

Advanced Info Service

(ADVANC.BK/ADVANC TB)*

Outperform Initiate

Price as of 18 Sep 2023	222.00
12M target price (Bt/shr)	258.00
Unchanged/Revised up(down)(%)	N.A.
Upside/downside (%)	16.20

Key messages

เราเริ่มต้นศึกษาหุ้น ADVANC ด้วยคำแนะนำ “ซื้อ” ด้วยราคาเป้าหมายปี 2567 ที่ 258.00 บาท (DCF, WACC 6.7%) และอัตราเงินปันผลที่ราว 4% เราเชื่อว่าโมเมนตัมของราคาหุ้นจะได้อานิสงส์จากแนวโน้มกำไรที่กลับมาเป็นขาขึ้น โดย ARPU ที่เพิ่มขึ้นของทั้งธุรกิจมือถือ และ FBB จะมาจากการที่บริษัทเน้นลูกค้าที่มีคุณภาพ, การปรับราคาในตลาด, และการมุ่งขายแพ็คเกจที่มีมูลค่าสูง นอกจากนี้ ภาวะตลาดยังได้อานิสงส์จากแรงส่งทางด้านปัจจัยการเมืองอีกด้วย เรามองว่าหุ้น ADVANC เหมาะกับนักลงทุนประเภท defensive ที่ต้องการอัตราผลตอบแทน

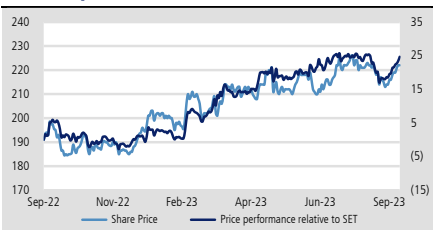
Trading data

Mkt cap (Btbn/US\$bn)	660/17		
Outstanding shares (mn)	2,974		
Foreign ownership (mn)	1,019		
3M avg. daily trading (mn)	5		
52-week trading range (Bt)	184.5-226		
Performance (%)	3M	6M	12M
Absolute	1.4	3.7	16.2
Relative	2.1	7.6	24.1

Quarterly EPS

Bt	Q1	Q2	Q3	Q4
2021	2.23	2.37	2.14	2.31
2022	2.12	2.12	2.03	2.48
2023	2.27	2.41	-	-

Share price chart



Source: SET

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ปลดล็อกความสามารถทำกำไร!

Event

เริ่มต้นศึกษาหุ้น ADVANC ด้วยคำแนะนำซื้อ จากแนวโน้มบวกของบริษัท

Impact

ยักษ์ใหญ่ในธุรกิจสื่อสารไทย

ADVANC เป็นบริษัทขนาดใหญ่ที่แข็งแกร่งและมั่นคง และมีกูรูเติบโตในระดับที่พอสมควร โดยบริษัทให้บริการโครงสร้างพื้นฐานของการสื่อสารในไทยภายใต้สัญญาสัมปทาน โดยมีธุรกิจหลัก 4 กลุ่ม ได้แก่ i) บริการมือถือ (85-90% ของรายได้บริการหลัก) ii) อินเทอร์เน็ตบ้าน (FBB) (8-10%); iii) ลูกค้าธุรกิจ (enterprise business) (3-5%) และ iv) คีจิทัล และอื่น ๆ (<5%) ในปัจจุบัน ADVANC เป็นผู้เล่นรายใหญ่อันดับสองในธุรกิจมือถือ และจะเป็นรายใหญ่สุดในธุรกิจ FBB หลังกำลังซื้อ TTTBB

ผู้นำการฟื้นตัวท่ามกลางแนวโน้มบวกของอุตสาหกรรม

ด้วย margin ที่เหนือกว่า และงบดุลที่แข็งแกร่ง จึงเห็นได้ชัดแล้วว่า ADVANC จะได้อานิสงส์มากที่สุดจากวัฏจักรขาขึ้นกลุ่มสื่อสารในรอบนี้ เพราะนอกจากในภาพใหญ่จะไม่มีภาระด้านการลงทุน (CAPEX) ก่อนใหญ่เพื่อประมูลคลื่นแล้ว เราเชื่อมั่นว่าโมเมนตัมกำไรรวมของทั้งกลุ่มจะเร่งตัวขึ้นจาก i) กำลังซื้อที่เพิ่มขึ้น ii) จำนวนนักท่องเที่ยวที่เพิ่มขึ้น iii) แรงกดดันด้านเงินเฟ้อที่ลดลง ทั้งนี้ในส่วนของธุรกิจมือถือ หลังจากที่มีการปรับราคาแพ็คเกจในตลาดตั้งแต่ 4Q65 ARPU เริ่มมีเสถียรภาพมากขึ้น และ น่าจะขยับขึ้นได้ตั้งแต่ 2Q66 นำโดยบริการ prepaid ก่อน และตามด้วยบริการ postpaid ในขณะที่ผู้ให้บริการแข่งขันในธุรกิจ FBB ก็ลดลงหลังจากที่ ADVANC กำลังเข้าไปซื้อ TTTBB เพื่อขึ้นแทนเป็นผู้ให้บริการรายใหญ่ที่สุด และยังมีโอกาสให้เขาถึงลูกค้ากลุ่มที่ยังไม่เคยเข้าถึงในย่านชานเมือง

กำไรกลับมาเป็นขาขึ้นตั้งแต่ปี 2566F

เนื่องจากวัฏจักรขาดเงินสดไปแล้วในปี 2565 เราคาดว่ากำไรสุทธิในปี 2566-2568F จะเพิ่มขึ้น 8% YoY CAGR โดยคาดว่ากำไรจะเพิ่มขึ้น 10% YoY, 8% YoY และ 9% YoY ตามลำดับ จากการเติบโตของรายได้ (ARPU ของมือถือ และ FBB ทรงตัว, มีสัดส่วนรายได้จากลูกค้า 5G สูงขึ้น, มีการเปลี่ยนมาใช้บริการ postpaid มากขึ้น) และบริหารต้นทุนได้มีประสิทธิภาพมากขึ้น นอกจากนี้เรายังมองว่าผลประกอบการมีแนวโน้มสดใสมากขึ้นใน 3Q66 (+QoQ, + YoY) ก่อนที่จะขึ้นไปถึงระดับสูงสุดในรอบปีในปี 4Q66 เราคาดว่า ROE จะฟื้นตัวเป็น 31.7%/33.1%/34.4% ปี 2566-68F ทั้งนี้จากกระแสเงินสดและงบดุลที่แข็งแกร่ง เราคาดว่าบริษัทจะจ่ายเงินปันผล (DPS) และลงทุน (CAPEX) เพิ่มได้สบาย ๆ

Valuation and action

เราแนะนำ “ซื้อ” ADVANC ด้วยราคาเป้าหมายปี 2567 ที่ 258.00 บาท (DCF, WACC 6.7%) และอัตราเงินปันผลที่ราว 4% เราเชื่อว่าโมเมนตัมของราคาหุ้นจะได้อานิสงส์จากแนวโน้มกำไรที่กลับมาเป็นขาขึ้น ซึ่งเราไม่ได้เห็นมาหลายปีแล้ว โดย ARPU ที่เพิ่มขึ้นของทั้งธุรกิจมือถือ และ FBB จะมาจากการที่บริษัทเน้นลูกค้าที่มีคุณภาพ, การปรับราคาในตลาด, และการมุ่งขายแพ็คเกจที่มีมูลค่าสูง นอกจากนี้ยังได้อานิสงส์เชิงบวกจากแรงส่งทางด้านปัจจัยการเมืองอีกด้วย เรามองว่าหุ้น ADVANC เหมาะกับนักลงทุนประเภท defensive ที่ต้องการแสวงหาอัตราผลตอบแทนและการเติบโต

Risks

การแข่งขันที่รุนแรง, กำลังซื้อของผู้บริโภคอ่อนแอ, และ ค่าเสื่อมราคา และค่าใช้จ่าย amortization สูง .

Key financials and valuations

	Dec - 21A	Dec - 22A	Dec - 23F	Dec - 24F	Dec - 25F
Revenue (Btmn)	181,333	185,485	188,603	199,803	210,439
Net Profit (Btmn)	26,922	26,011	28,497	30,657	33,280
Normalized Profit (Btmn)	26,422	26,048	28,497	30,657	33,280
Net Profit Growth (%)	(1.9)	(3.4)	9.6	7.6	8.6
Normalized Profit Growth (%)	(2.8)	(1.4)	9.4	7.6	8.6
EPS (Bt)	9.05	8.75	9.58	10.31	11.19
DPS (Bt)	7.69	7.69	8.62	9.38	10.29
P/E (X)	25.4	22.3	23.2	21.5	19.8
P/B (X)	10.2	8.6	9.5	9.1	8.8
EV/EBITDA (X)	8.2	8.4	8.1	7.6	7.1
Dividend Yield (%)	3.5	3.5	3.9	4.2	4.6
Return on Average Equity (%)	34.2	31.0	32.4	33.5	35.1

Source: Company data, KGI Securities Research

Investment merits

- ▶ ภาพรวมของ ADVANC ADVANC ภายใต้แบรนด์ “AIS” ก่อตั้งมา 37 ปีแล้ว โดยให้บริการโครงสร้างพื้นฐานด้านการสื่อสารในไทย ภายใต้สัญญาสัมปทานกับคณะกรรมการกิจการกระจายเสียง กิจการโทรทัศน์ และกิจการโทรคมนาคมแห่งชาติ (กสทช.) โดยมี 4 กลุ่มธุรกิจหลักได้แก่ i) บริการมือถือ (85-90% ของรายได้บริการหลัก) ii) อินเทอร์เน็ต (home fixed broadband internet หรือ FBB) (8-10%) iii) ลูกค้าธุรกิจ (enterprise business) (3-5%) และ iv) ดิจิทัลและอื่น ๆ (<5%)
- ▶ ผู้นำในธุรกิจมือถือ และ FBB เมื่อธุรกิจมือถือกลายเป็นธุรกิจที่มีผู้ประกอบการหลักเพียงสองราย ทั้งสองบริษัทจึงน่าจะได้อานิสงส์จากการแข่งขันที่ลดลง ทั้งนี้ AIS เป็นผู้เล่นที่ใหญ่เป็นอันดับสองที่มีความเหนือกว่าในหลาย ๆ ด้าน ในขณะที่ TRUE กลายมาเป็นผู้เล่นที่มีขนาดใหญ่ที่สุด โดยในส่วนของธุรกิจ FBB หลังจากที่ AIS จะเข้าซื้อ TTTBB แล้ว ADVANC จะกลายมาเป็นผู้เล่นรายใหญ่ที่สุด จากที่เหลือผู้เล่นหลักเพียง 3 ราย ซึ่งเราประเมินว่าภูมิทัศน์ทางการแข่งขันในกลุ่มธุรกิจนี้ดูสดใส เว้นแต่ว่าจะเกิดสงครามราคาประทุขึ้นมาอีกครั้ง
- ▶ ผลการดำเนินงานจะดีขึ้นตั้งแต่ปี 2566F หลังจากที่ผลประกอบการผ่านจุดต่ำสุดไปแล้วในปี 2565 เราคาดว่ากำไรสุทธิปี 2566F จะพลิกกลับมาเป็นขาขึ้น โดยคาดว่ากำไรในปี 2566-2568F จะโต 10% / 8% / 9% YoY ตามลำดับ คิดเป็นอัตราการเติบโตที่ 8% YoY CAGR, จากการเติบโตของรายได้ (ARPU ของมือถือ และ FBB ทรงตัว, มีสัดส่วนรายได้จากระบบ 5G สูงขึ้น, มีการเปลี่ยนมาใช้บริการ postpaid มากขึ้น) และบริหารต้นทุนได้มีประสิทธิภาพมากขึ้น
- ▶ 2H66 จะเป็นอย่างไร...? จากการตรวจสอบที่ผ่านมา เรายังไม่เห็นว่าการแข่งขันรุนแรงมากขึ้น แต่พบว่าจำนวนนักท่องเที่ยวสูงขึ้น และแรงกดดันด้านต้นทุนลดลงจากค่า Ft ซึ่งภาวะตลาดที่เป็นบวกดังกล่าวจะทำให้กำไรในงวด 2H66 แข็งแกร่งมากขึ้น ทั้งนี้ เราคาดว่ากำไรไตรมาสจะเร่งตัวขึ้นทั้ง QoQ และ YoY ใน 3Q-4Q66 และขึ้นไปถึงระดับสูงสุดใน 4Q66
- ▶ กลยุทธ์ – มุ่งสู่การเป็น Cognitive Tech-co ด้วยการมุ่งเน้น 4 กลุ่มบริการหลัก ได้แก่ i) เสริมความแข็งแกร่งของการเติบโตในธุรกิจมือถือ ด้วยการเพิ่มลูกค้าที่ใช้ 5G และความครอบคลุมของโครงข่าย หลังจาก ADVANC กลับมาเน้นอัตรากำไร และการเพิ่มส่วนแบ่งตลาด ii) เร่งการเติบโตในธุรกิจอินเทอร์เน็ตบ้าน (FBB) โดยอาศัยทางลัดจากการเข้าซื้อ TTTBB และการขยายบริการไปยังกลุ่มลูกค้าที่ยังไม่เคยเข้าถึงมาก่อน iii) สร้างแหล่งรายได้ใหม่ในกลุ่มลูกค้าธุรกิจ (enterprise business) ด้วยการเสนอเทคโนโลยี และ solutions ใหม่ ๆ และ iv) พุ่มพู่ธุรกิจดิจิทัลด้วยบริการที่สร้างมูลค่าเพิ่ม เช่น เนื้อหา (content), platform, ประกัน หรือปล่อยอู่ผานของทางดิจิทัลในอนาคต
- ▶ แนวโน้มอุตสาหกรรมดูสดใสมากขึ้น นอกจากจะไม่มีภาระด้านการลงทุน (CAPEX) ก่อนใหญ่เพื่อประมูลคลื่นแล้ว เราเชื่อว่าโมเมนตัมกำไรรวมของทั้งกลุ่มจะเร่งตัวขึ้นจาก i) กำลังซื้อที่เพิ่มขึ้น ii) จำนวนนักท่องเที่ยวที่เพิ่มขึ้น iii) แรงกดดันด้านเงินเพื่อที่ลดลง ทั้งนี้ ในส่วนของธุรกิจมือถือ หลังจากที่มีการปรับราคาในตลาดตั้งแต่ 4Q65 ARPU เริ่มมีเสถียรภาพมากขึ้น และ น่าจะขยับขึ้นได้ตั้งแต่ 2Q66 นำโดยบริการ prepaid ก่อน และตามด้วยบริการ postpaid ในขณะที่เดียวกัน การแข่งขันในธุรกิจ FBB ก็ลดลงหลังจากที่ ADVANC จะเข้าไปซื้อ TTTBB เพื่อขึ้นแท่นเป็นผู้ให้บริการรายใหญ่ที่สุด และยังมีโอกาสให้เข้าถึงลูกค้ากลุ่มที่ยังไม่เคยเข้าถึงในย่านชานเมือง
- ▶ งบดุลแข็งแกร่ง – พร้อมลงทุนและจ่ายปันผล จากงบดุลและกระแสเงินสดที่เหนือกว่าคู่แข่ง ทำให้ ADVANC มีสภาพคล่องเหลือเฟือ โดยไม่ต้องกังวลว่าต้องเพิ่มทุน ถึงแม้ว่าบริษัทจะตั้งงบลงทุน (capex) ปีละ 2.7-3.0 หมื่นล้านบาท แต่แบบจำลองของเราชี้ว่าสัดส่วนหนี้สินสุทธิ/EBITDA ในปี 2566-2568F จะอยู่ที่ 0.79x / 0.73x / 0.63 ตามลำดับ ในขณะที่เดียวกัน เงินปันผลก็เป็นหนึ่งในเกณฑ์หลักที่นักลงทุนสนใจ ซึ่งจาก CFO/หุ้นที่มีแนวโน้มเพิ่มขึ้น เราคาด DPS จะอยู่ที่ 8.6 / 9.4 / 10.3 บาท/หุ้น คิดเป็นอัตราเงินปันผลที่ 4% / 4.4% / 4.8% ในปี 2566-2568F ตามลำดับ
- ▶ ความเสี่ยงหลัก ได้แก่ การเกิดสงครามการค้ารอบใหม่ในตลาด, เศรษฐกิจฟื้นตัวช้ากว่าที่คาด จากทั้งการบริโภคในประเทศ และจำนวนนักท่องเที่ยวต่างชาติ, การเปลี่ยนแปลงกฎเกณฑ์ของทางการ, และ การลงทุน (CAPEX) สูงเกินคาด

Valuation and Recommendation

We assume coverage on ADVANC with Outperform rating and 24-TP of Bt258.00 (DCF, 1% terminal growth rate, 6.7% WACC), implying 8.6x EV/EBITDA (slightly higher than historical mean), and 25x PE. The valuation is justified by stronger earnings healthy margin, superior balance sheet and cashflow, and better dividend paid, on top of being a leading mobile operator in Thailand. Our equity value could increase at a moderate pace of 5-10% pa in the medium term if our positive assumptions on continued easing competition, economic recovery, and increase in the number of tourist arrivals – implying a rise in ARPU and higher consumer confidence. We think the stock could be a stalwart company for re-opening, consumption, and anti-inflation themes.

Our target price is still discounted from the 52-week high of Bt228/share, reflecting delayed catalysts and some concerns. We believe the share price slippage offers a buying opportunity for defensive investors. Meanwhile, the CFO/share of Bt30 pa represents ~15% of the current share price. We suggest accumulating at this point, powered by back-on-track growth prospects and easing competition. The stock is trading near the 52-week high at 21x forward P/E and 7.5x forward EV/EBITDA (+1SD from its 5-year historical mean). Ultimately, we believe bull runs are born on pessimism and skepticism. Upsides include stronger rise in ARPU and completion of the deal on 3BB and 19% stake in Jasmine Broadband Internet Infrastructure Fund (JASIF.BK/JASIF TB).

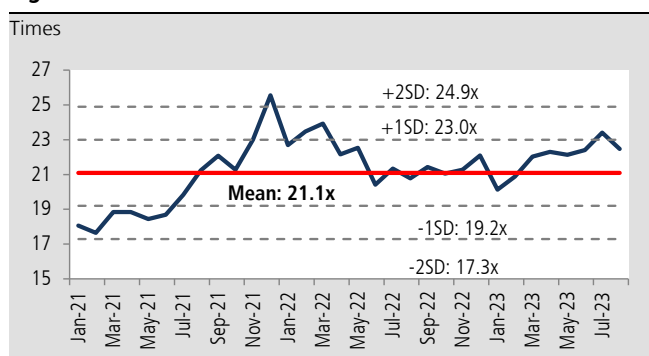
Figure 1: Our DCF-based valuation

Key figures	Bt mn	Main assumptions	
Total PV of future cash flows	222,503	Risk free rate	3.1%
Terminal value	626,943	Beta	0.8
(+) Cash	31,037	Risk premium	8.0%
(-) Interest-bearing debts	(113,890)	Cost of equity	9.5%
(-) NCI	-	Cost of debt	3.2%
FCFE	766,592	WACC	6.7%
Share outstandings	2,974		

Equity value per share 258

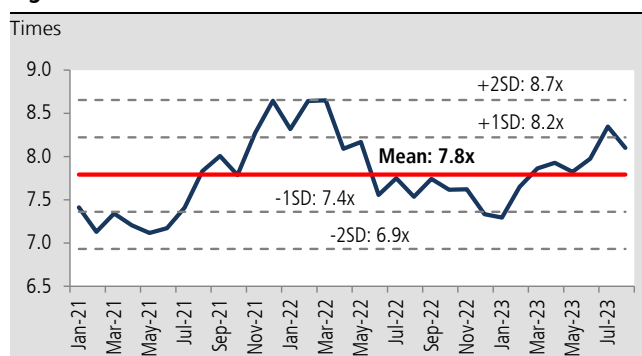
Source: KGI Securities Research

Figure 2: The Street's forward P/E



Source: Bloomberg, KGI Securities Research

Figure 3: The Street's forward EV/EBITDA



Source: Bloomberg, KGI Securities Research

Figure 4: Peer comparison

Company	Market Cap. (Btmn)	PER (x)		PBV (x)		EV/EBITDA (x)		Div yield (%)		ROE (%)		ROA (%)		EPS	
		2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Domestic peers															
ADVANCED INFO SERVICE PCL	651,352	22.78	20.70	7.24	6.82	8.20	7.74	3.65	4.03	32.15	33.35	8.19	9.07	9.62	10.58
TRUE CORP PCL	245,320	N.A.	308.70	2.68	2.61	8.50	7.93	0.14	0.41	-4.44	2.02	-0.21	0.50	-0.13	0.02
INTOUCH HOLDINGS PCL	233,287	20.29	18.97	6.48	6.08	18.02	15.98	4.76	4.96	31.83	35.21	28.71	29.61	3.59	3.84
Overseas peers															
SINGAPORE TELECOMMUNICATIONS	999,804	16.62	16.04	1.34	1.43	12.42	12.60	5.89	5.11	7.88	8.96	4.43	4.64	0.14	0.17
MAXIS BHD	246,692	23.74	23.20	5.12	5.16	10.45	10.32	4.26	4.33	20.89	21.65	7.29	7.57	0.17	0.18
BHARIT AIRTEL LTD	2,229,984	57.51	38.91	6.32	5.22	10.55	9.44	0.35	0.50	11.86	13.87	4.38	4.60	22.88	35.09
SK TELECOM	292,569	10.12	9.44	0.91	0.88	3.76	3.72	6.75	6.97	9.20	9.41	3.55	3.71	4917.91	5271.03
CELCOMDIGI BHD	392,909	29.46	25.67	3.14	3.10	11.12	10.79	3.10	3.46	10.45	12.08	4.82	5.86	0.15	0.17
AXIATA GROUP BERHAD	172,970	36.87	23.52	0.93	0.93	6.01	5.74	3.68	3.85	2.40	3.58	1.34	2.18	0.07	0.11
KDDI CORP	2,552,670	14.73	13.94	1.92	1.80	6.72	6.73	2.97	3.11	13.38	13.35	6.01	5.95	328.05	351.16
CHINE MOBILE LTD	6,492,585	9.46	8.80	0.96	0.93	3.08	2.94	7.39	8.00	10.26	10.61	6.75	7.00	6.38	6.86
CHUANGWHA TELECOM	1,011,852	23.94	23.67	2.37	2.32	10.30	10.13	4.14	4.23	10.11	10.36	7.11	7.16	4.89	4.94
NIPPON TELEGRAPH & TELEPHONE	3,824,718	12.62	11.50	1.75	1.60	7.50	7.22	2.81	2.94	14.33	14.46	5.07	5.03	15.16	15.52
CHINA TELECOM CORP LTD-H	2,501,513	10.46	9.34	0.73	0.71	3.69	3.51	6.62	7.51	7.02	7.54	3.74	3.99	0.34	0.38
TELSTRA GROUP LTD	1,014,571	23.41	20.87	2.83	2.73	7.75	7.42	4.43	4.64	11.96	13.22	4.45	4.75	0.18	0.20
KT CORP	215,222	6.44	5.87	0.46	0.44	3.19	3.12	6.38	6.63	7.07	7.37	3.00	3.28	4818.77	5293.62
TELKOM INDONESIA PERSERO TBK	844,564	13.97	12.97	2.63	2.48	5.14	4.88	5.01	5.43	18.95	19.32	9.40	9.65	262.73	282.87
TAIWAN MOBILE CO LTD	371,192	23.44	21.90	3.87	3.90	11.15	10.38	4.55	4.62	17.22	17.76	5.40	5.29	4.04	4.32
Industry average (excl. ADVANC)	1,390,731	20.82	34.90	2.61	2.49	8.20	7.82	4.31	4.51	11.79	12.99	6.19	6.52	610.90	662.97
Industry average (All)	1,349,654	20.93	34.11	2.87	2.73	8.20	7.81	4.27	4.48	12.92	14.12	6.30	6.66	577.50	626.72

Source: Bloomberg, KGI Securities Research

Figure 5: Key assumptions for our projections

ASSUMPTIONS	2020	2021	2022	2023F	2024F	2025F
Mobile						
Subscribers (mn)	41.4	44.1	46.0	44.8	46.3	47.8
-Postpaid	10.2	11.5	12.6	12.8	13.8	14.8
-Prepaid	31.2	32.6	33.5	32.0	32.5	33.0
Net additional subscriber (mn)	(0.6)	2.7	1.9	(1.3)	1.5	1.5
-Postpaid	1.1	1.3	1.0	0.3	1.0	1.0
-Prepaid	(1.7)	1.4	0.9	(1.5)	0.5	0.5
Blended ARPU (Bt/subscriber/month)	236	226	214	216	228	235
-Postpaid	508	474	457	449	451	452
-Prepaid	157	142	126	123	124	125
Home FBB						
Subscribers (mn)	1.3	1.8	2.2	2.4	2.6	2.8
Net additional subscriber (mn)	0.3	0.4	0.4	0.2	0.2	0.2
ARPU (Bt/subscriber/month)	491	455	426	413	415	416
Ratio						
GPM	35.9	33.0	32.0	33.2	33.3	33.7
EBITDA	51.7	50.4	48.4	48.6	48.9	49.6
NPM	15.9	14.8	14.0	15.1	15.3	15.8
Regulatory fee / sales	4.1	4.1	4.1	4.1	4.0	4.0
Marketing spend / sales	3.6	3.5	3.9	3.3	3.4	3.5
Effective Tax Rate	15.6	18.1	19.2	19.0	19.0	19.0

Source: Company data, KGI Securities Research

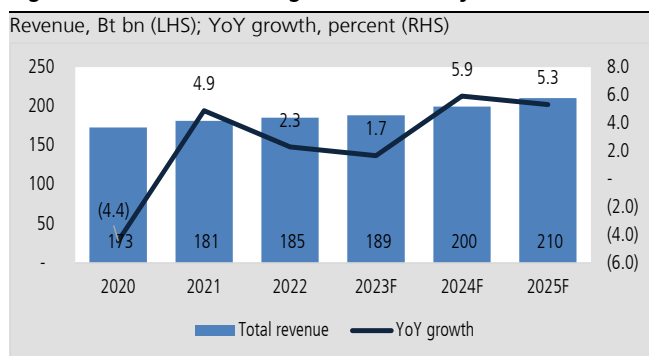
Earnings Outlook

Performance to improve from 2023F onward

While we accept that keen competition in Thailand's telecom industry has eased since 4Q22, ADVANC's quarterly earnings marked a bottom in 3Q22. Going forward, we estimate earnings to grow more steadily and accelerate, largely fueled by the market price repair. Our 2023-25F earnings projections calculate growth impetus of 10%/8%/9% YoY, respectively, premised mainly on top line growth (stabilized ARPU for mobile and FBB, larger proportion of 5G, in tandem with higher conversion to postpaid), and partly from cost efficiency (downturn in utilities costs and optimal marketing spending). Note that the Acquisition of TTTBB and 19% stake in JASIF with Bt32bn CAPEX, which we have not yet included in our models, should boost the bottom-line from 2024F onwards by >5%.

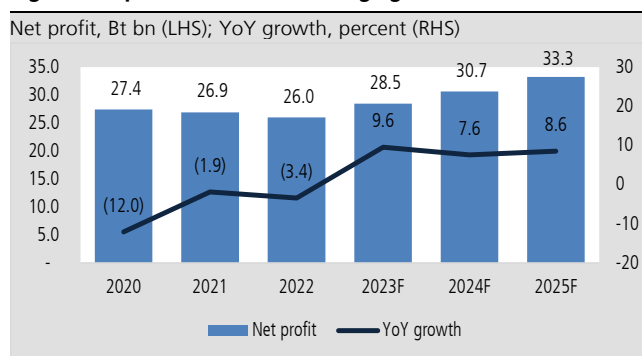
In 2023-25F, we project ADVANC's net profit to rise CAGR 8% YoY, aligning with the Street's forecasts, based on our key assumptions (Figure 5).

Figure 6: Total revenue to grow moderately



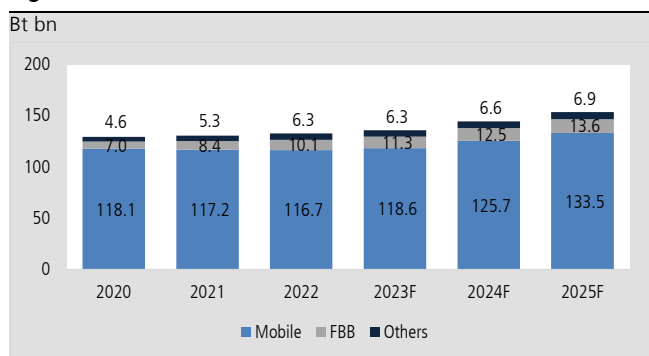
Source: Company data, KGI Securities Research

Figure 7: Upward trend in earnings growth in 2023-25F



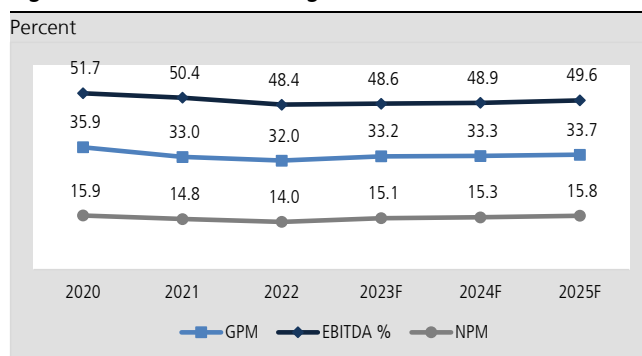
Source: Company data, KGI Securities Research

Figure 8: Core service revenue breakdown



Source: Company data, KGI Securities Research

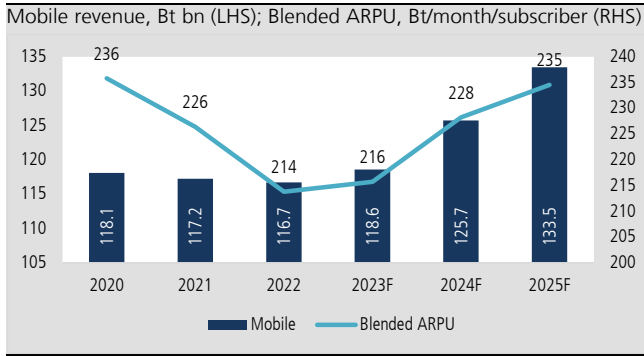
Figure 9: GPM / EBITDA margin / NPM in 2020-25F



Source: Company data, KGI Securities Research

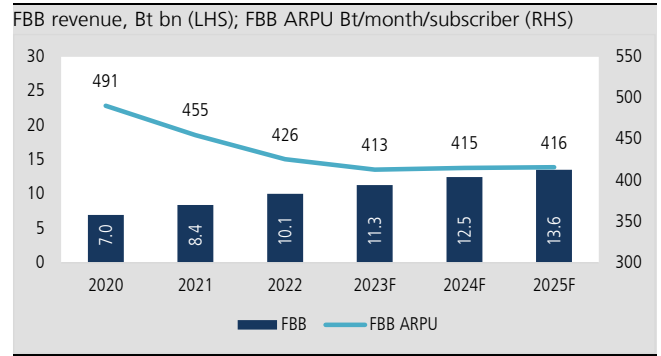
We assume its mobile ARPU to stabilize in 2023F on easing competition, driving its ARPU to see an uptick in 2H23F by concentrating on high quality packages (no unlimited prepaid packages and lower Bt1,000/month postpaid) and keen effort to convert prepaid to postpaid. Movement in ARPU should be seen in prepaid first as there are no 1-year contracts like postpaid. We project prepaid ARPU to dip 2% YoY in 2023F (vs. falls of 4-7% in 2019-22), before edging up 0.8% in 2024F and 0.5% YoY in 2025F. A move would be followed by postpaid ARPU possibly dipping 2% YoY in 2023F (vs. falls of 10-11% in 2019-22), before inching up 0.5%/0.3% YoY in 2024-25F.

Figure 10: Mobile revenue and blended ARPU



Source: Company data, KGI Securities Research

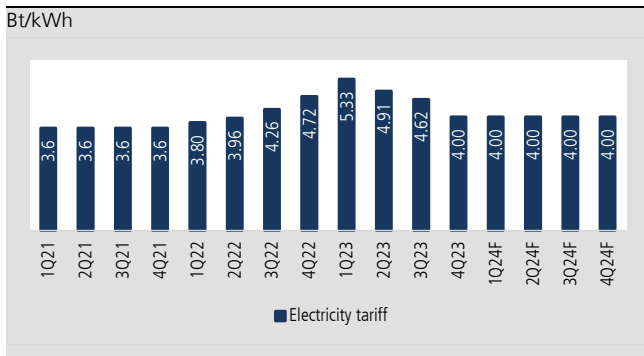
Figure 11: FBB revenue and ARPU



Source: Company data, KGI Securities Research

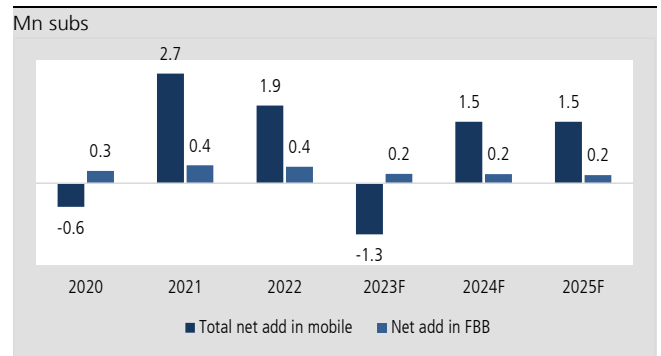
Considering the mobile subscribers, prepaid looks more sensitive versus postpaid. We estimate total net additions in subscribers to drop by 1.3mn in 2023F, before rebounding by 1.5mn in 2024F and 1.5mn in 2025F. Also, the proportion of postpaid should rise 29%/30%/31% in 2023-25F, respectively (vs. 27% in 2022). For FBB, we assume 0.2-0.25mn net additional subscribers in 2023-25F on its coverage expansion.

Figure 12: Downward trend in electricity tariffs



Source: Company data, KGI Securities Research

Figure 13: Total net additional subscribers in mobile and FBB



Source: Company data, KGI Securities Research

After the amalgamation of TRUE, we assume a slow rise in marketing spending. Also, with energy prices declining and the coming of the Erawan gas field, we foresee lower cost pressure from utilities, which make up 30% of network OPEX and 5% of COGS. We expect average electricity tariffs of Bt4.83/4.85/4.85 per kWh in 2023-25F.

We apply an effective tax rate of 19% based on historical data. Amidst the interest rate upcycle, we compute interest cost with average rates at 3.1%/3.4%/3.5% in 2023-25F.

Sensitivity analysis

- **Mobile Blended ARPU:** Every Bt1 change in the blended ARPU would lead to ~Bt300-400mn change in full-year net profit, ceteris paribus.
- **FBB ARPU:** Every US\$10/ton change in the ARPU would lead to ~Bt50-100mn change in full-year net profit, ceteris paribus.
- **Ft rate:** Every Satang1/kWh change in Ft rate may result in ~Bt50-60mn change in utility cost in networking OPEX, ceteris paribus.
- **Interest rate:** Every 10bps change in interest rate may result in ~Bt800-900mn change in interest charges, ceteris paribus.

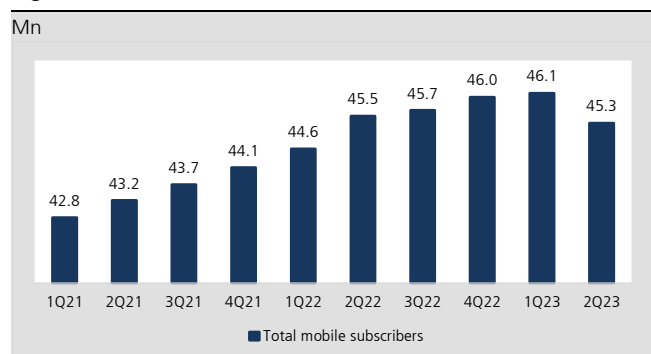
2H23 outlook – Promising outlook (peak in 4Q23F)

We have not seen an increase in competition so far and we expect the easing in competition to continue. Thus, we foresee more promising earnings for ADVANC in 2H23F, especially in 4Q23F (peak quarter), mainly due to market price repair, stronger consumer confidence, easing inflationary pressures, and improving number of tourist arrivals. There would be a new launch of gadgets in 3Q23 led by iPhone 15, resulting in an opportunity to bundle packages with SIMs and device sales. Still, there would be some higher marketing spending to boost data and non-data consumption.

Despite being the low season, we expect 3Q23F earnings to tick up QoQ backed by higher ARPU led by prepaid and expansion in the ARPU of FBB, coupled with lower utilities costs as seen in the lower Ft rate of Bt0.83/kWh (-Bt0.29/kWh QoQ). More clarity on the new government would bring better consumption sentiment, on top of stimulus, as seen by an increase in the number of tourist arrivals.

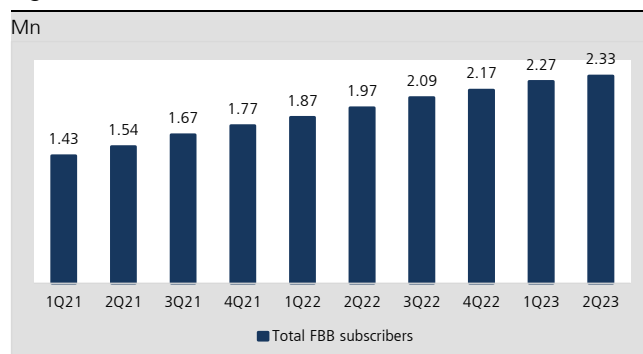
We anticipate quarterly earnings for 2023 to peak in 4Q23, propelled by seasonal factors and improving consumer confidence (Figure 10). Mobile service revenues are expected to increase, driven by more tourist arrivals during the holiday season at the end of the year (higher roaming revenue in prepaid segment). For FBB, there should be a continued rise in subscriber numbers as coverage expands and ARPU should rise with the cancellation of low margin packages and fewer promotions. Utilities costs should also drop further to Bt0.66/kWh (-Bt0.16/kWh QoQ). All in, EBITDA margin should be shored up and hit the peak of the year.

Figure 14: Mobile subscribers



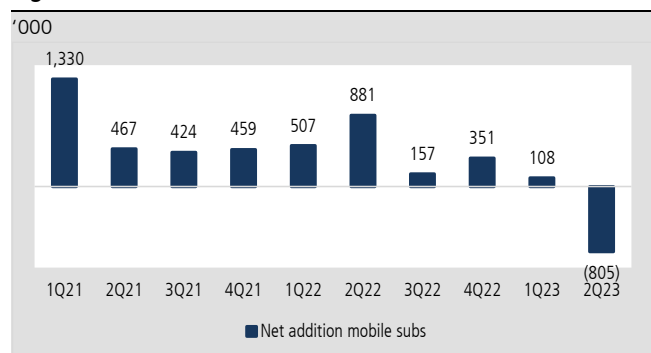
Source: Company data, KGI Securities Research

Figure 15: FBB subscribers



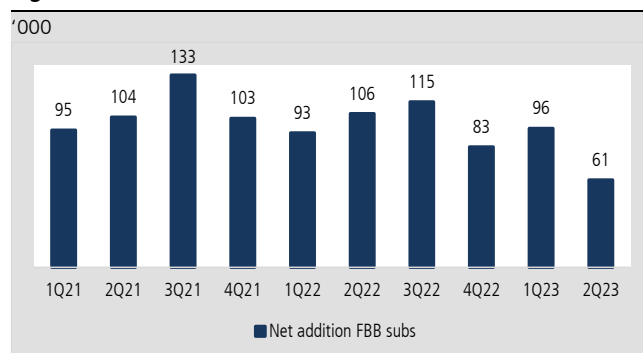
Source: Company data, KGI Securities Research

Figure 16: Net additional mobile subscribers



Source: Company data, KGI Securities Research

Figure 17: Net additional FBB subscribers



Source: Company data, KGI Securities Research

Recap of 1H23 and 2Q23 performances

ADVANC delivered a 1H23 net profit of Bt13.9bn (+11% YoY) and core profit of Bt13.9bn (+7% YoY), driven by stronger revenue and cost improvement. Core service revenue ticked up 2% YoY, backed by better mobile revenue (+1% YoY on improved ARPU) and FBB business (+13% YoY on customer expansion). Its marketing spending was well-controlled with a 20% plunge from cost savings related to advertising and campaigns. EBITDA inched up 3% YoY with a higher EBITDA margin of 50.3% (vs. 49.4% in 1H22). 1H23 core profit made up 49% of our 2023F earnings forecast.

Sequential improvement saw in 2Q23 results

ADVANC's 2Q23 net profit of Bt7.18bn (+6% QoQ, +14% YoY) was in line with the Street's forecasts. Stripping out net FX losses of Bt22mn, core profit was Bt7.16bn (+7% QoQ, +8% YoY). The rises QoQ and YoY were catalyzed by stronger core revenue (+1.1% QoQ, +1.8% YoY) led by FBB and mobile services, in tandem with keen cost efficiency led by lower marketing spending (-21% QoQ, -36% YoY), Ft rate (-Bt0.42/kWh QoQ), and smaller administrative costs (-9% QoQ, -3% YoY). Core EBITDA margin improved to 52.1% (vs. 48.5% in 1Q23 and 49.4% in 2Q22).

Blended ARPU, which has been muted for years, rebounded QoQ for the first time. ARPU rebounded to Bt213/month (+1.6% QoQ, -0.7% YoY). The company had 45.3mn (-0.8mn or -1.7% QoQ) mobile subscribers. Prepaid subscribers declined to 32.6mn (-0.8mn or -2.4% QoQ) as ADVANC focused on quality clients (some clients moved to TRUE), while postpaid remained flat QoQ at 12.7mn. Prepaid ARPU was solid at Bt123/month (+2.7%), while postpaid ARPU was Bt448/month (flat QoQ). 5G subscribers reached 7.7mn, rising 8% QoQ with improvement in usage and a visible increase in ARPU of 10-15%.

Figure 18: Recap of 2Q23 and 1H23 earnings

Bt mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	% QoQ	% YoY	1H23	1H22	% YoY
Revenue	45,861	42,757	42,376	50,338	45,279	45,271	46,234	48,698	46,713	44,775	(4.1)	(1.1)	91,488	90,551	1.0
1.Service revenue	32,425	32,353	32,796	33,396	32,770	33,292	33,129	33,840	33,532	33,903	1.1	1.8	67,435	99,191	(32.0)
-Mobile services	29,351	29,098	29,204	29,591	28,847	29,217	29,107	29,524	29,258	29,495	0.8	1.0	58,753	87,171	(32.6)
-Fixed broadband services	1,919	2,038	2,189	2,290	2,437	2,487	2,541	2,598	2,710	2,857	5.4	14.9	5,567	7,465	(25.4)
-Other services	1,155	1,217	1,403	1,515	1,486	1,588	1,481	1,718	1,564	1,551	(0.8)	(2.3)	3,115	4,555	(31.6)
2.IC and rental revenue	3,750	3,288	3,407	3,374	3,239	3,193	3,171	3,373	3,255	3,413	4.9	6.9	6,668	9,603	(30.6)
3.Handset sales	9,686	7,116	6,173	13,568	9,270	8,786	9,934	11,485	9,926	7,459	(24.9)	(15.1)	17,385	27,990	(37.9)
Cost of sales and service	(30,754)	(27,934)	(27,640)	(35,123)	(30,678)	(30,399)	(31,696)	(33,399)	(31,703)	(29,705)	(6.3)	(2.3)	(61,408)	(92,773)	(33.8)
Cost of services	(21,126)	(21,011)	(21,435)	(21,664)	(21,537)	(21,630)	(21,863)	(22,046)	(21,951)	(22,335)	1.7	3.3	(44,286)	(65,030)	(31.9)
-Regulatory costs	(1,361)	(1,347)	(1,354)	(1,258)	(1,357)	(1,374)	(1,380)	(1,392)	(1,394)	(1,369)	(1.8)	(0.4)	(2,763)	(4,111)	(32.8)
-Depreciation and amortization	(12,599)	(12,961)	(13,055)	(13,158)	(12,969)	(12,783)	(12,822)	(12,722)	(12,789)	(12,787)	(0.0)	0.0	(25,576)	(38,574)	(33.7)
-Network OPEX and TOT partnership	(5,055)	(4,615)	(4,649)	(4,808)	(4,816)	(4,825)	(5,156)	(5,277)	(5,281)	(5,594)	5.9	15.9	(10,875)	(14,797)	(26.5)
-Other costs of services	(2,111)	(2,088)	(2,377)	(2,440)	(2,395)	(2,648)	(2,505)	(2,655)	(2,487)	(2,585)	3.9	(2.4)	(5,072)	(7,548)	(32.8)
Cost of sales	(9,628)	(6,923)	(6,205)	(13,459)	(9,141)	(8,769)	(9,833)	(11,353)	(9,752)	(7,370)	(24.4)	(15.9)	(17,122)	(27,743)	(38.3)
Gross Profit	15,107	14,822	14,736	15,215	14,601	14,873	14,537	15,299	15,010	15,070	0.4	1.3	30,080	44,011	(31.7)
SG&A	(5,494)	(5,145)	(5,236)	(5,826)	(5,537)	(5,690)	(5,633)	(5,492)	(5,570)	(4,910)	(11.8)	(13.7)	(10,480)	(16,861)	(37.8)
EBITDA	22,105	23,034	22,243	22,911	22,404	22,353	22,091	22,884	22,636	23,317	3.0	4.3	45,953	66,848	(31.3)
Net profit	6,643	7,041	6,375	6,864	6,311	6,305	6,032	7,363	6,757	7,180	6.3	13.9	13,937	18,648	(25.3)
Core profit	6,867	6,699	6,803	6,701	6,353	6,640	6,263	6,792	6,694	7,158	6.9	7.8	13,853	19,256	(28.1)
Ratio											Change				Change
GPM	32.9	34.7	34.8	30.2	32.2	32.9	31.4	31.4	32.1	33.7	1.5	0.8	32.9	48.6	(15.7)
EBITDA margin	48.2	53.9	52.5	45.5	49.5	49.4	47.8	47.0	48.5	52.1	3.6	2.7	50.2	73.8	(23.6)
NPM	14.5	16.5	15.0	13.6	13.9	13.9	13.0	15.1	14.5	16.0	1.6	2.1	15.2	20.6	(5.4)

Source: Company data, KGI Securities Research

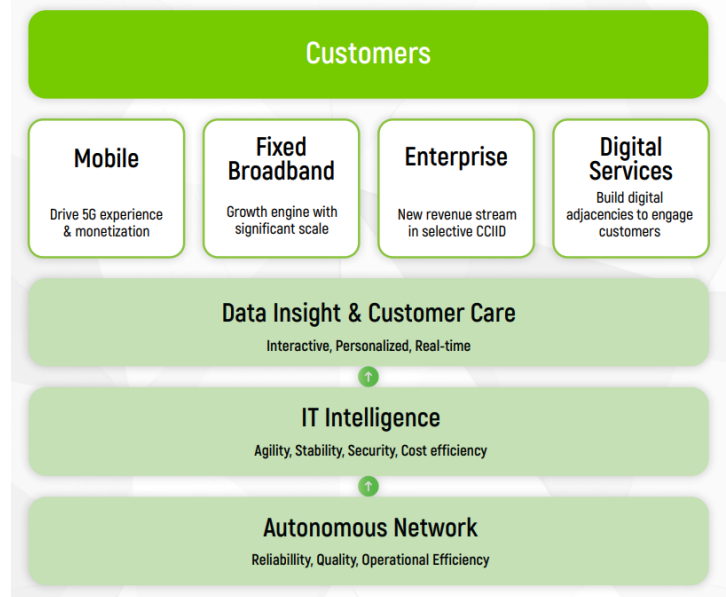
Strategy – To become a Cognitive Tech-co

ADVANC's outlook is made up of nothing but the strategy they accumulated during the past and going forward. Profitability will be a top priority going forward, in the management's view. The company has set an ambitious goal of transforming from a Digital Life Service Provider to become a Cognitive Tech-Co – boosting its growth in core businesses. The foundation for this vision is the adopting of technology to optimize the process and cost-to-serve and achieve sustainable growth in profitability. ADVANC's wants to continue to boost the autonomous network and improve IT processes and systems to unlock higher efficiency and productivity of operations to ensure distinctive customer experiences. CAPEX is planned to be around Bt27-30bn in the next 2-3 years in order to maintain its leading customer experience with superior network coverage.

To become a Cognitive Tech-co, AIS is focusing on four core businesses and it expects 2023's core service revenue to rise 3-5% YoY (1H23: +2% YoY) and show single-digit EBITDA (1H23: +3% YoY) with CAPEX at Bt27-30bn and >70% payout (twice a year).

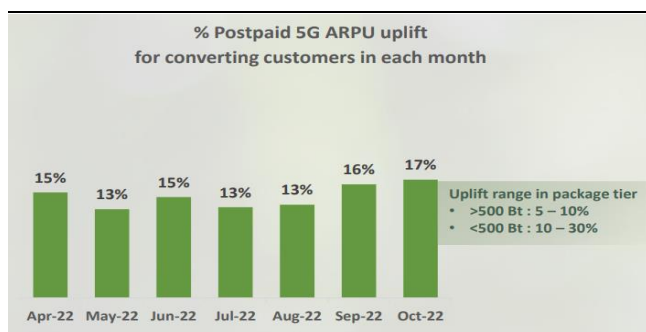
- i) **Fortifying mobile business growth with higher 5G adoption** by migrating more clients into it. ADVANC has invested heavily in its 5G network coverage and signal strength to create new services and content to optimize the network experience of its clients. Its mobile revenue is forecast to rise with profitability and value focus on profitable market share by delivering superior 5G network quality and coverage – creating a value-based differentiation via the privilege ecosystem backed by partnership collaborations to better engage customers with personalized and real-time offerings.
- ii) **Expediting growth expansion in the home broadband business.** ADVANC is expanding its home broadband network with fiber technology to many areas, cashing in on the strength of its mobile networks. Its dedication and commitment have enabled it to grow continually and further its broadband business to achieve national coverage and introduce more highly efficient devices with new services aligning with lifestyles in a digital era. In 2H23, it is in the process of acquiring TTTBB, strengthening its market share to be the largest in Thailand's FBB industry and reaching untapped customers with potential for cross-selling.
 - FBB's strategy is to leap forward with quality and coverage, providing multiple products and services to target mid-to-high-end customer segments bringing differentiated quality and services for home solutions expanding into new under-served areas. ADVANC's goal is to become a key player with double-digit growth and building its organic portfolio towards 2.5mn customers at the end of 2023 (vs. 2.3mn in 2Q23).
- iii) **Creating new revenue source in enterprise business.** ADVANC targets to take on the roles of enabler and accelerator to push digital transformation and raise the competitiveness of a business with a focus on development that accommodates the work processes of businesses and also collaborates with world-class providers, in an extension of ADVANC's capabilities to be a leading player and prepare to be a key to transforming into the digital age.
 - The focuses is on profitable products and six targeted industries (manufacturing, retail, property, transportation & logistics, banking and financial institutes, and the government sector) by leveraging its partnership ecosystem with its leading 5G and smart solutions.
- iv) **Fostering clients via digital business,** AIS set its sights on delivering new value-added digital services that correspond to consumer lifestyles in the digital era such as insurance, financial services, video platform (AIS Play), and content. The digital service business is expected to play a key role in creating new revenue sources for AIS apart from revenue from data connection and mobile internet fees. This will enable AIS to become an integrated service provider by converging products and services from its four core businesses.

Figure 19: AIS's 3-year direction – To ultimately enhance digital client experience



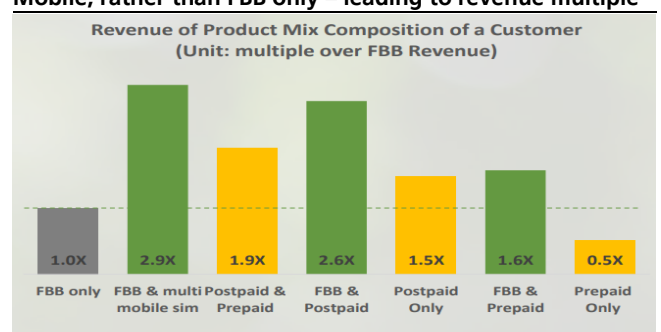
Source: Company data, KGI Securities Research

Figure 20: Accelerating 5G adoption to increase ARPU



Source: Company data, KGI Securities Research

Figure 21: Offering multiple product mixes of FBB and Mobile, rather than FBB only – leading to revenue multiple



Source: Company data, KGI Securities Research

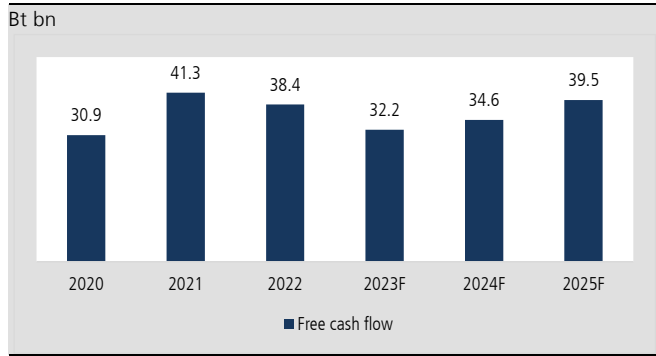
Solid balance sheet – Ready for CAPEX and higher DPS

ADVANC normally shows a healthy balance sheet and operating cash flow – implying ample liquidity for network capacity expansion and spectrum license paid. Our projection indicates its net debt/EBITDA at 0.79x/0.73x/0.63 in 2023-25F, which is a far cry from the industry average, overseas peers, and TRUE's 4.3x/3.8x/3.4x in the same period.

Factoring in Bt32bn in new debts to prepare for the acquisitions of TTTBB and JASIF, ADVANC's net debt/EBITDA should increase to only 1.0-1.1x (a manageable level), while, its free cash flow may drop temporarily, before roaring back to align with a new upcycle. We assume CAPEX of Bt30bn p.a. for network capacity expansion and we expect no new bidding anytime soon for 2,300MHz (ends in 2025), and 3,500MHz (regarding to NBTC said in the recent news). Hence, we foresee a rise in free cash flow to Bt32.2bn/Bt34.6bn/Bt39.5bn in 2023-25F (Figure 22).

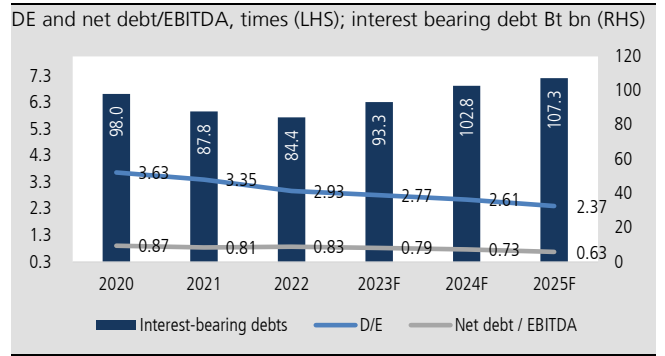
As of 2Q23, net debt/EBITDA was a comfortable 0.8x (from 0.83x in 2022). Interest-bearing debts are Bt91bn with average cost of debt of 3%, and cash and cash under management of Bt14bn. During May 2023, ADVANC issued debentures amounting to Bt20bn at 2.7-3.7% annual interest rate with 3-10 years tenors to repay debt, for working capital, and to pay for spectrum license. ADVANC has ratings of AA+ (THA) with stable outlook (Fitch), and BBB+ with stable outlook (S&P).

Figure 22: Upturn in free cash flow since 2023F



Source: Company data, KGI Securities Research

Figure 23: Comfortable net debt/EBITDA vs. peers

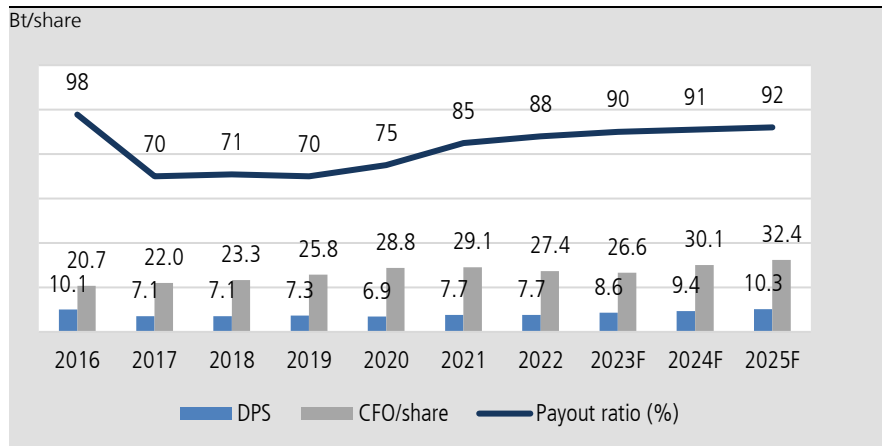


Source: Company data, KGI Securities Research

Foresee much more compelling dividend

It seems dividends are a priority for investors investing in ADVANC, on top of its operating core business. Due to robust operating cash flow, the company offers a higher dividend ability versus TRUE. Our DPS assumption focuses on the higher payout ratio, backed by the uptrend in CFO/share (Figure 24). We project DPS of Bt8.6/9.4/10.3 per share in 2023-25F, based on payouts of 90-92% as we notice ADVANC tweaks up its DPS in line with CFO. This implies dividend yields of 4%/4.4%/4.8% in 2023-25F, quite comparable with overseas peers. Note that ADVANC’s DPS has normally paid a dividend yield higher than US 10-year yield in the past.

Figure 24: Better yield aligning with rise in CFO/share



Source: Company data, KGI Securities Research

Industry Outlook

Thailand's telecom sector normally contributes core service revenue growth at 1.-1.25x the GDP growth rate, while offering maturity 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 35nm in 2024F (Figure 10-12), bringing higher prepaid revenue via data roaming. Although the numbers have not yet returned to the pre-COVID level, 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 since 2Q23.

Easing mobile price war

We acknowledge the Telecom sector is capital intensive, technology catching, and customer care, while 4G is a mainstream in technology available, followed by 2G, 3G, and 5G. After 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 pressures. That said, the industry signaled a positive structural change for the near to medium term since 2023 from: i) easing competition since 4Q22 led by ADVANC; ii) completion of amalgamation of TRUE 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 51.1mn mobile subscribers in 2Q23, overtaking ADVANC which was the largest earlier at 45.3mn subscribers.

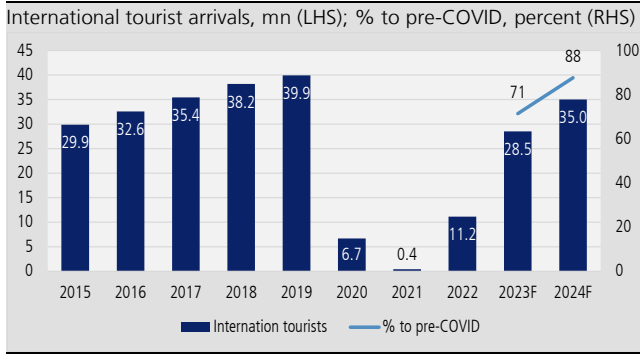
Though there is a limited upside for mobile penetration rate, which is currently at 153% of population, we foresee an increase in net additional subscribers and upswing in ARPU led by prepaid on a quicker change in packages (vs. 12-to-24 month contracted tenors for postpaid). There is also no more discounts for subscribers who migrate to new operators like in 2Q23 when 25% discounts were offered. With positive factors and the removal of fixed-speed unlimited in prepaid, prepaid ARPU should continue to improve as seen in the numbers of ADVANC and TRUE in 2Q23. 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 3Q23, we have continued to see lower competition in prepaid via a cut in data offering for usage to 15GB (from 30GB), while speed cuts after data depletion have declined to 64Kbps (from 384Kbps). That said, investors should take a cautious stance once an operator reintroduces the competition.

For postpaid, despite having higher risks from bad debt, this segment provides recurring and greater ARPU to operators. The easing of the price war can also be seen here. ADVANC has started to offer unlimited internet packages for only >Bt1,000 monthly packages QTD (from 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, higher 5G adoption, and sales bundling handsets with high price packages and/or add-on services (FBB, entertainment subscription with HBO, and Netflix).

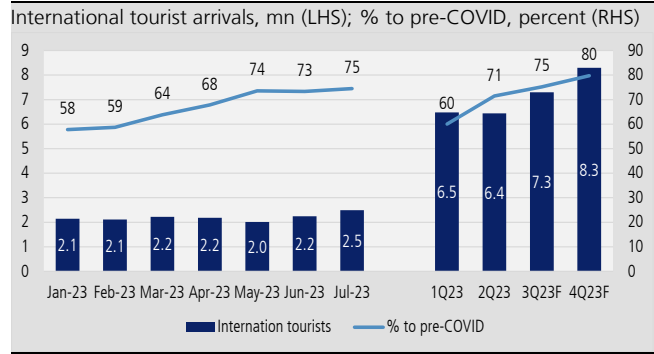
Over the longer term, investors should take some cautious stance once an operator reintroduces competition. The competition should be seen in premium packages (Figure 10) on profitability strategy

Figure 25: Yearly international tourist arrivals



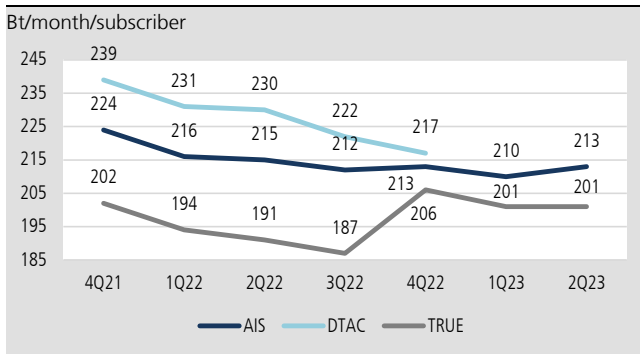
Source: Company data, KGI Securities Research

Figure 26: Monthly international tourist arrivals



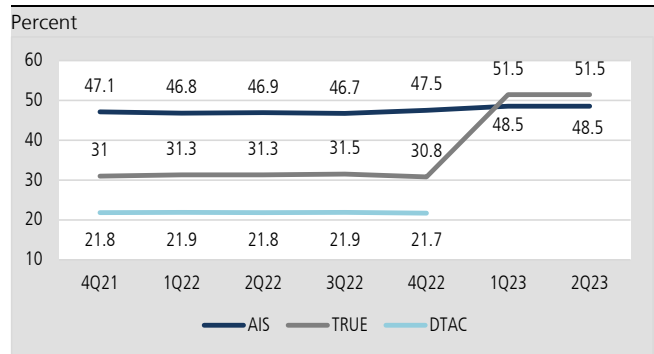
Source: Company data, KGI Securities Research

Figure 27: Mobile blended ARPUs of the sector



Source: Company data, KGI Securities Research

Figure 28: Mobile revenue market share



Source: Company data, KGI Securities Research

Figure 29: Applications of AIS 5G for businesses



Source: Company data, KGI Securities Research

Figure 30: 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. ฉุกเฉิน (บาท)	AIS WiFi	สิทธิประโยชน์	AIS Points	SEI
5G Serenade Exclusive Plan	2,999	ไม่จำกัด	3,000		PLDY Premium Plus	300	Platinum
	2,299	ความเร็วสูงสุด 2 Gbps	1,800		Slimmer, Sports, Mvto, 5G	200	Gold
	1,899		1,200			200	Gold
5G Max UNLIMITED	1,499	ไม่จำกัด	650		12 เดือน		Emerald
	1,199	ความเร็วสูงสุด 1 Gbps	350	ใช้ได้ ไม่จำกัด			
5G Max PLAY	899	80 GB	300		PLDY, Slimmer		
	699	60 GB	300		12 เดือน*		
5G Max Speed	499	40 GB	250		PLDY		
5G Easy Pack	399	20 GB	100		6 เดือน		

5G 4G	ความเร็วสูงสุด	โทร. ฉุกเฉิน	สิทธิพิเศษ
2,199	ไม่จำกัด	1,700	ประกันชีวิตและอุบัติเหตุ
1,999	ไม่จำกัด	1,300	ความบันเทิงระดับโลก
1,699	ไม่จำกัด	1,000	
1,499	ไม่จำกัด	650	
1,199	ไม่จำกัด	350	
899	80 GB	300	
699	60 GB	300	
599	50 GB	250	
499	40 GB	250	
399	20 GB	100	

Source: Company data, KGI Securities Research

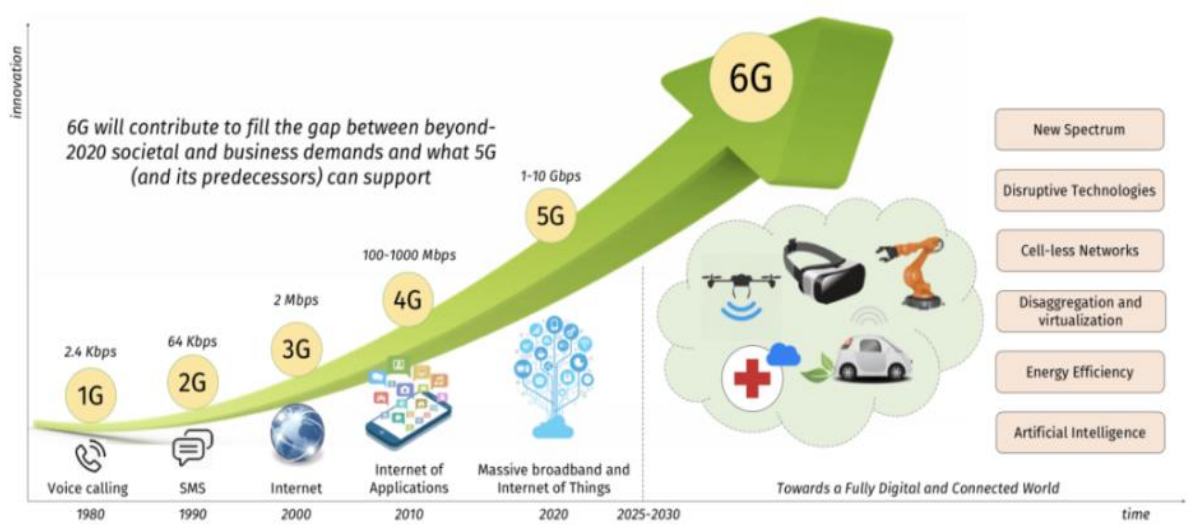
Staying with growing 5G technology adoption, not ready for 6G

There are around three aspects to 5G technology. The first is speed. 5G is 10-20x faster than 4G, the second is low latency, and the third is the number of Internet of Things (IoT) which is 10x greater than 4G. Hence, 5G availability will raise the capability of operators' infrastructure 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 both 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. AIS set its sights on encouraging more users to adopt 5G in 2023 backed by wide-ranging strategies such as a rollout of 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 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).

The 5G global population coverage was at 36% in 1Q23, 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 for adoption 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 may expect 6G technology to the world, which researchers expect to not emerge until at least 2030. There would be 5G-advanced, before a step up to 6G. 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 31: Differences between 5G and 6G



Source: HONOR, KGI Securities Research

Fewer key operators in home broadband

The home FBB industry in Thailand could continue its growth pace as people enjoy more data consumption, in line with digital lifestyles. The acceleration was catalyzed by staycation and work from home during COVID-19. The penetration rate for home FBB connectivity is only 58% in Thailand, demonstrating high growth potential, especially in suburban areas with no access to internet connectivity. FBB operators also tend to initiate 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.

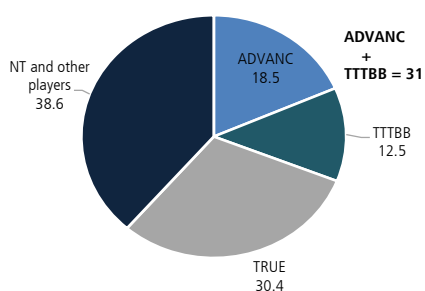
Another key factor that brought lower competition in the industry in 2023 is ADVANC’s acquisition of Triple Three Broadband Internet (TTTBB). This will be a shortcut to growth for ADVANC, which is in the process of getting approval by NBTC, which is slated for completion in 4Q23. This deal will double ADVANC’s FBB subscribers to 4.5mn (AIS 2.2mn + TTTBB 2.3mn) and make it the largest internet service provider in the industry in terms of subscribers (Figure 32). 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.

We believe there will be loss contribution from TTTBB to ADVANC in 2023 before turning to some positive territory in late 2H24F. The drags would be derived from its losing competitiveness (losing subscribers), elevated rental rate with JASIF, and elevated interest charges. After renegotiating the rental scheme with JASIF, 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 structure with lower rates on AIS’s robust credit rating (vs. JASIF). On top of that, JASIF’s shareholders recently approved cutting the rental payment 30% (cut off rental assurance, a monthly rental remains) to TTTBB (positive), starting from August 23, 2023.

Figure 32: Subscriber shares in Thai FBB space

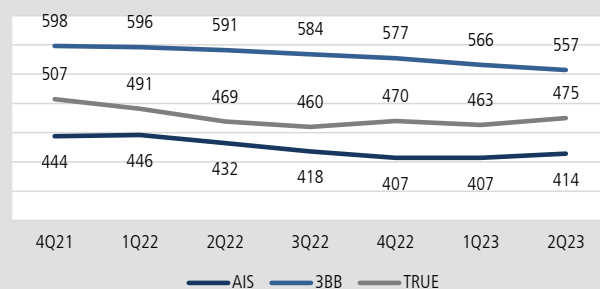
Percent



Source: NBTC, Company data, KGI Securities Research

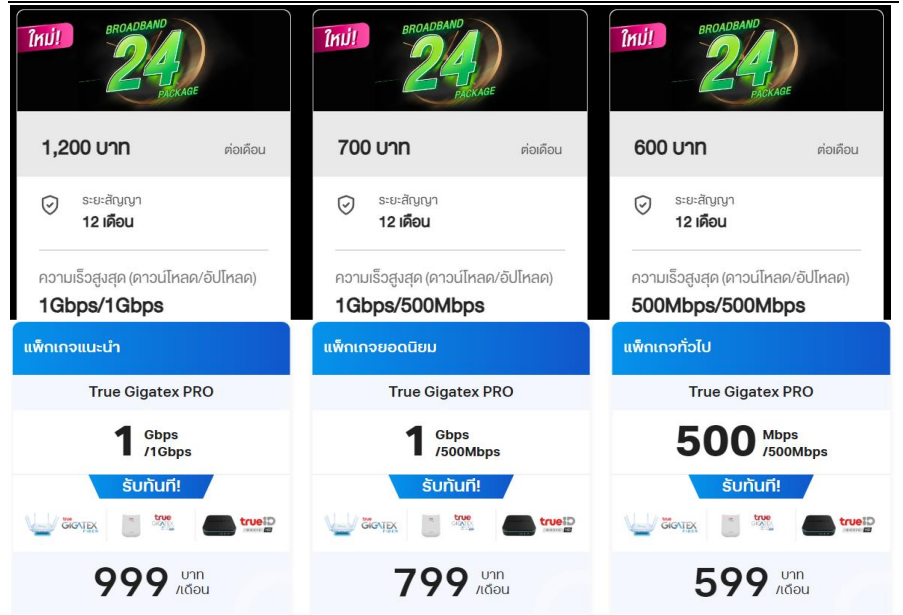
Figure 33: FBB ARPU rose only for ADVANC and TRUE

Bt/month/subscriber



Source: Company data, KGI Securities Research

Figure 34: AIS has lower monthly prices on most FBB packages (vs. TRUE)



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 their competitiveness and enables efficient management. Most organizations would 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 ADVANC, emphasis will be placed on Cloud services and 5G-enabled solutions, which will be key growth drivers in 2023.

Company profile & nature of earnings

ADVANC was founded in Thailand over the course of 37 years (since 1986) providing telecommunication infrastructure with domestic-based operations under collaborative contract and/or concessionaires. The company sticks to its vision of “To become the most-admired Digital Life Service Provider in Thailand”. ADVANC currently operates in four key business lines:

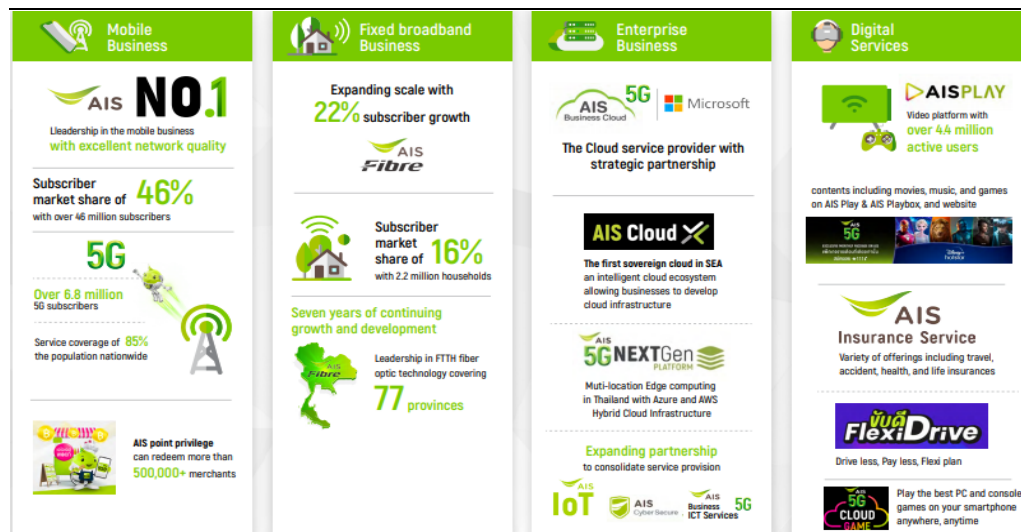
- I) Mobile service under brand “AIS” (85-90% of core service revenue) as a mobile operator with seven spectrums. With 5G, 4G, 3G and 2G technology under the brand AIS provides monthly subscription service, top-up service as well as international calls and roaming with network partners >240 destinations worldwide.
- II) Home fixed broadband (FBB) internet service “AIS Fiber” (8-10% of core service revenue) providing high-speed internet covering households in >77 provinces nationwide.
- III) Enterprise business “AIS business” (3-5% of core service revenue) offering Cloud, cyber security, IoT, ICT, and data centers to corporate clients in collaboration with multiple partners.
- IV) Digital services (<5% of core service revenue) building digital adjacencies to engage clients.
- V) Other revenues offering SIM and device sales, interconnection (IC) fees and NT partnership.

In light of cost breakdown, the telecom industry is capital intensive with high operating leveraging. We found that DD&A are the main costs making up ~40% of COGS, followed by cost of SIM and device sales (30%), network OPEX (15%), other cost of services (8%), and regulatory fees (5%). Note that utilities costs make up 30% of network OPEX.

ADVANC’s earnings normally see the high season in 2H of every year, catalyzed by seasonal tourist arrivals and new product launches led by iPhone, leading to opportunities to offer mobile packages bundled with sales of new handsets.

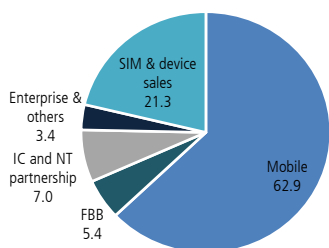
The majority of businesses, especially mobile communication and FBB, operate under NBTC, which is the regulatory authority formed in accordance with the Frequency Allocation Act 2010. AIS, through a subsidiary, was granted a telecommunications business license, including 26 GHz, 2600, 2100, 1800, 900, and 700 MHz spectrum licenses with an average license life of 15 years. At the end of the spectrum license, NBTC will redistribute a spectrum license through auction. AIS is mandated to pay license fees, Universal Service Obligation (USO) fees, and numbering fees to the NBTC amounting to ~4% of annual service revenue.

Figure 35: AIS transformation from Digital Life service provider to Cognitive Tech-Co



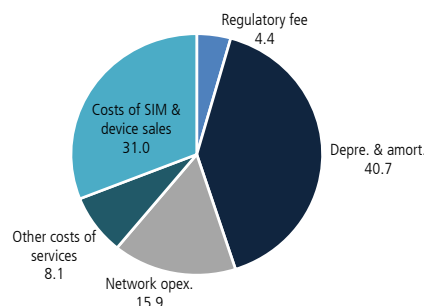
Source: Company data, KGI Securities Research

Figure 36: Total revenue breakdown in 2022



Source: Company data, KGI Securities Research

Figure 37: Total COGS breakdown in 2022



Source: Company data, KGI Securities Research

Figure 38: Total revenue structure in 2020-22

	2020		2021		2022	
	Million Bt	Percent	Million Bt	Percent	Million Bt	Percent
1. Service revenue	143,316	82.9	144,791	79.8	146,009	78.7
1.1 Mobile communication business revenue	118,082	68.3	117,244	64.7	116,696	62.9
1.2 Fixed broadband business revenue	6,959	4.0	8,436	4.7	10,064	5.4
1.3 Other services revenue	4,552	2.6	5,291	2.9	6,274	3.4
1.4 Interconnection (IC) and equipment rental revenue	13,722	7.9	13,820	7.6	12,976	7.0
2. SIM and device sales revenue	29,574	17.1	36,542	20.2	39,476	21.3
Total revenue	172,890	100.0	181,333	100.0	185,485	100.0

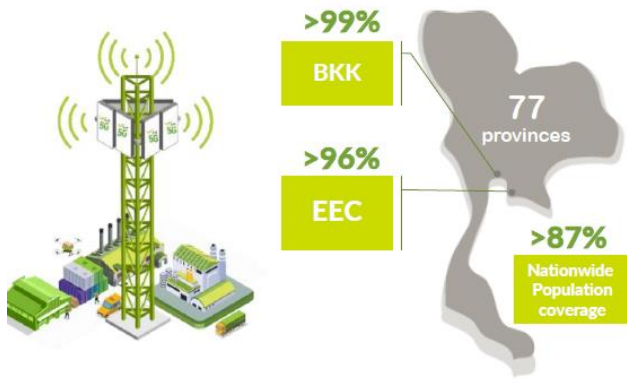
Source: Company data, KGI Securities Research

Leading "Mobile Service" in Thailand

As of 2Q23, ADVANC is striving to sustain its position as the leading mobile operator in Thailand, with a revenue market share of 49%, and 45.3m subscribers nationwide. Mobile communication service revenue made up almost 90% of core service revenue. The company offers quality services on 5G, 4G, 3G and 2G networks, using frequency bands of 26 GHz and 2600, 2100, 1800, 900, and 700 MHz for a total of 1450 MHz (2x75 MHz on FDD technology and 1300 MHz on TDD technology). The 1420 MHz is under the license granted by NBTC and another 2x15 MHz is under a TOT partnership agreement. Its mobile network currently covers over 98% of Thailand's population. ADVANC is the industry leader in network quality and services, as it has the highest spectrum holding versus peers.

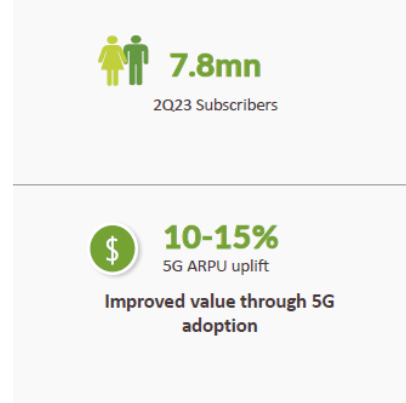
In addition, ADVANC continues to boost its lead position in offering 5G-based services in Thailand. After the official debut in 2020, the company has extended its 5G network to cover >87% of the population in 2Q23 (vs. 85% in 2022) on its highly visible spectrums in telecom space. Note that ADVANC keeps updating on the fast-growing technology and delivering a variety of 5G-based service experiences, aligning with general and corporate clients. ADVANC has reached 7.8m subscribers for 5G, which boosted the ARPU of its portfolio by 10-15%.

Figure 39: ADVANC's 5G network coverage



Source: Company data, KGI Securities Research

Figure 40: Rise in adoption with quality



Source: Company data, KGI Securities Research

Figure 41: Spectrums (AIS vs. peers)

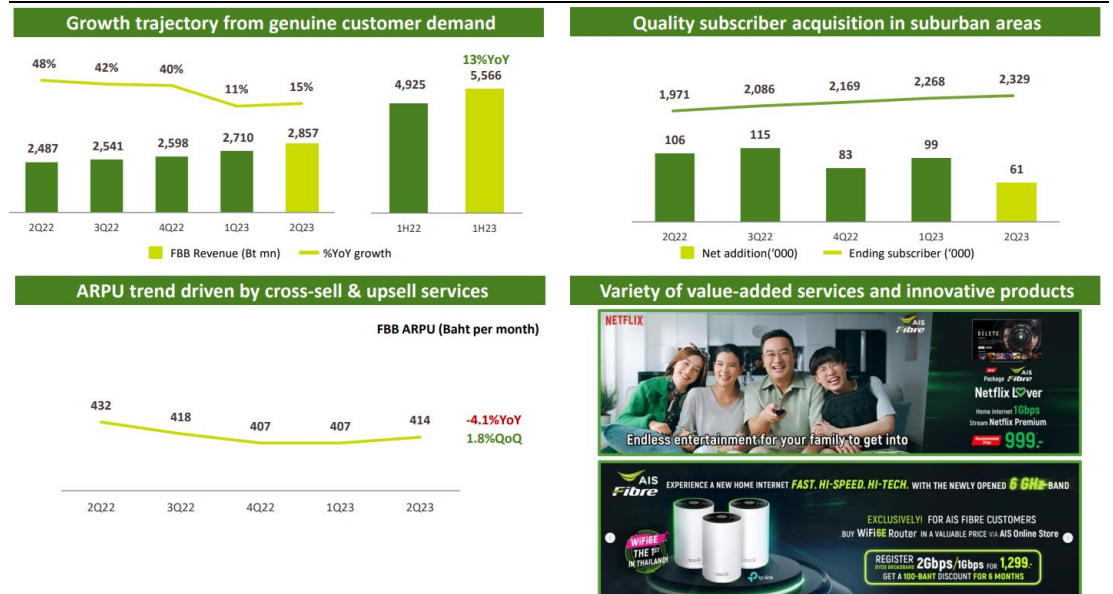
SPECTRUM	Low Band (Sub 1 GHz)			Mid Band (Sub 6 GHz)				High Band (mmWave)	TOTAL MHz
	700 MHz	850 MHz*	900 MHz	1800 MHz	2100 MHz*	2300 MHz*	2600 MHz	26 GHz	
YOZZO www.yozzo.com									
AIS	30 MHz FDD (2 x 15 MHz) Ends in 2036	-	20 MHz FDD (2 x 10 MHz) Ends in 2031	40 MHz FDD (2 x 20 MHz) Ends in 2033	30 MHz FDD (2 x 15 MHz) Ends in 2027 <small>*Rents access to NT's 30 MHz Ends in 2027</small>	-	100 MHz TDD Ends in 2035	1200 MHz TDD Ends in 2036	AIS 1,420 MHz <small>*1,450 MHz</small>
true move	20 MHz FDD (2 x 10 MHz) Ends in 2036	<small>*Rents access to NT's 30 MHz Ends in 2026</small>	20 MHz FDD (2 x 10 MHz) Ends in 2031	30 MHz FDD (2 x 15 MHz) Ends in 2033	30 MHz FDD (2 x 15 MHz) Ends in 2027	-	90 MHz TDD Ends in 2035	800 MHz TDD Ends in 2036	TRUE 990 MHz <small>*1,020 MHz</small>
dtac	20 MHz FDD (2 x 10 MHz) Ends in 2036	-	10 MHz FDD (2 x 5 MHz) Ends in 2031	10 MHz FDD (2 x 5 MHz) Ends in 2033	30 MHz FDD (2 x 15 MHz) Ends in 2027	<small>*Rents access to NT's 60 MHz Ends in 2025</small>	-	200 MHz TDD Ends in 2036	DTAC 270 MHz <small>*330 MHz</small>
ht	20 MHz FDD (2 x 10 MHz) Ends in 2036	30 MHz FDD (2 x 15 MHz) <small>*Used by TRUE Ends in 2026</small>	-	-	30 MHz FDD (2 x 15 MHz) Ends in 2027 <small>*Used by AIS</small>	60 MHz TDD. <small>*Used by DTAC Ends in 2025</small>	-	400 MHz TDD Ends in 2036	NT 540 MHz

Source: Company data, KGI Securities Research

Keeping expansion pace in "Fixed Broadband" market

In 2015, ADVANC launched its FBB business under the brand "AIS Fibre" with the intent of raising a new revenue stream, building on the existing fiber network for its mobile business and its mobile customer base. Currently, AIS Fibre is available in 77 cities, covering 8.8mn households. It has penetrated the market using its strength in providing FTTH technology to connect households to the internet and is ready to support existing ADSL users wishing to upgrade to higher quality technology and a superior speed of up to 2 Gbps. FBB revenue in 2H23 accounted for 8% of core service revenue with its 2.3mn subscribers making up >16% of the FBB market share by revenue. The completion of the acquisition of TTTBB would boost AIS's market share to >46%, giving it the greatest market share in the industry (from third largest currently). ADVANC's FBB business has seen lower YoY growth from its higher revenue base. This could be the reason why AIS needs to seek more revenue streams by acquiring TTTBB and reducing competition.

Figure 42: Expansion coverage with higher coverage and service quality

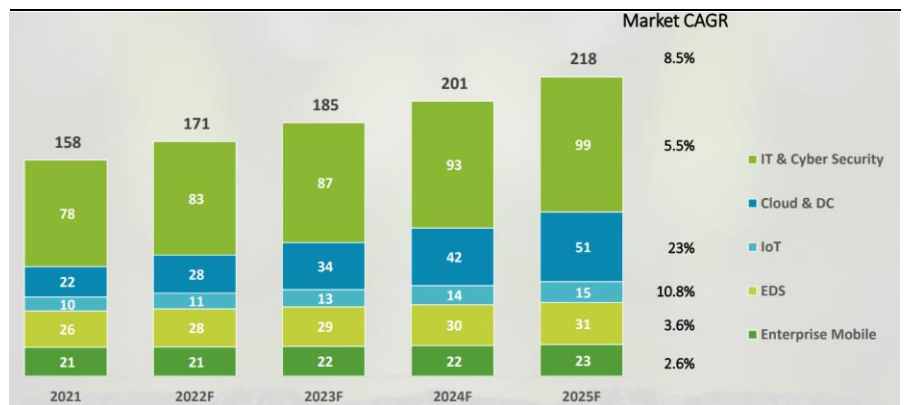


Source: Company data, KGI Securities Research

Boosting growth potential in “Enterprise Business”

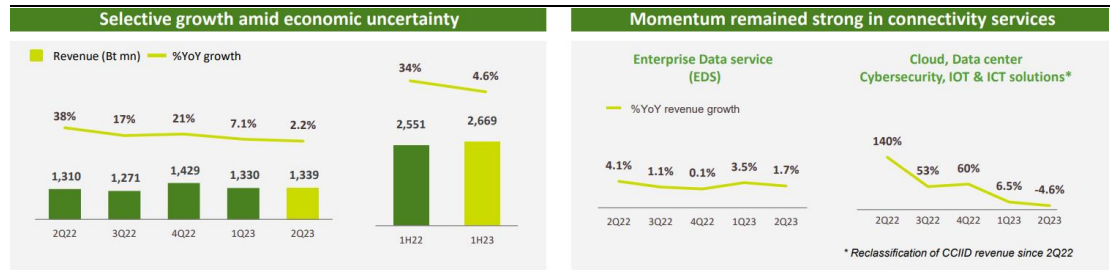
ADVANC is striving to add more value to enterprise clients by offering digital transformation to all customers (every business size). Its services include Cloud service, data center, cyber security, IoT, and ICT solutions (CCIID). Acquiring CS Lox Info PCL. in 2018 strengthened ADVANC’s capabilities to provide integrated service to enterprise clients. The company is delivering advanced technology to efficiently support services, given the distinctive features of 5G, including high speed, low latency, and multi-device supportive features coupled with the network capabilities and partnership collaborations. The company is targeting four key industries which are transportation, logistics, smart property, and retail. It now offers a variety of 5G-enabled services such as 5G fixed wireless access, 5G network slicing, and 5G private network among others – one of three new key revenue sources for AIS over the long term, on top of FBB and digital services. In 1H23, we saw muted contribution YoY from such business as AIS adopted a more selective strategy on growth by focusing only on higher margin projects.

Figure 43: Expecting AIS to grow aligning with larger addressable market (Bt bn)



Source: Company data, KGI Securities Research

Figure 44: Expanding coverage with greater coverage and service quality



SME CORPORATE INTERNET
FAST SECURE STABLE
Exclusively for your business
Get 50% Discount for the first year

Enterprise Key Focus

- I. Telco and Connectivity**
High quality network with professionally managed service
- II. Non-Telco and solution**
Integrated and end-to-end solutions to enhance business needs

Source: Company data, KGI Securities Research

Adding value of core businesses with “Digital Services”

The digital service business involves development of a diverse range of services incorporating digital technology encompassing networks, platforms, and digital solutions through the collaboration and development of a connected business environment with partners. AIS’s digital services focus on three areas, namely, video platform, mobile money, and other platforms such as digital marketing and insurance.

Figure 45: Samples of AIS’s digital services



Source: Company data, KGI Securities Research

Key risks to our call

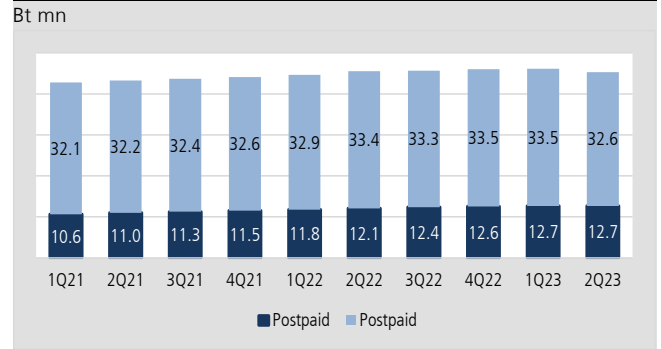
- i) **Higher competition – the biggest risk for the sector.** This includes offering various promotions, particularly in the provision of mobile packages bundled with various mobile devices and more prevalently, introducing unlimited data packages to attract customers. These developments limit revenue growth opportunities while operators still need to expand to maintain their network with quality, resulting in profitability challenges. Still, we have not seen an increase in the competitive environment since 3Q22 once ADVANC cancelled its unlimited packages for prepaid, while there could be benefits from the market becoming a duopoly after the amalgamation of TRUE.
- ii) **Fragile economic recovery** could weaken domestic consumption and reduce the number of tourist arrivals. Clients tend to be cautious and more price sensitive amidst low consumer confidence and higher cost of living. This would make it tougher for mobile operators to raise prices, possibly leading to a renewed price war.
- iii) **Change in policies and disputes with regulators** such as NBTC (the organization responsible for regulating operators under granted licenses in the telecom industry). The changes may occur in relation to amending tariff structures and service fees or measures to curb client satisfaction, resulting in lower ARPU, derail operator profitability, and/or increase cost of services.
- iv) **New entrants** may reintroduce competition. That said, we don't expect such an occurrence in the medium term as the industry is in the maturity stage in Thailand.
- v) **Cancellation of the acquisition of TTTBB and partial JASIF** may disappoint the Street's expectations on an earnings boost and synergy benefits from lower competition in the FBB industry and OPEX reduction.

Figure 46: Company profile

ADVANC was founded in Thailand over 37 years (since 1986) providing telecommunication infrastructure with domestic-based operations in Thailand. ADVANC currently operates in four key business lines comprising of: Mobile service (85-90% of core service revenue), followed by home fixed board band (8-10%), enterprise business (3-5%), digital services (<5%). ADVANC under brand "AIS" now has the second largest mobile subscribers in Thai telecom sector.

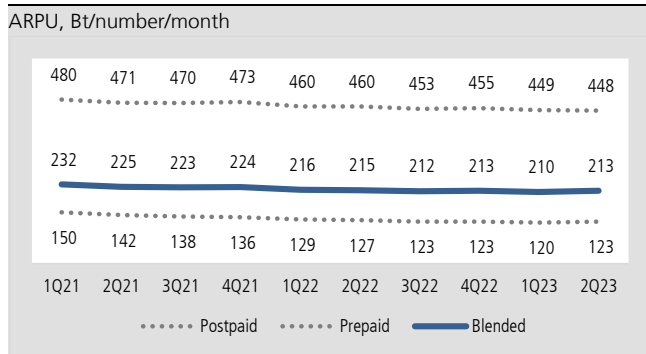
Source: Company data

Figure 47: Breakdown of customers



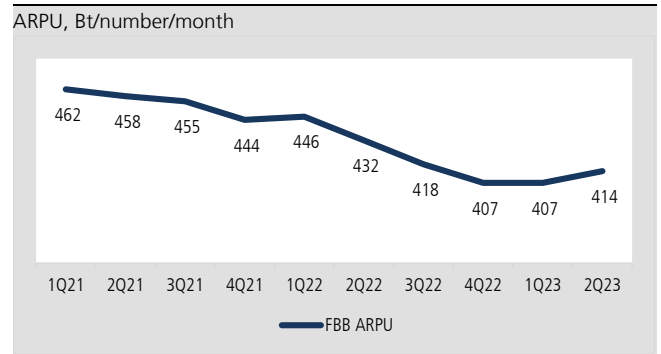
Source: Company data, KGI Securities Research

Figure 48: Average Revenue Per User in Mobile unit



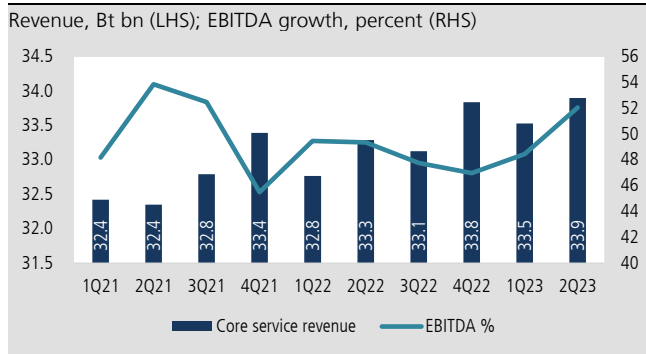
Source: Company data, KGI Securities Research

Figure 49: Average Revenue Per User in FBB unit



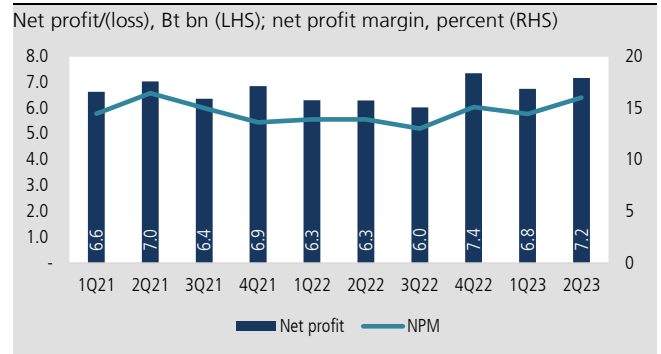
Source: Company data, KGI Securities Research

Figure 50: Quarterly core service revenue



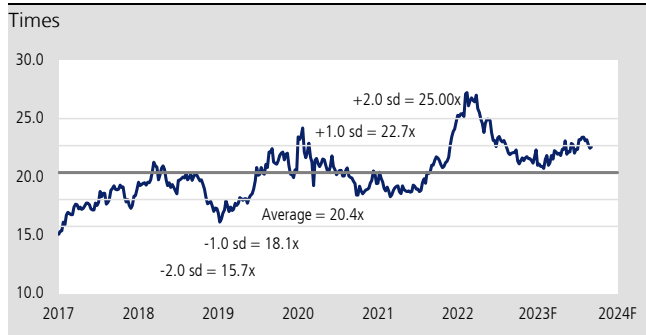
Source: Company data, KGI Securities Research

Figure 51: Quarterly earnings



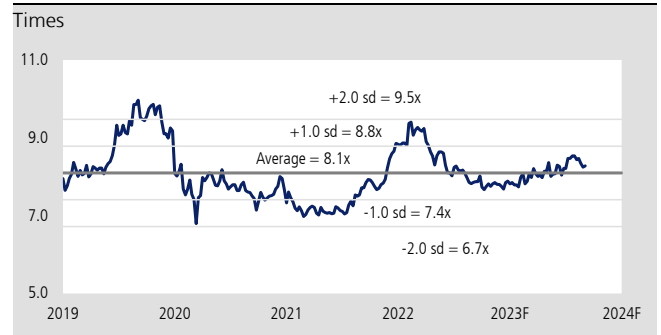
Source: Company data, KGI Securities Research

Figure 52: ADVANC's forward PER



Source: KGI Securities Research

Figure 53: ADVANC's forward EV/EBITDA



Source: KGI Securities Research

Quarterly Income Statement

	Mar-20A	Jun-20A	Sep-20A	Dec-20A	Mar-21A	Jun-21A	Sep-21A	Dec-21A	Mar-22A	Jun-22A	Sep-22A	Dec-22A	Mar-23A	Jun-23A
Income Statement (Bt mn)														
Revenue	42,845	42,256	41,715	46,074	45,861	42,757	42,377	50,338	45,279	45,273	46,234	48,699	46,712	44,774
Cost of Goods Sold	(26,757)	(26,767)	(26,528)	(30,796)	(30,755)	(27,935)	(27,640)	(35,123)	(30,678)	(30,399)	(31,696)	(33,399)	(31,702)	(29,704)
Gross Profit	16,088	15,489	15,187	15,277	15,106	14,822	14,737	15,215	14,601	14,874	14,538	15,300	15,010	15,070
Operating Expenses	(6,313)	(6,066)	(6,050)	(6,070)	(5,538)	(5,183)	(5,273)	(5,851)	(5,578)	(5,718)	(5,669)	(5,521)	(5,601)	(4,947)
Other incomes														
Operating Profit	9,775	9,423	9,138	9,207	9,568	9,639	9,463	9,363	9,023	9,156	8,870	9,778	9,410	10,123
Depreciation of fixed assets	(12,586)	(12,484)	(12,545)	(12,596)	(12,599)	(12,961)	(13,055)	(13,158)	(12,969)	(12,783)	(12,822)	(12,722)	(12,789)	(12,787)
Operating EBITDA	22,361	21,907	21,683	21,803	22,167	22,600	22,518	22,521	21,992	21,939	21,692	22,500	22,199	22,910
Non-Operating Income	319	534	220	648	223	624	179	410	209	281	107	632	197	112
Interest Income	92	103	72	53	64	56	51	47	56	26	23	22	33	25
Other Non-op Income	227	431	147	595	159	568	128	363	154	255	84	610	164	87
Non-Operating Expenses	(1,995)	(1,546)	(1,630)	(1,358)	(1,609)	(1,618)	(1,842)	(1,366)	(1,362)	(1,657)	(1,525)	(1,294)	(1,250)	(1,333)
Interest Expenses	(1,564)	(1,546)	(1,449)	(1,358)	(1,386)	(1,460)	(1,414)	(1,366)	(1,320)	(1,323)	(1,294)	(1,294)	(1,250)	(1,333)
Other Non-op Expenses	(430)	-	(181)	-	(223)	(157)	(428)	-	(42)	(335)	(231)	-	-	-
Equity Income/(Loss)	(7)	0	3	(66)	(61)	(33)	(26)	(21)	(16)	(6)	(9)	(5)	(2)	2
Pre-tax Profit	8,092	8,411	7,730	8,431	8,121	8,613	7,774	8,387	7,855	7,773	7,443	9,111	8,354	8,905
Current Taxation	(1,335)	(1,411)	(1,215)	(1,128)	(1,477)	(1,571)	(1,399)	(1,523)	(1,543)	(1,467)	(1,410)	(1,747)	(1,597)	(1,723)
Minorities	(1)	1	(2)	(1)	(1)	(0)	-	-	(1)	(1)	(1)	(1)	(1)	(1)
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit	6,756	7,001	6,513	7,303	6,643	7,041	6,375	6,864	6,311	6,305	6,032	7,363	6,757	7,180
Normalized Profit	7,187	6,651	6,693	6,656	6,867	6,699	6,803	6,701	6,353	6,640	6,263	6,792	6,694	7,158
EPS (Bt)	2.27	2.35	2.19	2.46	2.23	2.37	2.14	2.31	2.12	2.12	2.03	2.48	2.27	2.41
Normalized EPS (Bt)	2.42	2.24	2.25	2.24	2.31	2.25	2.29	2.25	2.14	2.23	2.11	2.28	2.25	2.41
Margins (%)														
Gross profit margin	37.5	36.7	36.4	33.2	32.9	34.7	34.8	30.2	32.2	32.9	31.4	31.4	32.1	33.7
Operating margin	22.8	22.3	21.9	20.0	20.9	22.5	22.3	18.6	19.9	20.2	19.2	20.1	20.1	22.6
Operating EBITDA margin	52.2	51.8	52.0	47.3	48.3	52.9	53.1	44.7	48.6	48.5	46.9	46.2	47.5	51.2
Net profit margin	15.8	16.6	15.6	15.9	14.5	16.5	15.0	13.6	13.9	13.9	13.0	15.1	14.5	16.0
Growth YoY (%)														
Revenue growth	(1.0)	(4.1)	(6.7)	(5.6)	7.0	1.2	1.6	9.3	(1.3)	5.9	9.1	(3.3)	3.2	(1.1)
Operating growth	(2.1)	(6.8)	(22.1)	(0.8)	(2.1)	2.3	3.6	1.7	(5.7)	(5.0)	(6.3)	4.4	4.3	10.6
Operating EBITDA growth	18.7	14.3	2.5	15.5	(0.9)	3.2	3.9	3.3	(0.8)	(2.9)	(3.7)	(0.1)	0.9	4.4
Net profit growth	(10.8)	(9.7)	(26.0)	3.4	(1.7)	0.6	(2.1)	(6.0)	(5.0)	(10.5)	(5.4)	7.3	7.1	13.9

Source: Company data, KGI Securities Research

Balance Sheet

As of 31 Dec (Bt mn)	2021	2022	2023F	2024F	2025F
Total Assets	356,222	337,044	338,797	334,776	326,067
Current Assets	35,566	34,338	48,056	60,392	70,705
Cash & ST Investments	14,131	9,994	21,137	31,906	41,152
Inventories	2,104	3,839	3,772	3,996	4,209
Accounts Receivable	18,372	20,025	22,444	23,777	24,621
Others	958	480	703	713	723
Non-current Assets	320,656	302,706	290,742	274,384	255,362
LT Investments	51,657	43,954	41,459	37,903	33,157
Net fixed Assets	249,618	233,017	222,957	209,540	194,623
Others	19,380	25,734	26,326	26,942	27,583
Total Liabilities	274,397	251,227	248,901	241,919	229,184
Current Liabilities	91,868	96,341	91,415	92,797	86,573
Accounts Payable	45,055	42,457	41,493	43,957	46,297
ST Borrowings	24,669	31,631	25,597	25,364	25,135
Others	22,144	22,253	24,325	23,476	15,141
Long-term Liabilities	182,529	154,886	157,486	149,122	142,611
Long-term Debts	98,366	95,545	104,366	113,844	118,322
Others	84,163	59,341	53,120	35,278	24,289
Shareholders' Equity	81,825	85,816	89,896	92,857	96,883
Common Stock	2,974	2,974	2,974	2,974	2,974
Capital Surplus	22,506	22,552	22,552	22,552	22,552
Retained Earnings	56,603	60,175	64,165	67,122	71,145
Preferred Stock	0	0	0	0	0

Source: KGI Securities Research

Key Ratios

Year to 31 Dec	2021	2022	2023F	2024F	2025F
Growth (% YoY)					
Sales	4.9	2.3	1.7	5.9	5.3
OP	0.2	(2.9)	8.0	7.6	7.0
EBITDA	1.8	(1.8)	3.4	6.5	6.9
NP	(1.9)	(3.4)	9.6	7.6	8.6
Normalized Profit	(1.9)	(3.4)	9.6	7.6	8.6
EPS	(1.9)	(3.4)	9.6	7.6	8.6
Normalized EPS	(2.8)	(1.4)	9.4	7.6	8.6
Profitability (%)					
Gross Margin	33.0	32.0	33.2	33.3	33.7
Operating Margin	21.2	20.2	21.4	21.8	22.1
EBITDA Margin	49.8	47.8	48.6	48.9	49.6
Net Profit Margin	14.8	14.0	15.1	15.3	15.8
ROAA	7.6	7.7	8.4	9.2	10.2
ROAE	32.9	30.3	31.7	33.0	34.4
Stability					
Gross Debt/Equity (%)	3.4	2.9	2.8	2.6	2.4
Net Debt/Equity (%)	1.0	1.0	0.9	0.9	0.8
Interest Coverage (x)	6.8	7.2	7.7	7.7	8.5
Interest & ST Debt Coverage (x)	6.8	3.7	4.4	4.5	4.9
Cash Flow Interest Coverage (x)	15.4	15.6	14.1	14.9	16.7
Cash Flow/Interest & ST Debt (x)	15.4	8.0	8.0	8.7	9.6
Current Ratio (x)	0.4	0.4	0.5	0.7	0.8
Quick Ratio (x)	0.4	0.3	0.5	0.6	0.8
Net Debt (Bt mn)	84,234	85,552	83,229	81,938	77,170
Per Share Data (Bt)					
EPS	9.1	8.7	9.6	10.3	11.2
Normalized EPS	8.9	8.8	9.6	10.3	11.2
CFPS	29.1	27.4	24.8	28.2	30.6
BVPS	22.6	22.6	23.4	24.3	25.3
SPS	61.0	62.4	63.4	67.2	70.8
EBITDA/Share	30.4	29.8	30.8	32.8	35.1
DPS	7.7	7.7	8.6	9.4	10.3
Activity					
Asset Turnover (x)	0.5	0.6	0.6	0.6	0.6
Days Receivables	37.0	39.4	43.4	43.4	42.7
Days Inventory	6.3	11.1	10.9	10.9	11.0
Days Payable	135.4	122.8	120.2	120.4	121.1
Cash Cycle	(92.1)	(72.3)	(65.9)	(66.1)	(67.4)

Source: KGI Securities Research

Profit & Loss

Year to 31 Dec (Bt mn)	2021	2022	2023F	2024F	2025F
Revenue	181,333	185,485	188,603	199,803	210,439
Cost of Goods Sold	(121,453)	(126,172)	(125,975)	(133,205)	(139,538)
Gross Profit	59,880	59,313	62,628	66,598	70,901
Operating Expenses	(21,700)	(22,353)	(22,471)	(23,365)	(24,600)
Other Incomes	1,055	532	300	300	300
Operating Profit	38,520	37,412	40,417	43,486	46,548
Depreciation of fixed assets	(51,773)	(51,296)	(51,325)	(54,189)	(57,883)
Operating EBITDA	91,408	89,731	91,742	97,675	104,430
Non-Operating Income	1,273	658	400	400	400
Interest Income	217	126	100	100	100
Other Non-op Income	1,055	532	300	300	300
Non-Operating Expenses	(5,626)	(5,230)	(5,232)	(5,634)	(5,457)
Interest Expenses	(5,626)	(5,230)	(5,232)	(5,634)	(5,457)
Other Non-op Expenses	0	0	0	0	0
Equity Income/(Loss)	(141)	(36)	0	0	0
Pre-tax Profit	32,894	32,182	35,185	37,852	41,091
Current Taxation	(5,970)	(6,168)	(6,685)	(7,192)	(7,807)
Minorities	(2)	(3)	(3)	(3)	(4)
Extraordinary items	0	0	0	0	0
Net Profit	26,922	26,011	28,497	30,657	33,280
Normalized Profit	26,422	26,048	28,497	30,657	33,280
EPS (Bt)	9.05	8.75	9.58	10.31	11.19
Normalized EPS (Bt)	8.88	8.76	9.58	10.31	11.19

Source: KGI Securities Research

Cash Flow

Year to 31 Dec (Bt mn)	2021	2022	2023F	2024F	2025F
Operating Cash Flow	86,634	81,405	79,093	89,639	96,417
Net Profit	26,924	26,014	28,500	30,660	33,284
Depreciation & Amortization	53,374	52,902	51,325	54,189	57,883
Change in Working Capital	(8,601)	(13,201)	(5,964)	(845)	(206)
Others	14,937	15,690	5,232	5,634	5,457
Investment Cash Flow	(45,352)	(42,996)	(46,876)	(55,029)	(56,950)
Net CAPEX	(25,786)	(32,319)	(41,376)	(39,868)	(41,763)
Change in LT Investment	(19,512)	(11,039)	(4,885)	(14,422)	(14,422)
Change in Other Assets	(54)	362	(614)	(740)	(766)
Free Cash Flow	41,282	38,409	32,217	34,610	39,467
Financing Cash Flow	(46,964)	(42,135)	(20,946)	(23,858)	(30,239)
Change in Share Capital	0	0	0	0	0
Net Change in Debt	(22,068)	(15,890)	8,707	9,475	4,476
Change in Other LT Liab.	(24,896)	(26,245)	(29,652)	(33,333)	(34,714)
Net Cash Flow	(5,681)	(3,726)	11,272	10,752	9,228

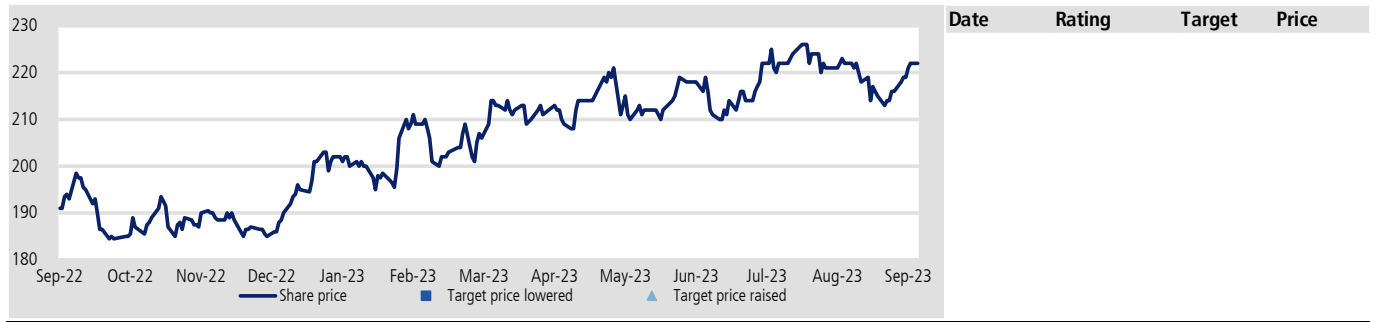
Source: KGI Securities Research

Rates of Return on Invested Capital

Year	1- Revenue	+ COGS	+ Depreciation Revenue	+ Operating Exp. Revenue	= Operating Margin	
2021	38.4%		28.6%	12.5%	20.5%	
2022	41.3%		27.7%	12.3%	18.7%	
2023F	41.2%		27.2%	12.1%	19.5%	
2024F	39.5%		27.1%	11.8%	21.5%	
2025F	38.8%		27.5%	11.8%	21.9%	
Year	1/ Revenue	+ Working Capital	+ Net PPE Revenue	+ Other Assets Revenue	= Capital Turnover	
2021	0.0		0.6	1.3	0.5	
2022	-0.1		0.6	1.2	0.6	
2023F	0.0		0.6	1.2	0.6	
2024F	0.0		0.6	1.1	0.6	
2025F	0.0		0.5	1.0	0.6	
Year	Operating Margin	x	Capital Turnover	x	Cash Tax Rate	= After-tax Return on Inv. Capital
2021	20.5%		0.5		18.1%	1.9%
2022	18.7%		0.6		19.2%	2.1%
2023F	19.5%		0.6		19.0%	2.1%
2024F	21.5%		0.6		19.0%	2.4%
2025F	21.9%		0.6		19.0%	2.7%

Source: KGI Securities Research

Advanced Info Service – Recommendation & target price history



Source: KGI Securities Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	EGCO	ELECTRICITY GENERATING	PTTEP	PTT EXPLORATION AND PRODUCTION
ADVANC	ADVANCED INFO SERVICE	GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL
AMA	AMA MARINE	GGC	GLOBAL GREEN CHEMICALS	PYLON	PYLON
AMATA	AMATA CORPORATION	GPSC	GLOBAL POWER SYNERGY	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	HANA	HANA MICROELECTRONICS	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	HMPRO	HOME PRODUCT CENTER	RS	RS
AP	ASIAN PROPERTY DEVELOPMENT	INTUCH	SHIN CORPORATION	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	IRPC	IRPC	SCC	THE SIAM CEMENT
BCP	THE BANGCHAK PETROLEUM	IVL	INDORAMA VENTURES	SCCC	SIAM CITY CEMENT
BCPG	BCPG	KBANK	KASIKORN BANK	SEAFECO	SEAFECO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KCE	KCE ELECTRONICS	SMPC	SAHAMITR PRESSURE CONTAINER
BEC	BEC WORLD	KKP	KIATNAKIN BANK	SPALI	SUPALAI
BEM	BANGKOK EXPRESSWAY AND METRO	KTB	KRUNG THAI BANK	SPRC	STAR PETROLEUM REFINING
BGRIM	B. GRIMM POWER	KTC	KRUNGTHAI CARD	SVI	SVI
BPP	BANPU POWER	LH	LAND AND HOUSES	TACC	T.A.C. CONSUMER
BTS	BTS GROUP HOLDINGS	LPN	L.P.N. DEVELOPMENT	TCAP	THANACHART CAPITAL
CENDEL	CENTRAL PLAZA HOTEL	MAKRO	SIAM MAKRO	THCOM	THAICOM
CK	CH. KARNCHANG	MBK	MBK	TISCO	TISCO FINANCIAL GROUP
CKP	CK POWER	MINT	MINOR INTERNATIONAL	TOP	THAI OIL
CPALL	CP ALL	MTC	MUANGTHAI CAPITAL	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	PLANB	PLAN B MEDIA	TTB	TMBTHANACHART BANK
CPN	CENTRAL PATTANA	PSH	PRUKSA HOLDING	VGI	VGI GLOBAL MEDIA
DELTA	DELTA ELECTRONICS (THAILAND)	PTG	PTG ENERGY	WHA	WHA CORPORATION
DTAC	TOTAL ACCESS COMMUNICATION	PTT	PTT	WHAUP	



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BAM	BANGKOK COMMERCIAL ASSET MANAGEMENT	GULF	GULF ENERGY DEVELOPMENT	SAPPE	SAPPE
BBL	BANGKOK BANK	JMT	JMT NETWORK SERVICES	SAWAD	SRISAWAD POWER 1979
CBG	CARABAO GROUP	LPH	LADPRAO GENERAL HOSPITAL	SINGER	SINGER THAILAND
CHG	CHULARAT HOSPITAL	M	MK RESTAURANT GROUP	SPA	SIAM WELLNESS GROUP
COM7	COM7	MAJOR	MAJOR CINEPLEX GROUP	TFG	THAIFOODS GROUP
DOHOME	DOHOME	MEGA	MEGA LIFESCIENCES	TKN	TAOKAENOI FOOD & MARKETING
ERW	THE ERAWAN GROUP	NETBAY	NETBAY	ZEN	ZEN CORPORATION GROUP
GLOBAL	SIAM GLOBAL HOUSE	OSP	OSOTSPA		



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	ESSO	ESSO (THAILAND)	SF	SIAM FUTURE DEVELOPMENT
BH	BUMRUNGRAD HOSPITAL	HUMAN	HUMANICA	SISB	SISB
EKH	EKACHAI MEDICAL CARE	RBF	R&B FOOD SUPPLY	TPCH	TPC POWER HOLDING

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
IIG	I&I GROUP	OR	PTT OIL AND RETAIL BUSINESS	STGT	SRI TRANG GLOVES (THAILAND)
KEX	KERRY EXPRESS (THAILAND)	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION		

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	KASIKORN BANK	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 ERAWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRIAWAD 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.

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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.
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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.

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