

Thailand ICT

จับตามองวันที่ 10 ก.ค.

- การควบรวมระหว่าง TRUE และ DTAC จะเปลี่ยนสภาพอุตสาหกรรมโทรศัพท์เคลื่อนที่โดยสิ้นเชิง เราคาดว่าจะมีความเป็นไปได้ 80% ที่ NBTC จะอนุญาตให้การควบรวมเกิดขึ้น
- อย่างไรก็ตามเราเชื่อว่าการแข่งขันในช่วงปีแรกของการควบรวมน่าจะยังอยู่ในระดับสูง
- ลดน้ำหนักกลุ่มสื่อสารเป็นเท่าที่ตลาด ความเห็นของ กสทช. เกี่ยวกับการควบรวมที่จะประกาศในวันที่ 10 ก.ค. 22 จะตัดสินทิศทางของอุตสาหกรรมโทรศัพท์เคลื่อนที่ในอนาคต

การแข่งขันยังดุเดือด

ในระหว่างการพิจารณาของ กสทช. เกี่ยวกับการควบรวมกิจการระหว่าง Total Access Communication (DTAC TB, BUY, TP THB55.50) และ True Corporation (TRUE TB, BUY, TP THB5.40) Advanced Info Service (ADVANC TB, BUY, TP THB250) ได้พยายามที่จะหาผู้ให้บริการโทรศัพท์เคลื่อนที่เพิ่มจากคู่แข่ง ซึ่งหมายถึงว่าการแข่งขันในตลาดโทรศัพท์เคลื่อนที่ดุเดือดอยู่ หลังการควบรวมสิ้นสุดลงซึ่งอาจเป็นในปลายปีนี้ เราเชื่อว่าบริษัทที่เกิดจากการควบรวมจะเข้าต่อกรกับกลยุทธ์ของ ADVANC และนำเสนอแผนราคาโทรศัพท์เคลื่อนที่ที่น่าสนใจให้แก่ลูกค้า เพราะฉะนั้นเราจึงเห็นต่างจากตลาดและคาดว่าจะการแข่งขันจะยังอยู่ในระดับสูงตลอดปีและปีหน้า ซึ่งจะทำให้รายได้เฉลี่ยต่อผู้ใช้ (ARPU) ลดลงในปีนี้ ในขณะที่ ARPU ในปีหน้าจะปรับตัวดีขึ้นเล็กน้อย

ประเด็นการควบรวมน่าจะมีผลชัดเจนมากขึ้นในวันที่ 10 ก.ค. 2022

คณะกรรมการ กสทช. ได้กำหนดให้วันที่ 10 ก.ค. 22 เป็นวันที่คณะกรรมการฯ ออกคำวินิจฉัยเกี่ยวกับการควบรวม ซึ่งช้ากว่าที่ตลาดเคยคาด 1.5 เดือน ในกรณีนี้เราคาดว่าคำเสนอซื้อน่าจะเริ่มในเดือน ก.ย. 22 และกระบวนการควบรวมน่าจะเสร็จสิ้นภายในปีนี้ เรายืนยันมุมมองของเราที่ว่ามีความเป็นไปได้ 80% ที่การควบรวมจะได้รับอนุมัติ อย่างไรก็ตามเราเห็นว่ามีความเป็นไปได้ที่คณะกรรมการ กสทช. อาจยังไม่ประกาศคำวินิจฉัยในวันที่ 10 ก.ค. 22 โดยอาจให้ข้อสรุปของผลการศึกษาและความเห็นเกี่ยวกับการควบรวมในเบื้องต้น กสทช. อาจต้องจัดตั้งคณะกรรมการควบคุมภาวะเียบและป้องกันผลประโยชน์ของผู้บริโภคพร้อมกันถ้าตัดสินใจอนุมัติการควบรวมดังกล่าว ซึ่งอาจเลื่อนกระบวนการอนุมัติไปอีก 1 เดือน อย่างไรก็ตามเราน่าจะเห็นมุมมองของ กสทช. เกี่ยวกับการควบรวมได้ในวันที่ 10 ก.ค.

ปรับลดน้ำหนักเป็นเท่ากับตลาด

เราปรับลดน้ำหนักของกลุ่มสื่อสารเป็นเท่ากับตลาดจากมากกว่าตลาด ราคาหุ้นของผู้ประกอบกิจการโทรศัพท์เคลื่อนที่ที่น่าจะยังเคลื่อนไหวในช่วงนี้ขณะที่นักลงทุนรอความก้าวหน้าของการควบรวมเพิ่มเติม ADVANC เป็นหุ้นเด่นของเราเนื่องจากเราเชื่อว่าบริษัทฯ มี Downside ต่ำที่สุดถ้าการควบรวมไม่เกิดขึ้น นอกจากนั้นบริษัทฯ ยังน่าจะได้ประโยชน์บางส่วนถ้าทั้งคู่แข่งทั้งสองได้รับอนุญาตให้ควบรวมกิจการ เราชอบ DTAC มากกว่า TRUE ในกรณีการควบรวมกิจการประสบความสำเร็จ

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Advanced Info Service	ADVANC TB	208.00	BUY	unchanged	250.00	260.00	-3.85%	+20.2%
Total Access Communication	DTAC TB	44.75	BUY	HOLD	55.50	42.00	+32.14%	+24.0%
True Corporation	TRUE TB	4.62	BUY	HOLD	5.40	4.20	+28.57%	+16.9%
Intouch Holdings	INTUCH TB	70.00	BUY	unchanged	83.50	86.80	-3.80%	+19.3%
Jasmine International	JAS TB	3.64	REDUCE	HOLD	3.10	3.10	unchanged	-14.8%
Thaicom	THCOM TB	9.40	HOLD	REDUCE	9.20	9.20	unchanged	-2.1%

Note: Priced at close of business 10/06/2022. Share prices and TPs are in listing currency; Sources: FSSIA estimates



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Investment thesis

Total Access Communication (DTAC TB, BUY, TP THB55.50) and True Corporation (TRUE TB, BUY, TP THB5.40) agreed to amalgamate, thus becoming the biggest mobile operator in Thailand, in terms of mobile subscribers. The amalgamation should create a huge synergy value, CAPEX and cost savings that should make the Megerco grow significantly in the future.

We believe this amalgamation would benefit the mobile service industry and change the industry landscape. Advance Info Service (ADVANC TB, BUY, TP THB250) should also enjoy having only two operators in the future, in our view. Efficient competition is expected in the long term.

Catalysts

- Efficient competition after the amalgamation between DTAC and TRUE;
- The recovery of tourist arrival numbers and the Thai economy should improve mobile service operators' earnings in 2H22

Risks to our call

The upside and downside risks to our call are if the amalgamation between DTAC and TRUE is unable to proceed, if there is stronger or lower-than-expected competition in the mobile market, and if there is a faster or slower-than-expected adoption of 5G use cases.

Contents

The competition remains intense	4
Lower ARPU forecast	6
The consideration by the NBTC is still underway	9
Three possibilities from the NBTC	13
DTAC is the real winner from the merger	14
Less intense spectrum auction.....	18
BEM is a good case study	21

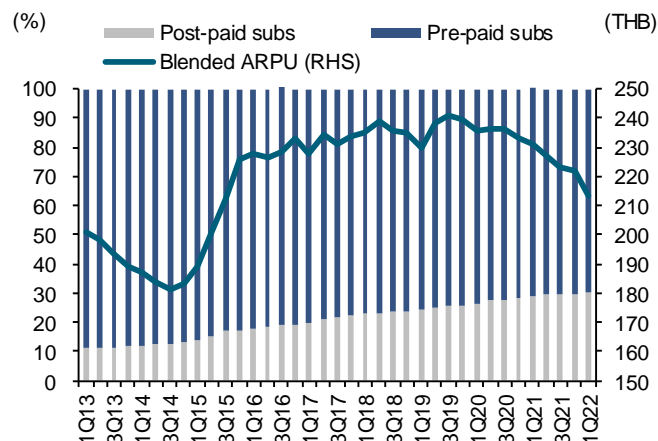
Company reports

Advanced Info Service (ADVANC TB, BUY, TP THB250)
 Total Access Communication (DTAC TB, BUY, TP THB55.50)
 True Corporation (TRUE TB, BUY, TP THB5.40)
 Intouch Holdings (INTUCH TB, BUY, TP THB83.50)
 Jasmine International (JAS TB, REDUCE, TP THB3.10)
 Thaicom (THCOM TB, HOLD, TP THB9.20)

Event Calendar

Date	Event
10 Jul-22	The decision from the NBTC regarding the amalgamation between DTAC and TRUE
Aug-22	2Q22 results announcement

Industry pre- and post-paid subscribers and blended ARPU



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

The competition remains intense

In Apr-22, all three mobile operators announced new mobile packages for pre-paid subscribers. The new starting price plan was only THB100 per month and offered unlimited data at the fixed speed of 15Mbps, together with a huge amount of data available for the voice package. The starting price dropped from the minimum price of THB150 that all three operators had always offered.

We see this as a high competition risk for the mobile operator industry. The new unlimited data package at THB100 is the lowest package that we have ever seen. It is lower than the current pre-paid ARPU that had already declined to THB117 in 4Q21. Moreover, the internet speed of 15Mbps is fast enough for consumers who need data for use in daily life. According to the [Droidsans website](#), the 15Mbps speed could have a download speed of 1400-1800KB/s, which enables watching streaming content at a resolution of 2K. For the speed of 20Mbps, the download speed of 1700-2400KB/s enables content streaming at a resolution of 4K.

Although this package may no longer be available at the moment – the current promotion is back to the normal level of THB200 for unlimited data with a fixed speed of 15Mbps – the current promotion is still attractive. We see this as a sign that all mobile operators can still offer this attractive price package if they want to. The current package of THB200 for 15Mbps is still more attractive than the post-paid package. We think this could be the key pressure point to slow down the movement from pre- to post-paid packages.

Exhibit 1: Unlimited fixed speeds on pre-paid packages

	AIS	dtac	True Move H
Internet promotion: Unlimited, max speed 15 Mbps/month	THB100	THB100	THB100
Internet promotion: Unlimited, max speed 20 Mbps/month	-	THB150	THB150
Free calls to all networks	15 mins/time*	Depends on subscription channel	1,000 mins/month
Free SMS	-	-	-
Free WiFi	Applicable*	-	Applicable
Extra charges	Charge THB0.99/min when exceed 15 mins/time	Exceed call charge depends on package	Charge THB0.50/min when exceeding 1,000 mins/month
Other privileges	-	-	Free TrueID Plus account 30 days
Terms and conditions	Mobile number portability / Call centre	Mobile number portability / Call centre	Mobile number portability
Channels for subscription	- Call centre 1175 - Website	- Call centre 1678 - 15 Mbps: call *104*132# - 20 Mbps: call *104*134#	- 15 Mbps: call *900*9726# - 20 Mbps: call *900*9727#
Eligibility period	6 months	6 months	6 months
Application period	No deadline	No deadline	31 Dec 2022

*Must choose either free call 15 mins/time or free WiFi

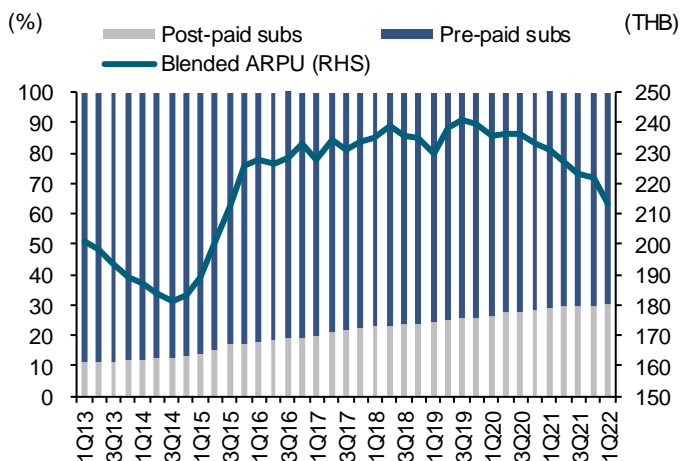
Source: [Droidsans website](#)

Attractive pre-paid package hurts post-paid package

Although both pre- and post-paid ARPU have been in a downtrend for quite a long time, blended ARPU in Thailand remained unchanged from 2015 to 2020. 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 had previously grown every quarter. The proportion increased from 17.5% in 1Q16 to 29.8% in 3Q21 (5 years).

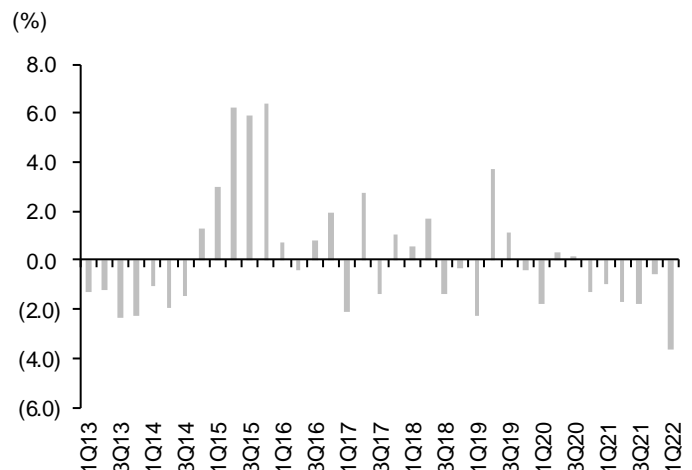
However, there is the potential that pre- to post-paid will grow in the future. The proportion of post-paid subscribers grew from 29.8% in 3Q21 to just 30% in 1Q22, representing the slowest growth rate in the past five years.

Exhibit 2: Industry pre- and post-paid subscribers and blended ARPU



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

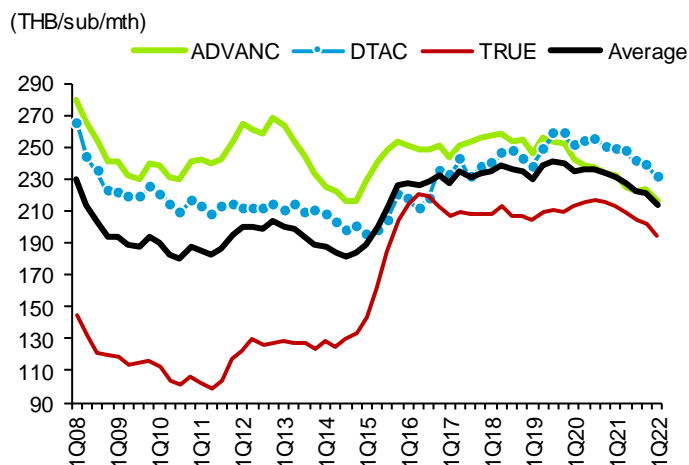
Exhibit 3: Industry's blended ARPU q-q growth



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

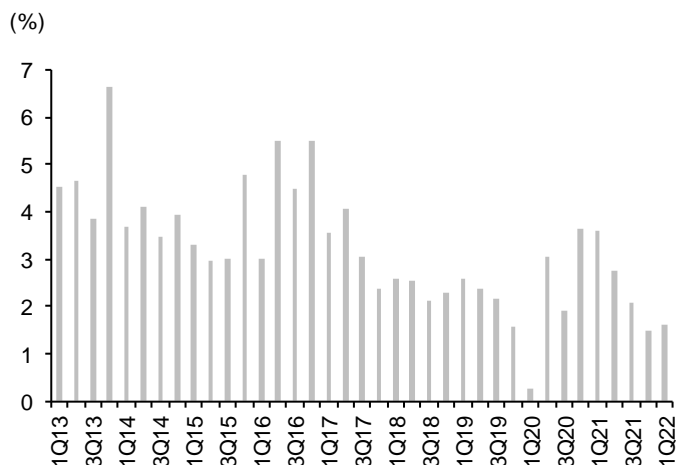
We believe this was due to the intense competition in pre-paid services, with every mobile operator offering an attractive price plan with an unlimited fixed speed, as mentioned above. The price of THB200 per month is very attractive. Post-paid customers would have to spend about THB400 per month in order to use the same amount of data as pre-paid. This will likely hurt and slow down the transition of pre- to post-paid subscribers. If the competition remains intense in pre-paid, we believe the growth of the post-paid proportion would be limited. As a result, it would hurt blended ARPU, forcing a continued decline.

Exhibit 4: Industry blended ARPU



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

Exhibit 5: Change in post-paid contributions to total subscribers



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

Lower ARPU forecast

Because of the expectation of the competition in the short term, we anticipate that the industry's blended ARPU will continue to slow down. We expect the industry's ARPU to drop to THB217 in 2022 vs THB224 in 2021. Both pre-paid and post-paid ARPU for all three operators, ADVANC, DTAC, and TRUE, should continue to fall this year. Hence, we expect the industry's mobile service revenue to drop by 1.2% to THB248.7b.

Exhibit 6: ARPU forecast

Blended ARPU	2018	2019	2020	2021	2022E	2023E	2024E
(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)
ADVANC	255	252	244	228	218	222	226
DTAC	243	258	255	242	228	225	226
TRUE	204	209	216	202	204	208	212
Average	234	240	238	224	217	218	221
Growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)
ADVANC	(0.4)	(1.2)	(3.4)	(6.3)	(4.3)	1.8	1.5
DTAC	2.5	6.2	(1.3)	(5.0)	(5.8)	(1.4)	0.7
TRUE	(1.9)	2.5	3.3	(6.5)	1.1	1.9	1.7
Average	0.1	2.4	(0.7)	(5.9)	(3.2)	0.7	1.3

Sources: ADVANC; DTAC; TRUE; FSSIA estimates

Better outlook in 2H22

With the reopening of Thailand's borders, FSSIA expects tourist arrivals in Thailand this year to reach 8.5m. Therefore, we believe the recovery in tourist sim card sales should be a key support catalyst for mobile service revenue in 2H22 onward. On top of that, the Thai economy should also start to recover at the same time. We think that consumers should increase their mobile data consumption as they gain more purchasing power. Hence, we expect mobile service revenue and earnings for all three operators to start to recover from 2H22 onward.

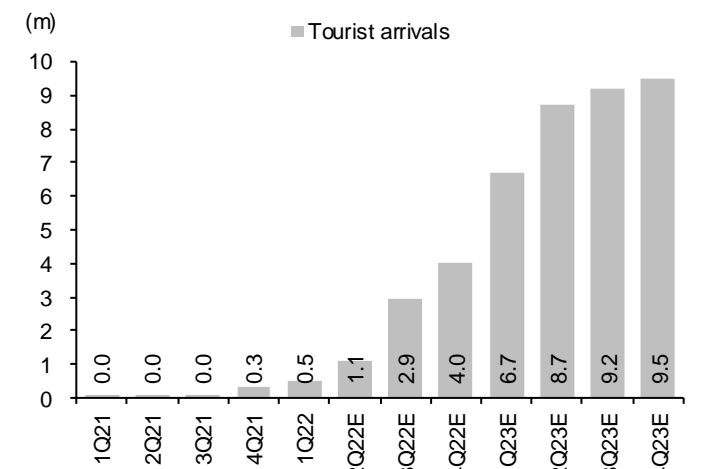
For 2023, thanks to the economic and tourist arrival recovery, as well as the expectation of the amalgamation, we expect the industry's blended ARPU to become stable for the first time in the past three years since Covid hit Thailand in 2021, growing by 0.7% to THB218.5 before slightly improving in the following years.

Exhibit 7: Tourist arrivals forecast



Source: FSSIA estimates

Exhibit 8: Tourist arrivals forecast, quarterly

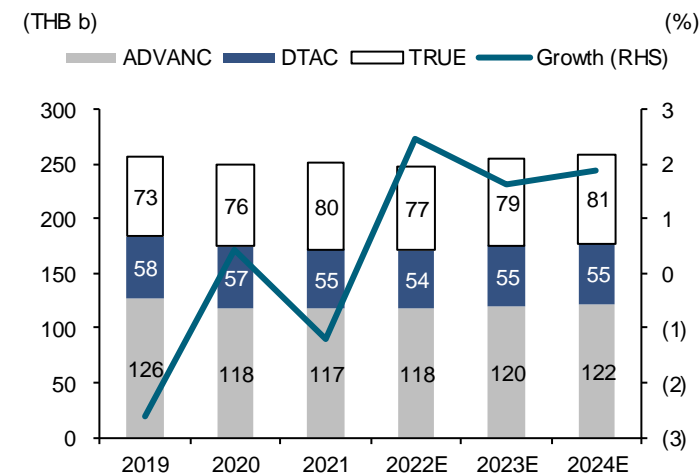


Source: FSSIA estimates

Mobile subscribers could hit 100m in 2023

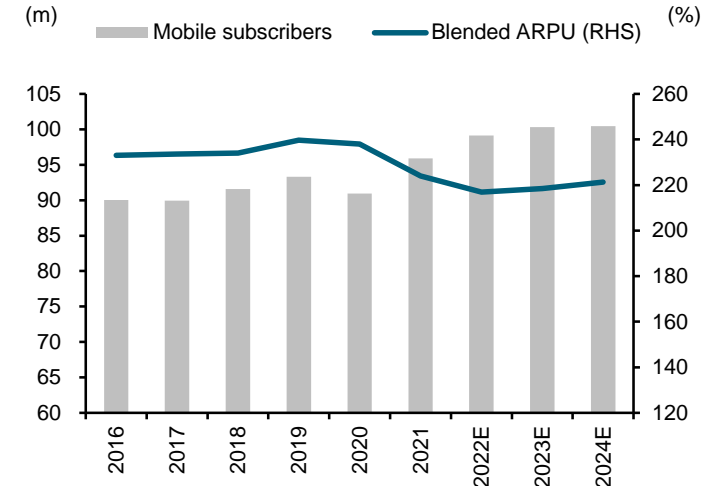
Moreover, total mobile subscribers should also improve in line with the higher tourist numbers in 2023. FSSIA expects tourist arrivals in 2023 to amount to 34.1m vs just 8.5m this year. Therefore, we believe the number of mobile subscribers should continue to grow to 100.3m (+1.2%). Consequently, we expect the mobile industry's revenue to improve to THB254.8b (+2.5%) in 2023, a record high growth rate in the past five years.

Exhibit 9: Mobile revenue by company and growth



Sources: ADVANC; DTAC; TRUE; FSSIA estimates

Exhibit 10: Industry mobile subscribers and blended ARPU

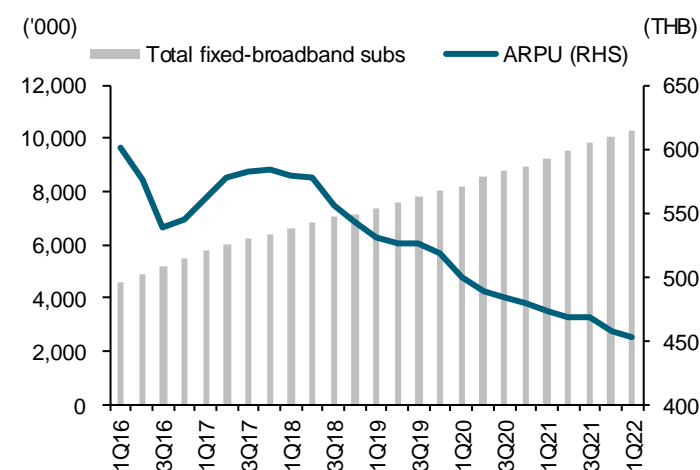


Sources: ADVANC; DTAC; TRUE; FSSIA estimates

Fixed broadband

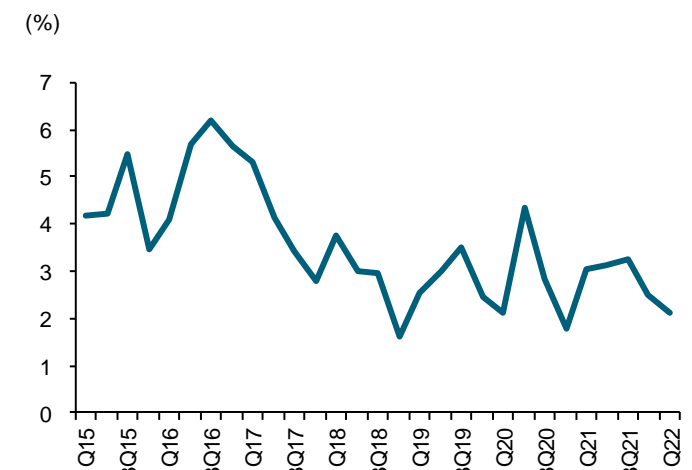
Although some operators hope that the fixed broadband (FBB) business still has room to grow, unlike mobile services, we are now starting to be concerned about its outlook. Due to the intense competition among mobile service operators, companies are now offering higher speeds but at the same price compared to last year. The average ARPU of FBB is now at THB452 per month for the starting speed of 500Mbps, and has continued to decline like mobile ARPU.

Exhibit 11: FBB subscribers and ARPU in Thailand



Sources: ADVANC; TRUE; JAS; FSSIA compilation

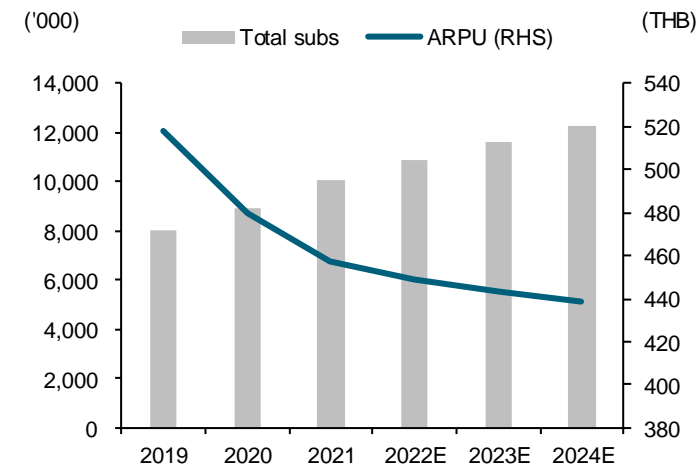
Exhibit 12: FBB subscriber growth rate (q-q)



Sources: ADVANC; TRUE; JAS; FSSIA compilation

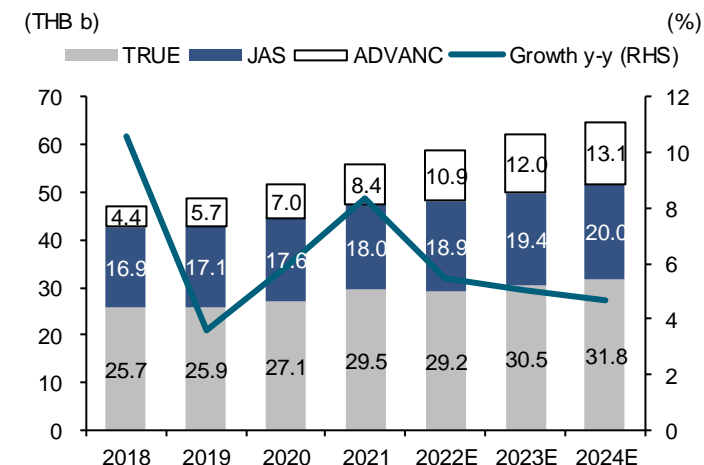
As we mentioned earlier, the mobile speed of 15Mbps at the price of THB200 per month is now enough for casual consumers who just use entertainment services and social media. Therefore, it may not be necessary to use a 500Mbps FBB service which costs double the price compared to 15Mbps for THB200. On top of that, now that the Covid situation is improving – the number of Covid infected cases per day is low – the FBB demand from employees working from home may no longer be strong. As a result, we believe the growth momentum for FBB may start to decelerate compared to the last two years during the Covid pandemic.

Exhibit 13: Total FBB subs and ARPU



Sources: ADVANC; TRUE; JAS; FSSIA estimates

Exhibit 14: Industry FBB revenue and growth

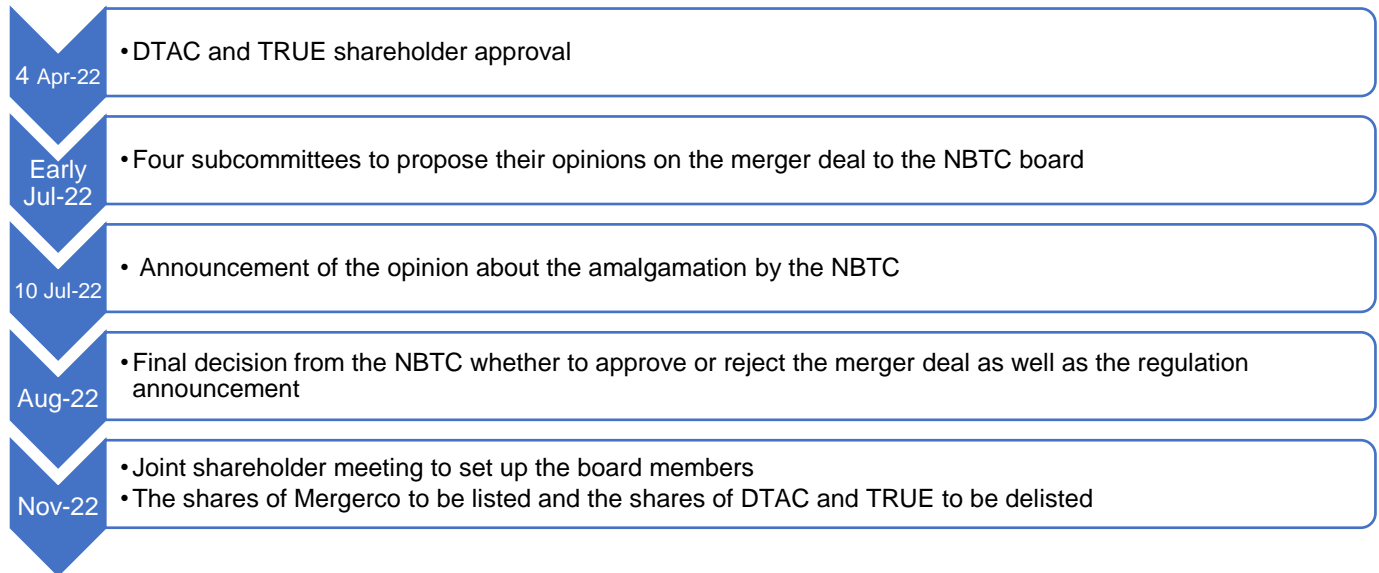


Sources: ADVANC; TRUE; JAS; FSSIA estimates

The consideration by the NBTC is still underway

After DTAC's and TRUE's shareholders approved the merger on 4 Apr-22, the noise from consumers and academics has started to rise again. Three different parties have submitted letters opposing the deal. They are from the political activist Srisuwan Janya; Napat Winitchaikul, a member of the committee monitoring the NBTC's work performance; and ADVANC. We believe the continued opposition from many parties could be a key downside risk for DTAC and TRUE during the merger process until Aug-22.

Exhibit 15: Possible merger consideration timeframe



Sources: DTAC; TRUE; FSSIA estimates

ADVANC letter opposes rivals' merger

Advanced Wireless Network Company (AWN), a subsidiary of ADVANC, submitted a letter dated 25 March to the NBTC to express its opposition. In the letter, AWN said that if the two telecom operators were allowed to merge, mobile phone users in Thailand would be the biggest losers as the merger would affect competition. Therefore, ADVANC suggests that the NBTC board handle the deal carefully.

The letter points out that the number of key players in the telecoms market would be reduced from three to two, and the new company would dominate with a market share of 53%. The merger would also effectively block new players from entering the market.

ADVANC also mentions section 21 in the Telecommunications Business Act (2001) that:

Section 21. In operating the telecommunications business, the Commission shall, in addition to the law on business competition, prescribe specific measures according to the nature of the telecommunications business, to prevent the licensee from committing any act that leads to a monopoly, reduction or restriction of competition in supplying the telecommunications service in the following matters:

1. cross-subsidisation;
2. cross-holding in the same category of service;
3. abuse of dominant power;
4. anti-competitive behaviour;
5. protection of small-sized operators.

Lawsuit against NBTC the key downside risk

According to the Brand Inside newswire, Mr Naphat Vinijchaikul, a member of the NBTC supervisory board, filed a complaint against the NBTC by requesting the Central Administrative Court to suspend the amalgamation until the NBTC can prove it is eligible to amend the M&A regulations of 2018. An NBTC representative testified before the Central Administrative Court on 5 Jun-22 in regard to an allegation about the legality of the M&A notification amendment in 2018. We believe the Court has two options:

1. **Reject the request to suspend the merger.** This would allow the NBTC to continue its consideration of the amalgamation.
2. **The Court makes an inquiry on the application for a temporary injunction.** This would mean that the Court needs more information to consider this issue. It could suspend the right of the NBTC to allow the merger. In this case, there is the chance that the opinion on the amalgamation would be delayed even further from the current timeline of 10 Jun-22. This could lead to the highest downside risk of the amalgamation potentially not proceeding, as it would take some time and complicate the merger. The timeline for the Court in this case would be unclear.

However, the NBTC's latest resolution has applied both M&A notifications to the merger. The NBTC now affirms that it has full authority to approve or disapprove of the merger. Therefore, we believe there is a lower risk that the Central Administrative Court will make an inquiry on the application for a temporary injunction. We expect the Court to rule on this application within the next two weeks.

NBTC is the final checkpoint

At this moment, the NBTC has started to evaluate the merger between DTAC and TRUE by announcing three measures to consider the merger plan.

Exhibit 16: NBTC's consideration plan regarding the DTAC and TRUE merger



Source: NBTC

First measure. The NBTC has resolved to set up four panels to consider the issue. The four panels are the subcommittee on legal affairs, the subcommittee on consumer protection and people's rights, the subcommittee on technologies and the subcommittee on the economic impact from the merger. We expect that these four panels may be able to submit the results of the study in early Jul-22 before the deadline of 10 Jul-22.

Under the second measure, the NBTC has agreed to organise a focus group to hear opinions from businesses and industries which are related to the planned merger, as well as academics and the general public. All three focus groups have been established. There is different feedback from different segments.

Majority of opinions from two out of three focus groups agree on the merger

Most of the opinions from the first and third focus groups, businesses/industries and academics, are positive on the merger.

The first focus group, businesses and industries, consist of a majority of small- and medium-sized digital operators which support the merger. They cite more money to support Thai startups and digital service operators.

The second focus group is the general public. This is the only one where most of the attendees have an opposing view to the merger. They believe that the amalgamation will lead to inefficient competition in the market. They expect that mobile package prices would spike if the two remaining operators coordinate on competition. They also believe that the NBTC will be unable to control the price competition.

The third focus group, academics, largely agree with the merger. There is a wide range of opinions but most view the merger as more favourable to businesses and consumers in terms of better service quality and the various technologies that would arise in the future. They also believe in the supervision of the NBTC, especially in terms of pricing and service controls.

The third measure will see the NBTC assign its working panels and advisory committees both in the country and abroad to study the possible impacts of the merger. We also think the summary of the potential impact of the merger will be submitted to the NBTC before 10 Jul-22.

Study from NBTC indicates that the merger would hurt GDP and inflation

Besides those three measures, the [NBTC has conducted a study](#) regarding the merger. In summary, the amalgamation would potentially hurt Thai GDP, causing it to decline by 0.05-1.99%, while inflation could increase by 0.05-2.07%.

Exhibit 17: Mobile service price impact

AIS				DTAC				TRUE			
Efficiency gain	----- Cooperation for pricing -----			Efficiency gain	----- Cooperation for pricing -----			Efficiency gain	----- Cooperation for pricing -----		
	No collusion	Tacit collusion ; $\phi=0.3$	Cartel		No collusion	Tacit collusion ; $\phi=0.3$	Cartel		No collusion	Tacit collusion ; $\phi=0.3$	Cartel
(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
0	2.78	12.81	49.30	0	13.68	24.34	61.40	0	10.37	24.82	75.73
5	2.40	12.57	49.71	5	11.19	21.73	58.23	5	8.97	23.27	73.47
10	2.03	12.35	50.13	10	8.72	19.14	55.09	10	7.57	21.74	71.23

Source: NBTC

Exhibit 18: Predicted percentage change in GDP growth

Model with voice and data

Efficiency gain	----- Cooperation for pricing -----		
	No collusion	Tacit collusion; $\phi=0.3$	Cartel
(%)	(%)	(%)	(%)
0	(0.07)	(0.19)	(0.61)
5	(0.06)	(0.18)	(0.59)
10	(0.05)	(0.17)	(0.58)

Source: NBTC

Exhibit 19: Predicted change in inflation

Model with voice and data

Efficiency gain	----- Cooperation for pricing -----		
	No collusion	Tacit collusion; $\phi=0.3$	Cartel
(%)	(%)	(%)	(%)
0	0.08	0.20	0.63
5	0.06	0.19	0.62
10	0.05	0.17	0.60

Source: NBTC

Missing telecom field could be a problem?

The new board for the NBTC has not yet been fully filled. Only five out of seven new NBTC commissioners have been selected. Moreover, the committee that takes care of the telecom field, which is directly related to this merger, is still unfilled. The two committee members thus far are Apirat Siritaratiwat, as a candidate in the telecom field, and Police General Nathathorn Prousoontorn, in the field of law.

According to the [Bangkok Post](#), the Senate will have to set up a panel to scrutinise the two proposed candidates' qualifications in the ordinary parliamentary session that started in May-22. If they pass this vetting, the two candidates will be voted on by the Senate. If they are approved, they will be royally endorsed, with the process expected to conclude by Jul-22. Therefore, we expect that the consideration of the merger by the NBTC may conclude before the NBTC committee on telecom field is even named.

Exhibit 20: NBTC's future committees

Field	Name
Head Commissioner and broadcasting field	Air Marshal Thanapant Raicharoen
TV	Pirongrong Ramasoota
Consumer protection	Dr Sarana Boonbaichaiyapruk
People's liberty and rights promotion	Torpong Selanon
Economic	Suphat Suphachalasai
Telecom	Apirat Siritaratiwat*
Law	Pol Gen Nathathorn Prousoontorn*

Note: Candidates, waiting for an approval by Senate and royally endorsed
Sources: NBTC; FSSIA compilation

10 Jul-22 may not be the end of this series

In our view, despite the NBTC setting the deadline on 10 Jul-22, we are unsure whether it will make a clear announcement on the final decision to approve or reject the amalgamation or not. This is due to:

- 1) The last two committees, especially in the telecom field, may be approved and get royally endorsed during that time;
- 2) The four panels on the first and third measures may submit the results of their studies close to the deadline, and the NBTC may need more time to consider those results;
- 3) Allowing the merger should also be accompanied by the regulations to protect consumer benefits. The NBTC may also need to announce the regulations in order to control and make sure that there will be no coordination between the remaining two operators.

Therefore, we believe there is the possibility that on 10 Jul-22, the NBTC board may just announce and summarise all of the results from the studies. They may provide some opinion regarding the merger. The final decision that could allow this merger may take about one more month, in our view. However, although there is a chance that the final decision may not come out on that date, we believe that the NBTC will provide some opinion that could signal what the final decision could possibly be.

Three possibilities from the NBTC

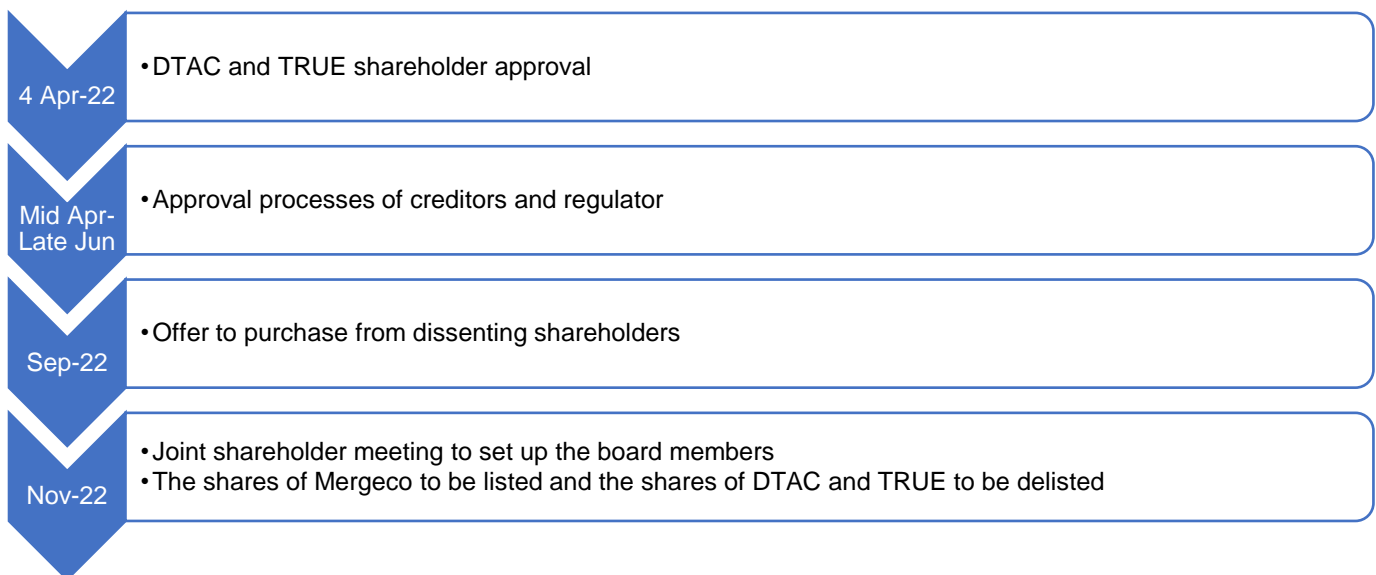
Considering all of the information we have mentioned above, we believe there are three possibilities that the NBTC will act on regarding the merger:

1. **Postpone the merger.** If the NBTC feels uncomfortable allowing this merger to pass through so easily, given the pressure that is coming from various parties, it may announce that more time is needed to consider the impact of the merger, possibly about 30-60 days from the deadline on 10 Jul-22. We believe there is a chance that could occur, based on the reasons we mentioned above. However, although the NBTC may delay the proposed timeline for 1-2 months to have more time to study the deal, we still believe that in the end the NBTC will approve the deal anyway.
2. **Reject the merger.** There is a very low possibility that this could occur, in our view – only about a 20% probability. We see this scenario occurring only if the opposition from many sectors starts to rise significantly, prompting the government to start listening to the opposing views from those sectors. Therefore, we can say that in this scenario, the volume of opposition would have to intensify from now on and become a key pressure point for the NBTC.

We have not seen any sign or risk that this amalgamation will fail yet. We have to wait for more developments from the NBTC toward the current opposition, more details of which we may get on 10 Jul-22. Moreover, if the NBTC wants to reject this deal, they may postpone the merger, our first scenario, as a first step before it takes any further action. Therefore, we are still confident that the risk that the NBTC will reject this merger is minimal and there should be some signal so that investors can act in a timely manner.

3. **Approve and control.** If there are no further considerations for the NBTC to look at during the review process, we believe that on 10 Jul-22 the NBTC will approve this merger with some conditions, having a policy to discourage coordination between the Mergerco and ADVANC.

Exhibit 21: Possible merger timeframe



Sources: DTAC; TRUE; FSSIA compilation

Still high possibility that the amalgamation will be approved

Although the amalgamation process may face a hiccup from the regulator, we still believe that there is a high possibility, 80%, that the NBTC will approve this amalgamation. After three focus groups and other studies, we see that there are both agreements and disagreements from every segment explaining how the amalgamation could both benefit and provide drawbacks to consumers and the Thai economy.

DTAC is the real winner from the merger

If the amalgamation between DTAC and TRUE gets approval from the NBTC, we believe that investing in DTAC over TRUE would be the better choice as:

1) DTAC offers more upside to shareholders if converting DTAC's shares to the Mergerco

According to the swap ratio for 1 existing share in DTAC to 6.13444 shares in the Mergerco compared to TRUE for 0.60018 share in Mergerco, the current share price of DTAC will offer more shares for the Mergerco over TRUE. For example, investing in DTAC at the current share price of THB44.75 will net 6.13444 shares in the Mergerco. Investing ten shares in TRUE at the current share price of THB4.62 will convert to only 6.0018 Mergerco shares, which is 4% less than DTAC.

Exhibit 22: Mergerco swap ratio

	Swap ratio (1)	Current outstanding shares (2) (m)	No. of new share in Mergerco (1)x(2)=(3) (THB m)	% contribution in Mergerco (3)x(4)=(5) (%)	Current share price (THB)	Mergerco price (4)x(5)=(6) (THB)
TRUE	0.60018	33,368	20,027	58.0	4.62	7.70
DTAC	6.13444	2,368	14,525	42.0	44.75	7.29
		Total Mergerco shares (4)	34,552			Discount = 5.23%

Sources: DTAC; TRUE; FSSIA compilation

2) DTAC could offer one last dividend before merging

Despite the delay in the consideration from the NBTC that has delayed the amalgamation between DTAC and TRUE and shifted the tender offer date for one month, which may occur in Sep-22, we believe this would be an opportunity for DTAC to pay its interim dividend for one last time in 2022 before merging with TRUE. DTAC typically pays an interim dividend around late July to early Aug. Therefore, thanks to the delay, we have more confidence that DTAC will be able to pay a THB0.9 dividend per share to its shareholders (120% payout ratio) after 2Q22 results are announced.

In comparison, TRUE always pays a dividend once a year after the end of the year. Therefore, DTAC's shareholders would get about a 2% dividend yield before the merger.

3) DTAC has a smaller downside if the deal is rejected by the NBTC

If the amalgamation cannot proceed because the NBTC does not approve the merger, DTAC's and TRUE's share prices would fall significantly. We believe the current share prices of both companies have already priced in the expectation of the merger. DTAC's and TRUE's current share prices are higher than the pre-merger announcement by over 7%.

Based on our DCF-valuation, if the DTAC and TRUE merger cannot proceed, the TPs of both companies would fall to THB39 and THB3.8, respectively. In this case, DTAC would have a smaller downside compared to TRUE. The company's current share price would have only a 13% downside, while TRUE would have an 18% downside.

This is due to the expectation that the Mergerco would be able to reduce its cost of operations significantly, which mainly come from the cost of TRUE. If the merger cannot proceed, the potential for TRUE to reduce its costs may be small and slow, which may cause TRUE to continue to make a loss until 2023. For DTAC, on the other hand, the company has already minimised its losses, so it would likely be able to enjoy a profit in the future.

Exhibit 23: DTAC and TRUE – upside and downside based on the amalgamation

	TP if unable to merger (THB)	Downside (%)	Current share price (THB)	Mergerco TP (THB)	Upside (%)	Tender offer price (THB)	Upside (%)
DTAC	39	(13)	44.75	55.50	24	47.76	7
TRUE	3.8	(18)	4.62	5.40	17	5.09	10

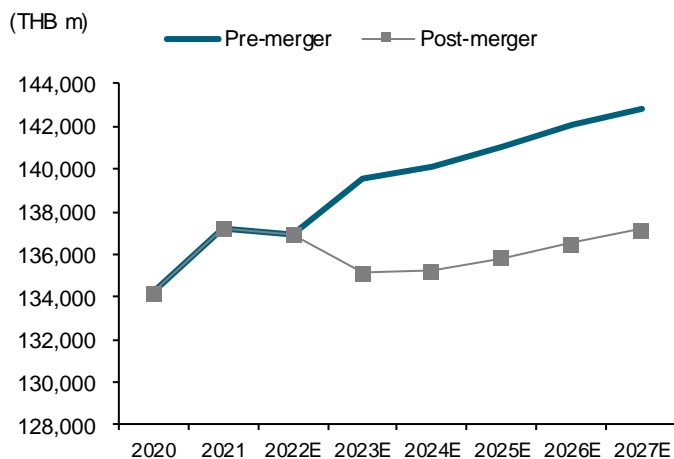
Sources: DTAC; TRUE; FSSIA estimates

Mergerco would have strong earnings growth

Based on our assumption of the Mergerco's financial performance, we conservatively maintain our revenue forecast on the Mergerco going forward. We believe the key driver will come from the cost savings as we estimate that the operating costs of DTAC and TRUE are a lot higher than for ADVANC by over 70%, based on the separate financial performance forecasts for each company in 2023. Therefore, the first task of the Mergerco would be to minimise its costs starting from 2023 onward, in our view. We can break down the two main benefits from the cost savings as follows:

1) Operating cost savings

For the cost side, we reduce our operating expense estimate for 2023 mainly from network OPEX, cost of services, and SG&A expenses by 3.6%. We believe the Mergerco would minimise its operating costs starting from 2023 for a total amount of THB4.4b, with savings increasing in the following years.

Exhibit 24: Operating cost savings from merger

Sources: DTAC; TRUE; FSSIA estimates

Exhibit 25: Summary of cost and CAPEX savings from merger

	2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Operating cost savings	4,418	4,911	5,268	5,516	5,620
CAPEX savings	3,977	3,777	3,977	4,027	2,447
Total savings	8,395	8,688	9,245	9,543	8,067

Source: FSSIA estimates

2) CAPEX savings

DTAC and TRUE have to invest in their networks separately before the amalgamation announcement. Their total CAPEX per year is around THB40b combined, which is higher than ADVANC which invests around THB30-35b per year. We believe that after the merger, in 2023, the Mergerco would need to spend around THB32b per year, which is still higher than ADVANC but would be lower than their investments separately by about THB4b. Therefore, we believe the Mergerco would save about THB4b per year from the decrease in CAPEX required.

As a result, we expect the Mergerco's earnings in 2023 to hit THB8.6b, higher than the separate net profits of DTAC and TRUE by 153%. Note that our assumption is based on the expectation that the amalgamation would be done at the end of this year. If it is delayed longer than our expectation, the cost and CAPEX savings in 2023 would be lower than our current projection.

Exhibit 26: Assumption of financial performance of Mergerco

	--- DTAC+TRUE financial statement ---			---- Mergerco financial statement ----			----- Change -----		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Operating revenue	231,385	235,238	238,970	231,385	235,238	238,970	0.0	0.0	0.0
Operating expense	(139,529)	(140,128)	(141,083)	(135,111)	(135,217)	(135,815)	(3.2)	(3.5)	(3.7)
EBITDA	91,856	95,109	97,887	96,274	100,021	103,156	4.8	5.2	5.4
Depreciation & amortisation	(72,859)	(73,442)	(73,689)	(70,825)	(70,423)	(69,672)	(2.8)	(4.1)	(5.5)
EBIT	18,997	21,667	24,198	25,449	29,598	33,484	34.0	36.6	38.4
Finance expenses	(22,194)	(22,184)	(22,019)	(22,194)	(22,184)	(22,019)	0.0	0.0	0.0
Other IS Items	3,090	3,239	3,390	3,090	3,239	3,390	0.0	0.0	0.0
Associates	4,017	4,136	4,259	4,017	4,136	4,259	0.0	0.0	0.0
Profit before tax	3,910	6,858	9,829	10,362	14,789	19,115	165.0	115.6	94.5
Tax	(603)	(1,168)	(1,732)	(1,865)	(2,662)	(3,441)	209.4	127.8	98.7
Profit after tax	3,307	5,690	8,098	8,497	12,127	15,674	156.9	113.1	93.6
MI	(80)	(80)	(80)	(80)	(80)	(80)	0.0	0.0	0.0
Net profit	3,387	5,770	8,178	8,577	12,207	15,754	153.2	111.6	92.6

Source: FSSIA estimates

Fair value for Mergerco is THB9

With the expectation that the Mergerco's earnings should grow significantly from 2023 onward and that the cost and CAPEX savings would be around THB9b per year, our 2023 DCF-based fair value for the Mergerco would be THB9, based on the total shares numbering 34.6b. We apply WACC = 7.5% and terminal growth of 1.5%.

Exhibit 27: Mergerco DCF valuation

		2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA		96,274	100,021	103,156	105,887	107,258
(less) tax on EBIT		(1,865)	(2,662)	(3,441)	(4,010)	(4,634)
(less) capex & investments		(63,107)	(61,923)	(63,723)	(66,854)	(66,004)
decrease in working cap		(478)	2,566	1,072	1,414	1,142
Free Cash Flow		31,779	32,869	34,919	33,608	35,477
WACC (%)	7.5					
Terminal growth (%)	1.5					
PV of FCF		31,779	30,576	30,217	27,053	26,565
Enterprise value	600,156					
Net debt+cash	(283,804)					
Equity value	311,784					
No. of shares (m)	34,552					
Equity value / share (THB)	9.0					

Source: FSSIA estimates

Exhibit 28: Mergerco fair value to DTAC's and TRUE's TPs

Swap ratio		Current outstanding shares	No. of new shares in Mergerco	% contribution in Mergerco	Mergerco fair value	Mergerco market cap	% market cap	TP
(1)		(2)	(1)x(2)=(3)	(3)x(4)=(5)	(6)	(4)x(6)=(7)	(5)x(7)=(8)	(8)/(2)=(9)
		(m)	(THB m)	(%)	(THB)	(THB m)	(%)	(THB)
TRUE	0.60018	33,368	20,027	58.0	9.00	311,784	180,715	5.42
DTAC	6.13444	2,368	14,525	42.0	9.00	311,784	131,069	55.35
		Total (4)	34,552					

Note: Rounded up DTAC's TP from THB55.35 to THB55.50 and rounded down TRUE's TP from THB5.42 to THB5.40

Source: FSSIA estimates

Less intense spectrum auction

Mergerco would have a strong spectrum portfolio

Although DTAC and TRUE have a smaller amount of spectrum compared to ADVANC, after the merger, the spectrum amount of the Mergerco would jump significantly, with the company having the highest amount of bandwidth in Thailand. The Mergerco would hold over 350MHz (excluding 26GHz). With a potential subscriber base of 51m subs, the Mergerco would have a spectrum to subscriber ratio of 6.87x, higher than ADVANC at 5.78x.

Exhibit 29: Mobile operators spectrum portfolio (MHz)

	----- Low-band -----				----- Mid-band -----					High-band	Grand total	Ex-26GHz	Subs	Spectrum to subs
	700	850	900	Sub-total	1800	2100	2300	2600	Sub-total	26000				
	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(m)	(MHz)
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
Mergerco	40	30	30	100	40	60	60	90	250	1000	1350	350	51	6.87

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

DTAC would likely benefit from the merger, as it does not yet own a 5G mid-band spectrum since it is now waiting for the 3500MHz spectrum auction. Having a 90MHz bandwidth in the 2600MHz spectrum from TRUE may reduce the pressure of having a lower quality 5G service in the future.

Exhibit 30: DTAC's spectrum portfolio timeline (MHz)

Spectrum (MHz)	Bandwidth (MHz)	----- Year -----													
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
700	10	14 yrs.													
900	5	12 yrs.													
1800	5	12 yrs.													
2100	15	6 yrs.													
2300	60	4 yrs.													
26000	200	14 yrs.													

Sources: DTAC; FSSIA's compilation

TRUE would also benefit in terms of spectrum as TRUE now has the highest amount of bandwidth in the low-band spectrum. Getting more spectrum from DTAC would give TRUE more bargaining power in order to negotiate more aggressively with National Telecom (NT) in order to reduce the 850MHz spectrum rental cost that it currently incurs from NT, with a cost of over THB4b per year. For more details, see our report, [“True Corporation \(TRUE TB\) - Continue to wait and watch”, dated 19 Oct-21](#).

Although if negotiations are unsuccessful, we believe that after the contract expiration in 2025, TRUE may not necessarily rent the 850MHz spectrum after that, as the new company would still own 70MHz in the low-band spectrum, which would still be higher than what ADVANC has.

DTAC has a similar case to the 850MHz spectrum of TRUE. The company rents 2300MHz from TOT for 60MHz. The contract will expire in 2025. We believe that in 2025, if the merger is successful, the Mergerco may need to reduce the amount of bandwidth of 2300MHz or it may decide not to use this spectrum anymore. It will depend on the 3500MHz auction whether the Mergerco wants to get this spectrum or not. At the moment, we expect that the Mergerco may need to participate in the 3500MHz auction for about 30-50MHz in order to increase the service quality for its 51m potential subscribers and to replace the 2300MHz spectrum that will expire in 2025.

Exhibit 31: TRUE's spectrum portfolio timeline (MHz)

Spectrum (MHz)	Bandwidth (MHz)	Year													
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
700	20	14 yrs.													
850	30	4 yrs.													
900	20	9 yrs.													
1800	30	12 yrs.													
2100	30	6 yrs.													
2600	90	14 yrs.													
26000	800	14 yrs.													

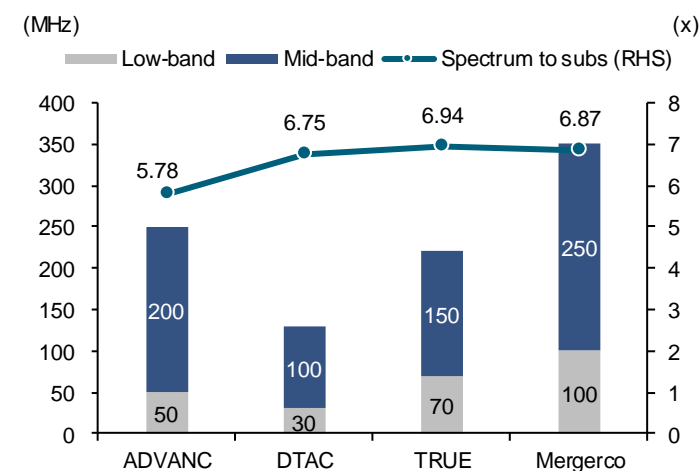
Sources: TRUE; FSSIA compilation

As a result, after 2025, TRUE and DTAC may not be willing to continue their spectrum rentals for 850MHz and 2300MHz. We estimate the cost of these two spectrums to be around THB4b-6b each. If the Mergerco decides not to rent the spectrums after 2025, it would save on costs significantly and still be able to have a competitive service quality compared to ADVANC.

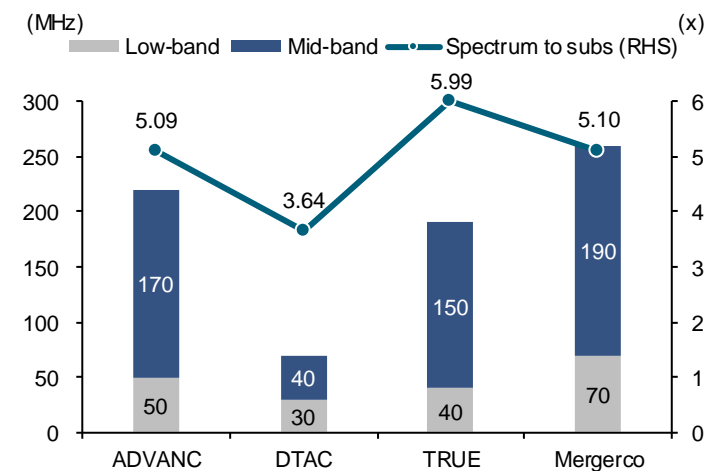
Exhibit 32: Mobile operators spectrum portfolio excluding 850MHz and 2300MHz for Mergerco

	Low-band				Mid-band					High-band	Grand total	Ex-26GHz	Subs	Spectrum to subs
	700	850	900	Sub-total	1800	2100	2300	2600	Sub-total	26000				
	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(MHz)	(m)	(MHz)
ADVANC	30	0	20	50	40	30	0	100	170	1200	1420	220	43	5.09
DTAC	20	0	10	30	10	30	0	0	40	200	270	70	19	3.64
TRUE	20	0	20	40	30	30	0	90	150	800	990	190	32	5.99
Total	70	0	50	120	80	90	0	190	360	2200	2680	480	94	5.10
Mergerco	40	0	30	70	40	60	0	90	190	1000	1260	260	51	5.10

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

Exhibit 33: Spectrum landscape

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

Exhibit 34: Potential spectrum landscape (after 2025)

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

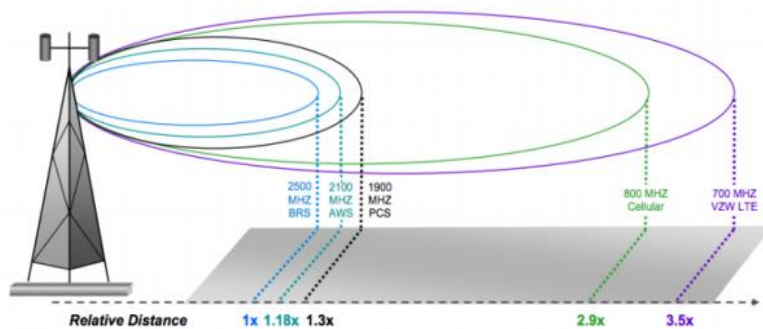
Potentially less spectrum competition for the 3500MHz auction

Given that the merger between DTAC and TRUE is still under consideration, the future spectrum auction may have to wait for the merger to be finalised before the NBTC can set a date for the auction. Therefore, we believe the 3500MHz spectrum and the spectrum that was left from the previous auction should be delayed to early next year after the merger has been resolved.

In this case, we believe there would be no bidding competition, similar to the 2600MHz spectrum that was auctioned in 2019 and finished within just the second round. The final price of the range reached THB1.95b per 10MHz. The amount was only 5% higher than the reserve price of THB1.86b per 10MHz.

3500MHz spectrum price should be lower than 2600MHz. We expect the price per 10MHz for a 3500MHz spectrum license to be less than the 2600MHz price, given that the relative distance for a high spectrum range is lower than a low spectrum range. This means that more cell sites (mobile towers) need to be installed for 3500MHz vs 2600MHz in order to have good coverage. Therefore, we expect the 10MHz bandwidth starting price for the 3500MHz spectrum license to be less than THB1.9b by around 10%, or THB1.7b.

Exhibit 35: Spectrum coverage comparison



Sources: Verizon, NBTC

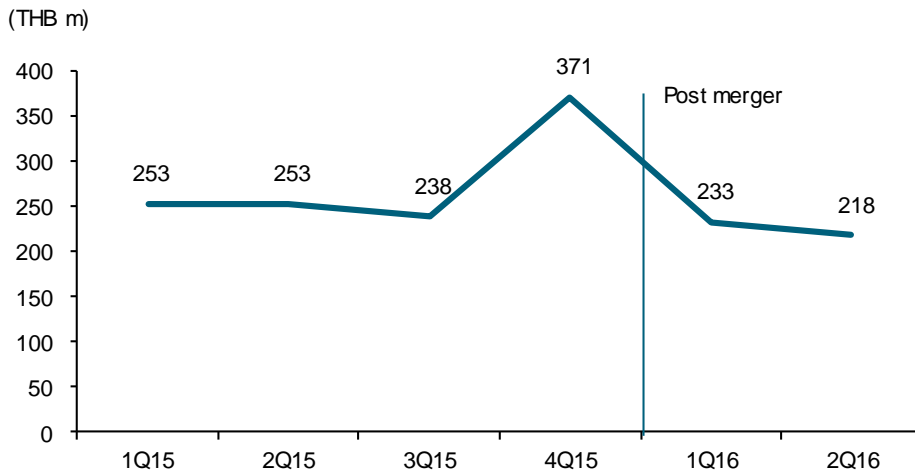
According to the NBTC, there is about 300MHz of bandwidth for the 3500MHz spectrum, which means there should be more than enough for the remaining two operators if the merger goes through. Therefore, with only two operators and more supply than demand, we believe the bidding for 3500MHz should be less competitive compared to any previous auction, directly benefitting the mobile operators.

BEM is a good case study

Bangkok Expressway and Metro (BEM TB, BUY, TP THB9.9) is the merger company between Bangkok Expressway (previously known as BECL) and Bangkok Metro (previously known as BMCL). The merger between these two companies occurred in 2015 and BEM was listed in early 2016.

At that time, the benefit of the merger between BECL and BMCL was only the cost optimisation on staff costs and other costs. Moreover, there is no significant evidence that BEM has been able to optimise its costs more efficiently than in the past. Its quarterly SG&A cost in 1Q16 and 2Q16 reduced by only 10%, or THB20m per quarter, which helped BEM's bottom line by only about 3.5-4%.

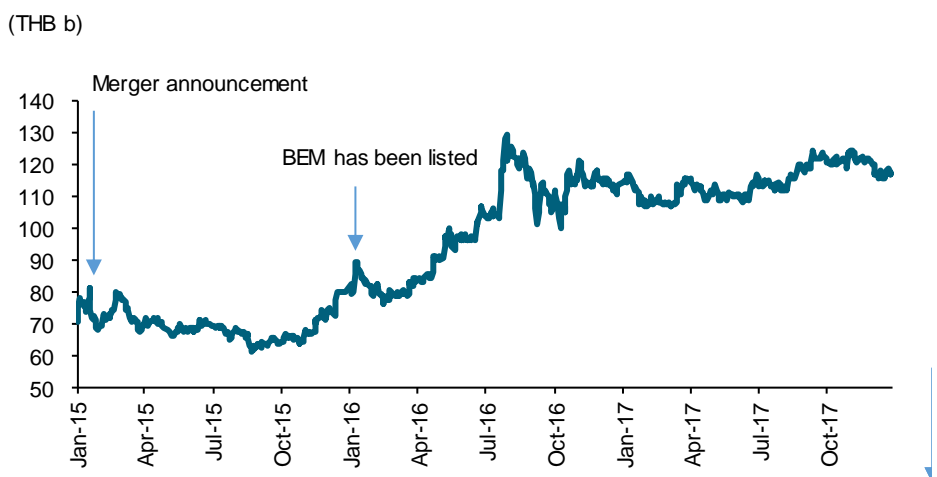
Exhibit 36: BEM's SG&A expense during merger



Sources: BEM; FSSIA compilation

However, despite the minimal benefit from cost optimisation, BEM's share price jumped significantly in 1H16 from THB5.5 since it listed on the SET on Jan-16 to THB6.90 (+25%). We believe there were two key reasons: 1) the stronger outlook on BEM with its healthier balance sheet; and 2) the additional O&M revenue from the mass transit Purple Line that became fully operational in Aug-16.

Exhibit 37: BEM's historical market cap



Sources: BEM; Bloomberg

ADVANCED INFO SERVICE

THAILAND / ICT

ADVANC TB

BUY

UNCHANGED

TARGET PRICE	THB250.00
CLOSE	THB208.00
UP/DOWNSIDE	+20.2%
PRIOR TP	THB260.00
CHANGE IN TP	-3.8%
TP vs CONSENSUS	+1.8%

Market competition intensifies

- Continued red-hot competition threatens previously stable outlook, especially during DTAC-TRUE pre-amalgamation period.
- With this expectation, we cut our earnings estimate in 2022 down to THB27.5b, with only 2% growth y-y.
- Maintain BUY with our new DCF-TP of THB250.

Relentless competition should continue

After seeing the current mobile packages, we have some concerns about the industry's competition outlook during the pre-amalgamation period for Total Access Communication (DTAC TB, BUY, TP THB55.50) and True Corporation (TRUE TB, BUY, TP THB5.40). We think that ADVANC's strategy of mobile subscriber acquisition could continue to pressure its earnings throughout the year. Also, our assumption for average revenue per user (ARPU) has changed. While we previously expected that the competition would stabilise earlier in the year, we now think it could continue for at least one or two more quarters.

Short-term pain for long-term gain

Although the aggressive subscriber acquisition strategy being deployed by ADVANC during pre-amalgamation may hurt the mobile industry's ARPU short term, we believe this is a good strategy for gaining market share that should support the company's long-term sustainability. We think gaining more subscribers now should translate into a higher ARPU when the intense competition eventually dies down.

Earnings estimate cut

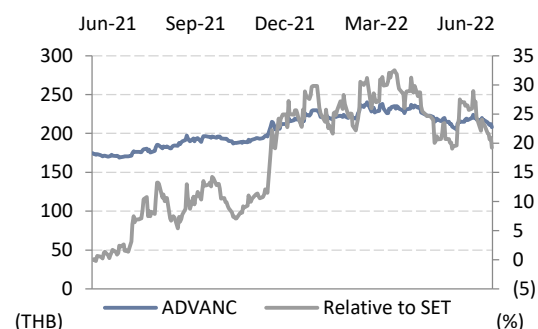
Beyond the intense competition, high inflation and the rising cost of living in Thailand are also having a direct impact on the mobile sector. Hence, we increase our mobile subs projection for ADVANC in 2022 by 0.9% to 45.6m but reduce blended ARPU down from THB224 to THB218 (-2.5%). This leads to a 1% decrease in our revenue forecast in 2022. As a result, we expect the company's earnings in 2022 to amount to THB27.5b, down by 2.8% from our previous expectation. Therefore, we expect that ADVANC's earnings in 2022 may grow only by 1.6% y-y.

Maintain BUY with a new TP of THB250

With the amalgamation not yet finalised, there is still a chance that the deal may be rejected by the National Broadcasting and Telecommunications Commission. We believe that ADVANC remains a strong company that has less downside risk than its peers. We still like ADVANC as having more subscribers supports the company's long-term growth. Maintain BUY with our new TP of THB250.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	181,333	182,872	186,319	188,109
Net profit	26,922	27,504	29,636	31,233
EPS (THB)	9.05	9.25	9.97	10.51
vs Consensus (%)	-	(3.0)	(6.3)	(10.1)
EBITDA	91,408	92,145	94,471	95,671
Core net profit	27,068	27,504	29,636	31,233
Core EPS (THB)	9.10	9.25	9.97	10.51
Chg. In EPS est. (%)	2.3	(2.8)	(3.8)	(4.9)
EPS growth (%)	(0.4)	1.6	7.8	5.4
Core P/E (x)	22.8	22.5	20.9	19.8
Dividend yield (%)	3.7	3.8	4.3	4.8
EV/EBITDA (x)	7.6	7.4	7.1	6.8
Price/book (x)	7.6	7.3	6.9	6.7
Net debt/Equity (%)	89.8	75.6	54.8	38.3
ROE (%)	34.4	33.0	34.0	34.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.3)	(10.0)	19.9
Relative to country (%)	(2.9)	(9.2)	19.3
Mkt cap (USD m)	17,789		
3m avg. daily turnover (USD m)	38.6		
Free float (%)	36		
Major shareholder	Intouch Holdings (40%)		
12m high/low (THB)	242.00/169.00		
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) the benefit of lower competition in the mobile market after the amalgamation of True Corporation (TRUE TB, BUY, TP THB5.40) and Total Access Communication (DTAC TB, BUY, TP THB55.50) in 2022; 3) likely new projects with Gulf Energy Development (GULF TB, BUY, TP THB60); 4) growth in the enterprise sector; and 5) growth in its digital services business.

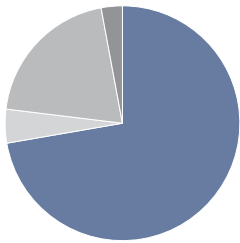
Company profile

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

investor.ais.co.th

Principal activities (revenue, 2021)

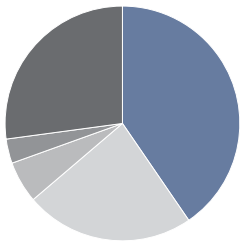
- Mobile - 72.3 %
- Fixed broadband - 4.7 %
- Sale of goods - 20.2 %
- Others - 2.9 %



Source: Advanced Info Service

Major shareholders

- Intouch Holdings - 40.4 %
- Singtel Strategic Investment PTE - 23.3 %
- Thai NVDR - 5.8 %
- Social Security Office - 3.4 %
- Others - 27.1 %



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 3.5-4% p.a.;
- The expectation of less competition in the mobile market after the amalgamation of TRUE and DTAC.

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
Aug-22	2Q22 results announcement

Key assumptions

Key assumption	2021	2022E	2023E	2024E
Total subscribers (m)	44.1	45.6	45.9	46.0
Blended ARPU (THB/sub/mth)	228	218	222	226
Fixed broadband				
FBB subscribers (m)	1.8	2.1	2.4	2.6
ARPU (THB/sub/mth)	444	435	429	422

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in mobile blended ARPU, we project 2022 earnings to rise by 2.2%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2022 earnings to rise by 2.1%, and vice versa, all else being equal.

Source: FSSIA estimates

The competition remains intense

In Apr-22, all three mobile operators announced new mobile packages for pre-paid subscribers. The new starting price plan was only THB100 per month and offered unlimited data at the fixed speed of 15Mbps, together with a huge amount of data available for the voice package. The starting price dropped from the minimum price of THB150 that all three operators had always offered.

We see this as a high competition risk for the mobile operator industry. The new unlimited data package at THB100 is the lowest package that we have ever seen. It is lower than the current pre-paid average revenue per user (ARPU) that had already declined to THB117 in 4Q21. Moreover, the internet speed of 15Mbps is fast enough for consumers who need data for use in daily life. According to the Droidsans website, the 15Mbps speed could have a download speed of 1400-1800KB/s, which enables watching streaming content at a resolution of 2K. For the speed of 20Mbps, the download speed of 1700-2400KB/s enables content streaming at a resolution of 4K.

Although this package may no longer be available at the moment – the current promotion is back to the normal level of THB200 for unlimited data with a fixed speed of 15Mbps – the current promotion is still attractive. We see this as a sign that all mobile operators can still offer this attractive price package if they want to. The current package of THB200 for 15Mbps is still more attractive than the post-paid package. We think this could be the key pressure point to slow down the movement from pre- to post-paid packages.

Exhibit 38: Unlimited fixed speeds on pre-paid packages

	AIS	dtac	True Move H
Internet promotion: Unlimited, max speed 15 Mbps/month	THB100	THB100	THB100
Internet promotion: Unlimited, max speed 20 Mbps/month	-	THB150	THB150
Free calls to all networks	15 mins/time*	Depends on subscription channel	1,000 mins/month
Free SMS	-	-	-
Free WiFi	Applicable*	-	Applicable
Extra charges	Charge THB0.99/min when exceed 15 mins/time	Exceed call charge depends on package	Charge THB0.50/min when exceeding 1,000 mins/month
Other privileges	-	-	Free TrueID Plus account 30 days
Terms and conditions	Mobile number portability / Call centre	Mobile number portability / Call centre	Mobile number portability
Channels for subscription	- Call centre 1175 - Website	- Call centre 1678 - 15 Mbps: call *104*132# - 20 Mbps: call *104*134#	- 15 Mbps: call *900*9726# - 20 Mbps: call *900*9727#
Eligibility period	6 months	6 months	6 months
Application period	No deadline	No deadline	31 Dec 2022

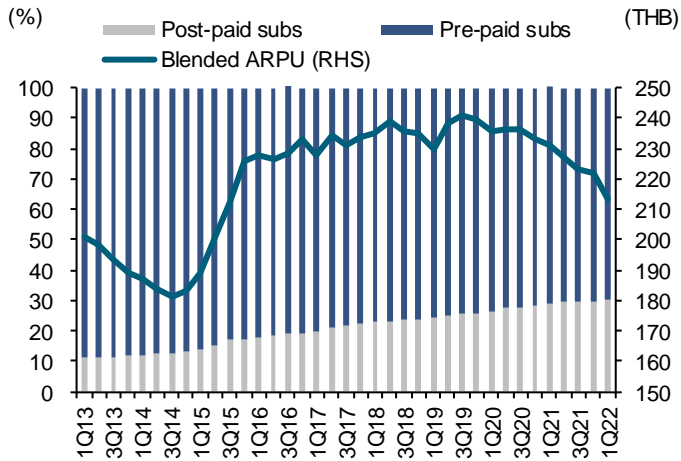
*Must choose either free call 15 mins/time or free WiFi

Source: [Droidsans website](#)

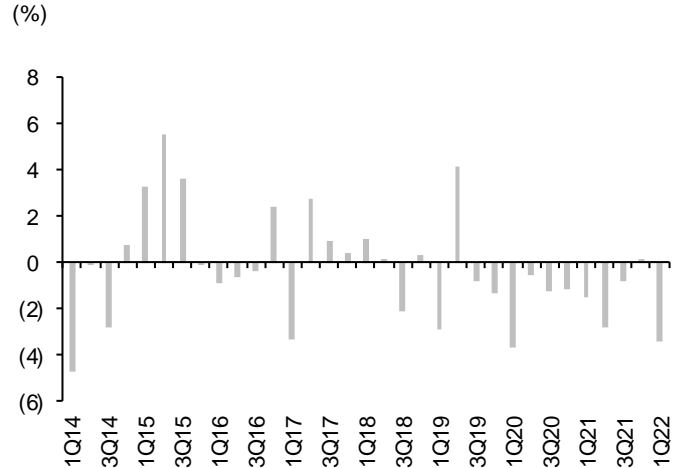
Attractive pre-paid package hurts post-paid package

Although both pre- and post-paid ARPU have been in a downtrend for quite a long time, blended ARPU in Thailand remained unchanged from 2015 to 2020. 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 had previously grown every quarter. The proportion increased from 17.5% in 1Q16 to 29.8% in 3Q21 (5 years).

However, there is the potential that pre- to post-paid will grow in the future. The proportion of post-paid subscribers grew from 29.8% in 3Q21 to just 30% in 1Q22, representing the slowest growth rate in the past five years.

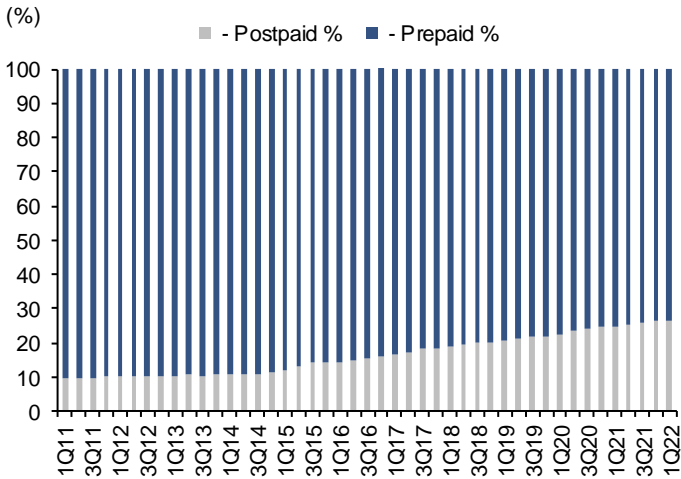
Exhibit 39: Industry pre- and post-paid subscribers and blended ARPU

Sources: ADVANC; DTAC; TRUE; FSSIA compilation

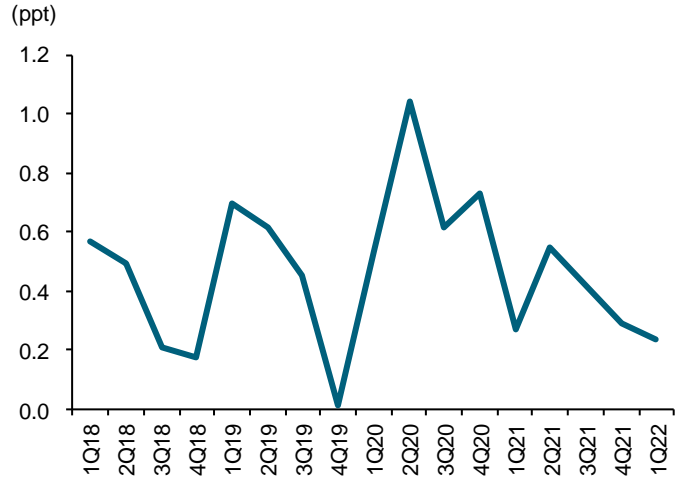
Exhibit 40: ADVANC's blended ARPU q-q growth

Source: ADVANC

We believe this was due to the intense competition in pre-paid services, with every mobile operator offering an attractive price plan with an unlimited fixed speed, as mentioned above. The price of THB200 per month is very attractive. Post-paid customers would have to spend about THB400 per month in order to use the same amount of data as pre-paid. This will likely hurt and slow down the transition of pre- to post-paid subscribers. If the competition remains intense in pre-paid, we believe the growth of the post-paid proportion would be limited. As a result, it would hurt blended ARPU, forcing a continued decline.

Exhibit 41: ADVANC's subscriber proportion by package

Source: ADVANC

Exhibit 42: Change in post-paid contributions to total subscribers

Source: ADVANC

For ADVANC, we see that the proportion of post-paid subs to total subs is currently at 26.4%. It started to grow at a slower rate in 3Q21 despite the 5G promotional campaign, which the company projected to boost its ARPU by about 10-15%. We believe this trend could continue, especially during the amalgamation of DTAC and TRUE. If the industry continues to promote unlimited fixed speed packages for THB200 pre-paid as they did in 4Q19, we think that growth in postpaid subs could stall – as seen in the above exhibits. Furthermore, we believe that growth in the blended ARPU for ADVANC as well as the rest of the mobile industry should continue to slow down.

Competition should continue in 2022 and 2023

Because of the intense competition, unlimited data at fixed speeds, and slower-than-expected 5G subscriber growth, we have changed our view toward the competition in the mobile market. We expect the industry's mobile ARPU to continue to decline until 2023, which differs from our previous expectation in our earlier report, "Thailand ICT - The big turning point", on 23 Nov-21, when we expected that mobile ARPU should start to stabilise in 2022 as well as 2023 thanks to lower competition from the amalgamation.

Better outlook in 2H22

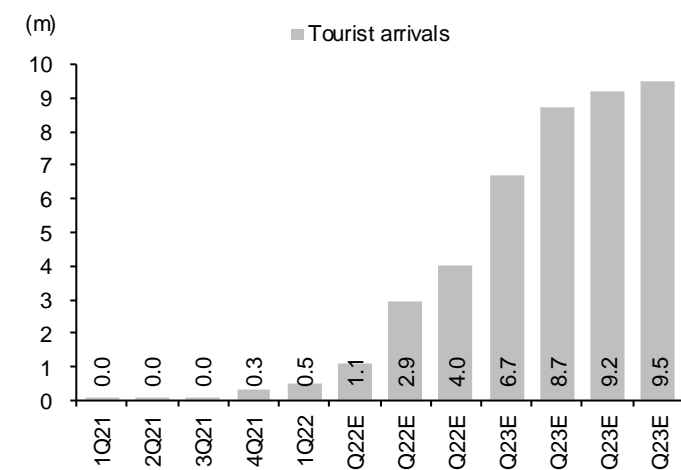
With Thailand's borders re-opening, FSSIA expects tourist arrivals in Thailand this year to reach 8.5m. For this reason, we believe the recovery in sales of sim cards to tourists should be a key support catalyst for mobile service revenue in 2H22 onward. On top of that, Thailand's economy should also start to recover at the same time, and consumer mobile data consumption should rise in line with increased purchasing power. Hence, we expect that mobile service revenue and earnings for ADVANC should start to recover from 2H22 onward.

Exhibit 43: Tourist arrivals forecast



Source: FSSIA estimates

Exhibit 44: Tourist arrivals forecast, quarterly



Source: FSSIA estimates

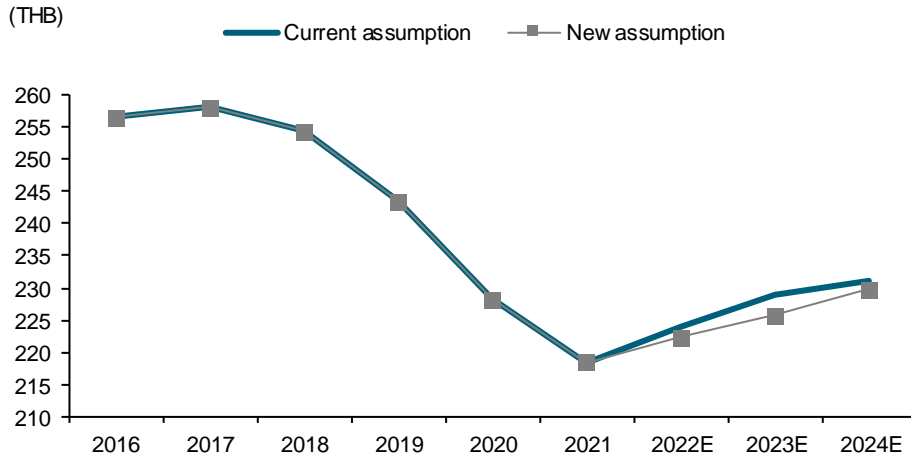
Cuts to earnings estimates

We revise our blended ARPU estimates for ADVANC down by 2.5% in 2022. We project ADVANC's blended ARPU in 2022 at THB218, down from THB228 in 2021. However, thanks to the better-than-expected subscriber acquisition numbers, we increase our total mobile subscriber forecast by 0.9% from 45.2m to 45.6m. This leads to a cut in our revenue estimate by 1% to THB183b. As a result, we expect ADVANC's net profit in 2022 to hit THB27.5b (+1.6% y-y), down by 2.8% from our previous expectation.

Exhibit 45: Key assumption changes

	New		Previous		Change	
	2022E (THB m)	2023E (THB m)	2022E (THB m)	2023E (THB m)	2022E (%)	2023E (%)
Total subscribers (m)	45.6	45.9	45.2	45.5	0.9	0.9
Blended ARPU (THB)	218	222	224	229	(2.5)	(2.9)
Revenue	182,872	186,319	184,320	189,246	(0.8)	(1.5)
Operating expense	(90,727)	(91,847)	(91,213)	(93,433)	(0.5)	(1.7)
EBITDA	92,145	94,471	93,107	95,813	(1.0)	(1.4)
Core net profit	27,504	29,636	28,295	30,813	(2.8)	(3.8)
Margin	(%)	(%)	(%)	(%)	(ppt)	(ppt)
EBITDA margin	50.4	50.7	50.5	50.6	(0.1)	0.1
Net profit margin	15.0	15.9	15.4	16.3	(0.3)	(0.4)

Source: FSSIA estimates

Exhibit 46: New blended ARPU assumption

Sources: ADVANC; FSSIA estimates

Exhibit 47: DCF valuation

		2022E	2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA		80,173	83,366	85,612	89,221	92,732	95,575
(less) tax on EBIT		(6,174)	(6,734)	(7,184)	(7,956)	(8,956)	(9,702)
(less) capex & investments		(30,000)	(25,000)	(24,000)	(37,000)	(37,000)	(37,800)
decrease in working cap		(2,714)	334	(417)	(308)	(287)	385
Free Cash Flow		46,712	51,298	54,844	44,573	47,063	47,689
WACC (%)	7.9						
Terminal growth (%)	2						
PV of FCF		46,712	47,542	47,107	35,482	34,721	32,607
Enterprise value	807,881						
Net debt+cash	(64,239)						
Minority	(126)						
Equity value	743,462						
No. of shares (m)	2,974						
Equity value / share (THB)	250						

Sources: ADVANC; FSSIA estimates

Financial Statements

Advanced Info Service

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	172,890	181,333	182,872	186,319	188,109
Cost of goods sold	(59,112)	(68,225)	(67,896)	(67,763)	(66,885)
Gross profit	113,778	113,108	114,976	118,556	121,224
Other operating income	-	-	-	-	-
Operating costs	(24,380)	(21,700)	(22,831)	(24,085)	(25,553)
Operating EBITDA	89,398	91,408	92,145	94,471	95,671
Depreciation	(51,923)	(53,446)	(53,649)	(53,337)	(52,456)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	37,475	37,962	38,496	41,135	43,214
Net financing costs	(5,917)	(5,626)	(5,448)	(5,370)	(5,370)
Associates	(70)	(141)	20	40	60
Recurring non-operating income	720	704	633	608	576
Non-recurring items	247	(146)	0	0	0
Profit before tax	32,525	32,894	33,681	36,373	38,421
Tax	(5,089)	(5,970)	(6,174)	(6,734)	(7,184)
Profit after tax	27,437	26,924	27,507	29,639	31,236
Minority interests	(3)	(2)	(3)	(3)	(3)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	27,434	26,922	27,504	29,636	31,233
Non-recurring items & goodwill (net)	(247)	146	0	0	0
Recurring net profit	27,187	27,068	27,504	29,636	31,233
Per share (THB)					
Recurring EPS *	9.14	9.10	9.25	9.97	10.51
Reported EPS	9.23	9.05	9.25	9.97	10.51
DPS	6.92	7.69	7.86	8.97	9.98
Diluted shares (used to calculate per share data)	2,973	2,973	2,973	2,973	2,973
Growth					
Revenue (%)	(4.4)	4.9	0.8	1.9	1.0
Operating EBITDA (%)	13.6	2.2	0.8	2.5	1.3
Operating EBIT (%)	(9.2)	1.3	1.4	6.9	5.1
Recurring EPS (%)	(14.9)	(0.4)	1.6	7.8	5.4
Reported EPS (%)	(12.0)	(1.9)	2.2	7.8	5.4
Operating performance					
Gross margin inc. depreciation (%)	35.8	32.9	33.5	35.0	36.6
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	51.7	50.4	50.4	50.7	50.9
Operating EBIT margin (%)	21.7	20.9	21.1	22.1	23.0
Net margin (%)	15.7	14.9	15.0	15.9	16.6
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	75.7	84.5	85.0	90.0	95.0
Interest cover (X)	6.5	6.9	7.2	7.8	8.2
Inventory days	22.2	12.0	11.4	11.5	11.9
Debtor days	38.1	34.6	33.2	33.0	33.2
Creditor days	253.0	229.0	243.3	246.4	251.9
Operating ROIC (%)	37.7	31.6	35.8	42.0	50.6
ROIC (%)	17.3	14.9	15.4	17.9	21.0
ROE (%)	37.5	34.4	33.0	34.0	34.3
ROA (%)	10.3	9.3	9.5	10.5	11.3

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2020	2021	2022E	2023E	2024E
Mobile	131,804	131,064	130,885	133,963	136,078
Fixed broadband	6,959	8,436	10,903	12,049	13,071
Sale of goods	29,574	36,542	35,258	34,157	32,571
Others	4,553	5,291	5,826	6,150	6,389

Sources: Advanced Info Service; FSSIA estimates

Financial Statements

Advanced Info Service

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	27,187	27,068	27,504	29,636	31,233
Depreciation	51,923	53,446	53,649	53,337	52,456
Associates & minorities	-	-	-	-	-
Other non-cash items	8,561	8,824	5,753	5,690	5,706
Change in working capital	(2,041)	(2,704)	(138)	(228)	(384)
Cash flow from operations	85,629	86,634	86,767	88,434	89,011
Capex - maintenance	(16,834)	(15,472)	(20,700)	(17,700)	(17,100)
Capex - new investment	(38,058)	(29,826)	(24,703)	(22,839)	(22,439)
Net acquisitions & disposals	326	220	(302)	(317)	(333)
Other investments (net)	(129)	(274)	(98)	(108)	(119)
Cash flow from investing	(54,694)	(45,352)	(45,803)	(40,964)	(39,990)
Dividends paid	(20,219)	(21,203)	(24,295)	(25,025)	(28,172)
Equity finance	0	0	0	0	0
Debt finance	4,071	(10,185)	(10,000)	0	0
Other financing cash flows	(15,977)	(15,575)	(7,478)	(7,299)	(7,202)
Cash flow from financing	(32,124)	(46,963)	(41,773)	(32,324)	(35,374)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(95)	(316)	0	0	0
Movement in cash	(1,284)	(5,997)	(809)	15,147	13,647
Free cash flow to firm (FCFF)	36,851.58	46,907.64	46,411.95	52,840.41	54,391.34
Free cash flow to equity (FCFE)	18,934.34	15,205.98	23,486.13	40,171.74	41,819.08
Per share (THB)					
FCFF per share	12.39	15.77	15.61	17.77	18.29
FCFE per share	6.37	5.11	7.90	13.51	14.06
Recurring cash flow per share	29.49	30.05	29.23	29.82	30.07
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	337,010	359,999	390,499	417,999	444,499
Less: Accumulated depreciation	(155,769)	(191,581)	(230,188)	(268,530)	(306,025)
Tangible fixed assets (net)	181,241	168,418	160,311	149,469	138,474
Intangible fixed assets (net)	120,224	145,521	134,478	121,484	108,522
Long-term financial assets	110	210	210	210	210
Invest. in associates & subsidiaries	831	983	1,081	1,189	1,308
Cash & equivalents	20,342	14,345	13,535	28,682	42,329
A/C receivable	17,781	16,552	16,693	17,007	17,171
Inventories	2,372	2,104	2,122	2,162	2,183
Other current assets	1,660	2,565	2,587	2,635	2,661
Current assets	42,155	35,566	34,937	50,487	64,343
Other assets	5,610	5,524	5,959	6,449	6,974
Total assets	350,171	356,222	336,976	329,288	319,833
Common equity	75,564	81,699	84,907	89,518	92,579
Minorities etc.	125	126	129	132	135
Total shareholders' equity	75,689	81,825	85,036	89,649	92,714
Long term debt	79,301	73,697	65,697	65,697	65,697
Other long-term liabilities	101,367	108,832	95,825	82,942	67,182
Long-term liabilities	180,668	182,529	161,521	148,639	132,879
A/C payable	40,571	45,055	45,457	46,019	46,315
Short term debt	18,748	14,132	12,132	12,132	12,132
Other current liabilities	34,494	32,681	32,830	32,850	35,794
Current liabilities	93,813	91,868	90,419	91,000	94,240
Total liabilities and shareholders' equity	350,171	356,222	336,976	329,288	319,833
Net working capital	(53,251)	(56,515)	(56,886)	(57,063)	(60,094)
Invested capital	254,765	264,141	245,153	221,738	195,395
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	25.42	27.48	28.56	30.11	31.14
Tangible book value per share	(15.02)	(21.47)	(16.67)	(10.75)	(5.36)
Financial strength					
Net debt/equity (%)	102.7	89.8	75.6	54.8	38.3
Net debt/total assets (%)	22.2	20.6	19.1	14.9	11.1
Current ratio (x)	0.4	0.4	0.4	0.6	0.7
CF interest cover (x)	10.6	9.0	9.8	12.7	13.0
Valuation					
Recurring P/E (x) *	22.7	22.8	22.5	20.9	19.8
Recurring P/E @ target price (x) *	27.3	27.5	27.0	25.1	23.8
Reported P/E (x)	22.5	23.0	22.5	20.9	19.8
Dividend yield (%)	3.3	3.7	3.8	4.3	4.8
Price/book (x)	8.2	7.6	7.3	6.9	6.7
Price/tangible book (x)	(13.8)	(9.7)	(12.5)	(19.3)	(38.8)
EV/EBITDA (x) **	7.8	7.6	7.4	7.1	6.8
EV/EBITDA @ target price (x) **	9.2	8.9	8.8	8.4	8.1
EV/invested capital (x)	2.7	2.6	2.8	3.0	3.3
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Advanced Info Service; FSSIA estimates

TOTAL ACCESS COMMUNICATION

THAILAND / ICT

DTAC TB

BUY

FROM HOLD

TARGET PRICE	THB55.50
CLOSE	THB44.75
UP/DOWNSIDE	+24.0%
PRIOR TP	THB42.00
CHANGE IN TP	+32.1%
TP vs CONSENSUS	+2.2%

The real winner from the merger

- No individual positive catalysts for the short term; catalysts for the next six months will be based on the amalgamation.
- Expect 80% probability that the merger could be successful.
- Upgrade to BUY with 2023 TP of THB55.50, based on the expectation that the amalgamation is successful.

Competition could continue to pressure the industry

We believe the mobile service industry could face intense competition throughout the year. Unlimited fixed speeds, with a high internet speed of 15Mbps at the price of THB200 per month will be the key pressure point to drag down average revenue per user (ARPU), in our view. Although the recovery of the Thai economy and tourist arrivals could boost the industry's revenue, the high competition may offset these benefits, resulting in continually weak mobile revenue. As a result, we expect DTAC's revenue to be flat in 2022, while its net profit should grow by only 4% to THB3,551m.

NBTC is the final stage

Though DTAC's earnings outlook is unexciting, the market has overlooked this issue, in our opinion. DTAC's share price movement is now 100% based on the amalgamation with True Corporation (TRUE TB, BUY, TP THB5.40). The amalgamation is still under consideration by the National Broadcasting and Telecommunications Commission (NBTC). We expect the final decision from the NBTC to come out around Jul-22; delayed by about one month from the previous timeline.

80% probability that the merger could be successful

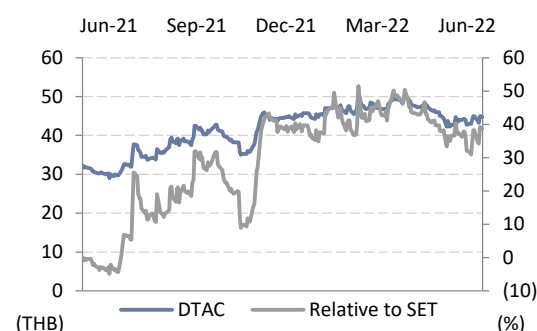
We believe there is an 80% probability that the amalgamation could be successful. The NBTC will likely allow this transaction but will monitor the competition closely. Moreover, we expect the competition to continue to pressure industry ARPU until 2023. Therefore, we have not increased our revenue estimate for the Mergerco due to the competition offset. The key merger catalyst would mainly be from the cost and CAPEX savings that we expect to be around THB9b in 2023 onward.

Upgrade to BUY with a new 2023 TP of THB55.50

We upgrade our 2023 DCF-TP to THB55.50 on the amalgamation. We include the potential synergy, cost and CAPEX savings from the merger into our TP. We prefer DTAC over TRUE, if the amalgamation is successful as 1) DTAC has the potential to pay an interim dividend this year before the merger; 2) the conversion ratio of DTAC to Mergerco is slightly better than TRUE; and 3) there is a smaller downside risk if the merger is not successful – we expect a TP downside for DTAC of THB39.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	81,321	81,388	83,772	84,615
Net profit	3,356	3,551	3,253	4,074
EPS (THB)	1.42	1.50	1.37	1.72
vs Consensus (%)	-	(8.0)	(28.0)	(24.7)
EBITDA	29,989	30,005	31,272	32,331
Core net profit	3,422	3,551	3,253	4,074
Core EPS (THB)	1.45	1.50	1.37	1.72
Chg. In EPS est. (%)	nm	(21.8)	(23.1)	nm
EPS growth (%)	(37.2)	3.8	(8.4)	25.2
Core P/E (x)	31.0	29.8	32.6	26.0
Dividend yield (%)	4.7	4.0	3.1	3.8
EV/EBITDA (x)	5.4	5.4	5.1	5.0
Price/book (x)	5.3	5.5	5.7	5.6
Net debt/Equity (%)	275.3	289.6	294.9	285.7
ROE (%)	15.4	18.1	17.3	21.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.3	(4.3)	42.1
Relative to country (%)	1.7	(3.4)	41.4
Mkt cap (USD m)	3,047		
3m avg. daily turnover (USD m)	10.2		
Free float (%)	29		
Major shareholder	Telenor Asia PTE LTD (46%)		
12m high/low (THB)	51.50/28.75		
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%, operated by Telenor, the mobile operator across the Nordics and Asia.

DTAC and True Corporation (TRUE TB, BUY, TP THB5.40) agreed to amalgamate, thus becoming the biggest mobile operator in Thailand, in terms of mobile subscribers. The amalgamation should create a huge synergy value, CAPEX and cost savings that should make the Megerco grow significantly in the future.

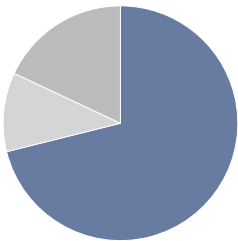
Company profile

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, 2021)

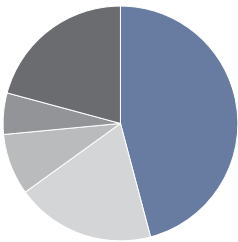
- Mobile service revenue - 71.1 %
- Handsets and starter kits sales - 10.9 %
- Other operating income - 18.0 %



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;
- Cost and CAPEX savings from the amalgamation.

Risks to our call

The key downside risks to our DCF-based TP are if the amalgamation between DTAC and TRUE is unable to proceed, if there is stronger-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 Jul-22	2Q22 results announcement

Key assumptions

Key assumption	2021	2022E	2023E	2024E
Total subscribers (m)	19.56	20.11	20.76	20.79
Postpaid (m)	6.19	6.25	6.28	6.38
Prepaid (m)	13.38	13.86	14.48	14.41
Blended ARPU (THB/sub/mth)	242	228	225	226
Postpaid APRU (THB/sub/mth)	497	485	485	485
Prepaid APRU (THB/sub/mth)	124	112	112	112

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in mobile blended ARPU, we project 2022 earnings to rise by 5.7%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2022 earnings to rise by 4.1%, and vice versa, all else being equal.

Source: FSSIA estimates

DTAC is the real winner from the merger

If the amalgamation between DTAC and TRUE gets approval from the NBTC, we believe that investing in DTAC over TRUE would be the better choice as:

4) DTAC offers more upside to shareholders if converting DTAC's shares to the Mergerco

According to the swap ratio for 1 existing share in DTAC to 6.13444 shares in the Mergerco compared to TRUE for 0.60018 share in Mergerco, the current share price of DTAC will offer more shares for the Mergerco over TRUE. For example, investing in DTAC at the current share price of THB44.75 will net 6.13444 shares in the Mergerco. Investing ten shares in TRUE at the current share price of THB4.62 will convert to only 6.0018 Mergerco shares, which is 4% less than DTAC.

Exhibit 48: Mergerco swap ratio

	Swap ratio (1)	Current outstanding shares (2) (m)	No. of new share in Mergerco (1)x(2)=(3) (THB m)	% contribution in Mergerco (3)x(4)=(5) (%)	Current share price (THB)	Mergerco price (4)x(5)=(6) (THB)
TRUE	0.60018	33,368	20,027	58.0	4.62	7.70
DTAC	6.13444	2,368	14,525	42.0	44.75	7.29
		Total Mergerco shares (4)	34,552			Discount = 5.23%

Sources: DTAC; TRUE; FSSIA compilation

5) DTAC could offer one last dividend before merging

Despite the delay in the consideration from the NBTC that has delayed the amalgamation between DTAC and TRUE and shifted the tender offer date for one month, which may occur in Sep-22, we believe this would be an opportunity for DTAC to pay its interim dividend for one last time in 2022 before merging with TRUE. DTAC typically pays an interim dividend around late July to early Aug. Therefore, thanks to the delay, we have more confidence that DTAC will be able to pay a THB0.9 dividend per share to its shareholders (120% payout ratio) after 2Q22 results are announced.

In comparison, TRUE always pays a dividend once a year after the end of the year. Therefore, DTAC's shareholders would get about a 2% dividend yield before the merger.

6) DTAC has a smaller downside if the deal is rejected by the NBTC

If the amalgamation cannot proceed because the NBTC does not approve the merger, DTAC's and TRUE's share prices would fall significantly. We believe the current share prices of both companies have already priced in the expectation of the merger. DTAC's and TRUE's current share prices are higher than the pre-merger announcement by over 7%.

Based on our DCF-valuation, if the DTAC and TRUE merger cannot proceed, the TPs of both companies would fall to THB39 and THB3.8, respectively. In this case, DTAC would have a smaller downside compared to TRUE. The company's current share price would have only a 13% downside, while TRUE would have an 18% downside.

This is due to the expectation that the Mergerco would be able to reduce its cost of operations significantly, which mainly come from the cost of TRUE. If the merger cannot proceed, the potential for TRUE to reduce its costs may be small and slow, which may cause TRUE to continue to make a loss until 2023. For DTAC, on the other hand, the company has already minimised its losses, so it would likely be able to enjoy a profit in the future.

Exhibit 49: DTAC and TRUE – upside and downside based on the amalgamation

	TP if unable to merger (THB)	Downside (%)	Current share price (THB)	Mergerco TP (THB)	Upside (%)	Tender offer price (THB)	Upside (%)
DTAC	39	(13)	44.75	55.50	24	47.76	7
TRUE	3.8	(18)	4.62	5.40	17	5.09	10

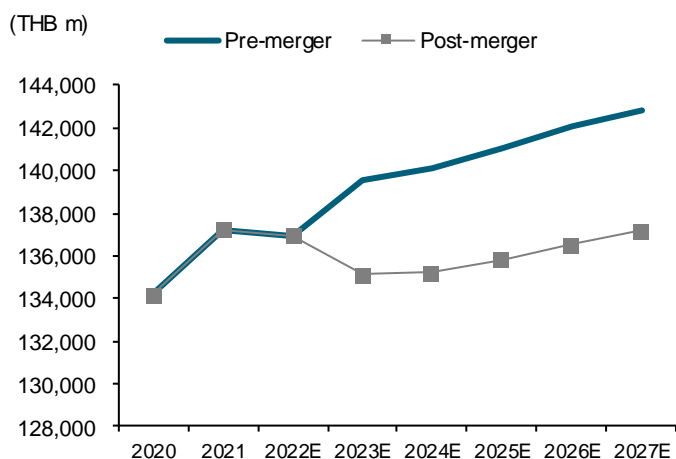
Sources: DTAC; TRUE; FSSIA estimates

Mergerco would have strong earnings growth

Based on our assumption of the Mergerco's financial performance, we conservatively maintain our revenue forecast on the Mergerco going forward. We believe the key driver will come from the cost savings as we estimate that the operating costs of DTAC and TRUE are a lot higher than for Advanced Info Service (ADVANC TB, BUY, TP THB250) by over 70%, based on the separate financial performance forecasts for each company in 2023. Therefore, the first task of the Mergerco would be to minimise its costs starting from 2023 onward, in our view. We can break down the two main benefits from the cost savings as follows:

3) Operating cost savings

For the cost side, we reduce our operating expense estimate for 2023 mainly from network OPEX, cost of services, and SG&A expenses by 3.6%. We believe the Mergerco would minimise its operating costs starting from 2023 for a total amount of THB4.4b, with savings increasing in the following years.

Exhibit 50: Operating cost savings from merger

Sources: DTAC; TRUE; FSSIA estimates

Exhibit 51: Summary of cost and CAPEX savings from merger

	2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Operating cost savings	4,418	4,911	5,268	5,516	5,620
CAPEX savings	3,977	3,777	3,977	4,027	2,447
Total savings	8,395	8,688	9,245	9,543	8,067

Source: FSSIA estimates

4) CAPEX savings

DTAC and TRUE have to invest in their networks separately before the amalgamation announcement. Their total CAPEX per year is around THB40b combined, which is higher than ADVANC which invests around THB30-35b per year. We believe that after the merger, in 2023, the Mergerco would need to spend around THB32b per year, which is still higher than ADVANC but would be lower than their investments separately by about THB4b. Therefore, we believe the Mergerco would save about THB4b per year from the decrease in CAPEX required.

As a result, we expect the Mergerco's earnings in 2023 to hit THB8.6b, higher than the separate net profits of DTAC and TRUE by 153%. Note that our assumption is based on the expectation that the amalgamation would be done at the end of this year. If it is delayed longer than our expectation, the cost and CAPEX savings in 2023 would be lower than our current projection.

Exhibit 52: Assumption of financial performance of Mergerco

	--- DTAC+TRUE financial statement ---			----- Mergerco financial statement -----			----- Change -----		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Operating revenue	231,385	235,238	238,970	231,385	235,238	238,970	0.0	0.0	0.0
Operating expense	(139,529)	(140,128)	(141,083)	(135,111)	(135,217)	(135,815)	(3.2)	(3.5)	(3.7)
EBITDA	91,856	95,109	97,887	96,274	100,021	103,156	4.8	5.2	5.4
Depreciation & amortisation	(72,859)	(73,442)	(73,689)	(70,825)	(70,423)	(69,672)	(2.8)	(4.1)	(5.5)
EBIT	18,997	21,667	24,198	25,449	29,598	33,484	34.0	36.6	38.4
Finance expenses	(22,194)	(22,184)	(22,019)	(22,194)	(22,184)	(22,019)	0.0	0.0	0.0
Other IS Items	3,090	3,239	3,390	3,090	3,239	3,390	0.0	0.0	0.0
Associates	4,017	4,136	4,259	4,017	4,136	4,259	0.0	0.0	0.0
Profit before tax	3,910	6,858	9,829	10,362	14,789	19,115	165.0	115.6	94.5
Tax	(603)	(1,168)	(1,732)	(1,865)	(2,662)	(3,441)	209.4	127.8	98.7
Profit after tax	3,307	5,690	8,098	8,497	12,127	15,674	156.9	113.1	93.6
MI	(80)	(80)	(80)	(80)	(80)	(80)	0.0	0.0	0.0
Net profit	3,387	5,770	8,178	8,577	12,207	15,754	153.2	111.6	92.6

Source: FSSIA estimates

Fair value for Mergerco is THB9

With the expectation that the Mergerco's earnings should grow significantly from 2023 onward and that the cost and CAPEX savings would be around THB9b per year, our 2023 DCF-based fair value for the Mergerco would be THB9, based on the total shares numbering 34.6b. We apply WACC = 7.5% and terminal growth of 1.5%.

Exhibit 53: Mergerco DCF valuation

		2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA		96,274	100,021	103,156	105,887	107,258
(less) tax on EBIT		(1,865)	(2,662)	(3,441)	(4,010)	(4,634)
(less) capex & investments		(63,107)	(61,923)	(63,723)	(66,854)	(66,004)
decrease in working cap		(478)	2,566	1,072	1,414	1,142
Free Cash Flow		31,779	32,869	34,919	33,608	35,477
WACC (%)	7.5					
Terminal growth (%)	1.5					
PV of FCF		31,779	30,576	30,217	27,053	26,565
Enterprise value	600,156					
Net debt+cash	(283,804)					
Equity value	311,784					
No. of shares (m)	34,552					
Equity value / share (THB)	9.0					

Source: FSSIA estimates

Exhibit 54: Mergerco fair value to DTAC's and TRUE's TPs

	Swap ratio	Current outstanding shares	No. of new shares in Mergerco	% contribution in Mergerco	Mergerco fair value	Mergerco market cap	% market cap	TP
	(1)	(2)	(1)x(2)=(3)	(3)x(4)=(5)	(6)	(4)x(6)=(7)	(5)x(7)=(8)	(8)/(2)=(9)
		(m)	(THB m)	(%)	(THB)	(THB m)	(%)	(THB)
TRUE	0.60018	33,368	20,027	58.0	9.00	311,784	180,715	5.42
DTAC	6.13444	2,368	14,525	42.0	9.00	311,784	131,069	55.35
		Total (4)	34,552					

Note: Rounded up DTAC's TP from THB55.35 to THB55.50 and rounded down TRUE's TP from THB5.42 to THB5.40

Source: FSSIA estimates

The competition remains intense

In Apr-22, all three mobile operators announced new mobile packages for pre-paid subscribers. The new starting price plan was only THB100 per month and offered unlimited data at the fixed speed of 15Mbps, together with a huge amount of data available for the voice package. The starting price dropped from the minimum price of THB150 that all three operators had always offered.

We see this as a high competition risk for the mobile operator industry. The new unlimited data package at THB100 is the lowest package that we have ever seen. It is lower than the current pre-paid ARPU that had already declined to THB117 in 4Q21. Moreover, the internet speed of 15Mbps is fast enough for consumers who need data for use in daily life. According to the Droidsans website, the 15Mbps speed could have a download speed of 1400-1800KB/s, which enables watching streaming content at a resolution of 2K. For the speed of 20Mbps, the download speed of 1700-2400KB/s enables content streaming at a resolution of 4K.

Although this package may no longer be available at the moment – the current promotion is back to the normal level of THB200 for unlimited data with a fixed speed of 15Mbps – the current promotion is still attractive. We see this as a sign that all mobile operators can still offer this attractive price package if they want to. The current package of THB200 for 15Mbps is still more attractive than the post-paid package. We think this could be the key pressure point to slow down the movement from pre- to post-paid packages.

Exhibit 55: Unlimited fixed speeds on pre-paid packages

	AIS	dtac	True Move H
Internet promotion: Unlimited, max speed 15 Mbps/month	THB100	THB100	THB100
Internet promotion: Unlimited, max speed 20 Mbps/month	-	THB150	THB150
Free calls to all networks	15 mins/time*	Depends on subscription channel	1,000 mins/month
Free SMS	-	-	-
Free WiFi	Applicable*	-	Applicable
Extra charges	Charge THB0.99/min when exceed 15 mins/time	Exceed call charge depends on package	Charge THB0.50/min when exceeding 1,000 mins/month
Other privileges	-	-	Free TrueID Plus account 30 days
Terms and conditions	Mobile number portability / Call centre	Mobile number portability / Call centre	Mobile number portability
Channels for subscription	- Call centre 1175 - Website	- Call centre 1678 - 15 Mbps: call *104*132# - 20 Mbps: call *104*134#	- 15 Mbps: call *900*9726# - 20 Mbps: call *900*9727#
Eligibility period	6 months	6 months	6 months
Application period	No deadline	No deadline	31 Dec 2022

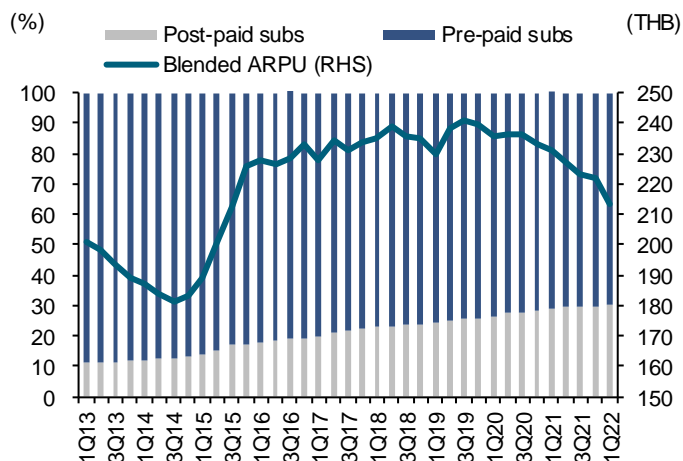
*Must choose either free call 15 mins/time or free WiFi

Source: [Droidsans website](#)

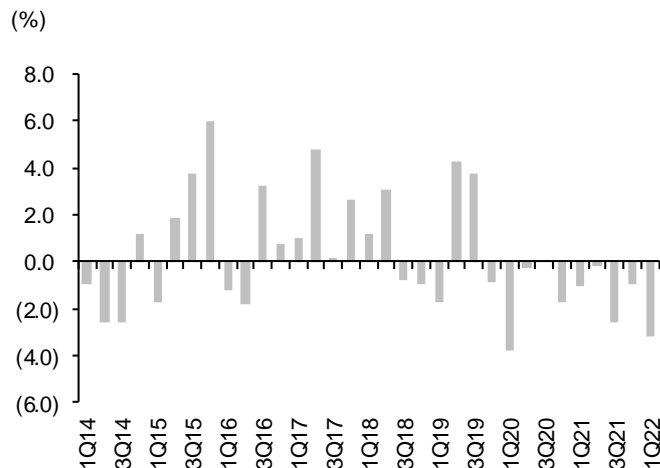
Attractive pre-paid package hurts post-paid package

Although both pre- and post-paid ARPU have been in a downtrend for quite a long time, blended ARPU in Thailand remained unchanged from 2015 to 2020. 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 had previously grown every quarter. The proportion increased from 17.5% in 1Q16 to 29.8% in 3Q21 (5 years).

However, there is the potential that pre- to post-paid will grow in the future. The proportion of post-paid subscribers grew from 29.8% in 3Q21 to just 30% in 1Q22, representing the slowest growth rate in the past five years.

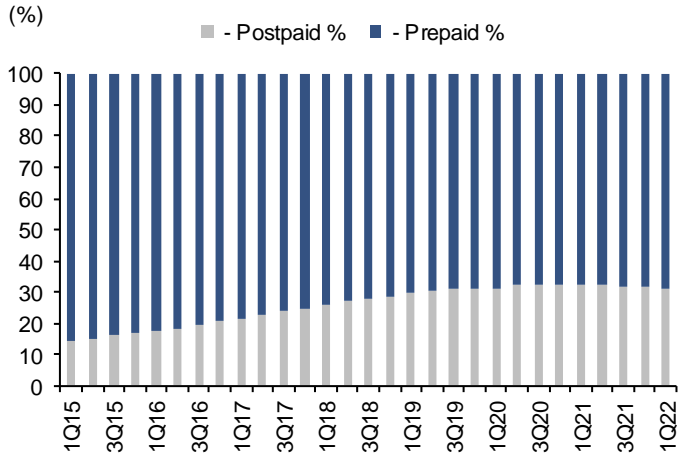
Exhibit 56: Industry pre- and post-paid subscribers and blended ARPU

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

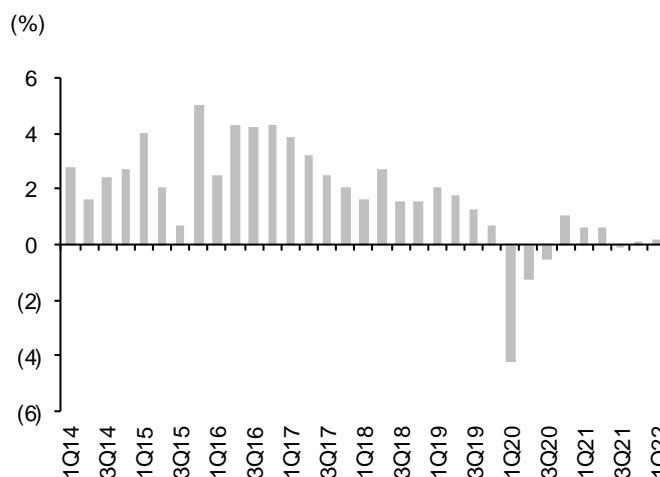
Exhibit 57: DTAC's blended ARPU q-q growth

Source: DTAC

We believe this was due to the intense competition in pre-paid services, with every mobile operator offering an attractive price plan with an unlimited fixed speed, as mentioned above. The price of THB200 per month is very attractive. Post-paid customers would have to spend about THB400 per month in order to use the same amount of data as pre-paid. This will likely hurt and slow down the transition of pre- to post-paid subscribers. If the competition remains intense in pre-paid, we believe the growth of the post-paid proportion would be limited. As a result, it would hurt blended ARPU, forcing a continued decline.

Exhibit 58: DTAC's subscriber proportion by package

Source: DTAC

Exhibit 59: Change in post-paid contributions to total subscribers

Source: DTAC

DTAC has the weakest pre- to post-paid growth in the industry

Compared to the industry, DTAC is the only company that had a declining pre-to-post transition. The company's post-paid subscriber proportion was at 31.2% in 1Q22, declining from its peak in 4Q20 at 32.4%, while other operators' pre-to-post figures still had a tiny amount of growth. We believe this is because DTAC doesn't have full 5G services, as the company lacks a 5G mid-band spectrum, unlike ADVANC and TRUE. This is the key weakness for DTAC in the future, in our opinion.

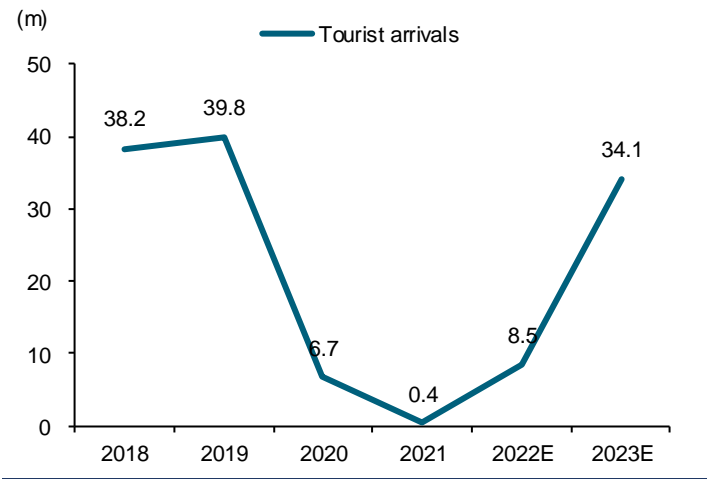
Competition should continue in 2022 and 2023

Because of the intense competition, unlimited data fixed speeds, and slower-than-expected 5G subscriber growth, we have changed our view toward the competition in the mobile market. We expect the industry’s mobile ARPU to continue to decline until 2023, which differs from our previous expectation in our earlier report, “Thailand ICT - The big turning point”, on 23 Nov-21, when we expected that mobile ARPU should start to stabilise in 2022 as well as 2023 thanks to lower competition from the amalgamation.

Better outlook in 2H22

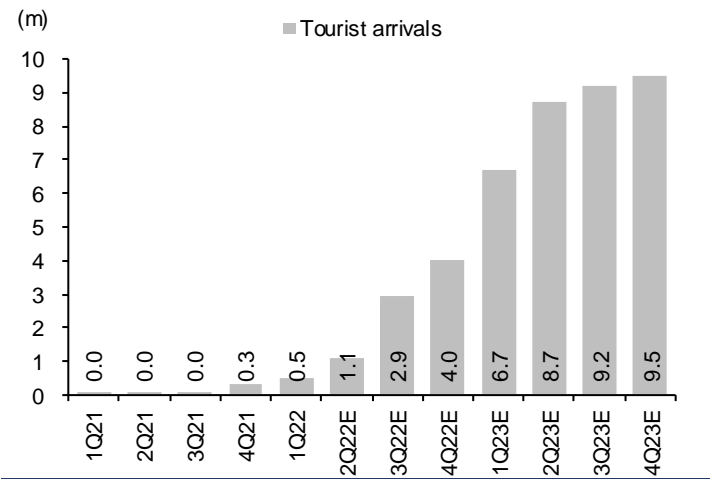
With Thailand’s border re-opening, FSSIA expects 8.5m tourist arrivals to Thailand this year. We believe the recovery in tourist sims should be a key support catalyst for mobile service revenue in 2H22 onward. On top of that, the Thai economy should also start to recover at the same time. Consumers should consume more mobile data after they have more purchasing power. Hence, we expect that mobile service revenue and earnings for DTAC should start to recover from 2H22 onward. Moreover, DTAC has the biggest tourist sim contribution to its mobile service revenue out of the covered operators. We believe DTAC will be the largest beneficiary of the tourist arrival recovery.

Exhibit 60: Tourist arrivals forecast



Source: FSSIA estimates

Exhibit 61: Tourist arrivals forecast, quarterly



Source: FSSIA estimates

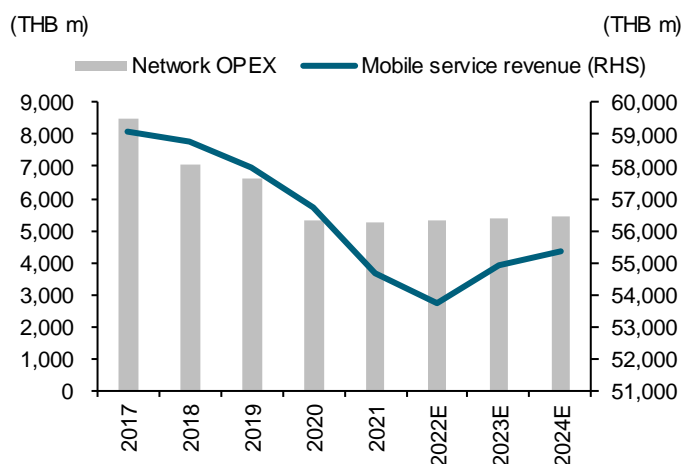
ARPU slowdown

With all of the downsides we've mentioned above, we revise down our ARPU assumption on DTAC from THB255 in 2022 to THB228, but increase the number of subscribers slightly to 20.1m thanks to the better-than-expected subscriber growth in 1Q22 that should continue for the rest of the year, driven by the tourist arrival recovery. These factors prompt us to cut our 2022 revenue estimate by 2% to THB81b, flattish from last year and in line with management's expectation for operating revenue to be flat or experience low single-digit growth.

Higher operating cost

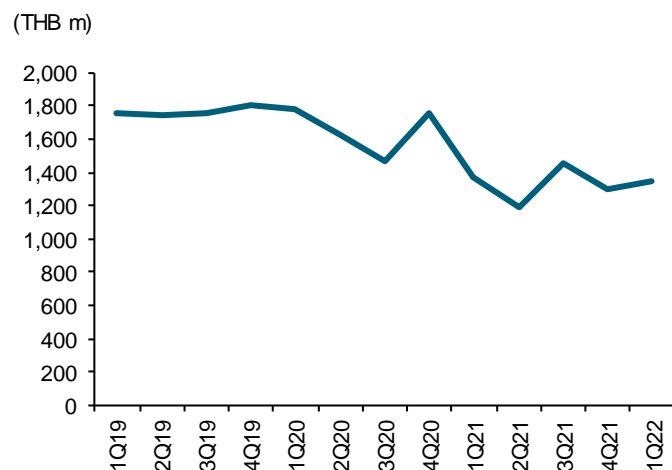
On the cost side, DTAC has shown solid cost efficiency management that has led its network OPEX to drop continually since 2017, especially in 2020 on the back of Covid. The company was able to minimise its costs by 20% y-y in 2020 to THB5.3b, compared to THB6.6b in 2019. However, after DTAC started to roll out its 700MHz network in late 2020 until 2021, its network OPEX started to pick up in 2H21 from its bottom in 2Q21. Its network OPEX in 2021 fell only 2% y-y to THB5.2b. This indicates that the cost optimisation that DTAC has aggressively implemented since 2020 may reach its saturation point. It would be a very challenging task for the company to continue to reduce its network OPEX in 2022, in our view, as its cost may have already reached the bottom, and it still has to continue its network rollout.

Exhibit 62: Yearly network OPEX vs mobile service revenue



Sources: DTAC; FSSIA estimates

Exhibit 63: Quarterly network OPEX



Source: DTAC

For this reason, we increase our operating cost assumption in 2022. DTAC may face a higher utility expense as Thailand has increased utility costs due to the rising oil price. On top of that, we believe other operating and SG&A expenses may start to be more stable as the company has tried to reduce its costs for almost two years. As a result, we expect DTAC's net profit in 2022 to be at THB3.55b (+4% y-y), lower than our previous expectation by 20%.

Exhibit 64: Key assumption changes

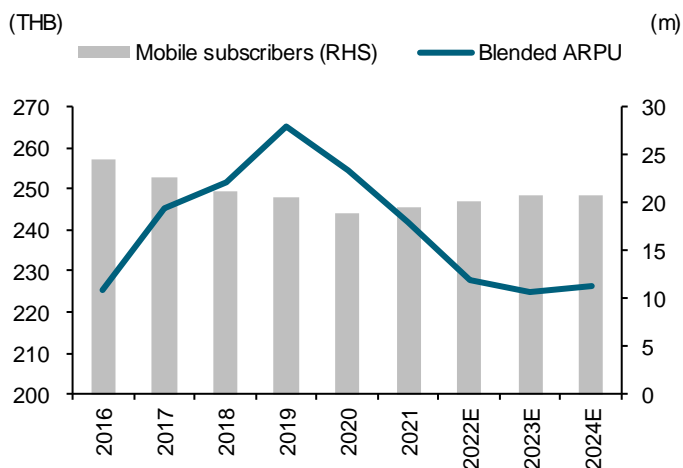
	Current		Previous		Change	
	2022E (THB m)	2023E (THB m)	2022E (THB m)	2023E (THB m)	2022E (THB m)	2023E (THB m)
Total subscribers (m)	20.1	20.8	19.7	19.7	2.3	5.7
Blended ARPU (THB/sub/mth)	228	225	255	258	(10.6)	(12.9)
Revenue	81,388	83,772	82,987	84,362	(1.9)	(0.7)
EBITDA	30,005	31,272	31,190	31,577	(3.8)	(1.0)
Core profit	3,551	3,253	4,441	4,498	(20.0)	(27.7)
Margin	(%)	(%)	(%)	(%)	(ppt)	(ppt)
EBITDA margin	36.9	37.3	37.6	37.4	(0.7)	(0.1)
NPM	4.4	3.9	5.4	5.3	(1.0)	(1.4)

Source: FSSIA estimates

Slowdown to continue in 2023 if the amalgamation cannot proceed

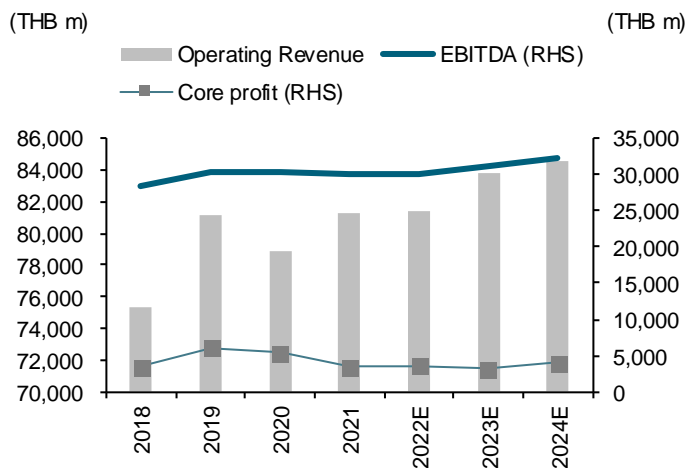
If the amalgamation is unable to proceed (we expect only a 20% possibility that this deal may not be approved by the NBTC), DTAC may face higher costs in 2023 as it may have to participate the 3500Mhz spectrum auction that is expected to be held in early 2023. The higher amortisation cost from new spectrum is already projected in DTAC's financial performance. Therefore, we expect that the company's earnings in 2023 would decline due to the higher network OPEX and higher amortisation expense. DTAC's 2023 net profit (not including the expectation of cost savings from amalgamation) should fall from 2022 by 8% y-y to THB3.25b.

Exhibit 65: DTAC's mobile subs and ARPU



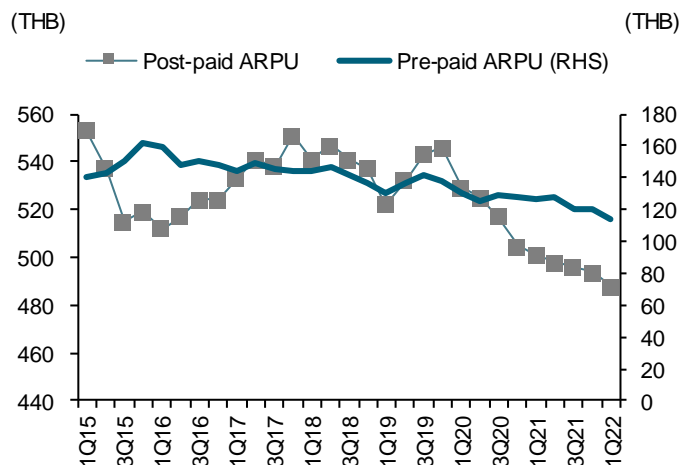
Sources: DTAC; FSSIA estimates

Exhibit 66: Operating revenue, EBITDA, and core profit



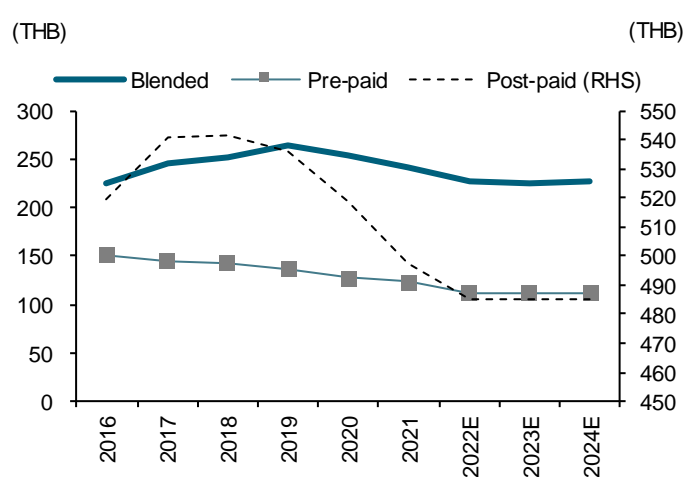
Sources: DTAC; FSSIA estimates

Exhibit 67: Post-paid and pre-paid ARPU trend



Source: DTAC

Exhibit 68: ARPU forecasts



Sources: DTAC; FSSIA estimates

Financial Statements

Total Access Communication

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	78,818	81,321	81,388	83,772	84,615
Cost of goods sold	(35,878)	(39,191)	(39,338)	(40,210)	(39,938)
Gross profit	42,940	42,130	42,050	43,562	44,677
Other operating income	-	-	-	-	-
Operating costs	(12,747)	(12,141)	(12,045)	(12,289)	(12,345)
Operating EBITDA	30,193	29,989	30,005	31,272	32,331
Depreciation	(20,951)	(22,478)	(22,871)	(24,597)	(24,775)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	9,242	7,511	7,134	6,675	7,557
Net financing costs	(2,859)	(2,830)	(2,736)	(2,665)	(2,608)
Associates	(12)	121	40	40	40
Recurring non-operating income	(79)	(667)	(210)	(160)	(110)
Non-recurring items	(344)	(66)	0	0	0
Profit before tax	5,960	3,948	4,188	3,850	4,838
Tax	(853)	(592)	(637)	(597)	(764)
Profit after tax	5,107	3,356	3,551	3,253	4,074
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,107	3,356	3,551	3,253	4,074
Non-recurring items & goodwill (net)	344	66	0	0	0
Recurring net profit	5,451	3,422	3,551	3,253	4,074
Per share (THB)					
Recurring EPS *	2.30	1.45	1.50	1.37	1.72
Reported EPS	2.16	1.42	1.50	1.37	1.72
DPS	2.99	2.10	1.80	1.37	1.72
Diluted shares (used to calculate per share data)	2,368	2,368	2,368	2,368	2,368
Growth					
Revenue (%)	(2.9)	3.2	0.1	2.9	1.0
Operating EBITDA (%)	(0.7)	(0.7)	0.1	4.2	3.4
Operating EBIT (%)	(11.3)	(18.7)	(5.0)	(6.4)	13.2
Recurring EPS (%)	(10.2)	(37.2)	3.8	(8.4)	25.2
Reported EPS (%)	(5.8)	(34.3)	5.8	(8.4)	25.2
Operating performance					
Gross margin inc. depreciation (%)	27.9	24.2	23.6	22.6	23.5
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	38.3	36.9	36.9	37.3	38.2
Operating EBIT margin (%)	11.7	9.2	8.8	8.0	8.9
Net margin (%)	6.9	4.2	4.4	3.9	4.8
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	129.9	145.3	120.0	100.0	100.0
Interest cover (X)	3.2	2.4	2.5	2.4	2.9
Inventory days	8.8	9.0	12.1	12.0	12.4
Debtor days	45.6	45.2	46.0	45.4	45.8
Creditor days	365.1	304.7	294.0	300.2	307.1
Operating ROIC (%)	19.8	19.6	23.4	22.5	25.9
ROIC (%)	7.6	5.5	5.9	5.6	6.5
ROE (%)	22.1	15.4	18.1	17.3	21.7
ROA (%)	4.9	3.7	3.9	3.7	4.3

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2020	2021	2022E	2023E	2024E
Mobile service revenue	59,993	57,825	57,204	59,075	59,772
Handsets and starter kits sales	6,980	8,847	8,949	8,929	8,523
Other operating income	11,845	14,649	15,235	15,768	16,320

Sources: Total Access Communication; FSSIA estimates

Financial Statements

Total Access Communication

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	5,451	3,422	3,551	3,253	4,074
Depreciation	20,951	22,478	22,871	24,597	24,775
Associates & minorities	-	-	-	-	-
Other non-cash items	(1,129)	(295)	514	58	(11)
Change in working capital	668	889	(465)	174	(271)
Cash flow from operations	25,942	26,494	26,471	28,083	28,566
Capex - maintenance	(3,932)	(6,408)	(6,760)	(6,760)	(6,760)
Capex - new investment	(16,815)	(15,720)	(15,054)	(16,936)	(17,552)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(38)	214	257	(143)	(50)
Cash flow from investing	(20,786)	(21,914)	(21,557)	(23,839)	(24,362)
Dividends paid	(5,872)	(7,506)	(4,617)	(3,757)	(3,664)
Equity finance	0	342	(93)	0	0
Debt finance	4,000	5,500	(2,100)	(1,480)	(1,184)
Other financing cash flows	(5,165)	(5,988)	0	0	0
Cash flow from financing	(7,037)	(7,651)	(6,810)	(5,237)	(4,848)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(1,881)	(3,072)	(1,896)	(993)	(644)
Free cash flow to firm (FCFF)	8,014.84	7,409.66	7,650.12	6,909.15	6,812.01
Free cash flow to equity (FCFE)	3,990.76	4,092.00	2,813.94	2,764.01	3,019.70
Per share (THB)					
FCFF per share	3.38	3.13	3.23	2.92	2.88
FCFE per share	1.69	1.73	1.19	1.17	1.28
Recurring cash flow per share	10.67	10.81	11.38	11.79	12.18
Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	138,226	119,550	131,550	143,550	155,550
Less: Accumulated depreciation	(65,422)	(65,779)	(77,111)	(89,215)	(101,479)
Tangible fixed assets (net)	72,804	53,772	54,439	54,335	54,072
Intangible fixed assets (net)	63,877	76,517	69,971	74,698	67,087
Long-term financial assets	4,819	4,395	4,395	4,395	4,395
Invest. in associates & subsidiaries	233	228	228	228	228
Cash & equivalents	6,647	3,575	1,680	686	42
A/C receivable	9,889	10,250	10,258	10,559	10,665
Inventories	634	1,307	1,308	1,346	1,360
Other current assets	4,553	4,595	4,496	4,592	4,625
Current assets	21,722	19,727	17,742	17,183	16,692
Other assets	10,825	9,676	9,420	9,563	9,613
Total assets	174,280	164,315	156,195	160,402	152,086
Common equity	24,315	20,167	19,102	18,598	19,008
Minorities etc.	0	0	0	0	0
Total shareholders' equity	24,315	20,167	19,102	18,598	19,008
Long term debt	47,641	51,078	45,328	44,588	43,996
Other long-term liabilities	53,898	45,973	39,690	44,656	37,233
Long-term liabilities	101,539	97,051	85,019	89,245	81,229
A/C payable	34,551	30,879	32,488	33,662	33,554
Short term debt	6,485	8,025	11,675	10,935	10,343
Other current liabilities	7,390	8,191	7,912	7,962	7,952
Current liabilities	48,426	47,096	52,075	52,559	51,849
Total liabilities and shareholders' equity	174,281	164,315	156,195	160,402	152,086
Net working capital	(26,866)	(22,919)	(24,337)	(25,127)	(24,856)
Invested capital	125,692	121,668	114,116	118,092	110,539
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.27	8.52	8.07	7.85	8.03
Tangible book value per share	(16.71)	(23.80)	(21.48)	(23.69)	(20.31)
Financial strength					
Net debt/equity (%)	195.3	275.3	289.6	294.9	285.7
Net debt/total assets (%)	27.2	33.8	35.4	34.2	35.7
Current ratio (x)	0.4	0.4	0.3	0.3	0.3
CF interest cover (x)	8.3	8.0	7.5	8.4	8.9
Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	19.4	31.0	29.8	32.6	26.0
Recurring P/E @ target price (x) *	24.1	38.4	37.0	40.4	32.3
Reported P/E (x)	20.7	31.6	29.8	32.6	26.0
Dividend yield (%)	6.7	4.7	4.0	3.1	3.8
Price/book (x)	4.4	5.3	5.5	5.7	5.6
Price/tangible book (x)	(2.7)	(1.9)	(2.1)	(1.9)	(2.2)
EV/EBITDA (x) **	5.1	5.4	5.4	5.1	5.0
EV/EBITDA @ target price (x) **	5.9	6.2	6.2	6.0	5.7
EV/invested capital (x)	1.2	1.3	1.4	1.4	1.4
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Total Access Communication; FSSIA estimates

TRUE CORPORATION

THAILAND / ICT

TRUE TB

BUY

FROM HOLD

Selling at TO price is the key idea

- We think TRUE will book a core loss in 2022 of THB3.5b.
- TRUE is the better choice if investors are looking for a short-term upside thanks to a better tender offer price.
- Upgrade to BUY with our revised 2023 TP of THB5.40. Note that we prefer DTAC over TRUE if the merger can proceed.

Competition expected to hurt industry, leading to earnings cut

We believe the mobile service industry could face intense competition throughout the year. This would be the key pressure point on TRUE's outlook. For this reason, along with its weak performance in 1Q22, we increase our forecast for TRUE's core loss in 2022 to THB3.5b, higher than our previous expectation of a THB448m loss. We expect its reported net loss to be slightly better at THB2.1b thanks to its disposal of Digital Telecommunication Infrastructure Fund (DIF TB, NR) shares that will allow the company to recognise an extra gain of THB1.4b in 2Q22.

Amalgamation is the key catalyst

Although TRUE's earnings should remain in the red in 2022 with no clear recovery signs for their performance, we believe its share price should stay at this level thanks the expected amalgamation with Total Access Communication (DTAC TB, BUY, TP THB55.50). We expect the final decision from the NBTC to be announced in Jul-22 – delayed by about one month from the previous timeline.

Selling TRUE at the TO price is the only key investment idea

Regarding the amalgamation, TRUE has one key catalyst: the tender offer price (TO) for TRUE at THB5.09 vs DTAC at THB47.76. If investors bought both companies at the current share price, TRUE would give a higher upside. Therefore, TRUE would be a better choice for investors looking for a short-term upside based on the tender expected to be held in Sep-22. DTAC, on the other hand, is the better choice if investors want a synergy value from the Mergerco due to 1) DTAC's potential to pay an interim dividend this year before the merger; 2) the conversion ratio of DTAC to the Mergerco is slightly better than TRUE; and 3) there is a smaller downside risk if the merger is not successful.

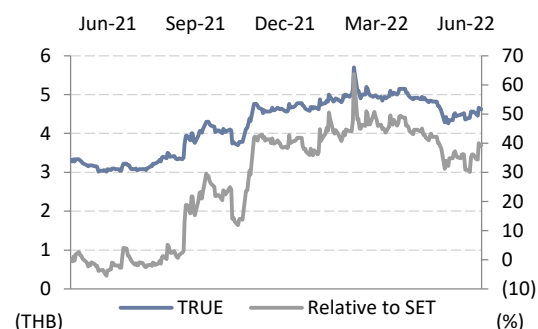
Upgrade to BUY with our revised 2023 TP of THB5.40

We increase our 2023 TP for TRUE to THB5.40 from THB4.20 based on the amalgamation. The expected TP for the Mergerco in 2023 is THB9. We also upgrade our recommendation to BUY from Hold. However, the projected upside for TRUE is slightly lower than for DTAC's TP. We prefer DTAC over TRUE if the merger can proceed. TRUE is a better choice just for selling the shares at the TO price, in our view.

TARGET PRICE	THB5.40
CLOSE	THB4.62
UP/DOWNSIDE	+16.9%
PRIOR TP	THB4.20
CHANGE IN TP	+28.6%
TP vs CONSENSUS	-5.8%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	143,655	143,429	147,613	150,623
Net profit	(1,428)	(2,095)	134	1,696
EPS (THB)	(0.04)	(0.06)	0.00	0.05
vs Consensus (%)	-	nm	nm	(28.6)
EBITDA	57,761	57,850	60,583	62,778
Core net profit	(2,887)	(3,495)	134	1,696
Core EPS (THB)	(0.09)	(0.10)	0.00	0.05
Chg. In EPS est. (%)	nm	nm	(92.2)	nm
EPS growth (%)	nm	nm	nm	1,168.4
Core P/E (x)	(53.4)	(44.1)	1,153.1	90.9
Dividend yield (%)	1.5	-	2.2	2.6
EV/EBITDA (x)	6.8	6.6	6.3	6.1
Price/book (x)	1.9	2.0	2.1	2.1
Net debt/Equity (%)	287.9	291.5	305.3	314.0
ROE (%)	(3.5)	(4.4)	0.2	2.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.5	(6.9)	45.3
Relative to country (%)	3.9	(6.0)	44.6
Mkt cap (USD m)	4,433		
3m avg. daily turnover (USD m)	17.6		
Free float (%)	32		
Major shareholder	Charoen Pokphand Group (18%)		
12m high/low (THB)	5.70/3.00		
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 and has been a loss-making company on its core bottom line.

Total Access Communication (DTAC TB, BUY, TP THB55.50) and TRUE agreed to do an amalgamation, which would create the biggest mobile operator in Thailand, in terms of the number of mobile subscribers. The amalgamation would create a huge synergy value from CAPEX and cost savings that could make the Mergerco grow significantly in the future.

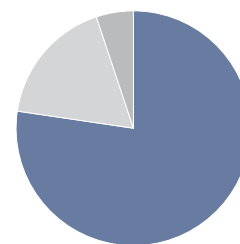
Company profile

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, 2021)

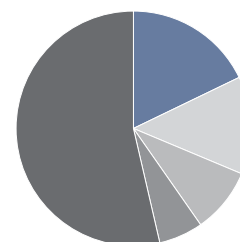
- True Move H - 77.3 %
- True Online - 17.6 %
- True Visions - 5.1 %



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

- Aggressive cost minimisation should help the company finally turn a profit in 2023;
- Cost and CAPEX savings from the amalgamation.

Risks to our call

The key downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are worse than our expectation, if the company can reduce its costs worse than we expect, and if there is a slower-than-expected adoption of 5G use cases.

Event calendar

Date	Event
Aug-22	2Q22 results announcement

Key assumptions

Key assumptions	2021	2022E	2023E	2024E
Total subscribers (m)	32.2	33.4	33.6	33.7
Blended ARPU (THB/sub/mth)	217	210	214	218
Fixed broadband				
FBB subscribers (m)	4.6	5.0	5.2	5.5
ARPU (THB/sub/mth)	507	491	488	485

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in mobile blended ARPU, we project 2022 earnings to rise by 1.8%, and vice versa, all else being equal.
- For every 1% increase in mobile subscribers, we project 2022 earnings to rise by 1.6%, and vice versa, all else being equal.

Source: FSSIA estimates

Higher upside on TO is the only key catalyst

We prefer DTAC over TRUE if the amalgamation is successful, as stated in our latest report, "TOTAL ACCESS COMMUNICATION (DTAC TB) - The real winner from the merger", dated 13 Jun-22. This is due to 1) DTAC offering more upside to shareholders if DTAC's shares are converted to the Mergerco; 2) DTAC could offer a dividend one last time before transforming into the Mergerco; and 3) less downside if the deal gets rejected by the National Broadcasting and Telecommunications Commission (NBTC).

On the other hand, if we look at TRUE from the same perspective as DTAC, it means that TRUE is less attractive for the same three reasons that created key catalysts for DTAC. Although the second reason, DTAC's potential for offering an interim dividend, also applies to TRUE, it is less likely. TRUE could offer a special dividend thanks to the DIF disposal, but we think the odds of this happening are minimal.

For the first and third reasons, TRUE is less attractive compared to DTAC as its swap ratio to the Mergerco is lower than DTAC's, and the company also has a higher downside risk if the merger cannot proceed. In this case, TRUE's TP would be THB3.80, reflecting an 18% downside, much higher than for DTAC, which we think has only a 13% downside.

Therefore, the only key catalyst for investing in the company regarding the amalgamation is the company's better potential upside on the tender offer (TO) price. The tender offer price for TRUE is at THB5.09 compared to DTAC at THB47.76. If we invest in TRUE at the current share price of THB4.62 vs DTAC at THB44.75 and sell at the TO price, TRUE would provide a 10% upside, while DTAC would give only a 7% upside.

Therefore, we can conclude that if investors are looking for a short-term investment with the aim of locking in a profit via the TO for the next 3-4 months, TRUE is the better choice. We expect the amalgamation to gain approval from the NBTC, and the TO will be held on Sep-22. On the other hand, if investors are looking to convert any shares of DTAC or TRUE into the Mergerco and expect that the new share price would price in the potential synergies on cost and CAPEX savings in the future, DTAC is the better choice because it has a better swap ratio.

Exhibit 69: DTAC and TRUE – upside and downside based on the amalgamation

	TP if unable to merger (THB)	Downside (%)	Current share price (THB)	Mergerco TP (THB)	Upside (%)	Tender offer price (THB)	Upside (%)
DTAC	39	(13)	44.75	55.50	24	47.76	7
TRUE	3.8	(18)	4.62	5.40	17	5.09	10

Sources: DTAC; TRUE; FSSIA estimates

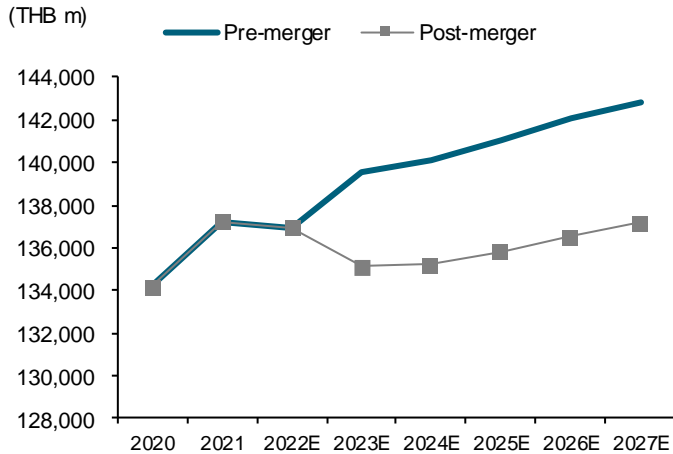
Mergerco would have strong earnings growth

Based on our assumption of the Mergerco's financial performance, we conservatively maintain our revenue forecast on the Mergerco going forward. We believe the key driver will come from the cost savings as we estimate that the operating costs of DTAC and TRUE are a lot higher than for Advanced Info Service (ADVANC TB, BUY, TP THB250) by over 70%, based on the separate financial performance forecasts for each company in 2023. Therefore, the first task of the Mergerco would be to minimise its costs starting from 2023 onward, in our view. We can break down the two main benefits from the cost savings as follows:

5) Operating cost savings

For the cost side, we reduce our operating expense estimate for 2023 mainly from network OPEX, cost of services, and SG&A expenses by 3.6%. We believe the Mergerco would minimise its operating costs starting from 2023 for a total amount of THB4.4b, with savings increasing in the following years.

Exhibit 70: Operating cost savings from merger



Sources: DTAC; TRUE; FSSIA estimates

Exhibit 71: Summary of cost and CAPEX savings from merger

	2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Operating cost savings	4,418	4,911	5,268	5,516	5,620
CAPEX savings	3,977	3,777	3,977	4,027	2,447
Total savings	8,395	8,688	9,245	9,543	8,067

Source: FSSIA estimates

6) CAPEX savings

DTAC and TRUE have to invest in their networks separately before the amalgamation announcement. Their total CAPEX per year is around THB40b combined, which is higher than ADVANC which invests around THB30-35b per year. We believe that after the merger, in 2023, the Mergerco would need to spend around THB32b per year, which is still higher than ADVANC but would be lower than their investments separately by about THB4b. Therefore, we believe the Mergerco would save about THB4b per year from the decrease in CAPEX required.

As a result, we expect the Mergerco's earnings in 2023 to hit THB8.6b, higher than the separate net profits of DTAC and TRUE by 153%. Note that our assumption is based on the expectation that the amalgamation would be done at the end of this year. If it is delayed longer than our expectation, the cost and CAPEX savings in 2023 would be lower than our current projection.

Exhibit 72: Assumption of financial performance of Mergerco

	--- DTAC+TRUE financial statement ---			----- Mergerco financial statement -----			----- Change -----		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Operating revenue	231,385	235,238	238,970	231,385	235,238	238,970	0.0	0.0	0.0
Operating expense	(139,529)	(140,128)	(141,083)	(135,111)	(135,217)	(135,815)	(3.2)	(3.5)	(3.7)
EBITDA	91,856	95,109	97,887	96,274	100,021	103,156	4.8	5.2	5.4
Depreciation & amortisation	(72,859)	(73,442)	(73,689)	(70,825)	(70,423)	(69,672)	(2.8)	(4.1)	(5.5)
EBIT	18,997	21,667	24,198	25,449	29,598	33,484	34.0	36.6	38.4
Finance expenses	(22,194)	(22,184)	(22,019)	(22,194)	(22,184)	(22,019)	0.0	0.0	0.0
Other IS Items	3,090	3,239	3,390	3,090	3,239	3,390	0.0	0.0	0.0
Associates	4,017	4,136	4,259	4,017	4,136	4,259	0.0	0.0	0.0
Profit before tax	3,910	6,858	9,829	10,362	14,789	19,115	165.0	115.6	94.5
Tax	(603)	(1,168)	(1,732)	(1,865)	(2,662)	(3,441)	209.4	127.8	98.7
Profit after tax	3,307	5,690	8,098	8,497	12,127	15,674	156.9	113.1	93.6
MI	(80)	(80)	(80)	(80)	(80)	(80)	0.0	0.0	0.0
Net profit	3,387	5,770	8,178	8,577	12,207	15,754	153.2	111.6	92.6

Source: FSSIA estimates

Fair value for Mergerco is THB9

With the expectation that the Mergerco's earnings should grow significantly from 2023 onward and that the cost and CAPEX savings would be around THB9b per year, our 2023 DCF-based fair value for the Mergerco would be THB9, based on the total shares numbering 34.6b. We apply WACC = 7.5% and terminal growth of 1.5%.

Exhibit 73: Mergerco DCF valuation

		2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA		96,274	100,021	103,156	105,887	107,258
(less) tax on EBIT		(1,865)	(2,662)	(3,441)	(4,010)	(4,634)
(less) capex & investments		(63,107)	(61,923)	(63,723)	(66,854)	(66,004)
decrease in working cap		(478)	2,566	1,072	1,414	1,142
Free Cash Flow		31,779	32,869	34,919	33,608	35,477
WACC (%)	7.5					
Terminal growth (%)	1.5					
PV of FCF		31,779	30,576	30,217	27,053	26,565
Enterprise value	600,156					
Net debt+cash	(283,804)					
Equity value	311,784					
No. of shares (m)	34,552					
Equity value / share (THB)	9.0					

Source: FSSIA estimates

Exhibit 74: Mergerco fair value to DTAC's and TRUE's TPs

	Swap ratio	Current outstanding shares	No. of new shares in Mergerco	% contribution in Mergerco	Mergerco fair value	Mergerco market cap	% market cap	TP
	(1)	(2)	(1)x(2)=(3)	(3)x(4)=(5)	(6)	(4)x(6)=(7)	(5)x(7)=(8)	(8)/(2)=(9)
		(m)	(THB m)	(%)	(THB)	(THB m)	(%)	(THB)
TRUE	0.60018	33,368	20,027	58.0	9.00	311,784	180,715	5.42
DTAC	6.13444	2,368	14,525	42.0	9.00	311,784	131,069	55.35
		Total (4)	34,552					

Note: Rounded up DTAC's TP from THB55.35 to THB55.50 and rounded down TRUE's TP from THB5.42 to THB5.40

Source: FSSIA estimates

Slowdown to continue in 2023 if the amalgamation cannot proceed

As we mentioned earlier regarding the cost reductions of over THB4b per year after the amalgamation, these will mainly come from reduced costs on TRUE's side. Of the two companies, TRUE has been loss-making for years due to its higher costs and financial expenses. Despite having just 20% lower revenue than ADVANC in 2021, the two companies' bottom lines are very different. For example, ADVANC's net profit hit THB26b in 2021, while TRUE lost THB2.9b over the same period.

If the amalgamation is unable to proceed (we expect only a 20% possibility that the deal would not be approved by the NBTC), TRUE may try to reduce costs on its own. In our view, this is unlikely to be as effective as via amalgamation. Therefore, we expect TRUE to turn a tiny profit in 2023 of THB134m, if the company cannot merge with DTAC. Therefore, our 2023 TP for TRUE would fall to THB3.80.

The competition remains intense

In Apr-22, all three mobile operators announced new mobile packages for pre-paid subscribers. The new starting price plan was only THB100 per month and offered unlimited data at the fixed speed of 15Mbps, together with a huge amount of data available for the voice package. The starting price dropped from the minimum price of THB150 that all three operators had always offered.

We see this as a high competition risk for the mobile operator industry. The new unlimited data package at THB100 is the lowest package that we have ever seen. It is lower than the current pre-paid average revenue per user (ARPU) that had already declined to THB117 in 4Q21. Moreover, the internet speed of 15Mbps is fast enough for consumers who need data for use in daily life. According to the Droidsans website, the 15Mbps speed could have a download speed of 1400-1800KB/s, which enables watching streaming content at a resolution of 2K. For the speed of 20Mbps, the download speed of 1700-2400KB/s enables content streaming at a resolution of 4K.

Although this package may no longer be available at the moment – the current promotion is back to the normal level of THB200 for unlimited data with a fixed speed of 15Mbps – the current promotion is still attractive. We see this as a sign that all mobile operators can still offer this attractive price package if they want to. The current package of THB200 for 15Mbps is still more attractive than the post-paid package. We think this could be the key pressure point to slow down the movement from pre- to post-paid packages.

Exhibit 75: Unlimited fixed speeds on pre-paid packages

	AIS	dtac	True Move H
Internet promotion: Unlimited, max speed 15 Mbps/month	THB100	THB100	THB100
Internet promotion: Unlimited, max speed 20 Mbps/month	-	THB150	THB150
Free calls to all networks	15 mins/time*	Depends on subscription channel	1,000 mins/month
Free SMS	-	-	-
Free WiFi	Applicable*	-	Applicable
Extra charges	Charge THB0.99/min when exceed 15 mins/time	Exceed call charge depends on package	Charge THB0.50/min when exceeding 1,000 mins/month
Other privileges	-	-	Free TrueID Plus account 30 days
Terms and conditions	Mobile number portability / Call centre	Mobile number portability / Call centre	Mobile number portability
Channels for subscription	- Call centre 1175 - Website	- Call centre 1678 - 15 Mbps: call *104*132# - 20 Mbps: call *104*134#	- 15 Mbps: call *900*9726# - 20 Mbps: call *900*9727#
Eligibility period	6 months	6 months	6 months
Application period	No deadline	No deadline	31 Dec 2022

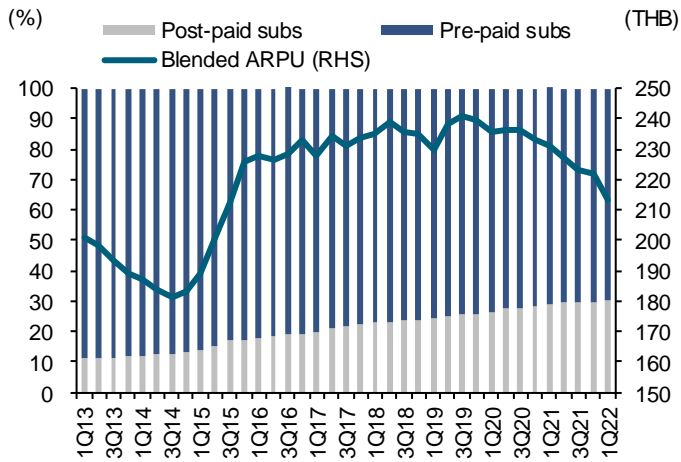
*Must choose either free call 15 mins/time or free WiFi

Source: [Droidsans website](#)

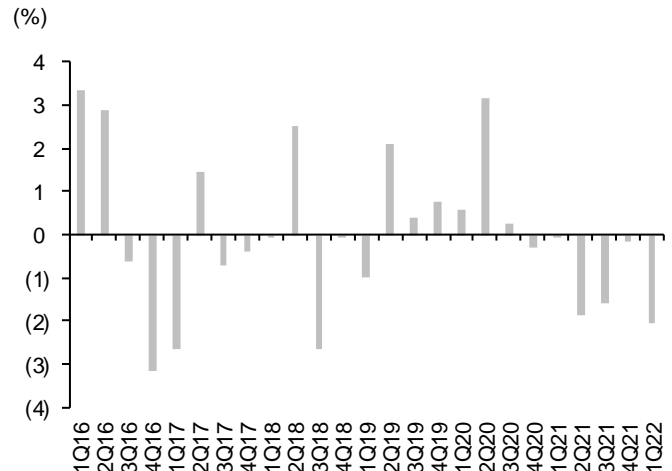
Attractive pre-paid package hurts post-paid package

Although both pre- and post-paid ARPU have been in a downtrend for quite a long time, blended ARPU in Thailand remained unchanged from 2015 to 2020. 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 had previously grown every quarter. The proportion increased from 17.5% in 1Q16 to 29.8% in 3Q21 (5 years).

However, there is the potential that pre- to post-paid will grow in the future. The proportion of post-paid subscribers grew from 29.8% in 3Q21 to just 30% in 1Q22, representing the slowest growth rate in the past five years.

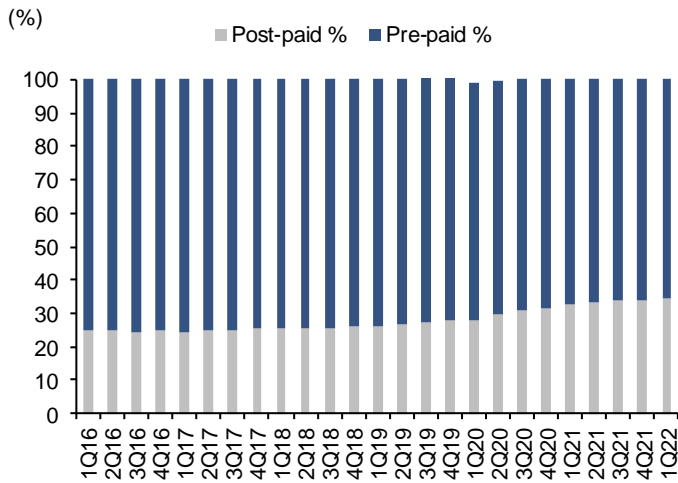
Exhibit 76: Industry pre- and post-paid subscribers and blended ARPU

Sources: ADVANC; DTAC; TRUE; FSSIA compilation

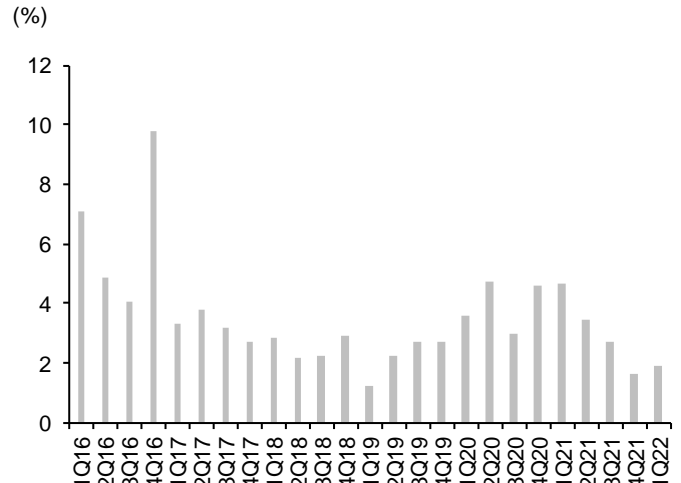
Exhibit 77: TRUE's blended ARPU q-q growth trend

Source: TRUE

We believe this was due to the intense competition in pre-paid services, with every mobile operator offering an attractive price plan with an unlimited fixed speed, as mentioned above. The price of THB200 per month is very attractive. Post-paid customers would have to spend about THB400 per month in order to use the same amount of data as pre-paid. This will likely hurt and slow down the transition of pre- to post-paid subscribers. If the competition remains intense in pre-paid, we believe the growth of the post-paid proportion would be limited. As a result, it would hurt blended ARPU, forcing a continued decline.

Exhibit 78: TRUE's subscriber proportion by package

Source: TRUE

Exhibit 79: Change in post-paid contributions to total subscribers

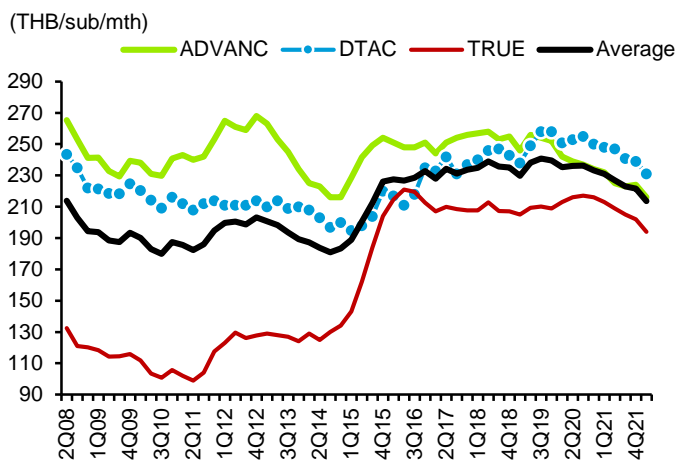
Source: TRUE

TRUE has the lowest blended ARPU in the industry

Of the three mobile operators, TRUE had the lowest blended ARPU of THB194 in 1Q22, lower than ADVANC and DTAC at THB216 and THB231, respectively. Both its pre-paid and post-paid ARPU are also the lowest. We believe this was due to the company's past aggressive subscriber acquisition strategy which has continuously increased its subscriber market share since 2015. Moreover, the company also had the highest q-q decline in ARPU during 1Q22 in the industry at 4% compared to its peers that declined 3.3-3.6% q-q.

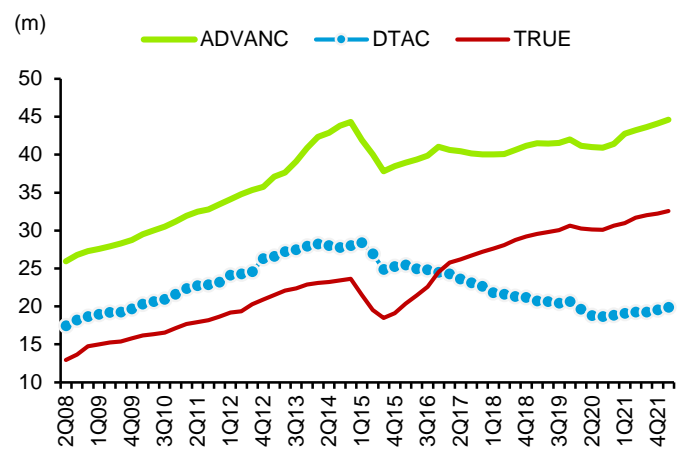
Although having the weakest blended ARPU in the industry could indicate that TRUE has the lowest downside risk in the form of further ARPU decline compared to its industry rivals, we also believe that the potential for increasing its ARPU is also limited. We think the ARPU trend should continue to stay at the current low level in 2Q22, which could hurt the company's mobile revenue that we project to contribute over 50% of TRUE's total revenue in 2022.

Exhibit 80: Mobile industry blended ARPU



Sources: ADVANC; DTAC; TRUE; FSSIA compilation

Exhibit 81: Mobile subscribers by company



Sources: ADVANC; DTAC; TRUE; FSSIA compilation

Competition should continue in 2022 and 2023

Because of the intense competition, unlimited data at fixed speeds, and slower-than-expected 5G subscriber growth, we have changed our view toward the competition in the mobile market. We expect the industry's mobile ARPU to continue to decline until 2023, which differs from our previous expectation in our earlier report, "Thailand ICT - The big turning point", on 23 Nov-21, when we expected that mobile ARPU should start to stabilise in 2022 as well as 2023 thanks to lower competition from the amalgamation.

Better outlook in 2H22

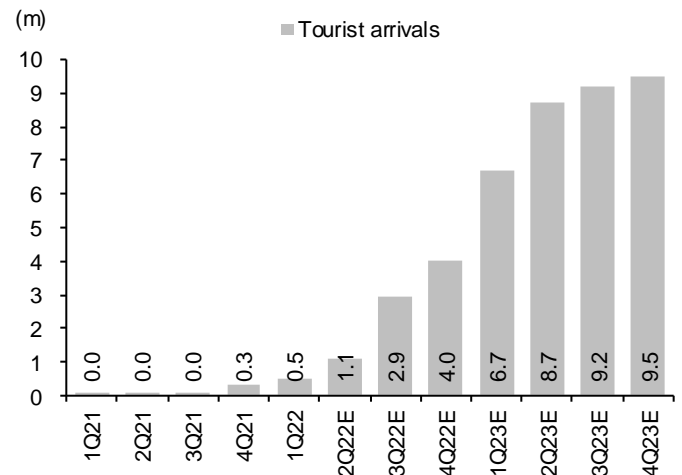
With the expected reopening of Thailand's borders, FSSIA expects tourist arrivals in Thailand this year to reach 8.5m. Therefore, we believe the recovery in tourist sim card sales should be a key support catalyst for mobile service revenue in 2H22 onward. On top of that, the Thai economy should also start to recover at the same time. We think that consumers should increase their mobile data consumption as they gain more purchasing power. Hence, we expect mobile service revenue and earnings for TRUE to start to recover from 2H22 onward.

Exhibit 82: Tourist arrivals forecast



Source: FSSIA estimates

Exhibit 83: Tourist arrivals forecast, quarterly



Source: FSSIA estimates

Earnings estimate cuts

Based on all the potential downsides we mentioned above, we revise our ARPU assumption for TRUE down from THB220 in 2022 to THB210, but increase the number of subscribers slightly to 33.4m from 32.2m thanks to the better-than-expected subscriber growth in 1Q22 that should continue for the rest of the year, driven by the recovery in tourist arrivals. Note that TRUE's blended ARPU in 1Q22 was at THB207, while the ARPU trend for 2Q22 should remain flat or slightly decline due to the weak short-term economic outlook, before stabilising or slightly picking up from 2H22 onward. In addition, we also cut our ARPU forecast on fixed broadband (FBB) from THB520 to THB491 in 2022, but increase the number of FBB subscribers to 4.97m from 4.64m. The momentum of subscriber growth remained strong in 1Q22.

This leads us to trim our revenue estimate for TRUE in 2022 by 0.5% to THB143b, flattish from last year. Moreover, we have seen no signs of a clear improvement in the cost minimisation strategy that the company has applied since the Covid impact. The company's operating expenses have remained stuck at around THB30b-33b since 2019. Moreover, its costs in 1Q22 still grew y-y by 1.4%. Despite the decrease in its cost of service and SG&A expense, the higher depreciation cost due to growth in assets from network expansion and the higher amortisation cost from its network spectrum continue to pressure its bottom line.

Exhibit 84: Key assumption changes

	----- Current -----		----- Previous -----		----- Change -----	
	2022E (THB m)	2023E (THB m)	2022E (THB m)	2023E (THB m)	2022E (%)	2023E (%)
Total mobile subscribers (m)	33.4	33.6	32.2	32.4	3.8	3.8
Blended ARPU (THB)	210	214	220	224	(4.5)	(4.4)
FBB subscribers (m)	5.0	5.2	4.6	4.8	7.9	8.6
FBB ARPU (THB)	491	488	520	517	(5.6)	(5.6)
Revenue	143,429	147,613	144,212	148,210	(0.5)	(0.4)
Operating expense	(85,579)	(87,029)	(85,564)	(87,312)	0.0	(0.3)
EBITDA	57,850	60,583	58,648	60,889	(1.4)	(0.5)
Net profit (loss)	(2,095)	134	(448)	1,720	367.7	(92.2)
Core profit (loss)	(3,495)	134	(448)	4,498	680.2	(97.0)
Margin	(%)	(%)	(%)	(%)	(ppt)	(ppt)
EBITDA margin	40.3	41.0	40.7	37.4	(0.3)	3.6
Core profit margin	(2.4)	0.1	(0.3)	5.3	(2.1)	(5.2)

Source: FSSIA estimates

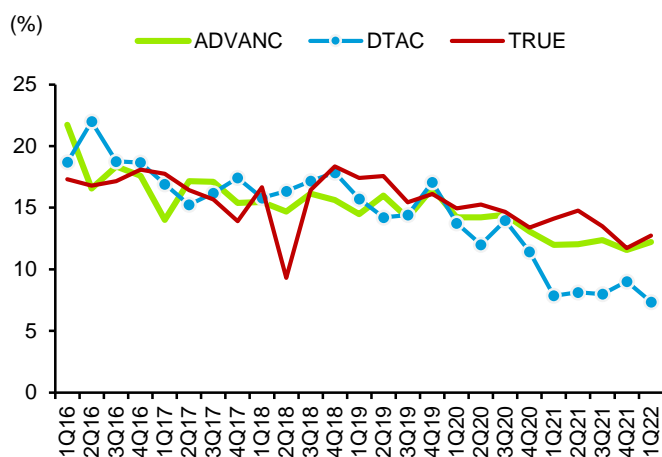
Expect core loss to increase in 2022 to THB3.5b

In addition, we also reduce our share of profits from associates assumption due to the disposal of its 2.82% stake in DIF that could result in TRUE recognising a lower share of profit from DIF of about THB180m this year. As a result, we increase the core loss forecast for TRUE in 2022 to THB3.5b from THB0.5b. The company's 2022 reported net loss is expected at THB2.1b thanks to a THB1.4b extra gain from DIF's share disposal.

The only key turnaround would come from the cost minimisation

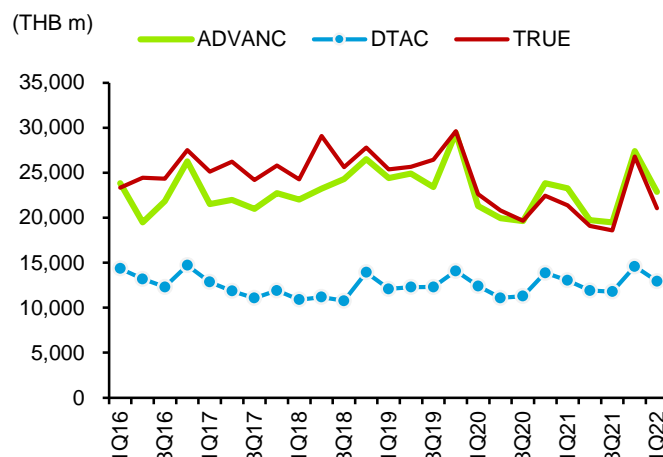
While TRUE is different from its peers, we believe the recovery in its revenue thanks to the expectation that the Thai economy should pick up in 2H22 onward would also boost the net profits of ADVANC and DTAC. For TRUE, however, the key driver that could help the company improve its bottom line could only come from cost optimisation, in our opinion. We believe the company has the best potential to reduce its SG&A expense further in the future – if only because TRUE has the highest SG&A to sales ratio in the industry at 12.7%, compared to ADVANC and DTAC at 12.2% and 7.4%, respectively.

Exhibit 85: SG&A to sales by quarter



Sources: ADVANC; DTAC; TRUE

Exhibit 86: Operating expenses by quarter



Sources: ADVANC; DTAC; TRUE

Neutral view on DIF disposal

On Jun-22, TRUE disposed of 300m shares in the Digital Telecommunication Infrastructure Fund (DIF TB, NR), equal to a 2.82% stake in DIF at THB13.3-13.45 per share, which is a 4-5% discount from DIF's current price at that moment. After this transaction, TRUE's stake in DIF was reduced from 23.38% to 20.56%. TRUE, which would gain about THB4b from the disposal, will recognise an extra gain of around THB1.4b in 2Q22.

We believe the reason behind the DIF disposal was due to 1) TRUE's need to increase liquidity to cover outstanding debts of over THB250b at the end of 2021; and 2) the extra gain of THB1.4b was meant to help TRUE's management meet its target of turning a profit in 2022.

Neutral view on DIF disposal

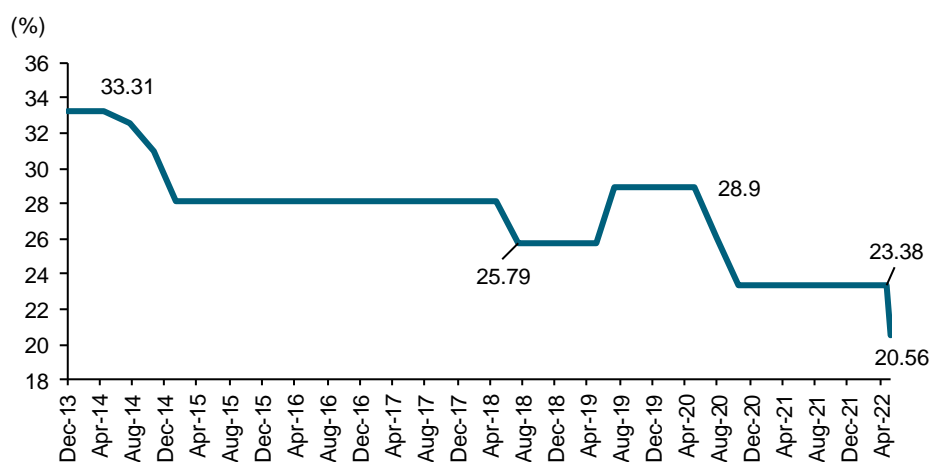
We have a neutral view on this transaction, although the disposal of DIF shares would generate more cash flow and recognise an extra gain for TRUE of about THB4b and THB1.4b, respectively. We see DIF as the only sustainable profit generator for the company at almost THB3b per year (based on its stake in DIF of 23.38%). The 2.82% divestment means that TRUE will lose its share of profit from DIF worth about THB360m per year, contributing to over 10% of its loss in 2021 at THB2.9b.

Moreover, disposal of DIF during 2Q22 would also support our view that the competition in the mobile industry should remain intense, as it could indicate that TRUE's core bottom line remains in the red.

Expected no more disposals for this year

We believe that after this transaction, TRUE is unlikely to dispose of any further DIF shares this year. The company may be comfortable maintaining its stake in DIF at no lower than 20% before the entering the merger process with DTAC at the end of this year.

Exhibit 87: Percent of TRUE's holding in DIF



Sources: Setsmart; FSSIA's compilation

Financial Statements

True Corporation

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	138,212	143,655	143,429	147,613	150,623
Cost of goods sold	(65,462)	(66,596)	(66,933)	(68,416)	(69,231)
Gross profit	72,750	77,059	76,496	79,197	81,392
Other operating income	-	-	-	-	-
Operating costs	(20,096)	(19,298)	(18,646)	(18,614)	(18,614)
Operating EBITDA	52,654	57,761	57,850	60,583	62,778
Depreciation	(42,008)	(45,347)	(47,513)	(48,262)	(48,667)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	10,646	12,414	10,337	12,321	14,111
Net financing costs	(18,058)	(19,199)	(19,975)	(19,528)	(19,576)
Associates	4,153	3,677	3,861	3,977	4,096
Recurring non-operating income	4,347	3,960	5,655	7,267	7,485
Non-recurring items	4,009	1,459	1,400	0	0
Profit before tax	944	(1,366)	(2,583)	60	2,020
Tax	(19)	(155)	387	(6)	(404)
Profit after tax	925	(1,521)	(2,195)	54	1,616
Minority interests	123	93	100	80	80
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,048	(1,428)	(2,095)	134	1,696
Non-recurring items & goodwill (net)	(4,009)	(1,459)	(1,400)	0	0
Recurring net profit	(2,961)	(2,887)	(3,495)	134	1,696
Per share (THB)					
Recurring EPS *	(0.09)	(0.09)	(0.10)	0.00	0.05
Reported EPS	0.03	(0.04)	(0.06)	0.00	0.05
DPS	0.07	0.07	0.00	0.10	0.12
Diluted shares (used to calculate per share data)	33,344	33,368	33,368	33,368	33,368
Growth					
Revenue (%)	(1.9)	3.9	(0.2)	2.9	2.0
Operating EBITDA (%)	55.6	9.7	0.2	4.7	3.6
Operating EBIT (%)	49.9	16.6	(16.7)	19.2	14.5
Recurring EPS (%)	nm	nm	nm	nm	1,168.4
Reported EPS (%)	(81.4)	nm	nm	nm	1,168.4
Operating performance					
Gross margin inc. depreciation (%)	22.2	22.1	20.2	21.0	21.7
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	38.1	40.2	40.3	41.0	41.7
Operating EBIT margin (%)	7.7	8.6	7.2	8.3	9.4
Net margin (%)	(2.1)	(2.0)	(2.4)	0.1	1.1
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	(78.8)	(80.8)	-	2,494.1	236.0
Interest cover (X)	0.8	0.9	0.8	1.0	1.1
Inventory days	32.8	16.1	7.5	7.4	7.5
Debtor days	122.2	122.9	128.0	122.3	122.9
Creditor days	556.6	501.3	507.0	499.6	494.4
Operating ROIC (%)	5.3	6.0	4.8	5.7	6.4
ROIC (%)	3.6	3.4	3.3	4.3	4.9
ROE (%)	(2.8)	(3.5)	(4.4)	0.2	2.3
ROA (%)	2.6	2.6	2.7	3.3	3.7

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2020	2021	2022E	2023E	2024E
True Move H	105,381	111,088	112,003	114,996	116,798
True Online	24,533	25,214	25,431	26,531	27,679
True Visions	8,298	7,353	5,995	6,085	6,146

Sources: True Corporation; FSSIA estimates

Financial Statements

True Corporation

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	(2,961)	(2,887)	(3,495)	134	1,696
Depreciation	42,008	45,347	47,513	48,262	48,667
Associates & minorities	-	-	-	-	-
Other non-cash items	13,516	3,633	7,708	(3,370)	(3,469)
Change in working capital	(8,443)	(10,637)	3,606	(1,097)	(1,797)
Cash flow from operations	44,119	35,457	55,331	43,928	45,097
Capex - maintenance	(37,423)	(29,276)	(20,250)	(17,000)	(16,000)
Capex - new investment	(37,423)	(29,276)	(20,250)	(17,000)	(16,000)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	10,273	1,739	3,194	(6,098)	(6,000)
Cash flow from investing	(64,572)	(56,813)	(37,306)	(40,098)	(38,000)
Dividends paid	(3,003)	(2,334)	(2,334)	(2,334)	(3,334)
Equity finance	0	0	0	0	0
Debt finance	17,595	34,051	(9,313)	(2,000)	(2,999)
Other financing cash flows	(19,230)	(12,740)	(5,438)	(5,171)	(4,918)
Cash flow from financing	(4,639)	18,976	(17,084)	(9,505)	(11,252)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	17	14	0	0	0
Net other adjustments	17	14	0	0	0
Movement in cash	(25,075)	(2,366)	941	(5,676)	(4,154)
Free cash flow to firm (FCFF)	(2,395.31)	(2,157.67)	38,000.49	23,358.40	26,673.40
Free cash flow to equity (FCFE)	(22,071.81)	(32.30)	3,274.80	(3,341.41)	(819.84)
Per share (THB)					
FCFF per share	(0.07)	(0.06)	1.14	0.70	0.80
FCFE per share	(0.66)	0.00	0.10	(0.10)	(0.02)
Recurring cash flow per share	1.58	1.38	1.55	1.35	1.41
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	341,972	372,215	402,215	425,215	446,215
Less: Accumulated depreciation	(110,078)	(126,878)	(146,003)	(165,606)	(185,368)
Tangible fixed assets (net)	231,894	245,337	256,212	259,609	260,847
Intangible fixed assets (net)	246,079	232,708	205,218	187,559	169,654
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	23,236	24,494	24,494	24,494	24,494
Cash & equivalents	24,330	21,963	22,905	17,229	13,075
A/C receivable	44,919	51,797	48,766	50,188	51,212
Inventories	4,508	1,374	1,372	1,412	1,440
Other current assets	30,649	24,996	24,983	25,228	25,404
Current assets	104,406	100,130	98,025	94,057	91,132
Other assets	11,933	22,245	22,219	22,697	23,040
Total assets	617,548	624,915	606,168	588,416	569,166
Common equity	85,090	81,362	76,932	74,732	73,093
Minorities etc.	528	456	356	276	196
Total shareholders' equity	85,618	81,818	77,288	75,008	73,289
Long term debt	158,491	192,196	192,196	192,196	192,196
Other long-term liabilities	197,653	176,953	162,250	148,129	134,143
Long-term liabilities	356,144	369,149	354,446	340,325	326,339
A/C payable	90,277	92,666	93,281	93,992	93,555
Short term debt	64,508	65,312	55,999	53,999	51,000
Other current liabilities	21,002	15,970	25,153	25,091	24,983
Current liabilities	175,787	173,948	174,434	173,083	169,538
Total liabilities and shareholders' equity	617,549	624,915	606,168	588,416	569,166
Net working capital	(31,203)	(30,469)	(43,314)	(42,255)	(40,481)
Invested capital	481,939	494,315	464,829	452,103	437,553
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	2.55	2.44	2.31	2.24	2.19
Tangible book value per share	(4.83)	(4.54)	(3.84)	(3.38)	(2.89)
Financial strength					
Net debt/equity (%)	232.0	287.9	291.5	305.3	314.0
Net debt/total assets (%)	32.2	37.7	37.2	38.9	40.4
Current ratio (x)	0.6	0.6	0.6	0.5	0.5
CF interest cover (x)	1.9	2.5	2.2	1.7	1.8
Valuation					
Recurring P/E (x) *	(52.0)	(53.4)	(44.1)	1,153.1	90.9
Recurring P/E @ target price (x) *	(60.8)	(62.4)	(51.5)	1,347.8	106.3
Reported P/E (x)	147.0	(108.0)	(73.6)	1,153.1	90.9
Dividend yield (%)	1.5	1.5	-	2.2	2.6
Price/book (x)	1.8	1.9	2.0	2.1	2.1
Price/tangible book (x)	(1.0)	(1.0)	(1.2)	(1.4)	(1.6)
EV/EBITDA (x) **	6.7	6.8	6.6	6.3	6.1
EV/EBITDA @ target price (x) **	7.2	7.2	7.0	6.8	6.5
EV/invested capital (x)	0.7	0.8	0.8	0.8	0.9
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: True Corporation; FSSIA estimates

INTOUCH HOLDINGS

THAILAND / ICT

INTUCH TB

BUY

UNCHANGED

Collateral damage from mobile war

- We think the intense competition in the mobile industry could pressure ADVANC's outlook.
- Unclear outlook for THCOM's earnings remains unchanged.
- Reduce our TP from THB86.80 to THB83.50 to reflect the lower TP for ADVANC. Maintain BUY.

Mobile industry competition turning red hot

We are concerned about the competition outlook for the mobile service industry, especially during the pre-amalgamation period between Total Access Communication (DTAC TB, BUY, TP THB55.50) and True Corporation (TRUE TB, BUY, TP THB5.40). We think this will continue to put downward pressure on the industry's average revenue per user (ARPU), leaving Advanced Info Service (ADVANC TB, BUY, TP THB250)'s earnings likely to remain weak for the rest of the year.

THCOM's outlook remains unexciting

We have a neutral view on Thaicom (THCOM TB, HOLD, TP THB9.20)'s outlook. The company's positive catalysts include 1) the upcoming right-of-use auction for new satellite orbital slots which could take about three more years before generating revenue; and 2) there has been no further update on a potential partnership with Starlink, which uses low Earth orbit (LEO) satellites. The only remaining short-term catalyst, in our view, the potential to finalise an agreement with National Telecom (NT), is still stalled after already being delayed for nine months.

Earnings estimate cut

With the change in our 2022 earnings forecast for ADVANC to THB27,504m, down by 2.8% from our previous expectation, we reduce INTUCH's earnings in 2022 also by 2.7% to THB11,336m due to the lower expected share of profit from ADVANC. However, we maintain our revenue estimate for INTUCH given that we haven't changed our earnings estimate for THCOM. Therefore, we expect the earnings outlook for INTUCH to be similar to ADVANC, with 9% growth y-y. The share of profit from ADVANC remains the biggest contribution to INTUCH's earnings at almost 98% of the company's net profit.

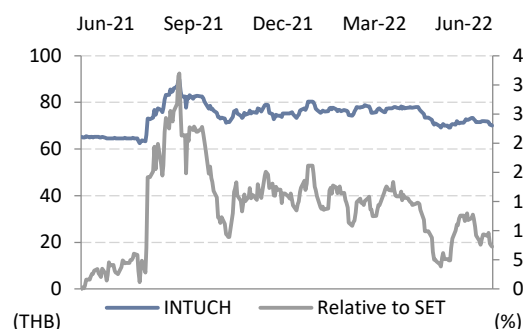
Maintain BUY with our new TP of THB83.50

We trim our TP on INTUCH down to THB83.50 from THB86.80 in order to reflect the change in ADVANC's TP from THB260 to THB250. We maintain our 12.5% NAV discount valuation and BUY call. INTUCH's NAV discount is now falling back to its normal level at 13.2% and it may be able to pay a higher dividend than its subsidiary in 2022. We still have a positive view on INTUCH as the company has the potential to pay a higher dividend yield of 4.3% compared to ADVANC's 3.8% in 2022.

TARGET PRICE	THB83.50
CLOSE	THB70.00
UP/DOWNSIDE	+19.3%
PRIOR TP	THB86.80
CHANGE IN TP	-3.8%
TP vs CONSENSUS	+2.0%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	3,323	2,374	2,445	2,322
Net profit	10,748	11,336	12,338	12,155
EPS (THB)	3.35	3.54	3.85	3.79
vs Consensus (%)	-	(0.5)	(2.1)	(7.8)
EBITDA	822	676	646	604
Core net profit	10,379	11,336	12,338	12,155
Core EPS (THB)	3.24	3.54	3.85	3.79
Chg. In EPS est. (%)	-	(2.7)	(3.7)	(5.1)
EPS growth (%)	(7.0)	9.2	8.8	(1.5)
Core P/E (x)	21.6	19.8	18.2	18.5
Dividend yield (%)	4.0	4.3	4.7	4.6
EV/EBITDA (x)	271.5	330.2	345.8	370.2
Price/book (x)	5.5	5.3	5.1	4.9
Net debt/Equity (%)	(15.4)	(15.0)	(14.2)	(13.4)
ROE (%)	26.4	27.3	28.5	26.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.8)	(9.4)	8.5
Relative to country (%)	(3.4)	(8.6)	8.0
Mkt cap (USD m)	6,455		
3m avg. daily turnover (USD m)	10.9		
Free float (%)	63		
Major shareholder	Gulf Energy Development (42%)		
12m high/low (THB)	90.75/60.00		
Issued shares (m)	3,206.60		

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.

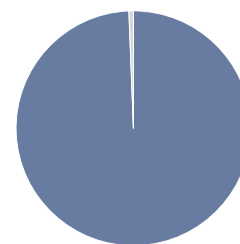
Company profile

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, 2021)

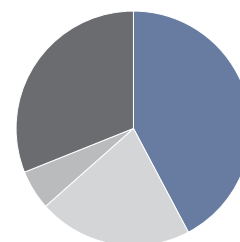
- Satellite business - 99.4 %
- Other business - 0.6 %



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 in THCOM's GEO satellite business;
- Consistent earnings which could lead to a consistent dividend yield at around 4% 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.

Event calendar

Date	Event
Aug-22	2Q22 results announcement

Key assumptions

Key assumptions	2021	2022E	2023E	2024E
	(THB m)	(THB m)	(THB m)	(THB m)
ADVANC's net profit	26,922	27,504	29,636	31,233
THCOM's net profit	144	190	227	184

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in ADVANC's earnings, we project 2022 earnings to rise by 1%, and vice versa, all else being equal.

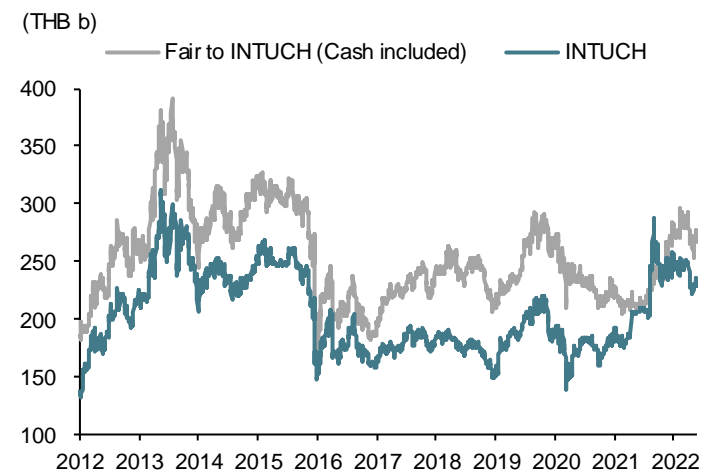
Source: FSSIA estimates

Exhibit 88: Key assumption changes

	Current		Previous		Change	
	2022E (THB m)	2023E (THB m)	2022E (THB m)	2023E (THB m)	2022E (%)	2023E (%)
Revenue	2,374	2,445	2,374	2,445	(0.0)	(0.0)
Operating expense	(1,377)	(1,418)	(1,377)	(1,418)	(0.0)	(0.0)
Share of profit	11,025	12,058	11,345	12,534	(2.8)	(3.8)
EBIT	11,683	12,744	12,003	13,220	(2.7)	(3.6)
Net profit	11,336	12,338	11,654	12,810	(2.7)	(3.7)
DPS (THB)	3.01	3.27	3.09	3.40	(2.7)	(3.8)

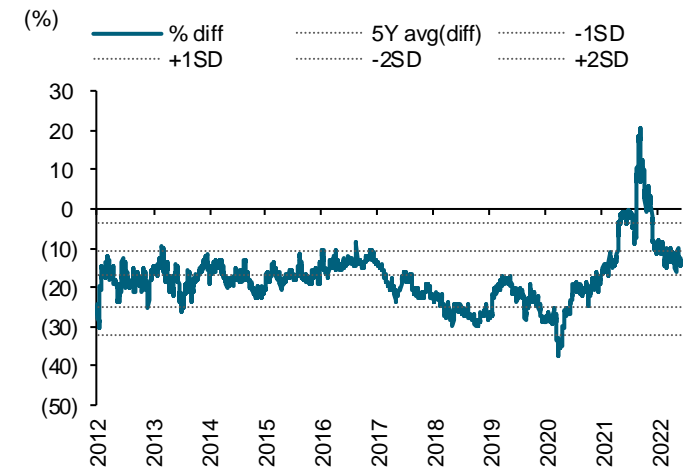
Source: FSSIA estimates

Exhibit 89: INTUCH's NAV vs its market cap



Source: Bloomberg; FSSIA's compilation

Exhibit 90: NAV discount



Source: Bloomberg; FSSIA's compilation

Exhibit 91: NAV discount valuation

	Methodology	Target Price		Market cap		% held by INTUCH		Total value	
		(THB)		(THB m)		(%)		(THB m)	
ADVANC	FSSIA TP	250.00		743,481		40.44		300,664	
THCOM	FSSIA TP	9.20		10,084		41.13		4,148	
				Discount		12.50		267,770	
				Cash				1,059	
				INTUCH shares (m)				3,207	
				INTUCH TP (THB)				83.50	

Source: FSSIA estimates

Financial Statements

Intouch Holdings

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	3,668	3,323	2,374	2,445	2,322
Cost of goods sold	(1,381)	(1,231)	(926)	(1,004)	(963)
Gross profit	2,287	2,092	1,448	1,441	1,359
Other operating income	-	-	-	-	-
Operating costs	(1,217)	(1,270)	(771)	(795)	(755)
Operating EBITDA	1,070	822	676	646	604
Depreciation	(1,303)	(1,140)	(451)	(414)	(384)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	(233)	(317)	225	232	221
Net financing costs	(191)	(157)	(158)	(212)	(266)
Associates	11,108	10,622	11,025	12,058	11,912
Recurring non-operating income	12,012	11,034	11,457	12,512	12,388
Non-recurring items	(113)	369	0	0	0
Profit before tax	11,475	10,928	11,525	12,532	12,343
Tax	(122)	(91)	(104)	(113)	(111)
Profit after tax	11,354	10,838	11,421	12,419	12,232
Minority interests	(306)	(89)	(85)	(81)	(77)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	11,048	10,748	11,336	12,338	12,155
Non-recurring items & goodwill (net)	113	(369)	0	0	0
Recurring net profit	11,160	10,379	11,336	12,338	12,155
Per share (THB)					
Recurring EPS *	3.48	3.24	3.54	3.85	3.79
Reported EPS	3.45	3.35	3.54	3.85	3.79
DPS	2.49	2.83	3.01	3.27	3.22
Diluted shares (used to calculate per share data)	3,207	3,207	3,207	3,207	3,207
Growth					
Revenue (%)	(24.8)	(9.4)	(28.6)	3.0	(5.0)
Operating EBITDA (%)	(24.8)	(23.2)	(17.8)	(4.4)	(6.5)
Operating EBIT (%)	nm	nm	nm	3.0	(5.0)
Recurring EPS (%)	(12.6)	(7.0)	9.2	8.8	(1.5)
Reported EPS (%)	(0.3)	(2.7)	5.5	8.8	(1.5)
Operating performance					
Gross margin inc. depreciation (%)	26.8	28.7	42.0	42.0	42.0
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	29.2	24.7	28.5	26.4	26.0
Operating EBIT margin (%)	(6.3)	(9.5)	9.5	9.5	9.5
Net margin (%)	304.3	312.3	477.6	504.7	523.4
Effective tax rate (%)	20.0	20.0	20.0	120.0	220.0
Dividend payout on recurring profit (%)	71.5	87.4	85.0	85.0	85.0
Interest cover (X)	61.6	68.3	74.0	60.1	47.4
Inventory days	23.7	10.5	8.4	9.0	7.8
Debtor days	202.9	229.0	265.9	201.8	219.4
Creditor days	240.6	239.7	252.8	158.5	169.1
Operating ROIC (%)	(8.9)	(12.3)	10.1	(2.9)	(17.4)
ROIC (%)	25.1	21.4	21.8	(5.6)	(31.0)
ROE (%)	30.7	26.4	27.3	28.5	26.9
ROA (%)	22.7	19.9	21.1	21.7	19.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Satellite business	3,557	3,303	2,350	2,421	2,299
Other business	111	21	24	24	23

Sources: Intouch Holdings; FSSIA estimates

Financial Statements

Intouch Holdings

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	11,160	10,379	11,336	12,338	12,155
Depreciation	1,303	1,140	451	414	384
Associates & minorities	(10,802)	(10,674)	85	81	77
Other non-cash items	8,589	8,642	0	0	0
Change in working capital	(380)	105	368	(100)	27
Cash flow from operations	9,871	9,592	12,240	12,733	12,643
Capex - maintenance	(33)	(30)	(618)	(618)	(618)
Capex - new investment	(49)	(45)	(926)	(926)	(926)
Net acquisitions & disposals	(1,669)	1,018	0	0	0
Other investments (net)	(19)	196	(1,808)	(1,898)	(1,993)
Cash flow from investing	(1,770)	1,139	(3,352)	(3,442)	(3,537)
Dividends paid	(7,985)	(8,401)	(9,636)	(10,488)	(10,332)
Equity finance	0	0	0	0	0
Debt finance	(406)	(151)	(424)	0	0
Other financing cash flows	(293)	(2,787)	839	1,080	1,080
Cash flow from financing	(8,683)	(11,339)	(9,221)	(9,407)	(9,252)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	1,618	0	0	0	0
Net other adjustments	1,618	(1,040)	0	0	0
Movement in cash	1,035	(1,648)	(333)	(116)	(146)
Free cash flow to firm (FCFF)	8,291.84	10,888.01	9,045.90	9,503.03	9,371.78
Free cash flow to equity (FCFE)	9,019.51	6,753.02	9,302.64	10,371.33	10,186.07
Per share (THB)					
FCFF per share	2.59	3.40	2.82	2.96	2.92
FCFE per share	2.81	2.11	2.90	3.23	3.18
Recurring cash flow per share	3.20	2.96	3.70	4.00	3.93
Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	10,252	10,259	10,359	10,459	10,559
Less: Accumulated depreciation	(7,144)	(7,472)	(7,715)	(7,936)	(8,137)
Tangible fixed assets (net)	3,108	2,787	2,644	2,523	2,422
Intangible fixed assets (net)	926	1,611	2,847	4,098	5,359
Long-term financial assets	898	750	750	750	750
Invest. in associates & subsidiaries	33,662	36,160	37,968	39,867	41,860
Cash & equivalents	10,112	8,464	8,130	8,014	7,868
A/C receivable	1,997	2,173	1,286	1,418	1,375
Inventories	55	15	27	22	19
Other current assets	853	1,003	1,003	1,003	1,003
Current assets	13,018	11,655	10,446	10,457	10,264
Other assets	1,025	1,020	882	903	897
Total assets	52,637	53,984	55,538	58,598	61,553
Common equity	38,064	40,687	42,387	44,238	46,061
Minorities etc.	6,077	6,014	6,099	6,180	6,256
Total shareholders' equity	44,141	46,701	48,486	50,418	52,317
Long term debt	1,136	841	841	841	841
Other long-term liabilities	916	2,000	2,851	3,956	5,027
Long-term liabilities	2,052	2,842	3,693	4,798	5,869
A/C payable	756	861	422	450	443
Short term debt	2,581	424	0	0	0
Other current liabilities	3,106	3,156	2,937	2,933	2,924
Current liabilities	6,444	4,441	3,359	3,383	3,367
Total liabilities and shareholders' equity	52,637	53,984	55,538	58,598	61,553
Net working capital	(957)	(825)	(1,043)	(940)	(970)
Invested capital	38,662	41,504	44,049	47,202	50,318
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	11.87	12.69	13.22	13.80	14.36
Tangible book value per share	11.58	12.19	12.33	12.52	12.69
Financial strength					
Net debt/equity (%)	(14.5)	(15.4)	(15.0)	(14.2)	(13.4)
Net debt/total assets (%)	(12.1)	(13.3)	(13.1)	(12.2)	(11.4)
Current ratio (x)	2.0	2.6	3.1	3.1	3.0
CF interest cover (x)	48.4	44.3	65.7	54.3	42.8
Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	20.1	21.6	19.8	18.2	18.5
Recurring P/E @ target price (x) *	24.0	25.8	23.6	21.7	22.0
Reported P/E (x)	20.3	20.9	19.8	18.2	18.5
Dividend yield (%)	3.6	4.0	4.3	4.7	4.6
Price/book (x)	5.9	5.5	5.3	5.1	4.9
Price/tangible book (x)	6.0	5.7	5.7	5.6	5.5
EV/EBITDA (x) **	209.5	271.5	330.2	345.8	370.2
EV/EBITDA @ target price (x) **	249.9	324.2	394.2	412.8	441.8
EV/invested capital (x)	5.8	5.4	5.1	4.7	4.4
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Intouch Holdings; FSSIA estimates

JASMINE INTERNATIONAL

THAILAND / ICT

JAS TB

REDUCE

FROM HOLD

TARGET PRICE	THB3.10
CLOSE	THB3.64
UP/DOWNSIDE	-14.8%
PRIOR TP	THB3.10
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-8.6%

Murky future prospects

- JAS has low earnings and performance visibility given that the FBB business has a limited growth outlook.
- We think the only hope for JAS is to enter into M&A with other operators.
- Downgrade to REDUCE with the same TP of THB3.10.

FBB growth may start to decelerate

We believe that the growth rate of fixed broadband (FBB) subscribers should start to decelerate in 2022. This is because most consumers have already subscribed to FBB services since the Covid outbreak in 2020 through 2021, together with the high inflation rate that is pressuring the pricing of consumer products and services. Consumers may now consider reducing their unnecessary spending. Moreover, with the high competition in the mobile market that offers higher internet speeds with a low price, we believe FBB services face the risk of slow growth in 2022.

Cost in 2Q22 should get some help from FOC rental

Although there is the risk of the lacklustre FBB outlook, JAS should get some short-term help from the cost of fibre optic cables (FOC) from Jasmine Broadband Internet Infrastructure Fund (JASIF TB, NR). According to the TFRS16 standard, the discount calculation rate should increase in line with the rise in inflation and the Thai government bond yield. This might lead its operating costs to decline from 1Q22 as Thai inflation could spike in 2Q22. As a result, we believe JAS could continue to book a profit in 2Q22 for the second quarter in the past two years.

No significant benefit from JTS

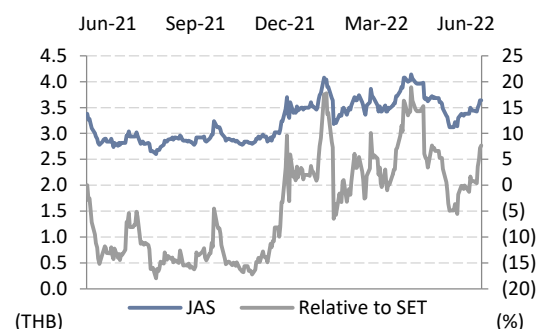
We think the earnings contribution from Jasmine Telecom Systems (JTS TB, NR), JAS' subsidiary which has entered Bitcoin mining business, may not be enough to help JAS' earnings exceed our expectation, even though JTS' share price has increased by over 118% from the beginning of 2022. JTS' market cap is now 12x higher than JAS' market cap. JTS' earnings contribution only amounted to about THB100m for JAS in 2021.

Downgrade to REDUCE with the same TP of THB3.10

JAS may continue to make a loss for another year, in our view. The growth in its revenue is unlikely to be enough to offset the FOC rental cost from JASIF this year. Meanwhile, the FBB outlook, which is the main business for JAS, remains unclear due to 1) the slowdown in subscriber growth that seems entirely likely this year; and 2) the competition that remains intense. Average revenue per user (ARPU) should continue to decline. We downgrade our recommendation on JAS to REDUCE from Hold with the same TP of THB3.10.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	19,301	20,021	20,626	21,197
Net profit	(1,880)	(794)	127	486
EPS (THB)	(0.22)	(0.09)	0.01	0.06
vs Consensus (%)	-	nm	-	(62.5)
EBITDA	11,807	12,044	12,464	12,836
Core net profit	(1,880)	(794)	127	486
Core EPS (THB)	(0.22)	(0.09)	0.01	0.06
Chg. In EPS est. (%)	nm	nm	309.2	nm
EPS growth (%)	nm	nm	nm	282.8
Core P/E (x)	(16.6)	(39.4)	246.3	64.4
Dividend yield (%)	-	-	-	-
EV/EBITDA (x)	3.3	3.5	3.4	3.2
Price/book (x)	7.0	8.6	8.3	7.3
Net debt/Equity (%)	118.8	209.8	192.8	152.5
ROE (%)	(41.4)	(19.7)	3.4	12.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.6	6.4	25.5
Relative to country (%)	9.0	7.4	25.0
Mkt cap (USD m)	899		
3m avg. daily turnover (USD m)	12.1		
Free float (%)	45		
Major shareholder	Pete Bodharamik (53%)		
12m high/low (THB)	4.20/2.56		
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.

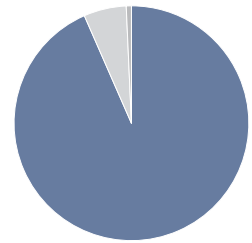
Company profile

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, 2021)

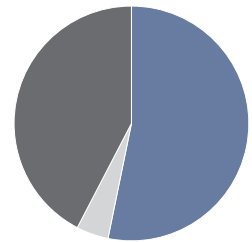
- FBB revenue - 93.4 %
- Service revenue - 5.9 %
- Others - 0.7 %



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;
- High inflation and CPI rate may help JAS to recognised the cost of FOC rental.

Risks to our call

The key upside risks to our SOTP-based TP include better-than-expected growth in FBB and ARPU and better-than-expected cost reduction.

Event calendar

Date	Event
Aug-22	2Q22 results announcement

Key assumptions

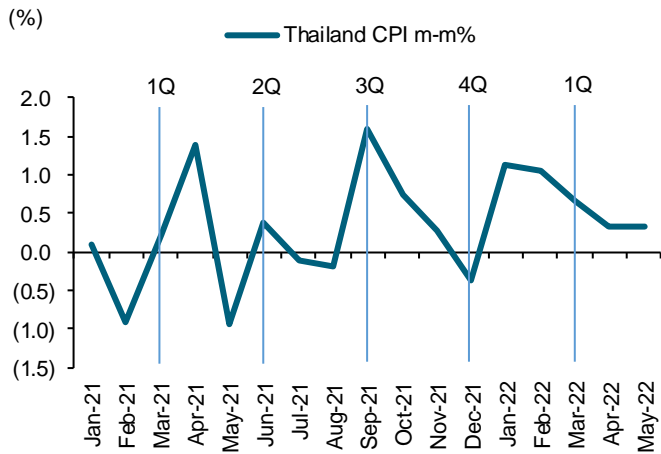
Fixed broadband	2021	2022E	2023E	2024E
FBB subscribers (000)	3,650	3,837	4,009	4,150
Growth (%)	6.9	5.0	4.5	4
ARPU (THB/sub/mth)	420	420	413	408
Growth (%)	(2.1)	0	(1.7)	(0.5)

Source: FSSIA estimates

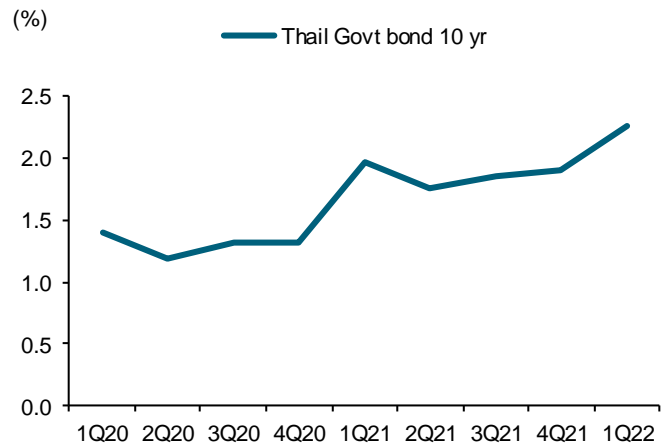
Earnings sensitivity

- For every THB1 increase in ARPU, we project 2022 earnings to rise by 2.9%, and vice versa, all else being equal.
- For every 1% increase in FBB subscribers, we project 2022 earnings to rise by 6.5%, and vice versa, all else being equal.

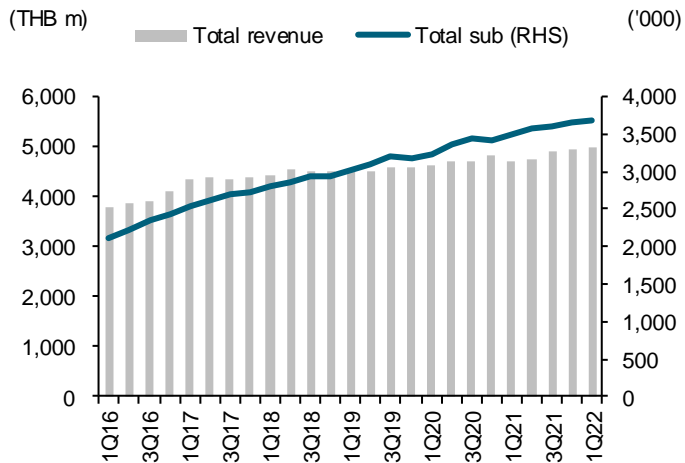
Source: FSSIA estimates

Exhibit 92: Thailand CPI m-m

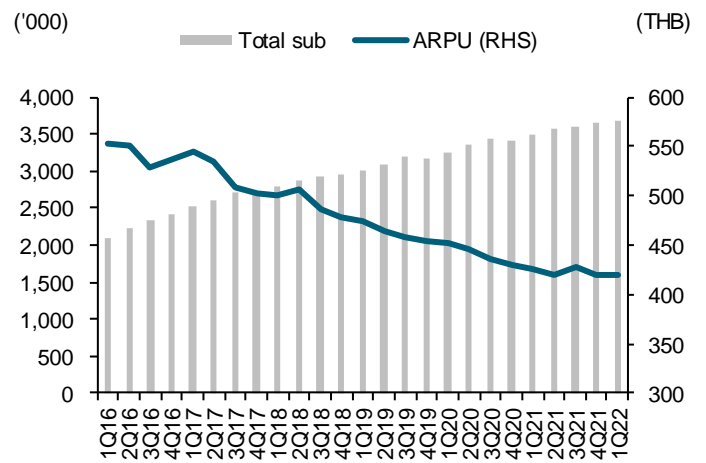
Sources: Bloomberg; FSSIA's compilation

Exhibit 93: 10-year Thai government bond yield

Sources: Bloomberg; FSSIA's compilation

Exhibit 94: JAS' total revenue and FBB subscribers

Sources: JAS; FSSIA's compilation

Exhibit 95: FBB subscribers and ARPU

Sources: JAS; FSSIA's compilation

Financial Statements

Jasmine International

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	18,795	19,301	20,021	20,626	21,197
Cost of goods sold	(2,804)	(2,516)	(2,832)	(2,965)	(3,088)
Gross profit	15,992	16,785	17,189	17,661	18,108
Other operating income	-	-	-	-	-
Operating costs	(5,618)	(4,978)	(5,145)	(5,197)	(5,273)
Operating EBITDA	10,374	11,807	12,044	12,464	12,836
Depreciation	(10,658)	(10,967)	(10,494)	(10,614)	(10,706)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	(284)	840	1,550	1,850	2,129
Net financing costs	(4,156)	(3,929)	(3,822)	(3,469)	(3,435)
Associates	1,100	1,126	1,133	1,150	1,168
Recurring non-operating income	1,567	1,589	1,755	1,797	1,841
Non-recurring items	(93)	0	0	0	0
Profit before tax	(2,967)	(1,500)	(517)	178	535
Tax	(155)	(263)	(263)	(36)	(32)
Profit after tax	(3,122)	(1,763)	(780)	143	503
Minority interests	(12)	(117)	(14)	(16)	(17)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	(3,134)	(1,880)	(794)	127	486
Non-recurring items & goodwill (net)	93	0	0	0	0
Recurring net profit	(3,041)	(1,880)	(794)	127	486
Per share (THB)					
Recurring EPS *	(0.35)	(0.22)	(0.09)	0.01	0.06
Reported EPS	(0.36)	(0.22)	(0.09)	0.01	0.06
DPS	0.25	0.00	0.00	0.00	0.00
Diluted shares (used to calculate per share data)	8,593	8,593	8,593	8,593	8,593
Growth					
Revenue (%)	3.4	2.7	3.7	3.0	2.8
Operating EBITDA (%)	72.3	13.8	2.0	3.5	3.0
Operating EBIT (%)	nm	nm	84.6	19.4	15.1
Recurring EPS (%)	nm	nm	nm	nm	282.8
Reported EPS (%)	nm	nm	nm	nm	282.8
Operating performance					
Gross margin inc. depreciation (%)	28.4	30.1	33.4	34.2	34.9
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	55.2	61.2	60.2	60.4	60.6
Operating EBIT margin (%)	(1.5)	4.3	7.7	9.0	10.0
Net margin (%)	(16.2)	(9.7)	(4.0)	0.6	2.3
Effective tax rate (%)	20.0	20.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	(70.6)	-	-	-	-
Interest cover (X)	0.3	0.6	0.9	1.1	1.2
Inventory days	-	-	-	-	-
Debtor days	63.4	60.8	60.9	61.6	60.7
Creditor days	376.9	440.0	363.4	354.1	346.7
Operating ROIC (%)	(0.4)	0.9	1.7	2.1	2.7
ROIC (%)	1.7	2.3	3.3	3.8	4.5
ROE (%)	(24.5)	(41.4)	(19.7)	3.4	12.1
ROA (%)	0.3	1.4	2.5	3.4	4.0

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2020	2021	2022E	2023E	2024E
FBB revenue	17,587	18,033	18,877	19,442	19,973
Service revenue	913	1,131	924	952	980
Others	295	137	221	232	243

Sources: Jasmine International; FSSIA estimates

Financial Statements

Jasmine International

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	(3,041)	(1,880)	(794)	127	486
Depreciation	10,658	10,967	10,494	10,614	10,706
Associates & minorities	(1,088)	(1,009)	14	16	17
Other non-cash items	(854)	4,448	(1)	0	0
Change in working capital	(3,463)	(4,371)	(3,088)	(3,374)	(3,144)
Cash flow from operations	2,212	8,155	6,625	7,382	8,066
Capex - maintenance	(876)	(681)	(1,740)	(1,940)	(1,940)
Capex - new investment	(1,314)	(1,022)	(2,610)	(2,910)	(2,910)
Net acquisitions & disposals	1,208	(14)	0	0	0
Other investments (net)	566	746	12	13	13
Cash flow from investing	(416)	(971)	(4,338)	(4,837)	(4,837)
Dividends paid	(14,440)	0	0	0	0
Equity finance	1,320	0	0	0	0
Debt finance	(5,000)	(1,837)	3,779	(2,000)	(500)
Other financing cash flows	(5,556)	(4,921)	(5,749)	(2,000)	(2,000)
Cash flow from financing	(23,676)	(6,758)	(1,970)	(4,000)	(2,500)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(1,010)	0	0	0	0
Movement in cash	(22,891)	426	317	(1,455)	729
Free cash flow to firm (FCFF)	5,951.83	11,112.64	6,109.94	6,014.31	6,663.24
Free cash flow to equity (FCFE)	(9,770.18)	425.87	317.35	(1,454.90)	728.72
Per share (THB)					
FCFF per share	0.69	1.29	0.71	0.70	0.78
FCFE per share	(1.14)	0.05	0.04	(0.17)	0.08
Recurring cash flow per share	0.66	1.46	1.13	1.25	1.30
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	123,805	125,572	129,922	134,772	139,622
Less: Accumulated depreciation	(34,906)	(42,338)	(52,831)	(63,445)	(74,151)
Tangible fixed assets (net)	88,899	83,234	77,091	71,327	65,471
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	1,481	1,520	1,520	1,520	1,520
Invest. in associates & subsidiaries	3,669	3,351	3,351	3,351	3,351
Cash & equivalents	1,144	1,570	1,887	432	1,161
A/C receivable	3,199	3,229	3,456	3,504	3,542
Inventories	0	0	0	0	0
Other current assets	917	1,157	1,183	1,211	1,239
Current assets	5,260	5,955	6,526	5,146	5,942
Other assets	1,263	1,574	1,622	1,670	1,720
Total assets	100,573	95,635	90,110	83,015	78,004
Common equity	4,645	4,437	3,643	3,770	4,256
Minorities etc.	1,041	1,164	1,178	1,194	1,211
Total shareholders' equity	5,686	5,601	4,821	4,964	5,467
Long term debt	0	4,846	9,000	8,000	7,500
Other long-term liabilities	76,520	69,314	64,232	58,924	53,796
Long-term liabilities	76,520	74,160	73,232	66,924	61,296
A/C payable	3,274	2,792	2,847	2,904	2,962
Short term debt	5,386	3,375	3,000	2,000	2,000
Other current liabilities	9,705	9,707	6,209	6,223	6,279
Current liabilities	18,366	15,874	12,057	11,127	11,242
Total liabilities and shareholders' equity	100,572	95,635	90,110	83,015	78,004
Net working capital	(8,863)	(8,114)	(4,418)	(4,413)	(4,461)
Invested capital	86,450	81,566	79,166	73,455	67,602
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	0.54	0.52	0.42	0.44	0.50
Tangible book value per share	0.54	0.52	0.42	0.44	0.50
Financial strength					
Net debt/equity (%)	74.6	118.8	209.8	192.8	152.5
Net debt/total assets (%)	4.2	7.0	11.2	11.5	10.7
Current ratio (x)	0.3	0.4	0.5	0.5	0.5
CF interest cover (x)	(1.0)	1.4	1.8	1.4	2.1
Valuation					
Recurring P/E (x) *	(10.3)	(16.6)	(39.4)	246.3	64.4
Recurring P/E @ target price (x) *	(8.8)	(14.2)	(33.5)	209.8	54.8
Reported P/E (x)	(10.0)	(16.6)	(39.4)	246.3	64.4
Dividend yield (%)	6.9	-	-	-	-
Price/book (x)	6.7	7.0	8.6	8.3	7.3
Price/tangible book (x)	6.7	7.0	8.6	8.3	7.3
EV/EBITDA (x) **	3.5	3.3	3.5	3.4	3.2
EV/EBITDA @ target price (x) **	3.1	2.9	3.1	3.0	2.8
EV/invested capital (x)	0.4	0.5	0.5	0.6	0.6
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Jasmine International; FSSIA estimates

THAICOM
THAILAND / ICT

THCOM TB
HOLD

FROM REDUCE

TARGET PRICE	THB9.20
CLOSE	THB9.40
UP/DOWNSIDE	-2.1%
PRIOR TP	THB9.20
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-15.1%

Positive catalysts take time

- The future positive catalyst for THCOM that could entirely change the company's fundamentals needs at least 2-3 years.
- Expect no improvement in 2Q22. Earnings should start to improve in late 2022.
- Upgrade to HOLD with the same TP of THB9.20.

Two positive catalysts will take time

Although THCOM may have two positive catalysts waiting in the future that could drive the company's earnings significantly, they are both long-term events. First, the upcoming right of use auction for the satellite orbital slots will be held within this year. If THCOM can win an additional slot, it would take almost three more years to produce and launch a new satellite and start generating additional revenue. Secondly, there is no timeframe for a potential partnership with Starlink, which uses low Earth orbit (LEO) satellites. Starlink is still primarily focusing its service on the US. It may not rush to expand its service to Asia very soon, possibly for the next two or three years, in our view.

Some obstacles in the short term

First, THCOM's share of loss from its investment in its associate Lao Telecommunications may continue due to the appreciation of the US dollar against the Lao kip as the mark-to-market valuation of its accrued dividend and US dollar loan will continue in 2Q22. Second, there may be a risk that THCOM may continue to lose customers as there is no solid timeline for its new satellite yet.

Expect to see some improvement in late 2022

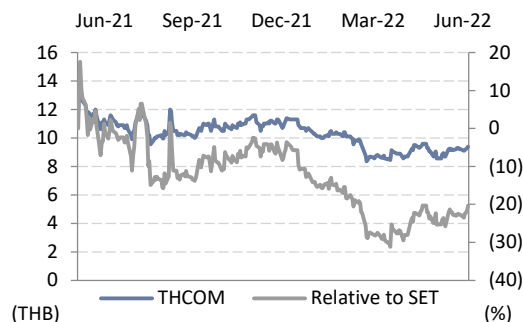
THCOM has yet to finalise its service agreement with National Telecom (NT), which has been delayed for over six months. It expects to settle the agreement with NT in 2Q-3Q22. This would be the key support for THCOM's net profit as the company expects about THB100m in revenue per year from this service. Once the contract is finalised, the additional revenue will become THCOM's net profit directly as the company has carried this cost since the end of the TC4 contract.

Upgrade to HOLD with the same TP of THB9.20

THCOM's share price has declined by over 17% since the beginning of the year. Now, its share price is close to our TP of THB9.20. Therefore, we upgrade our recommendation on THCOM to HOLD from Reduce with the same TP of THB9.20, pegged to 0.9x 2022E P/BV (+0.5SD of its mean). Although THCOM's earnings should have already bottomed out in 2021, we believe the future growth drivers that could fundamentally change its prospects are too far away.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	3,303	2,350	2,421	2,299
Net profit	144	190	227	184
EPS (THB)	0.13	0.17	0.21	0.17
vs Consensus (%)	-	(20.2)	(43.7)	(35.1)
EBITDA	1,189	558	517	403
Core net profit	(238)	190	227	184
Core EPS (THB)	(0.22)	0.17	0.21	0.17
Chg. In EPS est. (%)	nm	-	-	-
EPS growth (%)	nm	nm	20.0	(19.1)
Core P/E (x)	(43.2)	54.4	45.3	56.0
Dividend yield (%)	3.2	1.3	1.5	1.2
EV/EBITDA (x)	5.6	11.0	11.4	14.0
Price/book (x)	0.9	0.9	0.9	0.9
Net debt/Equity (%)	(32.7)	(37.5)	(39.1)	(41.3)
ROE (%)	(2.1)	1.7	2.0	1.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.0	9.3	(19.7)
Relative to country (%)	4.4	10.3	(20.0)
Mkt cap (USD m)	296		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	59		
Major shareholder	Intouch Holdings (41%)		
12m high/low (THB)	14.10/8.10		
Issued shares (m)	1,096.10		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

We see THCOM as facing too many challenges going forward. All of these could present 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) An unattractive net profit in 2022;
- 2) A partnership with National Telecom (NT);
- 3) The upcoming bidding process for the right to use the satellite orbital slot in 2022;
- 4) Low Earth orbit (LEO) satellites.

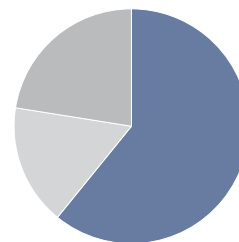
Company profile

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.

investor.ais.co.th

Principal activities (revenue, 2021)

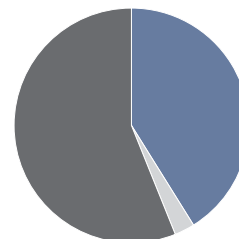
- Conventional satellite - 60.9 %
- Broadband satellite - 16.7 %
- Other revenue - 22.5 %



Source: Thaicom

Major shareholders

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



Source: Thaicom

Catalysts

- Unattractive earnings in the next two years;
- The potential to negotiate with NT for satellite management fee;
- Inability to find new customers during the concession expiration.

Risks to our call

The key upside and downside 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 the auction for the new satellite is delayed; and 3) if it can form a partnership with NT or LEO satellite operators..

Event calendar

Date	Event
Aug-22	2Q22 results announcement

Key assumptions

	2020	2021	2022E	2023E	2024E
	(%)	(%)	(%)	(%)	(%)
Utilisation rate					
- Conventional	63	61	65	63	65
- Broadband	20	15	0	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

1Q22 results review

First core profit in the past seven quarters

THCOM reported a 1Q22 core net profit of THB11m, up from a THB41m loss in 1Q21 and a THB55m loss in 4Q21. The company's 1Q22 net profit was at THB51m. The extra items included an exchange rate loss of THB23m and THB63m from the reversal of losses from asset impairment. THCOM's total revenue in 1Q22 dropped to THB691m (-13% q-q, -12% y-y) due to the lower utilisation rate of domestic broadcast customers. The company's utilisation rate dropped to 54% in 1Q22 from 57% in 4Q21. THCOM's operating profit improved y-y to THB140m vs a THB66m loss in 1Q21 thanks to a decrease in operating costs after the contract expiration of Thaicom 4 and 6.

Share of loss from associates was at THB74m in 1Q22, higher than in 1Q21 at a THB16m loss. The major loss was from the share of loss from its investment in Lao Telecommunications due to the appreciation of the US dollar against the Lao kip, resulting in a loss from mark-to-market of its accrued dividend and US dollar loan.

Exhibit 96: 1Q22 results review

	1Q21 (THB m)	4Q21 (THB m)	1Q22 (THB m)	Change		2022E (THB m)
				(q-q%)	(y-y%)	
Revenue	788	794	691	(13.0)	(12.4)	2,350
Operating costs	(649)	(394)	(349)	(11.4)	(46.2)	(1,363)
Gross profit	139	399	341	(14.5)	146.0	987
SG&A expenses	(205)	(232)	(201)	(13.3)	(1.9)	(883)
EBIT	(66)	167	140	(16.3)	n.a.	104
Depn & amort.	338	147	143	(2.2)	(57.5)	454
EBITDA	271	314	283	(9.7)	4.4	558
EBITDA margin (%)	34	40	41	nm	nm	24
Interest expense	(41)	(29)	(28)	(4.4)	(31.4)	(114)
Other income	87	37	34	(9.7)	(61.1)	223
Extra items	151	(17)	40	n.a.	(73.7)	-
Associates	(16)	(180)	(74)	(59.0)	371.6	23
Pretax profit	115	(21)	112	n.a.	(2.9)	237
Tax	(5)	(50)	(61)	22.4	1,255.1	(47)
Tax rate (%)	(4)	233	(55)	nm	nm	(20)
Net profit	111	(71)	51	n.a.	(54.2)	190
Core net profit	(41)	(55)	11	n.a.	n.a.	190
EPS (THB)	0.10	(0.07)	0.05	n.a.	(54.2)	0.17
Core EPS (THB)	(0.04)	(0.05)	0.01	n.a.	n.a.	0.17

Sources: THCOM; FSSIA estimates

Exhibit 97: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Thaicom

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	3,557	3,303	2,350	2,421	2,299
Cost of goods sold	(1,306)	(1,230)	(909)	(994)	(960)
Gross profit	2,251	2,073	1,441	1,427	1,340
Other operating income	-	-	-	-	-
Operating costs	(927)	(884)	(883)	(910)	(937)
Operating EBITDA	1,323	1,189	558	517	403
Depreciation	(1,272)	(1,120)	(454)	(410)	(374)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	51	69	104	107	29
Net financing costs	(188)	(155)	(114)	(102)	(92)
Associates	4	(267)	23	45	47
Recurring non-operating income	203	(64)	246	279	293
Non-recurring items	562	382	0	0	0
Profit before tax	628	232	237	284	230
Tax	(114)	(88)	(47)	(57)	(46)
Profit after tax	514	144	190	227	184
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	0	0	0	0	0
Reported net profit	514	144	190	227	184
Non-recurring items & goodwill (net)	(649)	(382)	0	0	0
Recurring net profit	(135)	(238)	190	227	184
Per share (THB)					
Recurring EPS *	(0.12)	(0.22)	0.17	0.21	0.17
Reported EPS	0.47	0.13	0.17	0.21	0.17
DPS	0.20	0.30	0.12	0.15	0.12
Diluted shares (used to calculate per share data)	1,096	1,096	1,096	1,096	1,096
Growth					
Revenue (%)	(23.7)	(7.1)	(28.8)	3.0	(5.0)
Operating EBITDA (%)	(25.1)	(10.1)	(53.1)	(7.3)	(22.2)
Operating EBIT (%)	nm	35.9	50.7	2.7	(73.3)
Recurring EPS (%)	nm	nm	nm	20.0	(19.1)
Reported EPS (%)	nm	(72.0)	31.9	20.0	(19.1)
Operating performance					
Gross margin inc. depreciation (%)	27.5	28.9	42.0	42.0	42.0
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	37.2	36.0	23.7	21.4	17.5
Operating EBIT margin (%)	1.4	2.1	4.4	4.4	1.2
Net margin (%)	(3.8)	(7.2)	8.1	9.4	8.0
Effective tax rate (%)	20.0	20.0	20.0	120.0	220.0
Dividend payout on recurring profit (%)	(162.2)	(138.0)	70.0	70.0	70.0
Interest cover (X)	1.4	0.0	3.1	3.8	3.5
Inventory days	25.1	9.3	9.1	13.6	13.8
Debtor days	193.1	218.0	243.3	164.0	169.7
Creditor days	136.9	131.5	136.3	81.5	83.9
Operating ROIC (%)	0.8	1.1	1.8	(0.5)	(0.9)
ROIC (%)	2.1	0.0	3.1	(0.9)	(4.6)
ROE (%)	(1.2)	(2.1)	1.7	2.0	1.6
ROA (%)	0.1	(0.7)	1.9	1.5	0.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Conventional satellite	2,133	2,010	2,350	2,421	2,299
Broadband satellite	1,415	550	0	0	0
Other revenue	9	743	0	0	0

Sources: Thaicom ; FSSIA estimates

Financial Statements

Thaicom

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	(135)	(238)	190	227	184
Depreciation	1,272	1,120	454	410	374
Associates & minorities	(4)	267	0	0	0
Other non-cash items	1,019	(36)	0	0	0
Change in working capital	(383)	113	502	(41)	76
Cash flow from operations	1,770	1,224	1,146	596	634
Capex - maintenance	(31)	(29)	(92)	(92)	(92)
Capex - new investment	(47)	(43)	(138)	(138)	(138)
Net acquisitions & disposals	(1,227)	1,194	0	0	0
Other investments (net)	141	325	0	0	0
Cash flow from investing	(1,164)	1,446	(230)	(230)	(230)
Dividends paid	(219)	(219)	(133)	(159)	(129)
Equity finance	0	0	0	0	0
Debt finance	(494)	(2,825)	(509)	(76)	(68)
Other financing cash flows	(214)	(145)	(228)	0	0
Cash flow from financing	(928)	(3,189)	(869)	(235)	(197)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	1,239	0	0	0	0
Net other adjustments	1,239	(1,198)	0	0	0
Movement in cash	917	(1,717)	47	131	208
Free cash flow to firm (FCFF)	793.40	2,826.02	1,029.32	468.48	496.51
Free cash flow to equity (FCFE)	1,136.11	(1,497.73)	179.26	290.52	336.34
Per share (THB)					
FCFF per share	0.72	2.58	0.94	0.43	0.45
FCFE per share	1.04	(1.37)	0.16	0.27	0.31
Recurring cash flow per share	1.96	1.01	0.59	0.58	0.51
Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	12,194	12,128	12,188	12,248	12,308
Less: Accumulated depreciation	(9,103)	(9,350)	(9,648)	(9,918)	(10,162)
Tangible fixed assets (net)	3,091	2,778	2,540	2,330	2,146
Intangible fixed assets (net)	799	1,496	1,511	1,540	1,580
Long-term financial assets	899	750	750	750	750
Invest. in associates & subsidiaries	1,393	1,249	1,249	1,249	1,249
Cash & equivalents	6,619	4,902	4,949	5,080	5,288
A/C receivable	1,867	2,078	1,055	1,121	1,017
Inventories	55	7	38	36	36
Other current assets	931	1,062	1,063	1,064	1,064
Current assets	9,473	8,050	7,105	7,301	7,406
Other assets	1,022	1,016	862	872	857
Total assets	16,676	15,340	14,017	14,043	13,988
Common equity	11,247	11,129	11,186	11,254	11,310
Minorities etc.	0	0	0	0	0
Total shareholders' equity	11,247	11,129	11,186	11,254	11,310
Long term debt	1,204	841	757	682	613
Other long-term liabilities	723	1,947	1,698	1,714	1,695
Long-term liabilities	1,927	2,788	2,456	2,396	2,308
A/C payable	424	462	217	227	214
Short term debt	2,704	424	0	0	0
Other current liabilities	374	536	158	165	156
Current liabilities	3,502	1,422	375	392	371
Total liabilities and shareholders' equity	16,676	15,340	14,017	14,043	13,988
Net working capital	2,056	2,150	1,781	1,828	1,747
Invested capital	9,259	9,440	8,693	8,570	8,330
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.26	10.15	10.21	10.27	10.32
Tangible book value per share	9.53	8.79	8.83	8.86	8.88
Financial strength					
Net debt/equity (%)	(24.1)	(32.7)	(37.5)	(39.1)	(41.3)
Net debt/total assets (%)	(16.3)	(23.7)	(29.9)	(31.3)	(33.4)
Current ratio (x)	2.7	5.7	19.0	18.6	20.0
CF interest cover (x)	7.3	(8.4)	3.8	5.2	6.2
Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	(76.2)	(43.2)	54.4	45.3	56.0
Recurring P/E @ target price (x) *	(74.6)	(42.3)	53.2	44.4	54.8
Reported P/E (x)	20.1	71.7	54.4	45.3	56.0
Dividend yield (%)	2.1	3.2	1.3	1.5	1.2
Price/book (x)	0.9	0.9	0.9	0.9	0.9
Price/tangible book (x)	1.0	1.1	1.1	1.1	1.1
EV/EBITDA (x) **	5.7	5.6	11.0	11.4	14.0
EV/EBITDA @ target price (x) **	5.6	5.4	10.6	11.0	13.4
EV/invested capital (x)	0.8	0.7	0.7	0.7	0.7
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Thaicom ; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100											
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD	
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI	
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO	
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC	
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U	
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC	
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS	
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV	
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI	
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH	
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL	
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	SVI	TPBI	WAVE	
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA	
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP	
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE	
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER	
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN	
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR		
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE		
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH		
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA		
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB		
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL		
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW		
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU		
VERY GOOD LEVEL – Score range 80-89											
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT	
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP	
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC	
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI	
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH	
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP	
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF	
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC	
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP	
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM	
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL	
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO	
ALLA	BJC	DCON	HPT	KIAT	MTSIB	PRIME	SCN	SSC	TMI	VRANDA	
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE	
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK	
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP	
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO	
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG	
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA	
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS		
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS		
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN		
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT		
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE		
GOOD LEVEL – Score range 70-79											
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG	
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA	
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN		
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM		
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS		
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ		
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA		
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA		
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA		
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W		
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN		
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK		
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH		

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* 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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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

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Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Total Access Communication	DTAC TB	THB 44.75	BUY	The key downside risks to our DCF-based TP are if the amalgamation between DTAC and TRUE is unable to proceed, if there is stronger-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 4.62	BUY	The key downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are worse than our expectation, if the company can reduce its costs worse than we expect, and if there is a slower-than-expected adoption of 5G use cases.
Advanced Info Service	ADVANC TB	THB 208.00	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.
Jasmine International	JAS TB	THB 3.64	REDUCE	The key upside risks to our SOTP-based TP include better-than-expected growth in FBB and ARPU and better-than-expected cost reduction.
Intouch Holdings	INTUCH TB	THB 70.00	BUY	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.
Thaicom	THCOM TB	THB 9.40	HOLD	The key upside and downside 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 the auction for the new satellite is delayed; and 3) if it can form a partnership with NT or LEO satellite operators.
Bangkok Expressway and Metro	BEM TB	THB 9.00	BUY	The key downside risks to our SoTP-based TP are 1) traffic and ridership recovering more slowly than our expectation; and 2) the company being unable to win the new mass transit project bids.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 10-Jun-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.