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### KEY HIGHLIGHTS

Update

**Thaicom (THCOM TB/BUY/Bt7.25/Target: Bt8.00)**

Seeing some light at the end of the tunnel; upgrade to BUY.

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### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,646.29	12.29	0.75
SET50	1,098.85	11.44	1.05
Value (Btm) - SET	40,613		
Top 5 Sector			
BANK	523.60	5.46	1.05
PETRO	1,230.15	16.92	1.39
PROP	285.12	1.36	0.48
ENERG	24,803.53	233.94	0.95
ICT	154.22	1.24	0.81

Source: Bloomberg

### TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PTTEP	126.50	2.02	19,888
SCB	135.00	3.05	18,118
PTT	48.75	1.04	46,427
PTTGC	68.75	1.48	29,742
BDMS	24.50	1.66	79,506

### TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
TWZ	0.10	25.00	118,991
TSE	2.48	8.77	7,473
MNIT	1.57	6.80	0
TBSP	14.40	6.67	2
TRITN	0.35	6.06	20,057

### TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PPM	1.29	(6.52)	35.8
EMC	0.30	(6.25)	24,518.3
UREKA	1.52	(6.17)	2,325.8
RAM	3,306.00	(6.13)	3.2
NETBAY	27.50	(5.17)	519

### KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	66.4	2.3	29.4	22.2
Dubai crude*	67.0	(0.2)	27.0	27.9
Baltic Dry Index	690.0	8.3	(45.7)	(45.7)
Gold Spot***	1,314.8	(1.0)	3.6	2.5

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

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
72.2	(458.1)	(349.4)	(5,249.8)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 31.66

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

Thai Lending Rate (%) - MLR = 6.25

\* Based on Bangkok Bank's rate

### COMPANY UPDATE

## Thaicom (THCOM TB)

Seeing Some Light At The End Of The Tunnel; Upgrade To BUY

**We expect THCOM's share price to have priced in almost all the negatives and we expect to see positives soon, including: a) an upcoming PPP format to allow THCOM to continue its Thaicom 4, 5 and 6 satellites after the concessions end, and b) the turnaround in earnings after the end of a series of impairments and a huge bad debt expense in the last two years. Upgrade to BUY. Target price: Bt8.00.**

### WHAT'S NEW

- **Seeing some light at the end of the tunnel.** The Cabinet has approved in principle the application of a public-private partnership (PPP) format for the country's satellite management in lieu of the concession system once the existing contract expires in Sep 21, which will be applicable to Thaicom 4, 5, and 6 satellites. The PPP format was deemed the most appropriate and transparent, and offers more benefits to the country than the concession format. The Digital Economy and Society (DE) Ministry will be tasked with drafting the PPP process.
- **Two potential scenarios, both positive for THCOM.** We have conducted a channel check with our source from CAT Telecom, and we expect two possible scenarios for the national satellite formation under the PPP regime. These are: a) Thaicom (THCOM) and CAT Telecom (a state-owned enterprise) setting up a 51:49 JV under the PPP format to propose an engineering technique to extend the life of Thaicom 4, and 5 satellites over the next 5-7 years after concessions expires, and b) CAT will buy INTUCH's stake in THCOM (INTUCH holds 41.14% of THCOM) with the potential of a tender offer. However, we think there is a lower chance for the latter scenario as CAT's holding in THCOM must be below 50% in order to comply with the PPP regulations.

### STOCK IMPACT

- **We are positive on THCOM** as it could continue its satellite business under the PPP format. Although the PPP's normal process (which requires 25 months to complete) is unlikely to happen, but they can process via PPP fast track, which will take only 9 months to complete. We think THCOM will have more time to negotiate with CAT on the setup of a JV. This will pave the way to extend THCOM's satellite business at least five years after the concessions of Thaicom 4, 5, and 6 satellites end.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2017	2018	2019F	2020F	2021F
Net turnover	6,689	6,026	6,692	7,072	6,251
EBITDA	2,792	2,054	2,793	2,663	2,092
Operating profit	(268)	125	980	850	732
Net profit (rep./act.)	(2,650)	230	757	712	643
Net profit (adj.)	507	57	757	712	643
EPS (Bt)	0.5	0.1	0.7	0.6	0.6
PE (x)	15.7	139.5	10.5	11.2	12.4
P/B (x)	0.5	0.6	0.6	0.6	0.6
EV/EBITDA (x)	3.9	5.3	3.9	4.1	5.2
Dividend yield (%)	0.0	18.8	3.8	3.6	3.2
Net margin (%)	(39.6)	3.8	11.3	10.1	10.3
Net debt/(cash) to equity (%)	13.6	(0.3)	22.6	8.8	(4.3)
Interest cover (x)	7.3	6.1	9.5	10.1	8.8
ROE (%)	n.a.	1.6	5.8	5.3	4.7
Consensus net profit	-	-	439	439	480
UOBKH/Consensus (x)	-	-	1.73	1.62	1.34

Source: Thaicom, Bloomberg, UOB Kay Hian

## BUY

(Upgraded)

Share Price	Bt7.25
Target Price	Bt8.00
Upside	+10.3%

### COMPANY DESCRIPTION

Sole satellite operator in Thailand (Thaicom 4, 5, and 6 satellites under concession and Thcom 7 and 8 under licence platform) with mobile phone businesses in Laos.

### STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	THCOM TB
Shares issued (m):	1,096.1
Market cap (Btm):	7,946.7
Market cap (US\$m):	250.3
3-mth avg daily t'over (US\$m):	0.7

### Price Performance (%)

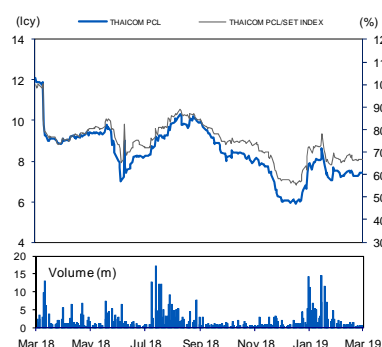
52-week high/low	Bt12.10/Bt5.90			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(2.0)	13.3	(28.2)	(38.6)	19.8

### Major Shareholders

	<b>%</b>
Shin Corporation	41.1
NVDR	4.4
Mr. Wanchai Punvichieng	2.6

FY19 NAV/Share (Bt)	11.98
FY19 Net Debt/Share (Bt)	2.71

### PRICE CHART



Source: Bloomberg

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### SATELLITES

Satellite	Launch	Useful life (yr)	End of life	Year of Contract expire	
Thaicom 4	Aug-05	15	Aug-20	2021	concession
Thaicom 5	May-06	14	May-20	2021	
Thaicom 6	4Q13	18	4Q31	2021	
Thaicom 7	2014	15	2029	2032	Licence
Thaicom 8	May-16	15	May-31	2032	

Source: Thaicom, UOB Kay Hian

- 2019 core earnings outlook should be better on 2018's low base.** We expect THCOM's core operation to improve in 2019 due to the following: a) after the company recognised the impairment loss in 4Q18, its depreciation and amortisation expenses will decline by around Bt116m per year, b) two new customers in Myanmar (Canal+) and Thailand (DTH) will increase THCOM's conventional (Thaicom 5, 6, 7, and 8) satellites utilisation rate by 5%, while two new customers in the Philippines (WIT wholesales bandwidth) and Japan (KDDI) will increase THCOM's broadband (Thaicom 4) satellite utilisation rate by 5%, and c) more contribution from NAVA (a subsidiary of THCOM that provides internet services to marine companies), as it will add new 23 vessels to make a total of 70 vessels serviced in Thailand in 1Q19. Moreover, for its cost side, we expect lower depreciation expenses and good control in SG&A expense to support THCOM's earnings outlook in the near future.

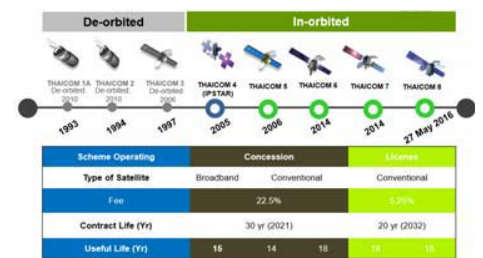
### EARNINGS REVISION/RISK

- None.

### VALUATION/RECOMMENDATION

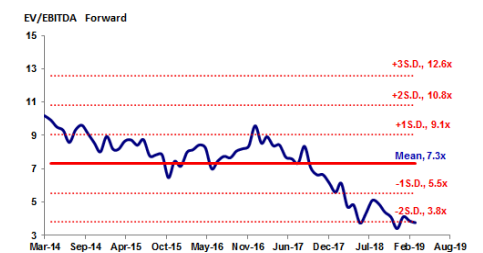
- Upgrade to BUY from SELL but maintain target price of Bt8.00,** based on DCF valuation. We see a high possibility of THCOM continuing its satellites even after their concessions end. However, THCOM requires more time for the setup of the JV with CAT Telecom, following which the JV will need to propose the business model for the engineering technique to extend the life of its satellites after concession expires. Thus, we have not included this positive to our earnings projection and target price. We estimate an upside of Bt1.0 to our current target price if THCOM is able to obtain the agreement to extend the operations of Thaicom 4, 5 and 6 satellites for another 5 years after the end of concession in Sep 21.

### SATELLITES



Source: Thaicom

### EV/EBITDA BAND



Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Net turnover	6,026	6,692	7,072	6,251
EBITDA	2,054	2,793	2,663	2,092
Deprec. & amort.	1,929	1,813	1,813	1,360
EBIT	125	980	850	732
Total other non-operating income	66	66	67	67
Associate contributions	119	171	205	207
Net interest income/(expense)	(338)	(294)	(264)	(238)
<b>Pre-tax profit</b>	<b>(22)</b>	<b>923</b>	<b>857</b>	<b>769</b>
Tax	269	(150)	(130)	(112)
Minorities	(17)	(15)	(15)	(13)
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>230</b>	<b>757</b>	<b>712</b>	<b>643</b>
Net profit (adj.)	57	757	712	643

### CASH FLOW

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
<b>Operating</b>	<b>2,685</b>	<b>3,237</b>	<b>2,490</b>	<b>1,991</b>
Pre-tax profit	(147)	752	652	562
Tax	119	171	205	207
Deprec. & amort.	1,929	1,813	1,813	1,360
Associates	(119)	(171)	(205)	(207)
Working capital changes	(824)	671	25	70
Non-cash items	1,727	0	0	0
Other operating cashflows	n.a.	n.a.	n.a.	n.a.
<b>Investing</b>	<b>1,224</b>	<b>1,224</b>	<b>1,248</b>	<b>1,273</b>
Capex (growth)	1,724	1,724	1,748	1,773
Capex (maintenance)	(500)	(500)	(500)	(500)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
<b>Financing</b>	<b>(2,219)</b>	<b>(5,425)</b>	<b>(2,526)</b>	<b>(1,980)</b>
Dividend payments	(1,491)	(303)	(285)	(257)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(733)	(684)	(618)	(556)
Others/interest paid	4	(4,438)	(1,623)	(1,166)
<b>Net cash inflow (outflow)</b>	<b>1,690</b>	<b>(964)</b>	<b>1,213</b>	<b>1,285</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>5,368</b>	<b>7,057</b>	<b>6,093</b>	<b>7,306</b>
Changes due to forex impact	0	0	n.a.	n.a.
<b>Ending cash &amp; cash equivalent</b>	<b>7,057</b>	<b>6,093</b>	<b>7,306</b>	<b>8,591</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Fixed assets	4,815	7,721	7,876	8,033
Other LT assets	7,709	7,614	7,707	7,800
Cash/ST investment	7,057	6,093	7,306	8,591
Other current assets	2,621	2,121	2,249	1,989
<b>Total assets</b>	<b>22,202</b>	<b>23,550</b>	<b>25,137</b>	<b>26,413</b>
ST debt	0	150	150	150
Other current liabilities	1,372	1,543	1,696	1,506
LT debt	7,023	8,910	8,347	7,846
Other LT liabilities	670	(221)	1,351	2,932
Shareholders' equity	13,137	13,128	13,555	13,941
Minority interest	0	38	38	38
<b>Total liabilities &amp; equity</b>	<b>22,202</b>	<b>23,550</b>	<b>25,137</b>	<b>26,413</b>

### KEY METRICS

Year to 31 Dec (%)	2018	2019F	2020F	2021F
<b>Profitability</b>				
EBITDA margin	34.1	41.7	37.6	33.5
Pre-tax margin	(0.4)	13.8	12.1	12.3
Net margin	3.8	11.3	10.1	10.3
ROA	1.0	3.3	2.9	2.5
ROE	1.6	5.8	5.3	4.7
<b>Growth</b>				
Turnover	(9.9)	11.0	5.7	(11.6)
EBITDA	(26.4)	36.0	(4.7)	(21.4)
Pre-tax profit	n.a.	n.a.	(7.2)	(10.3)
Net profit	n.a.	229.3	(6.0)	(9.6)
Net profit (adj.)	(88.8)	1,229.5	(6.0)	(9.6)
EPS	(88.8)	1,229.5	(6.0)	(9.6)
<b>Leverage</b>				
Debt to total capital	34.8	40.8	38.5	36.4
Debt to equity	53.5	69.0	62.7	57.4
Net debt/(cash) to equity	(0.3)	22.6	8.8	(4.3)
Interest cover (x)	6.1	9.5	10.1	8.8

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