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### KEY HIGHLIGHTS

#### Strategy

#### Alpha Picks: January Portfolio

Follow the capital flow; cut KTC.

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#### Update

#### Advanced Info Service (ADVANC TB/BUY/Bt176.00/Target: Bt227.00)

4Q20 results preview: Expect net profit to improve qoq and yoy on strong iPhone 12 sales and tax incentive.

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### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,506.65	38.41	2.62
SET50	953.99	29.63	3.21
Value (Btm) - SET	102,771		
<b>Top 5 Sector</b>			
BANK	341.35	4.11	1.22
PETRO	1,052.48	(3.77)	(0.36)
PROP	212.51	4.48	2.15
ENERG	23,964.18	689.78	2.96
ICT	138.40	1.98	1.45

Source: Bloomberg

### TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
EA	64.00	19.63	159,557.6
GPSC	84.75	7.28	93,811.5
DELTA	656.00	24.24	10,675.9
GULF	37.25	4.93	107,037.8
PTT	42.00	(1.18)	75,867.5

### TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
NPK	14.50	29.46	0.4
JUTHA	1.02	29.11	1,175.7
UWC	0.05	25.00	11,074.2
DELTA	656.00	24.24	10,675.9
EA	64.00	19.63	159,557.6

### TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
AQ	0.01	(50.00)	3,510.0
T	0.04	(20.00)	56,382.7
TU-PF	1.18	(18.62)	24.4
BTNC	12.40	(17.33)	0.5
EFORL	0.06	(14.29)	15,353.2

### KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	53.6	9.0	25.6	3.5
Dubai crude*	49.8	2.4	29.4	(0.8)
Baltic Dry Index	1,374.0	14.8	(33.7)	0.6
Gold Spot***	1,951.1	6.1	3.9	2.8

\*(US\$/bbl), \*\*\* (US\$/toz)

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(2.0)	72.0	72.0	(7,054.2)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 29.93

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)\* - MLR = 5.25

### STRATEGY – THAILAND

## Alpha Picks: January Portfolio

The SET was more volatile in December, but it continued to increase 2.9% mom (vs our portfolio's -2.3% mom). This is due to: a) some positive sentiments from vaccine optimism; and b) an easing in the domestic political uncertainty. Looking ahead, 4Q20 results, additional restrictions following rising COVID-19 infections and foreign capital inflows will weigh on market sentiment. For January, we add SPALI and cut KTC.

### WHAT'S NEW

- Portfolio underperformed in December.** The SET was relatively more volatile in December, rising 2.9% mom (Nov 20: +17.6%), partly due to: a) development of COVID-19 vaccines; b) easing in domestic political unrest; and c) DELTA's strong share price performance (+110% mom). Our portfolio fell 2.3% mom in December. The strong performers were PTT (+6.3%), TVO (+3.8%) and PTTGC (+2.2%). KTC (-16.7%) and EGCO (-10.9%) underperformed.
- Corporate earnings, the pandemic and capital inflows are weighing on the market.** Although many countries have started vaccinations in January, Thailand will receive its first COVID-19 vaccines in Feb 21 amid escalating concerns over new infections. We are more optimistic that the SET would move upwards in 2021, underpinned by an improving economic environment, strong potential for an earnings rebound and accommodative stimulus. The SET may continue to be volatile in Jan 21 and we await: a) 4Q20 earnings; b) new COVID-19 infections; c) additional restrictions to prevent the spread of infections; and d) returning of capital flows following foreign investors' net buying in Nov-Dec 20.

### ACTION

- January alpha picks: Our BUY calls are ADVANC, BBL, BCH, CPALL, EGCO, PTT, PTTGC, SPALI and TVO.** We stick to laggard plays and continue to prefer cyclical stocks that would likely benefit from vaccine optimism and an improving economic environment. We add SPALI, given its solid backlog level to support high growth potential for 2021 and strong fundamentals to withstand some of the economic hardship.
- Cut KTC.** We are more optimistic on an economic recovery ahead, supported by COVID-19 vaccination, accommodative stimulus and a prolonged low-interest rate environment. These could ease some concerns over asset quality deterioration and enable KTC to stabilise provisions going forward.

### ANALYSTS' TOP ALPHA PICKS\*

Analyst	Company	Rec	Performance	Catalyst
Chaiwat Arsirawichai	ADVANC	BUY	(12.0)	Positive earnings growth momentum and high dividend
Tanadech Rungsriphanon	BBL	BUY	8.7	Solid balance sheet, compelling valuation and strong earnings rebound in 2021
Kowit Pongwinyoo	BCH	BUY	(1.4)	Resilient earnings growth in 2021
Kwanchai Atiphopchai	CPALL	BUY	(14.0)	Defensive play and the reopening of businesses to boost SSS growth
Arsit Pamaranont	EGCO	BUY	(10.9)	Excess liquidity on hand for possible M&A deal, improving earnings growth in 2021
Tanaporn/Chaiwat	PTT	BUY	38.2	Solid balance sheet and fund inflow from SSF to support share price
Tanaporn/Chaiwat	PTTGC	BUY	24.5	Improving earnings growth momentum in 2H20
Peerawat Dentananan	SPALI	BUY		Solid backlog level and strong growth potential in 2021
Thunya Sutavepramochanon	TVO	BUY	3.1	Rising global soybean prices
Kwanchai Atiphopchai	KTC	SELL	(16.7)	Dropped

\* Denotes a timeframe of 1-3 months and not UOBKH's usual 12-month investment horizon for stock recommendation  
Source: UOB Kay Hian

### KEY RECOMMENDATIONS

Company	Share Price (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
ADVANC	176.00	227.00	28.98
BBL	120.50	125.00	3.73
BCH	13.80	18.00	30.43
CPALL	58.00	73.00	25.86
EGCO	192.00	290.00	51.04
PTT	42.50	48.00	12.94
PTTGC	59.75	63.00	5.44
SPALI	20.90	23.40	11.96
TVO	34.75	39.00	12.23

Source: UOB Kay Hian

### CHANGE IN SHARE PRICE

Company	Dec 20 (%)	To-date* (%)
ADVANC	0.3	(12.0)
BBL	0.4	8.7
BCH	(2.9)	(1.4)
CPALL	(3.7)	(14.0)
EGCO	(10.9)	(10.9)
KTC	(16.7)	(16.7)
PTT	6.3	38.2
PTTGC	2.2	24.5
TVO	3.8	3.1
SET Index	2.9	

\*Share price change since stock was selected as alpha pick  
Source: UOB Kay Hian

### PORTFOLIO RETURNS

(%)	1Q20	2Q20	3Q20	4Q20	2020
SET return	(28.7)	18.9	(7.6)	17.2	(8.3)
<b>Alpha Picks Return</b>					
- Price-weighted	(2.8)	4.8	(2.5)	3.0	1.2
- Market cap-weighted	(7.9)	7.6	(7.5)	11.0	0.0
- Equal-weighted	(2.4)	7.1	(5.5)	6.7	1.2

Assumptions for the 3 methodologies:

- Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
  - Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
  - Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.
- Source: UOB Kay Hian

### ANALYST(S)

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### ADVANC (Chaiwat Arsirawichai)

- ADVANC is the largest mobile phone operator in Thailand. It provides 2G, 3G and 4G services through the 900MHz, 1800MHz, and 2100MHz spectrums. It acquired 5G spectrum licences - 700MHz, 2600MHz and 26GHz spectrums - via auctions in Feb 20. It also provides fixed broadband services via fibre optics.
- We are bullish on ADVANC, given the expected positive earnings momentum in 2021, supported by cost savings on 2G equipment rentals (from TOT).
- The company is poised to become a leader in 5G services and will be able to tap on high internet data usage in the future. There should be a shift in competitive dynamics in the long term. It has very strong operating cash flow vs peers.
- It offers a high dividend yield of around 4% in 2021.
- Our target price is Bt227.00, based on DCF valuation.

#### Share Price Catalyst

- A defensive play with sustainable earnings growth despite weakening economic growth.
- High dividend payment.

### BBL (Tanadech Rungsritthanon)

- BBL is one of the largest commercial banks in Thailand and a market leader in corporate and SME banking, commanding 20% of Thailand's credit market.
- Strong balance sheet, high provisions and solid capital cushion the bank against the impact of elevated NPLs and economic uncertainties. We believe the bank will pass the Bank of Thailand's (BOT) stress test and be able to pay dividends.
- Despite the economic slowdown, loan demand would likely be resilient, supported by the soft loans programme and rising demand for corporate loans.
- The acquisition of Bank Permata was completed in May. This would enable BBL to expand its overseas business and increase revenue in 2H20 and 2021.
- Our target price is at Bt125.00, pegged to 0.5x 2021F P/B.

#### Share Price Catalyst

- Valuation is undemanding at 0.5x 2021F P/B, or -2SD to the 2015-19 mean, factoring in the lacklustre growth in 2020.
- Attractive dividends of 3.7% in 2020F and 4.2% in 2021F.

### BCH (Kowit Pongwinyoo)

- BCH is one of the largest hospital groups in Thailand, targeting middle-income and social security (SC) patients.
- Cash-based patient revenue is expected to grow 12% yoy in 2021 on new capacity and additional revenue from COVID-19-related services. Two new hospitals are expected to open - one in 4Q20 and another in 1Q21.
- SC-based patient revenue is expected to grow 4% yoy in 2021 on more SC patients, in line with growth in new capacity.
- 2020 revenue is expected to grow 8% yoy while core profit could rise 12% yoy on growing sales and good financial control.
- Maintain BUY and target price of Bt18.00, based on DCF at a discount rate of 7%.

#### Share Price Catalyst

- Amid the pandemic, BCH will still be able to deliver good earnings growth in the next two years.

- The two new hospitals which have been scheduled to open next year will support BCH's long-term growth prospects.

### **CPALL (Kwanchai Atiphopchai)**

- CPALL operates 7-Eleven convenience stores in Thailand, commanding more than a 50% market share in the convenience store segment.
- Same-store sales (SSS) growth is expected to rise 3.4% yoy in 2021 vs -13.7% in 2020, reflecting improving economic growth.
- If the Tesco deal goes through, Charoen Pokphand Group (CP Group) will become the biggest player in Thailand's hypermarket segment with an estimated market share of 70%. We estimate a 4.7% upside to CPALL's 2020 net profit. Note that our estimate has not included the value arising from synergies.
- CPALL has signed a contract with 7-Eleven Inc. to operate the 7-Eleven franchise in Cambodia for 30 years. The contract can be extended twice by 20 years each, bringing the total contract duration to 70 years. CPALL is also negotiating to operate the 7-Eleven franchise in Laos. We believe these deals will enable CPALL to secure a foothold in untapped markets in Cambodia, Laos, Myanmar and Vietnam.
- Maintain BUY and target price of Bt73.00, pegged at 33x FY21F PE

#### **Share Price Catalyst**

- Approval of the Tesco deal by the Office of Trade Competition Commission should be a short-term price catalyst.

### **EGCO (Arsit Pamaranont)**

- EGCO is the second-largest independent power producer in Thailand with current equity capacity of 5,475MWe. The company sells most of its electricity to the Electricity Generating Authority of Thailand on a long-term power purchase agreement. EGCO also invests in conventional and renewable energy power plants overseas, including Korea, Indonesia, the Philippines, Laos and Australia.
- EGCO is submitting documents to obtain the shipper licence to import 250,000 tonnes of LNG per year. EGCO expects the Energy Regulatory Commission to approve its liquefied natural gas (LNG) shipper licence in early-21 and plans to import LNG for its power plants from 4Q21. Based on our calculations, the LNG business would boost core profit by 5-9% in 2022.
- With Bt18b cash, we believe EGCO is exploring opportunities in fossil fuel and renewable power plants in 3-4 countries. A deal is expected to be announced in 2021.
- We expect EGCO's earnings to have bottomed and expect a 15% yoy increase in 2021, driven by higher power demand after the COVID-19 abates and on lower gas costs.

#### **Share Price Catalyst**

- Higher dividend payment of Bt3.50/share for 2H20. This should boost sentiment for share price in the short term.
- Seasonal high for the Paju power plant in 4Q20.

### **PTT (Tanaporn Visaruthaphong/Chaiwat Arsirawichai)**

- PTT is the largest company by market capitalisation in the SET. The company has a near-monopoly in Thailand's O&G industry and is engaged in upstream exploration and production, refinery, downstream petroleum, non-oil, petrochemical, power and other related businesses.
- We expect net profits to rise 13% yoy for 2021 and 9% for 2022, following an expected sharp decline of 53% for 2020 (impacted by inventory losses). Growth will be supported by a

gradual recovery in 2H20 after the easing of lockdown measures as well as the continued decline in gas costs (expected decline of 6.5% yoy in 2021).

- PTT has a solid balance sheet with a low debt-to-equity ratio of only 0.25x. It has no big investment plans and has significant cash on hand. It also offers a high dividend yield of 4%.
- Maintain BUY and target price of Bt48.00, based on SOTP valuation.

### Share Price Catalyst

- We expect the Super Savings Fund to support PTT's share price as PTT is a large-cap stock and is integral to Thailand's benchmark index. Moreover, PTT's earnings are diversified, from upstream to downstream businesses.
- The listing of PTT Oil & Retail is expected in 4Q20-1Q21 could lead to a rerating for PTT.

### PTTGC (Chaiwat Arsirawichai)

- PTT Global Chemical (PTTGC) is the petrochemical flagship for PTT Group. PTTGC is a fully integrated petrochemicals and chemicals company. The company's products are derived from its main product, olefins (ethylene and propylene).
- The olefins & derivatives business (60% of group EBITDA in 2019) is expected to improve in 2H20, given: a) the maintenance shutdown of polyethylene (PE) plants in Asia; b) potential restocking in China's PE market; note China's current PE inventory level is at the low end of its 5-year band; c) the postponement of the planned start-up of new PE plants from this year to next year; and d) more demand for single-use plastics (in food packaging and hygiene related products) on concerns over the COVID-19 pandemic.
- PTTGC said there would be 7.8m tonnes of new PE supply coming on-stream globally in 2020 and 7.1m tonnes in 2021. PE demand is still resilient and is expected to grow 9.5% yoy in 2021. Thus, management estimates its high-density polyethylene (HDPE) prices at no less than US\$850-900/tonne in 2021, supported by stronger food and hygiene packaging demand.
- Maintain BUY and target price of Bt63.00, based on its 5-year forward P/B mean of 1.0x.

### Share Price Catalyst

- Undemanding valuation at just 0.8x 2021F P/B.
- PTTGC is our top pick in the O&G segment for its improving earnings growth momentum in 2H20, driven by a rebound in PE prices.

### SPALI (Peerawat Dentananan)

- SPALI is a property developer focusing on low-rise properties and condominiums in the medium range to low-end segments.
- Although we expect SPALI to report a weak net profit at Bt1.7b (-5% yoy) in 4Q20, it will still outperform the sector net profit decline of 36% yoy in 4Q20.
- SPALI's earnings growth should turn positive and should continue to outperform peers in 2021, with earnings growth of 26% yoy, supported by its strong backlog level.
- Maintain BUY and target price of Bt23.40, based on 9.6x 2021F PE, or 1SD above the stock's 10-year historical PE average.

### Share Price Catalyst

- Potential announcement of solid business plan.
- Potential earnings upside from asset injection into REIT. The transaction to inject Supalai Grand Tower into SPALIRT is expected in 2Q-3Q21.
- Potential announcement of a property stimulus package.

### TVO (Thunya Sutavepramochanon)

- TVO manufactures and distributes soybean oil under the A-Ngoon brand, and also produces raw materials for animal feed such as soybean meal and full fat soy.
- TVO will benefit from rising global soybean prices. Earnings are expected to be good in 4Q20, supported by wider gross margin for soybean meal and higher soybean oil ASP. We project a strong net profit growth of 15% yoy in 2020 and 29% yoy in 2021.
- Maintain BUY and target price of Bt39.00, pegged at 15x 2021F PE, or +0.5SD to its mean in 2015-19.

### Share Price Catalyst

- Rising global soybean prices will increase gross margin.
- Higher demand from China will boost sales growth.

### VALUATION

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			EPS Growth 2021F (%)	PEG 2021F (x)	P/B 2021F (x)	Yield 2021F (%)	ROE 2021F (%)
							2019 (x)	2020F (x)	2021F (x)					
Advanced Info Service	ADVANC TB	BUY	176.00	227.00	28.98	17,233	16.8	17.8	17.1	(5.7)	(3.0)	6.1	3.9	37.8
Bangkok Bank	BBL TB	BUY	120.50	125.00	3.73	7,574	6.4	11.2	9.6	(42.6)	(0.2)	0.5	3.7	5.3
Bangkok Chain Hospital	BCH TB	BUY	13.80	18.00	30.43	1,133	30.3	27.0	24.6	12.3	2.0	4.5	2.0	17.2
CPALL	CPALL TB	BUY	58.00	73.00	25.86	17,157	23.3	32.2	25.9	(27.5)	(0.9)	4.9	1.9	17.2
Electricity Generating Company	EGCO TB	BUY	192.00	290.00	51.04	3,329	7.7	10.8	8.4	(28.4)	(0.3)	0.9	3.9	10.4
PTT	PTT TB	BUY	42.50	48.00	12.94	39,974	13.1	22.8	18.1	(42.8)	(0.4)	1.1	3.5	4.3
PTT Global Chemical	PTTGC TB	BUY	59.75	63.00	5.44	8,871	23.1	283.5	30.6	(91.9)	(0.3)	1.0	2.3	3.1
Supali	SPALI TB	BUY	20.90	23.40	11.96	1,475	8.3	10.8	8.6	(23.5)	(0.4)	1.0	4.8	13.0
Thai Vegetable Oil	TVO TB	BUY	34.75	39.00	12.23	925	18.5	16.1	12.5	14.9	0.8	2.6	6.2	21.0

Source: UOB Kay Hian

### COMPANY UPDATE

## Advanced Info Service (ADVANC TB)

4Q20 Results Preview: Expect Net Profit To Improve qoq And yoy

We expect ADVANC's net profit to increase qoq and yoy on the back of: a) improving service revenue growth from strong iPhone 12 sales with high-priced 5G packages; and b) expected expansion in subscriber base in 4Q20. 5G development in Thailand would be a share price catalyst as ADVANC is a leader in 5G services with a high dividend yield of 3.9% and strong operating cash flow. Maintain BUY. Target price: Bt227.00.

### WHAT'S NEW

- Net profit expected to have increased qoq and yoy in 4Q20.** We forecast Advanced Info Service (ADVANC) to post a net profit of Bt7.8b for 4Q20, up 14.6% qoq and 9.7% yoy, due to: a) an expected 1% qoq rise in service revenue as net adds in subscribers turn slightly positive in 4Q20 (3Q20: net loss of 78,300, 2Q20: net loss of 136,300), especially in the postpaid subscriber segment. ADVANC has been benefitting from strong iPhone 12 sales which come with high-priced 5G packages (price plan packages range Bt699-Bt1,999 per month and we expect ADVANC's 5G subscribers to have reached over 100,000 subscribers in 4Q20). Hence, we expect: a) ADVANC's postpaid ARPU to have increased slightly in 4Q20; b) better handset margins at Bt109m in 4Q20 from -Bt73m in 3Q20; and c) tax benefits of Bt400m from government measures. However, the positives should be offset by slightly higher SG&A expenses on more marketing activities (especially 5G campaigns). We expect SG&A expenses to post a 2.1% qoq increase to Bt6.2b in 4Q20. The yoy increase in earnings would have been mainly due to higher SG&A expenses from 30th anniversary promotional expenses.
- Service revenue expected to have edged up by 1.0% qoq.** We expect service revenue to have edged up by 1.0% qoq in 4Q20 as subscriber base grows thanks a strong iPhone 12 sales which come with high-priced 5G package plans (Bt699-Bt1,999/month) and a ramp-up in marketing activities in the bid to acquire more subscribers. Blended ARPU is expected to have increased slightly qoq on more 5G subscriber acquisitions. For the fibre broadband business, we expect friendlier market competition with operators having phased out their low-priced plans (Bt299/month with internet speed of 100/50 Mbps) from their portfolios. We also expect a qoq increase in segment revenue, thanks to the positive subscriber net adds and the company's strategy of offering customers additional WiFi points in their homes and an additional router (however, customers will need to pay an extra Bt100/month/point on top of the package price). This strategy should support the segment's ARPU, hence minimising the impact from market competition.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	169,856	182,224	172,060	176,432	181,664
EBITDA	73,807	77,938	80,564	81,907	85,611
Operating profit	39,928	41,029	40,601	41,145	44,033
Net profit (rep./act.)	29,682	31,040	29,257	30,513	33,074
Net profit (adj.)	29,564	31,349	30,175	30,513	33,074
EPS (Bt)	10.0	10.6	10.2	10.3	11.2
PE (x)	17.6	16.6	17.3	17.1	15.8
P/B (x)	9.1	7.5	6.9	6.1	5.4
EV/EBITDA (x)	8.8	8.3	8.0	7.9	7.6
Dividend yield (%)	4.0	4.2	3.9	3.9	4.1
Net margin (%)	17.5	17.0	17.0	17.3	18.2
Net debt/(cash) to equity (%)	174.0	139.9	160.4	144.8	129.0
Interest cover (x)	14.8	16.3	13.3	13.3	13.6
ROE (%)	52.4	49.0	40.4	37.9	36.2
Consensus net profit	-	-	27,874	28,468	30,639
UOBKH/Consensus (x)	-	-	1.08	1.07	1.08

Source: ADVANC, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Bt176.00
Target Price	Bt227.00
Upside	+29.0%

### COMPANY DESCRIPTION

ADVANC is the largest mobile phone operator in Thailand that provides 2G/3G/4G/5G phone services through 900MHz, 1800MHz, 2100MHz, 2600MHz spectrum licences and provides fixed broadband services via fibre optic.

### STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	ADVANC TB
Shares issued (m):	2,973.6
Market cap (Btm):	523,345.6
Market cap (US\$m):	17,474.0
3-mth avg daily t'over (US\$m):	59.5

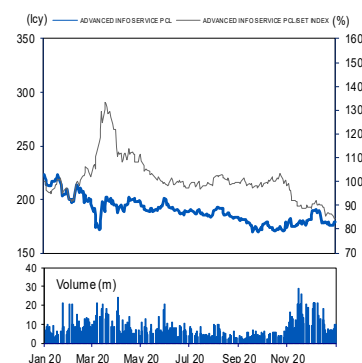
### Price Performance (%)

52-week high/low	Bt223.00/Bt170.00			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(1.1)	3.2	(5.1)	(17.4)	0.0

### Major Shareholders

	%
Intouch Holding	40.5
Singtel Strategic Investment	23.3
NVDR	5.5
FY21 NAV/Share (Bt)	28.89
FY21 Net Debt/Share (Bt)	41.84

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### 4Q20 RESULTS PREVIEW

Year to 31 Dec	4Q19 (Btm)	3Q20 (Btm)	4Q20F (Btm)	yoy % change	qoq % change
Revenue	48,818	41,715	46,815	-4.1%	12.2%
- Service Revenue	34,562	32,130	32,451	-6.1%	1.0%
- Sales	10,813	6,091	10,921	1.0%	79.3%
COGS	-20,752	-20,377	-20,479	-1.3%	0.5%
Handset subsidy	157	-73	109	-30.4%	-249.6%
SG&A	-8,100	-6,040	-6,166	-23.9%	2.1%
EBITDA	19,305	18,726	18,999	-1.6%	1.5%
Net income	7,065	6,764	7,753	9.7%	14.6%
Recurring income	8,049	7,126	7,353	-8.7%	3.2%
EPS (Bt)	2.4	2.3	2.6	9.7%	14.6%
SG&A/Sales (%)	-16.6%	-14.5%	-13.2%		
EBITDA margin (%)	39.5%	44.9%	40.6%		
Net profit margin (%)	14.5%	16.2%	16.6%		

Source: ADVANC, UOB Kay Hian

- Handset margin expected to have increased in 4Q20, thanks to strong iPhone 12 sales.** We expect ADVANC's handset margin to increase to Bt109m in 4Q20 (3Q20: -Bt73m) due strong sales of the iPhone 12 which yields a higher margin than other smartphones. Moreover, ADVANC and True Corporation (TRUE) have gained 5G market share from Total Access Communication (DTAC) as DTAC has not yet launched 5G commercial services while ADVANC and TRUE had deployed their 5G commercial services in Oct 20.
- Upside from new tax incentive.** The government had launched a new tax reduction incentive for private investments in 2020. This should allow companies to deduct depreciation expenses for their machinery-related investments in 2020. This should benefit all mobile operators as they will save more on tax expenses from 4Q20 onwards over the next five years. We expect ADVANC to save on tax expenses from this scheme, at around Bt400m per year in 2020-25.

### STOCK IMPACT

- 5G development in Thailand a share price catalyst.** ADVANC reaffirmed that it would be able to achieve its 5G subscriber target of 1m subscribers by end-21. Moreover, ADVANC has expanded into the industrial estate segment and Eastern Economic Corridor (EEC) area on the front of 5G services/deployment. ADVANC is rolling out its strategic plan to deploy digital infrastructure across Thailand's industrial sector. ADVANC has partnered with Rojana Industrial Park to install a fibre optic network at industrial parks in the EEC, covering the Rojana Pluak Daeng Industrial Park located in Rayong, the Rojana Chonburi (Bowin) Industrial Park and Rojana Laem Chabang Industrial Estate located in Chonburi. The deal will facilitate high-speed internet and high-quality mobile phone coverage with the capabilities of 5G technology and a range of smart solutions.
- Expect core earnings to continue increasing in 2021.** We expect service revenue to gradually increase thanks to strong 5G smartphone sales with pent-up demand and 5G price plan packages which yield an ARPU higher than overall ARPU of Bt237/subscriber/month. Hence, we expect some ARPU uplift over the next couple quarters. Moreover, we expect ADVANC to book more revenue streams from new business opportunities in 5G digital infrastructure in industrial and EEC areas.

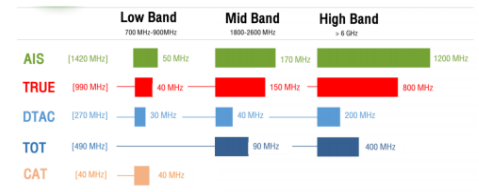
### EARNINGS REVISION/RISK

- None.

### VALUATION/RECOMMENDATION

- Maintain BUY with a target price of Bt227.00,** based on DCF valuation (WACC: 7.4%, terminal growth: 2%). We are positive on ADVANC as it will become a leader in 5G services and will be able to capture high internet data usage in the future. ADVANC is a defensive stock with a high dividend yield of 3.9% and strong operating cash flow.

### SPECTRUM PORTFOLIO - THAI TELCOS



Source: ADVANC

### ADVANC: 5G PACKAGE PRICE PLANS

	Monthly fee (Bt)	Data	Free call (min)	5G	5G	5G CLOUD	Extra
5G MAX SPEED	199	5GB	-	6 months	6 months	-	
5G MAX SPEED	699	50GB	Unlimited call on AIS	6 months	6 months	3 months	
5G MAX SPEED	899	80GB	Unlimited call on AIS	6 months	6 months	3 months	
5G MAX SPEED	1199	Unlimited	Unlimited call on AIS Network	12 months	12 months	3 months	+1 SIM x 50GB
5G MAX SPEED	1399	Unlimited	Unlimited call on AIS Network	12 months	12 months	3 months	+2 SIM x 50GB
5G MAX SPEED	1699	Unlimited	Unlimited call on AIS Network	12 months	12 months	3 months	+3 SIM x 50GB
5G MAX SPEED	1999	Unlimited	Unlimited call on AIS Network	12 months	12 months	3 months	+4 SIM x 50GB

Source: ADVANC

### TRUE: 5G PACKAGE PRICE PLANS

	Monthly fee (Bt)	5G/4G Data	Free call all network (min)
true 5G	299	1.5GB	100
true 5G	399	5GB	150
true 5G	499	10GB	200
true 5G	599	32GB	300
true 5G	699	40GB	300
true 5G	899	60GB	400
5G MAX SPEED UNLIMITED	1,099	Unlimited	700
5G MAX SPEED UNLIMITED	1,299	Unlimited	850
5G MAX SPEED UNLIMITED	1,499	Unlimited	1,200
5G MAX SPEED UNLIMITED	1,899	Unlimited	2,000

Source: ADVANC, TRUE, UOB Kay Hian

### ADVANC'S CORE PE BAND



Source: Bloomberg, UOB Kay Hian



### PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Net turnover</b>	<b>182,224</b>	<b>172,060</b>	<b>176,432</b>	<b>181,664</b>
EBITDA	77,938	80,564	81,907	85,611
Deprec. & amort.	36,909	39,963	40,762	41,578
EBIT	41,029	40,601	41,145	44,033
Total other non-operating income	651	1,267	1,293	1,318
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(4,777)	(6,072)	(6,170)	(6,293)
<b>Pre-tax profit</b>	<b>37,211</b>	<b>34,878</b>	<b>36,268</b>	<b>39,059</b>
Tax	(6,171)	(5,621)	(5,755)	(5,984)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>31,040</b>	<b>29,257</b>	<b>30,513</b>	<b>33,074</b>
Net profit (adj.)	31,349	30,175	30,513	33,074

### CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Operating</b>	<b>84,214</b>	<b>92,261</b>	<b>86,430</b>	<b>90,542</b>
Pre-tax profit	37,211	34,878	36,268	39,059
Tax	(6,171)	(5,621)	(5,755)	(5,984)
Deprec. & amort.	36,909	39,963	40,762	41,578
Associates	0	0	0	0
Working capital changes	554	11,006	3,519	4,145
Non-cash items	15,991	11,641	11,757	11,875
Other operating cashflows	(280)	394	(121)	(130)
<b>Investing</b>	<b>(26,784)</b>	<b>(59,633)</b>	<b>(35,698)</b>	<b>(34,490)</b>
Capex (growth)	(22,784)	(55,633)	(31,698)	(30,490)
Capex (maintenance)	(4,000)	(4,000)	(4,000)	(4,000)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
<b>Financing</b>	<b>(44,871)</b>	<b>(15,911)</b>	<b>(46,992)</b>	<b>(50,628)</b>
Dividend payments	(21,050)	(20,480)	(21,359)	(23,152)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(24,293)	0	(30,000)	(30,000)
Others/interest paid	472	4,569	4,366	2,525
<b>Net cash inflow (outflow)</b>	<b>12,559</b>	<b>16,718</b>	<b>3,740</b>	<b>5,424</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>9,067</b>	<b>21,626</b>	<b>38,343</b>	<b>42,084</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>21,626</b>	<b>38,343</b>	<b>42,084</b>	<b>47,508</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Fixed assets</b>	<b>228,584</b>	<b>282,145</b>	<b>323,925</b>	<b>365,847</b>
Other LT assets	13,943	4,357	4,488	4,628
Cash/ST investment	21,626	38,343	42,084	47,508
Other current assets	25,516	20,800	21,124	21,520
<b>Total assets</b>	<b>289,669</b>	<b>345,645</b>	<b>391,620</b>	<b>439,503</b>
ST debt	0	0	0	0
Other current liabilities	55,893	62,183	66,025	70,566
LT debt	118,534	159,452	165,933	172,968
Other LT liabilities	45,848	40,101	40,597	41,097
Shareholders' equity	69,266	75,487	85,519	97,235
Minority interest	128	127	126	124
<b>Total liabilities &amp; equity</b>	<b>289,669</b>	<b>345,645</b>	<b>391,620</b>	<b>439,503</b>

### KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
<b>Profitability</b>				
EBITDA margin	42.8	46.8	46.4	47.1
Pre-tax margin	20.4	20.3	20.6	21.5
Net margin	17.0	17.0	17.3	18.2
ROA	10.7	9.2	8.3	8.0
ROE	49.0	40.4	37.9	36.2
<b>Growth</b>				
Turnover	7.3	(5.6)	2.5	3.0
EBITDA	5.6	3.4	1.7	4.5
Pre-tax profit	4.4	(6.3)	4.0	7.7
Net profit	4.6	(5.7)	4.3	8.4
Net profit (adj.)	6.0	(3.7)	1.1	8.4
EPS	6.0	(3.7)	1.1	8.4
<b>Leverage</b>				
Debt to total capital	63.1	67.8	66.0	64.0
Debt to equity	171.1	211.2	194.0	177.9
Net debt/(cash) to equity	139.9	160.4	144.8	129.0
Interest cover (x)	16.3	13.3	13.3	13.6

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