

## Telecom Sector – Overweight

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News update

### New spectrum auction draft for public hearing

- **The second hearing scheduled for 1-7 April 2025**
- **Total available spectrum may reduce to four bands**
- **Risk of reserve price increase**
- **We are not too concerned and maintain positive view**

The National Broadcasting and Telecommunication Commission (NBTC) on 31 March 2025 released a revised draft of the upcoming spectrum auction for a second round of public hearing, scheduled for 1-7 April 2025. We highlight the key changes and provide our views on those topics below.

- **#1 Available spectrum may reduce to only four bands:** Given concerns raised over the pre-auction of spectrum licenses set to expire later in 2027 (some of the 1800MHz and the 2100MHz spectrum bands) that it could result in the loss of two years' spectrum value, the NBTC proposes an alternative approach to put only four spectrum bands those are set to expire on 3 August 2025 in the upcoming auction, including the 850MHz, 1500MHz, 2300MHz, and some of the 2100MHz bands
- We see this as a slight negative for the operators, as having all spectrum bands auctioned in a single round would make it easier for them to plan and optimize their bidding strategies. Splitting the auction into two rounds could result in an inefficient overall spectrum allocation, both for operators and the country.
- **#2 All spectrum licenses could be auctioned simultaneously:** Instead of dividing the seven (or four under the revised proposal) sets of spectrum licenses into three to four separate bidding groups, the NBTC now proposes to auction all spectrum bands simultaneously, expecting this to encourage more competitive bidding, which could lead to higher proceeds from the auction for the country.
- We see it oppositely since we believe that auctioning all spectrum bands simultaneously would make operators to focus more on the specific bands they need, rather than inflating prices on less-desired bands to balance overall spectrum costs between the two rivals. This new approach thus instead lowers the risk of aggressive bidding in our view.
- **#3 No changes on license payment terms:** The NBTC maintains the original four-year payment structure for the licenses, 50% in the 1<sup>st</sup> year followed by 25% in the 3<sup>rd</sup> and 4<sup>th</sup> year. While a more flexible 10-year installment plan (10% annually) will be offered to new entrants, we expect no newcomers joining this bidding round. This additional clause thus has no material impacts in our view.
- **#4 Risk of reserve price increase:** The NBTC proposes two alternative approaches for setting reserve prices in the upcoming spectrum auction, (1) using the average economic value derived from various valuation methodologies, and (2) referencing final prices from previous auction rounds or current rental rates paid by operators to current spectrum holder (see Exhibit 2).
- We believe both operators are likely to strongly oppose the second approach, as referencing reserve prices to past auction outcomes would be unfair, given those auctions took place years ago when those 3G/4G spectrums were more valuable. On the other hand, we see it unlikely that the NBTC will adopt the first (valuation-based) approach, as setting lower reserve prices could draw strong criticism from NGOs. We therefore take view that there will be no changes on reserve prices from the original draft. That said, downside risk to our forecasts would arise if the NBTC chooses to reference previous final prices in setting the new reserve prices this round.

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- As a result of the additional public hearing round, the NBTC now expects the auction dates to be postponed by two weeks from the original schedule of 17–18 May 2025, likely to late May or early June. We do not see this delay as a concern.
- Our key take:** Given there are both pros and cons, albeit minor on both sides, while final auction terms remain difficult to predict, we return to our core stance that it is unlikely for operators to fight head-on in this coming auction since they continue to prioritize on profitability through price increases and cost reductions. We therefore maintain our expectation of mild competition in the coming auction and reaffirm our positive stance on the sector. **TRUE** is still our top-pick for its stronger growth outlook and more attractive valuations.

**Ex 1: Available Spectrum May Reduce To Four Bands**

First public hearing draft		Second public hearing draft	
Spectrum band	Number of available licenses	Spectrum band	Number of available licenses
850MHz	2 x 5MHz	850MHz	2 x 5MHz
1500MHz	11 x 5MHz	1500MHz	11 x 5MHz
1800MHz	7 x 5MHz	2100MHz (FDD)	3 x 5MHz
2100MHz (FDD)	12 x 5MHz	2300MHz	7 x 10MHz
2100MHz (TDD)	3 x 5MHz		
2300MHz	7 x 10MHz		
26GHz	1 x 100MHz		

Sources: National Broadcasting And Telecommunication Commission (NBTC)

**Ex 2: Potential Changes In Reserve Prices**

Spectrum band	Valuation of each set of spectrum license (Bt m)		
	First public hearing draft	(1) Economic value approach	(2) Referencing on previous final prices
850MHz	7,738	7,359	7,359
1500MHz	1,057	969	969
1800MHz	7,281	4,793	12,486
2100MHz (FDD)	3,970	3,323	4,500
2100MHz (TDD)	581	449	449
2300MHz	1,960	1,871	1,871
26GHz	423	423	423

Sources: National Broadcasting And Telecommunication Commission (NBTC)

Note: The numbers shown represent valuations conducted by the NBTC and its consultants for each spectrum band, which will serve as the basis for setting reserve prices in the upcoming auction.