

ICT Sector

Neutral Initiate

เราให้น้ำหนักหุ้นกลุ่ม ICT ที่ Neutral เพราะราคาหุ้นสะท้อนปัจจัยบวกไปบางส่วนแล้ว เรามองว่าปัจจัยที่จะกระตุ้นให้เกิดการ re-rate คือราคาค่าบริการในตลาดที่สมดุลผลขึ้นทั้งบริการมือถือ และ FBB จากการรวมกันของตลาดและการแข่งขันที่เบาลง เราชอบ ADVANC* มากกว่า TRUE* ในช่วงต้นปี 2567 เพราะอัตรากำไรและกระแสเงินสดที่เหนือกว่า แต่ในครึ่งหลังปี 2567 เราแนะนำหุ้น TRUE* สำหรับนักลงทุนประเภทที่ชอบเสี่ยง (risk lovers) จากความคาดหวังว่าผลขาดทุนจะลดลงเพราะการรับรู้มูลค่า synergy และ อานิสงส์จากการจบบรอดดอกเบี้ยขาขึ้น นอกจากนี้ เรายังเห็นโอกาสในการซื้อสะสม INTUCH* และ JASIF* สำหรับนักลงทุนที่หาอัตราผลตอบแทน (yield seekers) ในช่วงที่อัตราดอกเบี้ยอยู่ที่กำลังจะลดลง นอกเหนือจากปัจจัยบวกจากการมีผู้ถือหุ้นใหม่

Wetid Tangjindakun, CISA
66.2658.8888 Ext. 8855
wetidt@kgi.co.th

เน้นเติบโตอย่างมีคุณภาพและการควบรวมธุรกิจ

Event

อัปเดตแนวโน้มกลุ่ม ICT

Impact

การรวมตัวของตลาดมือถือ และ FBB

เราเชื่อว่าผู้ประกอบการไม่จำเป็นต้องกังวลการตลาดอย่างหนักเหมือนเมื่อก่อนแล้ว หลัง TRUE* ก้าวขึ้นมาเป็นอันดับหนึ่งในตลาดมือถือ และ ADVANC* กลายเป็นผู้เล่นใหญ่สุดในตลาด FBB นอกจากนี้ เราคาดว่า ARPU จะเพิ่มขึ้นชัดเจนขึ้นในปี 2567 (นำโดย prepaid) เราคิดว่า ADVANC จะได้อานิสงส์ชัดเจนจากวิถีการชำระเงินรอบใหม่ จากสัดส่วนบริการ postpaid และการใช้งาน 5G ที่เพิ่มขึ้น ในขณะที่ถูก prepaid บางส่วนไหลไปที่ TRUE ซึ่งทำให้ ARPU ของ TRUE เพิ่มขึ้นในอัตราที่ชะลอตัวลง

คาดว่ากำไรกลุ่มจะเติบโตได้กลางๆ ในปี 2567F

ต้นทุนในการควบรวมของ TRUE และ ADVANC น่าจะกดดันผลประกอบการปี 2567 ของกลุ่ม ICT โดย TRUE คาดว่าจะต้องใช้งบ 2.6 หมื่นลบ. ขณะที่ ADVANC จะใช้งบน้อยกว่าในการรวมกิจการ 3BB เขามา เรามองว่าทั้งสองคิดจะส่งผลดีต่อผู้ประกอบการทั้งสองรายในระยะยาว แต่จะยังไม่ใช้ในอีกหลายไตรมาสข้างหน้า เราคาดว่ารายได้จะเพิ่มขึ้นจาก ARPU ที่เพิ่มขึ้น และสามารถประหยัดค่าใช้จ่ายในการดำเนินงานได้จากสี่ปัจจัยดังต่อไปนี้ i) การแข่งขันที่เบาลง ii) กำลังซื้อที่สูงขึ้น iii) จำนวนนักท่องเที่ยวเพิ่มขึ้น และ iv) แรงกดดันเงินเฟ้อลดลง ทั้งนี้ เมื่อไม่มองงบลงทุนก้อนใหญ่เพื่อประมูลคลื่นแล้ว งบ CAPEX ส่วนใหญ่ในปี 2567 จะใช้ซ่อมบำรุงประจำ และขยายความครอบคลุม (coverage) ของบริการ โดยปัจจุบัน 5G ของทั้ง ADVANC และ TRUE ครอบคลุม >87% และ 97% ตามลำดับ

ผลประกอบการใน 4Q66F จะถึงจุดสูงสุด ก่อนที่ 1Q67F จะแข็งแกร่ง (+YoY, -QoQ)

ในภาวะที่ต้นทุนสาธารณูปโภคอยู่ในขาลง (5% ของ COGS) และความเชื่อมั่นของผู้บริโภคมีแนวโน้มเพิ่มขึ้นในปี 2567F ผู้ประกอบการดูเหมือนจะหันไปเน้นที่การเติบโตอย่างมีคุณภาพ จาก ARPU ที่เพิ่มขึ้น และการคุมต้นทุนให้อยู่ในระดับที่เหมาะสม เราคาดว่าจะมีการออกแพ็คเกจใหม่ๆ ที่ราคาสมเหตุสมผล ควบคู่กับการออกแพ็คเกจแบบขายพ่วง (bundle packages) โดยเฉพาะอย่างยิ่งในส่วนของ content, FBB และ 5G เพื่อเพิ่มอัตราการใช้บริการ postpaid เพิ่มขึ้น นอกจากนี้ แคมเปญ E-tax refund (ระหว่างวันที่ 1 ม.ค. - 15 ก.พ. 67) ก็น่าจะช่วยหนุนเสริมยอดขายเครื่องใน 1Q67F

กลยุทธ์สำหรับปี 2567

เราชอบ ADVANC* มากกว่า TRUE* ในช่วงต้นปี 2567 เพราะอัตรากำไรและกระแสเงินสดที่เหนือกว่าตามกลยุทธ์การเสริมธุรกิจที่มีแรงกระตุ้น และเป็นช่วงต้นของวัฏจักรขาขึ้น แต่ในครึ่งหลังปี 2567 เราแนะนำหุ้น TRUE* สำหรับนักลงทุนที่ชอบเสี่ยง (risk lovers) จากความคาดหวังว่าผลขาดทุนจะลดลงเพราะการรับรู้มูลค่า synergy และ อานิสงส์จากการจบบรอดดอกเบี้ยขาขึ้น นอกจากนี้ เรายังเห็นโอกาสในการซื้อสะสม INTUCH* และ JASIF* สำหรับนักลงทุนที่หาอัตราผลตอบแทน (yield seekers) ในช่วงที่อัตราดอกเบี้ยกำลังเป็นขาลง นอกเหนือจากปัจจัยบวกจากการมีผู้ถือหุ้นใหม่

Valuation and action

เราให้น้ำหนักหุ้นกลุ่ม ICT ที่ Neutral เพราะราคาหุ้นสะท้อนปัจจัยบวกไปบางส่วนแล้ว เรามองว่าปัจจัยที่จะกระตุ้นให้เกิดการ re-rate คือการกำหนดราคาค่าบริการในตลาดอย่างสมดุลผลสำหรับทั้งบริการมือถือ และ FBB จากการรวมตัวในตลาด และการแข่งขันที่เบาลง ซึ่งทั้งหมดนี้จะทำให้บริหารจัดการต้นทุนได้อย่างมีประสิทธิภาพ และช่วยใหรายได้โตจากการเพิ่มขึ้นของ ARPU, การขาย cross-selling บริการต่าง ๆ และการ upselling แพ็คเกจการใช้งานที่มีมูลค่าสูง

Risks

การแข่งขันเข้มข้น, กำลังซื้ออ่อนแอ, งบลงทุน (CAPEX) สูงขึ้น, และความล้มเหลวในการสร้าง synergy

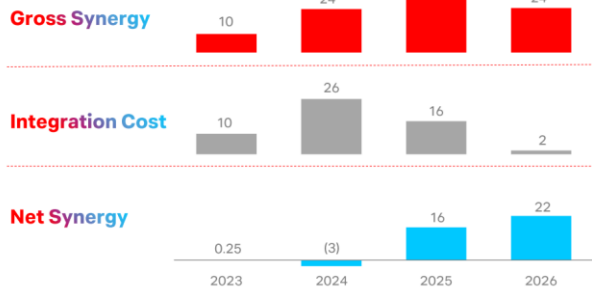
Peer comparison

Stocks	Rating	TP	Mkt.price	Upside	Mkt.cap	Implied	EPS (Bt)			EPS growth (%)			PE (x)			BPS			PBV (x)			Div. yield			ROE (%)		
							Bt	Bt	(%)	(Bt bn)	PE-24F	22	23F	24F	22	23F	24F	22	23F	24F	22	23F	24F	22	23F	24F	22
ADVANC*	OP	258.00	220.00	17.3	654	25.0	8.7	9.6	10.3	-3	10	8	25	23	21	22.6	23.4	24.3	9.7	9.4	9.1	3.5	3.9	4.3	30.3	31.7	33.0
TRUE*	OP	7.20	5.10	41.2	176	n.a.	-0.2	-0.2	-0.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.9	2.7	2.6	1.8	1.9	2.0	0.0	0.0	0.0	-6.0	-6.2	-4.2
Sector : Neutral										-3.4	9.6	7.6	25.2	23.0	21.3				5.7	5.7	5.5	1.7	2.0	2.1	12.2	12.7	14.4

Source: KGI Securities Research

Figure 1: TRUE has greater integration costs

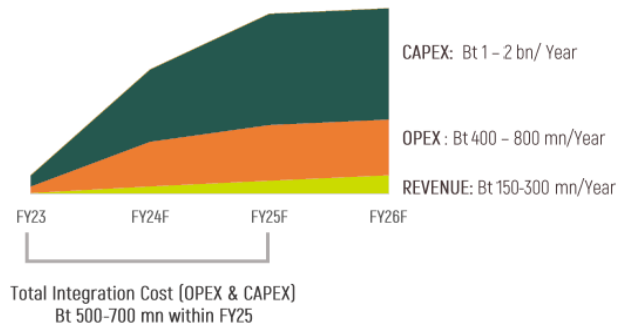
Financial impact of synergies and annual ramp up, cash flow, pre-tax, THB Bn



Source: Company data, KGI Securities Research

Figure 2: AIS has lower costs on smaller acquisition size

GROSS SYNERGY vs. BASE LINE FY22



Source: Company data, KGI Securities Research

Investment merits

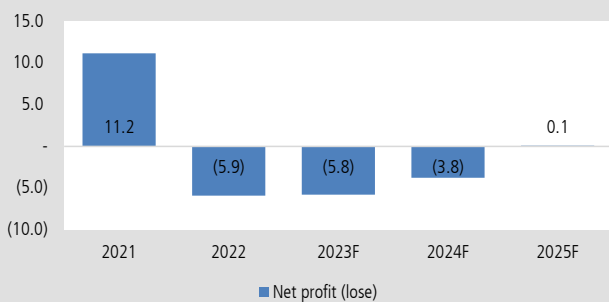
We believe the sector momentum will be fueled by an uptrend in earnings, which we have not seen for years. The decent rise in ARPU for mobile and FBB should be backed by a focus on quality clients, market price repair, and upselling high-value plans.

ADVANC (OP, TP Bt258.00) is superior to TRUE in most financial metrics. As the downcycle ended in 2022, we project its 2023F-25F net profits to rise CAGR 8% YoY. Earnings should rebound 10% YoY and continue with impetus of 8% YoY and 9% YoY, respectively, catalyzed by an improving top line (stabilized ARPU for mobile and FBB, larger 5G proportion, in tandem with higher conversion to postpaid), and partly from cost efficiency. Over the longer term, 3BB’s operation should be in positive territory and provide upside to our 2025F earnings of ~1.5%-3% and target price of Bt2.5-3.0/share. Its ROE should rebound to 31.7%/33.1%/34.4% in 2023F-25F. With sturdy cashflow and balance sheet, ADVANC should be comfortable with higher DPS and CAPEX.

TRUE (OP, TP Bt7.20) should see its performance turn to positive territory in 2025F thanks to synergy realization, after improving losses in 2023F-2024F, premised on cost efficiency (optimal SG&A and fall in redundant costs) and top line growth. ROE should rebound to 0.1% in 2025F, from -6.2% in 2023F and -4.2% in 2024F. We also project a step-by-step improvement in TRUE’s balance sheet, fueled by its stronger performance and better rating. Our forecasts imply a decline in net debt/EBITDA from 5.40x in 2022, to 5.37x / 4.84x / 4.25x in 2023F-2025F, despite being above the average of overseas peers. Its free cash flow should improve from -Bt16.3bn in 2023F to a positive Bt25.3bn in 2024F and Bt29.2bn in 2025F. We assume no dividend would be paid during the loss periods.

Figure 3: TRUE – Shallower losses in 2023-25F

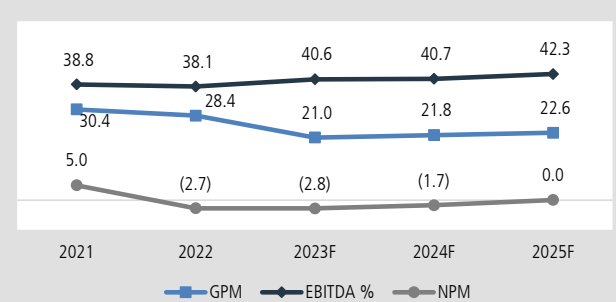
Net profit, Bt bn (LHS); YoY growth, percent (RHS)



Source: Company data, KGI Securities Research

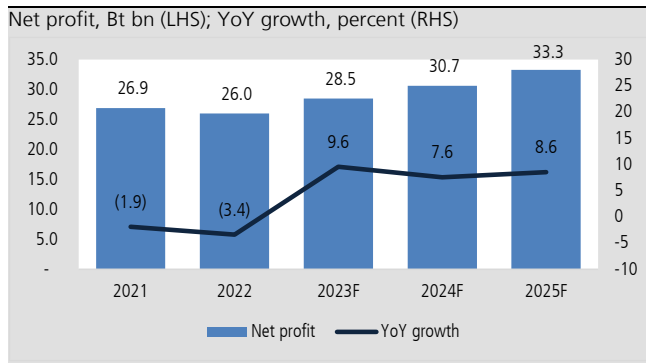
Figure 4: TRUE – GPM / EBITDA margin / NPM in 2021-25F

Percent



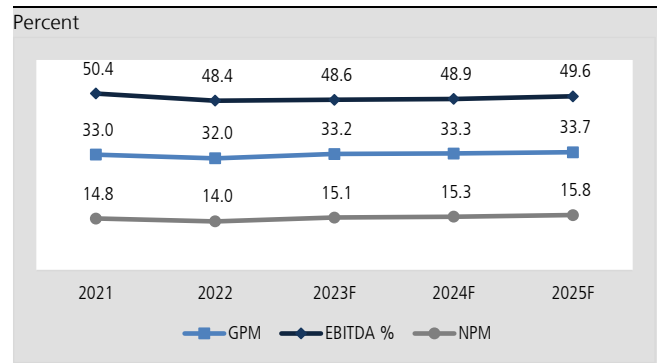
Source: Company data, KGI Securities Research

Figure 5: AIS – Rising earnings growth in 2023-25F



Source: Company data, KGI Securities Research

Figure 6: AIS – GPM / EBITDA margin / NPM in 2021-25F



Source: Company data, KGI Securities Research

Strategy (ADVANC vs. TRUE)

TRUE – Aiming for greater synergy value to turn profit

Under the new TRUE, profitability is a top priority by 2025F. The company expects to transform into a telecom-tech company with synergy creation of Bt250bn – consisting of Bt295bn gross synergies coupled with Bt45bn integration costs (>80% will lay on CAPEX). More than half of the synergies will derive from reducing CAPEX intensity, while the other is revenue synergies. The single grid execution will make up 35% of total synergy. Over the longer term, TRUE’s EBITDA growth is expected to outpace core service revenue growth. It is expected to reach a steady state of cashflow from 2026F onwards.

Figure 7: TRUE – Profitability is the priority, fueled by synergy creation



Source: Company data, KGI Securities Research

ADVANC – To become a Cognitive Tech company

AIS aims to focus on four core streamlines: i) fortify mobile business growth with higher 5G adoption and coverage as ADVANC is returning its focus back to profitability and regaining market share; ii) expediting growth in home FBB via a shortcut from the acquisition of TTTBB and expansion to untapped clients; iii) creating a new revenue source in enterprise business by offering new technology with solutions; and iv) fostering digital business with value-added services such as content, platform, insurance, and maybe digital lending in the future.

ADVANC is now the largest in broadband

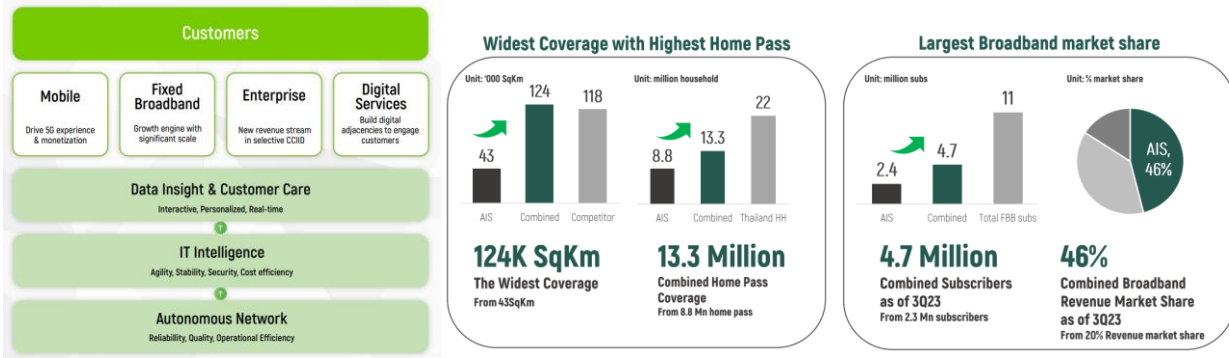
Since the completion of the 3BB acquisition on November 15, ADVANC has the largest revenue market share at 46% (from 20% previously) with its number of subscribers increasing to 4.7mn and combined ARPU rising to Bt507 (vs. AIS only at Bt428). Management forecasts

the penetration rate in the FBB market to rise from 50% to 52%-53% (base case) or 60%-70% (best case) through expansion into suburban areas, while ADVANC projects its FBB revenue to grow 5%-8% YoY p.a., premised on better quality subscriber expansion in tandem with rising ARPU. ADVANC is aiming to persuade 50% of TTTBB's clients, which are TRUE's mobile clients, to move to AIS. Operational synergy could come from CAPEX savings (Bt1-2bn p.a.) / OPEX savings (Bt400-800mn p.a.) / revenue rise (Bt150-300mn p.a.).

Financial impact.

ADVANC projects 3BB to mark loss of Bt2.0bn in 2023F. Incorporating 3BB and JASIF, we should see a slightly diluted net profit from ADVANC in 2023F-24F, before turning around from 2025F onwards, catalyzed by tax loss carried forward, business growth, synergy, lower rental rate, and share of profit from JASIF, outweighing interest cost from the acquisition. During the integration period of 2024-25, there would be integration costs of Bt500-700mn. Management expects no PPA amortization and gain from purchase now as the fair value and purchase price seem to be relatively indifferent. The Street (including us) is likely to gradually digest 3BB and JASIF into its models.

Figure 8: AIS – To ultimately enhance digital client experience



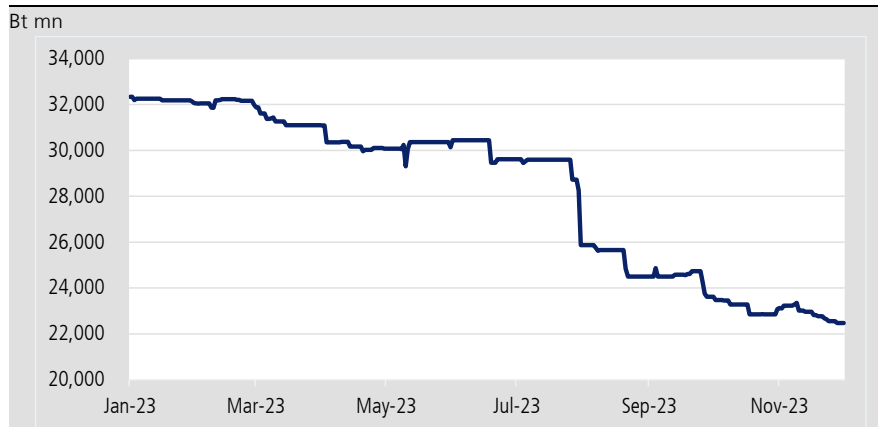
Source: Company data, KGI Securities Research

Earnings downgrade flow: Heavy 30% cut YTD

2023F earnings cut 30% YTD (from 24% YTD) solely from TRUE

TRUE's earnings have been heavily cut on delayed synergy benefits driving its earnings to turn to positive territory in 2025F, instead of 2024F earlier. We saw some earnings rise for ADVANC as investors digested stronger-than-expected 9M23 earnings. The Street is very likely to eye TRUE's earnings to see whether they improve or not and decide if further cuts are needed. A trivial change in ADVANC's earnings is expected due to stronger mobile operation offsetting loss from 3BB contribution.

Figure 9: Sector earnings cut a further heavy 30% YTD



Source: Bloomberg, KGI Securities Research

Industry Outlook

Thailand's telecom sector normally contributes core service revenue growth of 1.0x-1.25x the GDP growth rate, while offering mature growth given the high penetration rate of mobile, and unattractive ARPU. Our house view forecasts Thai GDP growth of 2.1% in 2023F and 4.0% in 2024F (vs. 2.6% in 2021 and 2.1% in 2022). We foresee regained momentum from; i) higher purchasing power, ii) rise in tourist arrivals, and iii) lower inflation pressure. We project tourist arrivals at 28.5mn in 2023F and 35mn in 2024F (Figures 24-25), bringing higher prepaid revenue via outbound data roaming. Although the numbers have not returned to pre-COVID levels, the pace has now reached around 75-80%. With these favorable factors, our projection indicates the sector's mobile service revenue should bounce back to pre-COVID levels in 2025F, while FBB revenue is already far beyond the pre-COVID level. Overall ARPU should be more stable, before a gradual tick up from 2Q23 onwards.

Easing mobile price war

The telecom sector is capital intensive, technology catching, and customer care, while 4G is the mainstream technology available, followed by 2G, 3G, and 5G. After the announcement of the merger of DTAC with TRUE in late 2021, there was keen competition between operators to catch and gain market share without any improvement to operators ultimately, which brought down ARPU and added cost pressure. That said, the industry signaled a positive structural change for the near to medium term since early 2023 from: i) easing competition since 4Q22 led by ADVANC; ii) completion of amalgamation of TRUE on May 1, 2023; and iii) stronger economic recovery from higher consumer confidence (lower cost pressure and higher employment), rise in tourist arrivals, and lower inflation pressure.

The sector has become a duopoly (TRUE and ADVANC). TRUE, which had the third largest number of subscribers is now the leader with 51.4mn mobile subscribers in 3Q23, overtaking ADVANC which had been the largest at 44.4mn subscribers.

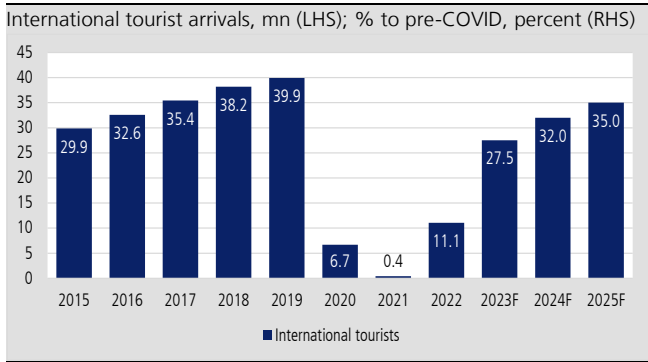
Though there is a limited upside for the mobile penetration rate, which is currently at 153% of the population, we foresee an increase in net additional subscribers and upswing in ARPU led by prepaid on a quicker change in packages (vs. 12-to-24 month contracted tenors for postpaid). There are also no more discounts for subscribers who migrate to new operators like in 2Q23 when 25% discounts were offered. With positive factors and the removal of unlimited fixed-speed in prepaid, prepaid ARPU should continue to improve as seen in the numbers of ADVANC and TRUE YTD. Moreover, with the new government in place, on top of intervention to lower electricity tariff, an expected populist policy to revise up the minimum wage would provide another booster to spending power for the labor segment.

During 2HTD, we have continued to see lower competition in prepaid via cuts in data offering for usage to 15GB (from 30GB), while speeds after data depletion have declined to 64Kbps (from 384Kbps). That said, investors should take a cautious stance once an operator reintroduces competition.

For postpaid, despite having higher risks from bad debt, the segment provides recurring and greater ARPU to operators. Easing of the price war can also be seen here. ADVANC has started to offer unlimited monthly internet packages at >Bt1,000/month QTD (from being for low-to-mid price packages previously), while the lowest price packages have been raised to Bt399/month (from Bt299-349/month at the end of 2022). We believe postpaid ARPU, which showed a more resilient movement, would see an uptick on higher conversion, larger 5G adoption, and sales bundling of handsets with high price packages and/or add-on services (FBB, entertainment subscription with HBO, and Netflix).

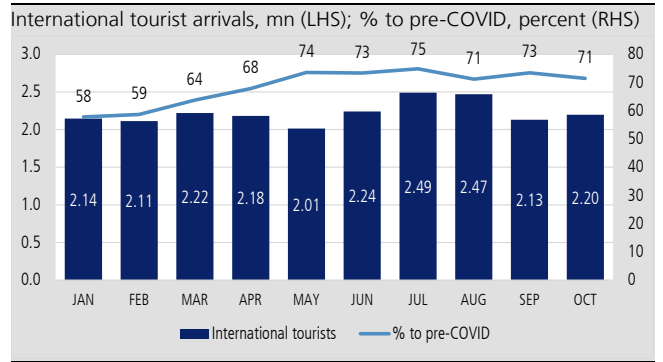
Over the longer term, investors should be cautious if competition is reintroduced. The competition should be seen in premium packages (Figure 32) on a strategy of profitability.

Figure 10: Yearly international tourist arrivals



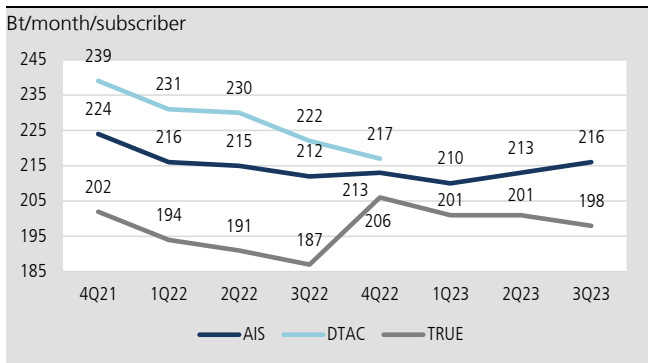
Source: Company data, KGI Securities Research

Figure 11: Monthly international tourist arrivals



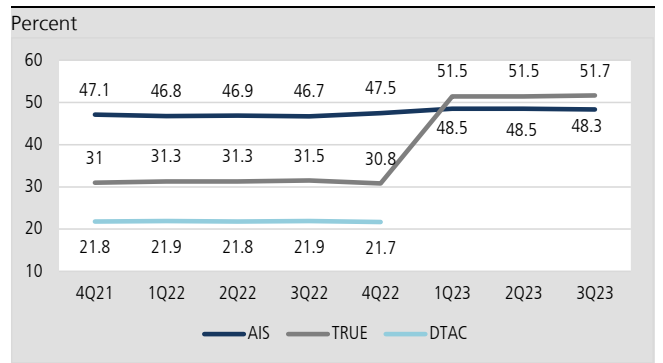
Source: Company data, KGI Securities Research

Figure 12: Mobile blended ARPU of the sector



Source: Company data, KGI Securities Research

Figure 13: Mobile revenue market share



Source: Company data, KGI Securities Research

Figure 14: Applications of 5G for businesses

5G Network: Supporting the Digital Transformation of Different Sectors

eMBB Business

5G will enable anytime, anywhere free-roaming immersive experience, which will make eMBB services the killer apps in the early 5G era and drive the rapid growth of 5G tech.

Smart Driving

Using 5G networks, intelligent driving technology will be safer and more efficient. By 2025, fully driverless vehicles are expected to become mainstream.

Smart Grid

Smart grids integrate information, communication, and control technology with traditional power systems to improve power grid security, stability, and operating efficiency.

Smart Manufacturing

5G's unprecedented connectivity capabilities will transform production, sales, and business models that will benefit manufacturers and consumers alike.

Mobile Health

Powered by 5G, the ubiquity of health monitoring and diagnosis will make for efficient, low-cost medical services that will lead to a much healthier world.

Source: Huawei, KGI Securities Research

Figure 15: Mobile packages (AIS and TRUE) – no unlimited for low-to-mid price packages, some war in premium packages

แพ็คเกจ	ค่าบริการรายเดือน (บาท)	5G 4G 3G	โทร	AIS	สิทธิพิเศษ	AIS Points	SE TE
5G Serenade Exclusive Plan	2,999	ไม่จำกัด	3,000	ไม่มีจำกัด	ไม่มีจำกัด	300	Platinum
	2,299	ความเร็วสูงสุด 2 Gbps	1,800	ไม่มีจำกัด	ไม่มีจำกัด	200	Gold
	1,899	ความเร็วสูงสุด 2 Gbps	1,200	ไม่มีจำกัด	ไม่มีจำกัด	200	Gold
5G Max UNLIMITED	1,499	ไม่จำกัด	650	ไม่มีจำกัด	ไม่มีจำกัด	12 เดือน	Emerald
	1,199	ความเร็วสูงสุด 1 Gbps	350	ไม่มีจำกัด	ไม่มีจำกัด	12 เดือน*	Emerald
5G Max PLAY	899	80 GB	300	ไม่มีจำกัด	ไม่มีจำกัด	12 เดือน*	Emerald
5G Max Speed	699	60 GB	300	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald
5G Max Speed	499	40 GB	250	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald
5G Easy Pack	399	20 GB	100	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald

แพ็คเกจ	ค่าบริการรายเดือน (บาท)	5G 4G 3G	โทร	AIS	สิทธิพิเศษ	AIS Points	SE TE
5G Serenade Exclusive Plan	2,199	ไม่จำกัด	1,700	ไม่มีจำกัด	ไม่มีจำกัด	300	Platinum
	1,999	ความเร็วสูงสุด 2 Gbps	1,300	ไม่มีจำกัด	ไม่มีจำกัด	200	Gold
	1,699	ความเร็วสูงสุด 2 Gbps	1,000	ไม่มีจำกัด	ไม่มีจำกัด	200	Gold
5G Max UNLIMITED	1,499	ไม่จำกัด	650	ไม่มีจำกัด	ไม่มีจำกัด	12 เดือน	Emerald
	1,199	ความเร็วสูงสุด 1 Gbps	350	ไม่มีจำกัด	ไม่มีจำกัด	12 เดือน*	Emerald
5G Max PLAY	899	80 GB	300	ไม่มีจำกัด	ไม่มีจำกัด	12 เดือน*	Emerald
5G Max Speed	699	60 GB	300	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald
5G Max Speed	599	50 GB	250	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald
5G Easy Pack	499	40 GB	250	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald
5G Easy Pack	399	20 GB	100	ไม่มีจำกัด	ไม่มีจำกัด	6 เดือน	Emerald

Source: Company data, KGI Securities Research

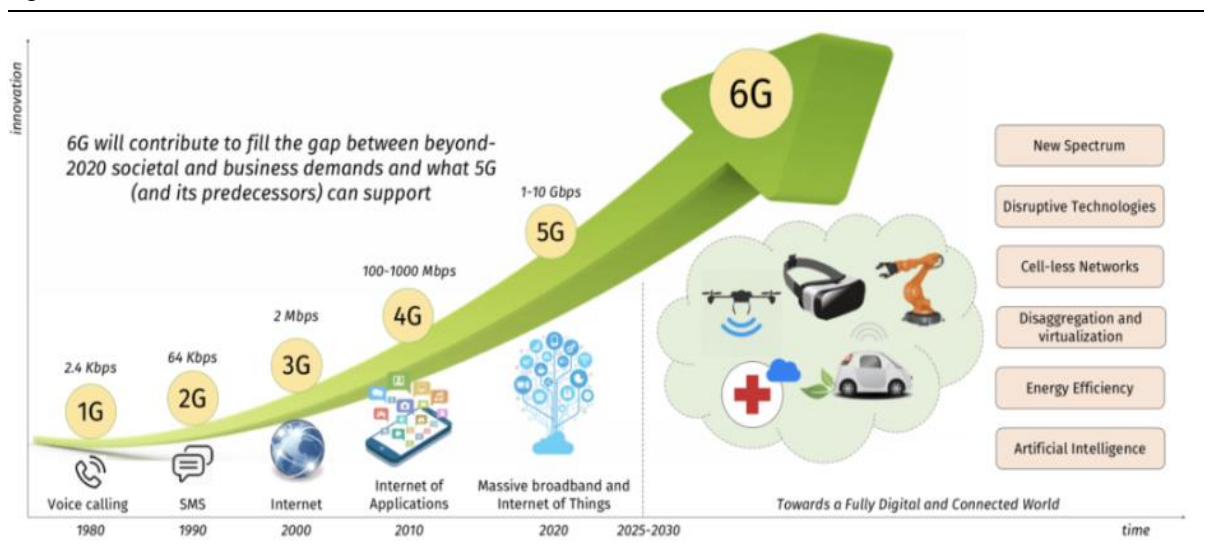
Staying with growing 5G technology adoption, not ready for 6G

There are three aspects to 5G technology. First is speed, as 5G is 10-20x faster than 4G. Second is low latency. Third is the number of Internet of Things (IoT) which is 10x greater than 4G. Hence, 5G availability will raise the capability of operator infrastructures and pave the way for new ultramodern services, such as self-driven cars, hologram media technology, and voice-controlled home devices. These are applicable for all users in both the public and private sector as end-users.

In 2023, 5G adoption is expected to grow more toward low-to-mid tier clients as 5G-enabled smartphone models with more affordable prices are entering the market in greater numbers, fueling the growth of the 5G market. In response, service providers are likely to roll out more 5G packages that suit the needs of low- and mid-tier customers, leading to a steady increase in the number of 5G subscribers and revenue. TRUE set its sights on encouraging more users to adopt 5G in 2023 backed by wide-ranging strategies such as rolling out 5G packages suitable for each group of customers, or packages bundled with new handsets. 5G technology will play a vital role in facilitating the business operations of enterprise clients, expanding the commercial opportunities of 5G services brought about by the rising use of solutions and services in the target industries such as long-distance control, real-time tracking systems, unmanned vehicles, and smart factories among others (Figure 29).

It seems 5G offers blue ocean markets for entrepreneurs and provides opportunity growth for client aiming to restructure their business models. The 5G global population coverage is expected to be at 39% in 2023F (vs. 32% in 2022), compared to 10-15% in Thailand. The problem is that Thailand is an importer of 5G handsets and devices that are quite expensive, while Thai users, both general and enterprise, are not very ready to adopt due to the lower development of businesses using high technology such as AR and VR, compared to some developed markets and China (85%). As such, 5G availability would stay with Thailand for years. Some are already anticipating 6G technology, which researchers do not expect to emerge until at least 2030, with 5G-advanced coming before that. 6G will be a fully integrated system that allows instantaneous communications between devices, consumers, and the surrounding environment. 6G-enabled enterprise technologies will transform the way companies process information, communicate, make decisions, and train employees.

Figure 16: Differences between 5G and 6G



Source: HONOR, KGI Securities Research

Fewer key operators in home broadband

The home FBB industry in Thailand should continue its pace of growth as people enjoy more data consumption, in line with digital lifestyles. The acceleration has been catalyzed by staycation and work from home during COVID-19. The penetration rate for home FBB connectivity is only 50% in Thailand, demonstrating high growth potential, especially in suburban areas with no access to internet connectivity. FBB operators also tend to offer a more diverse range of packages (e.g., home internet packages bundled with IoT devices, fixed-mobile convergence, and home solution packages to address the digital needs of consumers). Hence, the addressable market of FBB should increase moderately.

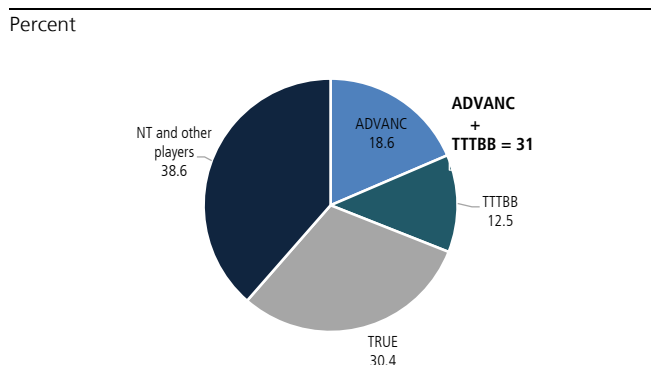
Another key factor that brought lower competition to the industry is ADVANC’s acquisition of Triple Three Broadband Internet (TTTBB) in 2023. This will be a shortcut to growth for ADVANC, which finished the process by getting approval from the NBTC and paying in November 2023. This deal will double ADVANC’s FBB subscribers to 4.7mn (AIS 2.38mn + TTTBB 2.31mn) and make it the largest internet service provider in the industry in terms of subscribers. The competition in the industry will be reduced to three main players. The acquisition will benefit ADVANC through reaching untapped customers in suburban areas, reducing costs, and offering cross-selling of products. Yet, TRUE should also benefit from this favorable landscape, despite it losing the market leader position to become the second largest instead.

We believe there will be loss contribution from TTTBB to ADVANC in 2023 before turning to some positive territory in late 2H25F. The drag would be from TTTBB’s lost competitiveness (losing subscribers), elevated rental rate with JASIF, and elevated interest charges. After renegotiating the rental scheme with JASIF, renegotiating interest rate, improving operating leverage, and synergies with ADVANC, TTTBB may gradually see its bottom line improve with a stronger position in the market.

Having ADVANC as a new ultimate shareholder may help TTTBB renegotiate its debt with lower rates on AIS’s robust credit rating (vs. JASIF). On top of that, JASIF’s shareholders approved cutting the rental payment 30% (cut off rental assurance, a monthly rental remains) to TTTBB (positive), starting from August 23, 2023.

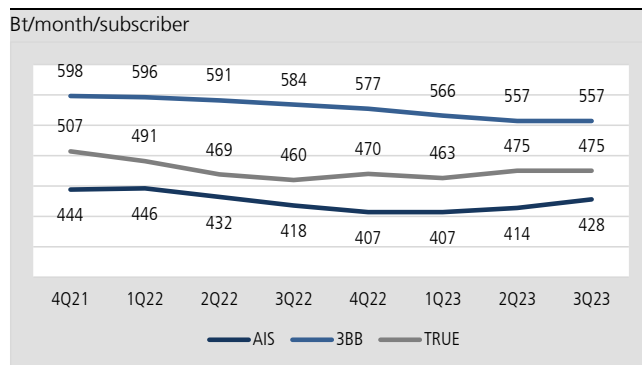
QTD, there has been some higher competition after the completion of the 3BB acquisition. On top of new aggressive bundling packages, AIS under “AIS-3BB Fibre” offers discounts on 500/500Mbps and is persuading clients to use 1/1Gbps for 1-month free. Meanwhile, TRUE offers discounts for its 1000/500Mbps package and new bundling packages. That said, there is no more below Bt500/month FBB packages, which create losses, in the market.

Figure 17: Subscriber shares in Thai FBB space



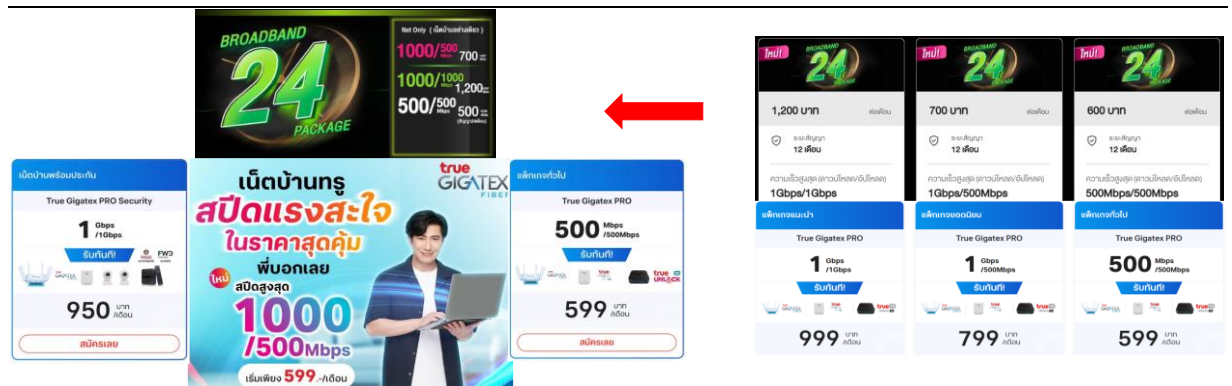
Source: NBTC, Company data, KGI Securities Research

Figure 18: FBB ARPU rose only for TRUE and ADVANC



Source: Company data, KGI Securities Research

Figure 19: Some higher competition in FBB packages led by TRUE (vs. AIS, which has higher monthly prices)



Source: Company data, KGI Securities Research

Thai businesses showing increasing demand for digital technology

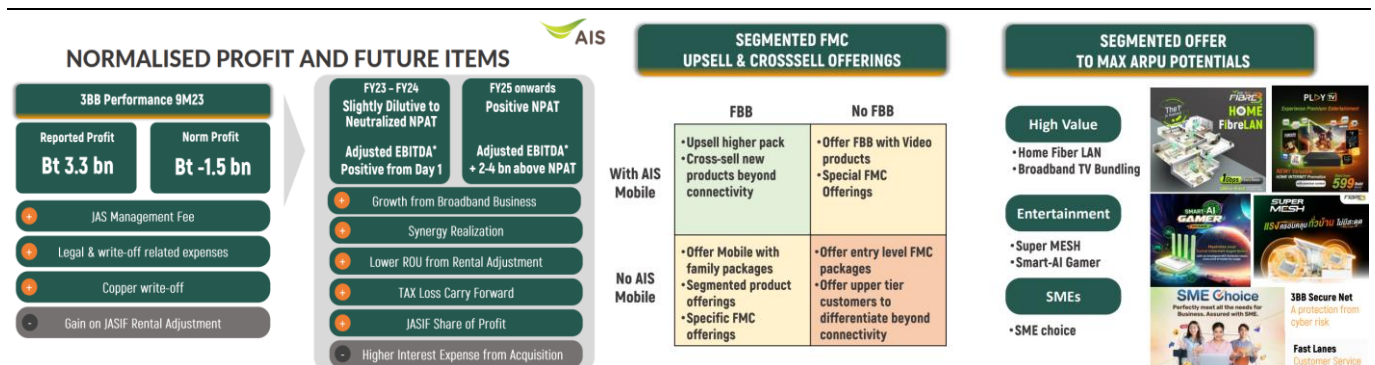
The adoption of digital technology into the work processes of organizations has continued to increase even after COVID-19 as it helps boost competitiveness and enables efficient management. Most organizations have increasingly come to realize the importance of the Cloud systems and IT services, resulting in opportunities to offer multiple services including Cloud, Cyber Security, Internet of Things (IoT), and IT Solution Service. This should broaden the opportunities to present new technologies to businesses going forward. Anticipating robust growth in enterprise business, operators could strive to deliver products and solutions that help the business sector achieve digital transformation and build new capabilities to gain competitive advantages. For TRUE, emphasis will be placed on Cloud services and 5G-enabled solutions, which will be key growth drivers in the future.

Why we pick ADVANC in 1H24...?

Defensive company amidst turbulence

- **Becoming the greatest in broadband.** The integration period may take years, but AIS sees benefits from the acquisition of 3BB in the long term via: i) upselling; ii) cross-selling products; and iii) offering AIS’s mobile service. Having AIS as a new shareholder could bring 3BB’s operation into positive territory and see upside to our 2025F earnings forecasts of ~1.5%-3% and target price of Bt2.5-3/share.
- **Promising outlook.** AIS is a clear beneficiary of the easing price war on its superior margin, full range of spectrums on hand, and robust balance sheet. There is no need to worry about debt leveraging and rating.
- **Investment wise with relaxed mood.** ADVANC’s earnings should remain solid with CAGR 8% YoY in 2023F-2025F, despite some pressure from loss contribution from 3BB. The re-rating should be fueled by improving earnings and decent yield of c.4%.

Figure 20: Financial impact, synergy, as well as revenue optimization



Source: Company data, KGI Securities Research

SET ESG Ratings

Stock	Company name	SET ESG Ratings	Stock	Company name	SET ESG Ratings
ADVANC	ADVANCED INFO SERVICE	AAA	KTC	KRUNGTHAI CARD	AAA
AMATA	AMATA CORPORATION	AAA	LH	LAND AND HOUSES	A
AOT	AIRPORTS OF THAILAND	A	MAJOR	MAJOR CINEPLEX GROUP	AA
AP	AP (THAILAND)	AA	MEGA	MEGA LIFESCIENCES	A
BAFS	BANGKOK AVIATION FUEL SERVICES PCL.	AA	MINT	MINOR INTERNATIONAL	AA
BAM	BANGKOK COMMERCIAL ASSET MANAGEMEN	AA	MTC	MUANGTHAI CAPITAL	A
BANPU	BANPU	AAA	OR	PTT OIL AND RETAIL BUSINESS	AAA
BBGI	BBGI	AA	ORI	ORIGIN PROPERTY	AA
BBL	BANGKOK BANK	AA	OSP	OSOTSPA	AA
BCH	BANGKOK CHAIN HOSPITAL	AA	PLANB	PLAN B MEDIA	AA
BCP	BANGCHAK CORPORATION	AAA	PSH	PRUKSA HOLDING	BBB
BCPG	BCPG	AA	PTT	PTT	AAA
BDMS	BANGKOK DUSIT MEDICAL SERVICES	AA	PTTEP	PTT EXPLORATION AND PRODUCTION	AAA
BEM	BANGKOK EXPRESSWAY AND METRO	AA	PTTGC	PTT GLOBAL CHEMICAL	AAA
BGRIM	B.GRIMM POWER	AAA	RATCH	RATCH GROUP	A
BPP	BANPU POWER	AAA	RBF	R&B FOOD SUPPLY	BBB
BTS	BTS GROUP HOLDINGS	AA	SAK	SAKSIAM LEASING	A
CBG	CARABAO GROUP	A	SAPPE	SAPPE	BBB
CENDEL	CENTRAL PLAZA HOTEL	A	SAT	SOMBOON ADVANCE TECHNOLOGY	AA
CK	CH. KARNCHANG	A	SAWAD	SRI SAWAD CORPORATION	BBB
CKP	CK POWER	AAA	SCB	SCB X	AA
COM7	COM7	A	SCC	THE SIAM CEMENT	AAA
CPALL	CP ALL	AAA	SCCC	SIAM CITY CEMENT	AA
CPAXT	CP AXTRA	AAA	SCGP	SCG PACKAGING	AAA
CPF	CHAROEN POKPHAND FOODS	AAA	SHR	S HOTELS AND RESORTS	A
CPN	CENTRAL PATTANA	AA	SICT	SILICON CRAFT TECHNOLOGY	A
EGCO	ELECTRICITY GENERATING	AA	SMPC	SAHAMITR PRESSURE CONTAINER	AA
ERW	THE ERWAN GROUP	A	SNC	SNC FORMER	A
GFPT	GFPT	BBB	SPALI	SUPALAI	AA
GLOBAL	SIAM GLOBAL HOUSE	AA	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION	A
GPSC	GLOBAL POWER SYNERGY	AA	STGT	SRI TRANG GLOVES (THAILAND)	AAA
GULF	GULF ENERGY DEVELOPMENT	AA	TCAP	THANACHART CAPITAL	A
HANA	HANA MICROELECTRONICS	AA	TFG	THAIFOODS GROUP	A
HENG	HENG LEASING AND CAPITAL	A	THCOM	THAICOM	AAA
HMPRO	HOME PRODUCT CENTER	AA	TISCO	TISCO FINANCIAL GROUP	AAA
INTUCH	INTOUCH HOLDINGS	AA	TOP	THAI OIL	AAA
IRPC	IRPC	AA	TTB	TMBTHANACHART BANK	AA
IVL	INDORAMA VENTURES	AA	UBE	UBON BIO ETHANOL	A
KBANK	KASIKORNBANK	AAA	VGI	VGI	AA
KEX	KERRY EXPRESS (THAILAND)	BBB	WHA	WHA CORPORATION	AAA
KKP	KIATNAKIN PHATRA BANK	BBB	WHAUP	WHA UTILITIES AND POWER	AAA
KTB	KRUNG THAI BANK	AAA	ZEN	ZEN CORPORATION GROUP	AA

Source: www.setsustainability.com

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	GLOBAL	SIAM GLOBAL HOUSE	RATCH	RATCH GROUP
ADVANC	ADVANCED INFO SERVICE	GPSC	GLOBAL POWER SYNERGY	RBF	R&B FOOD SUPPLY
AMA	AMA MARINE	GULF	GULF ENERGY DEVELOPMENT	SAT	SOMBOON ADVANCE TECHNOLOGY
AMATA	AMATA CORPORATION	HANA	HANA MICROELECTRONICS	SCB	SCB X
ANAN	ANANDA DEVELOPMENT	HENG	HENG LEASING AND CAPITAL	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	HMPRO	HOME PRODUCT CENTER	SCCC	SIAM CITY CEMENT
AP	AP (THAILAND)	INTUCH	INTOUCH HOLDINGS	SCGP	SCG PACKAGING
BAFS	BANGKOK AVIATION FUEL SERVICES PCL.	IRPC	IRPC	SEAFCO	SEAFCO
BAM	BANGCHAK COMMERCIAL ASSET MANAGEMENT	IVL	INDORAMA VENTURES	SHR	S HOTELS AND RESORTS
BANPU	BANPU	KBANK	KASIKORNBANK	SICT	SILICON CRAFT TECHNOLOGY
BBL	BANGKOK BANK	KCE	KCE ELECTRONICS	SMPC	SAHAMITR PRESSURE CONTAINER
BCP	BANGKOK CORPORATION	KEX	KERRY EXPRESS (THAILAND)	SNC	SNC FORMER
BCPG	BCPG	KKP	KIATNAKIN PHATRA BANK	SPALI	SUPALAI
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KTB	KRUNG THAI BANK	SPRC	STAR PETROLEUM REFINING
BEM	BANGKOK EXPRESSWAY AND METRO	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BGRIM	B.GRIMM POWER	LPN	L.P.N. DEVELOPMENT	STGT	SRI TRANG GLOVES (THAILAND)
BPP	BANPU POWER	MAJOR	MAJOR CINEPLEX GROUP	SUN	SUNSWEEP
BTS	BTS GROUP HOLDINGS	MBK	MBK	SVI	SVI
CENTEL	CENTRAL PLAZA HOTEL	MINT	MINOR INTERNATIONAL	TACC	T.A.C. CONSUMER
CK	CH. KARNCHANG	MTC	MUANGTHAI CAPITAL	TCAP	THANACHART CAPITAL
CKP	CK POWER	OR	PTT OIL AND RETAIL BUSINESS	THCOM	THAI COM
COM7	COM7	ORI	ORIGIN PROPERTY	TISCO	TISCO FINANCIAL GROUP
CPALL	CP ALL	OSP	OSOTSPA	TKN	TAOKAENOI FOOD & MARKETING
CPAXT	CP AXTRA	PLANB	PLAN B MEDIA	TOP	THAI OIL
CPF	CHAROEN POKPHAND FOODS	PSH	PRUKSA HOLDING	TTB	TMBTHANACHART BANK
CPN	CENTRAL PATTANA	PTG	PTG ENERGY	TU	THAI UNION GROUP
DELTA	DELTA ELECTRONICS (THAILAND)	PTT	PTT	VGI	VGI
DOHOM	DOHOME	PTTEP	PTT EXPLORATION AND PRODUCTION	WHA	WHA CORPORATION
EGCO	ELECTRICITY GENERATING	PTTGC	PTT GLOBAL CHEMICAL	WHAUP	WHA UTILITIES AND POWER
GFPT	GFPT	PYLON	PYLON	ZEN	ZEN CORPORATION GROUP
GGC	GLOBAL GREEN CHEMICALS	QH	QUALITY HOUSES		



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AEONTS	AEON THANA SINSAP (THAILAND)	JMT	JMT NETWORK SERVICES	SFT	SHRINKFLEX (THAILAND)
BCH	BANGKOK CHAIN HOSPITAL	LH	LAND AND HOUSES	SINGER	SINGER THAILAND
BEC	BEC WORLD	M	MK RESTAURANT GROUP	SMD	SAINTMED
BH	BUMRUNGRAD HOSPITAL	MEGA	MEGA LIFESCIENCES	SNNP	SRINANAPORN MARKETING
CBG	CARABAO GROUP	NETBAY	NETBAY	SPA	SIAM WELLNESS GROUP
CHG	CHULARAT HOSPITAL	PJW	PANJAWATTANA PLASTIC	TFG	THAIFOODS GROUP
ERW	THE ERAWAN GROUP	SAK	SAKSAM LEASING	TIDLOR	NGERN TID LOR
ESSO	ESSO (THAILAND)	SAPPE	SAPPE	TNP	THANAPIRIYA
HUMANAN	HUMANICA	SAWAD	SRISAWAD CORPORATION	UBE	UBON BIO ETHANOL
IIG	I&I GROUP	SFLEX	STARFLEX	XO	EXOTIC FOOD



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AU	AFTER YOU	LPH	LADPRAO GENERAL HOSPITAL	TPCH	TPC POWER HOLDING
EKH	EKACHAI MEDICAL CARE	MENA	MENA TRANSPORT		
JMART	JAYMART GROUP HOLDINGS	SISB	SISB		

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
BBGI	BBGI	NTSC	Nutrition SC	TGE	THACHANG GREEN ENERGY
BTG	BETAGRO	PLT	Pilatus Marine		
ITC	i-Tail Corporation	PQS	Premier Quality Starch		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	GLOBAL	SIAM GLOBAL HOUSE	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	GPSC	GLOBAL POWER SYNERGY	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BBL	BANGKOK BANK	HMPRO	HOME PRODUCT CENTER	ROBINS	ROBINSON DEPARTMENT STORE
BCH	BANGKOK CHAIN HOSPITAL	IRPC	IRPC	SCC	THE SIAM CEMENT
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KBANK	KASIKORNBANK	SIRI	SANSIRI
BIGC	BIG C SUPERCENTER	KCE	KCE ELECTRONICS	SPALI	SUPALAI
CK	CH. KARNCHANG	KKP	KIATNAKIN BANK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DCC	DYNASTY CERAMIC	KTB	KRUNG THAI BANK	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	LPH	LADPRAO GENERAL HOSPITAL	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	PACE	PACE DEVELOPMENT CORPORATION	TMT	THAI METAL TRADE
EGCO	ELECTRICITY GENERATING	PTT	PTT	TOP	THAI OIL
GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRISAWAD POWER 1979
BA	BANGKOK AIRWAYS	GUNKUL	GUNKUL ENGINEERING	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	ILINK	INTERLINK COMMUNICATION	SCN	SCAN INTER
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SEAFCO	SEAFCO
BH	BUMRUNGRAD HOSPITAL	LH	LAND AND HOUSES	SVI	SVI
BJCHI	BJC HEAVY INDUSTRIES	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CBG	CARABAO GROUP	MAKRO	SIAM MAKRO	TKN	TAOKAENOI FOOD & MARKETING
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TMB	TMB BANK
CHG	CHULARAT HOSPITAL	MINT	MINOR INTERNATIONAL	TRT	TIRATHAI
CKP	CK POWER	MODERN	MODERNFORM GROUP	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
CPN	CENTRAL PATTANA	PTTEP	PTT EXPLORATION AND PRODUCTION		
DTAC	TOTAL ACCESS COMMUNICATION	PYLON	PYLON		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
BEM	BANGKOK EXPRESSWAY AND METRO	MTLS	MUANGTHAI LEASING	SPRC	STAR PETROLEUM REFINING
CPALL	CP ALL	SCI	SCI ELECTRIC		

No progress

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	BPP	BANPU POWER	FN	FN FACTORY OUTLET
BCPG	BCPG	BTS	BTS GROUP HOLDINGS	TPCH	TPC POWER HOLDING

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

KGI Locations

China	Shanghai	Room 2703B-2704, Tower A , Shanghai Dawning Centre,500 Hongbaoshi Road Shanghai, PRC 201103
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014
Singapore		4 Shenton Way #13-01 SGX Centre 2 Singapore 068807 Telephone 65.6202.1188 Facsimile 65.6534.4826

KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. Excess return = 12M target price/current price-
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

Disclaimer

KGI Securities (Thailand) Plc. ("The Company") disclaims all warranties with regards to all information contained herein. In no event shall the Company be liable for any direct, indirect or any damages whatsoever resulting from loss of income or profits, arising by utilization and reliance on the information herein. All information hereunder does not constitute a solicitation to buy or sell any securities but constitutes our sole judgment as of this date and are subject to change without notice.