

Telecom Sector – Overweight

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Earnings Preview

Surprising positive quarterly momentum

- Sector's mobile revenue up q-q despite weak seasonality
- Organic cost rises nearly fully offset by revenue growth
- Y-Y profit growth remains strong on spectrum cost savings
- We maintain BUY on both ADVANC and TRUE

We expect 2Q26F earnings of the Thai telecom sector to be unusually resilient, with normalized profit declining only 1% q-q despite the typically weak seasonality. This is driven mainly by stronger prepaid top-ups and SIM activations from mass-market users taking up the government's 'Co-Payment' scheme, which more than offset headwinds from a softer macroeconomic backdrop as higher energy prices amid the Middle East tensions weigh on consumer spending. On a y-y basis, structurally lower spectrum costs and ongoing package price improvements remain the key earnings growth drivers for the sector. Despite softer revenue growth momentum, we still expect TRUE to post higher y-y earnings growth, given its lower earnings base and interest cost savings, while we project ADVANC to deliver better q-q performance on greater scale advantages from the revenue growth and aggressive cost cuts.

- **Core service revenue:** We forecast the sector's core service revenue to grow 3.3% y-y in 2Q26F, driven by ongoing package price improvements in both mobile and fixed broadband segments. We also expect a 1.0% q-q revenue increase, unusual for this typically soft seasonal quarter, backed by the prepaid uplift from the Co-Payment scheme through both higher mobile usage and better disposal income for service top-ups. We expect ADVANC to still deliver stronger y-y growth of 5.9%, backed by its robust mobile revenue momentum from last year, while TRUE's 0.6% y-y growth looks more sustainable, supported by lesser impacts from last year's network outage and recovering Chinese tourist arrivals. On a q-q basis, mobile revenue growth is broadly comparable between the two, with ADVANC's stronger core service revenue growth driven by its better fixed broadband momentum and lesser exposure to the structural decline in TV subscription revenue, which is sizable for TRUE.
- **EBITDA:** We expect the sector's EBITDA to grow 8.8% y-y, outpacing the revenue, driven mainly by structurally lower spectrum costs following the shift from rental-based to license-based charges from August last year. The mild 1.2% q-q contraction reflects organic cost increases from network capacity expansion to serve a rising data consumption, slightly higher electricity tariffs, and growing content costs. Backed by its stronger revenue momentum, ADVANC's EBITDA growth likely outperforms TRUE at 11.1% y-y (vs. 6.3%) and 0.4% q-q (vs. a 3.0% contraction on TRUE's minimal q-q revenue growth).
- **Normalized profit:** We forecast sector normalized profit growth to remain strong at 29% y-y, despite a small 0.7% drop q-q. The y-y growth is boosted by two below-EBITDA tailwinds. First, depreciation eases as fully depreciated assets continue to outpace new additions following the completion of mass 5G rollout in 2025. Second, interest costs edge lower, backed by gradual debt refinancing and Thai policy rate cuts over the past year. We expect TRUE to deliver stronger y-y growth of 42% (vs. 23% for ADVANC), given it benefits more from the cost reductions and a lower earnings base. The mild q-q earnings decline reflects the organic cost increases.
- We maintain our BUY ratings on both ADVANC and TRUE. Beyond the sector's resilience against macroeconomic headwinds, higher-than-expected indirect benefits from the government stimulus are providing further cushion against the usual seasonal softness during 2Q–3Q26F. ADVANC remains attractive for its superior operational momentum and cost disciplines, while TRUE is a re-rating play to us on its earnings inflection and much stronger financial health.

Ex 1: Telecom Sector's 2Q26F Earnings Preview

	2Q26F	1Q26	2Q25	y-y (%)	q-q (%)
Core service revenue (Bt bn)					
ADVANC	45.5	44.8	43.0	5.9	1.4
TRUE	41.3	41.0	41.1	0.6	0.6
Sector	86.8	85.9	84.0	3.3	1.0
Adjusted EBITDA (Bt bn)					
ADVANC	28.5	28.4	25.7	11.1	0.4
TRUE	23.3	24.1	22.0	6.3	(3.0)
Sector	51.8	52.5	47.6	8.8	(1.2)
Normalized profit (Bt bn)					
ADVANC	13.47	13.50	10.95	23.1	(0.2)
TRUE	6.47	6.59	4.56	42.0	(1.8)
Sector	19.94	20.08	15.51	28.6	(0.7)

Sources: Company data, ttb wealth estimates

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