

BUY (Unchanged)

Change in Numbers

TP: Bt 15.00

(From: Bt 17.00)

6 JULY 2021**Upside : 18.1%**

Digital Telecom. Infra. Fund (DIF TB)

A top yield play

We reaffirm our **BUY** on DIF for its highly secured 8% dividend yield. Its unit price is trading 6% below its bear fundamental case, on our calculation, while we believe there is lower risk of selling pressure from TRUE. DIF is also the most liquid asset fund for a yield play in the Thai market.

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Most liquid with highly secured yield of 8%

DIF, a telecom infrastructure fund, is the most liquid asset fund trading on the SET and is nearly double the size of the second-largest fund, Jasmine Broadband Internet Infra. (JASIF, Bt9.85, BUY). DIF's three-month average daily trading volume is also sizable at Bt120m, or US\$4m. Fundamentally, DIF offers a very high, sustainable dividend yield of 8.2%, backed by fixed rental contracts (both volume and pricing) on its telecom towers and its fiber-optic cable (FOC) network into 2033F. DIF is therefore resilient to the impact from COVID-19 and the weak economy. Despite having high concentration risk with its main counterparty and fund sponsor, True Corporation Pcl (TRUE, Bt3.16, SELL), we don't foresee a risk of TRUE defaulting on the payments.

Fixed-revenue contracts

DIF has two groups of rental contracts with TRUE, which sold its telecom assets to DIF in 2017, 2018 and 2019, and leased back those assets at a guaranteed volume and fixed rental prices over the contract life until 2033. The first contract group (66% of DIF's revenue) has an obligation for TRUE to renew for another 10 years (to 2043) if TRUE's broadband revenue meets certain criteria (Exhibit 4), which we assume will be met. The second group will freely expire, but we assume TRUE renews it for 10 years at half the rental price to maintain network coverage.

Lower selling pressure from TRUE this year

DIF's share price has fallen by 20% since 3Q20, when TRUE sold down its stake in DIF from 29% to 23%. DIF's yield was therefore pushed up to over 8% from 6% prior to the sale. Given that TRUE has already issued a total of Bt51bn worth of debentures YTD, we don't see a need for it to divest more DIF units in the near term. Also at 8.2% yield, it is much cheaper for TRUE to issue debentures (4-6% coupon) as the bond market is still open.

Unit price is below worst-case scenario

We cut our DDM-based 12-month TP (2022F base year) for DIF to Bt15.0/unit (from Bt17.0 previously) as we change our base-case assumptions. We still assume the first group of contracts to be for another 10 years since TRUE's operating performance is far above the criteria. However, we now assume the second group to be renewed at only half the current rental price (from the same price previously), also with the same 10-year extended term. This is because capex per unit of telecom towers and FOC has been on a sharp falling trend. As for the worst-case scenario where the second group of four contracts is not renewed in 2033, we calculate DIF's value at Bt13.5/unit, which is still higher than the current market price.

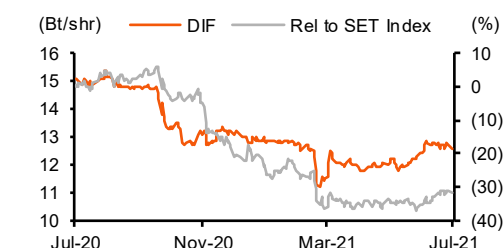
COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	14,689	14,670	14,726	14,783
Net profit	13,424	12,567	12,687	12,829
Consensus NP	—	11,607	11,371	11,361
Diff frm cons (%)	—	8.3	11.6	12.9
Norm profit	12,406	12,567	12,687	12,829
Prev. Norm profit	—	12,682	12,892	13,092
Chg frm prev (%)	—	(0.9)	(1.6)	(2.0)
Norm EPS (Bt)	1.2	1.2	1.2	1.2
Norm EPS grw (%)	1.1	1.3	1.0	1.1
Norm PE (x)	10.9	10.8	10.7	10.6
EV/EBITDA (x)	11.0	11.7	11.5	11.4
P/NAV (x)	0.8	0.8	0.8	0.8
Cash div yield (%)*	8.2	8.2	8.3	8.3
Effective yield (%)**	8.2	8.2	8.3	8.3
ROE (%)	7.2	7.2	7.2	7.2
Net D/E (%)	13.5	18.3	17.3	16.2

Note: * Dividend from operations and capital reduction

** Dividend from operations

PRICE PERFORMANCE

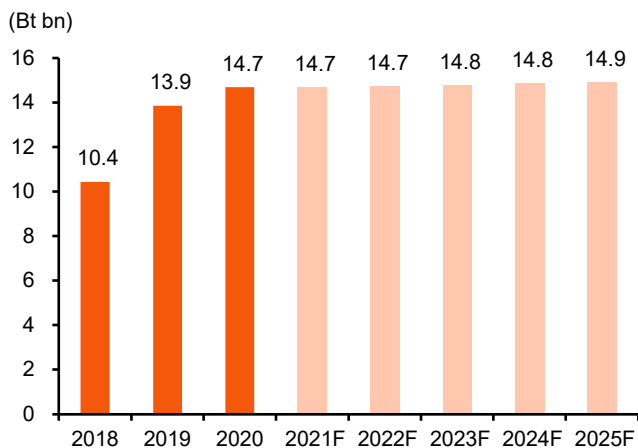


COMPANY INFORMATION

Price as of 6-Jul-21 (Bt)	12.70
Market Cap (US\$ m)	4,192.7
Listed Shares (m shares)	10,631.7
Free Float (%)	56.4
Avg Daily Turnover (US\$ m)	3.8
12M Price H/L (Bt)	15.40/11.20
Sector	Telecom
Major Shareholder	TRUE Corporation 23.38%

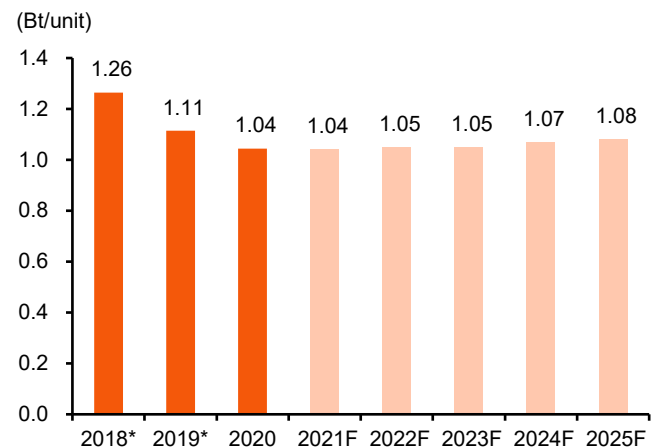
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Highly Secured Revenue Stream ...



Sources: Company data, Thanachart estimates

Ex 2: ... Thus Sustainable Dividends



Sources: Company data, Thanachart estimates

Note: * Pre-dilution values

Ex 3: DIF's Asset Portfolio And Its Contract Terms

Structure	Sale of rights to net revenues + Call option		Ownership				Long-term leasehold + Call option		Total
	AWC	BFKT	TRUE	TICC	TUC	TMV	AWC	TICC	
Assets / Entity									
Towers	4,847 towers	1,485 towers	6,000 towers		2,939 towers				15,271 towers
Fiber-optic cables (FOC) and transmission system equipment		9,169 links and 47,250km of FOC (680,400 core km)		5,112km of FOC (122,974 core km)	9,130km of FOC (314,600 core km)	7,021km of FOC (455,446 core km)	7,981km of FOC (303,453 core km)	13,542km of FOC (700,000 core km)	9,169 links and 90,036km of FOC (2,576,873 core km)
Upcountry broadband system				1.2m ports encompassing 6,114 km of FOC (198,085 core km)					1.2 million ports encompassing 6,114km of FOC (198,085 core km)
Leaseback contract terms	2033		2033	2033 + 10 Yrs	2033 (tower) 2033 + 10 Yrs (FOC)	2033 + 10 Yrs	2033 + 10 Yrs	2033 + 10 Yrs	
	Group 1			Group 2					

Source: Company data

Ex 4: TRUE Likely Obligated To Renew First Group Of Contracts

Criteria for TRUE to be obligated to renew 'Group 2' contracts in 2033	Threshold	2021F	Current status
1) TRUE renews its operating license AND	Yes	Yes	✓
2) TRUE's broadband revenues OR	> Bt16.5bn	Bt28.6bn	✓
3) TRUE's broadband market share	> 33%	36.1%	✓

Sources: Company data, True Corp Pcl (TRUE TB), Thanachart estimates

Ex 5: Our Investment Scenarios For DIF

	Worst case	Base case	Best case
1) Renewal of Group 1 contracts	No	Yes - at 50% rental price	Yes - at 100% rental price
2) Exercise of obligation to renew Group 2 contracts	Yes	Yes	Yes
DDM-approach target price (Bt/unit)	13.5	15.0	16.7
Held to maturity IRR (2043F)	6.3%	7.1%	7.8%

Source: Thanachart estimates

Ex 6: 12-month DDM-based Valuation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Dividend of common stock	11,170	11,196	11,360	11,510	11,640	11,773	11,909	12,048	12,191	12,337	12,487
Dividend from capital reduction	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	11,170	11,196	11,360	11,510	11,640	11,773	11,909	12,048	12,191	12,337	12,487
Cost of equity (%)	8.1										
Terminal growth (%)	2.0										
PV of dividend	10,332	9,578	8,985	8,419	7,694	7,164	6,669	6,211	5,785	5,389	4,773
Equity value (m)	160,384										
No. of units (m)	10,663										
Equity value / unit (Bt)	15.0										

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 7: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPU growth		PE		P/NAV		EV/EBITDA		Div yield	
			21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Link REIT/The	823 HK	Hong Kong	400.9	6.2	26.7	25.1	1.0	1.0	24.8	22.9	3.8	4.1
Yuexiu Real Estate	405 HK	Hong Kong	(126.8)	1.6	19.5	19.1	0.6	0.6	20.5	20.6	5.4	5.5
Fortune Real Estate	778 HK	Hong Kong	(5.6)	5.9	24.1	22.7	1.0	1.0	20.3	19.4	5.7	5.7
CapitaLand Mall Trust	CT SP	Singapore	na	25.0	na	na	na	na	na	na	na	na
Frasers Centrepoint Trust	FCT SP	Singapore	(13.6)	6.0	21.3	20.1	1.1	1.1	28.1	26.2	4.9	5.2
Mapletree Commercial	MCT SP	Singapore	180.2	51.7	37.8	24.9	1.3	1.3	30.5	27.9	4.0	4.4
Suntec Real Estate	SUN SP	Singapore	(375.1)	7.0	21.4	20.0	0.7	0.7	41.9	36.2	5.7	6.0
Starhill Global REIT	SGREIT SP	Singapore	(1.1)	22.9	17.1	14.0	0.8	0.7	19.9	17.3	6.5	7.0
CapitaLand Commercial	CCT SP	Singapore	(29.2)	7.4	na	na	na	na	na	na	na	na
Keppel REIT	KREIT SP	Singapore	(37.9)	18.2	27.0	22.9	0.9	0.9	61.1	46.4	5.0	5.0
CapitaLand Retail China	CRCT SP	Singapore	14.3	11.1	na	na	na	na	32.3	14.1	na	na
Ascendas Real Estate	AREIT SP	Singapore	14.3	(61.7)	37.3	97.4	2.4	7.5	32.3	na	2.7	1.1
Mapletree Industrial Trust	MINT SP	Singapore	14.3	(61.7)	35.1	91.6	2.2	7.1	32.3	na	2.9	1.1
Mapletree Logistics Trust	MLT SP	Singapore	na	(61.7)	26.0	68.1	1.6	5.2	32.3	na	3.9	1.5
Ascott Residence Trust	ART SP	Singapore	11.5	73.3	34.7	20.0	0.9	0.8	27.9	26.0	4.0	6.2
CDL Hospitality Trusts	CDREIT SP	Singapore	(118.8)	79.3	43.4	24.2	1.0	1.0	35.4	26.0	4.3	5.1
Axis Real Estate	AXRB MK	Malaysia	(2.6)	7.3	20.3	18.9	1.3	1.3	21.1	19.6	4.8	5.1
Sunway Real Estate	SREIT MK	Malaysia	10.9	14.1	20.0	17.5	1.0	1.0	20.3	18.9	4.8	4.9
KLCCP Stapled Group	KLCCSS MK	Malaysia	na	6.6	18.9	17.7	0.9	0.9	25.5	23.8	4.9	5.3
IGB Real Estate	IGBREIT MK	Malaysia	14.3	11.8	22.2	19.9	1.5	1.5	22.9	20.4	4.4	5.0
Pavilion Real Estate	PREIT MK	Malaysia	255.3	33.3	25.2	18.9	1.1	1.1	23.0	19.8	4.0	5.1
BTS Rail Mass Transit **	BTSGIF TB	Thailand	18.7	63.8	11.8	7.2	0.6	0.7	11.8	7.2	8.5	13.9
Digital Telecom Int. *	DIF TB	Thailand	1.3	1.0	10.8	10.7	0.8	0.8	11.7	11.5	8.2	8.3
Jasmine Broadband Int. *	JASIF TB	Thailand	(23.8)	0.1	9.2	9.2	0.9	0.9	9.6	9.5	10.0	10.0
IMPACT Growth REIT **	IMPACT TB	Thailand	170.2	9.6	23.7	21.6	1.7	1.7	24.0	22.0	4.1	4.5
Frasers Property Thailand *	FTREIT TB	Thailand	3.6	(3.3)	17.8	18.4	1.3	1.3	19.8	20.8	4.9	4.9
WHA Premium Growth *	WHART TB	Thailand	(1.4)	0.8	19.1	18.9	1.3	1.3	21.1	20.3	5.2	5.3
CPN Retail Growth *	CPNREIT TB	Thailand	(13.5)	45.0	34.6	23.9	1.5	1.5	20.1	16.7	4.0	6.8
Samui Airport Property Fund *	SPF TB	Thailand	(25.7)	62.2	31.9	19.6	1.3	1.2	29.0	17.9	3.1	5.1
Lotus's Retail Growth**	LPF TB	Thailand	11.7	7.3	18.4	17.2	1.2	1.2	18.7	17.3	4.9	5.2
Average			12.8	13.0	24.3	26.3	1.2	1.7	25.6	21.1	5.0	5.4

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS,

** Fiscal year ends in February for LPF, March for IMPACT and BTSGIF, and we use one-year forward numbers for 22-23F.

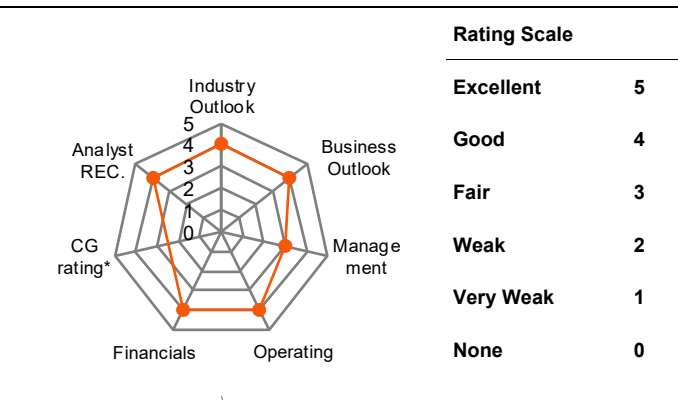
Based on 6 July 2021 closing prices

FUND DETAILS

Name	: Digital Telecommunication Infrastructure Fund
Ticker	: DIF TB
Listed date	: 27 December 2013
Fund size	: Bt58bn (58,000 units @ par Bt10/unit)
Type	: Closed-end retail infrastructure fund
Investment A/S	: Telecom towers and optical fiber cable
Project life	: No specific term
Sponsor	: True Corporation (TRUE TB)
Fund manager	: SCB Asset Management
Dividend policy	: No less than 90% of adjusted net profit
Payment date	: Quarterly basis
Foreign limit	: No more than 49% of total units

Source: SET

COMPANY RATING



Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Top infrastructure fund in the growing mobile business.
- Solid underlying assets.
- Strong financial position of its main sponsor, TRUE.

O — Opportunity

- Increased leasing opportunities from third parties.
- Acquiring more assets from TRUE and other telecom operators.

W — Weakness

- Income guaranteed for only a certain period, until 2025-2035.

T — Threat

- More new telecoms infrastructure funds potentially being listed.
- Regulatory changes.
- The imposition of any taxes.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	16.14	15.00	-7%
Net profit 21F (Bt m)	11,607	12,567	8%
Net profit 22F (Bt m)	11,371	12,687	12%
Consensus REC	BUY: 9	HOLD: 1	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings estimates are 8-12% higher than Bloomberg consensus numbers, which we believe is due to us factoring in lower interest expenses after its refinancing last year.
- However, our TP is 7% lower, which is likely due to us assuming DIF's contracts will not be fully renewed in 2033.

RISKS TO OUR INVESTMENT CASE

- Our forecast yield is based on TRUE's minimum income guarantee and leasing from third parties. Fewer rentals secured from infrastructure demand represent the key downside risk to our investment case.
- If, for whatever reason, TRUE cannot commit to the minimum income guarantee and the fund is unable to sell capacity to third parties as we anticipate, this would present the key downside risk to our numbers and investment case.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

INCOME STATEMENT

Secured revenue stream
from fixed-rental
contracts into 2033F

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Revenue	13,855	14,689	14,670	14,726	14,783
Selling & administration expenses	284	301	308	315	322
Operating profit	13,571	14,389	14,362	14,411	14,461
% operating margin	98.0%	98.0%	97.9%	97.9%	97.8%
Depreciation & amortization	0	0	0	0	0
EBITDA	13,571	14,389	14,362	14,411	14,461
% EBITDA margin	98.0%	98.0%	97.9%	97.9%	97.8%
Non-operating income	37	17	8	3	3
Non-operating expenses	(43)	(42)	(42)	(43)	(44)
Interest expense	(2,175)	(1,957)	(1,759)	(1,682)	(1,590)
Pre-tax profit	11,390	12,407	12,569	12,689	12,830
Income tax	0	2	2	2	2
After-tax profit	11,390	12,406	12,567	12,687	12,829
% net margin	82.2%	84.5%	85.7%	86.2%	86.8%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	7,521	1,018	0	0	0
NET INVESTMENT INCOME	18,910	13,424	12,567	12,687	12,829
Normalized Net Invest. Income	11,390	12,406	12,567	12,687	12,829
EPS (Bt)	1.9	1.3	1.2	1.2	1.2
Normalized EPS (Bt)	1.2	1.2	1.2	1.2	1.2

BALANCE SHEET

DIF continuously
refinances and repays
debts to boost yield

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	12,608	7,233	1,509	1,510	1,512
Cash & cash equivalent	4,150	4,034	1,000	1,000	1,000
Account receivables	2,615	3,092	402	403	405
Inventories	0	0	0	0	0
Others	5,843	107	107	107	107
Investments & loans	213,443	215,752	215,752	215,752	215,752
Net fixed assets	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	226,050	222,984	217,260	217,262	217,263
LIABILITIES:					
Current liabilities:	12,617	8,139	7,861	7,804	7,907
Account payables	623	663	318	160	161
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	11,995	7,477	7,543	7,644	7,746
Total LT debt	27,880	27,586	33,189	31,731	29,997
Others LT liabilities	0	0	0	0	0
Total liabilities	53,948	48,557	41,050	39,534	37,904
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	106,317	106,317	106,633	106,633	106,633
Share premium	20,800	20,800	20,800	20,800	20,800
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	44,986	47,311	48,778	50,295	51,927
Net Assets	172,102	174,427	176,210	177,728	179,360

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	11,390	12,407	12,569	12,689	12,830
Tax paid	744	75	(1)	20	20
Depreciation & amortization	0	0	0	0	0
Chg In working capital	(2,170)	(437)	2,345	(159)	(1)
Chg In other CA & CL / minorities	4,041	(4,080)	66	79	81
Cash flow from operations	14,005	7,966	15,128	12,590	12,885
Capex	0	0	0	0	0
ST loans & investments	(2,533)	9,405	0	0	0
LT loans & investments	(40,422)	(2,309)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	20,272	(115)	(12,832)	0	0
Cash flow from investments	(22,683)	6,981	(12,832)	0	0
Debt financing	76	(294)	5,603	(1,458)	(1,734)
Capital increase	15,800	0	316	0	0
Dividends paid	(10,116)	(11,099)	(11,100)	(11,170)	(11,196)
Warrants & other surplus	1,438	0	0	0	0
Cash flow from financing	7,199	(11,393)	(5,181)	(12,628)	(12,931)
Free cash flow	14,005	7,966	15,128	12,590	12,885

*We see a low risk of
TRUE defaulting on rental
payments to DIF*

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	11.0	10.9	10.8	10.7	10.6
Normalized PE - at target price (x)	13.0	12.9	12.7	12.6	12.5
PE (x)	6.6	10.1	10.8	10.7	10.6
PE - at target price (x)	7.8	11.9	12.7	12.6	12.5
EV/EBITDA (x)	11.3	11.0	11.7	11.5	11.4
EV/EBITDA - at target price (x)	13.0	12.8	13.4	13.2	13.1
P/NAV (x)	0.8	0.8	0.8	0.8	0.8
P/NAV - at target price (x)	0.9	0.9	0.9	0.9	0.9
P/CFO (x)	9.0	17.0	9.0	10.8	10.5
Price/sales (x)	9.7	9.2	9.2	9.2	9.1
Effective dividend yield (%)	8.8	8.2	8.2	8.3	8.3
Capital reduction yield (%)	0.0	0.0	0.0	0.0	0.0
Cash dividend yield (%)	8.8	8.2	8.2	8.3	8.3
FCF Yield (%)	11.1	5.9	11.2	9.3	9.5
(Bt)					
Normalized EPS	1.2	1.2	1.2	1.2	1.2
EPS	1.9	1.3	1.2	1.2	1.2
Effective dividend *	1.1	1.0	1.0	1.1	1.1
Capital reduction dividend	-	-	-	-	-
Cash dividend **	1.1	1.0	1.0	1.1	1.1
NAV/unit	16.1	16.4	16.5	16.7	16.8
CFO/unit	1.4	0.7	1.4	1.2	1.2
FCF/unit	1.4	0.7	1.4	1.2	1.2

*8%-plus dividend yield
looks highly attractive*

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	32.7	6.0	(0.1)	0.4	0.4
Net profit (%)	91.9	(29.0)	(6.4)	1.0	1.1
EPS (%)	50.1	(34.1)	(6.4)	1.0	1.1
Normalized profit (%)	34.5	8.9	1.3	1.0	1.1
Normalized EPS (%)	5.2	1.1	1.3	1.0	1.1
Dividend payout ratio (%)***	58.3	82.9	88.2	88.2	87.3
Operating performance					
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
Operating margin (%)	98.0	98.0	97.9	97.9	97.8
EBITDA margin (%)	98.0	98.0	97.9	97.9	97.8
Net margin (%)	82.2	84.5	85.7	86.2	86.8
D/E (incl. minor) (x)	0.2	0.2	0.2	0.2	0.2
Net D/E (incl. minor) (x)	0.2	0.1	0.2	0.2	0.2
Interest coverage - EBIT (x)	6.2	7.4	8.2	8.6	9.1
Interest coverage - EBITDA (x)	6.2	7.4	8.2	8.6	9.1
ROA - using norm profit (%)	5.6	5.5	5.7	5.8	5.9
ROE - using norm profit (%)	7.2	7.2	7.2	7.2	7.2
DuPont					
ROE - using after tax profit (%)	7.2	7.2	7.2	7.2	7.2
- asset turnover (x)	0.1	0.1	0.1	0.1	0.1
- operating margin (%)	97.9	97.8	97.7	97.6	97.5
- leverage (x)	1.3	1.3	1.3	1.2	1.2
- interest burden (%)	84.0	86.4	87.7	88.3	89.0
- tax burden (%)	100.0	100.0	100.0	100.0	100.0
Cost of equity (%)	7.7	7.7	7.7	7.7	7.7
ROIC (%)	7.9	7.2	7.3	6.9	6.9
NOPAT (Bt m)	13,571	14,387	14,361	14,409	14,459

Sources: Company data, Thanachart estimates

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