Small Cap Research

HOLD (From: SELL)

Change in Recommendation

TP: Bt 8.50 (From: Bt 7.90)

Upside : 6.3%

11 OCTOBER 2022

Jasmine Broadband Int. (JASIF TB)

A better deal

Based on a more favorable rental contract modification proposal from ADVANC, we lift JASIF's TP to Bt8.5. Early payments from ADVANC and better debt-repayment terms would make dividend yields remain attractive at 11% in 2023-25F. We upgrade JASIF to HOLD after its unit price fall, but there is still a risk that unitholders could veto the deal.

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Thanachart Securities

Upgrading to HOLD

We upgrade JASIF to HOLD (from Sell) for three reasons. *First*, we lift our DDM-based 12-month TP (2023F base year) to Bt8.5 (from Bt7.9) to reflect the addition of early rental payments proposed by Advanced Info Service Pcl (ADVANC TB, Bt185.0, BUY) to make its acquisition offer more attractive. *Second*, JASIF would be better able to pay dividends were it granted a longer debt-repayment schedule from its lender should ADVANC become its major tenant. *Third*, after its 26% unit price fall since deal announcement, we see JASIF now offering highly attractive dividend yields of 11% in 2023-25F. Key downside risk to our call is if JASIF's unitholders vote against the proposal from ADVANC on 18 October 2022.

A more favorable offer

ADVANC added two benefits to its proposal to acquire JASIF after its first offer, which removed the rental guarantee clause, got strong pushback from minority holders. Keeping JASIF's dividend as close as possible to the existing one (pre-acquisition) is the focus. 1) ADVANC offered Bt1.0bn in annual extra payments over 2023-25 by drawing them forward from normal rental fees for 2030-37 (Exhibit 2). 2) ADVANC negotiated with JASIF's major debtor to spread out the loan-repayment schedule from a flattish eight-year tenor (2023-30F) to a back-loaded 10-year tenor plus 0.5% lower interest (Exhibit 3). These new terms will be granted only if the deal goes through and ADVANC becomes JASIF's new major tenant. We forecast DPU of Bt0.86-0.92 for JASIF in 2023-25F under the new proposal (vs. Bt0.71-0.77 for original offer and Bt1.07-1.14 for existing contracts without the deal).

Attractive yields with upside

Apart from high dividend yields and a decent 6.8% holding to maturity IRR (until the contracts expire at end-2037), we see potential upside to our valuation for JASIF 1) if ADVANC utilizes more of its network assets, thus providing higher rental income for JASIF, 2) if ADVANC injects more assets into JASIF, extending its contract life and likely enhancing yield, and 3) a lower risk to cash flow from rental payments backed by ADVANC's stronger financial health versus its existing tenant.

We advise voting for the deal

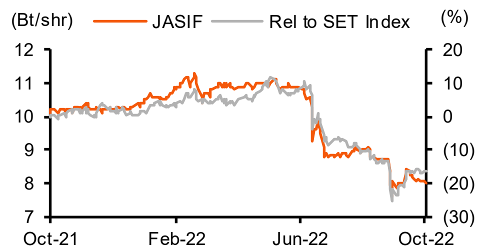
We still recommend that JASIF's unitholders vote for the proposal as we see it generating a higher return to JASIF in the long term, even it means a short-term negative of lower dividends in the early years. The addition of more favorable conditions bolsters our stance. If the deal from ADVANC is voted down, we value JASIF at Bt8.0 and estimate a 6.0% holding-to-maturity IRR (until its existing contracts expire in January 2032).

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	10,144	10,235	8,317	8,536
Net profit	8,030	8,556	6,860	7,190
Consensus NP	—	8,777	7,274	7,677
Diff frm cons (%)	—	*(2.5)*	*(5.7)*	*(6.3)*
Norm profit	8,730	8,556	6,860	7,190
Prev. Norm profit	—	8,608	6,706	6,160
Chg frm prev (%)	—	*(0.6)*	*2.3*	*16.7*
Norm EPS (Bt)	1.1	1.1	0.9	0.9
Norm EPS grw (%)	1.5	(2.0)	(19.8)	4.8
Norm PE (x)	7.3	7.5	9.3	8.9
EV/EBITDA (x)	7.8	7.6	9.6	9.2
P/NAV (x)	0.7	0.7	0.7	0.7
Cash div yield (%)*	11.9	12.0	10.7	11.2
Effective yield (%)**	11.9	12.0	10.7	11.2
ROE (%)	9.8	9.5	7.5	7.8
Net D/E (%)	11.2	7.5	7.8	7.6

Note: * Dividend from operations and capital reduction
** Dividend from operations

PRICE PERFORMANCE

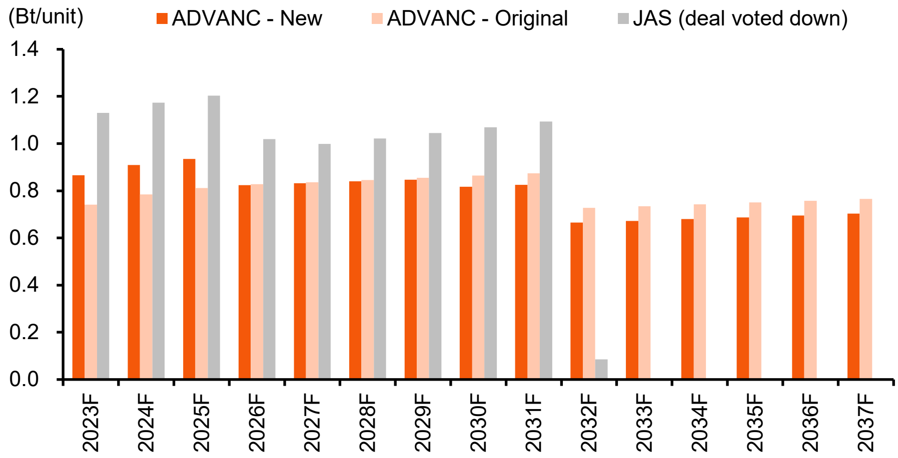


COMPANY INFORMATION

Price *as of* 11-Oct-22 (Bt)	8.00
Market Cap (US$ m)	1,676.4
Listed Shares (m shares)	8,000.0
Free Float (%)	79.4
Avg Daily Turnover (US$ m)	6.7
12M Price H/L (Bt)	11.30/7.60
Sector	Telecom
Major Shareholder	JAS 19%

Sources: Bloomberg, Company data, Thanachart estimates

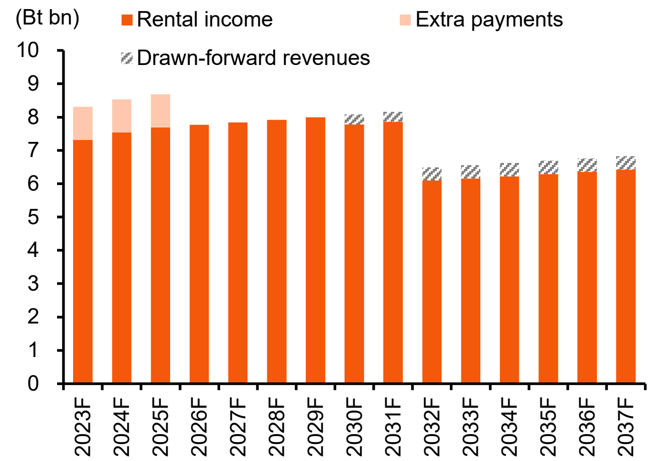
Ex 1: Our Forecasted Dividends Under Three Scenarios



Source: Thanachart estimates

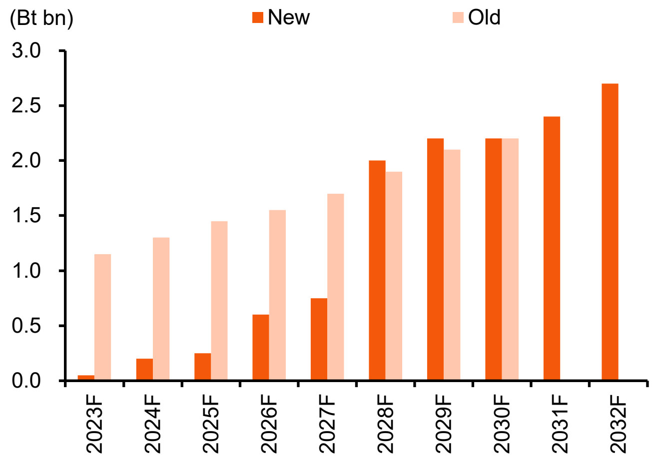
Note: ADVANC = The deal is accepted and ADVANC becomes JASIF's new tenant under newly proposed contracts.
JAS = The deal is voted down so JAS remains JASIF's tenant under the existing contracts.

Ex 2: Early Payments To Sustain Near-Term Dividends



Sources: Company data; Thanachart estimates

Ex 3: Longer Debt Repayment Terms If The Deal Passes



Source: Company data

Ex 4: 12-month DDM-based Valuation Using A Base Year Of 2023F

(Bt m)		2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032-37F
Dividend of common stock		7,070	7,107	7,347	6,752	6,596	6,689	6,795	6,659	6,651	33,657
Dividend payment		7,070	7,107	7,347	6,752	6,596	6,689	6,795	6,659	6,651	33,657
Cost of equity (%)	6.5										
Terminal growth (%)	0.0										
PV of dividend		**7,051**	**6,266**	**5,997**	**5,151**	**4,703**	**4,457**	**4,231**	**3,875**	**3,468**	**13,718**
Equity value (m)	**58,917**										
No. of units (m)	8,000										
Equity value / unit (Bt)	**7.4**										
Asset value after contracts end	1.1										
Grand total (Bt/unit)	**8.5**										

Sources: Company data, Thanachart estimates

Note: Our DDM calculation continues into 2037F, when we assume JASIF's asset life to expire thus no more income generation.

Valuation Comparison

Ex 5: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPU growth 22F (%)	EPU growth 23F (%)	PE 22F (x)	PE 23F (x)	P/NAV 22F (x)	P/NAV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Link REIT/The	823 HK	Hong Kong	(5.6)	0.3	17.2	17.1	0.7	0.7	18.4	17.8	5.9	5.9
Yuexiu Real Estate	405 HK	Hong Kong	(37.6)	(3.1)	13.2	13.6	0.4	0.4	16.1	15.6	8.1	7.9
Fortune Real Estate	778 HK	Hong Kong	(5.3)	5.6	8.8	8.4	0.4	0.4	20.0	18.7	10.3	10.9
CapitaLand Mall Trust	CT SP	Singapore	na	13.3	na	na	na	na	na	na	na	na
Frasers Centrepoint Trust	FCT SP	Singapore	23.8	(0.8)	17.0	17.2	0.9	0.9	23.2	22.5	5.9	5.9
Mapletree Commercial	MCT SP	Singapore	na	10.7	na	na	na	na	na	na	na	na
Suntec Real Estate	SUN SP	Singapore	(46.8)	(8.0)	17.2	18.8	0.7	0.7	33.3	32.9	6.3	6.3
Starhill Global REIT	SGREIT SP	Singapore	78.6	5.0	13.1	12.5	0.6	0.7	17.2	16.6	7.6	7.8
CapitaLand Commercial	CCT SP	Singapore	(24.0)	14.9	na	na	na	na	na	na	na	na
Keppel REIT	KREIT SP	Singapore	(13.7)	0.0	17.5	17.5	0.7	0.7	42.1	40.2	6.3	6.4
CapitaLand Retail China	CRCT SP	Singapore	na	6.1	na	na	na	na	15.1	14.0	na	na
Ascendas Real Estate	AREIT SP	Singapore	na	(0.6)	na	na	na	na	na	na	na	na
Mapletree Industrial Trust	MINT SP	Singapore	(17.0)	0.0	16.9	16.9	1.3	1.2	22.0	19.7	5.8	5.9
Mapletree Logistics Trust	MLT SP	Singapore	(55.3)	6.5	19.9	18.7	1.1	1.0	25.3	22.3	5.8	5.9
Ascott Residence Trust	ART SP	Singapore	na	33.3	na	na	na	na	na	na	na	na
CDL Hospitality Trusts	CDREIT SP	Singapore	6.7	0.0	19.0	19.0	0.8	0.8	26.5	21.2	5.1	6.4
Axis Real Estate	AXRB MK	Malaysia	(29.0)	10.2	18.9	17.1	1.2	1.2	22.1	19.7	5.2	5.6
Sunway Real Estate	SREIT MK	Malaysia	180.1	9.3	16.3	14.9	0.9	0.9	18.6	17.4	6.1	6.6
KLCCP Stapled Group	KLCCSS MK	Malaysia	439.6	7.4	17.5	16.3	0.9	0.9	23.3	22.2	5.3	5.8
IGB Real Estate	IGBREIT MK	Malaysia	56.9	6.8	17.8	16.7	1.5	1.4	18.8	17.9	5.7	6.1
Pavilion Real Estate	PREIT MK	Malaysia	84.9	3.9	16.7	16.1	1.0	1.0	18.5	17.8	5.9	6.1
BTS Rail Mass Transit **	BTSGIF TB	Thailand	204.8	56.2	8.4	5.4	0.7	0.8	8.3	5.3	11.9	18.6
Digital Telecom Int. *	DIF TB	Thailand	(0.9)	0.9	11.5	11.4	0.8	0.8	11.7	11.6	7.7	7.7
Jasmine Broadband Int. *	JASIF TB	Thailand	(2.0)	(19.8)	7.5	9.3	0.7	0.7	7.6	9.6	12.0	10.7
IMPACT Growth REIT **	IMPACT TB	Thailand	558.4	14.4	17.4	15.3	1.1	1.1	18.2	16.2	5.6	6.4
Frasers Property Thailand *	FTREIT TB	Thailand	(7.3)	3.2	13.6	13.1	0.9	0.9	16.6	16.2	6.8	7.6
WHA Premium Growth *	WHART TB	Thailand	13.4	0.9	13.8	13.7	1.0	1.0	17.9	17.4	6.7	6.9
CPN Retail Growth *	CPNREIT TB	Thailand	68.6	30.2	14.7	11.3	1.3	1.4	18.3	14.6	6.2	8.1
Lotus's Retail Growth**	LPF TB	Thailand	15.5	14.8	15.2	13.3	1.0	1.0	15.8	13.7	5.9	6.8
Average			**61.9**	**7.6**	**15.2**	**14.5**	**0.9**	**0.9**	**19.8**	**18.4**	**6.9**	**7.5**

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 23-24F.

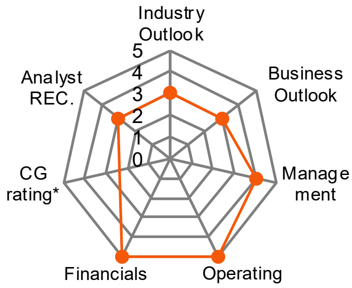
Based on 11 Oct 2022 closing prices

FUND DETAILS

Name	: Jasmine Broadband Internet Infrastructure Fund
Ticker	: JASIF TB
Listed date	: 16 February 2015
Fund size	: Bt55bn (55,000 units @ par Bt9.8516/unit)
Type	: Closed-end retail infrastructure fund
Investment A/S	: Optical fiber cable
Project life	: Ends 22 February 2026 with extension period
Sponsor	: Jasmine International (JAS TB)
Fund manager	: BBL Asset Management
Dividend policy	: No less than 90% of adjusted net profit
Payment date	: No less than two times per year
Foreign limit	: No more than 49% of total units

Source: SET

COMPANY RATING



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

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- One of the top two telecom infrastructure funds.
- Strong, sustainable cash inflows from its business.
- Nationwide core fiber-optic network coverage.

W — Weakness

- Leases only one underlying asset type (fiber-optic network for fixed-broadband services) to just one tenant.

O — Opportunity

- Fixed-broadband penetration rate in Thailand is still low.
- Rising incomes and changes in consumer lifestyles toward more digitalization, particularly in the provinces.
- Greater demand for high-speed internet due to multimedia, content, and applications requiring heavier bandwidth.

T — Threat

- Ability to renew its rental contracts from 2032F.
- More new infrastructure funds potentially getting listed in the future.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	8.80	8.50	-3%
Net profit 22F (Bt m)	8,777	8,556	-3%
Net profit 23F (Bt m)	7,274	6,860	-6%
Consensus REC	**BUY: 1**	**HOLD: 4**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings estimates are 3-6% lower than the Bloomberg consensus numbers, which we attribute to us assuming a higher interest rate.
- Our TP is consequently slightly lower.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If JASIF could grow its rental income above what we now factor into our numbers, either from a higher rental rate or a higher rental volume, this would represent the key upside risk to our TP and rating.
- If JASIF could extend its contract life beyond 2037F, that would be a secondary upside risk to our investment case.
- More asset injections into the fund, either from its current or the new major sponsor, would represent another upside risk to our numbers.
- If unitholders were to vote against the proposal from ADVANC, this would be the key downside risk to our call.
- A higher-than-expected rise in market interest rates represents a secondary downside risk to our numbers.

Source: Thanachart

Net income drops under the proposal by ADVANC

Core assets comprise a fiber-optic network for fixed-broadband services

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Revenue	10,144	10,144	10,235	8,317	8,536
Selling & administration expenses	613	625	948	884	844
Operating profit	**9,531**	**9,519**	**9,286**	**7,432**	**7,692**
% operating margin	94.0%	93.8%	90.7%	89.4%	90.1%
Depreciation & amortization	0	0	0	0	0
EBITDA	**9,531**	**9,519**	**9,286**	**7,432**	**7,692**
% EBITDA margin	94.0%	93.8%	90.7%	89.4%	90.1%
Non-operating income	28	18	22	25	24
Non-operating expenses	(10)	(9)	(9)	(8)	(8)
Interest expense	(948)	(797)	(743)	(590)	(519)
Pre-tax profit	**8,600**	**8,730**	**8,556**	**6,860**	**7,190**
Income tax	0	0	0	0	0
After-tax profit	**8,600**	**8,730**	**8,556**	**6,860**	**7,190**
% net margin	84.8%	86.1%	83.6%	82.5%	84.2%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	500	(701)	0	0	0
NET INVESTMENT INCOME	**9,101**	**8,030**	**8,556**	**6,860**	**7,190**
Normalized Net Invest. Income	**8,600**	**8,730**	**8,556**	**6,860**	**7,190**
EPS (Bt)	1.1	1.0	1.1	0.9	0.9
Normalized EPS (Bt)	1.1	1.1	1.1	0.9	0.9

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	4,052	4,397	6,219	6,016	5,816
Cash & cash equivalent	4,038	4,380	6,200	6,000	5,800
Account receivables	0	0	3	2	2
Inventories	0	0	0	0	0
Others	15	16	16	13	14
Investments & loans	100,700	100,000	100,000	100,000	100,000
Net fixed assets	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**104,752**	**104,397**	**106,219**	**106,016**	**105,816**
LIABILITIES:					
Current liabilities:	1,064	1,063	1,090	1,069	1,100
Account payables	0	0	0	0	0
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	1,064	1,063	1,090	1,069	1,100
Total LT debt	**15,102**	**14,317**	**13,103**	**13,131**	**12,817**
Others LT liabilities	0	0	0	0	0
Total liabilities	**16,166**	**15,380**	**14,193**	**14,199**	**13,917**
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	76,684	76,684	78,813	78,813	78,813
Share premium	0	0	0	0	0
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**11,903**	**12,333**	**13,213**	**13,003**	**13,086**
Net Assets	88,587	89,016	92,026	91,816	91,899

Sources: Company data, Thanachart estimates

New debt-repayment schedule frees up more cash flow for dividends

Dividend yield now looks attractive to us

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	8,600	8,730	8,556	6,860	7,190
Tax paid	0	0	0	0	0
Depreciation & amortization	0	0	0	0	0
Chg In working capital	(0)	0	(3)	1	(0)
Chg In other CA & CL / minorities	2,691	(2)	27	(18)	31
Cash flow from operations	**11,291**	**8,728**	**8,580**	**6,842**	**7,221**
Capex	0	0	0	0	0
Right of use	0	0	(0)	(0)	(0)
ST loans & investments	0	0	0	0	0
LT loans & investments	(500)	700	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	500	(701)	0	0	0
Cash flow from investments	**0**	**(1)**	**0**	**0**	**0**
Debt financing	(2,925)	(785)	(1,214)	28	(313)
Capital increase	0	0	2,129	0	0
Dividends paid	(7,520)	(7,600)	(7,675)	(7,070)	(7,107)
Warrants & other surplus	0	0	0	0	0
Cash flow from financing	**(10,445)**	**(8,385)**	**(6,760)**	**(7,042)**	**(7,421)**
Free cash flow	**11,291**	**8,728**	**8,580**	**6,842**	**7,221**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	7.4	7.3	7.5	9.3	8.9
Normalized PE - at target price (x)	7.9	7.8	7.9	9.9	9.5
PE (x)	7.0	8.0	7.5	9.3	8.9
PE - at target price (x)	7.5	8.5	7.9	9.9	9.5
EV/EBITDA (x)	7.9	7.8	7.6	9.6	9.2
EV/EBITDA - at target price (x)	8.3	8.2	8.1	10.1	9.8
P/NAV (x)	0.7	0.7	0.7	0.7	0.7
P/NAV - at target price (x)	0.8	0.8	0.7	0.7	0.7
P/CFO (x)	5.7	7.3	7.5	9.4	8.9
Price/sales (x)	6.3	6.3	6.3	7.7	7.5
Effective dividend yield (%)	12.4	11.9	12.0	10.7	11.2
Capital reduction yield (%)	0.0	0.0	0.0	0.0	0.0
Cash dividend yield (%)	12.4	11.9	12.0	10.7	11.2
FCF Yield (%)	17.6	13.6	13.4	10.7	11.3
(Bt)					
Normalized EPS	1.1	1.1	1.1	0.9	0.9
EPS	1.1	1.0	1.1	0.9	0.9
Effective dividend *	1.0	1.0	1.0	0.9	0.9
Capital reduction dividend	0.0	0.0	0.0	0.0	0.0
Cash dividend **	1.0	1.0	1.0	0.9	0.9
NAV/unit	11.1	11.1	11.5	11.5	11.5
CFO/unit	1.4	1.1	1.1	0.9	0.9
FCF/unit	1.4	1.1	1.1	0.9	0.9

Sources: Company data, Thanachart estimates

Higher payout ratio subject to approval of the deal by unitholders

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	59.6	0.0	0.9	(18.7)	2.6
Net profit (%)	(15.1)	(11.8)	6.6	(19.8)	4.8
EPS (%)	(34.9)	(11.8)	6.6	(19.8)	4.8
Normalized profit (%)	47.9	1.5	(2.0)	(19.8)	4.8
Normalized EPS (%)	13.3	1.5	(2.0)	(19.8)	4.8
Dividend payout ratio (%)***	87.0	94.7	90.0	100.0	100.0
Operating performance					
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
Operating margin (%)	94.0	93.8	90.7	89.4	90.1
EBITDA margin (%)	94.0	93.8	90.7	89.4	90.1
Net margin (%)	84.8	86.1	83.6	82.5	84.2
Interest bearing debt to NAV (%)	17.0	16.1	14.2	14.3	13.9
D/E (incl. minor) (x)	0.2	0.2	0.1	0.1	0.1
Net D/E (incl. minor) (x)	0.1	0.1	0.1	0.1	0.1
Interest coverage - EBIT (x)	10.1	11.9	12.5	12.6	14.8
Interest coverage - EBITDA (x)	10.1	11.9	12.5	12.6	14.8
Interest bearing debt to total asset (%)	14.4	13.7	12.3	12.4	12.1
ROA - using norm profit (%)	8.2	8.3	8.1	6.5	6.8
ROE - using norm profit (%)	9.8	9.8	9.5	7.5	7.8
DuPont					
ROE - using after tax profit (%)	9.8	9.8	9.5	7.5	7.8
- asset turnover (x)	0.1	0.1	0.1	0.1	0.1
- operating margin (%)	94.1	93.9	90.9	89.6	90.3
- leverage (x)	1.2	1.2	1.2	1.2	1.2
- interest burden (%)	90.1	91.6	92.0	92.1	93.3
- tax burden (%)	100.0	100.0	100.0	100.0	100.0
Cost of equity (%)	6.1	6.1	6.1	6.1	6.1
ROIC (%)	9.4	9.6	9.4	7.5	7.8
NOPAT (Bt m)	9,531	9,519	9,286	7,432	7,692

Sources: Company data, Thanachart estimates

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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.

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