

Telecom Sector – Overweight

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

News update

Expecting strong 4Q24F

- We project sector's EBITDA growing 12% y-y in 4Q24F
 - Price recovery is the key driver
 - Post-consolidation cost savings continue
 - TRUE still offers higher upside in our view
- We expect a robust growth momentum in the Thai telecom sector to continue in 4Q24F, forecasting 89% y-y higher earnings and 12% y-y rise in EBITDA. Recovering ARPU in both mobile and fixed broadband segments, from easing price competition following the industry's major consolidations last year, and cost synergy benefits remain the two primary drivers which we expect to sustain into 2025F.

Ex 1: We Expect Strong 4Q24F Performance For The Telecom Sector

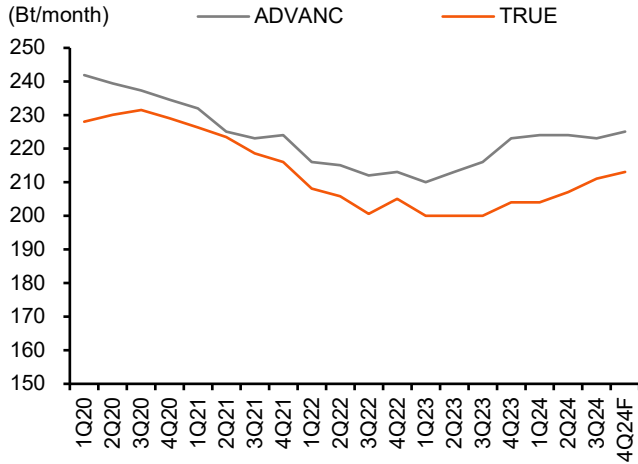
	4Q24F	4Q23	3Q24	Y-Y (%)	Q-Q (%)
Mobile revenue (Bt bn)					
ADVANC	31.4	30.1	31.0	4.3	1.3
TRUE	33.5	32.3	32.7	3.8	2.4
Total	64.9	62.3	63.7	4.1	1.9
Fixed broadband revenue (Bt bn)					
ADVANC	7.6	5.0	7.3	50.7	4.2
TRUE	6.4	6.1	6.4	5.8	0.8
Total	14.0	11.1	13.6	26.2	2.6
EBITDA (Bt bn)					
ADVANC	28.0	24.4	27.7	14.7	1.0
TRUE	25.4	23.4	25.6	8.8	(0.6)
Total	53.4	47.8	53.3	11.8	0.3
Normalized profit (Bt bn)					
ADVANC	8.5	7.0	8.4	20.7	0.9
TRUE	3.2	(0.8)	3.1	n.a.	3.8
Total	11.7	6.2	11.5	88.8	1.7

Sources: Company data, Thanachart estimates

- We expect the sector's earnings increase 89% y-y and 2% q-q. We believe TRUE will deliver stronger y-y improvement to Bt3.1bn normalized profit in 4Q24F, from a loss in the same period last year, driven by post-merger cost cuts and windfall from easing competition. Meanwhile, we project ADVANC could sustain its growth momentum with a projected normalized profit of Bt8.5bn, up 21% y-y and 1% q-q, which is more from the top-line growth.
- We project industry's mobile service revenue growing 4% y-y and 2% q-q, mainly from phasing out of low-priced unlimited data plans in the prepaid segment. We thus expect a stronger momentum for ADVANC given its greater exposure to the prepaid market. TRUE, however, likely has a better sequential growth as it suffered more from the low tourism season in the previous quarter.

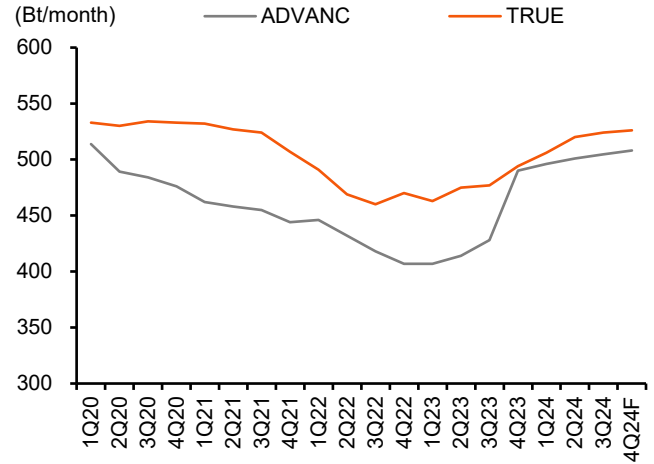
- We estimate revenue from fixed broadband segment to rise 26% y-y and 3% q-q in 4Q24F. A strong y-y growth is mainly from acquisition of Triple T Broadband business by ADVANC. The growth is still from expanding subscriber base from more internet usage at home and urbanization, and price improvement from increasing demand for ultra high-speed internet from advanced users and additions of value-added offerings into package plans.

Ex 2: Mobile Service Price Recovery Continues



Sources: Company data; Thanachart estimates

Ex 3: Premium Service Demand Drives Higher FBB ARPU



Sources: Company data; Thanachart estimates

- We forecast sector's EBITDA to grow 12% y-y, outpacing top-line growth due to 1) a slowdown 5G network investment after both operators have achieved over 95% population coverage, 2) cost synergies from consolidations, 3) reduced marketing spending amid softer competition, and 4) operating leverage. Our projected flat sector's EBITDA in a q-q comparison is mainly due to a high season of marketing spending in this festive quarter.
- We expect continued ARPU recovery in both mobile and fixed broadband segments in 2025F, which benefits both operators. However, we foresee a much bigger potential for TRUE to cut costs given its larger-scale mobile segment merger, compared to ADVANC's fixed broadband acquisition. TRUE's valuation is also more attractive at 6.4x 2025F EV/EBITDA, versus ADVANC's at 8.4x.
- We re-iterate our BUY rating for both telecom operators, with TRUE as our top-pick for its stronger earnings outlook and more compelling valuations.