

BUY

Initiation

TP: Bt 16.00

Upside: 12.7%

29 AUGUST 2023

Small Cap Research

Thaicom Public Co Ltd (THCOM TB)

A good start

We initiate coverage on THCOM with a BUY and a TP of Bt16. While its existing operation is generating decent cash flow, its new investment in a mega-sized satellite has secured a long-term rental contract to allow breakeven in its launch year in 2027. Additional revenues from presales and new clients would thus flow straight to its bottom line.

Initiating with a BUY

We initiate coverage on THCOM with a BUY call for three reasons. *First*, THCOM has won two new licenses to operate satellite services until 2043, which unlocks its capability to grow its business again after the Thaicom 4 and 6 satellite concessions expired in 2021. *Second*, THCOM has secured demand for 50% of the capacity of its new core broadband satellite; thus, a profit breakeven is expected at launch. *Third*, despite loss-making years in 2025-27F due to the need for an interim satellite to maintain services, its operating cashflow should remain positive and we expect its share price to perform with news flows on presales and new secured demand. *Lastly*, we value THCOM with a DCF-based 12-month (2024F base year) of Bt16, of which existing operations are worth Bt10.

New era for the satellite business

We see THCOM's new investment scheme for two new satellites as positive. THCOM now operates two broadcasting satellites (THC-7 and 8) on its owned licenses until 2039/41. However, its broadband satellite service (THC-4) is on rented capacity from National Telecom (NT), after its concession ended in 2021. After winning licenses from the bid earlier this year, THCOM plans to launch 1) a 10Gbps interim satellite to maintain services after the decommissioning of THC-4 in 1Q25 and 2) a 100Gbps new core satellite in late 2027 to provide broadband services on its owned licenses. We estimate a 23% IRR on this US\$440m investment.

Unlocking opportunities abroad

We assume the new core satellite reaches 90% utilization, from 55% at launch (2H27), and generates Bt4.6bn in profit for THCOM in 2033F. We don't see this as aggressive since 1) the new satellite comes with state-of-the-art software-defined high throughput technology, which allows THCOM to penetrate overseas markets more efficiently as it can vary beaming locations to match changes in geographical demand instead of fixed locations with old assets, 2) THCOM has signed a rental deal for 50% of capacity of the new core satellite with Eutelsat throughout its operating life, and 3) we see strong satellite internet demand from government projects in India, Indonesia, and the Philippines.

Looking past a few years of losses

Our bullish stance on THCOM is despite our view of its interim satellite investment being an extra cost to maintain services for existing clients. We expect losses for THCOM in 2025-27F on lumpy fixed costs, while we expect only 30% utilization for the interim satellite at its launch in 2025F based on demand from existing clients and some presales. We assume its utilization rises to 80% in 2028F, before its service terminates in 2032F.



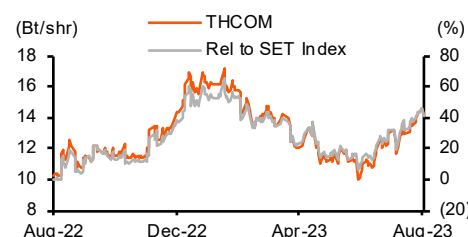
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COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	2,927	2,731	2,731	2,598
Net profit	42	269	268	(81)
Consensus NP	—	574	342	177
Diff frm cons (%)	—	(53.2)	(21.5)	na
Norm profit	118	269	268	(81)
Prev. Norm profit	—	269	268	(81)
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	0.1	0.2	0.2	(0.1)
Norm EPS grw (%)	na	127.9	(0.2)	na
Norm PE (x)	132.0	57.9	58.0	na
EV/EBITDA (x)	9.7	14.4	16.7	26.8
P/BV (x)	1.5	1.5	1.5	1.5
Div yield (%)	3.5	0.9	0.9	0.0
ROE (%)	1.1	2.6	2.5	na
Net D/E (%)	(47.1)	(17.7)	6.7	31.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 29-Aug-23 (Bt)	14.20
Market Cap (US\$ m)	443.0
Listed Shares (m shares)	1,096.1
Free Float (%)	58.9
Avg Daily Turnover (US\$ m)	3.9
12M Price H/L (Bt)	17.20/10.00
Sector	Telecom
Major Shareholder	Gulf Ventures Ltd. 41.14%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10

Initiating with a BUY

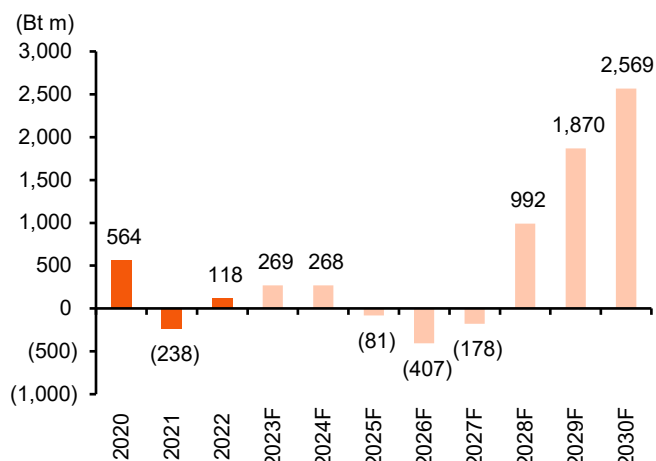
We initiate coverage on THCOM with a BUY

We initiate coverage on shares of Thaicom Pcl (THCOM) with a BUY recommendation, based on four supporting reasons:

- 1) *New licenses will allow it to grow its business again*
- 2) *Sizable demand secured for the new core satellite*
- 3) *We see its loss-making years as only a short-term issue*
- 4) *There is still potential upside to our Bt16/share TP*

- **First**, we see the two new licenses to operate satellite services on the 78.5° East and 119.5° East orbital slots that THCOM won from the bid held earlier this year significantly relieving concerns over its capability to maintain services and grow its business after its two major satellites' concessions expired in 2021.
- **Second**, THCOM has already secured a long-term rental contract for 50% of the capacity of its new core satellite, and we expect this to enable the new satellite to immediately break even on profit in its first operating year in 2027F.
- **Third**, we believe investors will look past THCOM's loss-making years in 2025-27F, on our forecasts, and we expect THCOM's share price to perform on announcements of new clients or more presales secured ahead of its satellite launches in 2025 and 2027.
- **Lastly**, there is still decent potential upside to our Bt16.0/share DCF-based 12-month TP (2024F base year) for THCOM, where its current business on four operating satellites already comprises Bt10/share of our valuation.

Ex 1: New Satellites Drive Long-term Earnings



Sources: Company data, Thanachart estimates

Ex 2: Two Licenses Granted From The Bid In Jan-23

Orbital slots	78.5° East	119.5° East and 120.0° East
License price (Bt m)	380.0	417.4
License fee	4.25% service revenue	4.25% of service revenue
License period	2023 - 2043	2023 - 2043
License payment terms	Year 1 – 10% Year 4 – 40% Year 6 – 50%	Year 1 – 10% Year 4 – 40% Year 6 – 50%

Source: National Broadcasting and Telecommunication Commission (NBTC)

New era for the satellite business

New licenses to operate satellite services on 78.5° E and 119.5° E orbital slots

THCOM won two licenses to operate satellite services from the bid held earlier this year: 1) the 78.5° East orbital slot for Bt380m and 2) the 119.5° East and 120° East orbital slots for Bt417m. Both licenses last 20 years, from 2023-43. We see this as a significant change to THCOM's business fundamentals since it relieves concerns over the continuation of its business after its two major concessions for its broadband satellite (Thaicom-4, THC-4) and broadcasting satellite (Thaicom-6, THC-6) ended in 2021. THCOM now operates services on THC-4 and THC-6 by renting their capacity from National Telecom (NT). However, THC-4's operating life is set to expire in 2024, so THCOM needs a new broadband satellite. Note that THCOM holds another two satellite licenses, on the 120° East and 78.5° East orbital slots, lasting until 2039 and 2041, which are now used to operate broadcasting satellite services on the Thaicom-7 (THC-7) and Thaicom-8 (THC-8) satellites.

Investing in two new satellites under a 20-year business plan

THCOM plans to launch two new satellites to utilize its 119.5° East license. *First*, it has committed to making an initial payment for its supplier to start building a 10Gbps bandwidth satellite (interim satellite) designed to have a seven-year operating life with a scheduled launch date of early 2025. THCOM expects the investment cost for the interim satellite to be US\$75m. Its relatively short life is because its main mission is just to bridge the service gap between the decommissioning of THC-4 in 1Q25 and the launch of its new core satellite. *Second*, the mega-sized broadband satellite with 100Gbps of bandwidth capacity (core satellite), is targeted for launch in late 2027. It would become THCOM's new main broadband satellite until its operating life ends in 2043, the same year as the license. The projected investment cost for this core satellite is US\$250m.

Second interim satellite is to serve near-term additional demand

THCOM is considering whether to buy a used satellite with 3-5Gbps of capacity to be its second interim satellite, if the 10Gbps capacity of its brand new interim satellite is not sufficient to serve the demand it is able to secure over the new few years. THCOM is seeing increasing interest from potential clients as they have become more confident about THCOM's capability to maintain services after having secured the new licenses. We already include the investment cost for this second interim satellite in our projected capex plan for THCOM, but conservatively leave the yet-to-be-secured additional demand as potential upside to our numbers.

Ex 3: THCOM's Investment Plan For New Satellites To Utilize Its New 119.5° East License

Satellites	Core satellite	Interim satellite #1	* Interim satellite #2
Bandwidth capacity	100 Gbps	10 Gbps	3-5 Gbps
Investment type	Newly built	Newly built	Used satellite
Investment cost	US\$250m	US\$75m	US\$20m
Scheduled launch date	2H27	1H25	2025
Designed operating life	16 years	7 years	2-3 years
Targeted countries	India, Indonesia, Philippines, Thailand	India, Thailand, Australia	India, Thailand

Source: Company data

Note: *Optional investment if THCOM can secure demand during the transition period exceeding the operating capacity of interim satellite #1

Investment budget is set at US\$440m, including ground facilities and licenses

To complete this investment scheme, THCOM has to spend another US\$70m for ground station facilities, i.e., a traffic management system, gateway stations, and other related satellite operation and control systems. This brings the total investment cost to US\$440m, say, US\$75m for the construction and launch of the interim satellite, US\$20m to purchase and redirect the small, used satellite into service, the US\$250m cost of the new core satellite, and US\$95m for ground station facilities and licenses to operate satellite services from the Thai government.

THCOM has yet to announce its plan for the 78.5° East license

THCOM has yet to announce the investment plan for the launch (or purchase) of new satellite(s) to fulfil its duty, specified in the secured license from earlier this year, of maintaining satellite operations on the 78.5° East orbital slot for Thailand. THCOM aims to concentrate on initiating new operations on the 119.5° East slot first, given that there is still a three-year grace period to secure new satellites for the 78.5° East license.

Ex 4: THCOM's Current Satellite Portfolio (2Q23)

Satellites	Thaicom-4	Thaicom-6	Thaicom-7	Thaicom-8
Type of service	Broadband	Broadcast	Broadcast	Broadcast
Capacity	45 Gbps	26 transponders	14 transponders	24 transponders
Operating conditions	Rented capacity from National Telecom (NT)	Rented capacity from National Telecom (NT)	Licensed	Licensed
*Utilization rate	17%	40-50%	55-65%	55-65%
Designed operating life	2005-2024	2014-2039	2014-2039	2016-2041
Implied remaining life	1.5 years	16 years	16 years	18 years
Key targeted countries	Thailand, India, Australia, Japan	Thailand, Myanmar, Africa	Thailand, Vietnam	Thailand, Cambodia

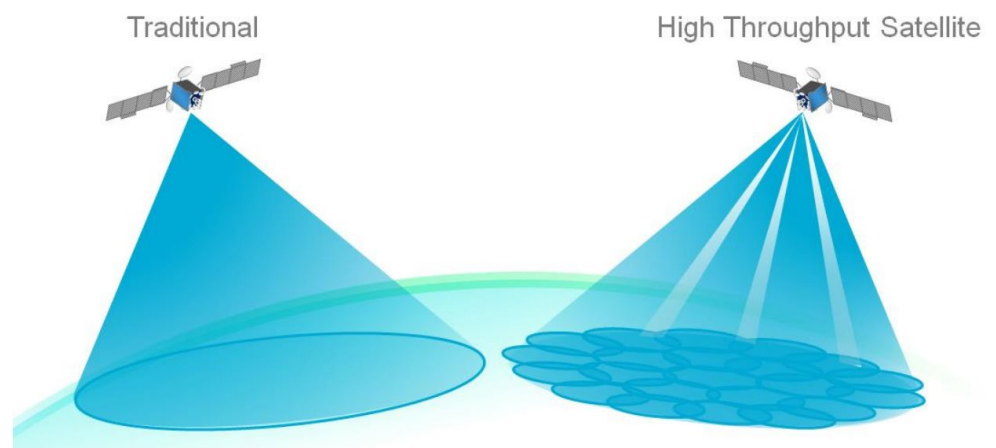
Sources: Company data, Thanachart estimates

Note: * Estimated based on THCOM's 2022 operating performance

Unlocking opportunities abroad

*New technology unlocks
THCOM's capability to grow
more efficiently overseas*

We see the launch of the new satellites significantly improving THCOM's long-term growth potential as they should enhance THCOM's capability to penetrate new markets overseas. THCOM believes there is strong demand for satellite internet in Asia, especially in the South and Southeast Asian regions, but the company has no ability to capture them due to the fixed service location of THC-4 which was designed to serve India, Australia, and Japan. Those countries, however, have already transferred their satellite internet demand to local satellites. THC-4's utilization is, therefore, currently low at 17%. Thanks to the state-of-the-art technology of the software-defined high throughput satellite (HTS), THCOM's new core satellite will come with the ability to vary service locations with customizable bandwidth allocation for each location over its operating life to match potential changes in demand geographically. THCOM plans to launch new satellites with an initial configuration of servicing beams targeting three focus countries of, India, Indonesia, and the Philippines.

Ex 5: New Technology Of Software-Defined High Throughput Satellite

Source: International Telecommunication Union (ITU)

We project high utilization for the core satellite from its launch year

We project the utilization rate of THCOM's new core satellite (100Gbps capacity) to gradually rise to 90% in 2033F, from 55% at its scheduled launch in 2H27. Given the high utilization from the launch date, secured by an already signed long-term rental contract with a major new client and current demand from existing clients, we estimate immediate breakeven for the core satellite. Any additional revenues from potential new clients and presales ahead of its launch would, therefore, go directly to the bottom line.

We don't see our utilization assumptions as overly aggressive since we believe THCOM can now attract interest from potential customers thanks to its long-term business continuation secured by the fresh licenses it has been granted and cutting-edge service capabilities from the up-to-date technology of its new satellites.

Secured demand

Long-term demand locked in for 50% of the capacity of its new core satellite

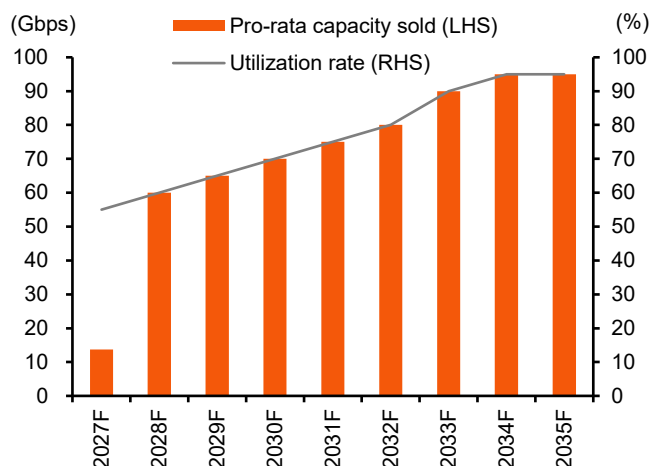
THCOM has signed a long-term rental contract with Eutelsat, the third-largest satellite service operator globally with 36 operating satellites currently, to utilize 50% of its new core satellite capacity throughout its 16-year operating life (2027-43). Eutelsat will lease the capacity to provide broadband satellite services for its own clients in Asia, where the 119.5° East orbit provides the best strategic coverage. Though we believe the rental price from this contract will be at the wholesale rate, given the large sales volume and long commitment period, we estimate the revenue from this secured demand from Eutelsat to be sufficient for the new core satellite to break even in its first year. THCOM also expects cross-synergy benefits from forming this partnership to expand its business in the Asian satellite market, leveraging strong technical expertise and a wide range of satellite solutions from Eutelsat and THCOM's experience and business connections in the region. The compatibility of THCOM's new satellite with trending LEO (Low Earth Orbit) and GEO (Geosynchronous Equatorial Orbit) satellite services currently offered by Eutelsat has been cited as one of their growth potential stories together.

Potential demand

India, Indonesia, and Philippines are its key focus markets

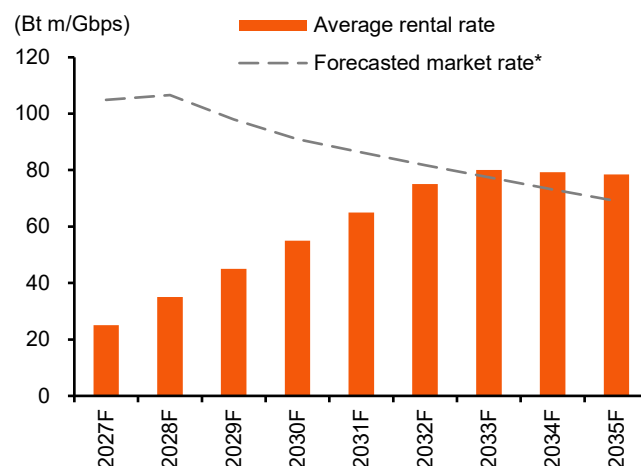
THCOM targets India as the key market for its new satellites. Its key business strategy is to capture satellite internet demand from the Indian government's policy of promoting internet accessibility for rural and remote areas of the country. The Indian government reported that only 38% of its population in rural areas had access to the internet as of 2022. THCOM aims to supply broadband satellite bandwidth to local internet service providers in India to either provide internet services directly to end-users or participate in bidding for the government's project to provide internet access to villagers in rural areas under its already announced "Digital India" scheme to reduce the rural digital divide and to improve the country's technology development by enhancing basic digital infrastructure. Since there are over 2,000 villages in India that still have poor internet connection, we believe more than 1,000Gbps of satellite internet bandwidth is required for India to reach its target.

Similarly, for Indonesia and the Philippines, with their geographical characteristics of scattered islands where the costs of developing fixed-line broadband internet are not feasible, their attempts to promote nationwide internet access give a strong boost to satellite internet demand. Based on the high demand potential in those countries, India, Indonesia, and Philippines are now the key focus markets for THCOM, apart from Thailand where it commands the strong advantage of being the only major satellite operator in the country.

Ex 6: High Utilization Rate For New Core Satellite

Source: Thanachart estimates

Note: We assume its launch date in 4Q27F

Ex 7: Our Pricing Projection For New Core Satellite

Source: Thanachart estimates

Note: * Market rate is forecasted by Northern Sky Research (NSR)

**New rental contracts
should increase the
average rental rate**

Based on the secured contracts and strong potential demand from its focus countries, we assume 55% utilization for the new core satellite in its first operating year in 2027-28F, before gradually rising to 90% in 2033F. Due to a significant drag from the large wholesale contract with Eutelsat, we assume its average annual rental price is only US\$0.8m/Mbps in 2028F, which is significantly below the forecasted market rate (by Northern Sky Research, NSR) of US\$2.8-3.2/Mbps. Having said that, we project the rate to rise to US\$2.0m in 2031F and US\$2.5m in 2034F, driven by a declining portion of this wholesale rental contract vs. the total revenue base when THCOM is able to secure more contracts at the market rate (despite a shorter period and lower volume) with other clients.

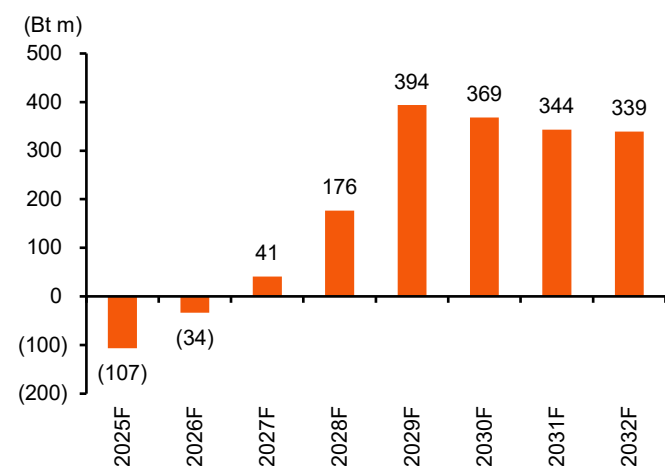
Looking past a few years of losses

**We are not concerned
about a few years of losses
for THCOM in 2025-27F**

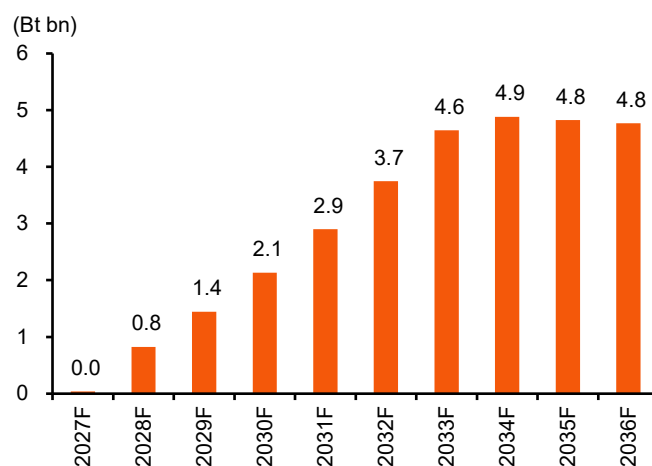
We have a positive view on THCOM's new investment scheme despite our expectation for it to make losses after the launch of the interim satellite from 2025-27F. We see this interim satellite as an extra operating cost for THCOM to maintain services for its existing clients. We think it would be difficult for this satellite to gain scale or secure sizable contracts due to its short operating life. We expect a 55% utilization rate for the interim satellite at its launch year in 2025F, backed by current demand of existing clients on THC-4 and likely some presales, before it later reaches profit breakeven at an 85% utilization rate in 2028F. Having said that, its profit contribution period will be relatively short given that its operating life ends in 2032F. THCOM is also considering purchasing a small-sized used satellite, with a likely 3-5Gbps of capacity, to be its secondary interim satellite with a US\$20m investment budget (including costs to redirect the satellite to the 119.5° East orbit). This is because THCOM expects bids for government satellite internet access projects for rural areas in ASEAN to take place within the next few years, so it requires an option to boost available capacity to participate in these bids. We leave this potential demand as an upside to our forecasts.

**We believe its share price
will perform on more
presale announcements**

Before the start of its new investments in 2023-24F, we estimate THCOM's earnings to be flat since 1) we expect a stable revenue outlook from its existing clients, and 2) we project its continuing operating cost reduction plan to be offset by upfront costs for the preparation for new satellite launches. Having said that, we believe these unfavorable earnings trends over the next few years will be ignored by investors, and we expect THCOM's share price to instead perform with the announcements of more potential secured customers or a growing presales backlog ahead of the satellite launches.

Ex 8: Projected Profit From Interim Satellite

Source: Thanachart estimates

Ex 9: Projected Profit From Core Satellite

Source: Thanachart estimates

Ex 10: 12-month DCF-based TP Calculation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F-42F
EBITDA (excl. depre from right of use)	711	473	809	1,185	2,980	3,856	4,725	5,689	6,747	5,959	6,264	44,326
Free cash flow	(2,515)	(2,308)	(189)	102	1,565	2,540	3,258	3,925	4,619	5,177	4,612	36,159
PV of free cash flow	(2,302)	(1,935)	(145)	71	985	1,457	1,704	1,871	2,007	2,050	1,588	8,341
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	9.2											
Terminal growth (%)	-											
Enterprise value - add investments	15,692											
Net debt (2023F)	(1,854)											
Minority interest	(0)											
Equity value	17,543											
# of shares*	1,096											
Equity value / share	16.00											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 11: Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div Yield	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
China Mobile	941 HK	HK	7.6	8.0	10.4	9.7	1.1	1.0	3.2	3.1	6.8	7.3
China Unicom Hon	762 HK	HK	11.1	12.4	9.0	8.0	0.5	0.5	1.2	1.2	6.1	7.2
China Telecom Corp Ltd	728 HK	HK	12.0	11.6	11.2	10.0	0.8	0.7	3.7	3.5	6.3	7.1
Bharti Airtel	BHARTI IN	India	4.6	49.2	55.2	37.0	6.1	5.0	10.3	9.2	0.4	0.5
Idea Cellular	IDEA IN	India	na	na	na	na	na	na	16.7	15.7	0.0	0.0
Tata Communication	TCOM IN	India	(2.9)	(9.6)	29.3	32.4	23.5	20.2	13.3	13.0	1.0	1.1
Indosat	ISAT IJ	Indonesia	(25.8)	36.4	22.1	16.2	2.5	2.3	5.5	4.9	1.6	2.3
Telekomunikasi Indonesia	TLKM IJ	Indonesia	24.9	7.5	14.2	13.2	2.7	2.5	5.2	5.0	4.9	5.3
Axiata Group Bhd	AXIATA MK	Malaysia	na	30.0	25.8	19.8	1.0	1.0	6.0	5.7	3.5	3.9
Maxis Bhd	MAXIS MK	Malaysia	14.6	4.0	23.5	22.6	5.0	5.1	10.4	10.2	4.3	4.4
Singapore Telecom	ST SP	Singapore	3.1	3.6	17.0	16.4	1.4	1.5	12.6	12.8	5.8	5.0
StarHub	STH SP	Singapore	132.3	18.1	14.2	12.0	0.0	0.0	6.2	5.7	5.2	6.1
SK Telecom	017670 KS	S. Korea	19.4	na	na	9.0	na	0.8	3.7	3.6	7.1	7.3
Taiwan Mobile	3045 TT	Taiwan	2.8	7.1	23.4	21.9	3.8	3.9	11.1	10.4	4.6	4.6
Advanced Info Service *	ADVANC TB	Thailand	9.5	8.1	22.5	20.8	7.1	6.6	8.2	7.5	3.9	3.8
Thaicom *	THCOM TB	Thailand	127.9	(0.2)	57.9	58.0	1.5	1.5	14.4	16.7	0.9	0.9
Average			24.4	13.3	24.0	20.5	4.1	3.5	8.2	8.0	3.9	4.2

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using Thanachart normalized EPS

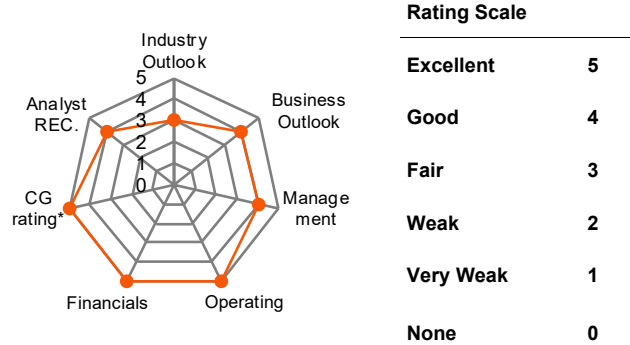
Based on 29 Aug 2023 closing prices

COMPANY DESCRIPTION

Thaicom Pcl (THCOM) is one of the leading satellite operators in Asia. It provides satellite services on licenses issued by the Thai government to launch satellites into the orbits that the country holds controlling rights to. THCOM now has two active satellites, Thaicom 7 and Thaicom 8, both providing broadcasting services under its owned licenses. It also provides services by renting the capacity of Thaicom 4 (broadband) and Thaicom 6 (broadcasting) from National Telecom Pcl (NT) after its concessions for those two satellites expired in 2021. THCOM plans to launch two new satellites after it won new licenses from a bid held in early 2023.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- THCOM has over 30 years of experience in operating a satellite business in Thailand and Asia.
- THCOM has licenses to launch and operate satellites for 119.5° East, which is the key orbital slot to provide satellite services for the Asian region.

O — Opportunity

- The satellite business in Thailand is monopolistic.
- Rising demand for satellite internet globally as all countries are improving internet accessibility for their citizens in rural and remote areas.
- Lower investment costs and better operating flexibility from new satellite technologies.

W — Weakness

- THCOM's satellite business has high fixed costs.
- Low negotiating power when penetrating overseas markets as the industry is usually highly protected by local governments.

T — Threat

- Competition from emerging satellite internet technologies, i.e., low earth orbit (LEO), which could provide internet services with lower prices and better quality in the future.
- Risk of government policy and rules to promote local players or prohibit foreign players from providing satellite services, which may be perceived as a national security issue.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	14.56	16.00	10%
Net profit 23F (Bt m)	574	269	-53%
Net profit 24F (Bt m)	342	268	-22%
Consensus REC	BUY: 2	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F earnings forecasts are 53% and 22% below the Bloomberg consensus numbers, which we believe is due to us assuming lower utilization and higher preparation costs for new satellite launches.
- Our TP is, however, 10% higher than the Street's, which we attribute to us having a more bullish view on ramping up the pace for the utilization of its new satellites.

Sources: Bloomberg consensus, Thanachart estimates

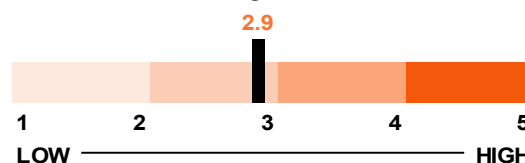
RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected demand and lower-than-expected presales secured for its new satellites is the major downside risk to our numbers.
- Delays and other difficulties in building and launching new satellites, including cost overruns, is the secondary downside risk to our valuation for THCOM.
- Changes in policies or regulations for the satellite industry in the countries THCOM has (or plans to have) business exposure would be negative to our forecasts and valuations.
- Stronger-than-expected competition in the satellite industry, which may cause faster-than-expected price deterioration in the market, is another downside risk to our forecasts.

Source: Thanachart

THCOM is the largest satellite operator in Thailand, and one of the leading players in Asian. It operates four active satellites, two under its owned licenses and two under rental contracts. We rate its ESG score at only 2.9, mainly as we see its ESG policies as weak, especially the environmental aspect. We regard its social activity program as its key strength.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
THCOM	YES	YES	-	-	63.66	53.28	23.00	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- THCOM has yet to announce any targets for carbon neutrality or net-zero emissions. We also see its sustainability report as outdated, with the latest issue being the 2020 release.
- THCOM created the "Thaicom Loves Earth" program to provide guidelines to develop its business towards a low-carbon society with minimized carbon emissions, environmentally friendly activities, and the most efficient use of energy and water resources.
- THCOM is expanding green areas for communities and its own workplace through energy conservation approaches and the implementation of alternative clean energy projects.
- The company also promotes new concepts of using technology and innovations to help increase energy consumption efficiency and reduce the impact on the environment.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- THCOM is strongly committed to human rights and labor rights protection for its employees and all stakeholders. It promises equal opportunities to all people regardless of their nationality, race, and gender, while ensuring that all its operational activities abide by international and local standards of practice for human rights.
- We like THCOM's commitment to providing sufficient training and encourage its staff to learn new skills for them to be able to fully utilize their technological expertise in improving and engaging with new business ideas for the company.
- THCOM set up a dedicated team to ensure the health and safety of its staff so that the team can regularly measure and review risk assessments via its day-to-day operations.
- THCOM's key strength is social activities that leverage its business expertise in providing internet access to rural areas, either to enhance the quality of life for villagers (i.e., access to online education and sufficient communications) or support local governments with connection networks for their community development plans.

GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- THCOM's board of directors comprises 11 members, which we see as too large, with four independent directors (relatively low) and only one female member.
- THCOM has a strong set of corporate government policies, as shown in its annual report, to ensure transparency along its business chain.
- THCOM's business risk was high due to its exposure to local regulations and potential trade barriers from other countries to protect their national security in the satellite business, but we now see the risk as significantly lower with new long-term licenses and implementation of new technology to enhance business flexibility for its new satellites.
- We like THCOM's ability to keep up with satellite technology and related applications so it can adapt those new innovations to provide more state-of-the-art services for its clients.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	3,303	2,927	2,731	2,731	2,598
Cost of sales	2,350	1,500	1,507	1,481	1,698
Gross profit	953	1,427	1,224	1,250	900
% gross margin	28.9%	48.7%	44.8%	45.8%	34.6%
Selling & administration expenses	884	940	886	843	817
Operating profit	69	486	338	406	82
% operating margin	2.1%	16.6%	12.4%	14.9%	3.2%
Depreciation & amortization	1,048	608	617	568	619
EBITDA	1,117	1,094	955	974	701
% EBITDA margin	33.8%	37.4%	35.0%	35.7%	27.0%
Non-operating income	203	215	120	59	38
Non-operating expenses	0	0	0	0	0
Interest expense	(155)	(122)	(99)	(108)	(202)
Pre-tax profit	117	580	358	358	(81)
Income tax	88	156	90	89	0
After-tax profit	29	424	269	268	(81)
% net margin	0.9%	14.5%	9.8%	9.8%	-3.1%
Shares in affiliates' Earnings	(267)	(306)	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	382	(76)	0	0	0
NET PROFIT	144	42	269	268	(81)
Normalized profit	(238)	118	269	268	(81)
EPS (Bt)	0.1	0.0	0.2	0.2	(0.1)
Normalized EPS (Bt)	(0.2)	0.1	0.2	0.2	(0.1)

Likely short-term loss-making years after interim satellite's launch

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	8,050	7,474	4,117	2,117	2,542
Cash & cash equivalent	4,902	5,848	2,500	500	1,000
Account receivables	2,071	1,483	1,571	1,571	1,495
Inventories	7	24	21	20	23
Others	1,069	120	25	25	24
Investments & loans	2,000	2,516	2,516	2,516	2,516
Net fixed assets	2,778	2,276	5,331	8,139	10,651
Other assets	2,512	2,584	2,330	2,127	1,958
Total assets	15,340	14,850	14,295	14,899	17,668
LIABILITIES:					
Current liabilities:	1,422	1,867	1,526	1,887	3,464
Account payables	462	469	496	487	558
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	424	439	325	612	2,139
Others current liabilities	536	959	705	788	766
Total LT debt	841	433	321	604	2,112
Others LT liabilities	1,947	1,996	1,967	1,792	1,604
Total liabilities	4,210	4,296	3,814	4,284	7,180
Minority interest	(0)	(0)	(0)	(0)	(0)
Preferreds shares	0	0	0	0	0
Paid-up capital	5,481	5,481	5,481	5,481	5,481
Share premium	4,325	4,325	4,325	4,325	4,325
Warrants	0	0	0	0	0
Surplus	(295)	(632)	(632)	(632)	(632)
Retained earnings	1,618	1,380	1,308	1,442	1,314
Shareholders' equity	11,129	10,554	10,482	10,616	10,488
Liabilities & equity	15,340	14,850	14,295	14,899	17,668

Sources: Company data, Thanachart estimates

Strong balance sheet with hefty cash for new investments

CASH FLOW STATEMENT

Old satellites can still
generate decent cashflow
streams

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	117	580	358	358	(81)
Tax paid	(92)	(156)	(90)	(89)	0
Depreciation & amortization	1,048	608	617	568	619
Chg In working capital	(152)	578	(58)	(8)	145
Chg In other CA & CL / minorities	(82)	150	(252)	83	(20)
Cash flow from operations	838	1,759	575	911	662
Capex	(17)	198	(3,360)	(3,113)	(2,903)
Right of use	(1,442)	(458)	(50)	(50)	(50)
ST loans & investments	(122)	918	92	0	0
LT loans & investments	292	(516)	0	0	0
Adj for asset revaluation	(59)	(337)	0	0	0
Chg In other assets & liabilities	1,269	(63)	(39)	(184)	(198)
Cash flow from investments	(79)	(259)	(3,356)	(3,346)	(3,151)
Debt financing	(2,273)	(274)	(226)	570	3,036
Capital increase	0	0	0	0	0
Dividends paid	(219)	(329)	(341)	(134)	(47)
Warrants & other surplus	17	48	0	0	0
Cash flow from financing	(2,476)	(555)	(567)	435	2,989
Free cash flow	821	1,957	(2,785)	(2,201)	(2,240)

VALUATION

Multiples may not reflect
its long-term business
outlook

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	na	132.0	57.9	58.0	na
Normalized PE - at target price (x)	na	148.7	65.3	65.4	na
PE (x)	108.4	368.7	57.9	58.0	na
PE - at target price (x)	122.1	415.5	65.3	65.4	na
EV/EBITDA (x)	10.7	9.7	14.4	16.7	26.8
EV/EBITDA - at target price (x)	12.4	11.5	16.4	18.7	29.6
P/BV (x)	1.4	1.5	1.5	1.5	1.5
P/BV - at target price (x)	1.6	1.7	1.7	1.7	1.7
P/CFO (x)	18.6	8.8	27.1	17.1	23.5
Price/sales (x)	4.7	5.3	5.7	5.7	6.0
Dividend yield (%)	2.1	3.5	0.9	0.9	0.0
FCF Yield (%)	5.3	12.6	(17.9)	(14.1)	(14.4)
(Bt)					
Normalized EPS	(0.2)	0.1	0.2	0.2	(0.1)
EPS	0.1	0.0	0.2	0.2	(0.1)
DPS	0.3	0.5	0.1	0.1	0.0
BV/share	10.2	9.6	9.6	9.7	9.6
CFO/share	0.8	1.6	0.5	0.8	0.6
FCF/share	0.7	1.8	(2.5)	(2.0)	(2.0)

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

*Stable profits from
existing operations in
2023-24F*

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	(7.1)	(11.4)	(6.7)	0.0	(4.9)
Net profit (%)	(72.0)	(70.6)	536.7	(0.2)	na
EPS (%)	(72.0)	(70.6)	536.7	(0.2)	na
Normalized profit (%)	na	na	127.9	(0.2)	na
Normalized EPS (%)	na	na	127.9	(0.2)	na
Dividend payout ratio (%)	228.9	1,298.3	50.0	50.0	50.0
Operating performance					
Gross margin (%)	28.9	48.7	44.8	45.8	34.6
Operating margin (%)	2.1	16.6	12.4	14.9	3.2
EBITDA margin (%)	33.8	37.4	35.0	35.7	27.0
Net margin (%)	0.9	14.5	9.8	9.8	(3.1)
D/E (incl. minor) (x)	0.1	0.1	0.1	0.1	0.4
Net D/E (incl. minor) (x)	(0.3)	(0.5)	(0.2)	0.1	0.3
Interest coverage - EBIT (x)	0.4	4.0	3.4	3.8	0.4
Interest coverage - EBITDA (x)	7.2	9.0	9.6	9.1	3.5
ROA - using norm profit (%)	na	0.8	1.8	1.8	na
ROE - using norm profit (%)	na	1.1	2.6	2.5	na
DuPont					
ROE - using after tax profit (%)	0.3	3.9	2.6	2.5	na
- asset turnover (x)	0.2	0.2	0.2	0.2	0.2
- operating margin (%)	8.2	24.0	16.8	17.0	na
- leverage (x)	1.4	1.4	1.4	1.4	1.5
- interest burden (%)	42.9	82.7	78.3	76.9	(67.6)
- tax burden (%)	24.4	73.0	75.0	75.0	na
WACC (%)	9.2	9.2	9.2	9.2	9.2
ROIC (%)	0.2	4.7	4.5	3.5	0.5
NOPAT (Bt m)	17	355	253	305	62
invested capital (Bt m)	7,493	5,578	8,628	11,332	13,739

Sources: Company data, Thanachart estimates

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SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
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The Dow Jones Sustainability Indices (DJSI)

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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