

## Advanced Info Service Plc (ADVANC)

Rating: BUY

Fair price: Bt255.0

Close price: Bt203.0

### Company Information

Ticker:	ADVANC TB
Sector:	ICT
Shares outstanding (m):	2,974.21
Market capitalization (Btm):	603,764.58
Trading vol/day (Btm):	969.56
Free float (%):	36.24
Beta:	0.29

### Major Shareholders

Intouch Holdings Plc	40.44%
Singtel Strategic Investment	23.31%
Thai NVDR	7.03%

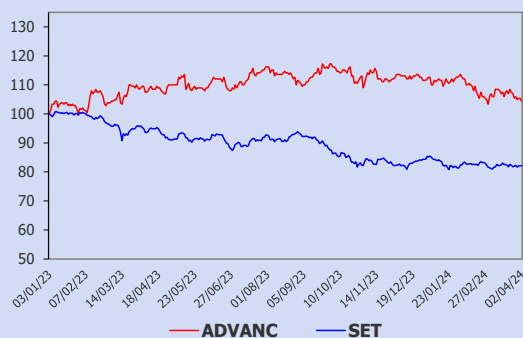
### Consensus Bloomberg

2024F EPS (Bt):	10.33
Target price (Bt):	256.18

### Price Performance

52 Wk high/low:	231.0 / 200.0		
-----------------	---------------	--	--

	1M	3M	1Y	YTD
Absolute (%)	-1.5	-6.9	-4.2	-6.5
Relative (%)	-2.3	-3.1	10.0	-3.9



### The power of business consolidation

- We estimate ADVANC to post 1Q24F bottom-line profits of Bt7.3bn (+8.3% YoY and +4.5% QoQ). The YoY and QoQ improvement in bottom-line net profit will come from an improving operating performance on rising service revenues amid cost control. The consolidation of the 3BB fixed broadband business will add to double-digit revenue and EBITDA growth YoY albeit the 3BB operation alone is expected to incur net losses. The high financial expenses (to fund the 3BB acquisition) are partially offset by the improved service revenue outlook.
- We estimate core service revenue to increase by 14.8% YoY and 4.4% QoQ to Bt38.5bn in 1Q24F on the consolidation of TTTB for the full quarter. In terms of perceptions for 1Q24, the mobile phone industry has enjoyed the high season with rising tourist SIMs and Thai people traveling outbound. Market competition is focused on promoting services and content-adding services with most of the general pricing packages on par. The gradual improvement in ARPU revenue for both mobile phone and fixed-broadband services has been thanks largely to the rollout of new pricing packages after the expiry of low-priced ones. Mobile net additional subscribers may see a small positive increase during the quarter on rising tourist SIMs.
- The postpaid service may see a stabilized ARPU (Bt449) versus a slight improvement in the prepaid service ARPU (Bt133) as customers may need to top up their price packages to maintain internet speed quality. Blended ARPU may improve a bit QoQ to Bt223 during 1Q24F.
- We expect a small net additional FBB subscriber increase from the combination of the 3BB and AIS broadband services, versus total subs of 4.74m at end-2023 (2.4m from AIS and 2.3m from 3BB), suggesting a market share of 46%. Combined monthly ARPU is Bt490 for 4Q23 (versus Bt434 for AIS alone).
- Meanwhile, handset sales will likely rise YoY but may fall QoQ with a sales catalyst from the e-tax refund scheme lasting until 15 Feb.
- Cost of service and operating expenses will continue to be under tight control. Therefore, EBITDA is estimated to rise 14.4% YoY to Bt25.9bn, with an EBITDA margin of about 49.5% (versus 48.5% a year ago).
- Maintain BUY.** ADVANC should remain in a solid market position. We prefer to maintain our earnings estimates and BUY call on ADVANC, with a DCF-based price target of Bt255. Downside risks to our view would be a continued rise in market competition, which would stall future revenue growth, and prolonged weak economic activity due to rising inflation, which might dampen consumer spending.


### Investment Summary

FY 31 Dec	2021	2022	2023	2024F	2025F	2026F
Service (Btm)	130,972	133,033	138,376	155,869	159,805	163,460
Change (%)	1.1	1.6	4.0	12.6	2.5	2.3
Net profit (Btm)	26,922	26,011	29,086	30,552	33,410	35,208
Change (%)	-1.9	-3.4	11.8	5.0	9.4	5.4
EPS (Bt)	9.05	8.75	9.78	10.27	11.23	11.84
Change (%)	-1.9	-3.4	11.8	5.0	9.4	5.4
P/E (x)	22.4	23.2	20.8	19.8	18.1	17.1
EV/EBITDA (x)	7.5	7.7	7.8	7.1	6.4	5.9
DPS (Bt)	7.69	7.69	8.61	9.04	10.11	10.65
Yield (%)	3.8	3.8	4.2	4.5	5.0	5.2
BVPS (Bt)	27.47	28.81	30.45	31.60	33.15	34.61
P/BV (x)	7.4	7.0	6.7	6.4	6.1	5.9
ROE (%)	34.2	31.1	33.0	33.1	34.7	34.9
ROA (%)	7.6	7.5	7.3	6.9	7.8	8.5
Net D/E (%)	103.1	100.5	140.3	124.3	100.7	72.1

Source: Company and IVG estimates

### Analyst

Rattana Leenutaphong  
rattanal@ivglobal.co.th  
Tel: 662-658-5787

Rating	CGR	Thai CAC	SET ESG
ADVANC		Certified	AAA

# Company Update

Wednesday, April 03, 2024



I V Global Securities Public Company Limited

## Results preview

(Btm)	1Q24F	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Service revenue	38,500	33,531	14.8	36,862	4.4	138,569	133,033	4.2
Sales	10,500	9,926	5.8	10,892	(3.6)	36,952	39,476	(6.4)
Total revenues	52,300	46,712	12.0	51,317	1.9	188,873	185,485	1.8
Regulatory costs	1,540	1,394	10.5	1,508	2.1	5,680	5,502	3.2
Dep & amortization	13,450	12,789	5.2	13,349	0.8	51,404	51,296	0.2
Network opex	6,000	5,281	13.6	5,556	8.0	21,825	20,075	8.7
Other service cost	3,290	2,487	32.3	2,621	25.5	10,201	10,202	(0.0)
Total cost of service	24,280	21,950	10.6	23,036	5.4	89,110	87,075	2.3
Overall gross profit	17,552	15,010	16.9	17,643	(0.5)	63,486	59,313	7.0
SG&A expenses	6,203	5,601	10.7	7,438	(16.6)	22,978	22,486	2.2
EBIT	11,349	9,410	20.6	10,205	11.2	40,508	36,827	10.0
EBITDA	25,899	22,636	14.4	23,945	8.2	93,371	89,711	4.1
Interest expenses	2,250	1,250	80.0	2,196	2.5	6,145	5,230	17.5
Pre-tax profit	9,228	8,354	10.5	8,704	6.0	35,998	32,182	11.9
Tax	1,906	1,597	19.3	1,702	12.0	6,909	6,168	12.0
<b>Net profit</b>	<b>7,320</b>	<b>6,757</b>	<b>8.3</b>	<b>7,002</b>	<b>4.5</b>	<b>29,086</b>	<b>26,011</b>	<b>11.8</b>
EPS (Bt)	2.46	2.27	8.3	2.35	4.5	9.78	8.75	11.8

Source: Company and IVG estimates; 4Q19 is based on pre-TFRS 16

## Financial ratios

(%)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Cellular rev growth YoY	1.0	1.3	2.3	1.8	2.9	8.9
Cellular rev growth QoQ	(0.5)	2.2	(0.9)	1.1	0.5	8.2
Total revenue growth YoY	9.1	(3.3)	3.2	(1.1)	(0.4)	5.4
Regulatory cost as % of rev	4.2	4.1	4.2	4.0	4.1	4.1
Gross margin - cellular (%)	39.8	40.8	40.3	40.1	41.7	43.0
Gross margin - cons (%)	31.4	31.4	32.1	33.7	34.2	34.4
SG&A as % of rev	12.2	11.3	11.9	11.0	10.8	14.4
EBIT margin	19.2	20.1	20.1	22.6	23.4	19.9
EBITDA margin	47.8	47.0	48.5	52.1	51.2	46.7
Net margin	13.0	15.1	14.5	16.0	17.7	13.6
Net D/E	110.0	99.8	98.7	100.7	113.6	140.3
Net adds (m)	0.157	0.351	0.108	(0.805)	(0.867)	0.167
Total subs (m)	45.66	46.01	46.12	45.32	44.45	44.62
Mobile ARPU (Bt)	212	213	210	213	216	223
FBB sub (m)	2.09	2.17	2.27	2.33	2.38	4.74
FBB ARPU (Bt)	418	407	407	414	428	490

Source: Company and IVG estimates

## Quarterly Results

(Btm)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Service revenue	32,770	33,292	33,129	33,842	33,531	33,903	33,980	37,052
Sales	9,270	8,786	9,934	11,485	9,926	7,459	8,675	10,892
Total revenues	45,279	45,273	46,234	48,699	46,712	44,775	46,069	51,317
Regulatory costs	1,357	1,374	1,380	1,391	1,394	1,369	1,409	1,508
Dep & amortization	12,969	12,783	12,822	12,722	12,789	12,787	12,479	13,349
Network opex	4,816	4,825	5,156	5,278	5,281	5,594	5,394	5,556
Other service cost	2,395	2,648	2,505	2,654	2,487	2,585	2,508	2,621
Total cost of service	21,537	21,630	21,863	22,045	21,950	22,334	21,789	23,036
Overall gross profit	14,601	14,874	14,538	15,300	15,010	15,070	15,762	17,643
SG&A expenses	5,578	5,718	5,669	5,521	5,601	4,947	4,993	7,438
EBIT	9,023	9,156	8,869	9,779	9,410	10,124	10,770	10,205
EBITDA	22,404	22,353	22,091	22,882	22,636	23,317	23,674	23,945
Interest expenses	1,320	1,323	1,294	1,294	1,250	1,333	1,366	2,196
Pre-tax profit	7,854	7,773	7,442	9,112	8,354	8,905	10,035	8,704
Tax	1,543	1,467	1,410	1,747	1,597	1,723	1,887	1,702
<b>Net profit</b>	<b>6,311</b>	<b>6,305</b>	<b>6,032</b>	<b>7,364</b>	<b>6,757</b>	<b>7,181</b>	<b>8,146</b>	<b>7,002</b>
EPS (Bt)	2.12	2.12	2.03	2.48	2.27	2.41	2.74	2.35

Source: Company and IVG estimates

# Company Update

Wednesday, April 03, 2024



I V Global Securities Public Company Limited

## Financial ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Cellular rev growth YoY	1.1	2.9	1.0	1.3	1.0	0.8	4.0
Cellular rev growth QoQ	(1.9)	1.6	(0.5)	2.2	0.0	0.0	0.0
Total revenue growth YoY	(1.3)	5.9	9.1	(3.3)	4.9	2.3	1.8
Regulatory cost as % of rev	4.1	4.1	4.2	4.1	4.1	4.1	4.1
Gross margin - cellular (%)	40.2	40.7	39.8	40.8	41.1	40.4	41.3
Gross margin – cons (%)	32.2	32.9	31.4	31.4	33.0	32.0	33.6
SG&A as % of rev	12.2	12.6	12.2	11.3	12.0	12.1	12.1
EBIT margin	19.9	20.2	19.2	20.1	21.0	19.9	21.4
EBITDA margin	49.5	49.4	47.8	47.0	50.4	48.4	49.4
Net margin	13.9	13.9	13.0	15.1	14.8	14.0	15.3
Net D/E	104.4	109.1	110.0	99.8	103.1	99.8	140.3
Net adds (m)	0.506	0.881	0.157	0.351	2.68	1.90	(1.397)
Total subs (m)	44.62	45.50	45.66	46.01	44.12	46.01	44.62
Mobile ARPU (Bt)	216	215	212	213	226	214	216
FBB sub (m)	1.87	1.97	2.09	2.17	1.77	2.17	4.74
FBB ARPU (Bt)	446	432	418	407	455	426	435

Source: Company and IVG estimates

<b>ADVANC IVG ESG Rating: GOOD</b>	<b>75%</b>
<b>E: Environmental</b>	<b>17%</b>
Energy Efficiency Management	50%
Climate-Related Management	50%
Sustainable Water Management	50%
Sustainable Waste Management	50%
<b>S: Social</b>	<b>25%</b>
Human Rights Management	50%
Education and Training Policy	50%
Occupational Health and Safety Policy	100%
Corporate Social Responsibility Policy	100%
<b>G: Governance</b>	<b>33%</b>
Corporate Governance Rating (CGR)	100%
Employees Trained on Anti-Corruption	100%
Risk and Crisis Management	100%
Cybersecurity and Customer Data Privacy Protection	100%
Digitalization and Innovation	100%
Customer Relationship Management	100%

TELECOM sector	Scores	Weights	ADVANC
E: Environmental	8	33%	17%
S: Social	8	33%	25%
G: Governance	10	33%	33%
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>75%</b>

Company ESG Policy Priorities		
POOR	MEDIUM	GOOD
1-50%	>50 - 70%	>70 - 100%

Source: Sustainability report from company 2022 and Criteria by IVG

## I V Global Investment Research – Recommendation Definitions

### Sector Recommendations

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

### Stock Recommendations

**BUY:** Expecting positive total returns of 15% or more over the next 12 months.

**HOLD:** Expecting total returns of not more than -10% to +10% over the next 3 months.

**SELL:** Expecting negative total returns of 15% or more over the next 12 months.

## Anti-corruption Progress Indicator Definitions

<b>Level 5 Extended</b>	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
<b>Level 4 Certified</b>	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
<b>Level 3 Established</b>	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
<b>Level 2 Declared</b>	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
<b>Level 1 Committed</b>	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
<b>Partially progress</b>	Insufficient or not clearly defined policy
<b>No progress</b>	Data not available / no policy

## Corporate Governance Report (CGR)



Excellent

Very good

Good

## Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



I V Global Securities Public Company Limited

18<sup>th</sup> Floor, Mercury Tower, 540 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330

Telephone: +66 (0) 2658-5800 Fax: +66 (0) 2658-5799