.1	27.6	192.4	194.8	55.9	50.1	13.1	12.8	3.4	3.6
XI Axiata	EXCL IJ	2,348	26.9	23.3	5.5	7.2	1.6	1.6	4.8	4.5	0.9	1.8
Telkom Indonesia	TLKM IJ	26,338	16.1	14.6	22.1	23.3	3.4	3.2	5.7	5.3	4.8	5.4
Axiata Group	AXIATA MK	9,024	35.0	29.3	5.9	7.3	2.1	2.0	5.8	5.6	2.2	2.9
Maxis	MAXIS MK	9,033	26.4	24.5	20.0	21.7	5.3	5.2	12.2	11.7	3.7	3.9
PLDT	TEL PM	6,898	12.0	12.9	23.4	21.5	2.7	2.5	6.2	5.9	5.0	5.0
Globe Telecom	GLO PM	8,185	17.7	19.6	26.2	23.0	4.4	4.1	7.7	7.5	3.3	3.6
China Mobile	941 HK	128,334	7.2	6.8	9.7	9.9	0.7	0.7	1.2	1.1	7.5	8.1
Regional average		198,294	21.3	19.8	38.1	38.6	9.5	8.7	7.1	6.8	3.8	4.3
Average (all) (ex-TRUE)		226,196	(5.7)	40.3	24.2	26.2	8.3	8.4	25.7	37.8	3.3	3.6

Sources: Bloomberg; FSSIA estimates

Event drivers to lift ICT sector up

From underdogs to racing bulls

We are changing our investment theme on the mobile sector from a safe haven to a catalyst play. The sector has been a safe haven since late 2020 to mid-2021 thanks to the low share price volatility. The sector has outperformed the SET Index since Jul-21 to date after Gulf Energy Development (GULF TB, BUY, TP THB56)'s completion of its tender offer for INTUCH on 4 Jul-21.

However, the ICT sector underperformed the market during the recovery stage in 2021, with its 2H21 performance since narrowing the gap significantly. Since hitting the bottom on 23 Mar-21 on the SET100 index, the share prices of ADVANC, DTAC, and TRUE (ADT) have underperformed the SET100 the most among all major sectors, with TRUE, DTAC, and ADVANC ranking 69, 79, and 92, respectively, in terms of share price performance.

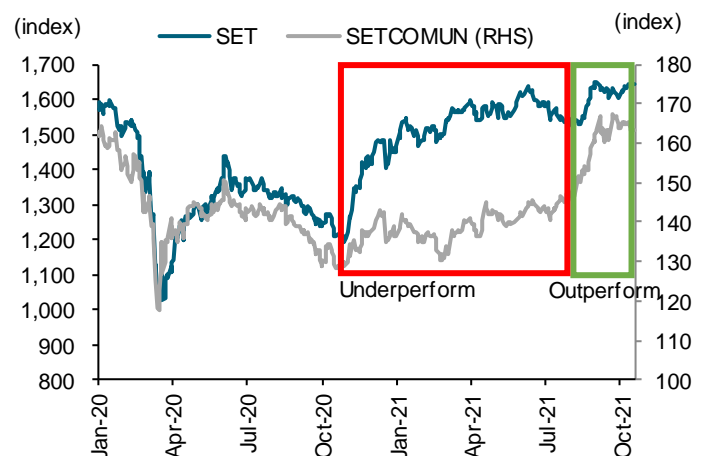
Although the share prices of ADT had limited downside risks due to their high earnings visibility and dividend yields, they also underperformed the market, providing only a satisfactory return on investments from their decent dividend yields, in our view.

Exhibit 2: Bottom of SET100 ranking

Rank	Ticker	----- Share price -----		Change
		23/03/20	18/10/21	
		(THB)	(THB)	(%)
79	DTAC	32.5	41	26.2
80	QH	1.84	2.3	25.0
81	TCAP	28.75	35	21.7
82	CPF	21.6	25.5	18.1
83	KTB	10	11.8	18.0
84	BH	124	142.5	14.9
85	BTS	8.5	9.7	14.1
86	VGI	5.75	6.55	13.9
87	BGRIM	36.5	41.5	13.7
88	TASCO	16.4	18.6	13.4
89	CPALL	58.5	65	11.1
90	BAM	17.1	18.9	10.5
91	OSP	33.25	34	2.3
92	ADVANC	188	190	1.1
93	BJC	35.5	33.75	(4.9)
94	EGCO	192	180.5	(6.0)
95	RATCH	51.25	46.5	(9.3)
96	JAS	4.06	2.92	(28.1)

Sources: Bloomberg; FSSIA's compilation

Exhibit 3: SET Index VS SETCOMUN



Sources: Bloomberg; FSSIA's compilation

However, since Jul-21, the ICT sector, particularly the three mobile operators, ADT, has outperformed the market. We believe the main reasons for the outperformance are:

- 1) Their under-owned and underperforming positions since the beginning of 2021;
- 2) Potentially attractive DPS thanks to their higher dividend payout ratios;
- 3) Other event drivers, including potential upsides from a tower spin-off, partnerships, or mergers and acquisitions among the operators.

This led to the ICT sector's share price rising by over 14% within just three months to rank as the highest sector for returns in 3Q21.

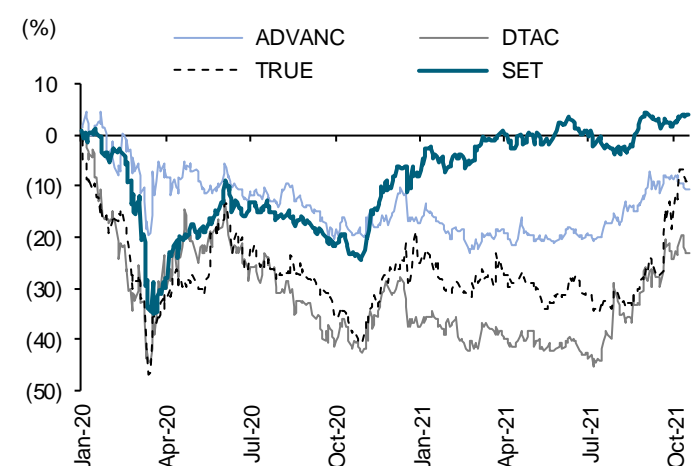
Exhibit 4: Top ten index returns by sector

Ticker	Sector	30-Jun-21	18-Sep-21	% Change
SETCOMUN Index	THAI INFO & COMM TECH IX	143.53	163.36	13.8
SETBANK Index	THAI BANKING INDEX	348.35	396.06	13.7
SETPETRO Index	THAI PETROCHEM & CHEM IX	1091.96	1211.62	11.0
SETIMM Index	THAI INDU MAT & MACHINE	47.85	52.6	9.9
SETCOM Index	THAI COMMERCE INDEX	36654.05	39286.33	7.2
SETHOT Index	THAI TOUR & LEISURE INDX	478.67	510.98	6.7
SETPROP Index	THAI PROPERTY DEV INDEX	224.12	237.11	5.8
SETENTER Index	THAI MEDIA & PUBLISHING	51.56	54.45	5.6
SETSTEEL Index	THAI STEEL INDEX	47.71	50.16	5.1
SETPROF Index	THAI PROFESSIONAL SERVCS	186.9	196.47	5.1

Source: Bloomberg

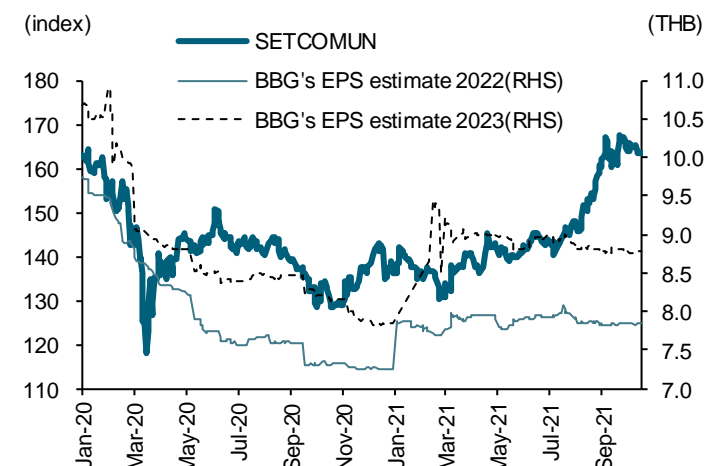
Ironically, none of the abovementioned 'event drivers' has had any financial upsides for or impact on the companies in the sector. Most of the companies' earnings outlooks in 2022 and 2023 remain unchanged from their outlooks at the beginning of 2021, reflected in the relatively unchanged EPS forecasts for the sector in 2022 by BBG consensus during 1Q-3Q21 at cTHB7.80. The stable sector EPS forecast for 2022 by consensus, despite the outperformance of the SET communication sector, implies that investors were speculating on the sector's event drivers rather than the fundamental EPS growth momentum as key catalysts.

Exhibit 5: % change in SET vs mobile sector



Sources: Bloomberg; FSSIA's compilation

Exhibit 6: % change in SET vs mobile sector



Sources: Bloomberg; FSSIA's compilation

As a result, we have concluded that the strategy for investing in the mobile sector now would be to focus on the catalysts that could potentially benefit each company, rather than on their EPS growth outlooks. While we expect that strong and stable earnings should provide a decent return to shareholders in the form of attractive dividends, we are Neutral on the ICT sector and recommend focusing on specific event driver

catalysts for companies with strong financials, sound earnings outlooks and decent dividend yields.

Key investment idea for the next six months: “Dividend Play”

We believe investors have a similar perception of the mobile sector as a dividend play, not a growth play, thanks to the sector's steady earnings and resilient cash flow generation that allows the companies to pay decent dividend yields. Therefore, we prefer the ICT sector as a dividend play for the next six months.

As shown in the exhibit below, most MNOs have a respectable dividend yield of roughly 3-5% on average and consistent DPS every year. In terms of dividend plays, we believe INTUCH, ADVANC, and DTAC are the most attractive companies with good dividend track records. Since ADVANC and DTAC should offer a decent dividend yield in 2022, based on their track records so far, we prefer them as the two most attractive investments in the mobile sector. We select ADVANC as our top pick due to its decent dividend yield and positive catalyst potential. We think there is a high possibility that ADVANC could pay a higher dividend payout during the final dividend at the end of 2021.

Exhibit 7: Mobile sector DPS and dividend yield

Dividend yield	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	21E	22E
(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
INTUCH TB	8.2	9.2	5.5	6.3	5.6	8.9	5.7	3.7	3.7	3.0	3.0	2.9	3.3
ADVANC TB	7.4	5.8	4.9	5.7	4.7	8.2	7.0	4.4	4.2	4.0	3.9	4.0	3.9
DTAC TB	1.3	4.6	1.3	5.1	4.7	15.7	1.1	0.6	2.6	7.4	7.7	5.0	4.9
TRUE TB	-	-	-	-	-	-	-	1.0	2.8	2.8	2.2	-	-
DPS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)
INTUCH TB	5.4	5.5	3.8	4.3	4.0	4.2	4.8	3.0	3.1	2.5	2.5	2.4	2.7
ADVANC TB	6.9	8.4	15.9	12.2	12.0	13.0	12.3	7.8	7.3	7.1	6.8	7.0	6.7
DTAC TB	3.2	1.4	5.1	3.7	6.9	2.9	0.4	0.2	1.0	2.9	3.0	2.0	1.9
TRUE TB	-	-	-	-	-	0.0	-	0.0	0.1	0.1	0.1	-	-

Note: At the share price level on 18 Oct-21

Sources: Bloomberg; FSSIA estimates

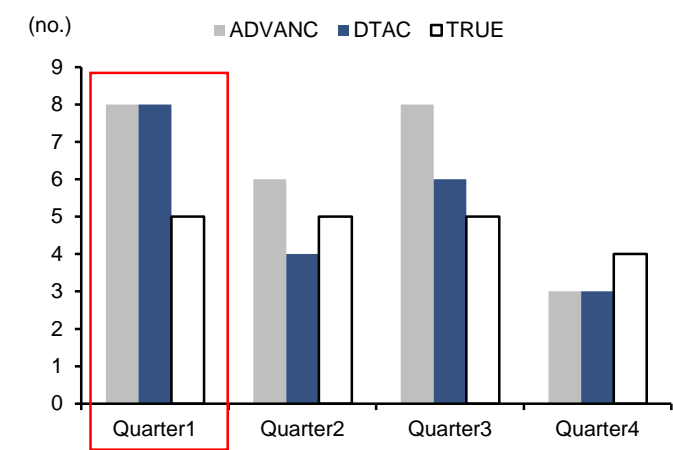
Investing in ICT sector during 1Q is the best strategy

In our view, the ICT sector is a cash cow sector with only single-digit net profit growth but with sustainable earnings, as mobile services have become a basic need for people nowadays. Mobile service providers in Thailand have offered decent dividends over capital gains for many years. Hence, we suggest investors focus on dividends from the investments made in mobile service providers.

This idea is also supported by our study. We have found that mobile service providers, especially ADVANC and DTAC, tend to offer a higher frequency of positive returns on 1Q investments. 1Q is the quarter in which these companies pay the final dividend from the previous year's financial results.

Since 2010 (12 years), ADVANC and DTAC, companies which both have sustainable earnings, have provided positive returns eight times in 1Q. Moreover, if we exclude the impact of Covid in 1Q20 and 1Q21, which pressured the SET Index and most companies, ADVANC and DTAC would have offered positive returns 8 times out of 10 (80%) in 1Q during 2010-19. Therefore, we believe that there is a high chance that investing in these two companies during 1Q can provide positive returns.

Exhibit 8: No. of positive returns, quarterly



Sources: Bloomberg; FSSIA's compilation

We believe the reason why ADVANC and DTAC have had mostly positive returns in 1Q is because these companies announce their payment of the final dividend and investors receive dividends during Feb. This motivates many investors to put more weight on companies with good dividend payouts. In addition, 3Q has been the second highest quarter for ADVANC and DTAC to offer positive returns. This is the quarter when these two companies typically announce the payment of an interim dividend.

On the other hand, TRUE is the only company among MNOs that does not see this pattern, as it offers a similar return every quarter. We believe that this is because TRUE is a loss-making company which is unable to pay dividends to shareholders.

As a result, we believe that investing in the ICT sector, especially in ADVANC and DTAC, during 1Q would be the best strategy for 2022. Investors should benefit in two ways: the possibility of a positive return and a decent dividend.

Exhibit 9: No. of positive returns, quarterly

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	(no.)	(no.)	(no.)	(no.)
ADVANC	8/12	6/12	8/11	3/11
DTAC	8/12	4/12	6/11	3/11
TRUE	5/12	5/12	5/11	4/11

Sources: Bloomberg; FSSIA's compilation

Go with the trend

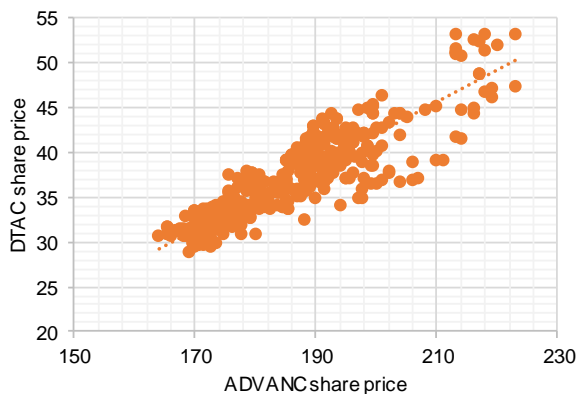
With the expectation that the ICT sector should see no significant positive catalysts in 2022, we think the key drivers would be 1) the recovery of revenue as well as net profit; and 2) the first stage of 5G growth. We believe these factors would drive the ICT sector's performance to be in line with the market.

However, we believe that there are still hidden upsides to the ICT sector, such as 1) potential asset monetisation via a towerco or infrastructure fund; 2) the potential to pay a higher dividend payout; and 3) partnerships or mergers between MNOs. Therefore, with the unattractive catalysts for the sector in the near future, we suggest investors focus more on individual catalysts for each company over sector catalysts.

Another key finding on the mobile sector is that all MNOs' share prices have had a similar trend. We have found that ADVANC's and DTAC's share prices have had a strong positive relationship (correlation = 0.90) since the Covid outbreak in 2020. Regarding TRUE, both DTAC and ADVANC have also had a positive relationship but at a lower correlation. The correlation between DTAC and TRUE is 0.79 and ADVANC and TRUE is 0.68.

Both ADVANC and DTAC have had positive net profits. Their net profit growth trends are quite similar, in line with the industry, while TRUE has remained a loss-making company for many years.

Exhibit 10: Relationship between DTAC and ADVANC



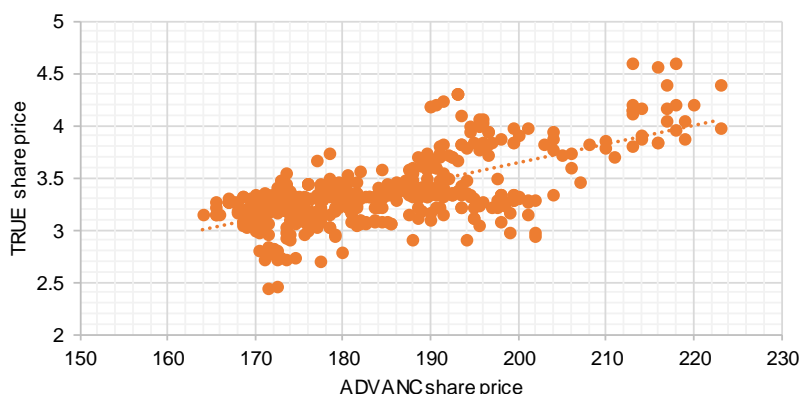
Sources: Bloomberg; FSSIA's compilation

Exhibit 11: Relationship between DTAC and TRUE



Sources: Bloomberg; FSSIA's compilation

Exhibit 12: Relationship between TRUE and ADVANC



Sources: Bloomberg; FSSIA's compilation

As a result, with the strong positive relationship between ADVANC and DTAC, we suggest investors use a pair trading strategy for these two companies. When DTAC's or ADVANC's share price increases, the share price of the other company could have a similar direction, despite them having different catalysts. This also supports our recommendation to invest in both ADVANC and DTAC, as they have had similar returns by quarter and have provided the highest number of positive returns in 1Q since 2010 in the ICT sector.

What should we focus on?

Given the slow pace of growth in the mobile sector, with the 5G adoption rate remaining slow, 5G price plans not being able to generate a significant improvement on revenues (as ADVANC and TRUE expect, there has only been a 10-15% average revenue per user (ARPU) uplift), and ARPU remaining in a downtrend, we suggest that investors focus on individual catalysts as follows:

ADVANC: Numerous opportunities await

ADVANC is our top pick in the mobile sector. We recommend BUY with our 2022 TP of THB220. 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 INTUCH. ADVANC's five key potential catalysts and opportunities, in our estimation, are as follows:

1. The 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 13: Smart metering communication

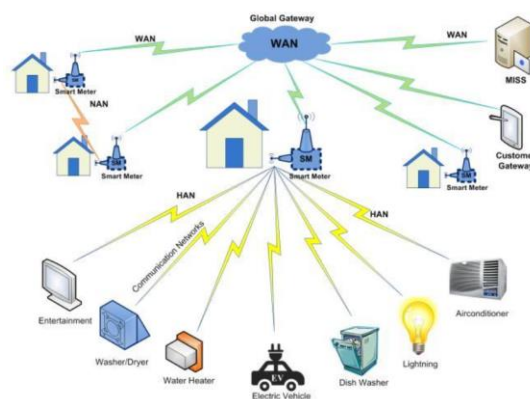
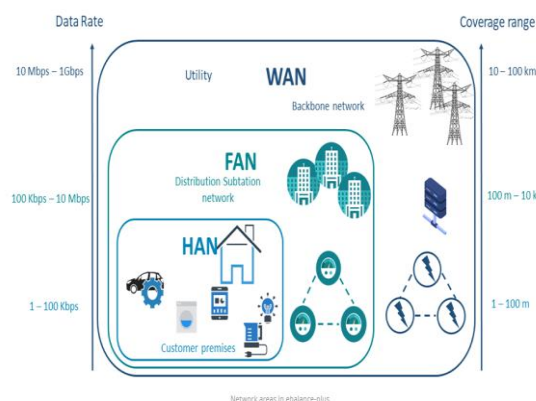
Source: [ResearchGate](#)

Exhibit 14: The smart grid hierarchical network

Source: [ebalanceplus](#)

Although GULF has announced joint study avenues for the development of a data centre business in Thailand with Singapore Telecommunications (Singtel), not ADVANC, we believe this move from GULF will pave the way for ADVANC to get involved in the future.

2. The potential of paying 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.

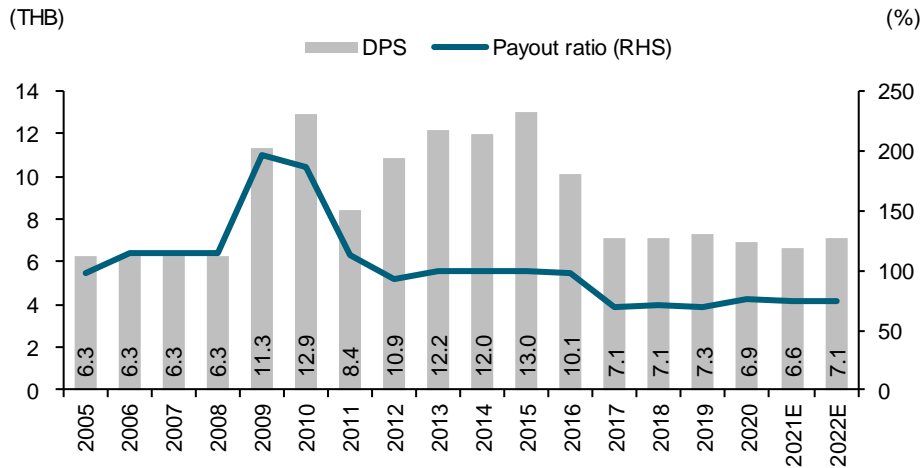
This could be another key catalyst for ADVANC because it was typically a dividend-paying company which had a payout ratio of over 90% from 2005-16, before reducing its payout to 70% in 2017 in preparation for 5G investment. An increase in its dividend payout in 2021 from 75% to 90% would make ADVANC's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

Exhibit 15: Potential dividend upside based on dividend pay-out ratio

DPS (THB)	EPS (THB)	70%	75%	80%	85%	90%	95%	100%
2021E	8.62	6.03	6.46	6.89	7.32	7.75	8.19	8.62
2022E	9.20	6.44	6.90	7.36	7.82	8.28	8.74	9.20
Yield (%)								
2021E		3.26	3.49	3.73	3.96	4.19	4.42	4.66
2022E		3.50	3.75	4.00	4.25	4.50	4.75	5.00

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 16: 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 THB6.83 and THB7.35, 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 independent towerco model by ADVANC is unlikely to occur. There are various limitations as we will explain further in this report. If the company would like to spin off and unlock its asset value, we believe it should go with an infrastructure fund model like the Digital Telecommunications Infrastructure Fund (DIF TB, NR) which was initiated by TRUE in 2013. Although asset monetisation by spinning off its towers into an infrastructure fund would likely be a key driver for the company in the short term, we would still need to see the structure of the transaction. Existing ICT infrastructure funds in Thailand, including DIF and Jasmine Broadband Internet Infrastructure Fund (JASIF TB, NR), have not been able to find a significant number of tenants and generate higher returns over its key tenants, which are companies under sale and leaseback agreements.

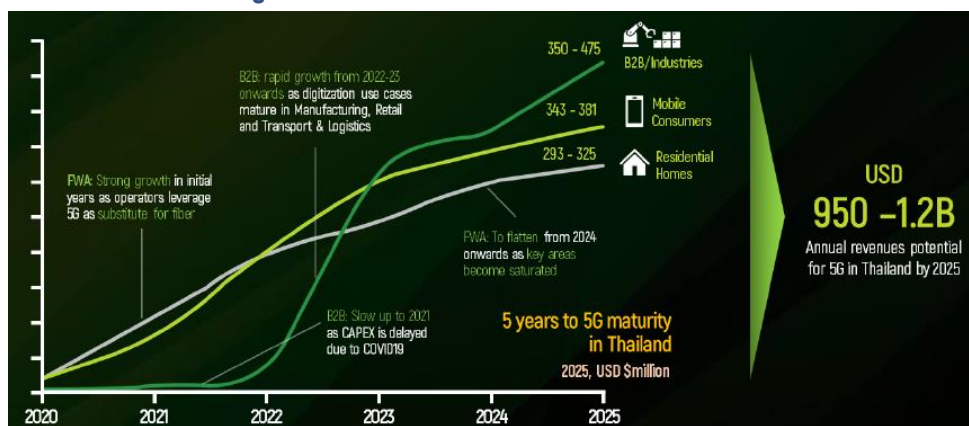
4. Growth in the enterprise sector

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 business-to-business 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 17: 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 investment, the new JV with Siam Commercial Bank (SCB TB, BUY, TP THB158) called 'AISCBS', with registered capital of THB600m. SCB and ADVANC will each hold 50%. AISCBS 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 18: AISCBS'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 portfolio (%)	3	5	8
Net profit (THB m)	60	184	558

Source: FSSIA estimates

DTAC: Cost management and 5G outlook

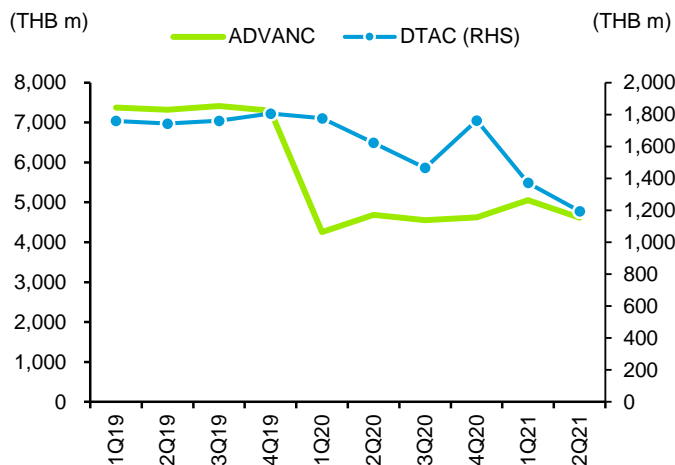
We believe that most of the key factors that we should keep an eye on for DTAC are about its operations and the speculation on the news in the market, which includes:

1. Cost management is the key driver

DTAC has had impressive cost savings during the Covid pandemic. The company has been able to minimise its costs quite well, especially on network OPEX and SG&A. As we can see in the table below, DTAC was able to reduce its network OPEX from an average of THB1.8b in 2019 to THB1.3b as of 1H21 thanks to its cost optimisation program. SG&A to sales has also continued to decline. Now, DTAC is the mobile operator with the lowest SG&A at only 8% compared with other companies in the sector which still have SG&A above 12%.

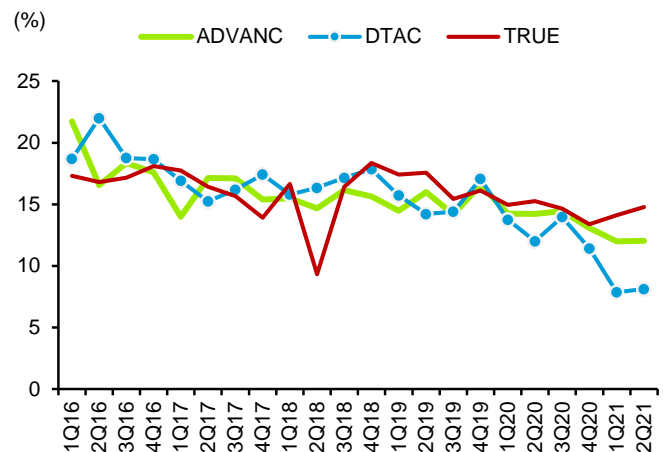
Management has stated that the company still has room to improve its costs. We expect that this will be the key success factor for DTAC when revenue starts to pick up, likely in 2022.

Exhibit 19: Network operating expenses



Note: TRUE does not disclose network operating expenses
Sources: ADVANC; DTAC

Exhibit 20: SG&A expenses to sales



Sources: ADVANC; DTAC; TRUE

2. 5G spectrum auction should be DTAC's turning point

Another key advantage for DTAC's network OPEX minimisation vs its peers is that it does not have a 5G mid-band spectrum. Conversely, ADVANC and TRUE have already rolled out their cell tower sites on the 2600Mhz spectrum and invested heavily in network infrastructure. However, this would only be a short-term advantage for DTAC until 2022, in our estimation. We believe DTAC will participate in the future 5G spectrum auction, especially for the 3500Mhz band, which we expect to open for bidding in 2022.

As mentioned in our initiation report on DTAC, "[Total Access Communication \(DTAC TB\) - Be conservative, be the winner](#)", dated 24 Dec-20, we think that DTAC's conservative stance on 5G technology has been the key success factor for the company in 2020 and 2021. It has been able to enjoy lower costs and maintain its net profit level vs its peers. 5G adoption in Thailand is sluggish, with the total number of 5G subscriptions still lower than 5% of the total subscriptions.

However, looking forward to 2022, being conservative with 5G may no longer be a key advantage for DTAC. It could be the key pressure point for DTAC's outlook as the company might not be able to compete with its peers which already have 5G customers as well as the required infrastructure. DTAC's competitiveness may dwindle when 5G adoption starts to grow significantly, possibly in mid-2022. Given that there is no timeline for the future spectrum auction, it may be delayed to 2022 and there might not be an indication when it would start. There is the possibility that it could start in mid-2022 or late 2022, in the worst-case scenario.

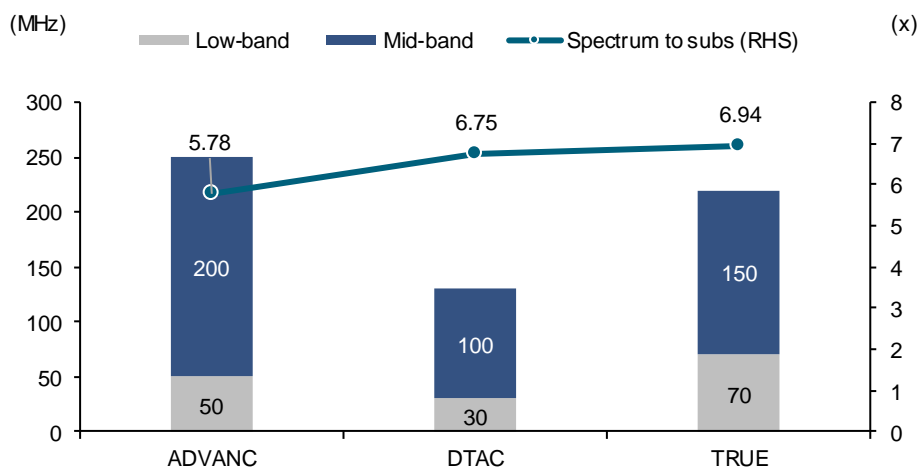
If the 3500MHz spectrum auction is held in late 2022, it would likely create significant customer concern over its network quality outlook and the company's direction. This issue is important because it has been a key pressure point on DTAC's subscription numbers in the past. It caused DTAC to lose many subscribers to its competitors, as consumers were worried about its network quality during the spectrum concession expiry.

Exhibit 21: Spectrum summary

	----- Low-band -----				----- Mid-band -----					High-band	Spectrum			
	700	850	900	Subtotal	1800	2100	2300	2600	Subtotal	26000	Grand total	Ex-26GHz	Subs	to subs
	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(m)	(x)
ADVANC	30	0	20	50	40	60	0	100	200	1200	1450	250	43	5.78
DTAC	20	0	10	30	10	30	60	0	100	200	330	130	19	6.75
TRUE	20	30	20	70	30	30	0	90	150	800	1020	220	32	6.94
Total	70	30	50	150	80	120	60	190	450	2200	2800	600	94	6.37

Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Exhibit 22: 5G spectrum comparison



Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Nevertheless, comparing the spectrum to subscriber ratio, we can see that DTAC is the second best in terms of spectrum amount compared to the number of subscribers. Surprisingly, ADVANC has the weakest spectrum to subscriber ratio, despite it having the highest spectrum total in the industry. This is because ADVANC has the highest number of subscribers in the market at 43m subscriptions. Its large subscription base is also why it has to have the highest number of cell towers: to ensure that its network quality is comparable to its competitors.

3. Low probability of Telenor's exit

We believe the 24% increase in DTAC's share price since June was mainly due to [media reports](#) about its major shareholder, Telenor, planning to exit the Thai market soon after leaving the Myanmar market.

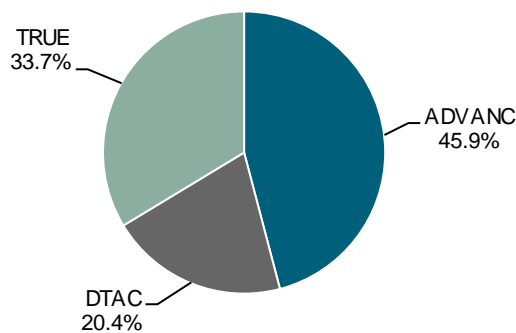
It is not the first time that the rumour about Telenor planning to sell DTAC has made the rounds in the market. In the past five years, there have been three rumours about Telenor aiming to exit the Thai market: in 2016, 2018, and this time in 2021. We see this as only a rumour with a small likelihood of occurring, given that the mobile market in Thailand remains strong and DTAC is one of the key sources of income for Telenor, unlike Myanmar with its political uncertainty.

4. Low probability of a merger between DTAC and TRUE

Thailand's subscription landscape is different from Malaysia's. There is an argument in the market that the merger transaction between Digi, Telenor's subsidiary, and Calcom, Axiata's subsidiary, could demonstrate that there is a possibility for a similar deal between DTAC and TRUE, as DTAC's major shareholder is Telenor.

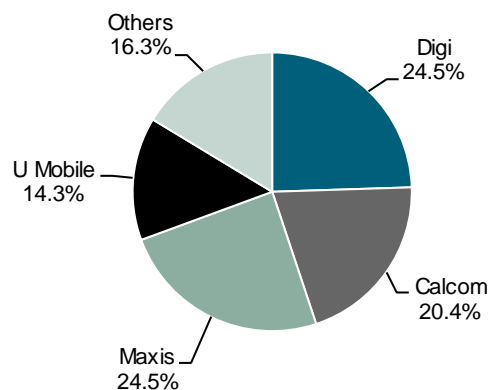
However, we have a different view. There is a big difference in the subscriber market share in the mobile market between Thailand and Malaysia. In Malaysia, there are four big MNOs in the industry, including Maxis, Digi, Calcom, and U Mobile. There are also small MNOs with a market share of over 16%. Therefore, the merger between Digi and Calcom will give the new MNO only 45% of the subscriber market share. Although the merger will make the new company the biggest mobile operator in terms of market share in Malaysia, it will still have to compete with two big operators and others who still own over 55% of the market share.

Exhibit 23: Mobile subscriber market share in Thailand



Sources: ADVANC; DTAC; TRUE

Exhibit 24: Mobile subscriber market share in Malaysia



Sources: Digi; Calcom; Maxis; International Telecommunication Union (ITU)

On the other hand, the Thai market only has three big operators. A merger between TRUE and DTAC would increase the new company's market share to over 54% and it would become the biggest MNO in Thailand. Moreover, there would only be two MNOs in the Thai market, which is quite rare globally; only two MNOs in one country. We believe the Office of Trade Competition Commission would not allow a merger like that to occur. It could be unfair to customers, as the two MNOs might dominate the market by making agreements to increase mobile package prices, which would directly hurt customers.

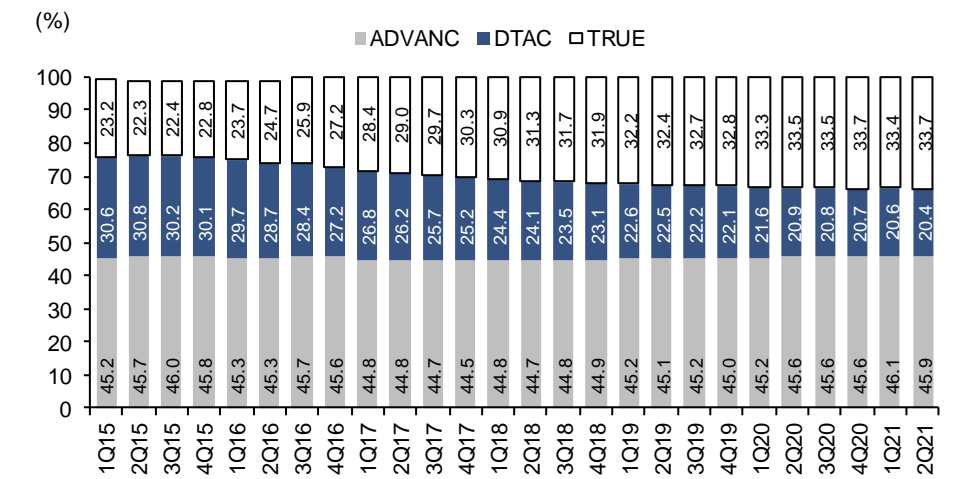
TRUE: Is a turnaround finally coming?

TRUE's share price performance has finally become similar to other operators, which we believe is from 1) the expectation by the market that TRUE's financial performance will finally turn positive in 2022; and 2) speculation on the news that TRUE has the potential to merge or partner with DTAC and become the biggest MNO in Thailand. We believe there is a low possibility that TRUE will merge with DTAC. A partnership would be more likely but we doubt that would occur as well. Therefore, we think the key catalyst that investors should focus on for TRUE is its potential to turn around. We think this will be driven by two key factors:

1. The best in subscriber acquisitions

TRUE is the best mobile operator in terms of subscriber acquisitions. Its subscriber market share has increased continuously since 2015 from 23% to 34% in 2Q21. This was due to the quality of its service exceeding DTAC's during 2016-17 when DTAC lacked a sufficient spectrum amount. We see TRUE as the most threatening company in the mobile sector with the highest potential to gain more market share in the future.

Exhibit 25: Mobile subscriber market share

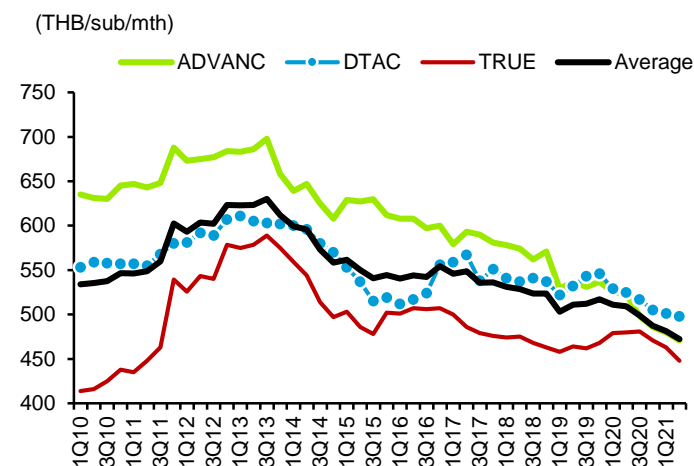


Sources: ADVANC; DTAC; TRUE

We believe that TRUE has the potential to acquire more market share because:

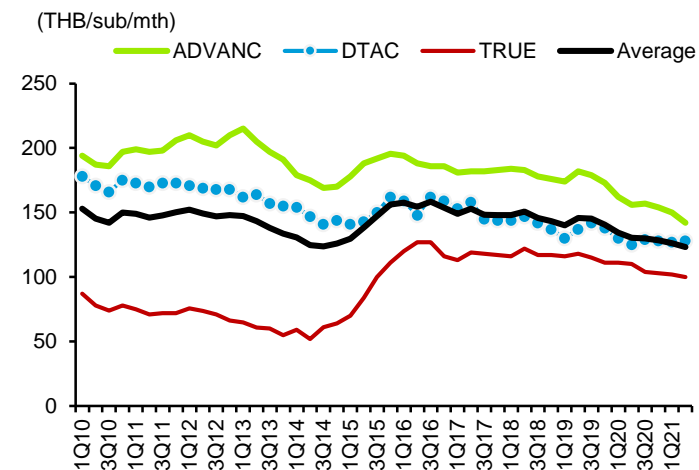
- 1) TRUE has the biggest distribution channel in 7-Eleven which sells only TRUE mobile sim cards. This is due to TRUE's major shareholder being the CP group, which is also the major shareholder of CP All (CPALL TB, BUY, TP THB82);
- 2) TRUE has the lowest ARPU in the industry for both post and pre-paid subscriptions. Despite the increase in its market share, TRUE's ARPU is lower than the industry's average ARPU.

Exhibit 26: Post-paid ARPU



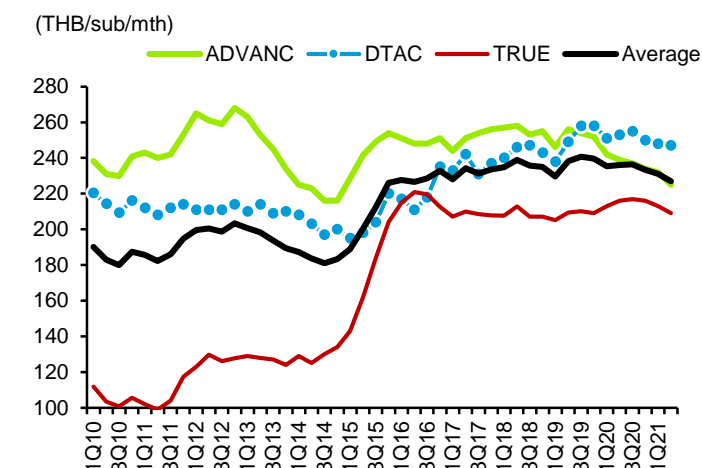
Sources: ADVANC; DTAC; TRUE

Exhibit 27: Pre-paid ARPU



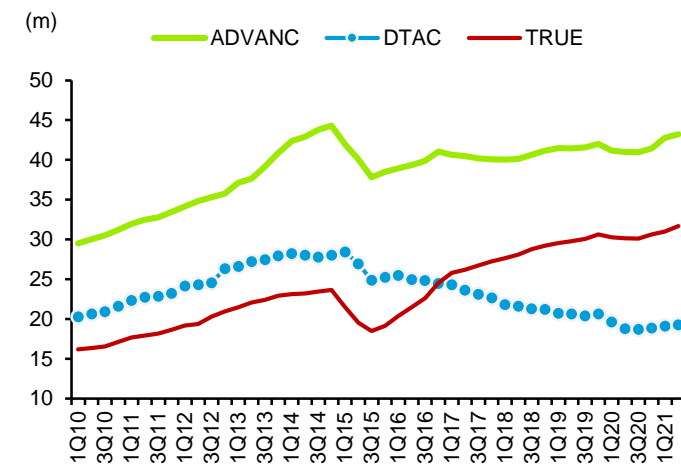
Sources: ADVANC; DTAC; TRUE

Exhibit 28: Blended ARPU



Sources: ADVANC; DTAC; TRUE

Exhibit 29: Mobile subscribers



Sources: ADVANC; DTAC; TRUE

TRUE used to be the most aggressive company in terms of subscriber acquisitions in the past. We think that its philosophy remains intact, which could continue into the 5G era. If 5G adoption starts to grow significantly, possibly in late 2022, this could be another turning point for it to acquire more subscribers, while DTAC is in the process of rolling out its mid-band spectrum. We believe that having more subscribers is one of the key success factors in the mobile sector in the long term. TRUE would not need to initiate competition by running any additional promotional campaigns or discounts. It would just need to maintain its service quality and create customer satisfaction. We believe the cost of maintaining its customer base is a lot lower than the acquisition cost.

2. Cost management is key

TRUE's operating cost has always been the key factor pressuring its bottom line, causing the company to usually make a loss. Since 2020, during the Covid pandemic, TRUE has aimed to reduce its costs significantly, but we have not seen any evidence that it really has reduced its costs for almost a year. TRUE has the highest SG&A to sales in the mobile sector. Its SG&A to sales has been at 14.1% on average for the past three quarters. Conversely, ADVANC and DTAC were only at 12.4% and 9.1%, respectively.

Although its high costs have put negative pressure on TRUE for a long time, we believe it could now be an opportunity, as it has room to reduce its costs above and beyond its peers. If TRUE can significantly reduce its costs, for example SG&A expenses, and maintain its SG&A to sales level close to ADVANC's at 12%, we estimate that the company could save costs of over THB600m per year. This could be a turning point for TRUE, allowing it to finally turn a profit.

Management expects that TRUE will reduce its costs even more intensively by reducing 1) the number of offices rented; 2) employee expenses; 3) content costs; and 4) selling and marketing expenses. TRUE also aims to increase 1) low-cost selling channels such as online; and 2) the efficiency of its operations and sales.

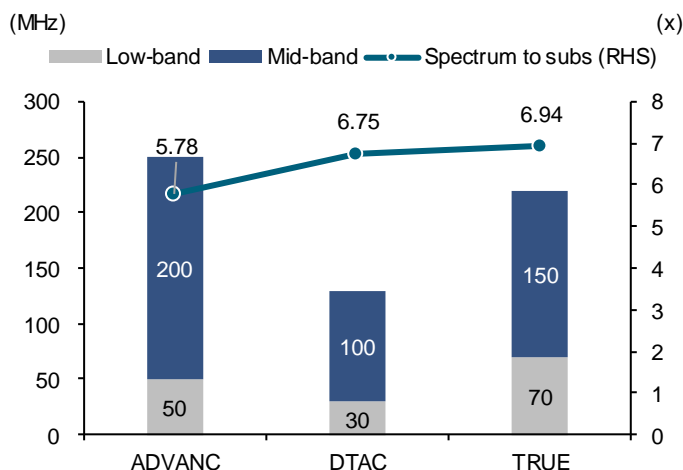
Negotiations on low-band spectrum cost could be an upside risk

TRUE is the MNO with the highest bandwidth in the low-band spectrum in the market, totalling 70MHz. It also has the highest spectrum to subscriber ratio at 6.94. TRUE aims to reduce the amount of bandwidth in the low-band in order to reduce its network costs. It anticipates that it will be able to negotiate with National Telecom (the merger between CAT and TOT) in order to reduce the rental cost for the 850MHz spectrum. At the moment, TRUE pays a rental cost of around THB4b per year for the 850MHz spectrum.

If the negotiation is approved, we expect that TRUE would be able to reduce its 850MHz spectrum rental cost by 33% or by THB1.3b per year. Our assumption is based on the spectrum to subscriber ratio. If the company reduces the bandwidth amount by 33% from 30MHz to 20MHz, we believe that the cost should reduce in line with the reduction in the bandwidth. 20MHz in the 850MHz spectrum should still be enough for TRUE to have good network quality, as the spectrum to subscriber ratio would reduce to 6.63, slightly lower than DTAC's at 6.75 but still higher than ADVANC's at 5.78.

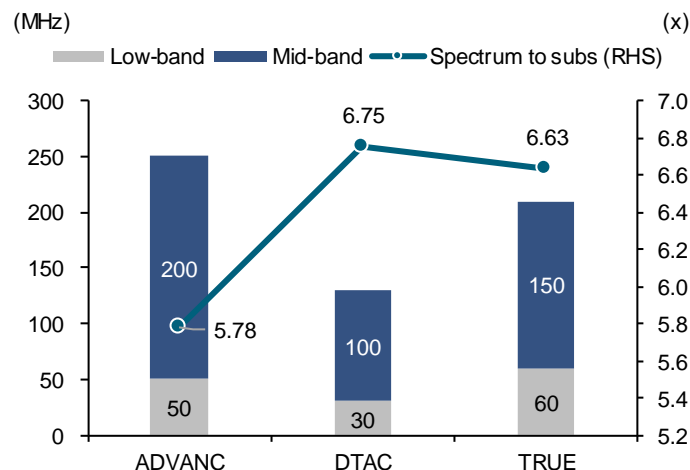
We have not yet included the potential cost savings from these negotiations into our forecast, and leave it as an upside risk. We expect that this deal should be done within this year, and TRUE should start recognising the new cost in the beginning of 2022. Our assumption of THB1.3b in cost savings would boost TRUE's net profit in 2022 significantly from our current expectation of a THB448m loss to a THB900m profit.

Exhibit 30: Current spectrum and spectrum to subscriber ratio



Sources: ADVANC; DTAC; TRUE; FSSIA compilation

Exhibit 31: Post-negotiation spectrum and spectrum to subscriber ratio



Sources: ADVANC; DTAC; TRUE; FSSIA estimates

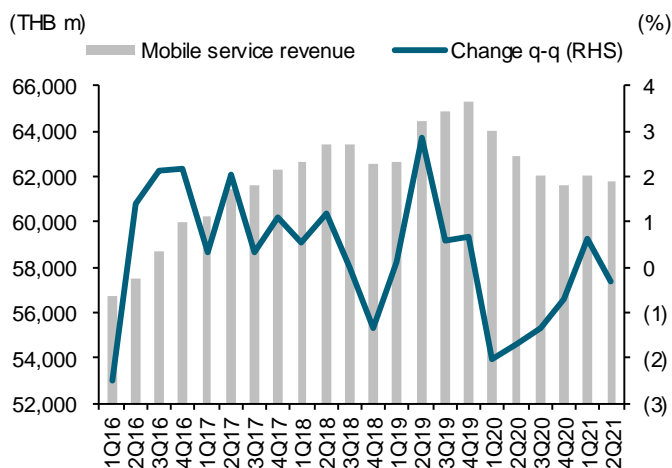
Industry outlook to remain weak until 1H22

We expect to see solid signs of a recovery in the mobile sector in 2H22 based on our assumption of a full Thai economic recovery and the reopening of the Thai border. The Thai government announced that it would allow vaccinated foreigners from some countries such as the US, UK, Singapore, China, and Germany to come to Thailand without quarantine starting from Nov-21 onward. Travel and tourism should see a strong recovery. Thai people should be able to travel abroad, while foreign tourists should also have more confidence to travel in Thailand.

However, we see this as being of limited significance to the mobile industry. According to the industry's mobile service revenue in 3Q20, the period when there should have been virtually no tourists at all, the industry's mobile service revenue fell by only 4% to THB62b compared to 4Q19 at THB65b (pre-Covid level). Moreover, with the expectation of tourist arrivals in 2022 numbering 13m trips, as forecast by the Tourism Authority of Thailand, that number would be 67% lower than the pre-Covid level in 2019 at 39.8m trips.

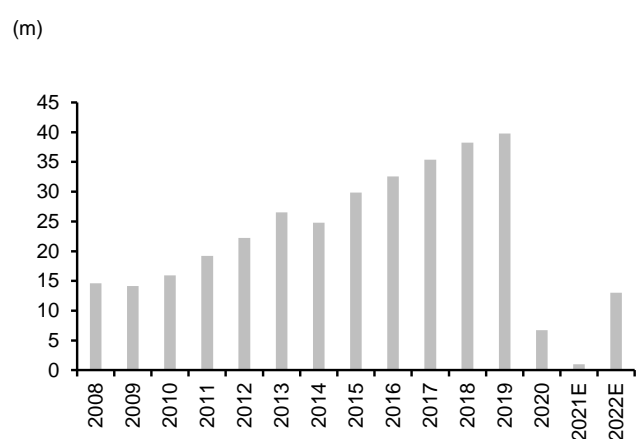
As a result, we conclude that the tourist arrival numbers may be one of the drivers for the industry but not significant to the overall mobile service revenue in Thailand. Airports of Thailand (AOT TB, BUY, TP THB80) believes that tourist numbers should recover to the pre-Covid level in 2024. Therefore, we believe that tourism will not boost mobile operators' revenues meaningfully in 2022, especially in 1H22.

Exhibit 32: Industry mobile service revenue and q-q change



Sources: ADVANC; DTAC; TRUE

Exhibit 33: Thailand tourist arrivals



Sources: Tourism Authority of Thailand

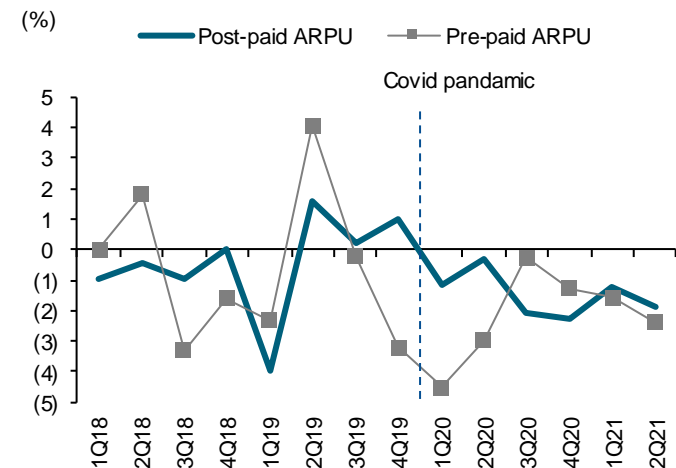
After Covid is gone, competition should return

We strongly believe that once the Covid situation is well under control, meaning that there is no more pandemic around the world and there is widespread herd immunity following the full vaccine rollouts, competition between mobile service providers will return.

In the past several years, competition in the mobile industry has never subsided for more than one year. Competition comes and goes as mobile operators attempt to acquire more subscribers by dropping the prices of mobile packages, while other operators counter and match the prices in order to protect their subscriber base. This has been the main strategy for the past several years, despite each company trying to offer other services, such as entertainment through Disney+ Hotstar and AIS Play offered by ADVANC, TRUE ID offered by TRUE, or bundling packages with fixed broadband services. We believe that a price war remains the key strategy for mobile operators to grow their subscriber base.

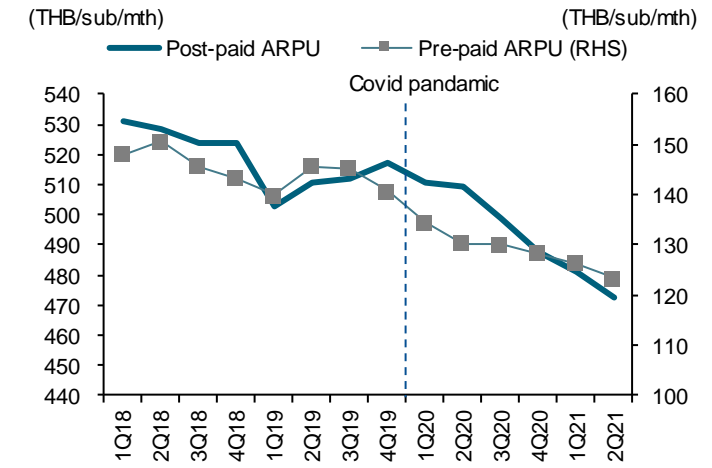
The latest massive price war happened in 2019 when all mobile operators offered unlimited data with fixed speeds on pre-paid services in the price range of THB150-200 per month. This was the turning point when pre-paid ARPU started to drop significantly in 4Q19. On the post-paid side, ARPU was also hit by the unlimited data offered at fixed speeds at a price of around THB300 per month, compared to the ARPU at the time of THB500 per month. As a result, these packages were the key factors to pressure ARPU for both pre- and post-paid. These packages still exist on the market and will likely continue to hurt the industry's ARPU going forward.

Exhibit 34: Change in industry's ARPU, q-q



Sources: ADVANC; DTAC; TRUE

Exhibit 35: Industry's ARPU trend



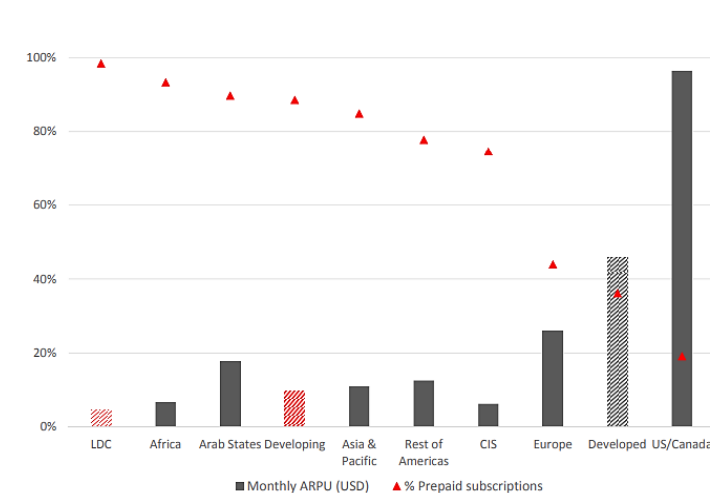
Sources: ADVANC; DTAC; TRUE

Pre-to-post remains the key supporting factor

Although both pre- and post-paid ARPU are still in a downtrend, blended ARPU in Thailand remains unchanged. 2Q21 blended ARPU was at THB227 compared to THB235 in 1Q18. This is thanks to the switch in many customer's packages from pre- to post-paid packages – post-paid packages normally have a higher ARPU than pre-paid – making blended ARPU stable.

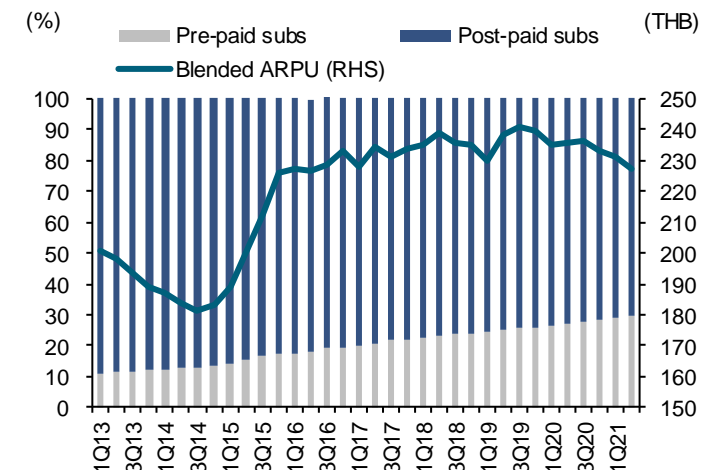
The number of post-paid customers in Thailand is growing every quarter. The proportion increased from 17.5% in 1Q16 to 29.4% in 2Q21 (5 years). We believe this trend will continue in line with the global trend. According to data from the International Telecommunication Union (ITU) in 2016, most developed countries' post-paid subscribers accounted for over 50% of total subscriptions. In comparison, developing countries' post-paid subscribers were lower than 20% of the total.

Exhibit 36: % pre-paid subscriptions and ARPU



Source: ITU

Exhibit 37: Pre- and post-paid subscribers and blended ARPU

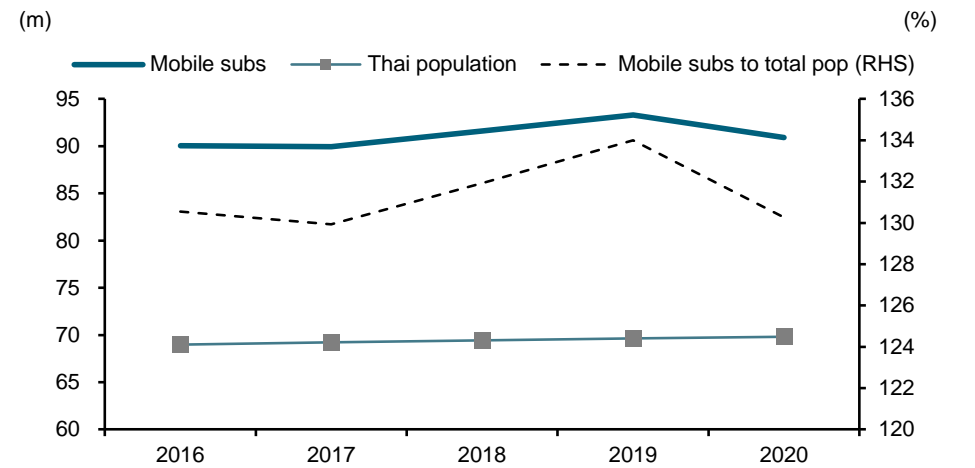


Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

As a result, even though pre- and post-paid ARPU may continue to decrease continuously until at least 1H22, we believe that blended ARPU may suffer a smaller impact thanks to the ongoing transition from pre- to post-paid subscribers. Post-paid subscribers still have room to grow to reach the 50% threshold; currently 29%. We expect that the post-paid proportion could reach 40% within 2025, driven by 5G growth, which most customers tend to use via post-paid packages.

Only tiny growth in the long term

Exhibit 38: Mobile subscribers vs Thailand



Sources: ADVANC; DTAC; TRUE; World Bank

Limitation on mobile subscriber growth

The number of mobile subscribers in Thailand was at 90.9m in 2020, which declined from 2019 at 93.3m by 2.5% due to the Covid impact. Compared to the total population of Thailand at 69.8m in 2020, the ratio between mobile subscribers and the population was 130.3%, meaning that Thai people tend to have more than one mobile sim card. This ratio has stood at around 129-134% for the past five years. We believe there is limited room for mobile subscriber growth, possibly not more than 135% by 2025.

Therefore, based on our assumption that the ratio of mobile subscribers to the total population should be c135% in 2025, we expect that only 5m subscribers could be added, bringing the total mobile subscriptions up to 95.5m in 2025. Accordingly, we estimate that the average growth rate for mobile subscribers in the next five years should be only 1%.

Exhibit 39: Mobile economy growth in Asia Pacific



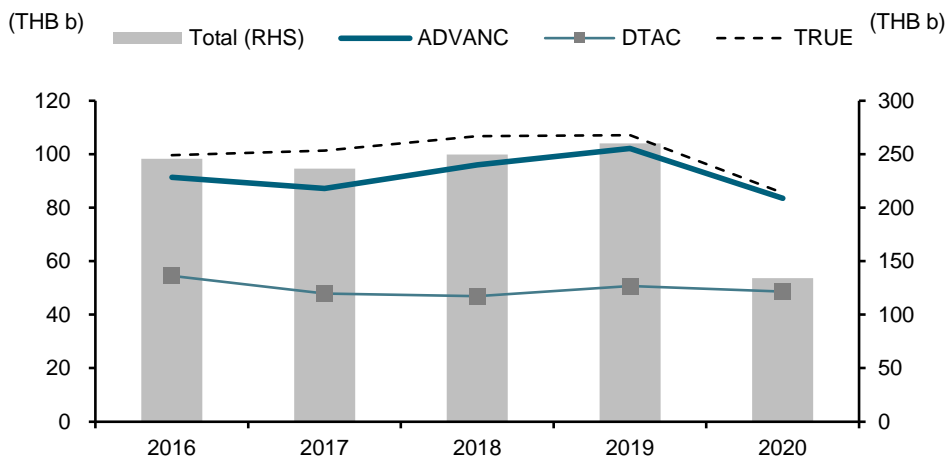
Source: GSMA

Our growth assumption for mobile subscribers is slightly lower than the growth projection for Asia Pacific by GSMA. It expects a 2.2% CAGR from 2020-25. Interestingly, GSMA projects that the growth in IoT connections could double in 2025. We believe IoT will play a bigger role in line with the rising 5G adoption rate, which would also benefit fixed broadband service providers.

Cost optimisation is key

From the impact of Covid in 2020 until now, mobile operators have tried to reduce their operating costs intensively in order to maintain their net profit levels. Most of the companies in the sector have indicated that they still have room to reduce their costs further. We believe that once revenues start to recover, possibly in 1Q22, the cost of operations should have already hit the optimal level, which would be another important driver for the mobile sector in 2022.

Exhibit 40: Total operating cost



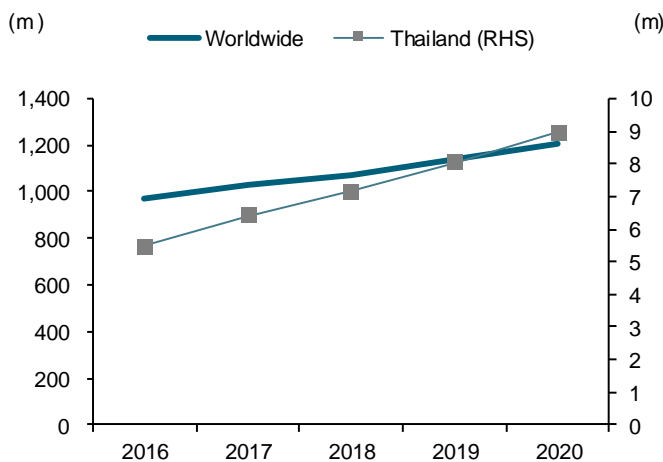
Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

FBB still has room to grow with the rise of smart homes

The fixed broadband (FBB) business may look unattractive compared to MNOs' total revenue, contributing only 5% of ADVANC's service revenue and 22% (before intersegment elimination) for TRUE in 2020. Nevertheless, FBB's revenue growth momentum is slightly better than that of mobile service revenue, as it grew by 6% on average during 2017-20.

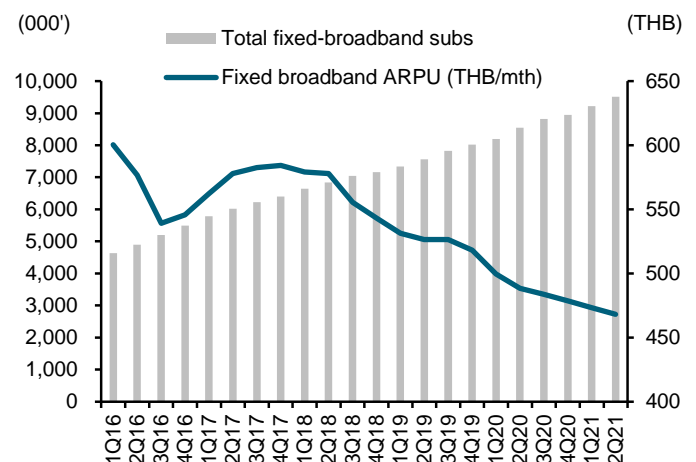
The subscriber growth rate in Thailand still looks promising. It had a 4-year CAGR (2016-20) of 13%, compared to global subscriber growth at a 5% CAGR during the same period. In 2020, total FBB subscribers in Thailand hit 9m (+12% y-y) thanks to the Covid-19 impact that forced most people to apply a work-from-home policy, together with affordable FBB packages starting at THB299 per month vs the previous starting package price at THB599 per month.

Exhibit 41: FBB subscribers in Thailand and worldwide



Note: Including only three listed companies
Sources: ITU; ADVANC; TRUE; JAS

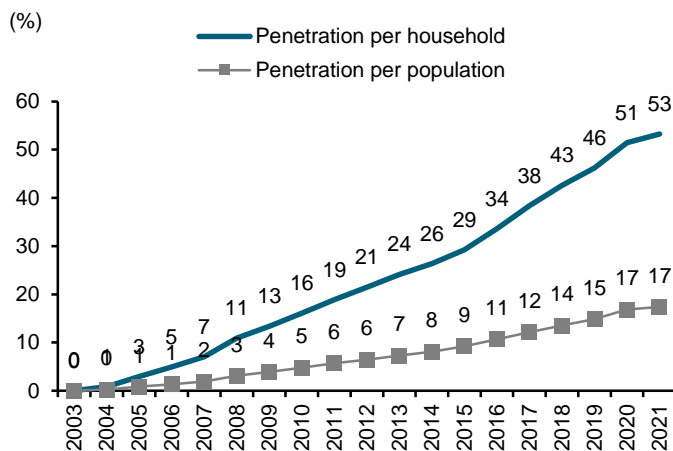
Exhibit 42: FBB subscribers and ARPU in Thailand



Sources: ADVANC; TRUE; JAS

Although the FBB subscriber penetration rate in Thailand may look high, at over 53% of households and 17% of the population, we believe there is still room to grow compared to the global perspective. Thailand ranks 15th in term of penetration per population, which is still lower than Vietnam or Korea. As a result, we believe FBB subscribers should grow by 8% on average for the next three years, potentially hitting 11m subscribers in 2023.

Exhibit 43: FBB penetration in Thailand



Source: National Broadcasting and Telecommunications Commission (NBTC)

Exhibit 44: FBB subscriber market share

Country	Penetration per population	
	(%)	
France	46.9	
Korea (Rep. of)	43.6	
Germany	43.0	
Canada	41.8	
United Kingdom	40.5	
United States	36.4	
Japan	34.5	
Spain	33.9	
China	33.6	
Italy	29.5	
Russian Federation	23.2	
Turkey	19.8	
Vietnam	17.2	
Brazil	17.1	
Thailand	16.6	

Source: ITU

However, although FBB subscriptions still have decent growth momentum, the highly competitive discount packages starting at THB299-349 remain. We believe that solid growth in FBB subscriptions at c8% p.a. for the next three years would be partially offset by a continuous decline in ARPU. Most of the new FBB subscribers have been discount package customers, with package prices starting at THB299-349, lower than the market's current ARPU of THB468. If the discount packages continue to pervade the FBB market, we believe that the ARPU of the FBB industry will continue to decline in the following year. Hence, we anticipate the FBB ARPU to decline by 2% on average until 2023, resulting in the FBB market growing by around 6-7% per year for the next three years.

Smart homes should be the key driver for FBB subscriptions

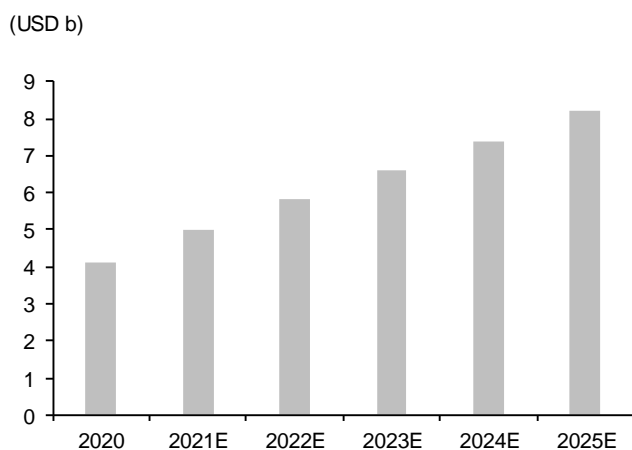
Smart home and IoT technology has improved significantly in recent years. These gadgets can help to facilitate human needs such as home automation, light and sound, home monitoring and security, and video entertainment. All of these gadgets require FBB internet to function.

In the report, "Smart Home Market" by MarketsandMarkets Research, the smart home market is projected to grow from USD84.5b in 2021 and reach USD138.9b by 2026; it is expected to grow at a CAGR of 10.4% from 2021-26. Based on data from GSMA, the number of IoT connections could double in 2025, growing from 1.8b connections in 2020 to 3.3b connections in 2025.

The demand for smart home systems has increased significantly on the increasing number of internet users and the growing adoption of smart devices, along with the growing need for energy-saving and low carbon emission-oriented solutions. In addition to this, factors such as the increasing importance of home monitoring in remote locations and growing concerns with regard to safety, security and convenience among the general population are driving the growth of the smart home market.

The entertainment and other controls segment is expected to account for the largest share of the smart home market during the forecast period. The growth of the audio, volume, and multimedia room control market is driven by the convenience offered by these controls for managing as well as controlling entertainment systems within a house.

Exhibit 45: Forecast revenue growth of the US smart home



Source: Statista Digital Market Outlook

Exhibit 46: Smart home market overview in Thailand



Sources: We Are Social; Hootsuite

Data from We Are Social also supports our idea. The number of homes with smart home devices in Thailand jumped significantly in 2021 to 2.3m vs 400k in 2020. The penetration rate increased from 2% to 11%. As a result, we believe that the smart home market in Thailand is in the very first stage. The adoption rate remains low and has the potential for strong growth in the following year. We believe that growth in smart home devices and an increasing adoption rate in Thailand is the key driver for FBB subscription growth in the future, possibly in 2023, in line with 5G technology for the mobile segment.

5G outlook

5G in Thailand will need more time

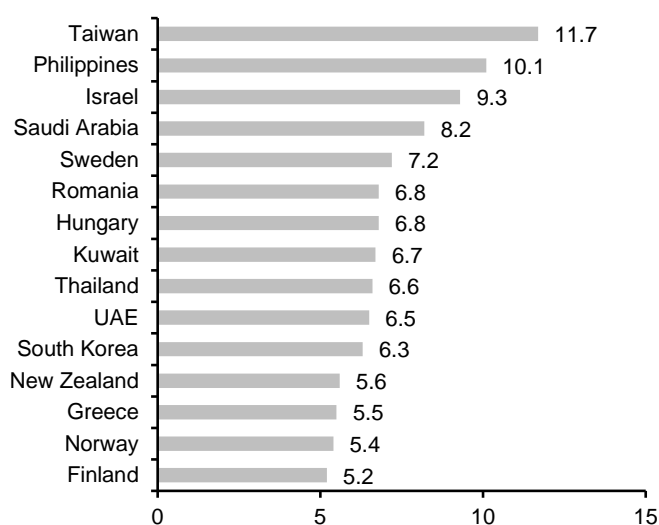
Though 5G technology has been in Thailand since late 2020, it has been unable to make a substantial difference in the mobile market. The number of 5G subscribers is still below 5m, accounting for only 5% of Thailand's overall mobile subscriber base of 94m. On the ARPU side, despite the fact that both ADVANC and TRUE have indicated that 5G can create an ARPU uplift by 10-20%, it would likely not be enough to offset to the competition and Covid impact that has caused post-paid ARPU to decline continuously.

We believe this is due to many factors:

1. The number of 5G devices remains low. Most early 5G devices that came out in 2020 were flagship devices, for which most of the prices were higher than THB15,000. The prices were also slightly higher than 4G devices with the same specifications. Together with the Covid pandemic, many Thai people have not been able to afford the switch to a 5G device during the economic slowdown on the back of the pandemic which pressured purchasing power;
2. Most of the people who switched from 4G to 5G devices during the first year were early adopters, which is a niche market;
3. The coming of 5G technology to Thailand was quite fast, similar to other countries. There are currently no new technologies or services on the market that require 5G technology. As a result, there is no reason to believe that 5G will persuade Thai people to upgrade from 4G to 5G services. At this time, the only significant benefit of 5G is the increased speed over 4G.

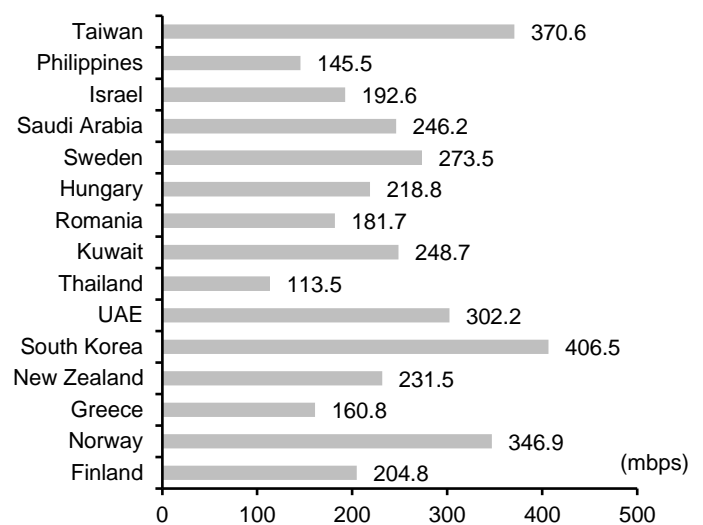
We think the key factor that could boost the adoption rate would be the additional services that consumers could get from 5G. For example, 3G internet is fast enough for consumers to have video or internet calls, while 4G internet is even faster, enabling consumers to have video conferences, play videos and stream music. However, at the moment, we cannot see any key success factors for 5G that would motivate 4G subscribers to switch their plans. Augmented reality, virtual reality, or 3-4x faster internet speeds alone are unlikely to attract enough consumers, in our view.

Exhibit 47: 5G vs 4G download speed improvement (ratio)

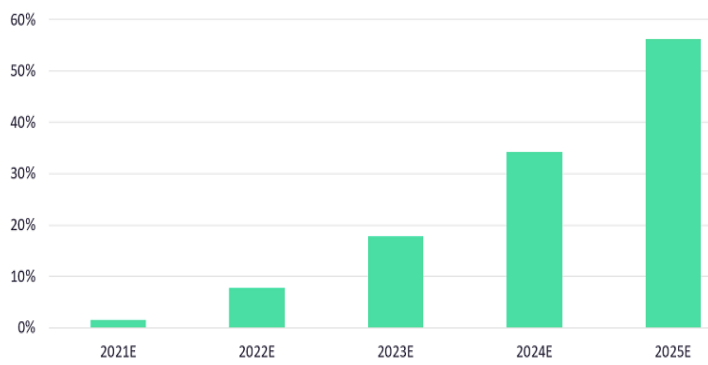


Note: Data collection period: 1 Jun – 29 Aug 2021
Source: Opensignal

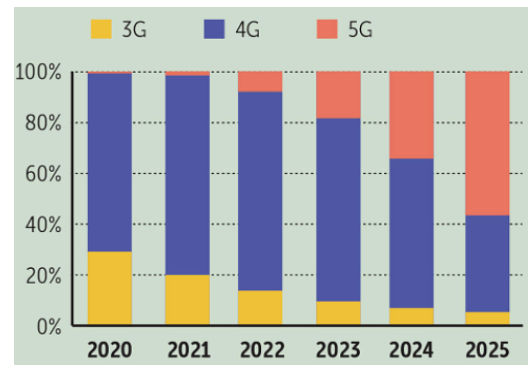
Exhibit 48: 5G download speed (Mbps)



Note: Data collection period: 1 Jun – 29 Aug 2021
Source: Opensignal

Exhibit 49: Thailand 5G subscriptions as % of total mobile subscriptions

Source: GlobalData Technology Intelligence Center

Exhibit 50: Thailand's mobile subscriptions by technology generation in 2020-2025 (%)

Sources: GlobalData Technology Intelligence Center; Bangkok Post graphics

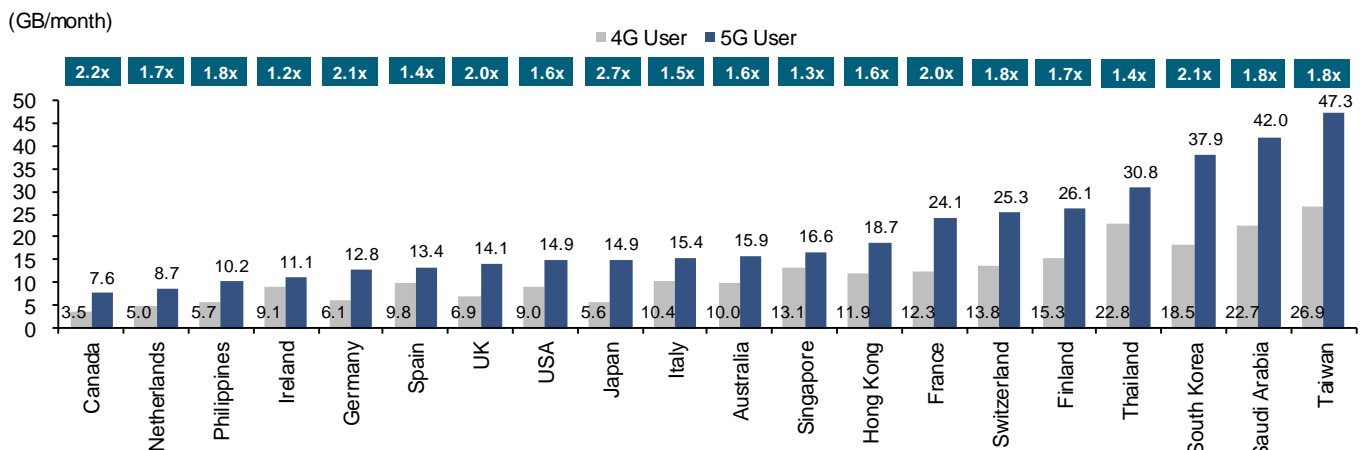
5G should play a bigger role in 2023

We believe that 5G services will start to play a bigger role in Thailand, as well as the rest of the world, in 2023 onward. We think the 5G situation in Thailand during 2022 should be similar to 2021 since 1) the Covid pandemic should continue to pressure consumer confidence and purchasing power; and 2) there will likely be no significant improvement in the new technologies and services that require.

According to GlobalData's Technology Intelligence Center, 5G subscriptions are expected to grow by close to 10% in 2022. This can imply that the number of 5G users in Thailand should grow from below 5m subscribers in 2021 to almost 9m in 2022. Although the growth rate may look slow, we see some promising signs that could drive 5G subscribers to grow continuously thanks to more affordable 5G devices that keep entering the market. Currently, the cheapest 5G device starts from THB6,000, and there are more low-mid range devices with prices of THB7,000-9,000 that are entering the market at the moment.

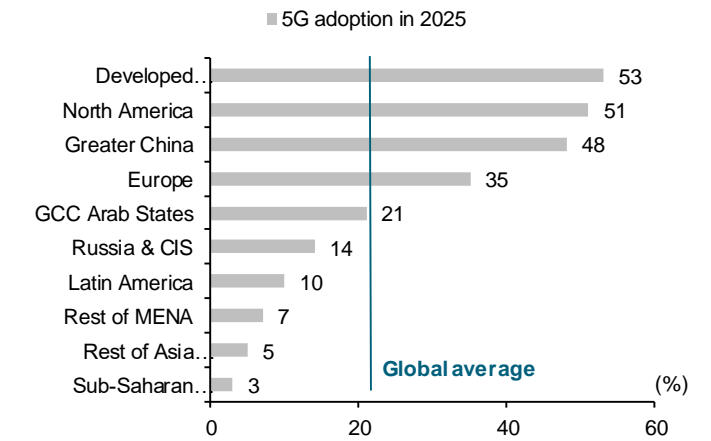
GlobalData expects significant growth in 5G to start from 2023 onward, with the percentage of 5G subscribers to increase to 18%, 34%, and 56% in 2023-2025. This means that 5G subscribers may grow from 9m in 2022 to 18m (+100%), 35m (+94%), and 53m (+51%) in 2023-25 in Thailand. These estimates are also supported by the 5G adoption forecast by GSMA, which expects developed Asia Pacific to have about 53% in 2025, close to the forecast by GlobalData. Therefore, we believe these estimates could be the guidelines for the 5G outlook in Thailand.

As a result, we expect the positive impact of 5G, in terms of an ARPU uplift, to drive a significant improvement in 2023 onward, thanks to the projected number of 5G subscribers that could hit 18m in 2023, high enough to create a change in the market.

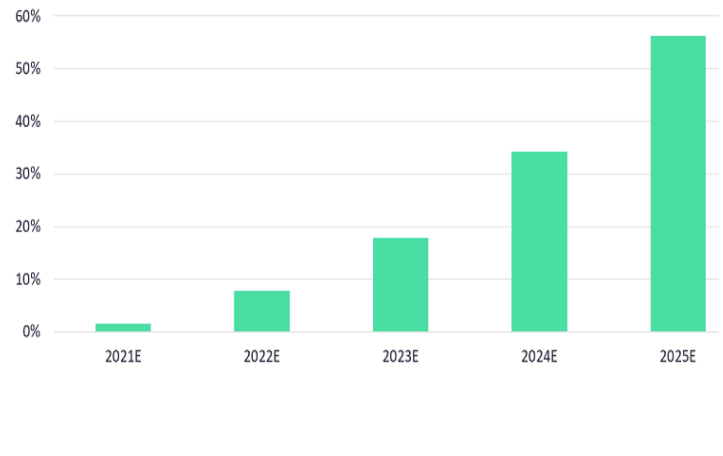
Exhibit 51: Data usage comparison of 5G and 4G users in 20 leading 5G markets

Note: Data collection period: 1 Jan – 31 Mar 2021

Source: Opensignal

Exhibit 52: 5G adoption in 2025 as forecast by GSMA

Source: GSMA

Exhibit 53: Global 5G availability

Source: Opensignal

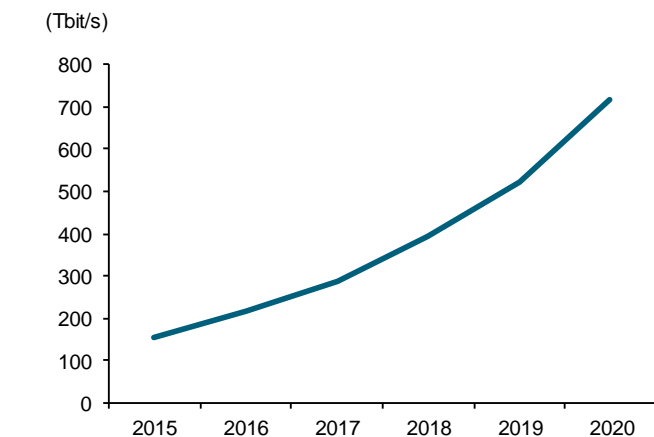
GlobalData expects mobile service revenue to pick up and move in an upward trend from 2021, with a CAGR of 3% over 2020-25, driven by the recovery in mobile subscription growth and the anticipated rise in the adoption of high ARPU-yielding 5G services during the period.

Higher data consumption

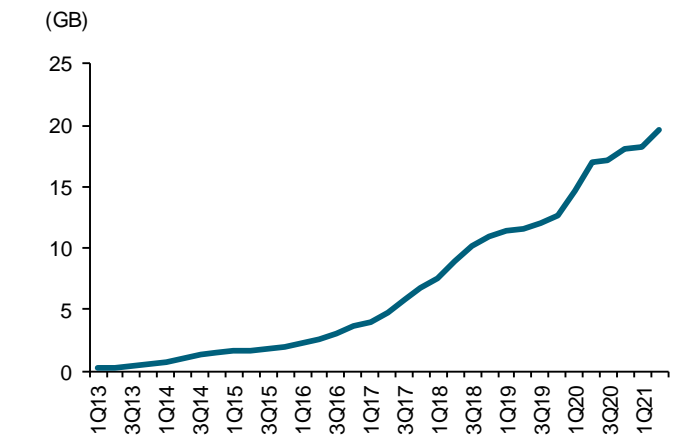
According to the mobile data consumed per month by ADVANC's customers, it shows that the trend of mobile data usage has surged significantly every year, especially during the Covid-19 pandemic. This is because most mobile users have needed to use more data for work, attend video conference meetings, and sought more online entertainment content during the lockdown. We believe the growing data usage trend should continue in the 5G era.

However, the challenging part of the service is mobile data packages. Both ADVANC and TRUE have offered 5G unlimited data for customers at a price of THB1,199 per month. They are also providing affordable unlimited data at fixed speeds of 4Mbps, 10Mbps, and 15Mbps at a price of THB150-350. This could be another limitation for mobile service revenue growth, as while data consumption is still increasing, MNOs may not be able to utilise this growth and might be unable to generate an ARPU uplift, as they already offer unlimited data packages.

Moreover, the cost side may be pressured by future costs, as MNOs will also have to increase their network capacity by increasing their bandwidth to handle higher data consumption. Network quality is quite essential for the market. This is the key reason why we, as well as the market, expect only a tiny amount of growth in MNOs' bottom lines.

Exhibit 54: Global bandwidth usage

Note: ITU estimate based on information for the first half of 2020
1 Terabit = 1'000'000 Megabits; Source: ITU

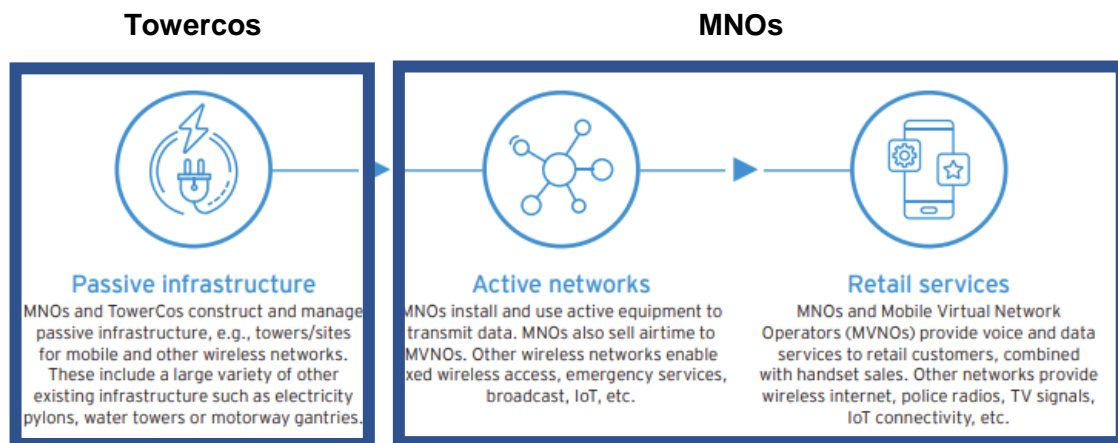
Exhibit 55: Mobile data consumption per month

Source: ADVANC

Can a towerco really be established in Thailand?

Wireless infrastructure (towers) provides an important element for the operation of wireless network services, including mobile networks and fixed wireless access broadband. Towercos are the privately owned towers and related assets of a company. They are infrastructure landlords, providing the site and site infrastructure to tenants. In a typical towerco deal, a third party buys an existing tower from an MNO and leases it back to the MNO, signing off on a long-term contract for the operation and maintenance of the site and its infrastructure. Tenants usually include a mix of the original operator, other established players, and newer, small entrants who don't have the funds to roll out a new network of their own. Towercos are relatively new to the mobile and wireless industries, but are playing an important role in mobile rollouts. A huge number of mobile sites is required to support the current 4G services and future 5G rollouts.

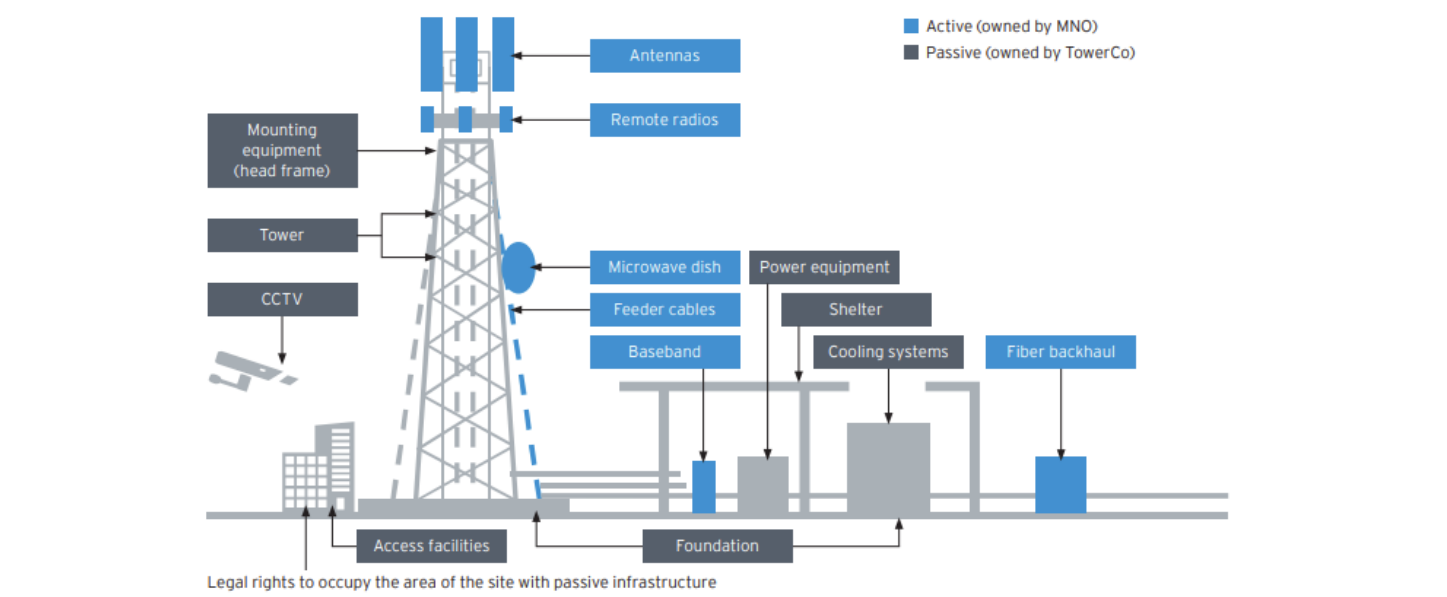
Exhibit 56: Value chain for wireless network services



Source: EY-Parthenon, European wireless infrastructure report

According to the “European wireless infrastructure report” by EY-Parthenon, towercos develop, acquire and operate mobile network towers. They invest in mobile network towers, small cell networks and associated utility and real estate rights for the purpose of providing wholesale access to MNOs and other network operators on a shared basis. This provides an alternative to MNOs managing their own passive infrastructure. For MNOs, outsourcing passive wireless infrastructure to towercos helps to free up capital.

Exhibit 57: Illustration of active and passive equipment on a typical tower site



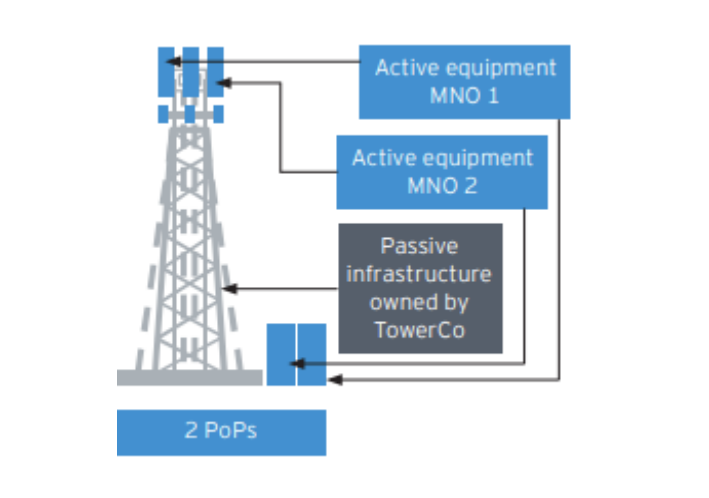
Sources: EY-Parthenon, European wireless infrastructure report

There are two principal types of towers – ground-based towers and rooftop towers. Ground-based towers are typically freestanding structures and are more prevalent in less densely populated areas. Rooftop towers are usually set up on pre-existing buildings. Ground-based towers normally have a higher instalment cost than rooftop towers. Tower sharing under the towerco model mainly consists of ground-based towers.

Where MNOs can share passive infrastructure, there is less need to build multiple towers at the same geographical location. Towercos operate the passive infrastructure and can accommodate multiple MNOs, which then focus on operating the active equipment at the site.

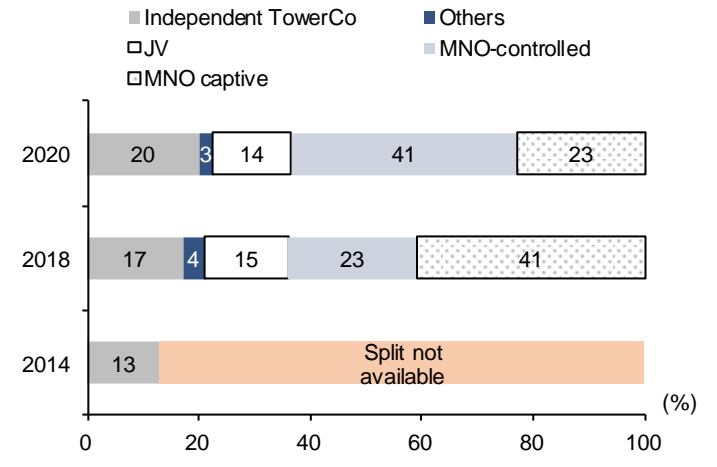
Towercos can be divided into three categories: 1) a joint venture towerco by forming a JV company with an MNO and a third-party company; 2) an MNO-controlled towerco – a towerco whose equity is owned by the MNO; and 3) an independent towerco.

Exhibit 58: Infrastructure sharing concept



Sources: EY-Parthenon, European wireless infrastructure report

Exhibit 59: Share of towers helped by towercos in Europe, 2020 (%)



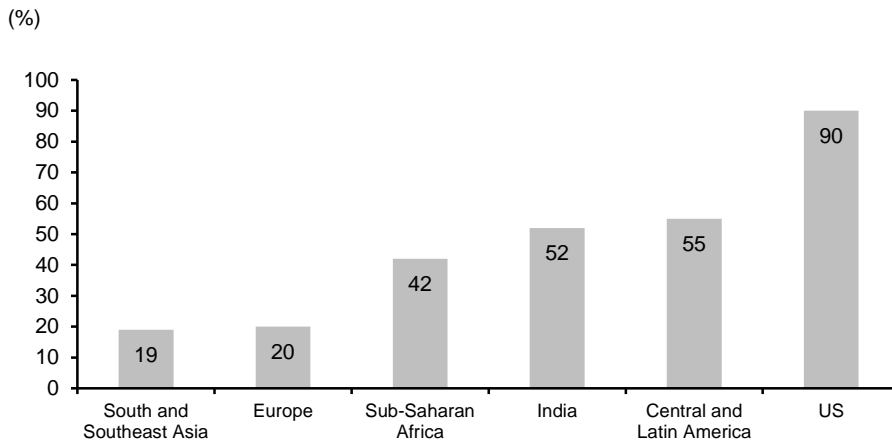
Sources: TowerXchange, European Wireless Infrastructure Association (EWIA) members, broker reports, EY-Parthenon analysis, July 2020

Towercos are in a growth trend

Based on data from TowerXchange, the number of towers owned by MNOs is in a decreasing trend in Europe. The contribution of towercos has increased from 59% in 2018 to 77% in 2020.

On average, towercos have a co-location ratio of 2.8 on ground-based towers and 1.5 on rooftop towers, with an overall co-location ratio of 2.4. In contrast, MNOs have an average co-location ratio of 1.5 on ground-based towers and 1.1 on rooftop towers, with an overall co-location ratio of 1.3.

Exhibit 60: Share of towers held by independent towercos



Sources: EWIA member companies, analyst reports, TowerXchange, Ernst & Young (EY) professional interviews, research and analysis

Benefit of towercos for MNOs

Towercos are a win-win model. The MNOs free up cash from their assets, enabling them to focus on their core business (service to customers) and expand their network coverage in a more cost-effective way, while at the same time hosting their active assets on the passive infrastructure of the towerco.

1. **Investment in capacity and coverage.** Sales of towers to independent towercos frees up capital for investment in existing networks and new services. The economics of network rollouts mean that urban areas tend to benefit from the best coverage, while rural areas can be left behind. This is particularly relevant to the rollout of new technologies, which starts in the most densely populated areas before extending to other parts of the country.

Independent towercos can reduce the cost of delivering infrastructure, which enables faster and cheaper rollouts to areas and households in rural areas. Outsourcing can also free up capital for MNOs to invest in improving coverage.

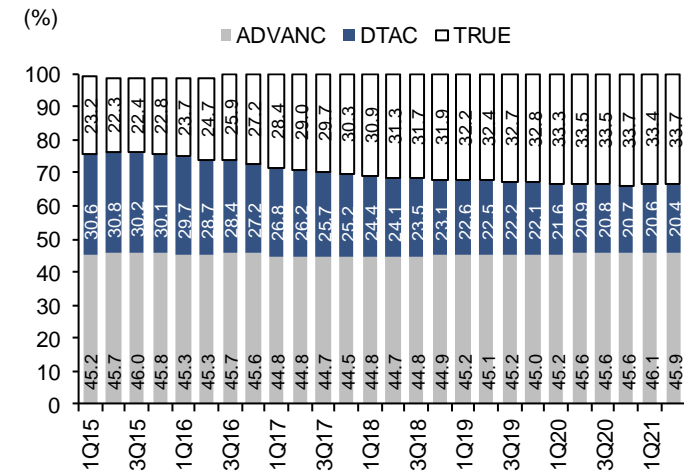
2. **Capital released.** Sales of towers to independent towercos releases capital for investment in existing networks and new services. Upgrading towers to provide more capacity also involves high fixed costs. By lowering the costs of infrastructure, outsourcing to independent towercos can make upgrades more economic, improving the service quality for consumers.

Reducing the cost of networks but also the network quality advantage

We believe that the competition in the mobile sector has existed for a decade. It can be divided into two categories: network competition and service competition. A prime example of network competition was when DTAC lost a significant number of mobile subscribers in 2017 due to the expiration of its spectrum license in 2018. The company had network quality and perception problems. Customers experienced a weaker network quality vs peers', leading to a huge subscriber loss. Hence, we believe that competition over network quality is a key competitive aspect for the industry.

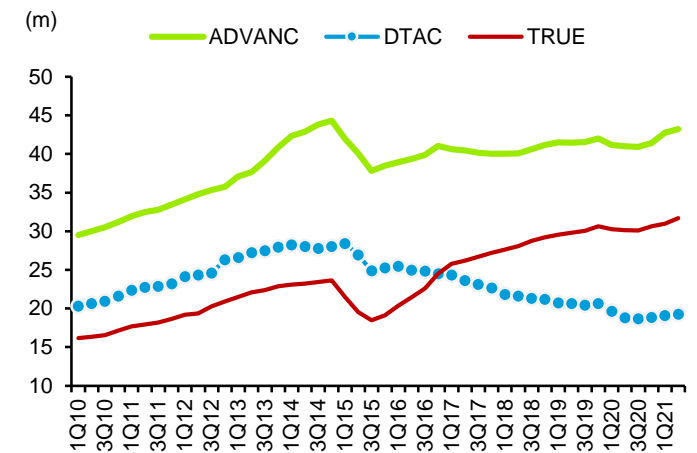
In our view, the establishment of a towerco would mean that MNOs would spin off their tower assets to a third party and share the infrastructure with their competitors, helping their competitors to have better network service quality. Towercos may be a win-win solution for MNOs in terms of operating cost reduction, but having a similar network quality as the rest of the industry may not benefit the operator that currently has a better service than its peers.

Exhibit 61: Mobile subscription market share



Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Exhibit 62: Mobile subscribers



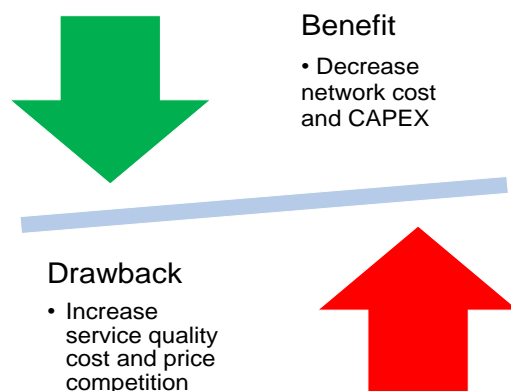
Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Decreasing network service competition but increasing commercial service competition

Although a towerco could help MNOs reduce the cost of network operations and depreciation, we believe it would lead to more intense commercial service competition. Meaning that, if all MNOs in Thailand were to have a similar network quality and no strategic network area, there would be no competitive advantage on the MNO network service side. Therefore, the only way for MNOs to acquire more subscriber market share, in our view, would be for them to improve and differentiate their commercial service quality side instead.

The methodology of improving mobile service quality can include 1) reducing mobile package price plans; and 2) investing in more content (for example, TRUE has TrueID while ADVANC has AIS Play and Disney+).

Exhibit 63: Decreasing network service competition but increasing commercial service competition



Source: FSSIA estimates

Limitation of having towercos

At this moment, the market is talking about how a towerco could benefit MNOs. However, if we look at another side of the story, we see that it might not be feasible to have a big towerco operator in Thailand for four key reasons:

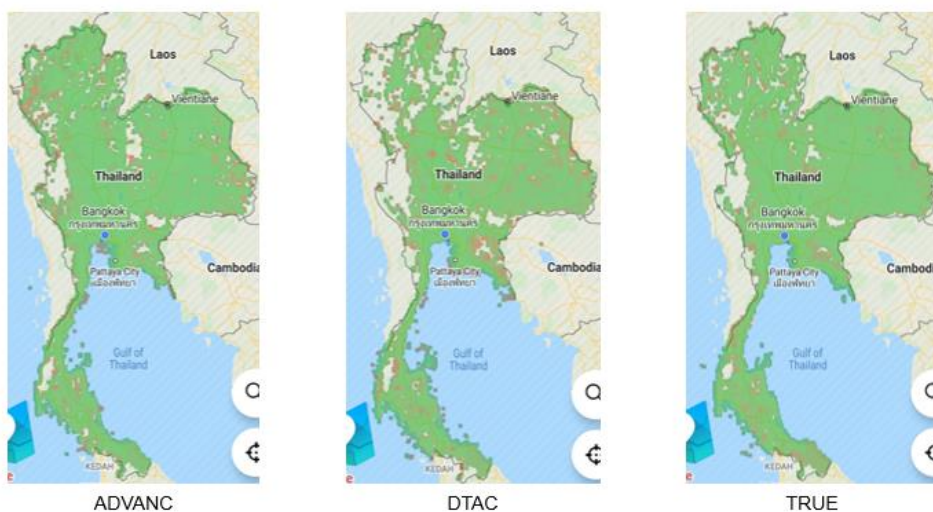
1. Thailand is one of the top countries in terms of tower numbers;
2. Duplication of specific areas;
3. Not the right timing;
4. Who would the towerco's customers be?

1. Thailand is one of the top countries in terms of tower numbers

According to data from Opensignal, mobile network coverage by three operators in Thailand, especially in 3G and 4G, covers almost every area in Thailand already. This means that cell sites are already installed in most areas. This reflects a lower requirement for a huge increase in ground-based towers in the future.

TRUE seems to be the company that has the largest mobile coverage in Thailand. The company also owns and leases towers from DIF. We believe TRUE has the lowest potential to join the towerco bandwagon. In comparison, DTAC has the lowest mobile network coverage in the market, while ADVANC still owns almost 26,000 towers under its balance sheet. If a towerco really is established in Thailand, we think these two companies would have the highest possibility of joining the scheme.

Exhibit 64: Mobile network coverage by operator

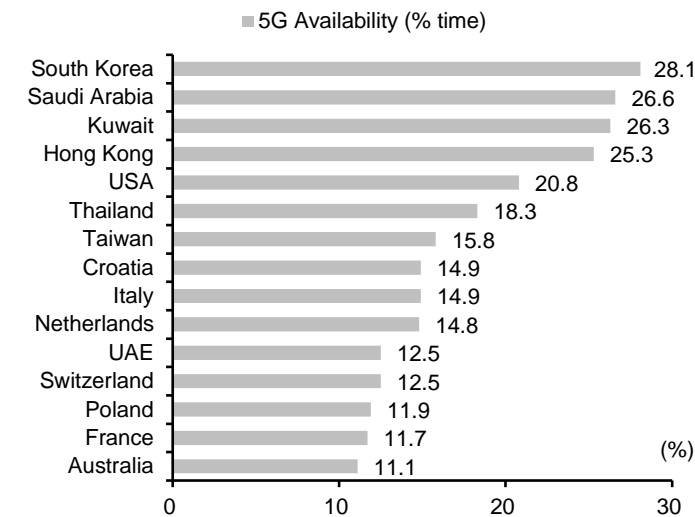


Source: Opensignal

Thailand ranked sixth in terms of 5G availability

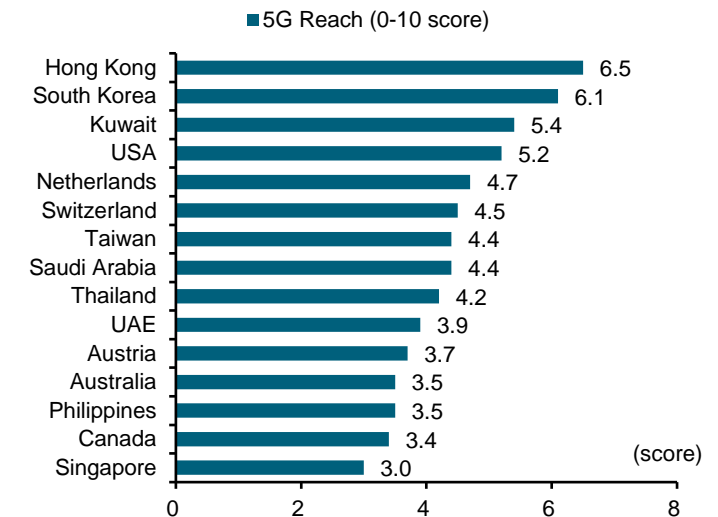
According to Opensignal, Thailand ranks sixth in terms of 5G availability. Opensignal has compared the extent of 5G coverage according to two measures: the share of time in which 5G users spend connected to a 5G service (5G availability) and the share of locations in which 5G users have experienced a 5G connection (5G reach). Its findings indicate that the connection quality of Thailand's mobile network is already one of the best in the world without a towerco scheme.

Exhibit 65: Global 5G availability



Source: Opensignal

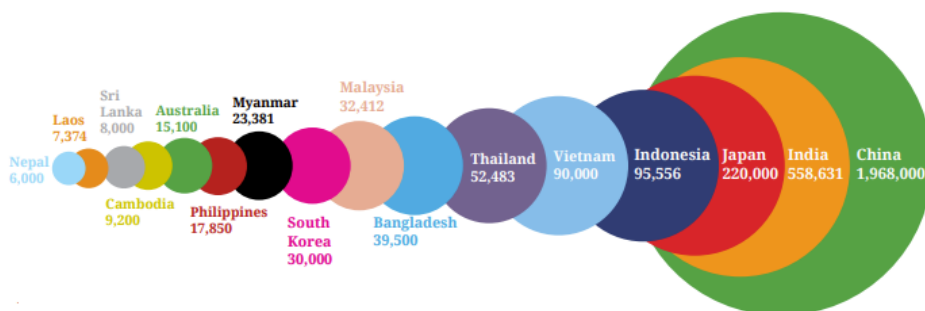
Exhibit 66: Global 5G reach



Source: Opensignal

According to TowerXchange, in 1Q20, Thailand ranked sixth in terms of the number of towers, which was 52k towers in total. This number may increase to around 55k towers in 2021, as ADVANC has indicated that it has deployed 1,000 more towers in 2021. If we compare the number of towers with the country's population, Thailand ranks fifth with a ratio of 1 tower per 1,330 people. This indicates that Thailand already has a reasonable number of towers to sustain its network quality.

Exhibit 67: Asian tower market size comparison (1Q20)



Source: TowerXchange

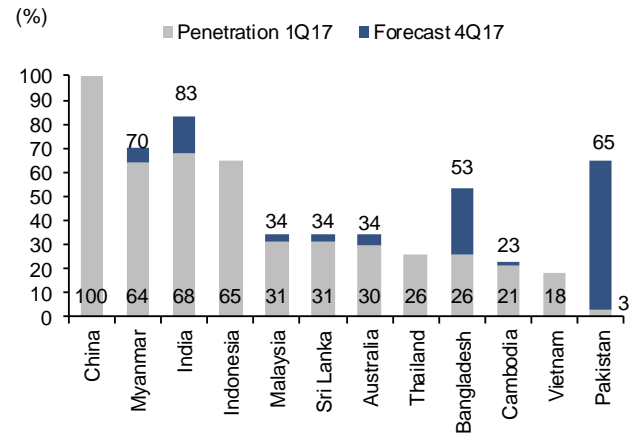
Moreover, if we look at the historical data (2016) from TowerXchange, the countries with high towerco penetration rates were countries that still had a low number of towers and weak tower to population ratios (except China), which required a significant increase in the number of towers. Hence, we think towercos can be a great strategy for those countries, but not Thailand.

Exhibit 68: Tower to population ratio in each country

	No. of towers	Population	Tower to population ratio
	(no.)	(m)	(population/tower)
Japan	220,000	125.8	572
China	1,968,000	1402	712
Malaysia	32,412	32.37	999
Vietnam	90,000	97.34	1,082
Thailand	52,483	69.8	1,330
Australia	15,100	25.69	1,701
South Korea	30,000	51.8	1,727
Myanmar	23,381	54.41	2,327
India	558,631	1380	2,470
Indonesia	95,556	273.5	2,862
Bangladesh	39,500	164.7	4,170
Philippines	17,850	109.6	6,140

Sources: TowerXchange; World Bank

Exhibit 69: Towerco penetration in Asia in 1Q17 and forecast for 4Q17



Source: TowerXchange

2. Duplication of specific areas

Tower duplication

As previously mentioned, competition over network service quality is another key competitive aspect of the mobile sector which is not less important than the competition in commercial service quality. This has long led MNOs in Thailand to remain independent in terms of tower rollouts. We believe that each MNO has the intention to build their own towers for their own benefit, and are not considering tower sharing or a towerco at the moment. We believe that there is a high possibility that most of the ground-based towers owned by MNOs will have similar locations, which would be of smaller benefit to a future towerco operator in Thailand, making it difficult to find other tenants besides the MNOs which would have previously owned those towers.

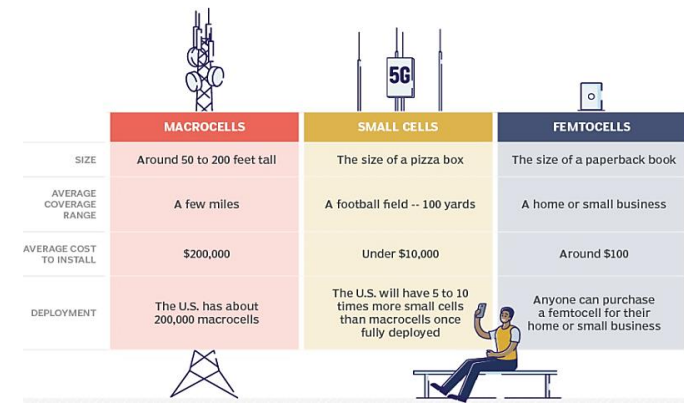
3. Not the right timing

5G tends to go for small cell installations

A small cell installation consists of small radio equipment and antennas that can be placed on structures, such as streetlights, the sides of buildings, or poles. They are essential for transmitting data to and from a wireless device. Small cells look completely different than the wireless infrastructure we have seen in the past – the macro cells that include ground-based and rooftop towers.

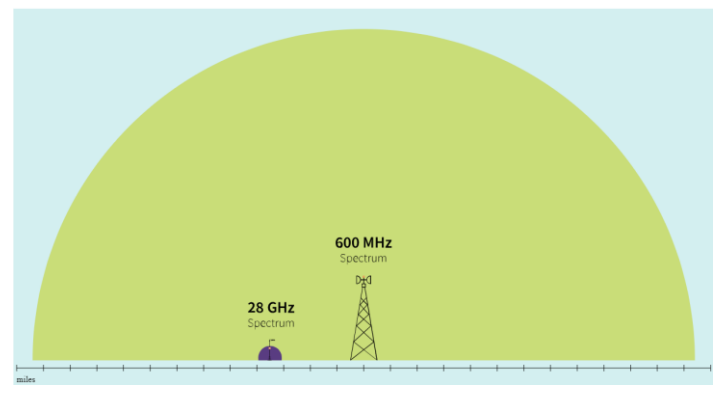
Small cell deployment has shifted toward large-scale densification, which increases the capacity in operator networks across an array of locations and addresses rising consumer and enterprise mobile broadband needs. 5G will make the challenge of densification even more daunting due to the number of small cell deployments required to meet all 5G use cases effectively.

Exhibit 70: Macrocells vs small cells vs femtocells



Source: TechTarget

Exhibit 71: Low vs high-band spectrum network coverage



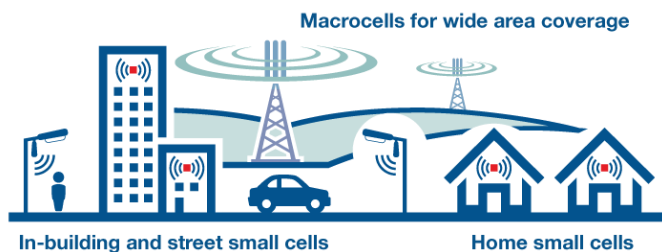
Source: CITA

5G high-band spectrum delivers super-fast speeds over short distances

The high-band spectrum is limited because signals can't travel very far – in some cases the signal will travel only one kilometre – and they are also susceptible to interference from things like trees and buildings and even glass. But the benefit of the high-band spectrum is that if the signal is unencumbered, users can get connection speeds between 1 Gbps to 3 Gbps or even higher.

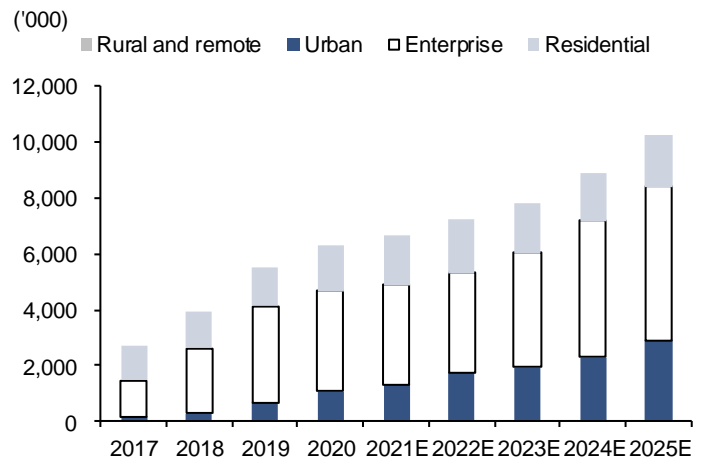
Besides its low-band 5G offering, AT&T, an MNO in the US, also has a high-band 5G service, which it's calling 5G+. This is deployed in the company's 36 GHz band millimetre wave spectrum. It offers extra speed and capacity and is intended for high-traffic areas like campuses and arenas. AT&T's 5G+ is available in parts of 23 cities, and the company is only making it available to enterprises.

Exhibit 72: Mobile network landscape



Source: EMF Explained

Exhibit 73: Small cell deployment and upgrades by environment in 2017-25



Sources: Small Cells Forum

This is the reason why small cells are essential for the high-band spectrum

As a result, with the best network quality in the high-band spectrum but a poor coverage range, the low cost of a cell site network rollout should act a key growth driver in terms of network expansion. According to the data from Small Cell Forum, small cell deployments tend to be located in the enterprise sector over urban and rural areas where macro cells like ground-based or rooftop towers are more suitable.

Moreover, since it seems likely that 5G growth will come via the enterprise sector for things like self-driving cars, remote surgery, and industrial automation, we know that all of these will require super-fast speeds and the best network quality. The high-band spectrum and small cells would be a great answer for those segments, in our view.

In conclusion, we believe that the key growth area for the 5G network expansion will likely be small cells not macro cells. Macro cells remain essential, but with the number

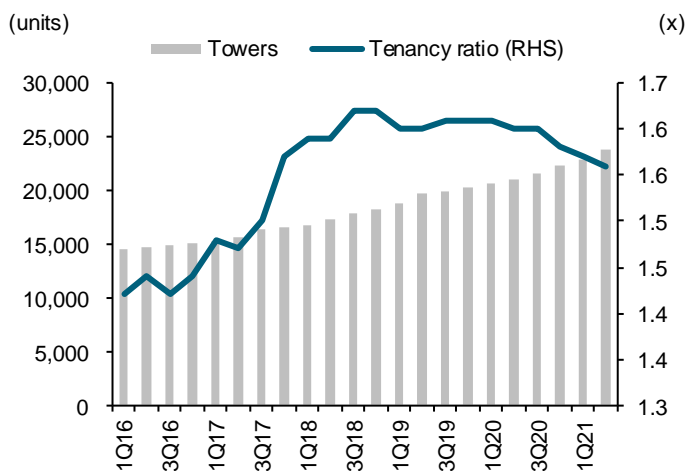
of ground-based towers in Thailand already over 50k and with good network coverage, we believe the growth of ground-based towers should have a slower pace compared to 4G. In addition, with the currently low occupancy in each ground-based tower, there is still an antenna slot available on each tower for a 5G antenna. We believe MNOs can just install additional 5G antennas on their existing towers to provide 5G services. If there is a greater requirement for additional towers, we think it would occur in 2023 onward when 5G adoptions are likely to increase significantly.

4. Who would the towerco's customers be?

We believe that an independent towerco which would be operated by a third party would need to carefully consider who their additional tenants would be besides the key operators who would sell and lease back their towers. The successful model of an independent towerco is to have more tenants to have economies of scale and utilise assets more efficiently. Edotco, an integrated telecommunications infrastructure services company which owns over 24k telecom towers, mainly in Bangladesh, Malaysia, and Cambodia, has an average tenancy ratio of 1.55x. This company had a net profit of MYR166m on average during 2018-20.

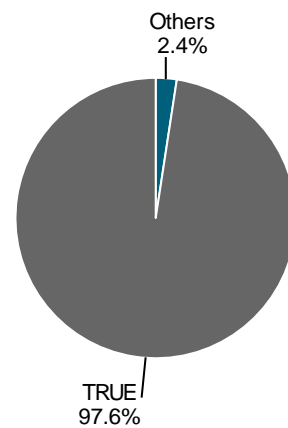
Compare Edotco with DIF, the first telecom infrastructure fund in Thailand which was founded in 2013 and owns over 16k of TRUE's towers. The company has been able to find customers and generate revenue from other tenants at only 2.4% of its total revenue, meaning that DIF still relies on the revenue from TRUE, the key tenant, which accounted for over 97.6% of its total revenue in 2020. This can demonstrate that the telecom market in Thailand may have a low demand for telecom towers.

Exhibit 74: Edotco's towers and tenancy ratio



Source: Axiata

Exhibit 75: DIF's revenue by customers



Source: DIF

As a result, in order to establish an independent towerco in Thailand, the towerco operator would have to focus on how they would gain more customers besides the key companies that would like to sell their towers to the towerco, which might be hard in the Thai market. If established via an infrastructure fund model, the price of the towers sold may not be high like what TRUE had gotten from DIF, as DIF's performance may represent how difficult it is to find additional customers in the Thai telecom market.

A DTAC and TRUE partnership would mean a smaller chance of a towerco

If the rumour regarding DTAC and TRUE partnering or merging is true, then we believe that there would be a lower probability of a towerco in Thailand, given that both companies operate over 30k towers. The cooperation would result in spectrum and tower sharing. Because Thailand would only have two MNOs left, the chance of tower sharing would be slim. The chance of a towerco to emerge in Thailand would therefore be diminished because there would only be two MNOs left in Thailand. In this case, DTAC and TRUE might not be willing to lease additional towers, as their network coverage would be strong. In addition, if they really wanted to spin off their towers, we believe they would go to DIF, the fund that was established by TRUE and to which TRUE spun off its towers and fibre optic cables. This would be more beneficial for the company, as TRUE is a major shareholder of the fund at 23.4%.

A towerco can emerge in Thailand but not significant and not soon

We think that a towerco would be a great choice for MNOs to unlock their asset values. A towerco can provide various benefits to MNOs, considering that mobile service revenue growth should only be in the low single digits over the next 3-5 years, based on our estimate. Divesting assets, utilising the cash, and reducing CAPEX in the future for new investment opportunities seems to be the better choice.

However, we believe that ADVANC and DTAC, which still have 100% of their towers under their balance sheets, may not be inclined to sell all of their towers to a towerco, due to all of the reasons that we mentioned above. We estimate that the number of towers that ADVANC might sell would be around 10k (38% of its owned towers), while DTAC might sell 5k towers (35% of its owned towers), totalling 15k towers, which is close to DIF's tower amount. This would bring Thailand's tower proportion under the towerco model to around 58% of total towers in the country, which would be close to the proportion in other countries in Asia. If we project a selling price per tower at THB4m (close to the global market price at USD100k-200k) and a book value per tower at THB1m, ADVANC and DTAC could recognise extra profit (after tax) and cash of around THB24b and THB40b for ADVANC and THB12b and THB20b for DTAC.

Moreover, the limitation of the tower structure in Thailand, as previously explained, is the key barrier for an organisation planning to set up a towerco. Having an infrastructure fund like DIF would be more likely to occur than a towerco, in our view, because it requires less discussion with other operators. An MNO can set up an infrastructure fund on their own. An independent towerco by a third party would also be a new issue in Thailand, as there are no regulations regarding this idea yet.

If a towerco really does emerge in Thailand, we believe it would take at least 6-12 months to finalise every issue, which may already be too late because the 5G rollout in Thailand is already underway. As time goes by, the likelihood of a towerco becomes more remote.

19 OCTOBER 2021

THAILAND / ICT

ADVANCED INFO SERVICE

ADVANC TB

BUY

UNCHANGED

TARGET PRICE	THB220.00
CLOSE	THB190.00
UP/DOWNSIDE	+15.8%
PRIOR TP	THB220.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-1.5%

No towerco, no problem

Low possibility of a towerco to be established

While we believe that a towerco is a great choice for mobile network operators (MNOs) to unlock their asset value, due to various factors and limitations in the Thai industrial and geographical landscape, we think there is a low possibility that a towerco will emerge in Thailand. If a towerco can actually be established, there may be low value creation for the company's fair value, in our view.

Having the upper hand during dividend season in 1Q22

ADVANC continues to be our preferred dividend investment play in the mobile sector. We suggest investing in ADVANC before 1Q22, as 1Q is the dividend season for the company. We have found that ADVANC has had one of the highest numbers of positive returns on its share price in 1Q among MNOs. Since 2010, ADVANC, which has always paid a solid dividend yield, had eight years (out of ten years – excluding the Covid years in 2020 and 2021) where its share price provided positive returns. We believe this is because 1Q is the quarter when the company pays its final dividend.

No towerco, no problem

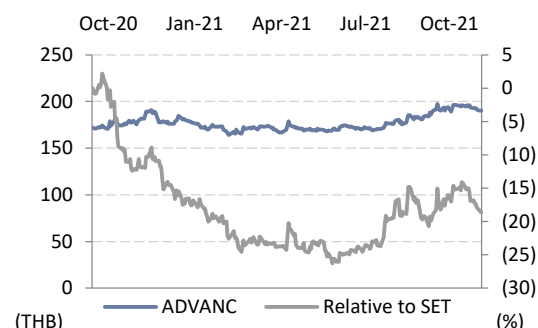
As mentioned in our previous note on ADVANC, "Advanced Info Service (ADVANC TB) - Numerous opportunities await", the possibility of a towerco is just one of five potential catalysts that we think ADVANC has in the future. If no towerco is established, we believe that the other catalysts will have a greater likelihood of occurring, including 1) the potential to pay a higher dividend; 2) likely new projects with Gulf Energy Development (GULF TB, BUY, TP THB56); 3) growth in the enterprise sector; and 4) growth in the digital services business, which should be a key driver for the company.

Maintain BUY with TP of THB220

Although we believe there is a low possibility that ADVANC will spin off its assets into a towerco, we still like ADVANC and choose it as our top pick in the mobile sector in Thailand. In our view, a towerco is not the sole catalyst for the company. There are still plenty of drivers for ADVANC, especially the decent dividend that it should be able to pay to shareholders, which we estimate at over 4% p.a. Maintain BUY with our DCF-based TP of THB220. A towerco could be an upside risk to our TP.

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)	0.5	(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. (%)	-	-	-	-
EPS growth (%)	(15.1)	(2.9)	7.3	8.3
Core P/E (x)	20.8	21.5	20.0	18.5
Dividend yield (%)	3.6	3.7	3.6	4.3
EV/EBITDA (x)	7.2	7.0	6.6	6.2
Price/book (x)	7.5	7.0	6.4	5.9
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 (%)	(2.1)	11.4	9.5
Relative to country (%)	(3.2)	5.5	(19.5)
Mkt cap (USD m)	16,886		
3m avg. daily turnover (USD m)	48.2		
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; 4) growth in the enterprise sector; and 5) growth in its digital services business.

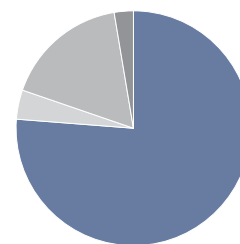
Company profile

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

investor.ais.co.th

Principal activities (revenue, 2020)

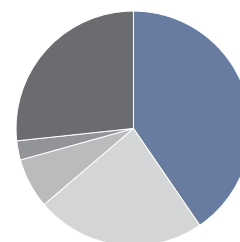
- Mobile - 76.2 %
- Fixed broadband - 4.0 %
- Sale of goods - 17.1 %
- Others - 2.6 %



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

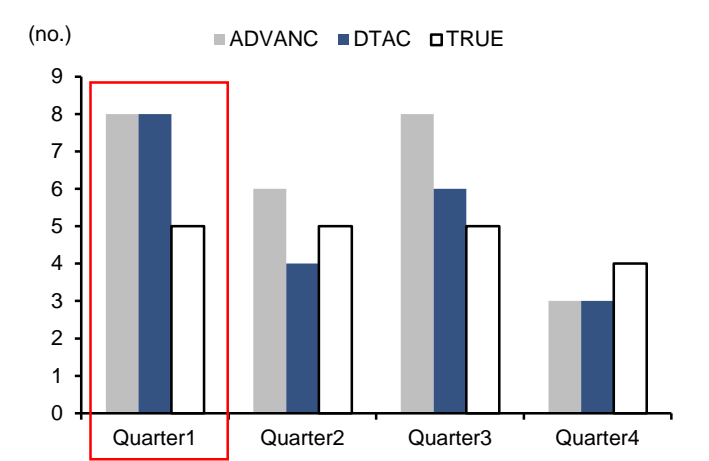
- For every 1% increase in mobile blended ARPU, we project 2021 earnings to rise by 2.2%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2021 earnings to rise by 2.1%, and vice versa, all else being equal.

Source: FSSIA estimates

Dividend play

Since 2010 (12 years), ADVANC has had a sustainable net profit and its share price has provided positive returns eight times in 1Q. Moreover, if we exclude the impact of Covid in 1Q20 and 1Q21, which pressured the SET Index and most companies, ADVANC would have offered positive returns 8 times out of 10 (80%) in 1Q during 2010-19. Therefore, we believe that there is a high chance that investing in ADVANC during 1Q can provide positive returns.

Exhibit 76: No. of positive returns, quarterly



Sources: Bloomberg; FSSIA's compilation

Exhibit 77: No. of positive returns, quarterly

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
ADVANC	8/12	6/12	8/11	3/11
DTAC	8/12	4/12	6/11	3/11
TRUE	5/12	5/12	5/11	4/11

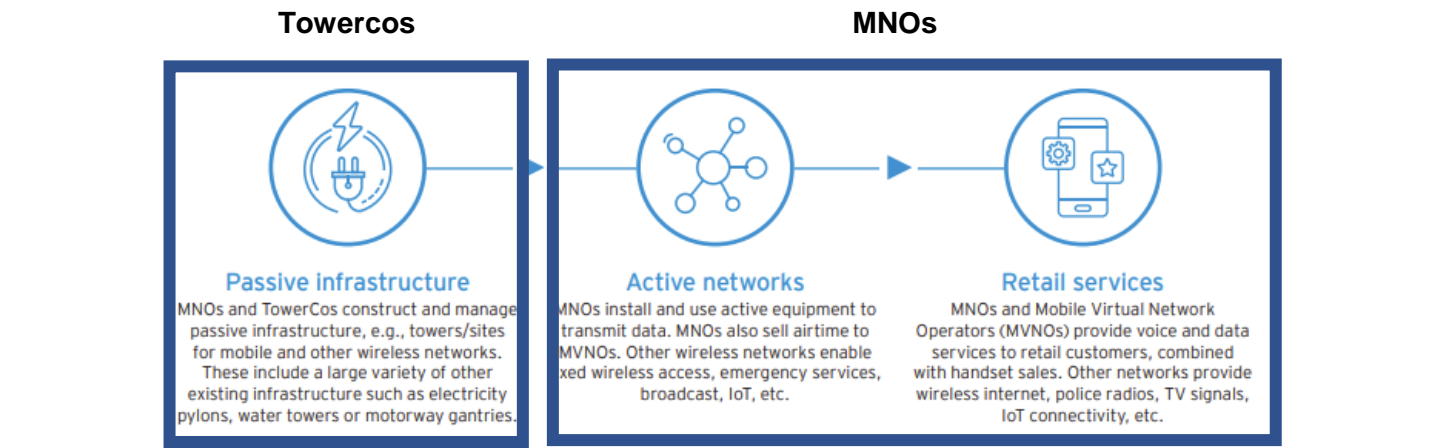
Sources: Bloomberg; FSSIA's compilation

We believe the reason why ADVANC has had mostly positive returns in 1Q is because it announces its payment of the final dividend and investors receive dividends during Feb. This motivates many investors to put more weight on companies with good dividend payouts. In addition, 3Q has been the second highest quarter for ADVANC to offer positive returns. This is the quarter when the company typically announces the payment of an interim dividend.

Can a towerco really be established in Thailand?

Wireless infrastructure (towers) provides an important element for the operation of wireless network services, including mobile networks and fixed wireless access broadband. Towercos are the privately owned towers and related assets of a company. They are infrastructure landlords, providing the site and site infrastructure to tenants. In a typical towerco deal, a third party buys an existing tower from an MNO and leases it back to the MNO, signing off on a long-term contract for the operation and maintenance of the site and its infrastructure. Tenants usually include a mix of the original operator, other established players, and newer, small entrants who don't have the funds to roll out a new network of their own. Towercos are relatively new to the mobile and wireless industries, but are playing an important role in mobile rollouts. A huge number of mobile sites is required to support the current 4G services and future 5G rollouts.

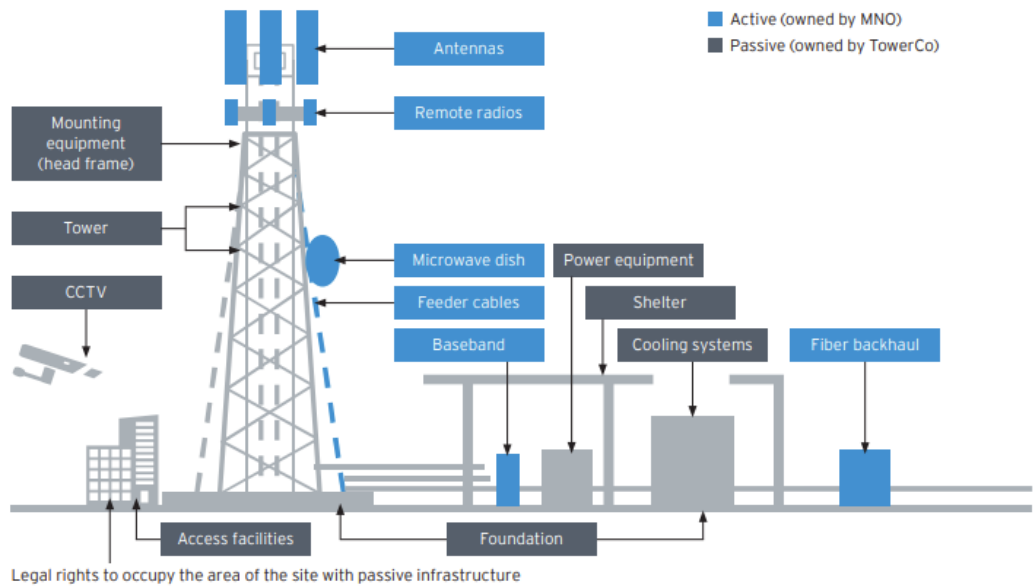
Exhibit 78: Value chain for wireless network services



Source: EY-Parthenon, European wireless infrastructure report

According to the “European wireless infrastructure report” by EY-Parthenon, towercos develop, acquire and operate mobile network towers. They invest in mobile network towers, small cell networks and associated utility and real estate rights for the purpose of providing wholesale access to MNOs and other network operators on a shared basis. This provides an alternative to MNOs managing their own passive infrastructure. For MNOs, outsourcing passive wireless infrastructure to towercos helps to free up capital.

Exhibit 79: Illustration of active and passive equipment on a typical tower site



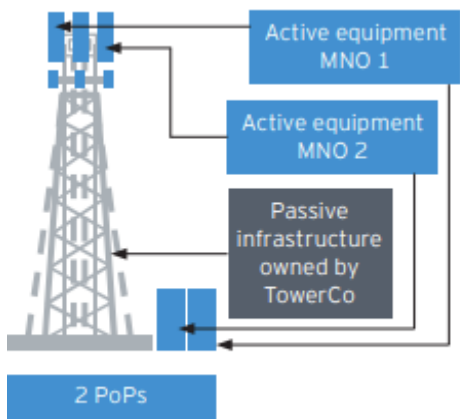
Sources: EY-Parthenon, European wireless infrastructure report

There are two principal types of towers – ground-based towers and rooftop towers. Ground-based towers are typically freestanding structures and are more prevalent in less densely populated areas. Rooftop towers are usually set up on pre-existing buildings. Ground based towers normally have a higher instalment cost than rooftop towers. Tower sharing under the towerco model mainly consists of ground-based towers.

Where MNOs can share passive infrastructure, there is less need to build multiple towers at the same geographical location. Towercos operate the passive infrastructure and can accommodate multiple MNOs, which then focus on operating the active equipment at the site.

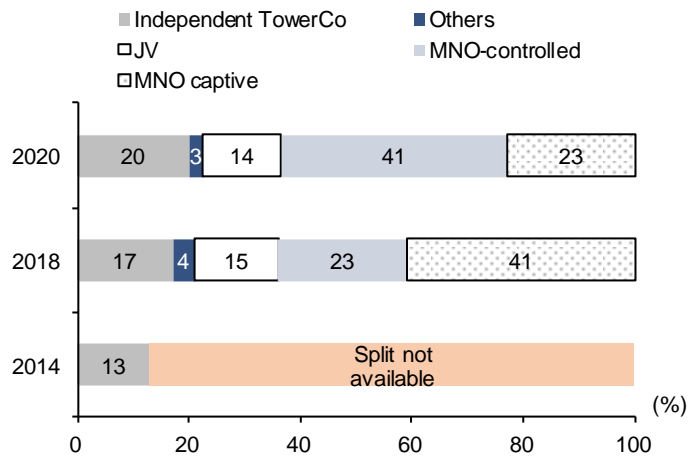
Towercos can be divided into three categories: 1) a joint venture towerco by forming a JV company with an MNO and a third-party company; 2) an MNO-controlled towerco – a towerco whose equity is owned by the MNO; and 3) an independent towerco.

Exhibit 80: Infrastructure sharing concept



Sources: EY-Parthenon, European wireless infrastructure report

Exhibit 81: Share of towers helped by towercos in Europe, 2020 (%)



Sources: TowerXchange, European Wireless Infrastructure Association (EWIA) members, broker reports, EY-Parthenon analysis, July 2020

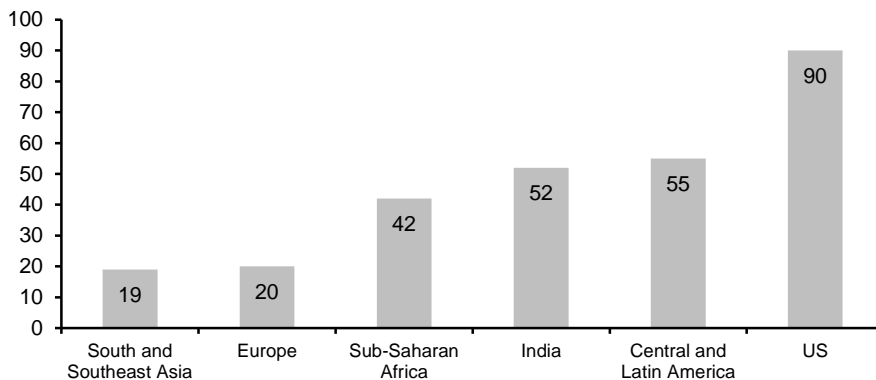
Towercos are in a growth trend

Based on data from TowerXchange, the number of towers owned by MNOs is in a decreasing trend in Europe. The contribution of towercos has increased from 59% in 2018 to 77% in 2020.

On average, towercos have a co-location ratio of 2.8 on ground-based towers and 1.5 on rooftop towers, with an overall co-location ratio of 2.4. In contrast, MNOs have an average co-location ratio of 1.5 on ground-based towers and 1.1 on rooftop towers, with an overall co-location ratio of 1.3.

Exhibit 82: Share of towers held by independent towercos

(%)



Sources: EWIA member companies, analyst reports, TowerXchange, Ernst & Young (EY) professional interviews, research and analysis

Benefit of towercos for MNOs

Towercos are a win-win model. The MNOs free up cash from their assets, enabling them to focus on their core business (service to customers) and expand their network coverage in a more cost-effective way, while at the same time hosting their active assets on the passive infrastructure of the towerco.

3. **Investment in capacity and coverage.** Sales of towers to independent towercos frees up capital for investment in existing networks and new services. The economics of network rollouts mean that urban areas tend to benefit from the best coverage, while rural areas can be left behind. This is particularly relevant to the rollout of new technologies, which starts in the most densely populated areas before extending to other parts of the country.

Independent towercos can reduce the cost of delivering infrastructure, which enables faster and cheaper rollouts to areas and households in rural areas. Outsourcing can also free up capital for MNOs to invest in improving coverage.

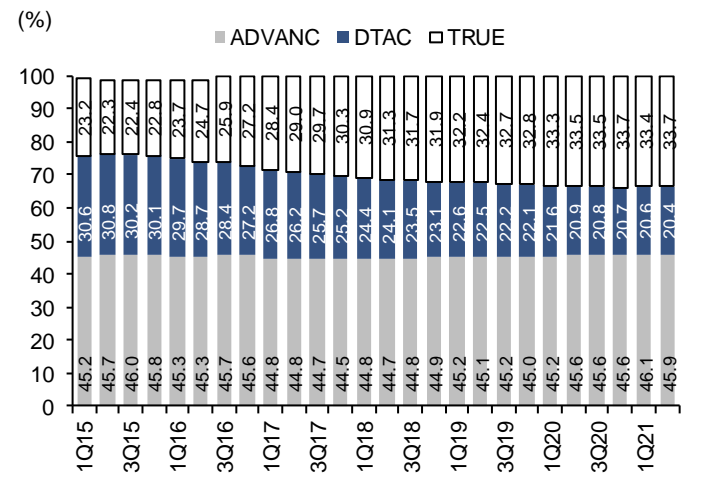
4. **Capital released.** Sales of towers to independent towercos releases capital for investment in existing networks and new services. Upgrading towers to provide more capacity also involves high fixed costs. By lowering the costs of infrastructure, outsourcing to independent towercos can make upgrades more economic, improving the service quality for consumers.

Reducing the cost of networks but also the network quality advantage

We believe that the competition in the mobile sector has existed for a decade. It can be divided into two categories: network competition and service competition. A prime example of network competition was when Total Access Communication (DTAC TB, HOLD, TP THB42) lost a significant number of mobile subscribers in 2017 due to the expiration of its spectrum license in 2018. The company had network quality and perception problems. Customers experienced a weaker network quality vs peers', leading to a huge subscriber loss. Hence, we believe that competition over network quality is a key competitive aspect for the industry.

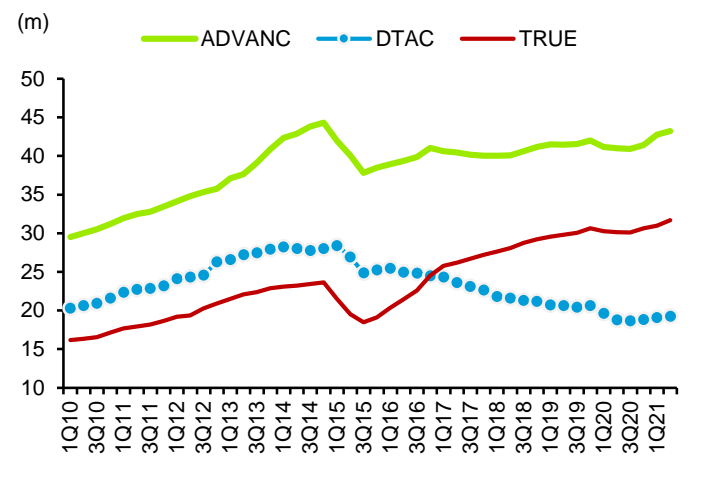
In our view, the establishment of a towerco would mean that MNOs would spin off their tower assets to a third party and share the infrastructure with their competitors, helping their competitors to have better network service quality. Towercos may be a win-win solution for MNOs in terms of operating cost reduction, but having a similar network quality as the rest of the industry may not benefit the operator that currently has a better service than its peers.

Exhibit 83: Mobile subscription market share



Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Exhibit 84: Mobile subscribers



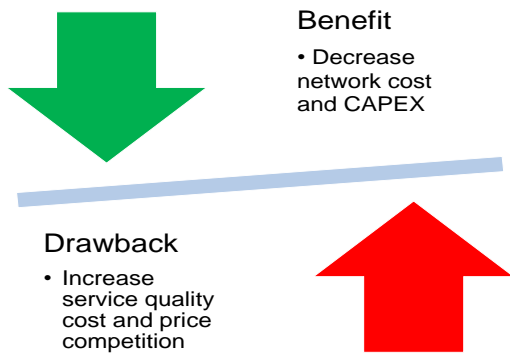
Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Decreasing network service competition but increasing commercial service competition

Although a towerco could help MNOs reduce the cost of network operations and depreciation, we believe it would lead to more intense commercial service competition. Meaning that, if all MNOs in Thailand were to have a similar network quality and no strategic network area, there would be no competitive advantage on the MNO network service side. Therefore, the only way for MNOs to acquire more subscriber market share, in our view, would be for them to improve and differentiate their commercial service quality side instead.

The methodology of improving mobile service quality can include 1) reducing mobile package price plans; and 2) investing in more content (for example, True Corporation (TRUE TB, HOLD, TP THB4.2) has TrueID while ADVANC has AIS Play and Disney+).

Exhibit 85: Decreasing network service competition but increasing commercial service competition



Source: FSSIA estimates

Limitation of having towercos

At this moment, the market is talking about how a towerco could benefit MNOs. However, if we look at another side of the story, we see that it might not be feasible to have a big towerco operator in Thailand for four key reasons:

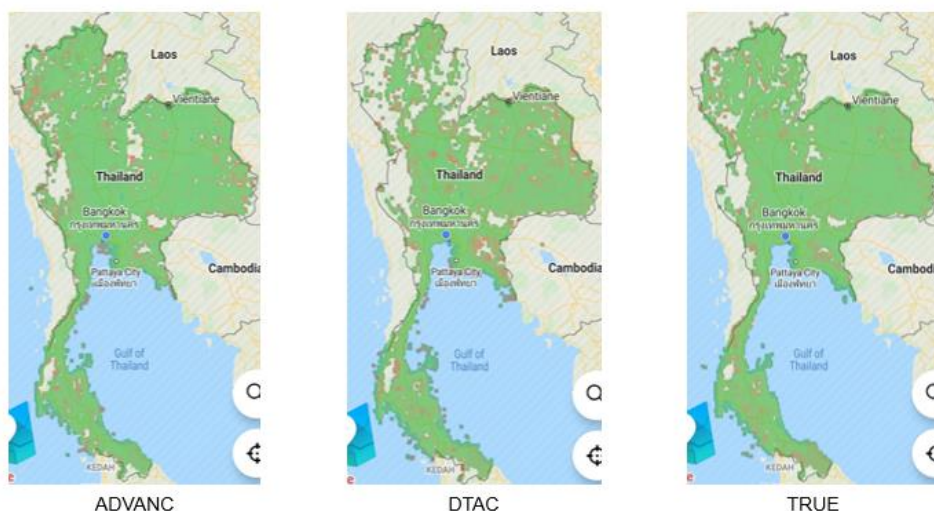
5. Thailand is one of the top countries in terms of tower numbers;
6. Duplication of specific areas;
7. Not the right timing;
8. Who would the towerco's customers be?

1. Thailand is one of the top countries in terms of tower numbers

According to data from Opensignal, mobile network coverage by three operators in Thailand, especially in 3G and 4G, covers almost every area in Thailand already. This means that cell sites are already installed in most areas. This reflects a lower requirement for a huge increase in ground-based towers in the future.

TRUE seems to be the company that has the largest mobile coverage in Thailand. It also owns and leases towers from the Digital Telecommunications Infrastructure Fund (DIF TB, NR). We believe TRUE has the lowest potential to join the towerco bandwagon. In comparison, DTAC has the lowest mobile network coverage in the market, while ADVANC still owns almost 26,000 towers under its balance sheet. If a towerco really is established in Thailand, we think these two companies would have the highest possibility of joining the scheme.

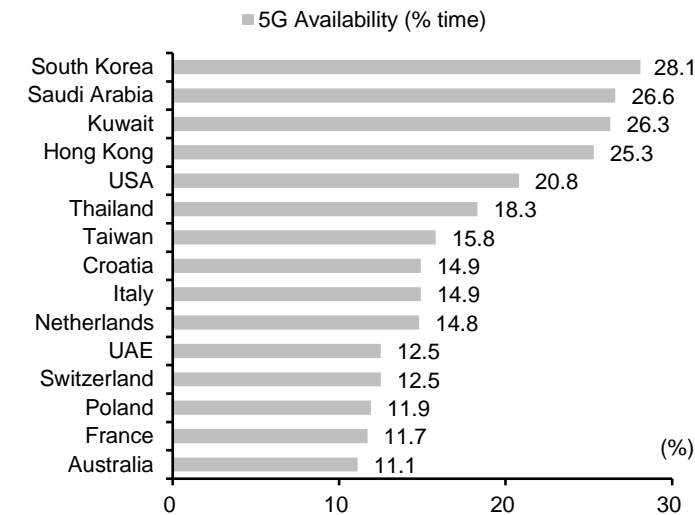
Exhibit 86: Mobile network coverage by operator



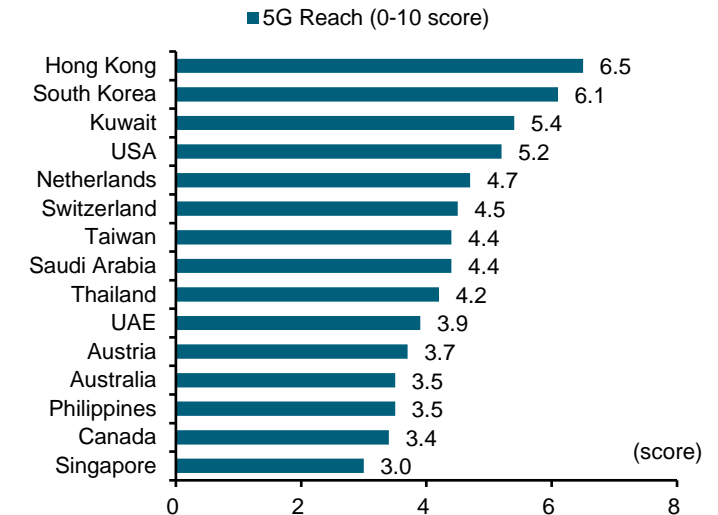
Source: Opensignal

Thailand ranked sixth in terms of 5G availability

According to Opensignal, Thailand ranks sixth in terms of 5G availability. Opensignal has compared the extent of 5G coverage according to two measures: the share of time in which 5G users spend connected to a 5G service (5G availability) and the share of locations in which 5G users have experienced a 5G connection (5G reach). Its findings indicate that the connection quality of Thailand's mobile network is already one of the best in the world without a towerco scheme.

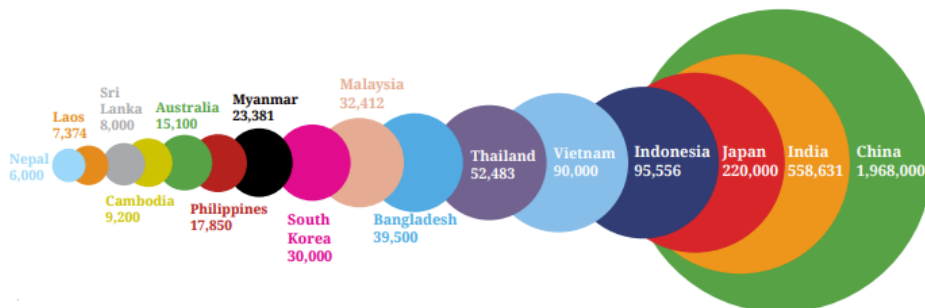
Exhibit 87: Global 5G availability

Source: Opensignal

Exhibit 88: Global 5G reach

Source: Opensignal

According to TowerXchange, in 1Q20, Thailand ranked sixth in terms of the number of towers, which was 52k towers in total. This number may increase to around 55k towers in 2021, as ADVANC has indicated that it has deployed 1,000 more towers in 2021. If we compare the number of towers with the country's population, Thailand ranks fifth with a ratio of 1 tower per 1,330 people. This indicates that Thailand already has a reasonable number of towers to sustain its network quality.

Exhibit 89: Asian tower market size comparison (1Q20)

Source: TowerXchange

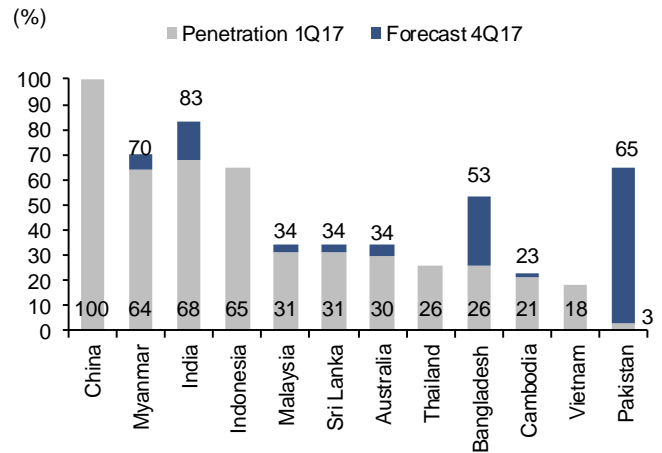
Moreover, if we look at the historical data (2016) from TowerXchange, the countries with high towerco penetration rates were countries that still had a low number of towers and weak tower to population ratios (except China), which required a significant increase in the number of towers. Hence, we think towercos can be a great strategy for those countries, but not Thailand.

Exhibit 90: Tower to population ratio in each country

	No. of towers	Population	Tower to population ratio
	(no.)	(m)	(population/tower)
Japan	220,000	125.8	572
China	1,968,000	1402	712
Malaysia	32,412	32.37	999
Vietnam	90,000	97.34	1,082
Thailand	52,483	69.8	1,330
Australia	15,100	25.69	1,701
South Korea	30,000	51.8	1,727
Myanmar	23,381	54.41	2,327
India	558,631	1380	2,470
Indonesia	95,556	273.5	2,862
Bangladesh	39,500	164.7	4,170
Philippines	17,850	109.6	6,140

Sources: TowerXchange; World Bank

Exhibit 91: Towerco penetration in Asia in 1Q17 and forecast for 4Q17



Source: TowerXchange

2. Duplication of specific areas

Tower duplication

As previously mentioned, competition over network service quality is another key competitive aspect of the mobile sector which is not less important than the competition in commercial service quality. This has long led MNOs in Thailand to remain independent in terms of tower rollouts. We believe that each MNO has the intention to build their own towers for their own benefit, and are not considering tower sharing or a towerco at the moment. We believe that there is a high possibility that most of the ground-based towers owned by MNOs will have similar locations, which would be of smaller benefit to a future towerco operator in Thailand, making it difficult to find other tenants besides the MNOs which would have previously owned those towers.

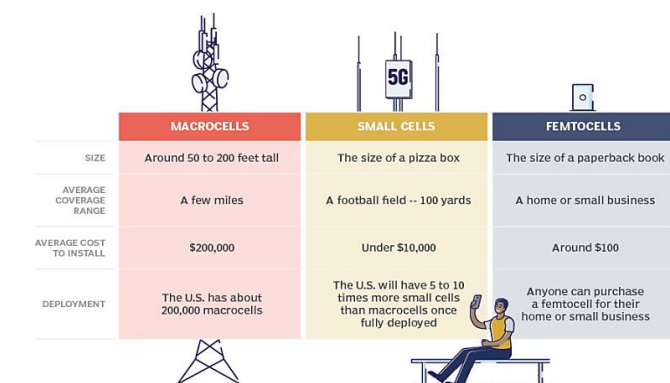
3. Not the right timing

5G tends to go for small cell installations

A small cell installation consists of small radio equipment and antennas that can be placed on structures, such as streetlights, the sides of buildings, or poles. They are essential for transmitting data to and from a wireless device. Small cells look completely different than the wireless infrastructure we have seen in the past – the macro cells that include ground-based and rooftop towers.

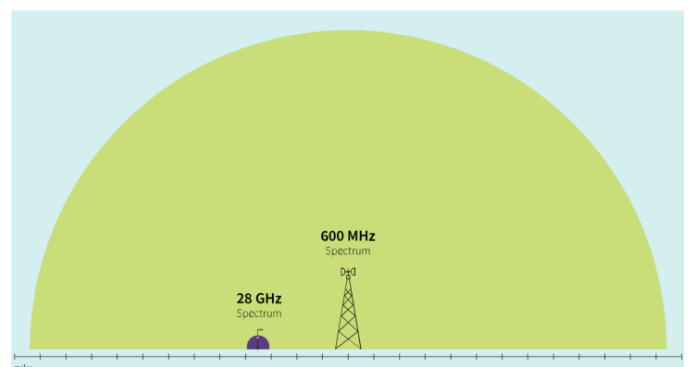
Small cell deployment has shifted toward large-scale densification, which increases the capacity in operator networks across an array of locations and addresses rising consumer and enterprise mobile broadband needs. 5G will make the challenge of densification even more daunting due to the number of small cell deployments required to meet all 5G use cases effectively.

Exhibit 92: Macrocells vs small cells vs femtocells



Source: TechTarget

Exhibit 93: Low vs high-band spectrum network coverage



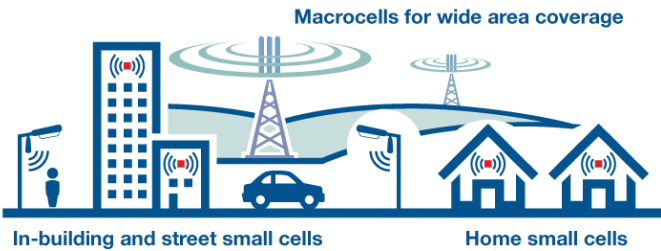
Source: CITA

5G high-band spectrum delivers super-fast speeds over short distances

The high-band spectrum is limited because signals can't travel very far – in some cases the signal will travel only one kilometre – and they are also susceptible to interference from things like trees and buildings and even glass. But the benefit of the high-band spectrum is that if the signal is unencumbered, users can get connection speeds between 1 Gbps to 3 Gbps or even higher.

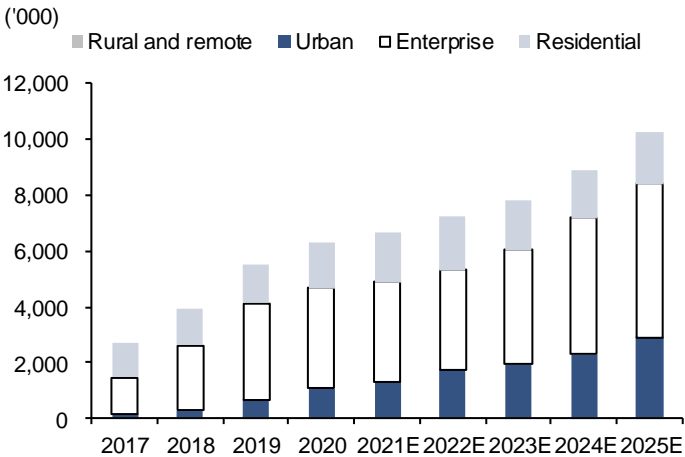
Besides its low-band 5G offering, AT&T, an MNO in the US, also has a high-band 5G service, which it's calling 5G+. This is deployed in the company's 36 GHz band millimetre wave spectrum. It offers extra speed and capacity and is intended for high-traffic areas like campuses and arenas. AT&T's 5G+ is available in parts of 23 cities, and the company is only making it available to enterprises.

Exhibit 94: Mobile network landscape



Source: EMF Explained

Exhibit 95: Small cell deployment and upgrades by environment in 2017-25



Sources: Small Cells Forum

This is the reason why small cells are essential for the high-band spectrum

As a result, with the best network quality in the high-band spectrum but a poor coverage range, the low cost of a cell site network rollout should act a key growth driver in terms of network expansion. According to the data from Small Cell Forum, small cell deployments tend to be located in the enterprise sector over urban and rural areas where macro cells like ground-based or rooftop towers are more suitable.

Moreover, since it seems likely that 5G growth will come via the enterprise sector for things like self-driving cars, remote surgery, and industrial automation, we know that all of these will require super-fast speeds and the best network quality. The high-band spectrum and small cells would be a great answer for those segments, in our view.

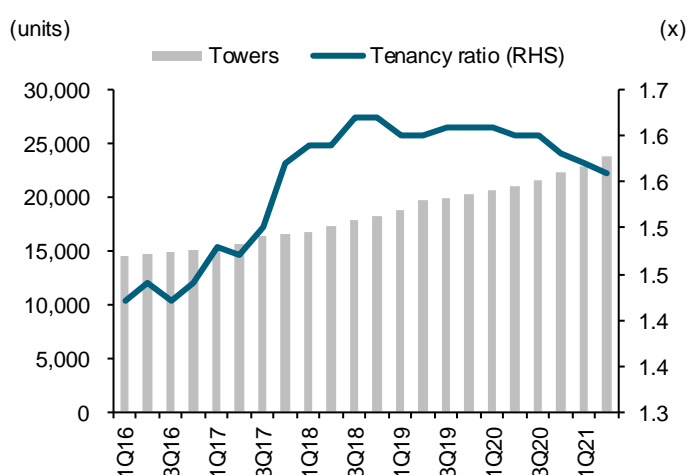
In conclusion, we believe that the key growth area for the 5G network expansion will likely be small cells not macro cells. Macro cells remain essential, but with the number of ground-based towers in Thailand already over 50k and with good network coverage, we believe the growth of ground-based towers should have a slower pace compared to 4G. In addition, with the currently low occupancy in each ground-based tower, there is still an antenna slot available on each tower for a 5G antenna. We believe MNOs can just install additional 5G antennas on their existing towers to provide 5G services. If there is a greater requirement for additional towers, we think it would occur in 2023 onward when 5G adoptions are likely to increase significantly.

4. Who would the towerco's customers be?

We believe that an independent towerco which would be operated by a third party would need to carefully consider who their additional tenants would be besides the key operators who would sell and lease back their towers. The successful model of an independent towerco is to have more tenants to have economies of scale and utilise assets more efficiently. Edotco, an integrated telecommunications infrastructure services company which owns over 24k telecom towers, mainly in Bangladesh, Malaysia, and Cambodia, has an average tenancy ratio of 1.55x. This company had a net profit of MYR166m on average during 2018-20.

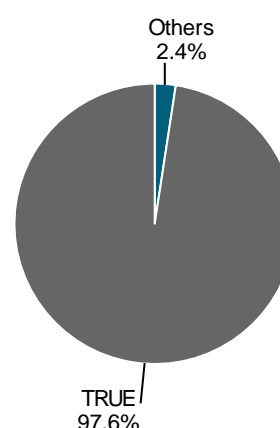
Compare Edotco with DIF, the first telecom infrastructure fund in Thailand which was founded in 2013 and owns over 16k of TRUE's towers. The company has been able to find customers and generate revenue from other tenants at only 2.4% of its total revenue, meaning that DIF still relies on the revenue from TRUE, the key tenant, which accounted for over 97.6% of its total revenue in 2020. This can demonstrate that the telecom market in Thailand may have a low demand for telecom towers.

Exhibit 96: Edotco's towers and tenancy ratio



Source: Axiata

Exhibit 97: DIF's revenue by customers



Source: DIF

As a result, in order to establish an independent towerco in Thailand, the towerco operator would have to focus on how they would gain more customers besides the key companies that would like to sell their towers to the towerco, which might be hard in the Thai market. If established via an infrastructure fund model, the price of the towers sold may not be high like what TRUE had gotten from DIF, as DIF's performance may represent how difficult it is to find additional customers in the Thai telecom market.

A DTAC and TRUE partnership would mean a smaller chance of a towerco

If the rumour regarding DTAC and TRUE partnering or merging is true, then we believe that there would be a lower probability of a towerco in Thailand, given that both companies operate over 30k towers. The cooperation would result in spectrum and tower sharing. Because Thailand would only have two MNOs left, the chance of tower sharing would be slim. The chance of a towerco to emerge in Thailand would therefore be diminished because there would only be two MNOs left in Thailand. In this case, DTAC and TRUE might not be willing to lease additional towers, as their network coverage would be strong. In addition, if they really wanted to spin off their towers, we believe they would go to DIF, the fund that was established by TRUE and to which TRUE spun off its towers and fibre optic cables. This would be more beneficial for the company, as TRUE is a major shareholder of the fund at 23.4%.

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)	2019	2020	2021E	2022E	2023E
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					
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					
Recurring P/E (x) *	17.7	20.8	21.5	20.0	18.5
Recurring P/E @ target price (x) *	20.5	24.1	24.9	23.2	21.4
Reported P/E (x)	18.1	20.7	21.5	20.0	18.5
Dividend yield (%)	3.7	3.6	3.7	3.6	4.3
Price/book (x)	8.2	7.5	7.0	6.4	5.9
Price/tangible book (x)	(13.4)	(12.6)	(9.3)	(14.2)	(27.6)
EV/EBITDA (x) **	8.1	7.2	7.0	6.6	6.2
EV/EBITDA @ target price (x) **	9.2	8.2	7.9	7.6	7.2
EV/invested capital (x)	3.4	2.5	2.4	2.5	2.7
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Advanced Info Service; FSSIA estimates

19 OCTOBER 2021

THAILAND / ICT

TOTAL ACCESS COMMUNICATION

HOLD

UNCHANGED

DTAC TB

TARGET PRICE	THB42.00
CLOSE	THB41.00
UP/DOWNSIDE	+2.4%
PRIOR TP	THB42.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+5.2%

Low possibility of a merger

Merger with TRUE is unlikely to occur

We believe the strong rally in DTAC's share price by over 20% since Aug-21 was due to the market's speculation on the expectation that True Corporation (TRUE TB, HOLD, TP THB4.20) and DTAC might merge and set up a new mobile network operator (MNO). We think this has a very limited chance to occur, as it is very hard to find a country with a population of over 50m with only two MNOs. We believe the Office of Trade Competition Commission would not allow this transaction to occur, as mobile services are essential. If the industry were to be dominated by only two operators, it could directly hurt Thai customers.

Cost management is the key driver

DTAC has had impressive cost savings during the Covid pandemic. The company has been able to minimise its costs quite well, especially on network OPEX and SG&A. Management has stated that the company still has room to improve its costs. We expect that this will be the key success factor for DTAC when revenue starts to pick up, likely in 2022.

5G spectrum auction should be DTAC's turning point

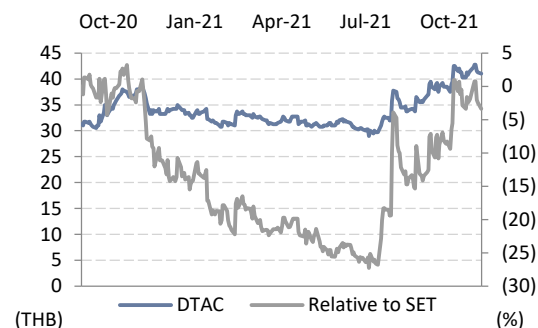
Another key advantage for DTAC's network OPEX minimisation vs its peers is that it does not have a 5G mid-band spectrum. Conversely, Advanced Info Service (ADVANC TB, BUY, TP THB220) and TRUE have already rolled out their cell tower sites on the 2600Mhz spectrum and invested heavily in network infrastructure. However, this would only be a short-term advantage for DTAC until 2022, in our estimation. Looking forward to 2022, being conservative with 5G may no longer be a key advantage for DTAC. It could be the key pressure point for DTAC's outlook as the company might not be able to compete with its peers which already have 5G customers as well as the required infrastructure. DTAC's competitiveness may dwindle when 5G adoption starts to grow significantly, possibly in mid-2022.

Maintain HOLD with TP of THB42

DTAC's share price remains strong despite its unattractive outlook. We believe this is due to the market's speculation on the potential merger. We maintain our HOLD recommendation on DTAC with the same DCF-TP of THB42. We believe investors should be cautious regarding the merger news, particularly if there are no other updates or indications of progress from management. The market may be disappointed about the outcome, which could directly impact its share price.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	78,818	79,237	80,548	83,796
Net profit	5,107	4,206	4,540	4,233
EPS (THB)	2.16	1.78	1.92	1.79
vs Consensus (%)	-	1.2	4.9	(10.7)
EBITDA	30,193	30,296	30,682	31,269
Core net profit	5,451	4,206	4,540	4,233
Core EPS (THB)	2.30	1.78	1.92	1.79
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(10.2)	(22.8)	8.0	(6.8)
Core P/E (x)	17.8	23.1	21.4	22.9
Dividend yield (%)	7.3	4.8	4.7	2.6
EV/EBITDA (x)	4.8	5.0	4.8	4.8
Price/book (x)	4.0	4.6	4.6	4.4
Net debt/Equity (%)	195.3	255.8	237.8	243.5
ROE (%)	22.1	18.5	21.4	19.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.5	37.8	23.3
Relative to country (%)	5.3	30.4	(9.3)
Mkt cap (USD m)	2,901		
3m avg. daily turnover (USD m)	23.3		
Free float (%)	29		
Major shareholder	Telenor Asia PTE LTD (46%)		
12m high/low (THB)	43.50/28.75		
Issued shares (m)	2,367.81		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

DTAC is the third largest mobile service provider in Thailand with a market share of around 20%. It is the only company that did not participate in the mid-band 5G auction (2600MHz) in early 2020. The company plans to wait for the 3500MHz auction that should start bidding within 2022. According to the company, this is because the 3500MHz range is the most appropriate for the 5G ecosystem.

This would allow the company to have the slowest 5G spectrum amortisation expense to be recognised, and the lowest 5G spectrum cost compared with its peers. On the other hand, we expect any potential 5G subscription losses to be minimal, as 5G will still be in its very early stages in 2021 in Thailand.

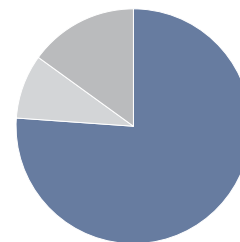
Company profile

DTAC operates telecommunication and other related businesses. The company is the third-largest mobile service provider in Thailand after AIS and True. DTAC is owned by Telenor, a multinational telecommunications company.

www.dtac.co.th

Principal activities (revenue, 2020)

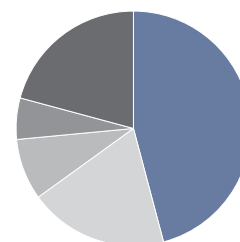
- Mobile service revenue - 76.1 %
- Handsets and starter kits sales - 8.9 %
- Other operating income - 15.0 %



Source: Total Access Communication

Major shareholders

- Telenor Asia PTE LTD - 45.9 %
- Thai Telco Holding - 19.2 %
- Thai NVDR - 8.5 %
- TOT - 5.7 %
- Others - 20.8 %



Source: Total Access Communication

Catalysts

- Aggressive cost minimisation should help limit the risk of a decrease in the company's net profits;
- The company is expected to have the lowest 5G expenses in the sector;
- Positive operating cash flow and fair dividend payments;

Risks to our call

The key downside and upside risks to our DCF-based TP are if the 5G subscription losses are worse than our expectation, the cost of the 3500MHz band is higher than our expectation, if there is stronger or weaker-than-expected competition in the mobile market, and if there is a faster or slower-than-expected adoption of 5G use cases.

Event calendar

Date	Event
Late Oct 2021	3Q21 results announcement

Key assumptions

Key assumption	2020	2021E	2022E	2023E
Total subscribers (m)	18.9	19.5	19.9	20.7
Postpaid (m)	6.1	6.3	6.4	6.5
Prepaid (m)	12.8	13.2	13.5	14.2
Blended ARPU (THB/sub/mth)	255	247	242	240
Postpaid APRU (THB/sub/mth)	520	498	490	488
Prepaid APRU (THB/sub/mth)	128	128	126	126

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in mobile blended ARPU, we project 2021 earnings to rise by 5.6%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2021 earnings to rise by 3.9%, and vice versa, all else being equal.

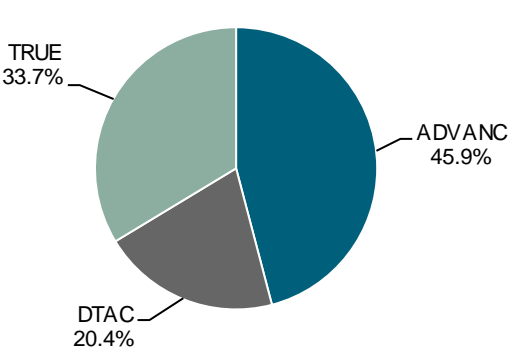
Source: FSSIA estimates

Low probability of a merger between DTAC and TRUE

Thailand’s subscription landscape is different from Malaysia’s. There is an argument in the market that the merger transaction between Digi, Telenor’s subsidiary, and Calcom, Axiata’s subsidiary, could demonstrate that there is a possibility for a similar deal between DTAC and TRUE, as DTAC’s major shareholder is Telenor.

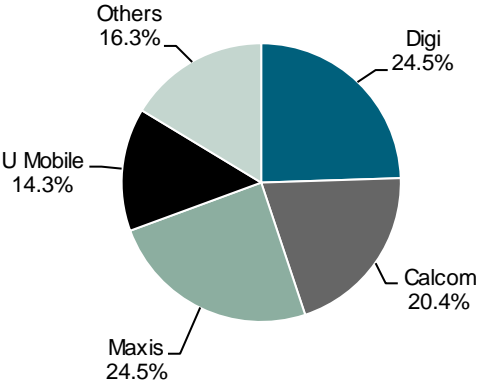
However, we have a different view. There is a big difference in the subscriber market share in the mobile market between Thailand and Malaysia. In Malaysia, there are four big MNOs in the industry, including Maxis, Digi, Calcom, and U Mobile. There are also small MNOs with a market share of over 16%. Therefore, the merger between Digi and Calcom will give the new MNO only 45% of the subscriber market share. Although the merger will make the new company the biggest mobile operator in terms of market share in Malaysia, it will still have to compete with two big operators and others who still own over 55% of the market share.

Exhibit 98: Mobile subscriber market share in Thailand



Sources: ADVANC; DTAC; TRUE

Exhibit 99: Mobile subscriber market share in Malaysia



Sources: Digi; Calcom; Maxis; International Telecommunication Union

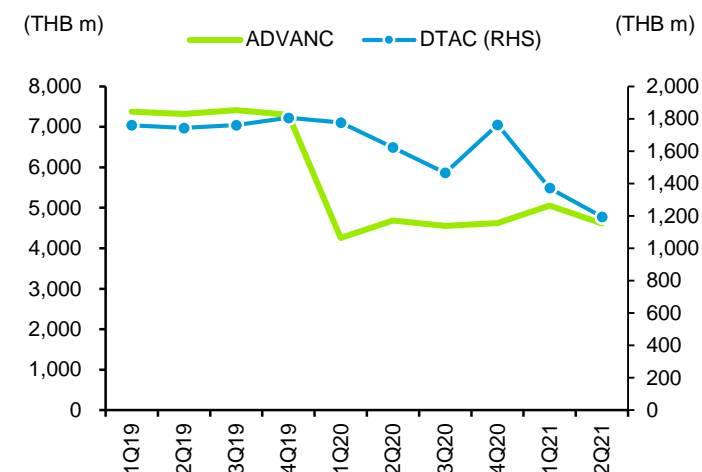
On the other hand, the Thai market only has three big operators. A merger between TRUE and DTAC would increase the new company’s market share to over 54% and it would become the biggest MNO in Thailand. Moreover, there would only be two MNOs in the Thai market, which is quite rare globally; only two MNOs in one country. We believe the Office of Trade Competition Commission would not allow a merger like that to occur. It could be unfair to customers, as the two MNOs might dominate the market by making agreements to increase mobile package prices, which would directly hurt customers.

Cost management is the key driver

DTAC has had impressive cost savings during the Covid pandemic. The company has been able to minimise its costs quite well, especially on network OPEX and SG&A. As we can see in the table below, DTAC was able to reduce its network OPEX from an average of THB1.8b in 2019 to THB1.3b as of 1H21 thanks to its cost optimisation program. SG&A to sales has also continued to decline. Now, DTAC is the mobile operator with the lowest SG&A at only 8% compared with other companies in the sector which still have SG&A above 12%.

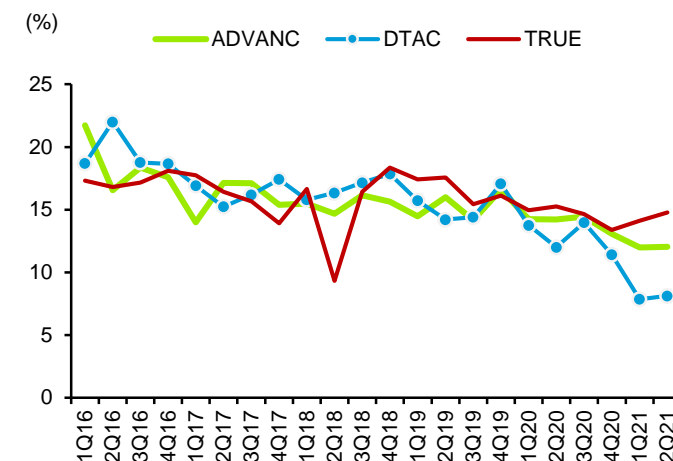
Management has stated that the company still has room to improve its costs. We expect that this will be the key success factor for DTAC when revenue starts to pick up, likely in 2022.

Exhibit 100: Network operating expenses



Note: TRUE does not disclose network operating expenses
Sources: ADVANC; DTAC

Exhibit 101: SG&A expenses to sales



Sources: ADVANC; DTAC; TRUE

5G spectrum auction should be DTAC's turning point

Another key advantage for DTAC's network OPEX minimisation vs its peers is that it does not have a 5G mid-band spectrum. Conversely, ADVANC and TRUE have already rolled out their cell tower sites on the 2600Mhz spectrum and invested heavily in network infrastructure. However, this would only be a short-term advantage for DTAC until 2022, in our estimation. We believe DTAC will participate in the future 5G spectrum auction, especially for the 3500Mhz band, which we expect to open for bidding in 2022.

As mentioned in our initiation report on DTAC, "[Total Access Communication \(DTAC TB\) - Be conservative, be the winner](#)", dated 24 Dec-20, we think that DTAC's conservative stance on 5G technology has been the key success factor for the company in 2020 and 2021. It has been able to enjoy lower costs and maintain its net profit level vs its peers. 5G adoption in Thailand is sluggish, with the total number of 5G subscriptions still lower than 5% of the total subscriptions.

However, looking forward to 2022, being conservative with 5G may no longer be a key advantage for DTAC. It could be the key pressure point for DTAC's outlook as the company might not be able to compete with its peers which already have 5G customers as well as the required infrastructure. DTAC's competitiveness may dwindle when 5G adoption starts to grow significantly, possibly in mid-2022. Given that there is no timeline for the future spectrum auction, it may be delayed to 2022 and there might not be an indication when it would start. There is the possibility that it could start in mid-2022 or late 2022, in the worst-case scenario.

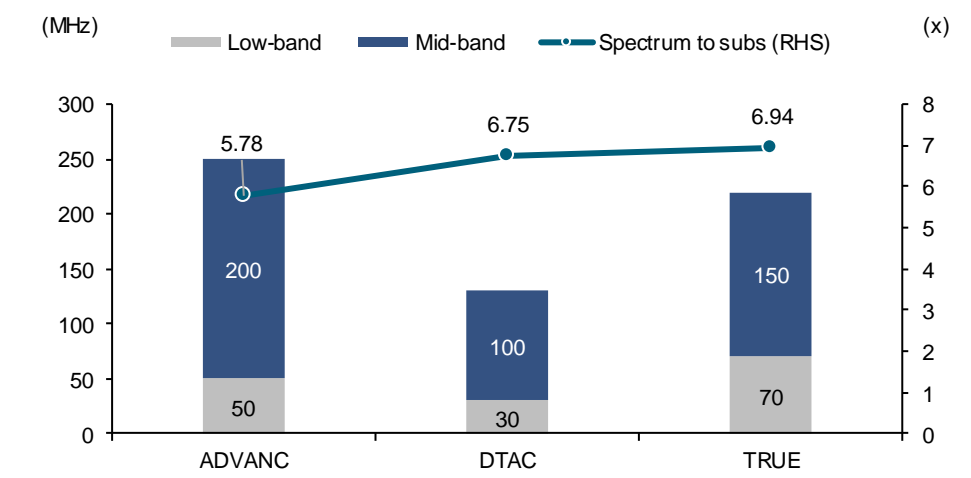
If the 3500MHz spectrum auction is held in late 2022, it would likely create significant customer concern over its network quality outlook and the company's direction. This issue is important because it has been a key pressure point on DTAC's subscription numbers in the past. It caused DTAC to lose many subscribers to its competitors, as consumers were worried about its network quality during the spectrum concession expiry.

Exhibit 102: Spectrum summary

	----- Low-band -----				----- Mid-band -----					High-band	Spectrum			
	700	850	900	Subtotal	1800	2100	2300	2600	Subtotal	26000	Grand total	Ex-26GHz	Subs	to subs
	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(m)	(x)
ADVANC	30	0	20	50	40	60	0	100	200	1200	1450	250	43	5.78
DTAC	20	0	10	30	10	30	60	0	100	200	330	130	19	6.75
TRUE	20	30	20	70	30	30	0	90	150	800	1020	220	32	6.94
Total	70	30	50	150	80	120	60	190	450	2200	2800	600	94	6.37

Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Exhibit 103: 5G spectrum comparison



Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Nevertheless, comparing the spectrum to subscriber ratio, we can see that DTAC is the second best in terms of spectrum amount compared to the number of subscribers. Surprisingly, ADVANC has the weakest spectrum to subscriber ratio, despite it having the highest spectrum total in the industry. This is because ADVANC has the highest number of subscribers in the market at 43m subscriptions. Its large subscription base is also why it has to have the highest number of cell towers: to ensure that its network quality is comparable to its competitors.

Low probability of Telenor's exit

We believe the 24% increase in DTAC's share price since June was mainly due to [media reports](#) about its major shareholder, Telenor, planning to exit the Thai market soon after leaving the Myanmar market.

It is not the first time that the rumour about Telenor planning to sell DTAC has made the rounds in the market. In the past five years, there have been three rumours about Telenor aiming to exit the Thai market: in 2016, 2018, and this time in 2021. We see this as only a rumour with a small likelihood of occurring, given that the mobile market in Thailand remains strong and DTAC is one of the key sources of income for Telenor, unlike Myanmar with its political uncertainty.

Financial Statements

Total Access Communication

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	81,167	78,818	79,237	80,548	83,796
Cost of goods sold	(38,270)	(37,454)	(37,927)	(38,831)	(40,879)
Gross profit	42,897	41,364	41,310	41,718	42,917
Other operating income	-	-	-	-	-
Operating costs	(12,480)	(11,171)	(11,014)	(11,035)	(11,648)
Operating EBITDA	30,417	30,193	30,296	30,682	31,269
Depreciation	(19,997)	(20,951)	(21,998)	(21,924)	(22,964)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	10,420	9,242	8,297	8,758	8,305
Net financing costs	(3,269)	(2,859)	(2,971)	(3,095)	(3,058)
Associates	(9)	(12)	(10)	(8)	(8)
Recurring non-operating income	(113)	(79)	(320)	(258)	(208)
Non-recurring items	(648)	(344)	0	0	0
Profit before tax	6,391	5,960	5,007	5,405	5,039
Tax	(969)	(853)	(801)	(865)	(806)
Profit after tax	5,422	5,107	4,206	4,540	4,233
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,422	5,107	4,206	4,540	4,233
Non-recurring items & goodwill (net)	648	344	0	0	0
Recurring net profit	6,069	5,451	4,206	4,540	4,233
Per share (THB)					
Recurring EPS *	2.56	2.30	1.78	1.92	1.79
Reported EPS	2.29	2.16	1.78	1.92	1.79
DPS	2.87	2.99	1.95	1.92	1.07
Diluted shares (used to calculate per share data)	2,368	2,368	2,368	2,368	2,368
Growth					
Revenue (%)	7.8	(2.9)	0.5	1.7	4.0
Operating EBITDA (%)	7.1	(0.7)	0.3	1.3	1.9
Operating EBIT (%)	213.0	(11.3)	(10.2)	5.6	(5.2)
Recurring EPS (%)	72.7	(10.2)	(22.8)	8.0	(6.8)
Reported EPS (%)	nm	(5.8)	(17.7)	8.0	(6.8)
Operating performance					
Gross margin inc. depreciation (%)	28.2	25.9	24.4	24.6	23.8
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	37.5	38.3	38.2	38.1	37.3
Operating EBIT margin (%)	12.8	11.7	10.5	10.9	9.9
Net margin (%)	7.5	6.9	5.3	5.6	5.1
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	112.0	129.9	110.0	100.0	60.0
Interest cover (X)	3.2	3.2	2.7	2.7	2.6
Inventory days	15.3	8.4	8.2	10.1	9.8
Debtor days	39.6	45.6	44.8	43.7	43.2
Creditor days	367.8	349.7	310.8	290.3	283.7
Operating ROIC (%)	29.0	19.8	21.2	28.4	25.8
ROIC (%)	9.9	7.6	6.4	7.1	6.8
ROE (%)	25.9	22.1	18.5	21.4	19.7
ROA (%)	5.9	4.9	4.2	4.7	4.4

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
Mobile service revenue	63,333	59,993	59,861	60,302	62,580
Handsets and starter kits sales	8,629	6,980	7,294	7,742	8,274
Other operating income	9,206	11,845	12,082	12,505	12,942

Sources: Total Access Communication; FSSIA estimates

Financial Statements

Total Access Communication

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	6,069	5,451	4,206	4,540	4,233
Depreciation	19,997	20,951	21,998	21,924	22,964
Associates & minorities	-	-	-	-	-
Other non-cash items	874	(1,129)	584	62	178
Change in working capital	(9,343)	668	(2,529)	282	901
Cash flow from operations	17,597	25,942	24,259	26,809	28,276
Capex - maintenance	(7,225)	(3,932)	(7,240)	(5,080)	(8,280)
Capex - new investment	(10,838)	(16,815)	(18,468)	(13,184)	(19,216)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	269	(38)	2,064	(52)	(130)
Cash flow from investing	(17,794)	(20,786)	(23,643)	(18,316)	(27,626)
Dividends paid	(2,983)	(5,872)	(7,333)	(4,583)	(3,540)
Equity finance	0	0	0	0	0
Debt finance	2,000	4,000	3,000	2,400	(720)
Other financing cash flows	(4,382)	(5,165)	0	0	0
Cash flow from financing	(5,365)	(7,037)	(4,333)	(2,183)	(4,260)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(5,562)	(1,881)	(3,717)	6,309	(3,609)
Free cash flow to firm (FCFF)	3,072.56	8,014.88	3,586.28	11,587.44	3,708.45
Free cash flow to equity (FCFE)	(2,578.36)	3,990.80	3,615.72	10,892.08	(69.46)
Per share (THB)					
FCFF per share	1.30	3.38	1.51	4.89	1.57
FCFE per share	(1.09)	1.69	1.53	4.60	(0.03)
Recurring cash flow per share	11.38	10.67	11.31	11.20	11.56
Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	130,170	138,226	123,228	133,228	151,228
Less: Accumulated depreciation	(52,613)	(65,422)	(68,465)	(80,262)	(92,494)
Tangible fixed assets (net)	77,558	72,804	54,763	52,966	58,734
Intangible fixed assets (net)	51,899	63,877	78,124	70,697	74,984
Long-term financial assets	5,596	4,819	4,819	4,819	4,819
Invest. in associates & subsidiaries	294	233	233	233	233
Cash & equivalents	8,528	6,647	2,930	9,239	5,630
A/C receivable	9,791	9,889	9,558	9,716	10,108
Inventories	1,088	634	1,062	1,080	1,123
Other current assets	3,189	4,553	3,986	4,032	4,146
Current assets	22,596	21,722	17,537	24,067	21,007
Other assets	9,395	10,825	8,761	8,813	8,943
Total assets	167,339	174,280	164,236	161,595	168,721
Common equity	24,966	24,315	21,188	21,145	21,838
Minorities etc.	0	0	0	0	0
Total shareholders' equity	24,966	24,315	21,188	21,145	21,838
Long term debt	33,000	47,641	42,541	38,461	38,101
Other long-term liabilities	49,192	53,898	49,022	42,288	49,222
Long-term liabilities	82,192	101,539	91,563	80,749	87,323
A/C payable	37,217	34,551	30,035	31,729	31,827
Short term debt	16,000	6,485	14,585	21,065	20,705
Other current liabilities	6,964	7,390	6,866	6,907	7,027
Current liabilities	60,181	48,426	51,485	59,701	59,559
Total liabilities and shareholders' equity	167,339	174,281	164,236	161,595	168,721
Net working capital	(30,113)	(26,866)	(22,294)	(23,808)	(23,477)
Invested capital	114,630	125,692	124,406	113,720	124,237
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.54	10.27	8.95	8.93	9.22
Tangible book value per share	(11.37)	(16.71)	(24.05)	(20.93)	(22.45)
Financial strength					
Net debt/equity (%)	162.1	195.3	255.8	237.8	243.5
Net debt/total assets (%)	24.2	27.2	33.0	31.1	31.5
Current ratio (x)	0.4	0.4	0.3	0.4	0.4
CF interest cover (x)	3.5	8.3	8.4	8.8	7.3
Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	16.0	17.8	23.1	21.4	22.9
Recurring P/E @ target price (x) *	16.4	18.2	23.6	21.9	23.5
Reported P/E (x)	17.9	19.0	23.1	21.4	22.9
Dividend yield (%)	7.0	7.3	4.8	4.7	2.6
Price/book (x)	3.9	4.0	4.6	4.6	4.4
Price/tangible book (x)	(3.6)	(2.5)	(1.7)	(2.0)	(1.8)
EV/EBITDA (x) **	4.5	4.8	5.0	4.8	4.8
EV/EBITDA @ target price (x) **	4.6	4.9	5.1	4.9	4.9
EV/invested capital (x)	1.2	1.2	1.2	1.3	1.2
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Total Access Communication; FSSIA estimates

19 OCTOBER 2021

THAILAND / ICT

INTOUCH HOLDINGS

INTUCH TB

HOLD

UNCHANGED

TARGET PRICE	THB72.00
CLOSE	THB73.00
UP/DOWNSIDE	-1.4%
PRIOR TP	THB65.00
CHANGE IN TP	+10.8%
TP vs CONSENSUS	+1.0%

Subsidiary is more attractive

Recent developments for ADVANC could benefit INTUCH

We believe the two potential drivers for Advanced Info Service (ADVANC TB, BUY, TP THB220) that INTUCH could directly benefit from are 1) ADVANC's potential to pay a higher dividend; and 2) the potential to utilise its assets in a towerco. However, we think there is a low possibility that a towerco will be established in Thailand, and ADVANC's potentially higher dividend payout may not be significant enough to drive INTUCH's share price further from our TP.

Unclear on THCOM's outlook

We are still unable to see an agreement between Thaicom (THCOM TB, REDUCE, TP THB7.1) and National Telecom (NT) to assist with the management and sales of NT's existing THCOM 4 and 6 satellites after the concession expires in Sep-21. This makes THCOM's earnings outlook starting from 4Q21 unclear. Moreover, THCOM's long-term outlook also remains murky after the Office of The National Broadcasting and Telecommunications Commission decided to postpone the new auction for the right of use for the satellite orbital slots indefinitely, due to there being no other participant except for THCOM.

Minor assumption changes

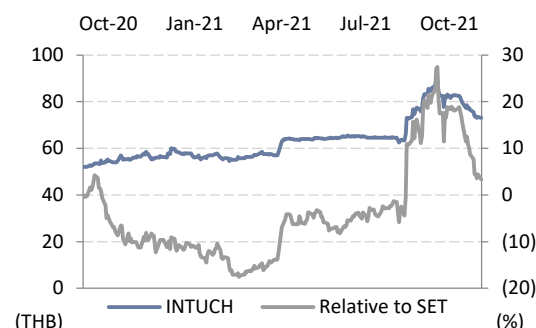
We revise up our earnings assumptions on INTUCH to reflect the latest changes in our earnings forecast for ADVANC. We increase our earnings forecasts on INTUCH for 2021 and 2022 by 2.8% and 3.2%, respectively. Moreover, with the expectation that ADVANC could pay a higher dividend payout ratio from 70% to 75% in 2021, this would enable INTUCH to pay a higher DPS in 2021 as well; we estimate a DPS of THB2.55 per share from our previous expectation of THB2.50.

Maintain HOLD with a revised TP of THB72

We roll over our TP on INTUCH to 2022 after increasing our TP on ADVANC from THB200 to THB220, increasing INTUCH's NAV and resulting in our TP increasing from THB65 to THB72. We maintain HOLD on INTUCH. The company still lacks solid catalysts that would allow it to outperform ADVANC, which still has numerous opportunities awaiting in the future. There has been no significant progress since Gulf Energy Development (GULF TB, BUY, TP THB56) became INTUCH's major shareholder in Sep-21. We recommend a wait-and-see approach for any significant developments between these two companies.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	3,668	2,688	2,035	2,137
Net profit	11,048	10,403	11,476	12,463
EPS (THB)	3.45	3.24	3.58	3.89
vs Consensus (%)	-	(2.4)	3.7	4.2
EBITDA	1,070	915	579	551
Core net profit	11,160	10,403	11,476	12,463
Core EPS (THB)	3.48	3.24	3.58	3.89
Chg. In EPS est. (%)	-	2.8	3.2	0.1
EPS growth (%)	(12.6)	(6.8)	10.3	8.6
Core P/E (x)	21.0	22.5	20.4	18.8
Dividend yield (%)	3.4	3.5	3.9	4.2
EV/EBITDA (x)	218.4	253.3	399.1	417.4
Price/book (x)	6.1	5.8	5.5	5.2
Net debt/Equity (%)	(14.5)	(18.3)	(19.5)	(20.7)
ROE (%)	30.7	26.6	27.7	28.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(12.0)	13.2	39.7
Relative to country (%)	(13.0)	7.1	2.7
Mkt cap (USD m)	6,995		
3m avg. daily turnover (USD m)	36.9		
Free float (%)	63		
Major shareholder	Gulf Energy Development (42%)		
12m high/low (THB)	90.75/51.50		
Issued shares (m)	3,206.51		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

INTUCH has a strong investment portfolio which includes 1) a 40.44% holding in ADVANC, the largest mobile operator in Thailand with more than 45% of the market share; 2) a 41.13% holding in THCOM, the leading Asian satellite operator and provider of integrated satellite communications; and 3) various venture capital companies.

INTUCH has an impressive dividend payment track record. The company typically pays a high dividend at over a 70% payout ratio, reflecting an attractive dividend yield at above 4% in the past four years.

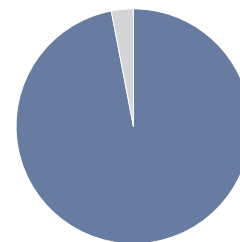
Company profile

INTOUCH is a holding company with investments in the telecoms, media, and technology sectors, including digital businesses. The principal business units are currently divided into three main areas: wireless telecommunications; satellite and international businesses; and other businesses.

www.intouchcompany.com

Principal activities (revenue, 2020)

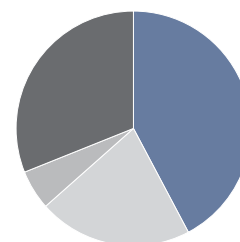
- Satellite business - 97.0 %
- Other business - 3.0 %



Source: Intouch Holdings

Major shareholders

- Gulf Energy Development - 42.3 %
- Singtel Global Investment - 21.2 %
- Thai NVDR - 5.5 %
- Others - 31.1 %



Source: Intouch Holdings

Catalysts

- The upcoming 5G technology should be a key driver for ADVANC, which aims to be the number one 5G operator;
- The new LEO satellite technology could offset the downturn on THCOM's GEO satellite business;
- Consistent earnings which could lead to a consistent dividend yield at around 4.5% p.a.

Risks to our call

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.

Event calendar

Date	Event
Nov 2021	3Q21 results announcement

Key assumptions

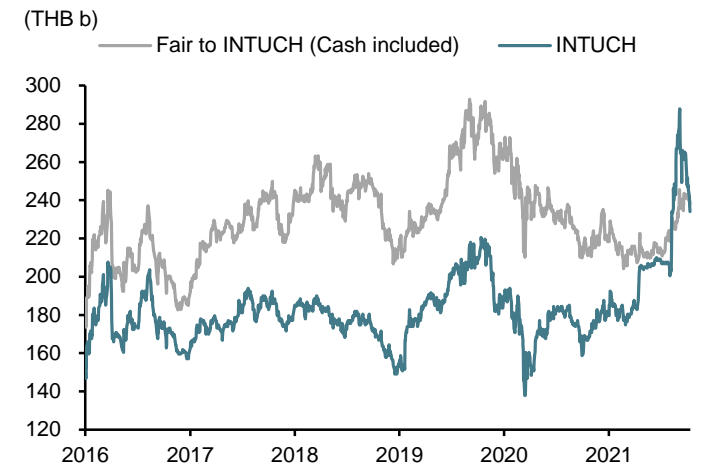
Key assumptions	2020	2021E	2022E	2023E
	(THB m)	(THB m)	(THB m)	(THB m)
ADVANC's net profit	27,434	26,312	28,240	30,592
THCOM's net profit	(135)	(41)	37	74

Source: FSSIA estimates

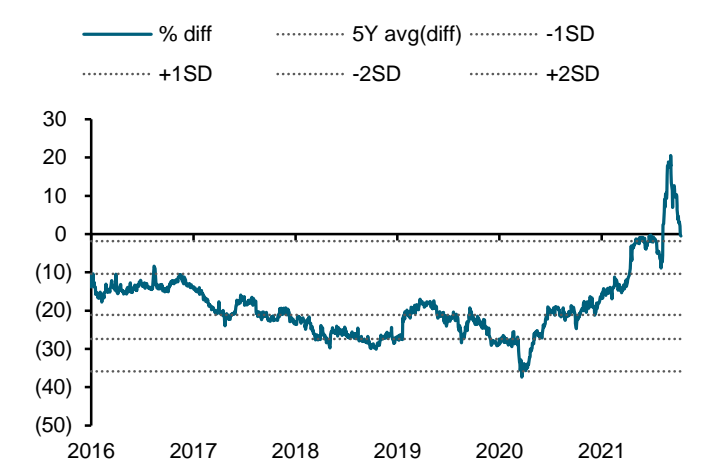
Earnings sensitivity

- For every 1% increase in ADVANC's earnings, we project 2021 earnings to rise by 1%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 104: INTUCH's NAV vs its market cap

Source: Bloomberg; FSSIA's compilation

Exhibit 105: NAV discount

Source: Bloomberg; FSSIA's compilation

Exhibit 106: Key assumption changes

	Current		Previous		Change	
	2021E (THB m)	2022E (THB m)	2021E (THB m)	2022E (THB m)	2021E (%)	2022E (%)
Revenue	2,688	2,035	2,688	2,035	0.0	0.0
Operating expense	(1,902)	(1,193)	(1,902)	(1,193)	0.0	0.0
Share of profit	10,643	11,423	10,362	11,064	2.7	3.2
EBIT	10,966	12,034	10,684	11,675	2.6	3.1
Net profit	10,403	11,476	10,124	11,120	2.8	3.2
DPS	2.55	2.82	2.44	2.70	4.6	4.5

Source: FSSIA estimates

Exhibit 107: NAV discount valuation

	Methodology	Target Price	Market cap	% held by INTUCH	Total value
		(THB)	(THB m)	(%)	(THB m)
ADVANC	FSSIA TP	220	654,264	40.44	264,584
THCOM	FSSIA TP	7.1	7,782	41.13	3,201
			Discount	15%	227,617
			Cash		2,374
			INTUCH shares (m)		3,207
			INTUCH TP (THB)		72

Source: FSSIA estimates

Financial Statements

Intouch Holdings

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	4,878	3,668	2,688	2,035	2,137
Cost of goods sold	(2,020)	(1,381)	(899)	(795)	(891)
Gross profit	2,857	2,287	1,789	1,240	1,246
Other operating income	-	-	-	-	-
Operating costs	(1,435)	(1,217)	(874)	(661)	(694)
Operating EBITDA	1,423	1,070	915	579	551
Depreciation	(1,854)	(1,303)	(1,003)	(398)	(362)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	(431)	(233)	(88)	181	190
Net financing costs	(301)	(191)	(175)	(175)	(175)
Associates	12,234	11,108	10,643	11,423	12,375
Recurring non-operating income	12,534	12,012	11,053	11,854	12,827
Non-recurring items	(1,687)	(113)	0	0	0
Profit before tax	10,115	11,475	10,791	11,859	12,841
Tax	(349)	(122)	(97)	(107)	(116)
Profit after tax	9,765	11,354	10,693	11,753	12,726
Minority interests	1,317	(306)	(291)	(276)	(262)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	11,083	11,048	10,403	11,476	12,463
Non-recurring items & goodwill (net)	1,687	113	0	0	0
Recurring net profit	12,770	11,160	10,403	11,476	12,463
Per share (THB)					
Recurring EPS *	3.98	3.48	3.24	3.58	3.89
Reported EPS	3.46	3.45	3.24	3.58	3.89
DPS	2.52	2.49	2.55	2.82	3.06
Diluted shares (used to calculate per share data)	3,206	3,206	3,206	3,206	3,206
Growth					
Revenue (%)	(23.7)	(24.8)	(26.7)	(24.3)	5.0
Operating EBITDA (%)	(28.7)	(24.8)	(14.5)	(36.7)	(4.8)
Operating EBIT (%)	nm	nm	nm	nm	5.0
Recurring EPS (%)	5.5	(12.6)	(6.8)	10.3	8.6
Reported EPS (%)	(3.6)	(0.3)	(5.8)	10.3	8.6
Operating performance					
Gross margin inc. depreciation (%)	20.6	26.8	29.2	41.4	41.4
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	29.2	29.2	34.1	28.5	25.8
Operating EBIT margin (%)	(8.8)	(6.3)	(3.3)	8.9	8.9
Net margin (%)	261.8	304.3	387.0	564.0	583.3
Effective tax rate (%)	20.0	20.0	20.0	20.0	120.0
Dividend payout on recurring profit (%)	63.3	71.5	78.6	78.9	78.6
Interest cover (X)	40.2	61.6	62.7	68.8	74.4
Inventory days	22.3	23.7	22.2	20.2	14.0
Debtor days	155.7	202.9	205.6	161.0	130.7
Creditor days	201.7	240.6	253.0	183.0	127.2
Operating ROIC (%)	(13.0)	(8.9)	(4.0)	11.5	(3.5)
ROIC (%)	27.0	25.1	22.7	24.3	(6.3)
ROE (%)	39.1	30.7	26.6	27.7	28.3
ROA (%)	23.5	22.7	20.3	21.4	21.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Satellite business	4,663	3,557	2,560	1,850	1,943
Other business	215	111	128	185	194

Sources: Intouch Holdings; FSSIA estimates

Financial Statements

Intouch Holdings

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	12,770	11,160	10,403	11,476	12,463
Depreciation	1,854	1,303	1,003	398	362
Associates & minorities	(13,551)	(10,802)	291	276	262
Other non-cash items	9,492	8,445	0	0	0
Change in working capital	(429)	(236)	631	10	23
Cash flow from operations	10,136	9,870	12,328	12,161	13,110
Capex - maintenance	(87)	(33)	(104)	(104)	(104)
Capex - new investment	(131)	(49)	(156)	(156)	(156)
Net acquisitions & disposals	1,640	(1,669)	0	0	0
Other investments (net)	13	(19)	(1,633)	(1,765)	(1,853)
Cash flow from investing	1,435	(1,770)	(1,893)	(2,025)	(2,113)
Dividends paid	(8,080)	(7,985)	(8,180)	(9,050)	(9,799)
Equity finance	0	0	0	0	0
Debt finance	(2,813)	(406)	(217)	0	0
Other financing cash flows	(325)	(293)	(93)	0	0
Cash flow from financing	(11,218)	(8,683)	(8,490)	(9,050)	(9,799)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	1,618	0	0	0
Net other adjustments	(1,489)	1,618	0	0	0
Movement in cash	(1,136)	1,035	1,945	1,087	1,198
Free cash flow to firm (FCFF)	11,872.07	8,291.56	10,609.97	10,311.39	11,172.22
Free cash flow to equity (FCFE)	6,943.74	9,019.23	10,125.04	10,136.39	10,997.22
Per share (THB)					
FCFF per share	3.70	2.59	3.31	3.22	3.48
FCFE per share	2.17	2.81	3.16	3.16	3.43
Recurring cash flow per share	3.29	3.15	3.65	3.79	4.08
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	10,208	10,252	10,352	10,452	10,552
Less: Accumulated depreciation	(6,850)	(7,144)	(7,414)	(7,659)	(7,882)
Tangible fixed assets (net)	3,358	3,108	2,938	2,793	2,670
Intangible fixed assets (net)	1,703	926	353	360	381
Long-term financial assets	1,271	898	898	898	898
Invest. in associates & subsidiaries	30,182	33,662	35,294	37,059	38,912
Cash & equivalents	9,077	10,112	12,056	13,143	14,342
A/C receivable	2,082	1,997	1,031	764	766
Inventories	124	55	54	34	34
Other current assets	631	853	853	853	853
Current assets	11,914	13,018	13,994	14,795	15,995
Other assets	1,108	1,025	880	844	846
Total assets	49,535	52,637	54,358	56,749	59,703
Common equity	34,525	38,064	40,286	42,713	45,377
Minorities etc.	5,924	6,077	6,368	6,644	6,906
Total shareholders' equity	40,449	44,141	46,654	49,357	52,284
Long term debt	3,761	1,136	3,500	3,500	3,500
Other long-term liabilities	800	916	690	610	614
Long-term liabilities	4,561	2,052	4,190	4,110	4,114
A/C payable	1,064	756	490	307	315
Short term debt	383	2,581	0	0	0
Other current liabilities	3,077	3,106	3,024	2,976	2,991
Current liabilities	4,524	6,444	3,514	3,282	3,305
Total liabilities and shareholders' equity	49,535	52,637	54,358	56,749	59,703
Net working capital	(1,305)	(957)	(1,576)	(1,631)	(1,652)
Invested capital	36,317	38,662	38,787	40,323	42,056
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.77	11.87	12.56	13.32	14.15
Tangible book value per share	10.24	11.58	12.45	13.21	14.03
Financial strength					
Net debt/equity (%)	(12.2)	(14.5)	(18.3)	(19.5)	(20.7)
Net debt/total assets (%)	(10.0)	(12.1)	(15.7)	(17.0)	(18.2)
Current ratio (x)	2.6	2.0	4.0	4.5	4.8
CF interest cover (x)	24.5	48.4	59.7	59.8	64.7
Valuation					
Recurring P/E (x) *	18.3	21.0	22.5	20.4	18.8
Recurring P/E @ target price (x) *	18.1	20.7	22.2	20.1	18.5
Reported P/E (x)	21.1	21.2	22.5	20.4	18.8
Dividend yield (%)	3.5	3.4	3.5	3.9	4.2
Price/book (x)	6.8	6.1	5.8	5.5	5.2
Price/tangible book (x)	7.1	6.3	5.9	5.5	5.2
EV/EBITDA (x) **	165.2	218.4	253.3	399.1	417.4
EV/EBITDA @ target price (x) **	163.0	215.4	249.8	393.5	411.6
EV/invested capital (x)	6.5	6.0	6.0	5.7	5.5
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Intouch Holdings; FSSIA estimates

19 OCTOBER 2021

THAILAND / ICT

JASMINE INTERNATIONAL JAS TB

HOLD

UNCHANGED

TARGET PRICE	THB3.10
CLOSE	THB2.92
UP/DOWNSIDE	+6.2%
PRIOR TP	THB2.70
CHANGE IN TP	+14.8%
TP vs CONSENSUS	+11.1%

Loss to continue

Loss should improve in 3Q21

We expect JAS' bottom line in 3Q21 to significantly improve, with a core loss of only THB534m vs THB852m in the previous quarter. The discount calculation rate for the fibre optic cable rental value from Jasmine Broadband Internet Infrastructure Fund (JASIF TB, NR), according to the TFRS16 standard, should increase in line with the rise in inflation and the Thai government bond yield. This would lead its operating costs to decline from the previous quarter. In addition, its revenue should grow slightly in 3Q21 by 1% q-q to THB4.8b thanks to the fixed broadband revenue which still has growth momentum from 2Q21.

JTS could be the long-term key driver

Jasmine Telecom Systems (JTS TB, NR), JAS' subsidiary, is in the process of entering into the Bitcoin mining business to ride the cryptocurrency investment wave. The company aims to become the largest Bitcoin mining farm in ASEAN by 2024. JTS said it will gradually install 500 Bitcoin mining machines. In the second phase, another 5,000 machines are scheduled for installation early next year. It expects to reach 50k machines in 2024. With this level of capacity, the company believes it will mine more than 16,000 BTC per year.

Loss to continue

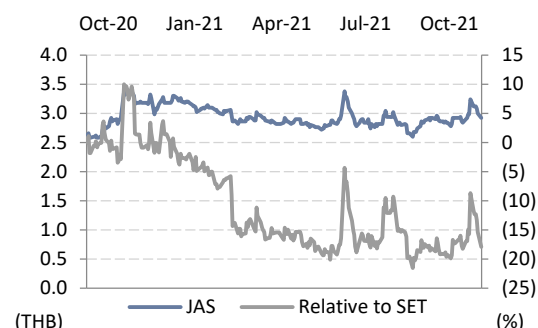
Although JTS' entry into cryptocurrency may look attractive, following the megatrend, the contribution from JTS may not be significant for JAS, as JTS' net profit contribution to JAS' bottom line was only THB22m in 2020. JTS still needs some time to prove the performance of its Bitcoin mining business; it just deployed and started mining in 3Q21.

Maintain HOLD with a new TP of THB3.10

We believe JTS' share price performance will have no relationship with JAS' share price, as its earnings contribution to JAS remains small, despite JTS' share price surging over 3000% since the beginning of the year. JAS' loss should continue before turning into a tiny profit in 2023, when the TFRS16 impact on the interest expense related to the lease agreement with JASIF declines. We maintain our HOLD recommendation on JAS and roll over our SOTP-based TP to 2022 at THB3.10. The worst of JAS' earnings performance might be over but the company should continue to face losses for at least one more year, in our view. We have not yet seen any signs of a significant improvement from JAS.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	18,662	19,133	20,021	20,626
Net profit	(3,126)	(2,014)	(769)	31
EPS (THB)	(0.36)	(0.23)	(0.09)	0.00
vs Consensus (%)	-	nm	nm	nm
EBITDA	10,300	10,980	12,045	12,465
Core net profit	(3,033)	(2,014)	(769)	31
Core EPS (THB)	(0.35)	(0.23)	(0.09)	0.00
Chg. In EPS est. (%)	nm	nm	nm	-
EPS growth (%)	nm	nm	nm	nm
Core P/E (x)	(8.3)	(12.5)	(32.6)	808.7
Dividend yield (%)	8.6	-	-	-
EV/EBITDA (x)	2.9	3.1	2.7	2.6
Price/book (x)	6.4	13.2	22.2	21.6
Net debt/Equity (%)	85.6	258.3	314.3	281.8
ROE (%)	(25.2)	(69.3)	(50.8)	2.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.8	3.5	8.1
Relative to country (%)	1.7	(2.0)	(20.5)
Mkt cap (USD m)	750		
3m avg. daily turnover (USD m)	6.5		
Free float (%)	45		
Major shareholder	Pete Bodharamik (53%)		
12m high/low (THB)	3.52/2.56		
Issued shares (m)	8,592.82		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

Jasmine International is the third largest fixed broadband operator in Thailand which owns around 38% of the market share (only listed company) and provides the fastest download/upload speed in the market.

However, the additional costs at the beginning of 2020 and its lack of a convergence business like ADVANC and TRUE, which also have mobile services, is the company's weakness that will likely put pressure on it in both the short and medium term.

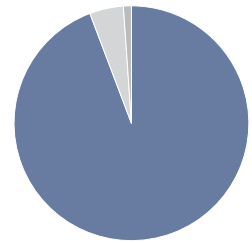
Company profile

Jasmine International operates four main businesses, including 1) a broadband business; 2) a telecom network & service provider business; 3) a system integration business; and 4) other business.

www.jasmine.com

Principal activities (revenue, 2020)

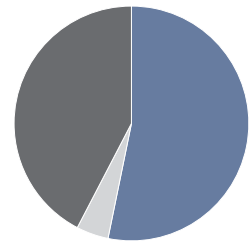
- FBB revenue - 94.2 %
- Service revenue - 4.7 %
- Others - 1.1 %



Source: Jasmine International

Major shareholders

- Pete Bodharamik - 53.2 %
- Thai NVDR - 4.4 %
- Others - 42.4 %



Source: Jasmine International

Catalysts

- Massive cost reduction in accordance with the company's target would improve its bottom line significantly;
- The continuous improvement of its revenue thanks to FBB subscriber growth in Thailand.

Risks to our call

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.

Event calendar

Date	Event
Nov-21	3Q21 results announcement

Key assumptions

Fixed broadband	2020	2021E	2022E	2023E
FBB subscribers (000)	3,415	3,620	3,819	4,010
Growth (%)		6.0	5.5	5.0
ARPU (THB/sub/mth)	442	430	420	413
Growth (%)		(2.6)	(2.3)	(1.7)

Source: FSSIA estimates

Earnings sensitivity

- For every THB1 increase in ARPU, we project 2021 earnings to rise by 3.1%, and vice versa, all else being equal.
- For every 1% increase in FBB subscribers, we project 2021 earnings to rise by 6.7%, and vice versa, all else being equal.

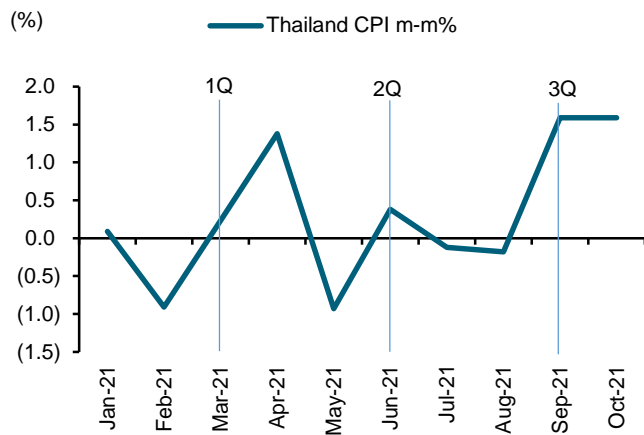
Source: FSSIA estimates

Exhibit 108: 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)
Revenue	4,697	4,733	4,769	1	2	13,993	14,206	2	19,133
Operating costs	(3,344)	(3,639)	(3,509)	(4)	5	(9,838)	(10,069)	2	(13,300)
Gross profit	1,352	1,094	1,260	15	(7)	4,155	4,137	(0)	5,833
SG&A expenses	(1,383)	(1,200)	(1,169)	(3)	(15)	(4,116)	(3,712)	(10)	(5,369)
EBIT	(30)	(106)	91	(186)	(399)	39	425	986	463
Depn & amort.	2,723	2,740	2,729	(0)	0	8,004	8,197	2	10,517
EBITDA	2,693	2,634	2,820	7	5	8,043	8,622	7	10,980
EBITDA margin (%)	57	56	59	6	3	57	61	nm	57
Interest expense	(1,032)	(987)	(979)	(1)	(5)	(3,143)	(2,957)	(6)	(4,060)
Other income	120	115	113	(1)	(6)	423	338	(20)	598
Associates	278	280	284	1	2	816	847	4	1,111
Extra items	(85)	(59)	0	(100)	(100)	(211)	(131)	(38)	0
Pretax profit	(750)	(756)	(491)	(35)	(35)	(2,075)	(1,478)	(29)	(1,888)
Tax	(38)	(135)	(23)	(83)	(40)	(112)	(187)	66	(113)
Tax rate (%)	5	18	5	(74)	(8)	5	13	nm	6
Minority interests	7	20	20	2	199	11	44	304	13
Net profit	(794)	(910)	(534)	(41)	(33)	(2,199)	(1,709)	(22)	(2,014)
Core net profit	(629)	(852)	(534)	(37)	(15)	(1,736)	(1,579)	(9)	(2,014)
EPS (THB)	(0.09)	(0.11)	(0.06)	(41)	(33)	(0.26)	(0.20)	(22)	(0.23)
Core EPS (THB)	(0.07)	(0.10)	(0.06)	(37)	(15)	(0.20)	(0.18)	(9)	(0.23)

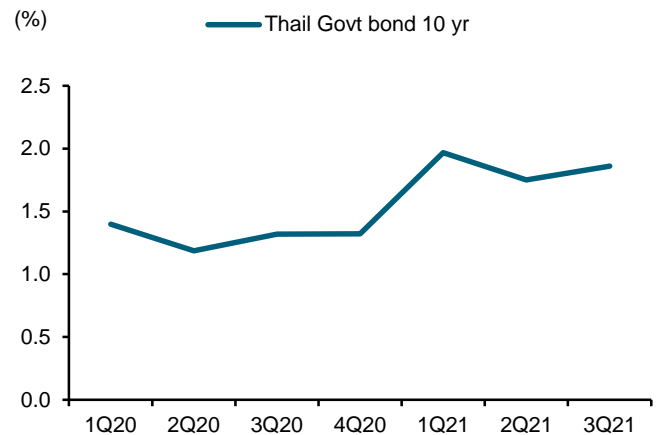
Sources: JAS; FSSIA estimates

Exhibit 109: Thailand CPI m-m

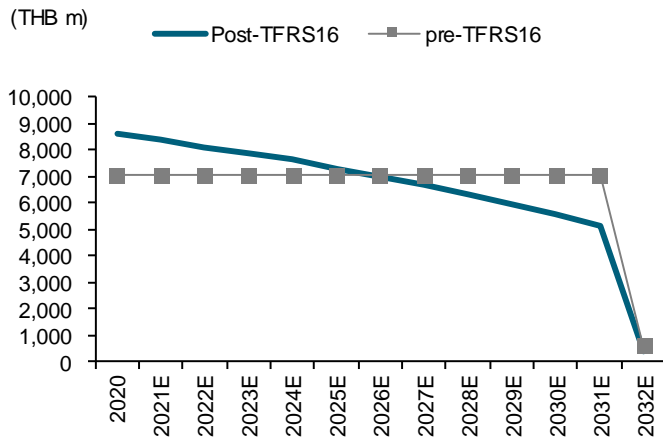


Sources: Bloomberg; FSSIA's compilation

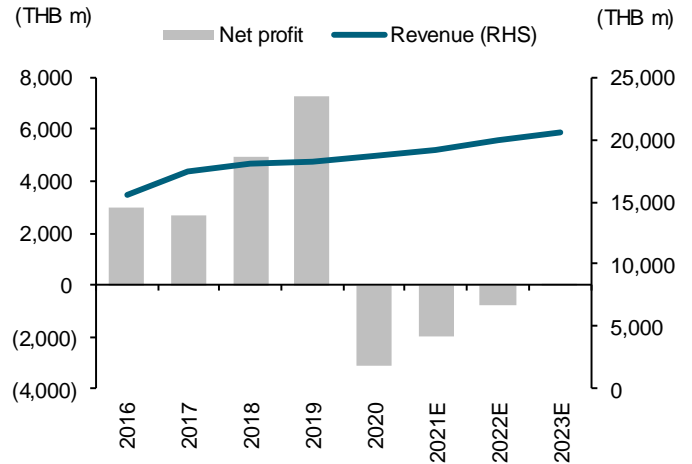
Exhibit 110: 10-year Thai government bond yield



Sources: Bloomberg; FSSIA's compilation

Exhibit 111: Effect of TFRS16 on JASIF main lease rental cost

Note: The assumption is based on the flat rental rate since 2020 until the end of the contract
Source: JAS

Exhibit 112: JAS – revenue and net profit forecasts

Sources: JAS; FSSIA estimates

Exhibit 113: SOTP valuation

	(THB m)	2022E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2027E (THB m)
EBIT		2,047	2,377	2,688	2,784	3,210	3,443
(less) tax		(113)	(12)	(25)	(34)	(63)	(80)
Depreciation & amortisation		10,620	10,734	10,822	10,882	10,653	10,461
(less) capex		(4,350)	(4,850)	(4,850)	(4,850)	(4,850)	(9,500)
Change in net working capital		39	(15)	(26)	(60)	(52)	(79)
Free Cash Flow		8,242	8,235	8,609	8,722	8,897	4,245
WACC (%)	8.9						
Terminal growth (%)	1.0						
PV of FCF		8,242	7,562	7,259	6,753	6,326	2,772
Sum of FCF	38,915						
NPV of terminal value	35,437						
Net debt+cash	(57,182)						
Minority interest	(1,069)						
Equity value	16,101						
19% share in JASIF (75,736 with 20% discount)	10,574						
Total value of JAS	26,674						
No. of shares (m)	8,593						
Equity value / share (THB)	3.10						

Sources: JAS; FSSIA estimates

Financial Statements

Jasmine International

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	18,175	18,662	19,133	20,021	20,626
Cost of goods sold	(6,492)	(2,778)	(2,783)	(2,798)	(2,932)
Gross profit	11,682	15,884	16,350	17,223	17,694
Other operating income	-	-	-	-	-
Operating costs	(5,660)	(5,584)	(5,369)	(5,178)	(5,229)
Operating EBITDA	6,022	10,300	10,980	12,045	12,465
Depreciation	(5,213)	(10,658)	(10,517)	(10,620)	(10,734)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	809	(358)	463	1,425	1,730
Net financing costs	(1,128)	(4,156)	(4,060)	(3,822)	(3,469)
Associates	772	1,100	1,111	1,133	1,150
Recurring non-operating income	1,198	1,675	1,709	1,755	1,797
Non-recurring items	15,407	(93)	0	0	0
Profit before tax	16,286	(2,933)	(1,888)	(642)	58
Tax	(9,013)	(181)	(113)	(113)	(12)
Profit after tax	7,273	(3,114)	(2,001)	(755)	47
Minority interests	(8)	(12)	(13)	(14)	(16)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	7,265	(3,126)	(2,014)	(769)	31
Non-recurring items & goodwill (net)	(6,421)	93	0	0	0
Recurring net profit	844	(3,033)	(2,014)	(769)	31
Per share (THB)					
Recurring EPS *	0.10	(0.35)	(0.23)	(0.09)	0.00
Reported EPS	0.89	(0.36)	(0.23)	(0.09)	0.00
DPS	2.06	0.25	0.00	0.00	0.00
Diluted shares (used to calculate per share data)	8,165	8,593	8,593	8,593	8,593
Growth					
Revenue (%)	1.0	2.7	2.5	4.6	3.0
Operating EBITDA (%)	(2.8)	71.0	6.6	9.7	3.5
Operating EBIT (%)	(53.7)	nm	nm	207.7	21.4
Recurring EPS (%)	(45.6)	nm	nm	nm	nm
Reported EPS (%)	44.6	nm	nm	nm	nm
Operating performance					
Gross margin inc. depreciation (%)	35.6	28.0	30.5	33.0	33.7
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	33.1	55.2	57.4	60.2	60.4
Operating EBIT margin (%)	4.4	(1.9)	2.4	7.1	8.4
Net margin (%)	4.6	(16.3)	(10.5)	(3.8)	0.2
Effective tax rate (%)	20.0	20.0	20.0	20.0	120.0
Dividend payout on recurring profit (%)	1,996.8	(70.8)	-	-	-
Interest cover (X)	1.8	0.3	0.5	0.8	1.0
Inventory days	-	-	-	-	-
Debtor days	75.8	63.8	62.5	62.1	61.6
Creditor days	167.3	380.3	417.8	408.0	397.2
Operating ROIC (%)	2.4	(0.5)	0.5	1.6	(0.5)
ROIC (%)	4.5	1.8	2.1	3.2	(1.0)
ROE (%)	4.5	(25.2)	(69.3)	(50.8)	2.7
ROA (%)	2.9	0.4	1.3	2.6	(0.8)
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
FBB revenue	17,139	17,587	18,026	18,877	19,442
Service revenue	850	871	897	924	952
Others	186	204	210	221	232

Sources: Jasmine International; FSSIA estimates

Financial Statements

Jasmine International

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	844	(3,033)	(2,014)	(769)	31
Depreciation	5,213	10,658	10,517	10,620	10,734
Associates & minorities	(764)	(1,088)	13	14	16
Other non-cash items	1,232	(862)	0	0	0
Change in working capital	(1,711)	(3,463)	(3,470)	(2,816)	(3,367)
Cash flow from operations	4,814	2,212	5,046	7,049	7,414
Capex - maintenance	(990)	(876)	(1,340)	(1,740)	(1,940)
Capex - new investment	(1,484)	(1,314)	(2,010)	(2,610)	(2,910)
Net acquisitions & disposals	52	1,208	0	0	0
Other investments (net)	34,569	566	214	19	19
Cash flow from investing	32,147	(416)	(3,136)	(4,331)	(4,831)
Dividends paid	(4,728)	(14,440)	0	0	0
Equity finance	258	1,320	0	0	0
Debt finance	(3,862)	(5,000)	3,114	(1,000)	(500)
Other financing cash flows	(5,521)	(5,556)	(5,298)	(2,000)	(2,000)
Cash flow from financing	(13,853)	(23,676)	(2,185)	(3,000)	(2,500)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(9)	(1,010)	0	0	0
Movement in cash	23,100	(22,891)	(275)	(283)	83
Free cash flow to firm (FCFF)	38,090.07	5,951.83	5,969.66	6,539.59	6,052.53
Free cash flow to equity (FCFE)	27,570.55	(9,770.18)	(275.09)	(282.62)	83.32
Per share (THB)					
FCFF per share	4.43	0.69	0.69	0.76	0.70
FCFE per share	3.21	(1.14)	(0.03)	(0.03)	0.01
Recurring cash flow per share	0.80	0.66	0.99	1.15	1.25
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	60,321	123,962	127,312	131,662	136,512
Less: Accumulated depreciation	(25,019)	(35,063)	(45,580)	(56,200)	(66,934)
Tangible fixed assets (net)	35,302	88,899	81,732	75,462	69,578
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	874	549	353	353	353
Invest. in associates & subsidiaries	3,998	3,669	3,669	3,669	3,669
Cash & equivalents	24,035	1,144	868	586	669
A/C receivable	3,326	3,199	3,355	3,456	3,504
Inventories	0	0	0	0	0
Other current assets	588	917	935	953	972
Current assets	27,949	5,260	5,158	4,995	5,145
Other assets	1,751	1,371	1,412	1,454	1,498
Total assets	69,874	99,747	92,324	85,933	80,242
Common equity	20,152	3,915	1,900	1,131	1,162
Minorities etc.	1,032	1,041	1,054	1,069	1,084
Total shareholders' equity	21,184	4,956	2,955	2,200	2,246
Long term debt	2,780	0	5,500	5,500	5,000
Other long-term liabilities	28,569	76,425	71,284	66,521	61,201
Long-term liabilities	31,350	76,425	76,784	72,021	66,201
A/C payable	2,516	3,274	3,097	3,159	3,223
Short term debt	2,445	5,386	3,000	2,000	2,000
Other current liabilities	12,379	9,705	6,488	6,553	6,573
Current liabilities	17,340	18,366	12,585	11,712	11,795
Total liabilities and shareholders' equity	69,874	99,747	92,324	85,933	80,242
Net working capital	(10,981)	(8,863)	(5,296)	(5,303)	(5,319)
Invested capital	30,944	85,625	81,870	75,635	69,778
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	2.47	0.46	0.22	0.13	0.14
Tangible book value per share	2.47	0.46	0.22	0.13	0.14
Financial strength					
Net debt/equity (%)	(88.8)	85.6	258.3	314.3	281.8
Net debt/total assets (%)	(26.9)	4.3	8.3	8.0	7.9
Current ratio (x)	1.6	0.3	0.4	0.4	0.4
CF interest cover (x)	26.8	(1.0)	1.4	1.6	1.9
Valuation					
Recurring P/E (x) *	28.3	(8.3)	(12.5)	(32.6)	808.7
Recurring P/E @ target price (x) *	30.0	(8.8)	(13.2)	(34.6)	858.6
Reported P/E (x)	3.3	(8.0)	(12.5)	(32.6)	808.7
Dividend yield (%)	70.7	8.6	-	-	-
Price/book (x)	1.2	6.4	13.2	22.2	21.6
Price/tangible book (x)	1.2	6.4	13.2	22.2	21.6
EV/EBITDA (x) **	1.0	2.9	3.1	2.7	2.6
EV/EBITDA @ target price (x) **	1.3	3.1	3.2	2.9	2.7
EV/invested capital (x)	0.2	0.4	0.4	0.4	0.5
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Jasmine International; FSSIA estimates

19 OCTOBER 2021

THAILAND / ICT

THAICOM THCOM TB

REDUCE

UNCHANGED

TARGET PRICE	THB7.10
CLOSE	THB11.30
UP/DOWNSIDE	-37.2%
PRIOR TP	THB7.10
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-11.9%

Outlook remains unclear

Loss should continue in 3Q21

We expect THCOM to post a core loss in 3Q21 of THB30m vs a THB56m loss in 2Q21. The improvement in its bottom line should come from the expiration of the Thaicom (TC) 4 and 6 satellite concession on 10 Sep-21. This frees the company from recognising the depreciation expense for these two satellites of almost THB250m per quarter. Note that TC 4 made a loss for THCOM due to its low utilisation rate of only 18% in 2Q21.

Short-term operations remain unclear

Although the satellite concession for TC 4 and 6 has already expired, THCOM anticipates that it will assist National Telecom (NT), the current owner, to continue operating the two satellites. However, we have not seen any updates from the company about the terms or any contract agreements between the two organisations. Therefore, we are unable to project how its short-term performance might affect its earnings outlook.

Satellite auction delay hurts its long-term outlook

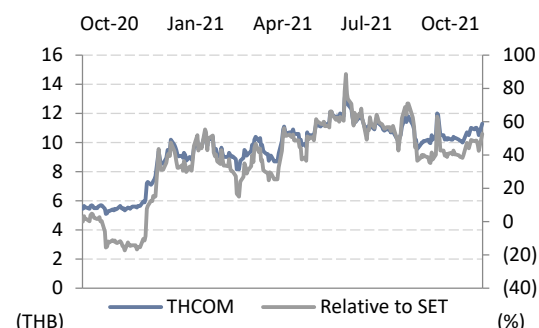
The indefinite postponement of the right of use auction for the satellite orbital slots also hurts THCOM's long-term outlook. At the moment, the company operates only two satellites, TC 7 and 8, which should generate only stable earnings as they should have already reached the saturation point. A new satellite would be crucial for THCOM as it represents the company's growth outlook. We expect the auction might resume in mid-2022, which would mean a delay in THCOM's potential to generate revenue from a new satellite for over a year. The Office of The National Broadcasting and Telecommunications Commission may change the terms of the auction to attract more participants since THCOM was the only operator to submit for the bidding. If so, there may be more competitors in the future.

Maintain REDUCE with TP of THB7.10

THCOM's outlook remains unclear in both the short term – the agreement between NT and THCOM has not yet been finalised – and the long term – the new satellite auction will likely be delayed to next year. We expect its earnings in 4Q21 to be the earnings base for THCOM for the next two years. Maintain REDUCE with the same P/BV-based TP of THB7.10. Its share price has been trading at 1x 2022E P/BV (its 5-year mean P/BV), despite its unclear outlook.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	3,557	2,560	1,850	1,943
Net profit	514	(41)	37	74
EPS (THB)	0.47	(0.04)	0.03	0.07
vs Consensus (%)	-	nm	100.0	(15.7)
EBITDA	1,323	883	360	363
Core net profit	(135)	(41)	37	74
Core EPS (THB)	(0.12)	(0.04)	0.03	0.07
Chg. In EPS est. (%)	nm	nm	-	-
EPS growth (%)	nm	nm	nm	101.9
Core P/E (x)	(91.6)	(298.9)	336.6	166.7
Dividend yield (%)	1.8	-	0.2	0.4
EV/EBITDA (x)	7.3	9.7	23.2	22.9
Price/book (x)	1.1	1.1	1.1	1.1
Net debt/Equity (%)	(24.1)	(34.5)	(35.8)	(36.2)
ROE (%)	(1.2)	(0.4)	0.3	0.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.7	0.0	96.5
Relative to country (%)	8.5	(5.3)	44.5
Mkt cap (USD m)	370		
3m avg. daily turnover (USD m)	4.1		
Free float (%)	59		
Major shareholder	Intouch Holdings (41%)		
12m high/low (THB)	14.10/4.92		
Issued shares (m)	1,096.10		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We see THCOM as facing too many challenging tasks going forward. All of these could be both upside and downside risks to the company in the long term. In our view, the main obstacles that could affect its outlook in the near future are as follows:

- 1) Operations continuing to be loss-making in 2021 then generating a tiny profit in 2022;
- 2) A partnership with National Telecom (NT);
- 3) The upcoming bidding for the right to use the satellite orbital slot within next year;
- 4) Low Earth Orbit (LEO) satellites.

THCOM's net profit outlook is highly visible, likely remaining sluggish and potentially having only a tiny profit next year. Numerous factors could significantly alter the company's performance, though we will have to wait for further updates to determine their impact.

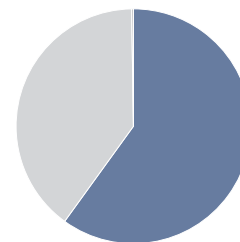
Company profile

Thaicom is a leading Asian satellite operator and provider of integrated satellite communications since 1991. Thaicom was the first operator in the world to develop and launch a High Throughput Satellite (HTS). Thaicom currently operates a fleet of 4 high performance satellites covering Asia, Oceania, and Africa.

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Principal activities (revenue, 2020)

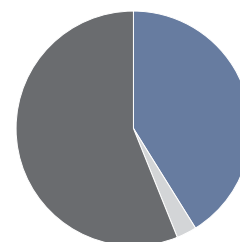
- Conventional satellite - 60.0 %
- Broadband satellite - 39.8 %
- Other revenue - 0.2 %



Source: Thaicom

Major shareholders

- Intouch Holdings - 41.1 %
- Thai NVDR - 2.8 %
- Others - 56.1 %



Source: Thaicom

Catalysts

- Sluggish earnings in the next two years;
- Inability to find new customers during the concession expiration.

Risks to our call

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.

Event calendar

Date	Event
Nov-21	3Q21 results announcement

Key assumptions

	2019	2020	2021E	2022E	2023E
	(%)	(%)	(%)	(%)	(%)
Utilisation rate					
- Conventional	55	63	65	63	65
- Broadband	23	20	18	0	0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we project 2022 earnings to rise by 0.3%, and vice versa, all else being equal.
- For every 10 bps increase in gross profit margin, we project 2022 earnings to rise by 4.6%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 114: 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)
Revenue	918	796	788	(1.0)	(14.2)	2,756	2,372	(13.9)	2,560
Operating costs	(736)	(650)	(608)	(6.5)	(17.4)	(2,070)	(1,907)	(7.8)	(1,829)
Gross profit	182	146	180	23.7	(1.2)	686	464	(32.4)	731
SG&A expenses	(191)	(177)	(217)	22.6	13.5	(599)	(598)	(0.2)	(817)
EBIT	(8)	(31)	(37)	17.6	n.a.	87	(134)	(253.9)	(86)
Depn & amort.	345	339	289	(14.8)	(16.1)	1,007	966	(4.1)	968
EBITDA	336	308	253	(18.1)	(24.9)	1,094	832	(24.0)	883
EBITDA margin (%)	37	39	32	nm	nm	40	35	nm	34
Interest expense	(48)	(40)	(40)	0.6	(15.9)	(147)	(120)	(18.2)	(175)
Other income	39	41	50	21.7	28.8	155	178	14.8	200
Extra items	105	14	-	n.a.	(100.0)	250	165	(33.8)	-
Associates	2	(4)	(2)	(53.3)	n.a.	23	(22)		10
Pretax profit	89	(20)	(29)	n.a.	n.a.	367	67	(81.8)	(51)
Tax	(13)	(22)	(1)	(93.4)	(89.0)	(85)	(28)	(67.5)	9
Tax rate (%)	(14)	109	5	nm	nm	(23)	(41)	nm	(18)
Net profit	77	(41)	(30)	n.a.	n.a.	283	39	(86.1)	(41)
Core net profit	(28)	(56)	(30)	(46.1)	n.a.	33	(126)	n.a.	(41)
EPS (THB)	0.07	(0.04)	(0.03)	n.a.	n.a.	0.26	0.04	(86.1)	(0.04)
Core EPS (THB)	(0.03)	(0.05)	(0.03)	(46.1)	n.a.	0.03	(0.11)	n.a.	(0.04)

Sources: THCOM; FSSIA estimates

Exhibit 115: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Thaicom

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	4,663	3,557	2,560	1,850	1,943
Cost of goods sold	(1,857)	(1,306)	(861)	(776)	(865)
Gross profit	2,806	2,251	1,699	1,074	1,077
Other operating income	-	-	-	-	-
Operating costs	(1,040)	(927)	(817)	(714)	(715)
Operating EBITDA	1,766	1,323	883	360	363
Depreciation	(1,814)	(1,272)	(968)	(371)	(339)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(48)	51	(86)	(11)	24
Net financing costs	(300)	(188)	(175)	(175)	(175)
Associates	(116)	4	10	11	11
Recurring non-operating income	221	203	210	231	242
Non-recurring items	(1,780)	562	0	0	0
Profit before tax	(1,907)	628	(51)	45	91
Tax	(344)	(114)	9	(8)	(16)
Profit after tax	(2,250)	514	(41)	37	74
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	0	0	0	0	0
Reported net profit	(2,250)	514	(41)	37	74
Non-recurring items & goodwill (net)	1,946	(649)	0	0	0
Recurring net profit	(305)	(135)	(41)	37	74
Per share (THB)					
Recurring EPS *	(0.28)	(0.12)	(0.04)	0.03	0.07
Reported EPS	(2.05)	0.47	(0.04)	0.03	0.07
DPS	0.00	0.20	0.00	0.02	0.05
Diluted shares (used to calculate per share data)	1,096	1,096	1,096	1,096	1,096
Growth					
Revenue (%)	(22.6)	(23.7)	(28.0)	(27.7)	5.0
Operating EBITDA (%)	(21.4)	(25.1)	(33.3)	(59.2)	0.8
Operating EBIT (%)	nm	nm	nm	nm	nm
Recurring EPS (%)	nm	nm	nm	nm	101.9
Reported EPS (%)	nm	nm	nm	nm	101.9
Operating performance					
Gross margin inc. depreciation (%)	21.3	27.5	28.6	38.0	38.0
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	37.9	37.2	34.5	19.5	18.7
Operating EBIT margin (%)	(1.0)	1.4	(3.3)	(0.6)	1.2
Net margin (%)	(6.5)	(3.8)	(1.6)	2.0	3.8
Effective tax rate (%)	20.0	20.0	20.0	20.0	120.0
Dividend payout on recurring profit (%)	-	(162.2)	-	70.0	70.0
Interest cover (X)	0.6	1.4	0.7	1.3	1.5
Inventory days	24.2	25.1	22.6	19.6	13.3
Debtor days	148.3	193.1	208.9	186.8	162.5
Creditor days	124.7	136.9	152.5	112.3	79.6
Operating ROIC (%)	(0.7)	0.8	(1.4)	(0.2)	(0.1)
ROIC (%)	1.2	2.1	1.2	2.3	(0.7)
ROE (%)	(2.5)	(1.2)	(0.4)	0.3	0.7
ROA (%)	(0.3)	0.1	0.6	1.1	0.3
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Conventional satellite	2,536	2,133	2,010	1,850	1,943
Broadband satellite	2,058	1,415	550	0	0
Other revenue	69	9	0	0	0

Sources: Thaicom ; FSSIA estimates

Financial Statements

Thaicom

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	(305)	(135)	(41)	37	74
Depreciation	1,814	1,272	968	371	339
Associates & minorities	116	(4)	0	0	0
Other non-cash items	380	904	(39)	0	0
Change in working capital	(346)	(268)	527	32	(47)
Cash flow from operations	1,660	1,769	1,415	439	366
Capex - maintenance	(90)	(31)	(104)	(104)	(104)
Capex - new investment	(135)	(47)	(156)	(156)	(156)
Net acquisitions & disposals	1,214	(1,227)	0	0	0
Other investments (net)	252	141	0	0	0
Cash flow from investing	1,241	(1,164)	(260)	(260)	(260)
Dividends paid	0	(219)	0	(26)	(52)
Equity finance	0	0	0	0	0
Debt finance	(2,791)	(494)	(408)	0	0
Other financing cash flows	(319)	(214)	0	0	0
Cash flow from financing	(3,110)	(928)	(408)	(26)	(52)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	1,239	0	0	0
Net other adjustments	(1,146)	1,239	0	0	0
Movement in cash	(1,355)	916	747	153	54
Free cash flow to firm (FCFF)	3,200.41	792.87	1,329.87	354.06	281.05
Free cash flow to equity (FCFE)	(1,355.37)	1,135.58	746.73	179.06	106.05
Per share (THB)					
FCFF per share	2.92	0.72	1.21	0.32	0.26
FCFE per share	(1.24)	1.04	0.68	0.16	0.10
Recurring cash flow per share	1.83	1.86	0.81	0.37	0.38
Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	12,213	12,194	12,294	12,394	12,494
Less: Accumulated depreciation	(8,900)	(9,103)	(9,359)	(9,591)	(9,802)
Tangible fixed assets (net)	3,313	3,091	2,935	2,803	2,692
Intangible fixed assets (net)	1,594	799	285	307	338
Long-term financial assets	1,127	899	899	899	899
Invest. in associates & subsidiaries	1,409	1,393	1,393	1,393	1,393
Cash & equivalents	5,703	6,619	7,366	7,519	7,573
A/C receivable	1,896	1,867	1,063	831	899
Inventories	124	55	51	32	31
Other current assets	738	931	932	933	933
Current assets	8,460	9,473	9,412	9,314	9,437
Other assets	1,108	1,022	906	863	874
Total assets	17,011	16,676	15,830	15,579	15,633
Common equity	10,995	11,247	11,206	11,217	11,239
Minorities etc.	0	0	0	0	0
Total shareholders' equity	10,995	11,247	11,206	11,217	11,239
Long term debt	3,811	1,204	3,500	3,500	3,500
Other long-term liabilities	679	723	535	448	465
Long-term liabilities	4,490	1,927	4,035	3,948	3,965
A/C payable	556	424	295	182	195
Short term debt	392	2,704	0	0	0
Other current liabilities	578	374	295	232	235
Current liabilities	1,526	3,502	590	414	430
Total liabilities and shareholders' equity	17,011	16,676	15,830	15,579	15,633
Net working capital	1,624	2,056	1,456	1,381	1,434
Invested capital	10,174	9,259	7,875	7,645	7,630
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.03	10.26	10.22	10.23	10.25
Tangible book value per share	8.58	9.53	9.96	9.95	9.94
Financial strength					
Net debt/equity (%)	(13.6)	(24.1)	(34.5)	(35.8)	(36.2)
Net debt/total assets (%)	(8.8)	(16.3)	(24.4)	(25.8)	(26.1)
Current ratio (x)	5.5	2.7	16.0	22.5	21.9
CF interest cover (x)	(3.1)	7.3	6.2	2.9	2.5
Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	(40.7)	(91.6)	(298.9)	336.6	166.7
Recurring P/E @ target price (x) *	(25.5)	(57.6)	(187.8)	211.5	104.8
Reported P/E (x)	(5.5)	24.1	(298.9)	336.6	166.7
Dividend yield (%)	-	1.8	-	0.2	0.4
Price/book (x)	1.1	1.1	1.1	1.1	1.1
Price/tangible book (x)	1.3	1.2	1.1	1.1	1.1
EV/EBITDA (x) **	6.2	7.3	9.7	23.2	22.9
EV/EBITDA @ target price (x) **	3.6	3.8	4.4	10.5	10.2
EV/invested capital (x)	1.1	1.0	1.1	1.1	1.1
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Thaicom ; FSSIA estimates

19 OCTOBER 2021

THAILAND / ICT

TRUE CORPORATION TRUE TB

HOLD

UNCHANGED

TARGET PRICE	THB4.20
CLOSE	THB4.18
UP/DOWNSIDE	+0.5%
PRIOR TP	THB3.30
CHANGE IN TP	+27.3%
TP vs CONSENSUS	+13.2%

Continue to wait and watch

Low possibility of a merger

We believe the strong rally in TRUE's share price of over 20% within just one month was due to the market's speculation on the expectation that TRUE and Total Access Communication (DTAC TB, HOLD, TP THB42) might merge and set up a new mobile network operator (MNO). We think this has a very limited chance to occur, as it is very hard to find a country with a population of over 50m with only two MNOs. We believe the Office of Trade Competition Commission would not allow this transaction to occur, as mobile services are essential. If the industry were to be dominated by only two operators, it could directly hurt Thai customers.

3Q21 results expectations

Similar to other MNOs, TRUE should be directly impacted by Covid in 3Q21. We expect its revenue to slightly decline by 2% q-q to THB33.1b. Mobile and TV revenue should slip q-q but fixed broadband should continue to grow. TRUE's bottom line should slightly improve thanks to its cost optimisation, as we expect it to continue to reduce its costs as it has since the end of last year, resulting in the company recognising a loss of THB484m in 3Q21 compared to the THB688m core loss in 2Q21.

Cost optimisation is key

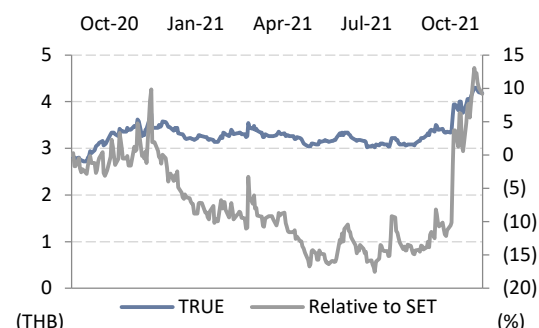
Although TRUE's SG&A to sales is the highest among MNOs in Thailand, we believe this is an opportunity for the company as it will have more room to minimise its costs. Moreover, TRUE aims to reduce the 850MHz spectrum rental cost from National Telecom (NT) by negotiating a new bandwidth rental amount. If these negotiations are completed, possibly within 1Q22, based on our expectation, TRUE should be able to reduce its spectrum rental cost by over THB1.3b from the current cost of over THB4b. This would be a key driver for TRUE that could help it finally turn around and recognise a profit in 2022.

Maintain HOLD with new TP of THB4.20

When the speculation on the DTAC and TRUE merger disappears from the market, TRUE's outlook should return to its fundamentals, which remain loss-making. However, we see some positive signs from management with the intent to reduce costs more aggressively, as well as from the spectrum rental negotiations. Maintain HOLD with a revised 2022 TP of THB4.20. We recommend a wait-and-see approach for signs of a turnaround.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	138,212	139,936	144,212	148,210
Net profit	1,048	(2,068)	(448)	1,720
EPS (THB)	0.03	(0.06)	(0.01)	0.05
vs Consensus (%)	-	nm	nm	56.3
EBITDA	52,654	56,841	58,648	60,899
Core net profit	(2,961)	(2,068)	(448)	1,720
Core EPS (THB)	(0.09)	(0.06)	(0.01)	0.05
Chg. In EPS est. (%)	nm	nm	nm	(66.4)
EPS growth (%)	nm	nm	nm	nm
Core P/E (x)	(47.1)	(67.4)	(311.1)	81.1
Dividend yield (%)	1.7	-	-	-
EV/EBITDA (x)	6.4	6.2	6.0	5.7
Price/book (x)	1.6	1.7	1.7	1.7
Net debt/Equity (%)	232.0	264.5	267.1	253.7
ROE (%)	(2.8)	(2.5)	(0.6)	2.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	24.4	35.7	40.3
Relative to country (%)	23.0	28.5	3.1
Mkt cap (USD m)	4,165		
3m avg. daily turnover (USD m)	33.2		
Free float (%)	32		
Major shareholder	Charoen Pokphand Group (18%)		
12m high/low (THB)	4.42/2.66		
Issued shares (m)	33,344.20		

Sources: Bloomberg consensus; FSSIA estimates



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 The Chairman Of The Board of Finansia Syrus
 Securities PCL is also TRUE's Director.

Investment thesis

TRUE is the largest fixed broadband (46.7% market share) and second largest mobile operator (33.5% market share) in Thailand. The company has the strongest acquisition performance among telecommunication companies.

However, in the past decade, TRUE has never shown sustainable operational performance. It has been a loss-making company on its core bottom line, but had extra transactions by either divesting its assets to the Digital Telecommunications Infrastructure Fund (DIF TB, NR) or by selling its shares in DIF and recognising some profit. This might help its earnings in the short term but could harm it in the long term, in our view.

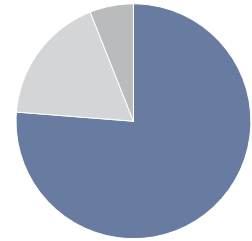
Company profile

True Group's core business segments are: 1) TrueMove H - a cellular and wireless telecommunication business; 2) TrueOnline - a broadband internet and fixed-line phone business; 3) TrueVisions - a pay TV and Digital TV business, content production business, and an online game and influencer network; and 4) True Digital Group - digital media, O2O and privileges, data analytics, internet of things (IoT) and digital solutions, as well as True Digital Academy.

www.truecorp.co.th

Principal activities (revenue, 2020)

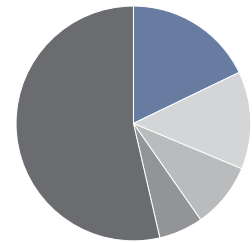
- True Move H - 76.2 %
- True Online - 17.8 %
- True Visions - 6.0 %



Source: True Corporation

Major shareholders

- Charoen Pokphand Group - 17.8 %
- China Mobile International Holdings - 13.5 %
- UBS AG Hong Kong Branch - 9.0 %
- Thai NVDR - 6.1 %
- Others - 53.6 %



Source: True Corporation

Catalysts

Potential catalysts for TRUE include:

- The upcoming 5G technology should be a key driver for TRUE, which aims to be the number one 5G operator;
- Cost reduction plans should help the company's bottom line improve continuously.

Risks to our call

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.

Event calendar

Date	Event
Nov 2021	3Q21 results announcement

Key assumptions

Key assumption	2020	2021E	2022E	2023E
Total subscribers (m)	30.6	31.9	32.2	32.4
Blended ARPU (THB/sub/mth)	220	216	220	224
Fixed broadband				
FBB subscribers (m)	4.2	4.4	4.6	4.8
ARPU (THB/sub/mth)	533	525	520	517

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in mobile blended ARPU, we project 2021 earnings to rise by 1.8%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2021 earnings to rise by 1.6%, and vice versa, all else being equal.

Source: FSSIA estimates

Earnings downgrade

Due to its slower-than-expected cost optimisation during 1H21 and the impact of Covid-19, we revise down our bottom-line assumptions for TRUE in 2021 and 2022. We cut our 2021 revenue and operating expense assumptions by 3% and 4%, respectively. We also reduce our share of profits from associates assumption that TRUE should recognise this year from THB4.5b to THB3.7b, resulting in a higher 2021 core profit loss than our previous expectation at THB2.1b.

In 2022, due to the impact of Covid in Thailand that prompted the Thai government to shift the border reopening later, as well as the recovery momentum of the Thai economy still being sluggish, we change our view on TRUE's bottom line and expect it to remain loss-making for another year. However, the negotiations to reduce the 850MHz spectrum rental cost with NT could be a key upside risk for the company in 2022. If TRUE is able to reduce this cost, we believe it would help the company turn profitable in 2022 immediately.

Exhibit 116: Key assumption changes

	----- New -----		----- Previous -----		----- Change-----	
	2021E	2022E	2021E	2022E	2021E	2022E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Total subscribers (m)	31.9	32.2	31.3	31.6	2	2
Blended ARPU (THB/sub/mth)	216	220	225	234	(4)	(6)
Revenue	139,936	144,212	143,754	149,830	(3)	(4)
Operating expense	(83,095)	(85,564)	(86,954)	(90,190)	(4)	(5)
EBITDA	56,841	58,648	56,801	59,640	0	(2)
EBIT	10,440	11,584	10,400	12,577	0	(8)
Core net profit	(2,068)	(448)	(1,293)	1,303	n.a.	n.a.
Margin	(%)	(%)	(%)	(%)	(ppt)	(ppt)
EBITDA margin	40.6	40.7	39.5	39.8	1.1	0.9
Net profit margin	(12.6)	(13.5)	(12.0)	(13.9)	(0.6)	0.4

Source: FSSIA estimates

Exhibit 117: 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	33,008	33,797	33,081	(2.1)	0.2	101,730	102,303	0.6	139,936
Operating expense	(19,657)	(19,110)	(18,885)	(1.2)	(3.9)	(63,100)	(59,367)	(5.9)	(83,095)
EBITDA	13,351	14,687	14,196	(3.3)	6.3	38,630	42,936	11.1	56,841
EBITDA margin (%)	40	43	43	nm	nm	38	42	nm	41
Depreciation & amortisation	(10,800)	(11,066)	(11,109)	0.4	2.9	(31,079)	(32,940)	6.0	(46,401)
EBIT	2,551	3,621	3,087	(14.7)	21.0	7,551	9,996	32.4	10,440
Finance expenses	(4,626)	(4,324)	(4,401)	1.8	(4.9)	(13,422)	(13,459)	0.3	(17,920)
Other income	1,211	(397)	20	(105.0)	(98.3)	3,908	(335)	(108.6)	1,500
Associates	954	873	865	(0.9)	(9.3)	3,064	2,612	(14.8)	3,738
Pretax profit	90	(227)	(429)	89.0	(576.7)	1,101	(1,186)	(207.7)	(2,242)
Tax	(27)	(19)	(15)	(21.1)	n.a.	(14)	(79)	464.3	45
Tax rate (%)	(30)	8	3	nm	nm	(1)	7	nm	(2)
Minority interests	41	53	40	(24.5)	(2.4)	118	99	(16.1)	(130)
Net profit	22	(299)	(484)	61.9	(2,300.0)	969	(1,364)	(240.8)	(2,068)
Extra items	1,276	389	-	(100.0)	(100.0)	4,052	252	(93.8)	-
Core net profit	(1,254)	(688)	(484)	(29.7)	(61.4)	(3,083)	(1,616)	(47.6)	(2,068)
EPS (THB)	0.00	(0.01)	(0.01)	n.a.	n.a.	0.03	(0.04)	(240.8)	(0.06)
Core EPS (THB)	(0.04)	(0.02)	(0.01)	(29.7)	(61.4)	(0.09)	(0.05)	(47.6)	(0.06)

Sources: TRUE; FSSIA estimates

Exhibit 118: DCF valuation

		2022E	2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA		58,648	60,899	64,082	66,807	68,779	69,264
(less) tax on EBIT		11	(410)	(1,224)	(1,921)	(2,392)	(2,550)
decrease in working cap		(267)	459	1,559	1,541	1,439	870
(less) capex & investments		(41,888)	(36,388)	(41,388)	(42,069)	(31,439)	(44,439)
Free Cash Flow		53,462	57,492	61,431	46,975	45,470	39,024
WACC (%)	7.2						
Terminal growth (%)	1						
PV of FCF		17,038	23,642	19,909	21,275	33,509	21,404
Enterprise value	360,476						
Net debt+cash	(220,123)						
Minority	(398)						
Equity value	139,955						
No. of shares (m)	33,344						
Equity value / share (THB)	4.20						

Sources: TRUE; FSSIA estimates

Cost management is the key

TRUE's operating cost has always been the key factor pressuring its bottom line, causing the company to usually make a loss. Since 2020, during the Covid pandemic, TRUE has aimed to reduce its costs significantly, but we have not seen any evidence that it really has reduced its costs for almost a year. TRUE has the highest SG&A to sales in the mobile sector. Its SG&A to sales has been at 14.1% on average for the past three quarters. Conversely, ADVANC and DTAC were only at 12.4% and 9.1%, respectively.

Although its high costs have put negative pressure on TRUE for a long time, we believe it could now be an opportunity, as it has room to reduce its costs above and beyond its peers. If TRUE can significantly reduce its costs, for example SG&A expenses, and maintain its SG&A to sales level close to Advanced Info Service (ADVANC TB, BUY, TP THB220)'s at 12%, we estimate that the company could save costs of over THB600m per year. This could be a turning point for TRUE, allowing it to finally turn a profit.

Management expects that TRUE will reduce its costs even more intensively by reducing 1) the number of offices rented; 2) employee expenses; 3) content costs; and 4) selling and marketing expenses. TRUE also aims to increase 1) low-cost selling channels such as online; and 2) the efficiency of its operations and sales.

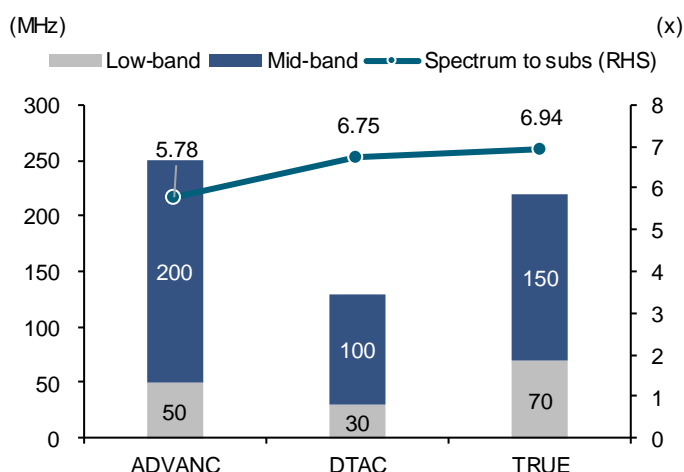
Negotiations on low-band spectrum cost could be an upside risk

TRUE is the MNO with the highest bandwidth in the low-band spectrum in the market, totalling 70MHz. It also has the highest spectrum to subscriber ratio at 6.94. TRUE aims to reduce the amount of bandwidth in the low band in order to reduce its network costs. It anticipates that it will be able to negotiate with NT in order to reduce the rental cost for the 850MHz spectrum. At the moment, TRUE pays a rental cost of around THB4b per year for the 850MHz spectrum.

If the negotiation is approved, we expect that TRUE would be able to reduce its 850MHz spectrum rental cost by 33% or by THB1.3b per year. Our assumption is based on the spectrum to subscriber ratio. If the company reduces the bandwidth amount by 33% from 30MHz to 20MHz, we believe that the cost should reduce in line with the reduction in the bandwidth. 20MHz in the 850MHz spectrum should still be enough for TRUE to have good network quality, as the spectrum to subscriber ratio would reduce to 6.63, slightly lower than DTAC's at 6.75 but still higher than ADVANC's at 5.78.

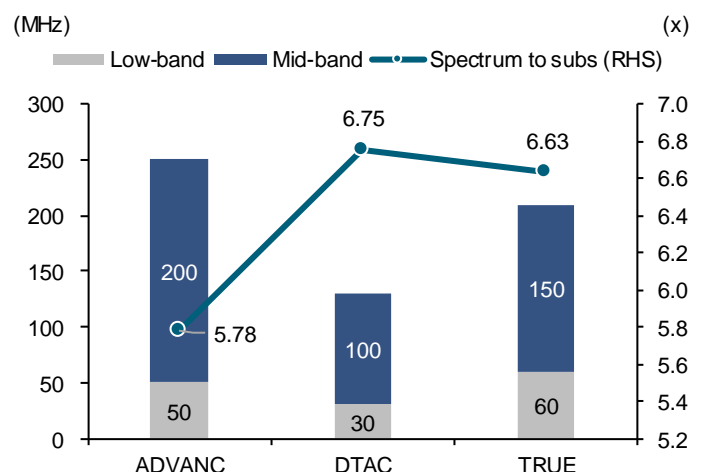
We have not yet included the potential cost savings from these negotiations into our forecast, and leave it as an upside risk. We expect that this deal should be done within this year, and TRUE should start recognising the new cost in the beginning of 2022. Our assumption of THB1.3b in cost savings would boost TRUE's net profit in 2022 significantly from our current expectation of a THB448m loss to a THB900m profit.

Exhibit 119: Current spectrum and spectrum to subscription ratio



Sources: ADVANC; DTAC; TRUE; FSSIA's compilation

Exhibit 120: Post-negotiation spectrum and spectrum to subscription ratio



Sources: ADVANC; DTAC; TRUE; FSSIA estimates

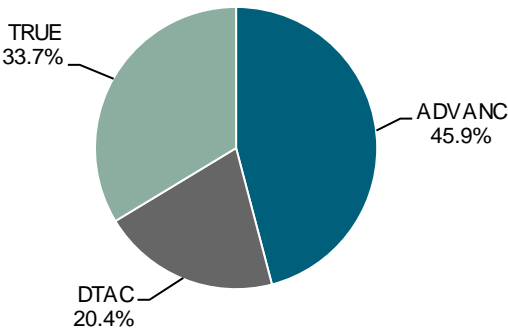
Low probability of a merger between DTAC and TRUE

Thailand’s subscription landscape is different from Malaysia’s. There is an argument in the market that the merger transaction between Digi, Telenor’s subsidiary, and Calcom, Axiata’s subsidiary, could demonstrate that there is a possibility for a similar deal between DTAC and TRUE, as DTAC’s major shareholder is Telenor.

However, we have a different view. There is a big difference in the subscriber market share in the mobile market between Thailand and Malaysia. In Malaysia, there are four big MNOs in the industry, including Maxis, Digi, Calcom, and U Mobile. There are also small MNOs with a market share of over 16%. Therefore, the merger between Digi and Calcom will give the new MNO only 45% of the subscriber market share. Although the merger will make the new company the biggest mobile operator in terms of market share in Malaysia, it will still have to compete with two big operators and others who still own over 55% of the market share.

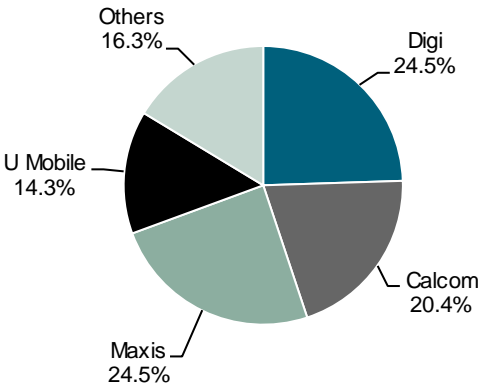
On the other hand, the Thai market only has three big operators. A merger between TRUE and DTAC would increase the new company’s market share to over 54% and it would become the biggest MNO in Thailand. Moreover, there would only be two MNOs in the Thai market, which is quite rare globally; only two MNOs in one country. We believe the Office of Trade Competition Commission would not allow a merger like that to occur. It could be unfair to customers, as the two MNOs might dominate the market by making agreements to increase mobile package prices, which would directly hurt customers.

Exhibit 121: Mobile subscriber market share in Thailand



Sources: ADVANC; DTAC; TRUE

Exhibit 122: Mobile subscriber market share in Malaysia



Sources: Digi; Calcom; Maxis; International Telecommunication Union

Financial Statements

True Corporation

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	140,943	138,212	139,936	144,212	148,210
Cost of goods sold	(83,710)	(65,462)	(63,504)	(65,663)	(67,155)
Gross profit	57,233	72,750	76,432	78,549	81,056
Other operating income	-	-	-	-	-
Operating costs	(23,384)	(20,096)	(19,591)	(19,901)	(20,157)
Operating EBITDA	33,849	52,654	56,841	58,648	60,899
Depreciation	(26,745)	(42,008)	(46,401)	(47,063)	(47,276)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	7,104	10,646	10,440	11,584	13,623
Net financing costs	(9,362)	(18,058)	(17,920)	(17,800)	(17,400)
Associates	5,134	4,153	3,738	4,111	4,235
Recurring non-operating income	3,211	4,347	5,238	5,656	5,826
Non-recurring items	6,792	4,009	0	0	0
Profit before tax	7,745	944	(2,242)	(559)	2,050
Tax	(2,172)	(19)	45	11	(410)
Profit after tax	5,573	925	(2,198)	(548)	1,640
Minority interests	64	123	130	100	80
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,637	1,048	(2,068)	(448)	1,720
Non-recurring items & goodwill (net)	(6,792)	(4,009)	0	0	0
Recurring net profit	(1,155)	(2,961)	(2,068)	(448)	1,720
Per share (THB)					
Recurring EPS *	(0.03)	(0.09)	(0.06)	(0.01)	0.05
Reported EPS	0.17	0.03	(0.06)	(0.01)	0.05
DPS	0.09	0.07	0.00	0.00	0.00
Diluted shares (used to calculate per share data)	33,344	33,344	33,344	33,344	33,344
Growth					
Revenue (%)	(13.4)	(1.9)	1.2	3.1	2.8
Operating EBITDA (%)	(39.6)	55.6	8.0	3.2	3.8
Operating EBIT (%)	(68.3)	49.9	(1.9)	11.0	17.6
Recurring EPS (%)	nm	nm	nm	nm	nm
Reported EPS (%)	(19.7)	(81.4)	nm	nm	nm
Operating performance					
Gross margin inc. depreciation (%)	21.6	22.2	21.5	21.8	22.8
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	24.0	38.1	40.6	40.7	41.1
Operating EBIT margin (%)	5.0	7.7	7.5	8.0	9.2
Net margin (%)	(0.8)	(2.1)	(1.5)	(0.3)	1.2
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	(259.9)	(78.8)	-	-	-
Interest cover (X)	1.1	0.8	0.9	1.0	1.1
Inventory days	32.1	32.8	26.1	25.8	25.9
Debtor days	145.1	122.2	120.6	122.3	122.4
Creditor days	482.1	556.6	522.1	513.3	509.7
Operating ROIC (%)	3.6	5.3	5.1	5.5	6.3
ROIC (%)	2.9	3.6	3.3	3.7	4.3
ROE (%)	(0.9)	(2.8)	(2.5)	(0.6)	2.1
ROA (%)	1.6	2.6	2.6	2.9	3.3

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
True Move H	107,615	105,381	107,004	110,609	113,868
True Online	23,673	24,533	24,815	25,566	26,184
True Visions	9,655	8,298	8,117	8,037	8,158

Sources: True Corporation; FSSIA estimates

Financial Statements

True Corporation

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	(1,155)	(2,961)	(2,068)	(448)	1,720
Depreciation	26,745	42,008	46,401	47,063	47,276
Associates & minorities	-	-	-	-	-
Other non-cash items	4,145	13,516	(6,178)	(1,645)	(1,671)
Change in working capital	(15,311)	(8,443)	(2,606)	382	(524)
Cash flow from operations	14,424	44,119	35,550	45,352	46,799
Capex - maintenance	(23,206)	(37,423)	(22,294)	(16,250)	(13,500)
Capex - new investment	(23,206)	(37,423)	(22,294)	(16,250)	(13,500)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	10,544	10,273	1,500	(7,843)	(7,797)
Cash flow from investing	(35,868)	(64,572)	(43,087)	(40,343)	(34,797)
Dividends paid	(3,003)	(3,003)	(2,334)	0	0
Equity finance	0	0	0	0	0
Debt finance	53,208	17,595	2,001	(5,000)	(5,000)
Other financing cash flows	-	(19,230)	(5,941)	(5,651)	(5,376)
Cash flow from financing	50,205	(4,639)	(6,274)	(10,651)	(10,376)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	17	0	0	0
Net other adjustments	(27)	17	0	0	0
Movement in cash	28,733	(25,075)	(13,811)	(5,643)	1,626
Free cash flow to firm (FCFF)	(12,082.88)	(2,395.31)	10,382.30	22,808.67	29,402.45
Free cash flow to equity (FCFE)	31,736.19	(22,071.81)	(11,477.29)	(5,642.52)	1,626.38
Per share (THB)					
FCFF per share	(0.36)	(0.07)	0.31	0.68	0.88
FCFE per share	0.95	(0.66)	(0.34)	(0.17)	0.05
Recurring cash flow per share	0.89	1.58	1.14	1.35	1.42
Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	334,108	341,972	373,972	395,972	411,972
Less: Accumulated depreciation	(105,146)	(110,078)	(126,328)	(143,020)	(159,710)
Tangible fixed assets (net)	228,962	231,894	247,644	252,952	252,262
Intangible fixed assets (net)	124,616	246,079	233,063	213,192	193,607
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	27,396	23,236	23,236	23,236	23,236
Cash & equivalents	49,405	24,330	10,520	4,877	6,503
A/C receivable	47,613	44,919	47,578	49,032	50,392
Inventories	7,274	4,508	4,564	4,704	4,834
Other current assets	30,158	30,649	30,836	31,300	31,734
Current assets	134,449	104,406	93,498	89,913	93,463
Other assets	8,569	11,933	12,006	12,187	12,356
Total assets	523,992	617,548	609,447	591,480	574,924
Common equity	125,368	85,090	80,688	80,240	81,960
Minorities etc.	651	528	398	298	218
Total shareholders' equity	126,019	85,618	81,086	80,538	82,178
Long term debt	178,030	158,491	190,000	190,000	190,000
Other long-term liabilities	68,794	197,653	182,055	167,787	153,636
Long-term liabilities	246,824	356,144	372,055	357,787	343,636
A/C payable	109,365	90,277	91,405	93,265	94,296
Short term debt	34,700	64,508	35,000	30,000	25,000
Other current liabilities	7,085	21,002	29,902	29,890	29,814
Current liabilities	151,150	175,787	156,306	153,155	149,110
Total liabilities and shareholders' equity	523,993	617,549	609,447	591,480	574,924
Net working capital	(31,406)	(31,203)	(38,328)	(38,119)	(37,151)
Invested capital	358,137	481,939	477,621	463,448	444,310
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	3.76	2.55	2.42	2.41	2.46
Tangible book value per share	0.02	(4.83)	(4.57)	(3.99)	(3.35)
Financial strength					
Net debt/equity (%)	129.6	232.0	264.5	267.1	253.7
Net debt/total assets (%)	31.2	32.2	35.2	36.4	36.3
Current ratio (x)	0.9	0.6	0.6	0.6	0.6
CF interest cover (x)	6.9	1.9	1.6	1.6	1.9
Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	(120.6)	(47.1)	(67.4)	(311.1)	81.1
Recurring P/E @ target price (x) *	(121.2)	(47.3)	(67.7)	(312.6)	81.4
Reported P/E (x)	24.7	133.0	(67.4)	(311.1)	81.1
Dividend yield (%)	2.2	1.7	-	-	-
Price/book (x)	1.1	1.6	1.7	1.7	1.7
Price/tangible book (x)	185.4	(0.9)	(0.9)	(1.0)	(1.2)
EV/EBITDA (x) **	9.0	6.4	6.2	6.0	5.7
EV/EBITDA @ target price (x) **	9.0	6.4	6.2	6.1	5.7
EV/invested capital (x)	0.8	0.7	0.7	0.8	0.8
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: True Corporation; 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	SEOIL	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	RCL	RICHY	RML	RPC	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	WIIK	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	HL	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	TIPIP	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	AMANA	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
CEN	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	SEAOL	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)

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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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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 190.00	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.
Total Access Communication	DTAC TB	THB 41.00	HOLD	The key downside and upside risks to our DCF-based TP are if the 5G subscription losses are worse than our expectation, the cost of the 3500MHz band is higher than our expectation, if there is stronger or weaker-than-expected competition in the mobile market, and if there is a faster or slower-than-expected adoption of 5G use cases.
True Corporation	TRUE TB	THB 4.18	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.
Intouch Holdings	INTUCH TB	THB 73.00	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.
Jasmine International	JAS TB	THB 2.92	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.
Thaicom	THCOM TB	THB 11.30	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.
Gulf Energy Development	GULF TB	THB 42.75	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.
Siam Commercial Bank	SCB TB	THB 123.50	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.
CP All	CPALL TB	THB 65.00	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Airports of Thailand	AOT TB	THB 67.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.

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 18-Oct-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.