

# Thailand Telcos

## No Bids Submitted

### History in the making

Friday, 15 Jun, was the last day for the submission of bids for Thailand's auction of 90MHz capacity on the 1.8GHz spectrum on 4 Aug. This capacity will be divided into three blocks of 30MHz each. The final number of blocks for auction will be based on the N-1 rule ie the number of licences will be equal to the number of bidders minus one to promote competition. The regulators were supposed to announce qualified bidders on 2 Aug. But by mid-Friday, none of the three incumbents, ADVANC, TRUE and DTAC, had submitted documents. With zero bids, the auction cannot take place. This is the first time all the operators have said "no" to the regulators' terms. The NBTC will have to decide on its next move. To us, the "no show" is a positive signal that all operators are now keen to embrace value creation rather than market shares. We remain POSITIVE on the sector with DTAC as our top pick. We also have BUYs on ADVANC and its parent, INTUCH. TRUE remains a HOLD given its lack of near-term catalysts.

### Expensive spectrums

- It is unusual in this industry for the three players to converge on no bid submission but this time around, they did! The reserve price of THB37.457b, based on 2015's winning price, is apparently deemed expensive. Recall that this price was 3x the economic value of the estimated at that time. The winners, TRUE and ADVANC, requested the government to extend their 2019/20 bullet payments by five years in late 2017. The N-1 rule is another issue, as it tends to create an artificial scarcity of spectrum where there is none. The three players will now likely focus on network enhancement and capacity maximisation for service quality.

### DTAC's "no" was a surprise

We have always said that DTAC is likely to benefit the most if it gets spectrum in 1.8GHz, as this can lower its annual regulatory costs from 12% of its revenue in 1Q18. Its decision not to participate thus came as a surprise. However, we note that its 2.3GHz service on 60MHz has been launched for a month now. DTAC expects 4m subscribers to use the spectrum by year-end or 18% of its 1Q18 subscribers. In addition, as about 50% of its subscribers use handsets that support 2.3GHz spectrum, the burden on its 2.1GHz spectrum should ease considerably. Other operational issues should be resolved by densification of 2.1GHz, an increased push of 2.3GHz and roaming with ADVANC for 2G subscribers.

### Remedy period after concession expiries

The regulators are obliged to give operators a remedy period so that consumers will not be worse off when the operators' concessions expire. During the remedy period, all revenue net of costs will be handed over to the regulators. However, the impact on DTAC cannot be estimated as it is continuously migrating its subscribers to 2.1GHz and 2.3GHz and roaming them on ADVANC's network. Based on existing spectrum allocations, only 3G subscribers on 850MHz need to be addressed as DTAC will lose this signal when it returns its spectrum. However, management advises that coverage blackout should only occur in rural areas where they have very few subscribers left, at under 500K. As such, we believe DTAC should not be worse off by its decision not to participate in the auction.

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
							18E	19E	18E	19E	18E	19E
ADVANC	ADVANC TB	17,475	Buy	190.50	220.00	15	17.1	14.8	9.2	7.2	3.8	4.4
TRUE Corp	TRUE TB	6,898	Hold	6.70	7.82	17	7.7	178.9	1.4	1.4	2.6	0.1
Intouch Holdings	INTUCH TB	5,342	Buy	54.00	67.80	26	13.2	11.1	5.2	4.4	5.2	6.2
Total Access C.	DTAC TB	3,361	Buy	46.00	63.00	37	28.1	14.0	3.5	3.0	2.4	4.9

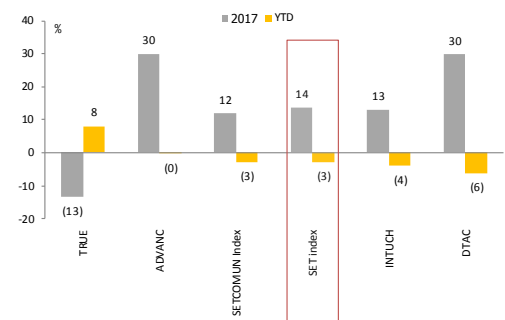
# POSITIVE

[Unchanged]

### Analyst

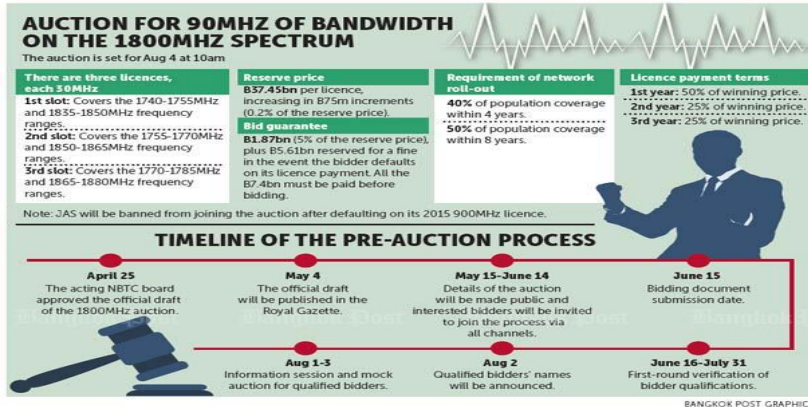
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### Share-price performances



Source: SET

Auction terms: price, no takers



Source: Bangkok Post

Spectrum for auctioning is DTAC's BTO concession that will expire in Sep 2018

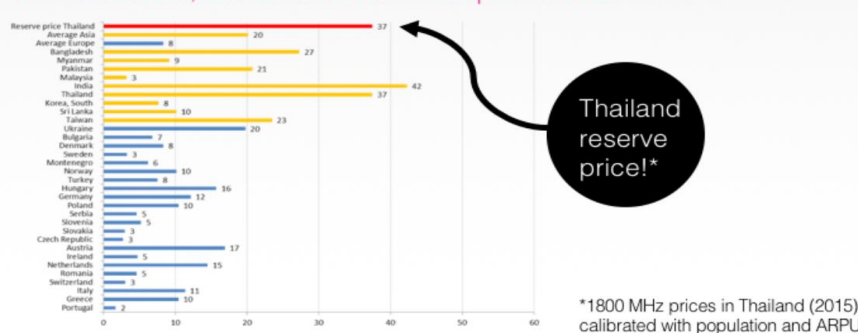
SPECTRUM ALLOCATION

Operators	Subscribers (m)	Frequency (MHz)	Bandwidth (MHz)	Value (THBm)	Avg cost/yr (THBm)	Concession /Licence	End of concession /Licence	Services	Technology	Speed (mbps)
AIS	40.2	2100	15	14,625	975	Licence	2027	3G	HSPA+	42
		1800	15	40,986	2,277	Licence	2033	4G	LTE	up to 112.5
		900	10	75,654	5,044	Licence	2030	4G	na	na
		2100	15	31,200	3,900	Partnership	2025	4G	na	na
TRUE	26.7	850	15	na	na	Reselling contract	2025	3G-4G	HSPA+	42
		900	10	76,298	5,065	Licence	2030	4G	na	na
		2100	15	13,500	900	Licence	2027	3G (5MHz) / 4G (10MHz)	HSPA+ / LTE	42 / 100
		1800	15	39,792	2,211	Licence	2033	2G (5MHz) / 4G (10MHz)	GPRS / LTE	na / 100
DTAC	23.1	850	10	na	Revenue sharing of 30%	BTO Concession	2018	3G	HSPA+	42
		1800	45	na	Revenue sharing of 30%	BTO Concession	2018	2G (10MHz) / 4G (15MHz)	GPRS / LTE	42 / 100
		2100	15	13,500	900	Licence	2027	3G (10MHz) / 4G (5MHz)	HSPA+ / LTE	42 / 100
		2300	60	36,080	4,510	Partnership	2025	4G	LTE-TDD	na

Source: Various companies

DTAC's wish list: smaller spectrum capacity, lower unit prices

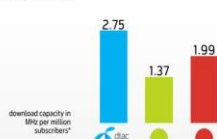
5MHz blocks, reasonable reserve prices and no N-1



\*1800 MHz prices in Thailand (2015) calibrated with population and ARPU

DTAC download capacity

dtac has the most download capacity per subscriber



Source: DTAC

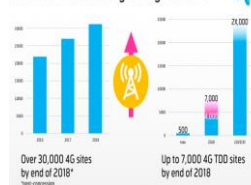
Post concession network larger

4G customers will get a smoother, better network with more capacity



Target growth in LTE-DDD

dtac has the fastest-growing network



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