

27 April 2020

Communications | Telecommunications

Total Access Communication (DTAC TB)

Take Profit (from Trading Buy)

A Restraint Outlook Ahead; TAKE PROFIT

Target Price (Return):	THB46.50 (+3%)
Price:	THB45.00
Market Cap:	USD3,285m
Avg Daily Turnover (THB/USD)	297m/9.30m

- **Switch to TAKE PROFIT from Trading Buy** with the same THB46.50 TP, 3% upside. Although the negative impact from the pandemic has yet to be fully reflected in 1Q20, we expect FY20 revenue to soften by sluggish purchasing power and rising price sensitivity prospects. We doubt Total Access Communication's defensive strategy and convergence services that has yet to bear fruit will change its market share in the near term.
- **1Q20 earnings in line.** Despite the significant decrease in total subs that was partly due to the change in postpaid subscription recognition, mobile service revenue decreased only 0.9% QoQ, thanks to the stabilisation of its active subscribers. 1Q20 earnings grew to THB1.5bn (+16% YoY), in line with our estimates (-3%), thanks to its cost optimisation and well-control SG&A that outweighed sluggish data monetisation.
- **Lower subs with lower ARPU.** Mobile subs fell to 19.6m (-5% QoQ), mostly from the one-time clean-up of postpaid subscription (-0.3m subs) reporting in 1Q20. Excluding the change in this recognition, it still reported subs loss by 0.7m, mainly from the decrease in prepaid segment (-5% QoQ) due to ongoing intense competition. Blended ARPU also decreased slightly to THB258/month (-3.3% QoQ), dragged both segments (prepaid -6.6% QoQ, postpaid -3.9% QoQ) mainly from the unlimited data packages and discount pricing strategies that have been re-introduce to the market.
- **Limited negative impact from economic measures.** The economic measures requested by the National Broadcasting and Telecommunications Commission (NBTC) to support cost of living ie offer free upgrade for internet speed and capacity or free voice call during the lockdown will not create material impact to its earnings, thanks to the scale of the packages that are relatively small compared with the compensation provided by NBTC. We expect further downside risk if the pandemic prolongs, which could lead to additional economic measures requested.
- **Softer revenue despite rising data consumption.** While a lesser impact from weakening private consumption is expected vs peers given DTAC's higher exposure in the postpaid segment with an urban client-based focus, we forecast lower revenue mainly from the continued decrease in prepaid subs, lower blended ARPU, and absence of tourism-related revenue. Its data yield should continue to decelerate alongside with industry as it remains focus on pricing competitiveness during sluggish consumer purchasing power prospects.
- **Network quality remains key concern.** Despite the sharp increase of data consumption during the lockdown, management guided that its network capacity and quality are sufficiently under control. However, its plan to gear down capex spending to preserve cash flow and the slowdown in base station roll-out should make network quality remain its key competitive disadvantage when compared to its peers.
- **Switch to TAKE PROFIT** as share price is nearing our TP. Our concerns remain over its core operations and subs base turnaround mainly from its competitive disadvantage ie network quality and convergence services.

Analyst

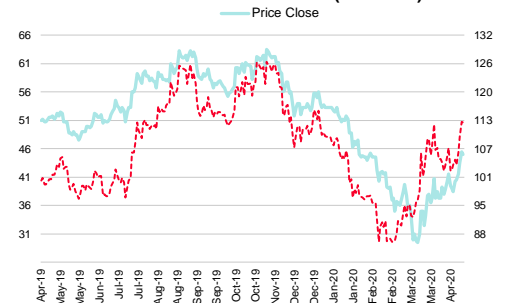
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(15.5)	31.4	(5.3)	(25.6)	(17.8)
Relative	4.8	9.6	14.5	(3.2)	7.0
52-wk Price low/high (THB)	29.5 – 63.5				

Total Access Communication (DTAC TB)



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	74,979	81,167	78,466	78,182	77,906
Recurring net profit (THBm)	5,302	7,558	6,168	6,011	5,787
Recurring net profit growth (%)	121.8	42.5	(18.4)	(2.5)	(3.7)
Recurring P/E (x)	20.10	14.10	17.27	17.73	18.41
P/B (x)	4.9	4.3	4.1	3.7	3.4
P/CF (x)	5.85	6.05	4.33	6.12	3.99
Dividend Yield (%)	2.8	6.4	2.9	2.8	2.7
EV/EBITDA (x)	4.90	4.73	5.23	5.19	4.84
Return on average equity (%)	(17.1)	28.7	24.3	22.0	19.2
Net debt to equity (%)	150.1	162.1	139.3	179.2	148.3

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	2.24	3.19	2.61	2.54	2.44
Communications	DPS	1.25	2.87	1.30	1.27	1.22
Total Access Communication	BVPS	9.26	10.54	10.89	12.14	13.34
DTAC TB	Return on average equity (%)	(17.1)	28.7	24.3	22.0	19.2
Take Profit						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Recurring P/E (x)	20.10	14.10	17.27	17.73	18.41
	P/B (x)	4.9	4.3	4.1	3.7	3.4
	FCF Yield (%)	3.9	0.5	9.0	(11.8)	11.0
	Dividend Yield (%)	2.8	6.4	2.9	2.8	2.7
	EV/EBITDA (x)	4.90	4.73	5.23	5.19	4.84
	EV/EBIT (x)	41.78	13.37	13.43	13.27	13.52
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	74,979	81,167	78,466	78,182	77,906
	Gross profit	48,851	46,350	41,382	44,403	45,495
	EBITDA	28,392	30,989	27,184	30,372	31,627
	Depreciation and amortisation	(25,061)	(20,013)	(16,600)	(18,483)	(20,306)
	Operating profit	3,331	10,976	10,584	11,889	11,321
	Net interest	(1,351)	(3,269)	(2,869)	(4,370)	(4,083)
	Pre-tax profit	(5,799)	7,706	7,706	7,510	7,230
	Taxation	1,432	(969)	(1,541)	(1,502)	(1,446)
	Reported net profit	(4,368)	6,737	6,168	6,011	5,787
	Recurring net profit	5,302	7,558	6,168	6,011	5,787
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	(7,124)	(9,216)	1,780	(7,143)	(3,532)
	Cash flow from operations	18,213	17,603	24,602	17,405	26,706
	Capex	(14,059)	(17,053)	(15,000)	(30,000)	(15,000)
	Cash flow from investing activities	(25,239)	(17,800)	(14,687)	(29,967)	(14,968)
	Dividends paid	(2,960)	(2,983)	(5,354)	(3,045)	(2,949)
	Cash flow from financing activities	(4,975)	(5,365)	(11,354)	19,455	(7,249)
	Cash at beginning of period	26,048	14,090	8,528	7,089	13,982
	Net change in cash	(12,000)	(5,562)	(1,439)	6,893	4,489
	Ending balance cash	14,090	8,528	7,089	13,982	18,471
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	14,090	8,528	7,089	13,982	14,379
	Tangible fixed assets	53,854	53,894	61,680	63,423	63,847
	Total investments	295	293	293	293	293
	Total assets	150,958	167,339	164,204	183,206	178,891
	Short-term debt	9,375	16,000	16,000	16,000	16,000
	Total long-term debt	37,625	33,000	27,000	49,500	45,200
	Total liabilities	129,028	142,372	138,427	154,465	147,316
	Total equity	21,930	24,966	25,777	28,741	31,575
	Total liabilities & equity	150,958	167,339	164,204	183,206	178,891
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	(4.2)	8.3	(3.3)	(0.4)	(0.4)
	Recurrent EPS growth (%)	121.8	42.5	(18.4)	(2.5)	(3.7)
	Gross margin (%)	65.2	57.1	52.7	56.8	58.4
	Operating EBITDA margin (%)	37.9	38.2	34.6	38.8	40.6
	Net profit margin (%)	(5.8)	8.3	7.9	7.7	7.4
	Dividend payout ratio (%)	(67.8)	100.9	50.0	50.0	50.0
	Capex/sales (%)	18.8	21.0	19.1	38.4	19.3
	Interest cover (x)	2.47	3.36	3.69	2.72	2.77

Source: Company data, RHB

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Figure 1: DTAC's 1Q20 results summary (post TFRS 15 & 16)

FYE (THBm)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)	Comments
Revenue	19,426.0	20,958.1	20,075.0	(4.2)	3.3	Increased YoY mainly from higher core service revenue and TOT 2300MHz network rental.
Operating expenses	(12,085.0)	(10,658.5)	(12,406.0)	16.4	2.7	Increased both QoQ and YoY mainly from higher cost of services and network opex partly due to its partnership with TOT over wireless business.
EBITDA	7,341.0	7,339	7,669.0	4.5	4.5	The sequential increase of EBITDA was mainly from the absence of extra-items and well-control cost optimisation.
<i>EBITDA Margin (%)</i>	37.8	34.3	38.2			
Depreciation	(4,870)	(5,107)	(5,257)	2.9	7.9	Increase significantly from the acquisition of spectrum license and ongoing network expansion.
EBIT	2,288.0	1,789.3	2,540.0	42.0	11.0	
<i>EBIT Margin (%)</i>	11.8	8.5	12.7			
Net Profit	1,297.0	612.7	1,501.0	145.0	15.7	Net profit increased both QoQ and YoY mainly from margin improvement and the absence of one-off expense last year.
Core Profit	1,464.0	1,192.1	1,629.0	36.6	11.3	
<i>Net Margin (%)</i>	(4.1)	8.6	9.0			

Source: Company data, RHB

Figure 2: DTAC's 1Q20 financial data (post TFRS 15 & 16)

FYE (THBm)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)	Comments
Mobile revenue	14,006.0	14,811.0	14,681.0	(0.9)	4.8	Decreased QoQ dragged by lower subs and ARPU from both prepaid and postpaid segments.
International roaming	278.0	210.0	188.0	(10.5)	(32.4)	Decline both QoQ and YoY from its free roaming service package and partly impacted by travel restrictions due to COVID-19.
Others (IDD, other fees)	648.0	549.0	457.0	(16.8)	(29.5)	
Interconnection revenue	513.0	546.0	424.0	(22.3)	(17.3)	
Handset sales	2,144.0	2,726.5	1,697.0	(37.8)	(20.8)	Decreased mainly due to the shift of device subsidies campaign to discount pricing package with the slowdown in mobile phone replacement cycle.
Other operating income	1,837.0	2,116.0	2,627.0	24.1	43.0	
Total revenue	19,426.0	20,958.5	20,074.0	(4.2)	3.3	
Service revenue excl. IC	14,932.0	15,570.0	15,326.0	(1.6)	2.6	
Expense						
Cost of services						
Regulatory fees	666.0	641.0	641.0	0.0	(3.8)	
Cost of services	5,391.0	2,645.0	6,292.0	137.9	16.7	Increased mainly from 2300MHz network roaming cost.
Interconnection cost	526.0	538.0	402.0	(25.3)	(23.6)	
Cost of starter kits and telephone sets	2,629.0	3,369.8	2,315.0	(31.3)	(11.9)	
SG&A	2,985.0	6,219.4	2,760.0	(55.6)	(7.5)	Decreased due to the drop in S&M expenses as a result of lower activities from COVID-19 impact.
EBITDA	7,341.0	10,299.6	7,669.0	(25.5)	4.5	
PATAMI	1,297.0	612.7	1,501.0	145.0	15.7	

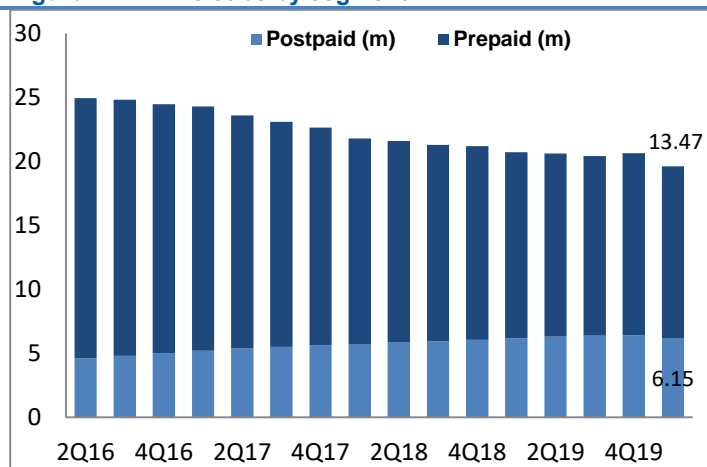
Source: Company data, RHB

Figure 3: DTAC's 1Q20 key operating data (post TFRS 15)

FYE (THBm)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)	Comments
Total subscribers ('000)	20,726.3	20,641.8	19,625.0	(4.9)	(5.3)	
- Postpaid	6,194.0	6,427.3	6,154.9	(4.2)	(0.6)	Decreased significantly due to the change of subscription reporting recognition.
- Prepaid	14,532.2	14,214.4	13,470.2	(5.2)	(7.3)	Continued to lose market share in rural areas where network quality remains inferior compares to competitors.
Total net add ('000)	(475.7)	226.2	(1,016.7)	(549)	(113.7)	
- Postpaid	123.5	45.0	(272.5)	(704)	(320)	
- Prepaid	(599.2)	181.2	(744.3)	(510)	(24.2)	
Data subs ('000)	16,788.3	17,607.4	17,073.8	(3.0)	1.7	
4G subs ('000)	10,200.0	11,700.0	11,400.0	(2.6)	11.8	
Blended ARPU (THB)	238.0	258.0	251.0	(2.7)	5.5	Decreased QoQ mainly from the change of ARPU calculation after writing off inactive subscribers.
- Postpaid ARPU	522.0	546.0	529.0	(3.1)	1.3	
- Prepaid ARPU	130.0	138.0	130.0	(5.8)	0.0	Continue to be pressured by intense competition.
Blended MOUs (minutes/sub/mth) (ex IC)	92.0	87.0	84.0	(3.4)	(8.7)	
- Postpaid MOU	161.0	150.0	144.0	(4.0)	(10.6)	
- Prepaid MOU	66.0	61.0	59.0	(3.3)	(10.6)	
No. of base stations	79,118.0	80,658.0	74,457.0	(7.7)	(5.9)	
- 2G 1800MHz	10,658.0	10,576.0	10,554.0	(0.2)	(1.0)	
- 3G 850MHz	12,739.0	12,471.0	11,069.0	(11.2)	(13.1)	
- 4G 2300MHz	15,358.0	17,376.0	17,872.0	2.9	16.4	Network deployment slowdown and shift to focus more on data analytic-based deployment.

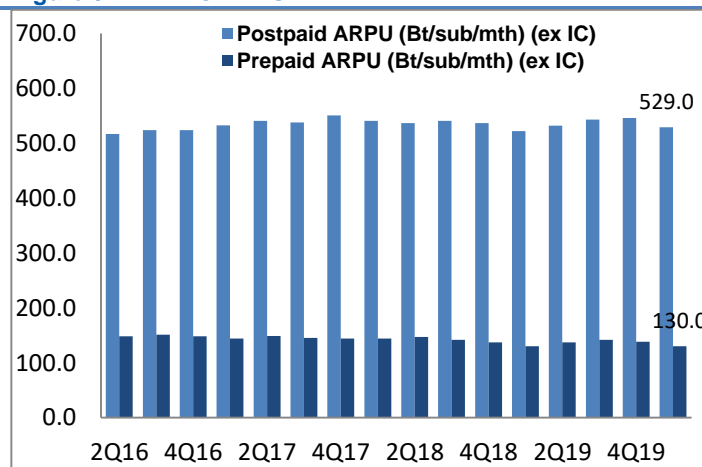
Source: Company data, RHB

Figure 4: DTAC's subs by segment



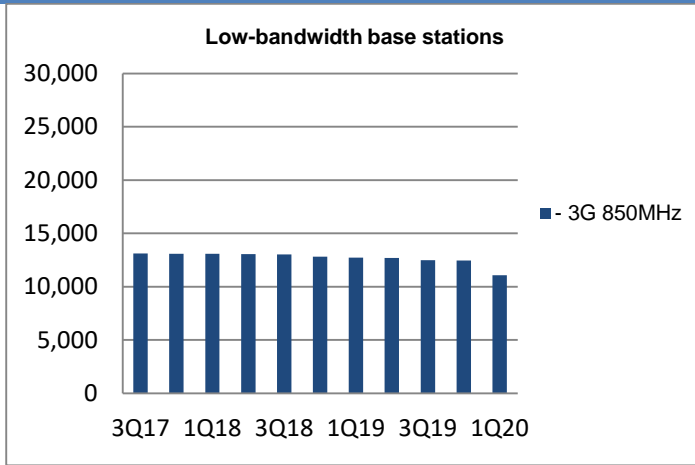
Source: Company data, RHB

Figure 5: DTAC's ARPU



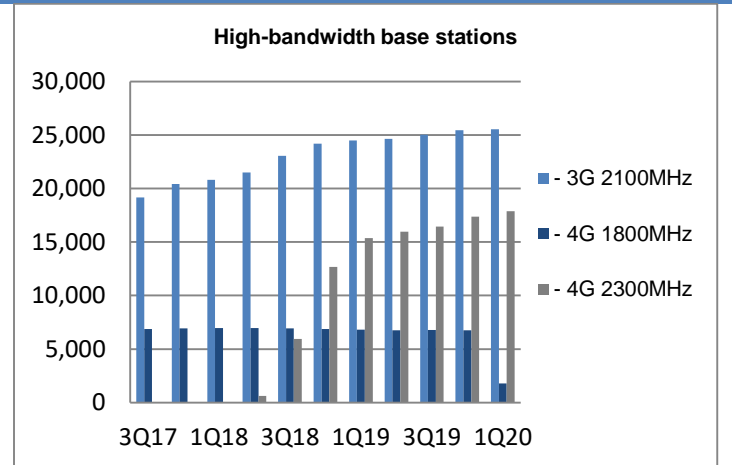
Source: Company data, RHB

Figure 6: DTAC's low-band base station



Source: Company data, RHB

Figure 7: DTAC's high-band base station



Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-02-21	Trading Buy	46.5	39.3
2020-02-20	Trading Buy	46.5	39.0
2020-01-30	Trading Buy	53.5	44.5
2019-10-17	Sell	54.0	61.0
2019-09-24	Sell	51.0	57.5
2019-07-17	Sell	46.5	56.8
2019-04-29	Sell	46.5	51.3

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

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- ได้รับการรับรอง CAC

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