

Telecom Sector – Overweight

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Earnings Preview

Soft quarter with a divergence

- **Sector's revenue flat q-q despite weak seasonality**
- **TRUE's EBITDA rises q-q on SG&A cuts ...**
- **... while ADVANC drops on investment resumption**
- **TRUE likely delivers higher earnings growth in 3Q26F**

We expect the Thai telecom sector's earnings to soften q-q, pressured by the usual weak seasonality during the rainy season, alongside negative consumption sentiment amid elevated energy prices and flooding in several major economic provinces. That said, we expect some divergence between the two operators. TRUE likely sees some earnings improvement from the previous quarter, driven by its higher exposure to the recovery in Chinese tourist arrivals and marketing cost cuts, while ADVANC contracts slightly q-q, pressured by higher operating costs from the resumption of service network and internal infrastructure investment, and a loss contribution from the early stage of its virtual bank business.

- **Core service revenue:** We forecast the sector's core service revenue to grow 2.4% y-y in 3Q26F, driven by ongoing package price improvements in both mobile and fixed broadband segments. However, we expect revenue to be flat on a q-q basis, as benefits from higher data consumption during the "Thais-Helps-Thais Plus" stimulus scheme and tourism recovery are offset by the usual weak seasonality, alongside weak consumer spending amid elevated energy prices and flooding in Bangkok and several key provinces. Divergence on the top line is modest. TRUE's core service revenue should expand 0.1% q-q (+0.4% y-y), supported by its greater exposure to the recovery in Chinese tourist arrivals, but we expect ADVANC's to fall 0.1% q-q (+4.2% y-y on rising ARPU momentum), mainly from the forgone revenue related to English Premier League (EPL) packages that ended in late May.
- **EBITDA:** We expect the sector's EBITDA to decline 1.4% q-q (+5.4% y-y), and this is where the divergence becomes meaningful. We forecast a 2.8% q-q EBITDA contraction for ADVANC in 3Q26F (+4.9% y-y on revenue growth), pressured by higher depreciation and network operating costs as the company resumes network investment to strengthen its competitive positioning, and higher administrative expenses related to internal IT system upgrades. In contrast, TRUE's EBITDA is growing 0.4% q-q (+5.9% y-y, also from growing revenue), as its marketing cost cuts more than offset the natural service cost increases to serve growing data consumption.
- **Normalized profit:** The sector's earnings should track the EBITDA trend, with 21% y-y growth but 2% q-q decline. We forecast strong growth for TRUE at 55% y-y and 4% q-q. The y-y expansion is mainly driven by ARPU improvements, while TRUE also benefits from declining interest costs on the back of its early debenture redemption and deleveraging. We forecast 8% y-y earnings growth for ADVANC, supported by its strong revenue momentum over the past year, but a 5% q-q contraction as it also absorbs loss contribution from the first quarter of operation of its virtual bank business on top of the higher operating cost base.
- We reaffirm our OVERWIEGHT stance on the Thai telecom sector with BUY ratings on both ADVANC and TRUE, as we expect the sector to remain resilient against macroeconomic headwinds. The higher festive spending season and stronger tourism should drive a higher revenue growth in 4Q26F, alongside a likely easing pressure from energy prices. We re-iterate our key investment thesis of ADVANC being attractive for its superior operational momentum and cost disciplines, while TRUE is a re-rating play on its strong earnings growth supporting deleveraging, thus improving balance sheet and increasing dividends.

Ex 1: 3Q26F Earnings Preview

	3Q26F	2Q26	3Q25	Change y-y (%)	Change q-q (%)
Core service revenue (Bt bn)					
ADVANC	45.4	45.5	43.6	4.2	(0.1)
TRUE	41.4	41.4	41.3	0.4	0.1
Sector	86.9	86.9	84.9	2.4	0.0
Adjusted EBITDA (Bt bn)					
ADVANC	28.2	29.0	26.9	4.9	(2.8)
TRUE	24.5	24.4	23.1	5.9	0.4
Sector	52.7	53.5	50.0	5.4	(1.4)
Normalized profit (Bt bn)					
ADVANC	12.9	13.6	12.0	7.8	(5.0)
TRUE	6.98	6.74	4.50	55.4	3.7
Sector	19.9	20.4	16.5	20.8	(2.1)

Sources: Company data, ttb wealth estimates

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