BUY (From: HOLD)

Change in Recommendation

TP: Bt 240.00 (From: Bt 230.00)

Upside: 18.8%

19 JULY 2022

Thanachart Securities

Advanced Info Service (ADVANC TB)

Verge of recovery

NUTTAPOP PRASITSUKSANT
662 – 483 8296
nuttapop.pra@thanachartsec.co.th

We upgrade ADVANC to BUY, expecting an earnings turnaround from a return of foreign tourists and value accretion from a major fixed broadband acquisition. We estimate 11/15% earnings growth in 2023-24F, after three years of contraction, and set our 2023F TP at Bt240.

Upgrading to BUY

We upgrade ADVANC to BUY (from Hold) with a DCF-based 12-month TP (rolled over to a 2023F base year) of Bt240/share (from Bt230). We expect ADVANC to enter an earnings turnaround cycle with 11/15% y-y growth in 2023-24F, after three years of contraction (2020-22) due to the COVID-19 pandemic hit. One growth driver is the return of foreign tourists, a segment which made up 10% of its profit in 2019 with the multiplier effect of improving domestic-based revenue. Another driver is the contribution from the recently announced plan to acquire Triple T Broadband (TTTBB), targeted to be carried out in 1Q23. With its share price down by 16% from this year's peak, we see ADVANC at 7x EV/EBITDA and with a 4% yield in 2023F as attractive.

Return of foreign tourists

Although revenue from foreign tourists stood at only 3% of the total in 2019, the profit impact was larger at 10% due to the high leverage effect. Tourists have started to return to Thailand after the country reopened over the past few months. We expect 6/26/39m tourist arrivals in 2022-24F, from nearly zero in 2021 and 40m in 2019, and thus ADVANC's earnings from tourists to recover to 2/7/9% of its earnings in those years. And as tourist arrivals grow, the Thai economy should improve too, and that should support mobile revenue growth from the domestic side.

TTTBB acquisition a good move in our view

We factor ADVANC's plan to acquire a 100% stake in TTTBB and 19% in Jasmine Broad Int Infra Fund (JASIF, SELL, Bt8.85) into our numbers. We estimate ADVANC's fixed-broadband market share to jump to 35% (from 15%) with 4.3m total subscribers vs. 1.9m at present and the 4.7m (38% share) of its main rival, True Corp Pcl (TRUE, SELL, Bt4.70). The Bt19.5bn purchase price of TTTBB implies only Bt8,000/subscriber vs. the cost of acquiring a new subscriber of Bt10,000-12,000 in the current market situation. The price for JASIF looks a little high to us at Bt8.5/unit, but it would help secure network infrastructure to continue its operations. We value the deal to ADVANC at Bt12.5/share.

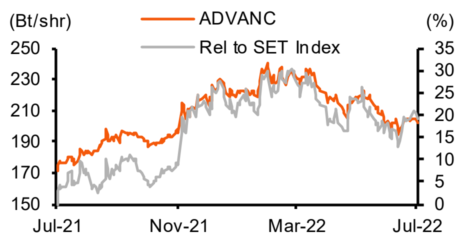
Benefits from rivals' delayed merger

We expect ADVANC to benefit from the delayed merger between TRUE and Total Access Com. Pcl (DTAC, SELL, Bt45.50). *First,* ADVANC will have more time to attract customers from its rivals who do not want to come under the new "Merged-Co". *Second,* ADVANC could boost its competitive advantage by accelerating network expansion and investing in new services, while its competitors are reluctant to do so pre-merger. We expect these trends to continue for a year, even after the merger is completed, as the Merged-Co will likely need time for internal business integration before launching new investment and marketing plans.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	181,333	177,640	198,409	209,535
Net profit	26,922	26,541	29,319	33,736
Consensus NP	—	27,971	30,915	34,272
Diff frm cons (%)	—	*(5.1)*	*(5.2)*	*(1.6)*
Norm profit	27,168	26,541	29,319	33,736
Prev. Norm profit	—	27,889	30,486	33,720
Chg frm prev (%)	—	*(4.8)*	*(3.8)*	*0.0*
Norm EPS (Bt)	9.1	8.9	9.9	11.3
Norm EPS grw (%)	(0.1)	(2.3)	10.5	15.1
Norm PE (x)	22.1	22.6	20.5	17.8
EV/EBITDA (x)	7.5	7.6	7.3	6.8
P/BV (x)	7.4	7.0	6.4	5.7
Div yield (%)	3.8	3.5	3.7	3.9
ROE (%)	34.6	31.6	32.6	34.0
Net D/E (%)	104.8	94.1	100.6	72.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 19-Jul-22 (Bt)	202.00
Market Cap (US$ m)	16,409.7
Listed Shares (m shares)	2,974.2
Free Float (%)	36.2
Avg Daily Turnover (US$ m)	37.2
12M Price H/L (Bt)	240.00/171.50
Sector	Telecom
Major Shareholder	INTUCH 40.44%

Sources: Bloomberg, Company data, Thanachart estimates

Upgrading to BUY

We upgrade ADVANC to BUY with a new TP of Bt240

We upgrade our rating on shares of Advanced Info Service Pcl (ADVANC) to BUY (from Hold) with a higher DCF-based 12-month TP of Bt240/share (from Bt230) after rolling over our valuation base year to 2023F.

Return of foreign tourists to drive earnings turnaround

- **First,** we believe ADVANC is approaching an earnings turnaround cycle after a declining trend over the past three years (2020-22) because of the negative impacts from the COVID-19 pandemic. We estimate 11% and 15% earnings growth for ADVANC in 2023-24F, driven mainly by a resumption of foreign tourist arrivals and the positive multiplier effect of this on the domestic economy.

We are positive on the acquisition of TTTBB

- **Second,** we see ADVANC's announcement of a plan to acquire 100% of Triple T Broadband (TTTBB), the second-largest fixed broadband operator in Thailand, as a positive move. We expect TTTBB to immediately contribute profits to ADVANC when the deal is done, likely in 1Q23.

16% share price fall already reflects weak economy

- **Third,** after its 16% share price correction from this year's peak, likely reflecting its slower-than-expected revenue recovery amid weak consumption and rising inflation, ADVANC's valuation at a 7x EV/EBITDA with a 4% dividend yield in 2023F does not look expensive to us.

Ex 1: Key Assumption Changes

	2020	2021	2022F	2023F	2024F
Normalized profit (Bt bn)					
- New *	27.2	27.2	26.5	29.3	33.7
- Old			27.9	30.5	33.7
- Change (%)			*(4.8)*	*(3.8)*	*0.0*
Core mobile revenue (Bt bn)					
- New	118.1	117.2	116.1	118.9	120.9
- Old			122.3	126.4	129.1
- Change (%)			*(5.1)*	*(5.9)*	*(6.4)*
Fixed-broadband revenue (Bt bn)					
- New *	7.0	8.4	10.2	25.9	32.4
- Old			10.1	11.7	13.1
- Change (%)			*0.8*	*122.3*	*147.9*

Sources: Company data, Thanachart estimates

Note: * We assume ADVANC successfully acquires TTTBB and JASIF in 1Q23.

Verge of recovery

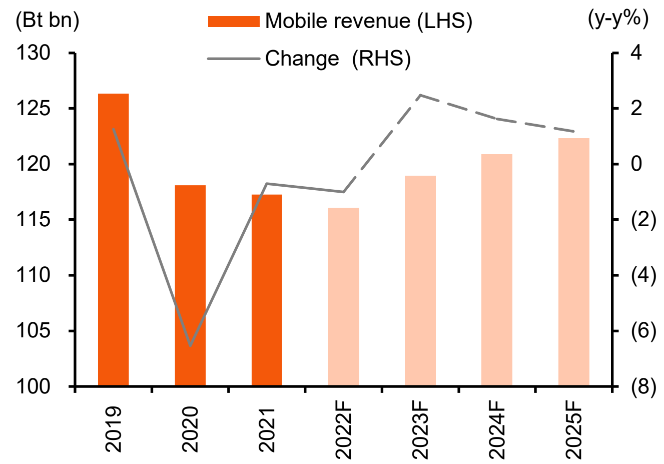
We project mobile revenue to turn around in 2023F after three years of decline

We expect ADVANC's mobile revenue to recover to 3% and 2% y-y growth in 2023-24F, after a 1% y-y fall in 2022F. We recap, we project ADVANC's 2022F mobile revenue to be 8% lower than the pre-COVID level (2019), pressured by two negatives: 1) a lack of revenue from tourism, and 2) lower mobile service demand from locals as they are travelling less and cutting spending amid the weakening economy. Having said that, we foresee those pressures beginning to subside from 2H22F, and therefore expect a turnaround story for ADVANC starting in 2023F.

Resumption of foreign tourists directly benefits mobile service revenue …

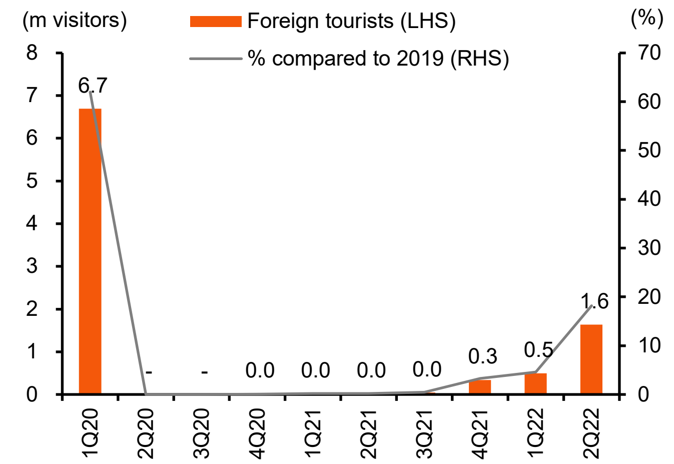
We expect a return of foreign tourists to the country to be the key driver for ADVANC's turnaround story. Revenue from tourism contributed 3% of ADVANC's mobile revenue pre-COVID. The bottom-line impact is much larger at around 10% of ADVANC's earnings base given the high operating leverage nature of the mobile service industry. Thailand reopened to foreign tourists in 4Q21, but tourist arrivals were muted until a recent surge to 1.6m visitors in 2Q22, equivalent to 18% of the pre-COVID level (2Q19). Based on this strong signal of a recovery and our estimates of 6/26/36m tourist arrivals in 2022-24F (15/65/90% of 2019's level), we project revenue from foreign tourists (including migrant workers) to boost ADVANC's earnings by 2/7/9% in those years.

Ex 2: Mobile Revenue Turning Around



Sources: Company data, Thanachart estimates

Ex 3: Resumption Of Foreign Tourists A Key Driver



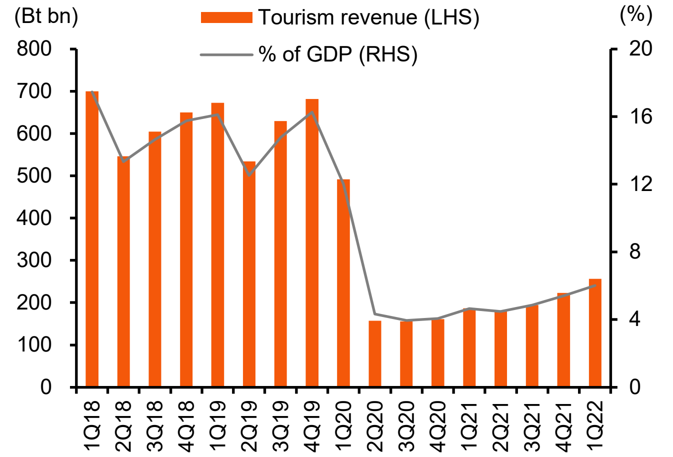
Sources: Tourism Authority of Thailand (TAT)

… and creates a multiplier effect by improving local consumption

Given that revenue from tourism made up 12-15% of Thailand's GDP in normal years (pre-COVID), we also expect the return of positive multiplier effect from the tourism industry again to improve local consumption, including higher spending on mobile services. Despite high inflation driven by a surge in energy (oil and electricity) prices likely being a key headwind, we believe this could be offset by higher demand for mobile services from locals as easing COVID concerns would result in 1) the people going back to work after working from home or returning to work outside their home towns, 2) more communication for business activities especially in tourism-related segments, and 3) locals resuming their usual travelling habits.

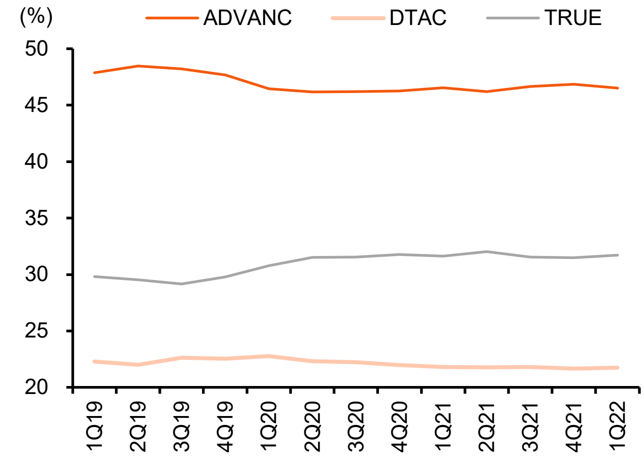
We also expect ADVANC's revenue growth to outstrip the industry's in 2023-24F as we expect it to gain market share amid the delayed merger between its two major rivals.

Ex 4: Tourism Revenue Is Sizable Vs. Thai GDP



Sources: Bank of Thailand, Thanachart estimates

Ex 5: Revenue Shares Of Major Mobile Operators



Source: Company data

TTTBB acquisition a good move, in our view

Inorganically growing FBB business by acquiring the second-largest operator

ADVANC announced early this month a plan to acquire the fixed-broadband (FBB) business from Jasmine International Pcl (JAS TB, non-rated, Bt2.76). The deal is divided into two transactions.

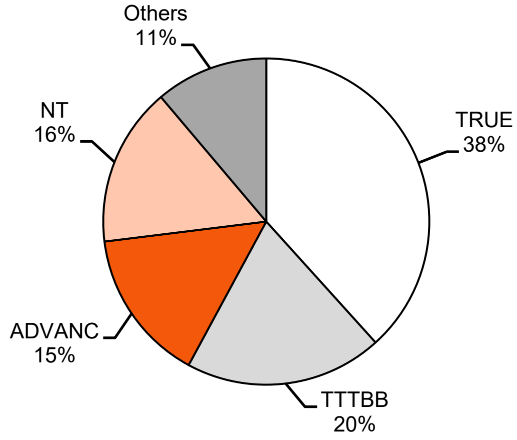
1) The acquisition of a 100% stake in Triple T Broadband Pcl (TTTBB), the second-largest fixed-broadband operator in Thailand, at a purchase price of Bt19.5bn.

2) The acquisition of 1,520m units of Jasmine Broadband Internet Infrastructure Fund (JASIF TB, SELL, Bt8.85), equivalent to 19% of its total units, at a price of Bt8.5/unit for a total investment cost of Bt12.92bn.

We view the deal positively, mainly since it provides a swift shortcut for ADVANC to become the second-largest player in the Thai fixed-broadband industry with a comparable market share size at 35% of total subscribers (4.3m subscribers) to the market leader, True Corporation Pcl (TRUE TB, SELL, Bt4.70), which has a 38% share (4.7m subs). We expect immediate business synergies to be on the cost side. ADVANC could save on investment costs to expand its fiber-optic network and especially the last-mile expansion for its FBB coverage into provincial areas where it has a relatively small market share. Note that the majority of TTTBB's customers are in rural areas, while ADVANC's FBB clients are concentrated in key cities and urban areas, so there is very limited cannibalization between them. More sizable cost savings would come from scrapping redundant back-office operations and from network procurement benefits because of its larger scale.

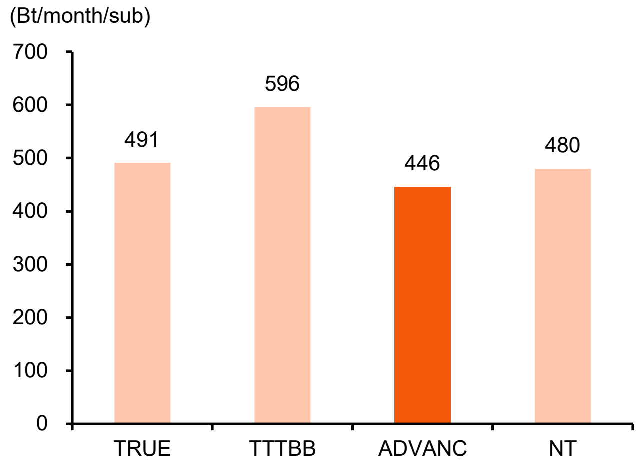
There is also a potential revenue synergy to ADVANC from cross selling mobile services to TTTBB's existing subscribers since TTTBB does not offer mobile services.

Ex 6: Current Subscriber Shares In Thai FBB Market



Sources: NBTC, Company data
Note: As of 1Q22

Ex 7: ARPU Comparison Between Major FBB Operators



Sources: NBTC, Company data
Note: As of 1Q22

Acquisition price is very attractive for ADVANC, in our view

We see the acquisition price of TTTBB as very favorable to ADVANC at an equivalent price of Bt8,000 per subscriber, compared to the average acquisition cost for a new subscriber of Bt10,000-12,000 currently, and this has yet to include over Bt30bn (in terms of book value) of operating network assets (mainly fiber-optic cables and related equipment) held by TTTBB. We see the price of JASIF at Bt8.5/unit as a bit high, but we believe it is justified given that it would help secure a major portion of the required network infrastructure for TTTBB's operations while offering ADVANC a chance to revise some unfavorable clauses in rental contracts between JASIF and TTTBB via negotiations with JASIF's unitholders after it becomes the new sponsor (major tenant) of the fund.

No issues with gearing or dividends after the deal

Assuming the deal is fully funded by debt, we project ADVANC's gearing (net debt-to-equity) to remain healthy at 1.0x post acquisition. Moreover, thanks to its strong operating cash flows from the mobile service business, we expect ADVANC to maintain its dividend payout level at above 70%. Net net, we see the deal adding Bt12.5 per ADVANC share.

Ex 8: 12-month DCF-based TP Calculation Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA (excl. depre from right of use)	86,332	91,832	95,839	98,069	101,423	105,327	108,106	109,905	114,830	119,504	119,201	—
Free cash flow	12,639	47,143	45,696	54,769	58,751	61,518	63,896	64,952	76,134	80,273	79,193	1,120,040
PV of free cash flow	12,604	40,231	35,549	39,186	38,660	37,222	35,556	33,242	34,438	33,240	30,027	424,668

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.9
WACC (%)	8.2
Terminal growth (%)	2.0
Enterprise value - add investments	794,622
Net debt (2022F)	81,250
Minority interest	–
Equity value	713,372
# of shares	2,973
Equity value/share (Bt)	**240.00**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 9: Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div Yield 22F (%)	Div Yield 23F (%)
China Mobile	941 HK	HK	3.5	7.8	8.6	7.9	0.8	0.8	1.4	1.4	7.3	8.3
China Unicom Hon	762 HK	HK	10.4	12.9	7.2	6.4	0.3	0.3	0.6	0.6	7.0	8.3
China Telecom Corp Ltd	728 HK	HK	1.6	12.7	8.8	7.8	0.6	0.6	2.3	2.1	7.4	8.8
Bharti Airtel	BHARTI IN	India	(2.5)	189.3	90.6	31.3	5.5	4.5	9.7	8.1	0.3	0.5
Idea Cellular	IDEA IN	India	na	na	na	na	na	na	14.8	12.0	0.0	0.0
Tata Communication	TCOM IN	India	(0.7)	3.3	19.3	18.7	22.3	13.9	8.5	8.2	1.6	2.2
Indosat	ISAT IJ	Indonesia	na	84.2	52.6	28.5	1.7	1.6	5.4	4.9	0.5	1.3
Telekomunikasi Indonesia	TLKM IJ	Indonesia	5.6	9.0	15.8	14.5	3.2	2.9	5.7	5.4	4.7	5.3
Axiata Group Bhd	AXIATA MK	Malaysia	52.8	18.4	19.6	16.5	1.3	1.3	4.7	4.5	4.1	4.9
Maxis Bhd	MAXIS MK	Malaysia	0.0	13.8	20.0	17.6	3.9	3.9	9.0	8.7	5.4	5.6
DiGi.Com	DIGI MK	Malaysia	(8.1)	19.0	24.7	20.8	0.4	0.4	10.3	10.0	4.0	4.8
Singapore Telecom	ST SP	Singapore	14.4	11.9	19.6	17.5	1.6	1.5	13.5	13.4	3.7	4.3
StarHub	STH SP	Singapore	(20.7)	27.7	19.4	15.2	0.0	0.0	6.9	5.9	4.3	4.8
SK Telecom	017670 KS	S. Korea	(33.2)	na	na	9.7	na	0.9	4.0	4.1	6.4	6.7
Taiwan Mobile	3045 TT	Taiwan	0.6	8.1	25.3	23.4	4.5	4.5	12.0	11.6	4.3	4.4
Advanced Info Service *	ADVANC TB	Thailand	(2.3)	10.5	22.6	20.5	7.0	6.4	7.6	7.3	3.5	3.7
Total Access Comm. *	DTAC TB	Thailand	6.4	2.0	28.9	28.4	5.7	6.0	4.6	4.7	4.4	4.4
Intouch Holdings *	INTUCH TB	Thailand	7.7	7.8	20.3	18.8	5.3	5.1	1,281.2	na	4.2	4.8
True Corp *	TRUE TB	Thailand	na	na	na	na	2.0	2.1	7.1	7.1	1.9	1.9
Average			**2.2**	**27.4**	**25.2**	**17.9**	**3.9**	**3.2**	**74.2**	**6.7**	**3.9**	**4.5**

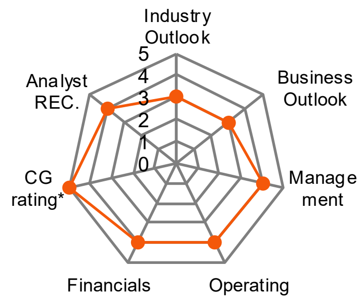
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using Thanachart normalized EPS
Based on 19 Jul 2022 closing prices

COMPANY DESCRIPTION

Advanced Info Service Pcl (ADVANC) is the largest mobile services operator in Thailand with a total of 41m subscribers. The company operates its mobile service under the licenses held by its subsidiary, Advanced Wireless Network (AWN). ADVANC has expanded its services into the fixed-broadband market and digital services solutions for corporates to seek new growth opportunities, leveraging on its mobile infrastructure.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Market leader with sizable gap of market share over peers.
- Economies of scale.
- Strong financial position.

W — Weakness

- Operating in a highly capital-intensive industry.
- Low pricing power amid intense competition environment and commoditizing telecom services.

O — Opportunity

- Increasing share of the household fixed-broadband market.
- Rising demand for digital-related services, both for individual and corporate usage.

T — Threat

- Abrupt change of technology.
- Imposition of taxes and new regulatory measures.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	245.06	240.00	-2%
Net profit 22F (Bt m)	27,971	26,541	-5%
Net profit 23F (Bt m)	30,915	29,319	-5%
Consensus REC	**BUY: 20**	**HOLD: 5**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings are 5% lower than the Bloomberg consensus numbers in 2022-23F, likely since we assume a slower pace of revenue recovery for ADVANC.
- However, our TP is pretty much in line with other brokers'.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A slower-than-expected recovery of mobile service revenue, either from weak foreign tourist arrivals or soft local consumption amid rising inflation, is the key downside risk to our recommendation and earnings forecasts.
- Stronger-than-expected competition in the telecom industry would represent a secondary downside risk to our call.
- Since we already factor in ADVANC successfully acquiring TTTBB in 1Q23F, a slower-than-expected closure or termination of the deal would present another downside risk to our valuation.

Source: Thanachart

We expect ADVANC's earnings turnaround cycle to begin in 2023F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	172,890	181,333	177,640	198,409	209,535
Cost of sales	110,848	121,453	118,626	131,074	134,290
Gross profit	**62,042**	**59,880**	**59,013**	**67,335**	**75,245**
% gross margin	35.9%	33.0%	33.2%	33.9%	35.9%
Selling & administration expenses	24,499	21,846	21,995	27,319	29,621
Operating profit	**37,543**	**38,034**	**37,019**	**40,016**	**45,624**
% operating margin	21.7%	21.0%	20.8%	20.2%	21.8%
Depreciation & amortization	51,841	53,374	52,530	54,738	53,414
EBITDA	**89,384**	**91,408**	**89,549**	**94,754**	**99,038**
% EBITDA margin	51.7%	50.4%	50.4%	47.8%	47.3%
Non-operating income	649	555	533	595	629
Non-operating expenses	0	0	0	0	0
Interest expense	(5,917)	(5,626)	(5,306)	(6,090)	(6,481)
Pre-tax profit	**32,275**	**32,963**	**32,246**	**34,521**	**39,771**
Income tax	5,335	5,870	5,804	6,283	7,358
After-tax profit	**26,940**	**27,093**	**26,442**	**28,239**	**32,414**
% net margin	15.6%	14.9%	14.9%	14.2%	15.5%
Shares in affiliates' Earnings	250	77	104	1,086	1,328
Minority interests	(3)	(2)	(5)	(6)	(6)
Extraordinary items	248	(246)	0	0	0
NET PROFIT	**27,434**	**26,922**	**26,541**	**29,319**	**33,736**
Normalized profit	**27,187**	**27,168**	**26,541**	**29,319**	**33,736**
EPS (Bt)	9.2	9.1	8.9	9.9	11.3
Normalized EPS (Bt)	9.1	9.1	8.9	9.9	11.3

Balance sheet remains healthy, even after the sizable acquisition

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	42,155	35,566	44,160	61,946	65,844
Cash & cash equivalent	18,421	12,953	20,000	35,000	37,500
Account receivables	17,781	16,552	17,034	19,026	20,092
Inventories	2,372	2,104	3,250	3,591	3,679
Others	3,581	3,957	3,876	4,329	4,572
Investments & loans	831	983	983	33,383	33,383
Net fixed assets	122,518	117,844	116,859	112,015	107,774
Other assets	184,667	201,829	230,091	211,526	193,530
Total assets	**350,171**	**356,222**	**392,094**	**418,870**	**400,531**
LIABILITIES:					
Current liabilities:	93,813	91,868	94,327	103,320	100,511
Account payables	40,571	45,055	43,876	48,480	49,669
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	29,286	25,035	25,313	32,408	28,493
Others current liabilities	23,956	21,778	25,139	22,432	22,348
Total LT debt	**79,301**	**73,696**	**75,938**	**97,225**	**85,480**
Others LT liabilities	101,367	108,833	135,508	124,296	109,571
Total liabilities	**274,482**	**274,397**	**305,772**	**324,840**	**295,562**
Minority interest	125	126	131	131	137
Preferreds shares	0	0	0	0	0
Paid-up capital	2,974	2,974	2,973	2,973	2,973
Share premium	22,447	22,506	22,506	22,506	22,506
Warrants	0	0	0	0	0
Surplus	(1,239)	(884)	(884)	(884)	(884)
Retained earnings	**51,382**	**57,103**	**61,595**	**69,304**	**80,237**
Shareholders' equity	75,564	81,699	86,191	93,899	104,832
Liabilities & equity	**350,171**	**356,222**	**392,094**	**418,870**	**400,531**

Sources: Company data, Thanachart estimates

Strong cashflow generation from mobile service segment

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	32,275	32,963	32,246	34,521	39,771
Tax paid	(6,360)	(5,461)	(6,006)	(5,954)	(7,269)
Depreciation & amortization	39,197	40,600	52,530	54,738	53,414
Chg In w orking capital	2,167	5,981	(2,807)	2,271	34
Chg In other CA & CL / minorities	(11,685)	(5,009)	3,747	(2,409)	913
Cash flow from operations	**55,594**	**69,075**	**79,710**	**83,169**	**86,863**
Capex	(25,164)	(22,381)	(28,000)	(25,000)	(25,000)
Right of use	(58,723)	8,149	(23,502)	(1,200)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	(103)	(152)	0	(32,400)	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	33,632	(28,026)	(1,630)	(16,341)	(19,902)
Cash flow from investments	**(50,358)**	**(42,411)**	**(53,132)**	**(74,941)**	**(45,902)**
Debt financing	14,684	(11,345)	2,519	28,383	(15,659)
Capital increase	61	60	(1)	0	0
Dividends paid	(20,219)	(21,203)	(22,048)	(21,611)	(22,802)
Warrants & other surplus	(979)	356	0	0	0
Cash flow from financing	**(6,453)**	**(32,132)**	**(19,530)**	**6,772**	**(38,462)**
Free cash flow	**5,266**	**24,313**	**23,710**	**33,169**	**36,863**

Valuations looks attractive after the 16% share price correction from this year's peak

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	22.1	22.1	22.6	20.5	17.8
Normalized PE - at target price (x)	26.2	26.3	26.9	24.3	21.2
PE (x)	21.9	22.3	22.6	20.5	17.8
PE - at target price (x)	26.0	26.5	26.9	24.3	21.2
EV/EBITDA (x)	7.7	7.5	7.6	7.3	6.8
EV/EBITDA - at target price (x)	9.0	8.7	8.9	8.5	8.0
P/BV (x)	7.9	7.4	7.0	6.4	5.7
P/BV - at target price (x)	9.4	8.7	8.3	7.6	6.8
P/CFO (x)	10.8	8.7	7.5	7.2	6.9
Price/sales (x)	3.5	3.3	3.4	3.0	2.9
Dividend yield (%)	3.4	3.8	3.5	3.7	3.9
FCF Yield (%)	0.9	4.0	3.9	5.5	6.1
(Bt)					
Normalized EPS	9.1	9.1	8.9	9.9	11.3
EPS	9.2	9.1	8.9	9.9	11.3
DPS	6.9	7.7	7.1	7.4	7.9
BV/share	25.4	27.5	29.0	31.6	35.3
CFO/share	18.7	23.2	26.8	28.0	29.2
FCF/share	1.8	8.2	8.0	11.2	12.4

Sources: Company data, Thanachart estimates

ADVANC remains the most profitable company in the sector

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(4.4)	4.9	(2.0)	11.7	5.6
Net profit (%)	(12.0)	(1.9)	(1.4)	10.5	15.1
EPS (%)	(12.0)	(1.9)	(1.4)	10.5	15.1
Normalized profit (%)	(14.4)	(0.1)	(2.3)	10.5	15.1
Normalized EPS (%)	(14.4)	(0.1)	(2.3)	10.5	15.1
Dividend payout ratio (%)	75.0	84.9	80.0	75.0	70.0
Operating performance					
Gross margin (%)	35.9	33.0	33.2	33.9	35.9
Operating margin (%)	21.7	21.0	20.8	20.2	21.8
EBITDA margin (%)	51.7	50.4	50.4	47.8	47.3
Net margin (%)	15.6	14.9	14.9	14.2	15.5
D/E (incl. minor) (x)	1.4	1.2	1.2	1.4	1.1
Net D/E (incl. minor) (x)	1.2	1.0	0.9	1.0	0.7
Interest coverage - EBIT (x)	6.3	6.8	7.0	6.6	7.0
Interest coverage - EBITDA (x)	15.1	16.2	16.9	15.6	15.3
ROA - using norm profit (%)	8.5	7.7	7.1	7.2	8.2
ROE - using norm profit (%)	37.5	34.6	31.6	32.6	34.0
DuPont					
ROE - using after tax profit (%)	37.2	34.5	31.5	31.4	32.6
- asset turnover (x)	0.5	0.5	0.5	0.5	0.5
- operating margin (%)	22.1	21.3	21.1	20.5	22.1
- leverage (x)	4.4	4.5	4.5	4.5	4.1
- interest burden (%)	84.5	85.4	85.9	85.0	86.0
- tax burden (%)	83.5	82.2	82.0	81.8	81.5
WACC (%)	8.2	8.2	8.2	8.2	8.2
ROIC (%)	21.8	18.9	18.1	19.5	19.7
NOPAT (Bt m)	31,338	31,261	30,355	32,733	37,183
invested capital (Bt m)	165,731	167,477	167,441	188,532	181,306

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 70 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2210A, AMAT16C2209A, AOT16C2209A, AWC16C2207A, BAM16C2207A, BANP16C2207A, BANPU16C2210A, BCH16C2211A, BCH16C2207A, BEC16C2207A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2207A, CBG16C2210A, CENTEL16C2209A, CHG16C2207A, COM716C2211C, COM716C2211B, COM716C2208A, COM716C2209A, COM716C2211A, DOHO16C2207A, EA16C2207A, EA16C2209A, ESSO16C2209A, ESSO16C2209B, GPSC16C2207A, GPSC16C2209A, GULF16C2207A, GULF16C2210A, GUNK16C2207A, GUNK16C2209A, HANA16C2211A, HANA16C2207A, HANA16C2209A, IVL16C2209A, JMART16C2210A, JMT16C2207A, JMT16C2210A, KBANK16C2211A, KBAN16C2208A, KBAN16C2209A, KCE16C2211A, KCE16C2208A, KCE16C2209A, KTC16C2209A, MEGA16C2207A, MINT16C2207A, MINT16C2211A, MTC16C2209A, PTG16C2209A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2208A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2208A, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TOP16C2211A, TTA16C2207A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CENTEL, CHG, COM7, DOHOME, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MEGA, MINT, MTC, PTG, PTTEP, PTTGC, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
18 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Chak Reungsinpinya
Strategy, Insurance, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert
Energy, Petrochemical
Tel: 662-779-9110
yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th