

Advanced Info Service Plc (ADVANC)

Rating: BUY

Fair price: Bt255.0

Close price: Bt197.5

Company Information

Ticker:	ADVANC TB
Sector:	ICT
Shares outstanding (m):	2,974.21
Market capitalization (Btm):	587,406.42
Trading vol/day (Btm):	1,012.09
Free float (%):	36.24
Beta:	0.29

Major Shareholders

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

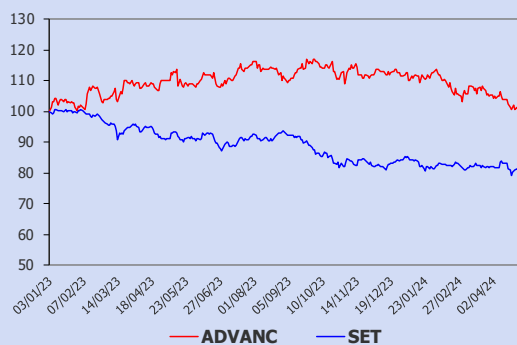
Consensus Bloomberg

2024F EPS (Bt):	10.40
Target price (Bt):	257.14

Price Performance

52 Wk high/low:	231.0 / 193.0
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	1M	3M	1Y	YTD
Absolute (%)	-3.7	-9.8	-7.7	-9.0
Relative (%)	-2.9	-10.1	2.8	-5.6



1Q24 net profit beats us and consensus

- ADVANC reported a stronger-than-expected net profit of Bt8.45bn (EPS of Bt2.84) for 1Q24, up 25.1% YoY and 20.7% QoQ. The 1Q24 results were better than our estimate of Bt7.3bn and the Bloomberg consensus projection of Bt7.2bn. 1Q24 earnings accounted for 27.7% of our full-year estimate. The strong bottom-line profit growth was contributed largely by all business units.
- **Key 2024 guidance is maintained**, including service revenue growth of 13-15% with EBITDA growth of 14-16%. The capex budget is set at Bt25bn-26bn. Management targets the mobile business to focus on leadership in network quality and coverage, personalized segment offerings, and value uplifting with 5G. Fixed broadband will benefit from integration after the TTTBB acquisition and continued growth momentum with a combined network across Thailand. Enterprise non-mobile revenue will focus on profitable growth utilizing the group's synergies.
- For 1Q24, core service revenue grew by 18% YoY to Bt39.4bn. EBITDA rose 23% YoY to Bt27.7bn. Sales of handsets and kits grew 5.7% YoY to Bt10.5bn. EBITDA margin was 52.1%, up from 48.3% a year ago, mainly due to rising revenues, improving sales margin and cost efficiency.
- For core service revenues, mobile service revenue grew 3.7% YoY to Bt30.3bn due to an ARU uplift and a rebound in tourist-related usage. Blended ARPU rose YoY from Bt210 to Bt224 and a price package restructuring due to declining market competition sentiment. Prepaid and post-paid subscribers grew by 1.2% and 0.1% QoQ to 32.29m and 12.73m, respectively. Total net adds came in at 408.4k during 1Q24 (post-paid subscribers of 18.2k and prepaid subscribers of 390.2k).
- Fixed-broadband revenue continued to grow by 163% YoY and 41% QoQ to Bt7.1bn, accounting for 18% of core service revenue amid the highly competitive market environment.
- Enterprise business revenue (data center service, cloud, cybersecurity, IOT and ICT solutions) grew by 27% YoY to Bt1.98bn, contributing 5% of total core service revenues.
- Cost of service rose 13% YoY from a 12% rise in network opex from increasing maintenance and transmission costs from TTTBB, partially offsetting lower utility costs from the lower FT rate YoY. Depreciation costs also rose 16% YoY to Bt14.8bn due to the consolidation of TTTBB.
- SG&A expenses grew 5.2% YoY to Bt5.9bn, accounting for 11% of revenues. Marketing expenses declined 11% YoY from cost-optimization efforts.
- Net DE ratio was at 1.3x. Capex was Bt7.1bn for 4G/5G network investment.
- **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)	21.8	22.6	20.2	19.2	17.6	16.7
EV/EBITDA (x)	7.3	7.5	7.7	7.0	6.2	5.8
DPS (Bt)	7.69	7.69	8.61	9.04	10.11	10.65
Yield (%)	3.9	3.9	4.4	4.6	5.1	5.4
BVPS (Bt)	27.47	28.81	30.45	31.60	33.15	34.61
P/BV (x)	7.2	6.9	6.5	6.3	6.0	5.7
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	123.9	100.3	71.7

Source: Company and IVG estimates

Analyst

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Rating	CGR	Thai CAC	SET ESG
ADVANC		Certified	AAA

Company Update

Thursday, May 02, 2024



I V Global Securities Public Company Limited

Results

(Btm)	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Service revenue	39,437	33,531	17.6	36,862	7.0	138,569	133,033	4.2
Sales	10,490	9,926	5.7	10,892	(3.7)	36,952	39,476	(6.4)
Total revenues	53,293	46,712	14.1	51,317	3.9	188,873	185,485	1.8
Regulatory costs	1,581	1,394	13.4	1,508	4.8	5,680	5,502	3.2
Dep & amortization	14,816	12,789	15.8	13,349	11.0	51,404	51,296	0.2
Network opex	5,890	5,281	11.5	5,556	6.0	21,825	20,075	8.7
Other service cost	2,594	2,487	4.3	2,621	(1.0)	10,201	10,202	(0.0)
Total cost of service	24,881	21,950	13.4	23,036	8.0	89,110	87,075	2.3
Overall gross profit	18,418	15,010	22.7	17,643	4.4	63,486	59,313	7.0
SG&A expenses	5,890	5,601	5.2	7,438	(20.8)	22,978	22,486	2.2
EBIT	12,529	9,410	33.1	10,205	22.8	40,508	36,827	10.0
EBITDA	27,769	22,561	23.1	23,945	16.0	93,371	89,711	4.1
Interest expenses	2,300	1,250	84.0	2,196	4.8	6,145	5,230	17.5
Pre-tax profit	10,444	8,354	25.0	8,704	20.0	35,998	32,182	11.9
Tax	1,993	1,597	24.8	1,702	17.1	6,909	6,168	12.0
Net profit	8,451	6,757	25.1	7,002	20.7	29,086	26,011	11.8
EPS (Bt)	2.84	2.27	25.1	2.35	20.7	9.78	8.75	11.8

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

Financial ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Cellular rev growth YoY	2.3	1.8	2.9	8.9	17.6
Cellular rev growth QoQ	(0.9)	1.1	0.5	8.2	7.0
Total revenue growth YoY	3.2	(1.1)	(0.4)	5.4	14.1
Regulatory cost as % of rev	4.2	4.0	4.1	4.1	4.0
Gross margin - cellular (%)	40.3	40.1	41.7	43.0	41.9
Gross margin - cons (%)	32.1	33.7	34.2	34.4	34.6
SG&A as % of rev	11.9	11.0	10.8	14.4	11.0
EBIT margin	20.1	22.6	23.4	19.9	23.5
EBITDA margin	48.3	52.1	51.2	46.7	52.1
Net margin	14.5	16.0	17.7	13.6	15.9
Net D/E	98.7	100.7	113.6	140.3	132.0
Net adds (m)	0.108	(0.805)	(0.867)	0.167	0.408
Total subs (m)	46.12	45.32	44.45	44.62	45.02
Mobile ARPU (Bt)	210	213	216	223	224
FBB sub (m)	2.27	2.33	2.38	4.74	4.82
FBB ARPU (Bt)	407	414	428	490	496

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	37,055
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
Net profit	6,311	6,305	6,032	7,364	6,757	7,181	8,146	7,002
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

Thursday, May 02, 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

ADVANC

E: Environmental

Realizing the increasingly severe repercussions of climate change, ADVANC has set forth strategies that encompass ADVANC' business operations and its business value chain. Last year, the company employed technology and devised plans for efficient energy and water consumption. An assessment of indirect greenhouse gas emissions scope 3 was initiated to raise awareness among business units and use the results to formulate strategies to achieve the targets. In 2023, ADVANC undertook the installation of solar panels at another 8,835 locations, resulting in a reduction of 16,376 tons of carbon dioxide equivalent. For waste management, ADVANC resolved to manage e-waste properly to achieve the target of zero e-waste to landfill and raise public awareness about proper e-waste management through the "Thais Say No to E-waste" program. The efforts spanned from setting criteria for environmentally friendly procurement to the disposal and recycling of e-waste to minimize environmental impact.

S: Social

ADVANC is dedicated to enhancing its telecommunications infrastructure, forming the foundation for digital innovations. Over the past year, AIS expanded its 5G network to reach nearly 90% of the Thai population. The company has collaborated with partners on initiatives such as the AIS 5G Paragon platform, facilitating businesses in the adoption of digital processes. Continuous investments have been made to fortify cyber security and safeguard customers' personal data. Comprehensive risk assessments of ADVANC's cyber security procedures and those of third-party entities connected to the company's data have been conducted to ensure compliance with international standards for the proper protection of customers' data and the company's sensitive information. Emphasizing the significance of human capital as a key driver for stability and innovation, ADVANC has prioritized equipping its workforce with the necessary skills and knowledge in digital technology. This strategic focus aims to support business expansion, enhance competitive advantages for sustainable growth, and cultivate a workforce that exemplifies quality digital citizenship in the digital economy.

G: Governance

ADVANC firmly believes that building a comprehensive telecommunication infrastructure covering all populated areas will unlock opportunities for leveraging digital technology, a crucial tool for reducing inequalities in accessing essential services. In the previous year, AIS actively pursued its "Mission to drive digital society", leveraging the LearnDi and ReadDi online learning platforms to provide educational opportunities for lifelong learning and the development of the Thai population. Despite the manifold benefits that come with the increased adoption of digital technology, there are also associated risks. In response, ADVANC has committed itself to fostering knowledge and digital skills through the Aunjai Cyber curriculum, comprising lessons and online tests that reached over 322,000 users. In 2023, AIS introduced the Thailand Cyber Wellness Index (TCWI) as a metric for assessing cyberspace skills, advocating for responsible and improved digital usage.

Comment

ADVANC has been awarded a SET ESG rating of AAA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG estimates

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

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	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.)
Level 3 Established	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)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	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.



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