

Advanced Info Service – Boring but beautiful

Rating: Buy for 44% upside Share Price: Bt238, Target Price: Bt342

Executive Summary

We recommend buying ADVANC for 44% upside. The thesis is simple: (1) monetization of data will drive revenue growth (2) expiry of discounts will improve margins (3) lower regulatory costs will improve margins (4) alignment of interests between government and telcos. The full value of ADVANC is not realized due to the following misperceptions: (1) slow to move into new markets (2) no exciting growth story.

Catalysts – (1) Shift from ‘unlimited’ data plans to tier-pricing (2) winning the 4G spectrum license.

Company overview – the leading mobile operator in 2G and 3G

ADVANC is the leading Thai mobile operator (45% mkt share by subscribers, 53% mkt share by revenue). It makes money by charging subscribers for mobile services (90% revenue) and by selling handsets (10% revenue). Given its zero-margin strategy in handset sales, profits are driven by mobile services. ADVANC’s assets consist of base transceiver stations and spectrum licenses. ADVANC’s growth strategy is organic.

It operates mobile service on both 2G and 3G. The 2G service is operated under Build-Operate-Transfer contracts with TOT (a state-owned enterprise), and these contracts expire in mid-2015. 3G services were launched in May 2013 under a 15-year license issued by the authorities. ADVANC recently entered the fixed broadband segment and will be entering the 4G market once spectrum auctions are held this year.

The industry big picture – there will be imminent monetization of data usage

The 3 main players are ADVANC, DTAC and True. ADVANC has successfully defended its market share in the past 10 years, maintaining between 40%-50% market share while having the highest margins. We observed 3 broad trends in the industry:-

1. **Smartphone penetration set to increase** from ~35% to 50%¹ by end 2015
2. **Mobile data consumption will continue to double** every year²
3. **Telcos are expected to monetize data usage**³ by switching to volume-based pricing

ADVANC is the pioneer of the industry; DTAC poses strong competition to ADVANC; while True is the first mover in 3G and 4G. Based on research conducted (See Appendix 1), ADVANC’s strengths lie in its widest network coverage and greatest network reliability. ADVANC has the lowest churn (% of defection) amongst the competitors. In Thailand, people currently associate ADVANC with network reliability and True with Internet.

Financial Year End: Dec	2013	2014	2015E	2016E	2017E	2018E	2019E
Revenue (Baht m)	150,578	149,329	144,230	149,531	164,057	188,033	222,379
EBIT (Baht m)	46,765	46,920	46,684	51,692	66,400	80,984	101,195
Net Profit (Baht m)	36,230	36,003	35,888	39,342	51,111	62,800	79,090
EPS (Baht /share)	12.19	12.11	12.07	13.23	17.19	21.12	26.60
Revenue YoY %		-0.8%	-3.4%	3.7%	9.7%	14.6%	18.3%
EBIT YoY %		0.3%	-0.5%	10.7%	28.5%	22.0%	25.0%
EPS YoY %		-0.6%	-0.3%	9.6%	29.9%	22.9%	25.9%
EBIT Margin (%)	31%	31%	32%	35%	40%	43%	46%
Net Profit Margin (%)	24%	24%	25%	26%	31%	33%	36%
Net debt: EBITDA	21%	35%	84%	80%	67%	58%	49%
P/E (x)	19.5 x	19.7 x	19.7 x	18.0 x	13.8 x	11.3 x	8.9 x
P/B (x)	15.4 x	15.1 x	14.8 x	14.4 x	14.0 x	13.5 x	12.9 x
EV/EBIT (x)	15.6 x	15.6 x	15.6 x	14.1 x	11.0 x	9.0 x	7.2 x
Dividend Yield (%)	5%	5%	5%	5%	7%	9%	11%
Implied P/E based on TP (x)	28.06	28.24	28.33	25.84	19.89	16.19	12.86

¹ IDC Research Thailand Estimates

² Preiss, Nokia’s head of networks (Thailand)

³ Channel checks on telcos’ hiring patterns, and correspondences with telcos)

Type: Telecommunications

Bbg Ticker: BKK ADVANC

Share Price: Bt238

Target Price: Bt342

Rating: Buy

Market Cap (US\$): 21B

Avg Vol (US\$/day): ~45M

Free float: 36.22%

Shares outstand (m): 2,973

Majority Shareholders:

Intouch Holdings PLC, 40.45%

Singtel, 23.32%

Investment Horizon: 1-2 years

Valuation Method: Multiples, DDM, DCF

Share performance



Thesis points (1) data monetization, (2) expiry of discounts (3) lower costs (4) digital economy act

(1) The Thais are addicted to the Internet, and the telcos will monetize the addiction. We believe that revenue growth is at an inflection point, and would trend aggressively upwards in 1-2 years' time due to data monetization. A 2014 survey by Electronic Transactions Development Agency (ETDA) revealed that Thais spend "1/3 of daily life" on the internet thanks to social network addiction. The exponential growth in data usage will *more than offset the decline in voice revenues*. In 2013 and 2014, ADVANC's voice revenue declined by 2.7B and 10.6B, but non-voice revenue increased by 6.2B and 11.1B – and this happened *even though unlimited data plans were used*. With the imminent replacement of unlimited plans with volume-based plans, telcos will better monetize the 100% YoY growth in data consumption. Facts that back our thesis:-

1. We spoke to DTAC (page 9), which replied that it has "already move forward to limited or tier-based data pricing" and "expect to see industry to move the same way"
2. We dug out ADVANC's earning calls transcript (3Q2014). CFO mentioned that competitors "are sending mixed signal" by not taking off the unlimited data pack, and that unless it's clearer, ADVANC will hold their cards.
3. We conducted channel checks on the telcos' employment records. DTAC's new CEO, appointed in April 2015, mentioned that he was brought in to focus on data monetization. LinkedIn search also revealed that a consultant was involved in the "initial phase of a Data Mining initiative for a telecom client (DTAC)", indicating that DTAC is actively looking for monetization methods. On hiring portals, we observed that ADVANC posted in April 2015 that it is hiring officers that specialize in data monetization.

(2) Cessation of the 6-months discount period will lead to ARPU uplift. To entice 2G users to migrate to 3G, ADVANC offered a 6-month 50% discount to them. More than 90% of the 2G users converted. Upon the cessation of the discounts this year, we are likely to see ARPU uplift. The increase will not be 100%, because some users will churn to other price plans or operators. Nonetheless, we believe that there could only be upside because:-

1. **Users are likely to switch to plans of similar or high prices.** If they switch to plans with similar prices, they will receive a lower data cap. With a YoY growth of 100% in data usage, such plans might not be sufficient
2. **Users are unlikely to switch to other operators.** Historically, ADVANC has the lowest churn rate. Also, a 2013 research paper by Pratompong Srinuan of NBTC⁴ revealed that mobile subscribers of ADVANC "would like to stay with their current provider as compared to other providers" and that "mobile subscribers of TrueMove are more likely to switch". The results also suggested that subscribers of ADVANC have the highest switching costs

(3) Lower regulatory costs will improve margins slightly. Under 2G, ADVANC had to share 25% of their service revenues with state-owned enterprises. With the 2G->3G migration, ADVANC would only have to pay 5.25% of its revenue to NBTC. The margin improvements will not be ~20% though – we are aware that NBTC had instructed the telcos to reduce 3G rates by at 15%. However, the net effect is still positive to ADVANC's margins.

(4) Alignment of interests between government and telcos. The military government is spearheading the digital economy initiative, which would require the expansion of internet access. It would appear that this alignment of interests between the telcos and government would open up new sources of revenue streams.

Sentiment – Why is the extra value currently unrealized?

(1) Compared to domestic peers, ADVANC has always been slow to move into new markets. However, we believe that the market overestimated the importance of 4G – when the authorities postponed the 4G spectrum auction in 2014, ADVANC's share price dipped by 5%. We opine that ADVANC should not be negatively affected by the above due to the following:-

1. **No regulatory cost savings** – Unlike the 2G->3G migration, there are no regulatory costs savings for 3G->4G.
2. **4G handset penetration is still little** – According to True, there are only 3.5M 4G-enabled handsets in Thailand (as compared to 98M total subscribers). Even if ADVANC had entered the 4G market now, financial upside would be limited. The competitors are spending the marketing dollars on 4G, but in reality the utilization is not there.
3. **The Thais do not need 4G...yet** - EDTA 2014 survey revealed that the Thai's favorite online activities are social network, news/ebooks, application games and online shopping, all of which do not require 4G to work well.
4. **Whatever head start that DTAC and True has is negligible** - As of 2015, DTAC and True have 700k and 900k 4G users respectively. Compared to the 98M total mobile phone subscribers in Thailand, the number is small⁵.

⁴ An analysis of mobile number portability effects on customer switching behavior in Thai mobile service

⁵ For perspective, according to earnings call, 1.5M ADVANC's users use 4G devices. If these users switch to 4G after ADVANC gets its license, ADVANC would immediately become the market leader for 4G.

5. **The real 4G fight only begins after the auctions** - Although competitors are in 4G, they are using the 2100 MHz spectrum, which isn't the world standard for 4G. The world standard 4G spectrum is 1800 MHz, which will be auctioned off in 2015.
6. **ADVANC will be able to rollout 4G immediately after auction** – ADVANC stated that it would be ready to rollout AIS 4G long-term evolution (LTE) services in a matter of months after obtaining licenses. This is in part due to the fact that more than 50% of its 3G cell sites will be reusable for 4G.

(2) Unlike competitors, ADVANC did not have an exciting growth story. However, this is set to change as ADVANC has signaled its intention to move into 4G, and has moved into the fixed broadband market.

Why pick ADVANC instead of competitors?

(1) ADVANC has the widest moat – ADVANC's **ROIC** of 44% puts it ahead of DTAC's 25% and True's -4%. ADVANC has the **lowest churn rate** and as mentioned earlier, has the **highest switching costs and consumer loyalty** amongst the 3. It also has a **margin advantage** as its operating margin of 34% is higher than DTAC's 16% and True's -2.5%. It has a **100% dividend payout** policy which (as ADVANC conveyed to us) it intends to maintain even if CAPEX increases. It also has **efficient CAPEX** – due to its in-house network R&D, ADVANC's 2100 MHz BTS can deliver signal as far as competitors' 850 Mhz BTS. This allows ADVANC to enjoy the capacity advantages of a high frequency bandwidth and not suffer from the coverage disadvantages. ADVANC also has **pricing power**, as seen from its ability to maintain market share even though it has the highest prices. Also, ADVANC **gives consumers what they want most** – based on a research⁶, network quality and coverage are most important to the Thais. Finally, ADVANC has **strong shareholders** (Temasek and Singtel).

(2) The fight has moved upcountry, and we think ADVANC has turf advantage – Given low smartphone penetration in the rural areas of Thailand, the telcos had stated their desire to target such markets. We believe that ADVANC will win in this turf war, (a) it has the best network coverage (which is important in the rural areas) (b) ADVANC's in-house operator brand (AIS LAVA G) is the cheapest amongst the operators' brands (DTAC Joey Jump & True SMART).

(3) Post-auction, ADVANC has the highest 4G upside – ADVANC had been battered because of its limited bandwidth and lack of 4G plans, while DTAC and True are already in the 4G market. Therefore, 4G will deliver greatest upside to ADVANC.

(4) Google trends say so – We hypothesized that the number of google hits would have a relationship with future revenue (premise: customers would do research via google before signing up for mobile services). We were surprised to find a strong co-relationship between google hits and future revenue (See Appendix 2). Google trends have a co-relation coefficient of 0.89, 0.95 and 0.90 with DTAC's, ADVANC's and True's future revenue. While this observation does not form the core of our thesis, we are pleasantly surprised that based on 2014 google hits, ADVANC would enjoy greater revenue growth than the other two competitors in 2015.

Valuation – Bt334 using multiples, Bt330 using two-stage DDM, Bt361 using DCF with exit multiple

Company Name	P / E		EV / EBIT		EV / EBITDA		ROIC	Dividend yield		EBIT margin		FCF Yield (%)	
	2015F	2016F	2015F	2016F	2015F	2016F	2014A	2015F	2016F	2015F	2016F	2013A	2014A
Advanced Info Service PCL	19.7 x	18.0 x	15.6 x	14.1 x	10.9 x	9.9 x	43.9%	4.9%	5.4%	32.4%	34.6%	3%	4%
Total Access Communication PCL	19.6 x	17.7 x	17.2 x	15.6 x	7.7 x	7.1 x	25.2%	5.7%	6.2%	16.3%	17.4%	7%	6%
True Corporation PCL	59.4 x	49.5 x	55.3 x	49.7 x	16.2 x	13.6 x	-4.1%	0.2%	0.4%	6.3%	6.7%	-1%	-6%
Maxis (Malaysia), in M MYR	26.6 x	24.8 x	20.9 x	19.8 x	14.5 x	14.1 x	26.0%	4.2%	4.4%	35.1%	36.0%	4%	4%
Telkom (Indonesia), in B IDR	16.9 x	15.5 x	11.0 x	10.1 x	7.1 x	6.6 x	34.0%	3.9%	4.4%	33.0%	33.4%	5%	3%
XL Axiata (Indonesia), in B IDR	37.7 x	23.2 x	28.0 x	21.3 x	7.7 x	6.9 x	3.9%	1.0%	1.9%	10.4%	12.6%	-1%	0%
Taiwan Mobile (Taiwan)	18.3 x	17.2 x	20.7 x	19.3 x	9.9 x	9.8 x	12.7%	5.4%	5.7%	15.9%	16.1%	5%	6%
StarHub (Singapore)	17.9 x	17.6 x	16.9 x	16.6 x	9.6 x	9.5 x	73.0%	5.3%	5.3%	19.5%	19.4%	6%	6%
DiGi (Malaysia)	23.1 x	22.8 x	17.4 x	16.8 x	14.3 x	13.4 x	199.0%	4.2%	4.4%	38.0%	38.0%	4%	4%
Globe (Philippines)	17.0 x	16.8 x	16.0 x	15.0 x	7.0 x	6.8 x	11.1%	5.1%	5.3%	20.4%	20.6%	3%	4%
Maximum	59.4 x	49.5 x	55.3 x	49.7 x	16.2 x	14.1 x	199.0%	5.7%	6.2%	38.0%	38.0%	6.8%	5.9%
75th percentile	25.7 x	23.1 x	20.8 x	19.7 x	13.5 x	12.5 x	41.4%	5.3%	5.4%	32.8%	34.3%	5.0%	5.2%
Median	19.6 x	17.8 x	17.3 x	16.7 x	9.8 x	9.7 x	25.6%	4.6%	4.9%	20.0%	20.0%	3.9%	3.8%
25th percentile	18.0 x	17.3 x	16.2 x	15.1 x	7.7 x	6.9 x	11.5%	4.0%	4.4%	16.0%	16.4%	3.0%	3.1%
Minimum	16.9 x	15.5 x	11.0 x	10.1 x	7.0 x	6.6 x	-4.1%	0.2%	0.4%	6.3%	6.7%	-1.0%	-5.8%

Valuation multiple - ADVANC's 10-year EV / EBIT range is between 5.4x and 35.1x. The current EV / EBIT of 15.6x puts ADVANC near to the middle of the range. Notwithstanding its superior ROE, revenue growth, EBIT growth, EBIT margins and ROIC, ADVANC's EV / EBIT multiple of 15.6x is the lowest amongst domestic peers. Assuming a multiple expansion to 19.7x

⁶ FACTORS THAT INFLUENCE CUSTOMER CHURN IN TELECOMMUNICATION INDUSTRY IN BANGKOK - <http://dspace.siu.ac.th/bitstream/1532/227/1/SIUPSSOM-MBA-2007-03.pdf>

given our thesis points, which places ADVANC at the 75th percentile of its peer group, ADVANC's implied share price would be Bt301 and Bt334 based on 2015 and 2016 estimates.

Two-stage DDM - Constant growth rate of 5% in dividends is assumed after year 5. We used 11% cost of equity and Year 1-5 dividends are based on our financial model, which could be found on Page 6. Based on our aforementioned assumptions, the TP of ADVANC is Bt330. The sensitivity table is below.

DCF with exit multiple to determine terminal value – The terminal value is determined using the exit multiple of 15.6x. We assumed 9.9% WACC and Year 1-5 FCFs are based on our financial model. Based on our aforementioned assumptions, the TP of ADVANC is Bt361. The sensitivity table is below.

		WACC							WACC										
		9.5%	10.0%	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%			8.0%	8.5%	9.0%	9.9%	10.0%	10.5%	11.0%	11.5%
Growth rate	3.5%	348	319	294	273	255	239	224	211	Exit multiple	13.0x	333	325	318	305	304	297	291	285
	4.0%	375	342	313	289	269	251	235	220		14.0x	356	348	340	327	325	318	311	304
	4.5%	407	368	336	308	285	264	246	231		15.0x	379	370	362	348	346	339	331	324
	5.0%	447	400	362	330	303	280	260	242		15.6x	393	384	375	361	359	351	343	336
	5.5%	497	439	393	356	324	298	275	256		16.0x	402	393	384	369	367	359	351	344
	6.0%	561	488	432	387	350	319	293	271		17.0x	425	416	406	390	389	380	372	364
	6.5%	647	551	480	424	380	344	314	288		18.0x	448	438	429	412	410	401	392	383

Valuation summary – Giving equal weighting to all three valuation methods, the **blended TP would be Bt342, a 44% upside.**

Major assumptions – Revenue, Costs and CAPEX

	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F
Mobile penetration rate %	127%	139%	145%	149%	152%	155%	159%	163%
Market share (by subscribers)	42%	44%	45%	45%	45%	45%	45%	45%
Non-voice revenue per user growth %	24%	8%	24%	24%	24%	24%	24%	24%
Voice revenue growth %	11%	-3%	-14%	-27%	-27%	-27%	-27%	-27%
Regulatory fee % of revenue	22%	21%	15%	12%	8%	5%	5%	5%
NW Op. expenses % of revenue	5%	6%	7%	8%	9%	10%	11%	12%
Total CAPEX as % of revenue		-19%	-24%	-38%	-17%	-13%	-11%	-9%
Borrowings		11812	21600	30000	6000	5000	5000	0

Risk analysis

Gearing to increase substantively to finance CAPEX – Assuming no equity fund-raising and that dividend payout policy is maintained, ADVANC would need to increase debt to finance the CAPEX on 4G and fixed broadband. This would translate to ~ Btt1B in additional interest expense, assuming that effective interest rates hold relatively constant. Notwithstanding the additional debt, ADVANC's Net Debt / EBITDA will still be a healthy ~80%.

Nobody makes the first move to remove unlimited data plans – To efficiently monetize data usage, all three telcos must “collude” to remove unlimited data plans. Otherwise, the defector will gain market share by enticing customers with its unlimited data plans. We are optimistic that all this “collusion” will occur because all parties would be negatively affected if it does not happen. Case in point: SingTel, StarHub and M1 collectively moved towards tiered pricing models in 2014 – also, SingTel also happens to be a controlling shareholder of ADVANC.

TOT's dispute with ADVANC - TOT and ADVANC have sent eight disputes to arbitration, including one over the ownership of the 13,198 telecom towers installed under the build-transfer-operate concession. ADVANC had already transferred all telecom towers to TOT but later reserved the right to hold on to them, after rivals were slowing the transfer of their network assets to CAT. According to local laws, until such disputes are settled, ADVANC would not be able to rent bandwidth from TOT. Given that resolution talks are ongoing and that ADVANC would be bidding for the 1800 Mhz spectrum at the upcoming auctions, we believe that the negative effects of such disputes are immaterial.

Asymmetric payoffs – We expect downside risk of 15%, while upside is 30%

Downside risk – the 52-week low is Bt202, which happened in July 2014, when the authorities announced that the 4G auction would be postponed. Should the 4G auction be postponed again, we are looking at a downside risk of 15% when share price regresses to Bt202.

Company Financials and Ratios (Source: Annual reports, analyst)

Units: M Baht

Income Statement:			Projected				
	2013	2014	2015	2016	2017	2018	2019
Revenues	150,578	149,329	144,230	149,531	164,057	188,033	222,379
Service revenues	127,820	125,396	118,634	121,435	133,210	154,158	185,173
Costs	(88,936)	(83,548)	(79,751)	(79,623)	(79,007)	(85,467)	(95,260)
Gross profit	61,642	65,781	64,479	69,907	85,050	102,566	127,119
SG&A	(14,876)	(18,860)	(17,795)	(18,215)	(18,649)	(21,582)	(25,924)
EBIT	46,765	46,920	46,684	51,692	66,400	80,984	101,195
Other income	871	700	700	700	700	700	700
Other expenses	(396)	(11)	(11)	(11)	(11)	(11)	(11)
Finance expenses	(1,002)	(1,527)	(2,514)	(3,204)	(3,201)	(3,173)	(3,022)
Profit before tax	46,238	46,083	44,860	49,177	63,889	78,500	98,863
Tax expense	(10,008)	(10,080)	(8,972)	(9,835)	(12,778)	(15,700)	(19,773)
Net income	36,230	36,003	35,888	39,342	51,111	62,800	79,090
D&A	16,541	18,922	20,327	21,829	19,878	19,025	18,991
EBITDA	63,306	65,842	67,011	73,521	86,278	100,009	120,186
Balance Sheet:			Projected				
	2013	2014	2015	2016	2017	2018	2019
Current assets							
Cash and cash equivalents	11,473	14,258	8,418	6,265	6,754	5,673	(530)
Receivables	15,116	16,316	17,308	19,439	22,968	28,205	35,581
Inventories	2,865	2,519	2,478	2,763	3,019	3,332	3,659
Other current assets	5,511	6,033	6,555	7,076	7,598	8,120	8,641
Total current assets	34,965	39,127	34,758	35,543	40,339	45,330	47,352
Non-current assets							
Property, plant and equipment	35,922	60,703	89,066	102,780	110,267	116,294	120,861
Spectrum license	13,601	12,624	21,357	13,149	7,626	3,837	1,168
Intangible assets	22,678	11,243	9,150	7,245	6,234	5,801	5,742
Deferred tax assets	3,557	1,442	1,442	1,442	1,442	1,442	1,442
Other non-current assets	1,303	1,212	1,212	1,212	1,212	1,212	1,212
Total non-current assets	77,061	87,224	122,227	125,828	126,781	128,586	130,426
Total assets	112,026	126,351	156,985	161,372	167,120	173,916	177,777
Liabilities and equity							
Current liabilities							
ST loans	4,000	-	-	-	-	-	-
ST payables	21,254	23,092	27,186	28,942	32,371	35,315	39,008
Accrued revenue sharing expense:	3,535	5,130	4,067	4,566	4,788	5,668	6,732
Deferred revenue	4,586	5,893	4,915	5,369	5,704	6,709	7,994
Income tax payable	2,817	2,196	2,240	2,299	3,088	3,732	4,739
Current portion of LT loans	5,303	2,572	32	32	32	32	32
Other current liabilities	3,996	4,024	4,024	4,024	4,024	4,024	4,024
Total current liabilities	45,491	42,906	42,464	45,231	50,007	55,480	62,529
Non-current liabilities							
Long-term borrowings	15,355	34,478	64,478	64,918	64,357	63,796	58,235
Other non-current liabilities	5,287	2,101	2,101	2,101	2,101	2,101	2,101
Total non-current liabilities	20,642	36,580	66,580	67,019	66,458	65,897	60,337
Total liabilities	66,133	79,486	109,044	112,250	116,465	121,377	122,866
Equity	45,893	46,865	47,941	49,122	50,655	52,539	54,912
Non-controlling interests	144	114	114	114	114	114	114
Total liabilities and equity	112,026	126,351	156,985	161,372	167,120	173,916	177,777

Cashflow Statement: <i>Units</i>	Projected						
	2013	2014	2015	2016	2017	2018	2019
Cash flows from operating activities							
Profit for the year	36,230	36,003	35,888	39,342	51,111	62,800	79,090
<i>Adjustments for</i>							
Depreciation	3,037	6,225	8,637	10,885	12,513	13,973	15,433
Amortisation	13,504	12,697	11,690	10,944	7,364	5,052	3,558
Change in working capital	(13,330)	(5,561)	627	(172)	469	(599)	(1,175)
Income tax expense	10,008	10,080	-	-	-	-	-
Other non-cash expenses	1,880	3,377	-	-	-	-	-
Net cash from (used in) operating	51,329	62,820	56,841	60,999	71,458	81,226	96,906
Cash flows from investing activities							
CAPEX (PPE)	(23,014)	(31,732)	(37,000)	(24,600)	(20,000)	(20,000)	(20,000)
CAPEX (Intangibles)	(5,447)	(830)	(830)	(830)	(830)	(830)	(830)
CAPEX (license)	-	(3,656)	(17,500)	-	-	-	-
Disposals of PPE	16	27	-	-	-	-	-
Other investing activities	328	367	-	-	-	-	-
Net cash from (used in) investing :	(28,117)	(35,824)	(55,330)	(25,430)	(20,830)	(20,830)	(20,830)
Cash flows from financing activities							
Repayments of ST borrowings	-	(4,000)	-	-	-	-	-
Proceeds from ST borrowings	4,000	-	-	-	-	-	-
Repayments of LT borrowings	(8,486)	(5,370)	(2,540)	(5,561)	(5,561)	(5,561)	(5,561)
Proceeds from LT borrowings	7,812	21,600	30,000	6,000	5,000	5,000	-
Dividend paid	(33,889)	(35,052)	(34,811)	(38,162)	(49,578)	(60,916)	(76,717)
Other financing activities	(1,010)	(1,390)	-	-	-	-	-
Net cash from (used in) financing :	(31,572)	(24,212)	(7,351)	(37,722)	(50,138)	(61,476)	(82,278)
Net increase in cash and cash eq	(8,360)	2,785	(5,840)	(2,154)	489	(1,081)	(6,202)
Cash and cash equivalents at 1 Ja	19,833	11,473	14,258	8,418	6,265	6,754	5,673
Effect of exchange rate changes or	0	0	-	-	-	-	-
Cash and cash equivalents at 31 I	11,473	14,258	8,418	6,265	6,754	5,673	(530)

Financial ratios	2013	2014	2015E	2016E	2017E	2018E	2019E
Revenue YoY %		-0.8%	-3.4%	3.7%	9.7%	14.6%	18.3%
EBITDA YoY %		4%	2%	10%	17%	16%	20%
EBIT YoY %		0.3%	-0.5%	10.7%	28.5%	22.0%	25.0%
EPS YoY %		-1%	0%	10%	30%	23%	26%
EBITDA Margin (%)	42.0%	44.1%	46.5%	49.2%	52.6%	53.2%	54.0%
EBIT Margin (%)	31%	31%	32%	35%	40%	43%	46%
Net Profit Margin (%)	24.1%	24.1%	24.9%	26.3%	31.2%	33.4%	35.6%
Net Gearing (%)	21%	35%	84%	80%	67%	58%	49%
P/E (x)	19.5 x	19.7 x	19.7 x	18.0 x	13.8 x	11.3 x	8.9 x
P/B (x)	15.4 x	15.1 x	14.8 x	14.4 x	14.0 x	13.5 x	12.9 x
EV/EBIT(x)	15.6 x	15.6 x	15.6 x	14.1 x	11.0 x	9.0 x	7.2 x
Dividend payout ratio (%)	94%	97%	97%	97%	97%	97%	97%
Dividend Yield (%)	5%	5%	5%	5%	7%	9%	11%
ROE %	79%	77%	75%	80%	101%	120%	144%
Net Margin %	24%	24%	25%	26%	31%	33%	36%
Asset turn over (x)	1.3 x	1.2 x	0.9 x	0.9 x	1.0 x	1.1 x	1.3 x
Leverage (x)	0.5 x	0.8 x	1.3 x	1.3 x	1.3 x	1.2 x	1.1 x

Email to Investor Relations of ADVANC – 26 March (No reply)

Dear Sirs,

I am currently researching on Advanced Info Services and I am hoping if you could provide me with clarifications to the following questions:-

1. Revenue

- a) Where does the Company see sales trending in the next 12 to 24 months?
- b) With the impending expiry of 2G concessionary rights and the absence of 4G spectrum license, would the Company's revenue for FY2015 be largely driven by 3G services?
- c) Generally, are subscribers migrating from prepaid to postpaid services?
- d) Has the Company been increasing or decreasing subscription prices in FY2015? If so, is there a ballpark figure for the adjustment?
- e) I understand that the Company is planning to enter the fixed broadband market. Is this new segment expected to contribute significantly to the Company's bottom line in coming years?

2. Costs

- a) With lower regulatory fees in place, would the Company be passing the cost reductions to consumers by way of lower prices?
- b) Besides 4G and fixed broadband capital expenditures, is the Company anticipating other major forms of capital expenditures in coming years?

3. Balance Sheet

- a) With impending hefty capital expenditures, how is the Company planning to finance such expenditures?
- b) What is the Company's targeted gearing ratio?
- c) Is there a minimum cash balance that the Company maintains?

4. General

- a) What catalysts will affect the stock going forward?
- b) What part of the business do you think is being ignored that has more upside potential than market consensus is giving it?
- c) Going forward, what are the key growth drivers for the Company.

Thank you so much. I would really appreciate it if you could assist me.

Best Regards,

Yao Yang

Email to Investor Relations of True – 26 March (No reply)

Dear Sirs,

I am currently researching on True Corporation and I am hoping if you could provide me with clarifications to the following questions:-

1. What are the key growth drivers for the Company in upcoming years?
2. What is the long-term strategic plan of the Company?
3. With the entry of other 4G competitors, is the Company confident of maintaining its market share in 4G? What is the competitive advantage of the Company that differentiates itself against other 4G competitors?

Thank you so much. I would really appreciate it if you could assist me.

Best Regards,

Yao Yang

Email to Investor Relations of DTAC – 13 April (Replied on 17 April)

Hi Yao Yang,

To your question,

1. What are the key growth drivers for the Company in upcoming years? (Mainly from mobile internet services)
2. What is the long-term strategic plan of the Company? (Our plans will be based on three key strategies 1) Internet for All, 2) Best in Digital Services and 3) Loved by Customer)
3. What is the competitive advantage of the Company that differentiates itself against other competitors? (Currently, we set our position to be the leading internet provider. Hence, we would like to have a head start on 4G and better by put more spectrum in use. In addition, we will increase 3G coverage to 95% of population to match the competitors. Thus, our 3G can match with other operators but differentiate with the 4G)
4. With declining voice revenues, is the industry planning to review the pricing strategies to take advantage of increasing data usage? (We already move forward to limited or tier-based data pricing to improve monetization of data growth since Q4 last year. We expect to see industry to move the same way)

Best regards,

Phone call with Investor Relations of ADVANC (Siraphop, 16 & 17 April)

Transcript (only transcribed questions that led to further disclosures):-

1. In the event 4G auction gets postponed, what would be the strategy of the Company?

The Company will continue to improve network quality to support the growth of data usage. The high quality of our networks will allow us to sustain our market share. The 4G handset is still not that many, so the impact is minimal. 4G handset will only start to increase in the next 2 years. Also, in terms of content there is not a lot of content that requires 4G speed yet.

2. What are some examples of content that requires 4G speed?

Such as high quality online streaming.

3. What would you say is the biggest strength of the Company even though it does not have 4G yet?

Customers do not only prefer 4G. As Thailand is a big country, most of our customers focus on network and service quality in all parts of Thailand. That is an area where we are good. We also believe that we have a better network coverage, better customer base and more loyal customers.

4. Would the Company still maintain its 100% dividend policy even though its FCF will be reduced by upcoming CAPEX?

We intend to maintain our dividend policy. The dividend payments will be financed with debt given the lower cost of debt.

5. How would the Company take advantage of the trend of increasing data usage?

We will continue to improve our network in terms of stability and coverage.

6. Are prices expected to continue to drop? Or will prices remain more stable given that the price reduction requested by NBTC had been effected? Also, the Company had been slashing prices to encourage 2G->3G migration. With the 3G migration completed, will prices still drop?

The decline in prices is also due to aggressive competition. A 50% rebate was offered to customers who migrated to 3G, and the contract is 12-month. After these contracts expire, the rebate will fall away.

7. Has the Company been adversely affected by the political situation?

The political impact is smaller after we actively communicated to the public through various media that the Company is not related to any political person.

Appendix 1

	Pricing	Coverage	Data speed	Reliability	Popularity
	★	★★★★	★	★★★★	★★★★
	★★	★	★★	★★	★★
	★★	★	★★★★	★	★

Source: Analyst, feedback from Thailand forums and blogs

Appendix 2

Strong correlation of 0.89 (DTAC), 0.95 (AIS), and 0.90 (True) between Google hits and next period revenue

