

Telecom Sector – Overweight

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News update

Y-Y growth momentum continues in 1Q25F

- **Price improvement drives higher revenue y-y ...**
 - **... but q-q would be soft on seasonality**
 - **Cost saving is another major earnings driver**
 - **TRUE thus likely delivers a stronger growth**
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- We expect the sector's earnings to grow 42% y-y in 1Q25F. Even this strong growth is partially driven by a low base from TRUE, we see the sector's two key growth drivers of improving service prices and cost optimization remain intact. Our forecast of a 1% drop q-q is due to a seasonal softness in tourism-related revenues, compared to the festive period in the previous quarter.
 - We project stronger earnings growth from TRUE, up 3.5x y-y and 5% q-q to Bt3.7bn in 1Q25F. This is even we assume its core services revenue to grow only 0.5% y-y given 1) lower network roaming revenue from the National Telecom Pcl (NT, non-listed) which is recognized as a mobile service revenue, and 2) flattish television subscription revenue mid continued structural shifts toward online streaming platforms. Cost synergy benefits continue to be its major growth driver as we project its EBITDA margin improves to 51% in 1Q25F, from 49% in 4Q24 and 47% in 1Q24.
 - Having said that, we see some downside to our 2025F earnings forecast for TRUE given its slower-than-expected revenue growth this quarter. TRUE also expects to recognize more impairment losses this quarter from its ongoing network optimization plans, which likely completes in 3Q25F. Its reported net profit thus likely remains negative this quarter.
 - We forecast Bt9.7bn normalized profit for ADVANC in 1Q25F, up 12% y-y but down 1% q-q. The y-y growth is supported by higher revenues in both mobile and fixed broadband segments, driven by continuing industry's service price recovery while ADVANC can still expand its subscriber base in both business units. We project its ongoing cost optimization measures to drive its EBITDA margin higher to 54% in 1Q25F, from 52% in 1Q24 and 4Q24.
 - We maintain our positive view on the Thai telecom sector since we expect its two growth drivers of price recovery and cost savings continue. Despite a delay for in the upcoming spectrum auction, we still expect the bidding results leading to lower spectrum costs for both operators, which should drive stronger earnings growth for the sector in 2H25F.
 - TRUE remains our top sector pick for its stronger earnings growth momentum, backed by larger cost synergy benefits, and more attractive valuations relative to ADVANC.

Ex 1: Cost Savings More Than Offset Seasonally Softened Revenues

	1Q25F	4Q24	1Q24	Y-Y (%)	Q-Q (%)
Core services revenue (Bt bn)					
ADVANC	41.4	41.9	39.4	4.9	(1.2)
TRUE	41.5	41.6	41.3	0.5	(0.3)
Total	82.8	83.5	80.7	2.7	(0.8)
EBITDA (Bt bn)					
ADVANC	29.0	29.5	27.8	4.5	(1.8)
TRUE	26.1	26.0	24.3	7.2	0.2
Total	55.1	55.5	52.1	5.7	(0.8)
Normalized profit (Bt bn)					
ADVANC	9.7	10.1	8.6	12.6	(3.2)
TRUE	3.7	3.5	0.8	345.3	4.9
Total	13.4	13.6	9.5	41.8	(1.1)

Sources: Company data, Thanachart estimates

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