

Telecom Sector – Overweight

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Earnings Preview

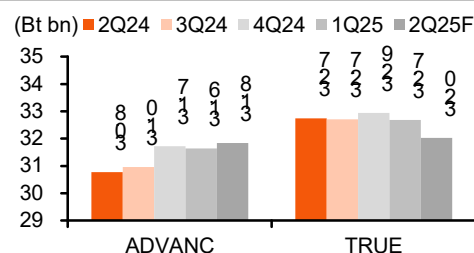
Strong earnings outlook continues in 2Q25F

- Package price recovery drives higher revenue ...
- ... despite headwinds from consumption and tourism
- Cost reductions remain another key earnings driver
- We now prefer ADVANC on better revenue outlook

We expect the telecom sector's earnings to grow 38% y-y and 1% q-q to Bt15.1bn in 2Q25F. This solid growth is supported mainly by package price adjustments in both mobile and fixed broadband segments earlier this year, which more than offset negative impacts from soft domestic consumption and a tourism slowdown. Ongoing cost optimization and post-merger cost synergy recognition continue to be significant earnings drivers for the sector.

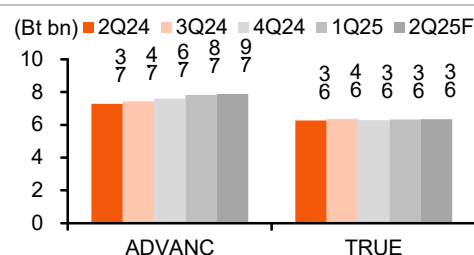
- We project the sector's core service revenue to rise 2% y-y, but flat q-q. However, the trend diverges significantly between the two operators. We expect ADVANC's core service revenue to increase 5% y-y and 1% q-q to Bt42.2bn, maintaining a strong momentum from the previous quarter, supported by improving ARPU from major package adjustments in both mobile and fixed broadband services in February, along with a robust fixed broadband subscriber growth.
- In contrast, we estimate TRUE's core service revenue to fall 1% y-y and 1% q-q to Bt41.3bn, despite similar benefits from package price hikes. This is due to two major negatives; 1) TRUE needed to give discounts to its customers to compensate for its service disruption in May and 2) TRUE has larger exposures to the weak segments of Chinese tourists, and short-term visitors and workers from neighboring countries. This marks the third consecutive quarter of TRUE's inferior revenue growth relative to its rival.
- With ongoing cost optimization efforts by both operators and a windfall from ease of competition on marketing expenses, sector's EBITDA grows outpacing the revenue at 6% y-y and 1% q-q.
- Given its stronger revenue outlook, we project ADVANC to deliver higher EBITDA growth of 9% y-y and 2% q-q, compared to TRUE's 3% y-y growth but a 1% q-q decline. TRUE's slowdown in synergy-driven cost reductions makes its cost saving benefits insufficient to offset the softer revenue performance this quarter.
- Bottom-line, we forecast ADVANC to post a Bt10.9bn normalized profit in 2Q25F, up 28% y-y and 3% q-q, a new quarterly record for the company. We also expect TRUE to report solid normalized profit growth of 73% y-y, driven by synergy benefits, though it softens slightly by 3% q-q following a weakened service revenue this quarter.
- We maintain our bullish view on the Thai telecom sector, backed by its resilient earnings outlook over the next few years. ADVANC is now our pick for its stronger revenue outlook, which we see as a more sustainable earnings growth driver, than cost reduction. TRUE remains attractive for its substantial cost cutting potential, which is from both post-merger cost reduction programs and spectrum cost savings from the recent auction.

Ex 1: Improving Mobile Revenue Outlook



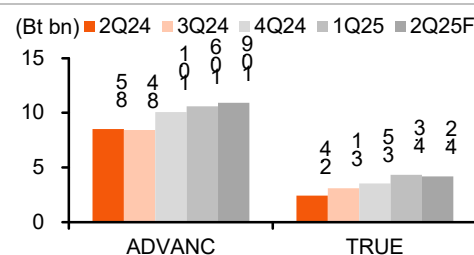
Source: Company data, Thanachart estimates

Ex 2: ADVANC's Strong FBB Momentum



Source: Company data, Thanachart estimates

Ex 3: Sector's Y-Y Earnings Growth Intact



Source: Company data, Thanachart estimates

Ex 4: Telecom Sector's 2Q25F Earnings Preview

	2Q24	1Q25	2Q25F	y-y (%)	q-q (%)
Core services revenue (Bt bn)					
ADVANC	40.2	41.9	42.2	4.9	0.7
TRUE	41.5	41.6	41.3	(0.5)	(0.7)
Sector	81.8	83.5	83.5	2.2	(0.0)
EBITDA (Bt bn)					
ADVANC	27.6	29.6	30.1	8.9	1.6
TRUE	25.1	26.0	25.8	3.1	(0.6)
Sector	52.7	55.6	55.9	6.1	0.6
Normalized profit (Bt bn)					
ADVANC	8.5	10.6	10.9	28.4	3.0
TRUE	2.4	4.3	4.2	73.2	(3.3)
Sector	10.9	14.9	15.1	38.3	1.2

Sources: Company data, Thanachart estimates

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