

Gulf Energy Dev. Pcl (GULF TB) - HOLD

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News Update**Expanding digital infra business by acquiring THCOM**

- **GULF to purchase 41%-stake in THCOM from INTUCH**
- **It has to make tender offer on the rest 59% from the market**
- **The purchase price is Bt9.92 per THCOM's share**
- **The deal looks fair to us, offering GULF a long-term growth**

GULF announced to SET last night its board's resolutions to invest in the largest satellite service operator in Thailand, Thaicom Pcl (THCOM TB, not-rated), via a share purchase from its 40%-owned subsidiary (Intouch Holdings Pcl, INTUCH) and a tender offer from the market.

- GULF will purchase 450.9m THCOM's shares, equivalent to 41.1% of its total shares, from INTUCH at the price of Bt9.92/share which is 19% below the closing price yesterday (7 November 2022).
- GULF has to perform, per SEC's rules, a mandatory tender offer for the rest of THCOM's shares (645.2m shares or 58.9% of its total shares) at the same price of Bt9.92/share.
- These transactions could cost GULF up to Bt10.9bn for this investment if it can acquire all of THCOM's shares from the market.
- The deal is subjected to an approval from INTUCH's shareholders which will be held on 9 January 2023.

Our view: We believe the acquisition price is relatively fair, but the investment may yet generate much benefit to GULF in near-term, in our view.

- The transaction price implies 1.0x P/BV based on THCOM's reported financial status as of 2Q22.
- We estimate that THCOM is in a net-cash position at around Bt7.5bn value. Therefore, netting-off cash value, GULF equivalently purchases THCOM's two conventional satellites, Thaicom-7 (with 7-years expected remaining life) and Thaicom-8 (9-years), and licenses to operate satellite services in Thailand at the price of Bt3.4bn.
- THCOM offers opportunities for GULF to expand its digital infrastructure business to space businesses, autonomous vehicle guiding system, and positioning and mapping systems for other digital applications and services.

Note that INTUCH will receive Bt4.72bn cash (Bt1.4/share) from this share divestment without having to pay tax, given the company holds accumulated tax losses. We believe INTUCH will pay most of the proceeds as an extra dividend for its shareholders. Impact to INTUCH's profit is not significant, since contribution from THCOM is small to its earnings base compared to the recognized profit from its major subsidiary, Advanced Info Service Pcl (ADVANC TB, Bt185.00, BUY).

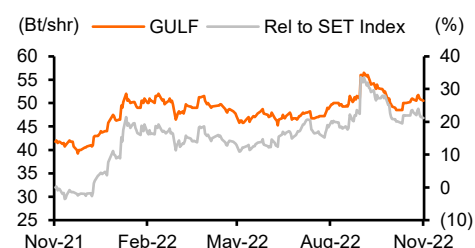
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	47,467	80,636	104,923	134,012
Net profit	7,670	10,820	14,862	21,421
Norm net profit	8,852	10,820	14,862	21,421
Norm EPS (Bt)	0.8	0.9	1.3	1.8
Norm EPS gr (%)	89.4	22.2	37.4	44.1
Norm PE (x)	67.3	55.0	40.1	27.8
EV/EBITDA (x)	51.0	40.1	31.6	22.7
P/BV (x)	6.2	4.7	3.8	3.1
Div. yield (%)	0.9	1.1	1.5	2.5
ROE (%)	11.0	9.7	10.4	12.3
Net D/E (%)	194.7	145.3	118.1	87.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	50.75
Target price (Bt)	45.00
Market cap (US\$ m)	15,851
Avg daily turnover (US\$ m)	25.8
12M H/L price (Bt)	56.50/39.25

Price Performance

Source: Bloomberg

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Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% 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.

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