

**Gulf Energy Dev. Pcl (GULF TB) - BUY**

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**News Update****Major amalgamation deal**

- **GULF announces an amalgamation plan with INTUCH**
- **Share swap ratios fairly reflect current market values**
- **The process is targeted to be done in 2Q25F**
- **We see GULF as more favorable party on this deal**

GULF announced to SET yesterday an approval from its board of directors for the company to enter into an amalgamation agreement with Intouch Holdings Pcl (INTUCH, non-rated) in forming a new public company (NewCo).

- We see the declared share swap ratios of 1.02974 shares in NewCo per 1 GULF's existing share and 1.69335 shares in NewCo per 1 INTUCH's share (except those shares currently held by GULF) reflect current market values of both stocks. Note that INTUCH's shareholders will receive an extra dividend of Bt4.5/share which serve as a value adjusting factor for the swap ratios.
- To fulfil SEC's rules, GULF, INTUCH, and Singtel will make tender offers for shares of ADVANC at Bt216.3/share and shares of THCOM at Bt11/share. The share swap ratio will not be affected by the results of those tender offers
- Moreover, GULF will voluntarily purchase its shares from shareholders who vote against the deal at the price of not more than Bt45/share.
- Both parties will hold their shareholder meetings to get an approval on the plan in October 2024. With those green lights, the tender offer period is set for 4Q24. The amalgamation date is targeted to be within 2Q25.
- Based on pro forma financial ratio provided by the company, the NewCo's D/E was 1.2x in 2023. Assuming it needs to tender the rest of ADVANC and THCOM shares, even the chance looks slim, we project its D/E to remain healthy at 1.7x in 2024F.

**Our view:**

- We see GULF benefiting from this amalgamation as it gets more stake into a higher-ROE telecom business, while larger equity base after amalgamation strengthening its capability to more capture business opportunities in power and infrastructure segments those look to require heavy capex ahead.
- Since the amalgamation ratio looks to be based on current market values (16 July 2024) of GULF and INTUCH, GULF's shareholders likely enjoy more on this deal given the stock is traded at more premium valuation (high PE) while INTUCH's share price is closer to an NAV of its holding investments.
- We expect no significant change in control power over ADVANC and THCOM since we believe GULF has been a major influencer on the companies pre-amalgamation. Singtel likely continues to be a shareholder with more passive stance, but contributes strong supports on business technicality.

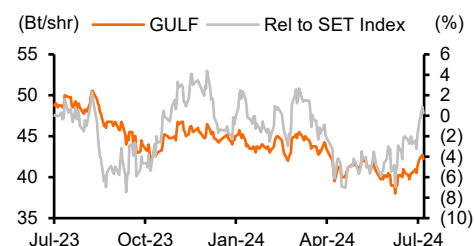
**Key Valuations**

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	114,054	145,316	161,336	163,940
Net profit	14,858	16,981	19,949	21,891
Norm net profit	14,759	16,981	19,949	21,891
Norm EPS (Bt)	1.3	1.4	1.7	1.9
Norm EPS gr (%)	28.0	15.1	17.5	9.7
Norm PE (x)	33.6	29.2	24.8	22.6
EV/EBITDA (x)	33.1	29.0	25.8	24.1
P/BV (x)	4.3	4.1	3.9	3.7
Div. yield (%)	2.1	2.4	2.8	3.1
ROE (%)	13.0	14.3	16.0	16.7
Net D/E (%)	168.3	168.2	160.3	156.4

Source: Thanachart estimates

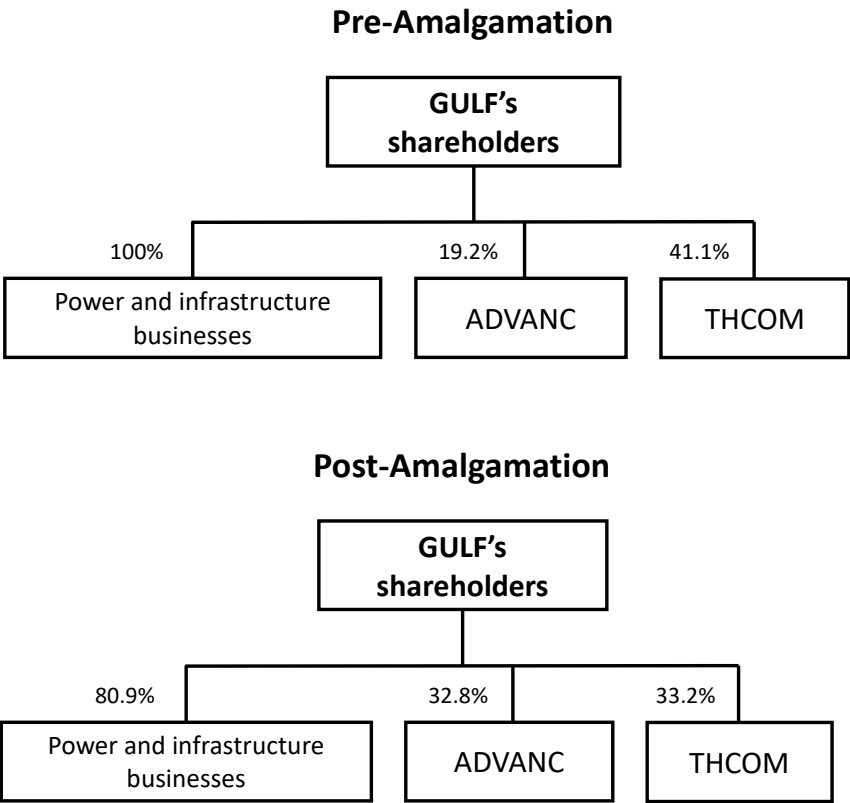
**Stock Data**

Closing price (Bt)	42.25
Target price (Bt)	54.00
Market cap (US\$ m)	13,732
Avg daily turnover (US\$ m)	13.7
12M H/L price (Bt)	50.50/38.00

**Price Performance**

Source: Bloomberg

Ex 1: Changes In Business Exposures For GULF's Shareholders



Source: Thanachart compilation

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