

25 July 2012

# Total Access Communication

## Clearance on the FD issue

ICT  
Overweight

**Investment thesis:** We believe that the revamp in DTAC's shareholding structure clears any overhanging risk of being classified "foreign dominated", so paving the way for it to bid for a 3G-2.1GHz license. Given regulatory clearance and a 2H12 operational rebound with improved network quality, we think now is a good time to accumulate the stock ahead of 3G auctioning in mid Oct. DTAC remains our top pick in the ICT sector, for the following reasons: 1) the greatest scope for earnings upside from 3G, 2) a 2H12 earnings rebound and 3) a good yield.

**DTAC rejigs shareholding structure:** The firm informed the SEC of its new shareholding structure. It is very different from the previous structure, which Telenor's lawyers obviously felt was a bit ambiguous. The effective stake of Bencharongkul family (which founded DTAC) rises to 2.98% from 2.26%. Telenor also established a new subsidiary in Singapore, Telenor South East Asia Investment Pte Ltd (TnSEAI), which has holdings in Thai-registered shareholding vehicles. Effectively, Telenor's direct and indirect stakes in DTAC inch up from 60.8% to 62.1%.

The new shareholding structure is complicated; please look to the flow chart (Figure 1) on page 2 for the details (the previous shareholding structure is detailed in Figure 2)

**Clearance of the FD issue:** DTAC should now be in the clear over the NBTC's two "foreign dominated" classifications: 1) foreign holdings whose voting rights exceed 50% of the total and 2) foreign majority control of voting rights at a shareholder meeting. Hence, it can bid for 3G-2.1GHz licenses.

**2H12 rebound:** Management claims that DTAC's network quality in Bangkok is now much better with the completion of its upgrade in Bangkok in 2Q12. The firm also hinted that churn will decline in August.

## BUALUANG RESEARCH

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**BUY** (maintained)

Target Price: Bt115.00  
Price (24/07/12): Bt82.50  
DTAC TB / DTAC.BK

### Key Ratios & Statistics

Market cap	Bt195.34bn		
12-mth price range	Bt62.75/Bt91.00		
12-mth avg daily volume	Bt54166m		
# of shares (m)	2,367.8		
Est. free float (%)	29.0		
Foreign limit (%)	49.0		
<b>Share price perf. (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Relative to SET	9.5	4.1	18.7
Absolute	13.0	3.1	24.1

### Financial summary

FY Ended	2011	2012E	2013E	2014E
Revenues(Btm)	79,298	84,981	89,086	95,735
Net profit(Btm)	11,813	12,038	14,497	17,889
EPS (Bt)	4.99	5.08	6.12	7.55
BLS/Consensus(x)	n.a.	1.02	1.04	n.a.
EPS growth(%)	+8.5%	+1.9%	+20.4%	+23.4%
Core profit(Btm)	12,006	12,038	14,497	17,889
Core EPS(Bt)	5.07	5.08	6.12	7.55
Core EPS growth(%)	+15.6%	+0.3%	+20.4%	+23.4%
PER (x)	9.0	16.2	13.5	10.9
Core PER(x)	12.2	16.2	13.5	10.9
EV/EBITDA(x)	4.8	7.2	6.6	5.5
PBV (x)	4.2	4.7	4.5	4.1
Dividend(Bt)	17.84	5.08	6.12	7.55
Dividend yield(%)	28.8	6.2	7.4	9.2
ROE (%)	22.8	31.6	34.0	39.3
Net gearing(x)	(0.5)	0.1	0.3	0.4

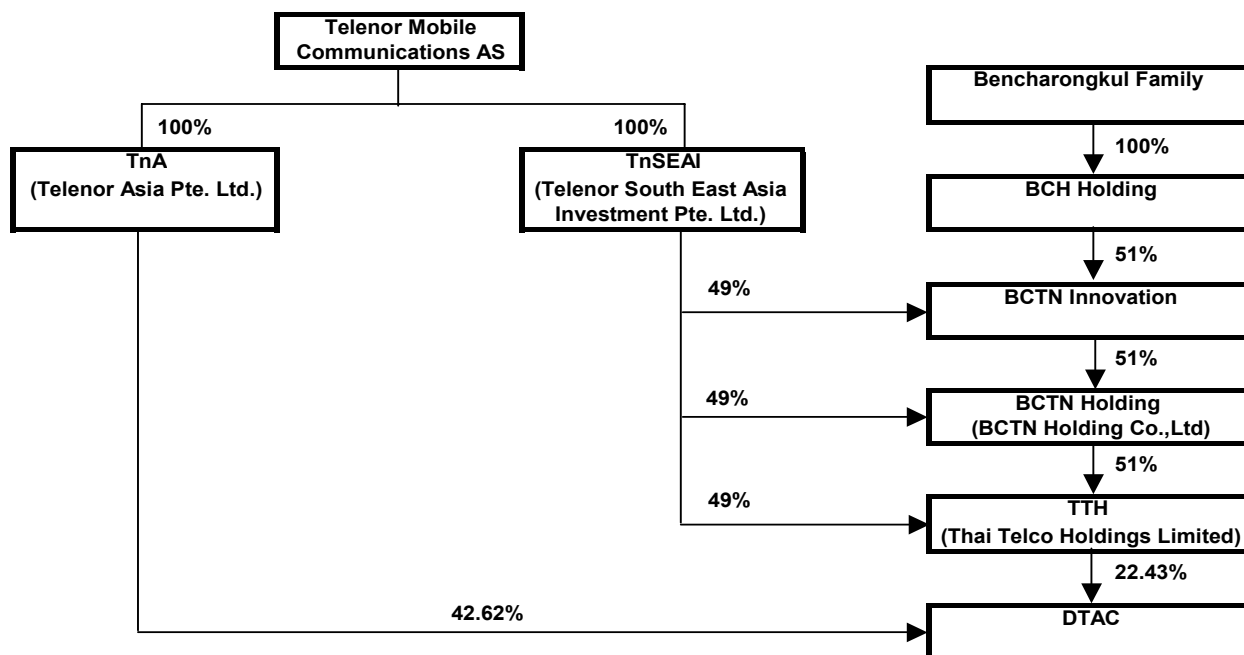
CG Rating - 2011



### Company profile

Total Access Communication Plc (DTAC), Thailand's second largest mobile telecoms firm, operates a cellular network on 1800MHz (49.8MHz x2) bandwidth under a 27-year concession (ending Sept 2018) from the state-owned telecoms firm, CAT Telecom Plc. As of 2Q12 DTAC had 23.6m subscribers, a 30% market share. In 2Q12 its basic voice revenue (excl. IC) represented 69% of service revenue (excl. IC), followed by nonvoice (23%), international roaming (4%) and others (4%). Its effective revenue share payment to CAT has been 30% since September 16, 2011.

Figure 1: DTAC's new shareholding structure



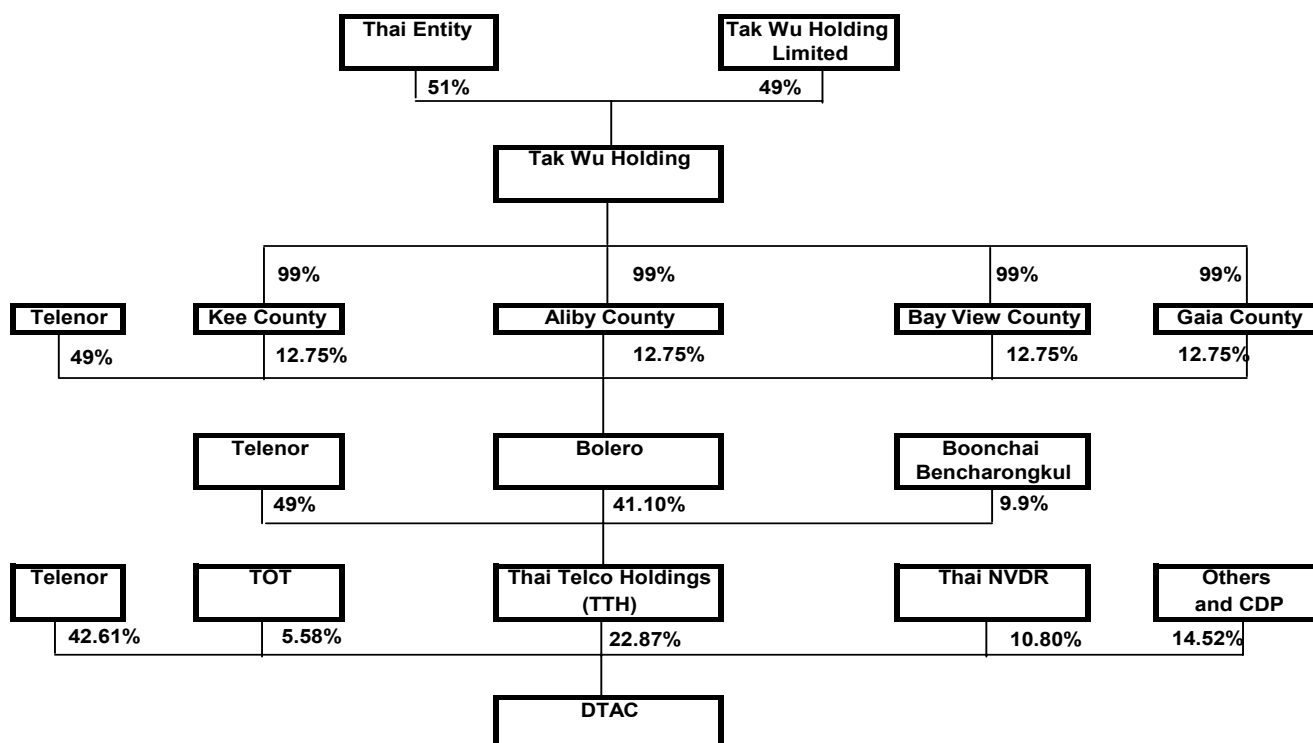
Telenor's direct stake in DTAC = 42.62%

Telenor's indirect stake in DTAC =  $49\% \times 51\% \times 51\% \times 22.43\% = 2.86\%$   
 $= 49\% \times 51\% \times 22.43\% = 5.60\%$   
 $= 49\% \times 22.43\% = 10.99\%$

Telenor's both direct and indirect stakes in DTAC = 62.07%

Bencharongkul Family's indirect stake in DTAC =  $100\% \times 51\% \times 51\% \times 51\% \times 22.43\% = 2.98\%$

Figure 2: DTAC's previous shareholding structure (based on 11 April 2012 data)



Telenor's direct stake in DTAC = 42.61%

Telenor's indirect stake in DTAC =  $49\% \times 41.1\% \times 22.87\% = 4.61\%$   
 $= 49\% \times 22.87\% = 11.21\%$   
 $= 49\% \times 99\% \times 12.75\% \times 41.1\% \times 22.87\% = 0.58\% (x4) = 2.33\%$

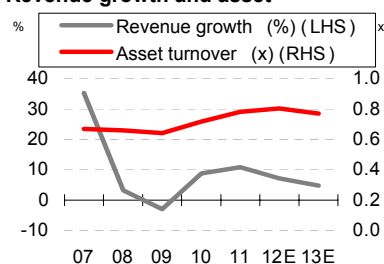
Telenor's both direct and indirect stakes in DTAC = 60.75%

Bencharongkul Family's indirect stake in DTAC =  $9.9\% \times 22.87\% = 2.26\%$

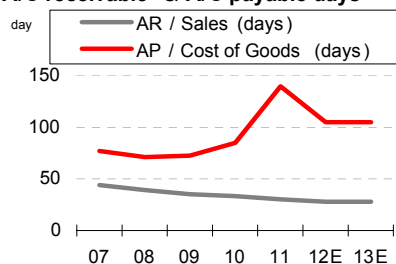
Sources: Company data, Bualuang Research estimates

Financial tables

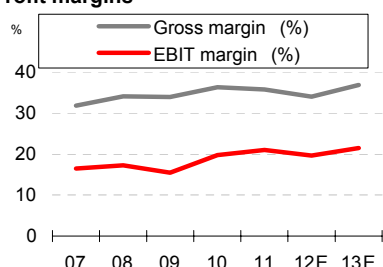
Revenue growth and asset



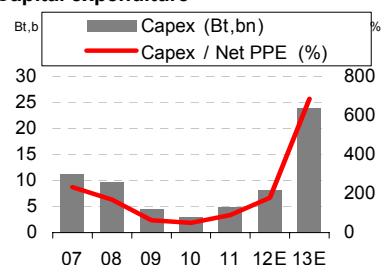
A/C receivable & A/C payable days



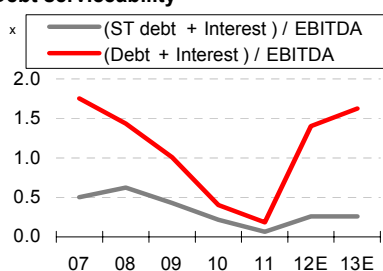
Profit margins



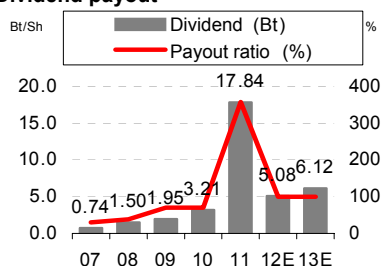
Capital expenditure



Debt serviceability



Dividend payout



	2010	2011	2012E	2013E	2014E
<b>PROFIT &amp; LOSS (Btm)</b>					
Revenue	71,502	79,298	84,981	89,086	95,735
Cost of sales and services	(45,550)	(50,919)	(56,072)	(56,263)	(56,348)
<b>Gross profit</b>	<b>25,952</b>	<b>28,379</b>	<b>28,908</b>	<b>32,823</b>	<b>39,387</b>
SG&A	(11,819)	(11,717)	(12,241)	(13,730)	(15,093)
<b>EBIT</b>	<b>14,133</b>	<b>16,663</b>	<b>16,667</b>	<b>19,093</b>	<b>24,293</b>
Interest expense	(1,010)	(431)	(1,901)	(1,960)	(2,980)
Other income/exp.	428	698	863	1,023	1,083
<b>EBT</b>	<b>13,550</b>	<b>16,930</b>	<b>15,630</b>	<b>18,156</b>	<b>22,396</b>
Corporate tax	(3,228)	(4,960)	(3,651)	(3,705)	(4,559)
<b>After-tax profit (loss)</b>	<b>10,322</b>	<b>11,970</b>	<b>11,979</b>	<b>14,450</b>	<b>17,837</b>
Minority interest	7	1	1	1	1
Equity earnings from affiliates	55	35	59	46	50
Extra items	508	(193)	0	0	0
<b>Net profit (loss)</b>	<b>10,892</b>	<b>11,813</b>	<b>12,038</b>	<b>14,497</b>	<b>17,889</b>
Reported EPS	4.60	4.99	5.08	6.12	7.55
Fully diluted EPS	4.60	4.99	5.08	6.12	7.55
<b>Core net profit</b>	<b>10,384</b>	<b>12,006</b>	<b>12,038</b>	<b>14,497</b>	<b>17,889</b>
Core EPS	4.39	5.07	5.08	6.12	7.55
<b>EBITDA</b>	<b>24,498</b>	<b>27,178</b>	<b>27,953</b>	<b>31,897</b>	<b>38,368</b>

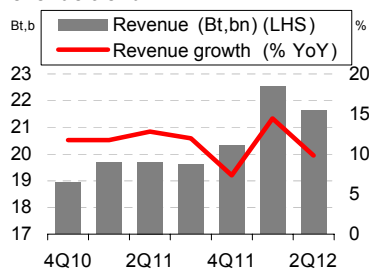
	2010	2011	2012E	2013E	2014E
<b>KEY RATIOS</b>					
Revenue growth (%)	8.9	10.9	7.2	4.8	7.5
Gross margin (%)	36.3	35.8	34.0	36.8	41.1
EBITDA margin (%)	34.3	34.3	32.9	35.8	40.1
Operating margin (%)	19.8	21.0	19.6	21.4	25.4
Net margin (%)	15.2	14.9	14.2	16.3	18.7
Core profit margin (%)	14.5	15.1	14.2	16.3	18.7
ROA (%)	10.9	11.6	11.4	12.5	14.1
ROCE (%)	13.7	20.1	20.4	16.8	18.6
Asset turnover (x)	0.7	0.8	0.8	0.8	0.8
Current ratio (x)	0.9	0.5	1.2	1.3	1.3
Gearing ratio (x)	0.1	0.1	0.9	1.1	1.1
Interest coverage (x)	14.0	38.7	8.8	9.7	8.2

	2010	2011	2012E	2013E	2014E
<b>BALANCE SHEET (Btm)</b>					
<b>Cash &amp; Equivalent</b>	<b>12,648</b>	<b>21,973</b>	<b>31,159</b>	<b>35,270</b>	<b>34,604</b>
Accounts receivable	6,518	6,575	6,519	6,834	7,344
Inventory	256	384	352	354	354
PP&E-net	5,938	5,504	4,514	3,496	2,450
Other assets	71,378	66,859	63,039	75,291	82,437
<b>Total assets</b>	<b>99,313</b>	<b>103,847</b>	<b>107,700</b>	<b>123,489</b>	<b>129,618</b>
Accounts payable	10,618	19,480	16,130	16,185	16,210
ST debts & current portion	4,321	1,321	5,324	6,299	4,299
Long-term debt	4,589	3,269	31,921	43,598	47,299
Other liabilities	646	840	850	891	957
<b>Total liabilities</b>	<b>30,435</b>	<b>68,959</b>	<b>66,292</b>	<b>79,623</b>	<b>82,360</b>
Paid-up capital	4,736	4,736	4,736	4,736	4,736
Share premium	23,543	23,543	23,543	23,543	23,543
Retained earnings	38,937	4,944	13,112	15,570	18,962
<b>Shareholders equity</b>	<b>68,863</b>	<b>34,871</b>	<b>41,391</b>	<b>43,849</b>	<b>47,241</b>
Minority interests	15	17	17	17	17
<b>Total Liab.&amp;Shareholders' equity</b>	<b>99,313</b>	<b>103,847</b>	<b>107,700</b>	<b>123,489</b>	<b>129,618</b>

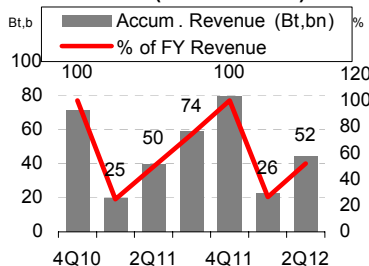
	2010	2011	2012E	2013E	2014E
<b>CASH FLOW (Btm)</b>					
Net income	10,892	11,813	12,038	14,497	17,889
Depreciation and amortization	10,365	10,515	11,286	12,804	14,075
Change in working capital	7,474	15,713	(3,262)	(261)	(486)
FX, non-cash adjustment & others	(5,898)	(11,746)	6,822	454	760
<b>Cash flows from operating activities</b>	<b>22,832</b>	<b>26,296</b>	<b>26,885</b>	<b>27,494</b>	<b>32,237</b>
Capex (Invest)/Divest	(2,954)	(4,976)	(8,104)	(23,955)	(20,040)
Others	1,176	(239)	(17)	(46)	(75)
<b>Cash flows from investing activities</b>	<b>(1,778)</b>	<b>(5,215)</b>	<b>(8,121)</b>	<b>(24,001)</b>	<b>(20,115)</b>
Debt financing (repayment)	(10,065)	(4,321)	32,656	12,652	1,701
Equity financing	0	0	0	0	0
Dividend payment	(4,555)	(7,434)	(42,242)	(12,038)	(14,497)
Others	(0)	(0)	0	0	0
<b>Cash flows from financing activities</b>	<b>(14,619)</b>	<b>(11,755)</b>	<b>(9,586)</b>	<b>613</b>	<b>(12,796)</b>
Net change in cash	6,435	9,326	9,178	4,106	(674)
<b>Free cash flow (Btm)</b>	<b>19,879</b>	<b>21,319</b>	<b>18,781</b>	<b>3,539</b>	<b>12,197</b>
<b>FCF per share (Bt)</b>	<b>8.40</b>	<b>9.00</b>	<b>7.93</b>	<b>1.49</b>	<b>5.15</b>

Sources: Company data, Bualuang Research estimates

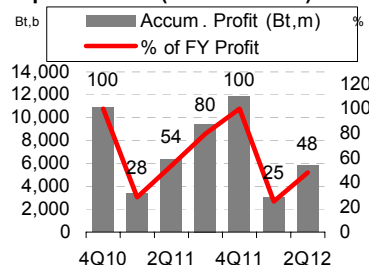
### Revenue trend



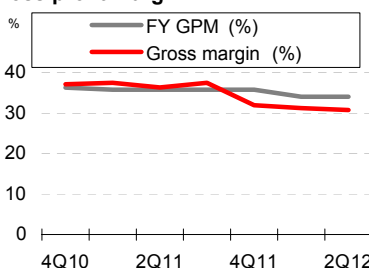
### Revenue trend (accumulated)



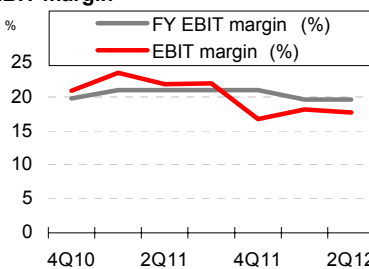
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



### Financial tables

	2Q11	3Q11	4Q11	1Q12	2Q12
<b>PROFIT &amp; LOSS (Btm)</b>					
Revenue	19,701	19,598	20,324	22,517	21,641
Cost of sales and services	(12,539)	(12,246)	(13,832)	(15,488)	(14,980)
<b>Gross profit</b>	<b>7,162</b>	<b>7,352</b>	<b>6,492</b>	<b>7,030</b>	<b>6,661</b>
SG&A	(2,851)	(3,038)	(3,088)	(2,941)	(2,831)
<b>EBIT</b>	<b>4,311</b>	<b>4,313</b>	<b>3,404</b>	<b>4,089</b>	<b>3,831</b>
Interest expense	(126)	(104)	(74)	(268)	(282)
Other income/exp.	149	186	253	101	136
<b>EBT</b>	<b>4,333</b>	<b>4,396</b>	<b>3,582</b>	<b>3,922</b>	<b>3,685</b>
Corporate tax	(1,307)	(1,334)	(915)	(900)	(905)
<b>After-tax profit (loss)</b>	<b>3,026</b>	<b>3,062</b>	<b>2,668</b>	<b>3,022</b>	<b>2,781</b>
Minority interest	1	(2)	0	2	0
Equity earnings from affiliates	(0)	9	17	10	5
Extra items	(0)	4	(304)	(37)	42
<b>Net profit (loss)</b>	<b>3,027</b>	<b>3,073</b>	<b>2,380</b>	<b>2,997</b>	<b>2,829</b>
Reported EPS	1.28	1.30	1.01	1.27	1.19
Fully diluted EPS	1.28	1.30	1.01	1.27	1.19
<b>Core net profit</b>	<b>3,027</b>	<b>3,069</b>	<b>2,684</b>	<b>3,034</b>	<b>2,787</b>
Core EPS	1.28	1.30	1.13	1.28	1.18
<b>EBITDA</b>	<b>6,922</b>	<b>6,991</b>	<b>6,072</b>	<b>6,770</b>	<b>6,602</b>

### KEY RATIOS

	2Q11	3Q11	4Q11	1Q12	2Q12
Gross margin (%)	36.4	37.5	31.9	31.2	30.8
EBITDA margin (%)	35.1	35.7	29.9	30.1	30.5
Operating margin (%)	21.9	22.0	16.7	18.2	17.7
Net margin (%)	15.4	15.7	11.7	13.3	13.1
Core profit margin (%)	15.4	15.7	13.2	13.5	12.9
BV (Bt)	28.6	29.9	14.7	14.6	15.8
ROE (%)	17.9	17.3	27.3	34.6	30.2
ROA (%)	11.7	11.4	9.2	12.9	11.9
Current ratio (x)	1.0	1.1	0.5	0.6	0.6
Gearing ratio (x)	0.1	0.1	0.1	0.7	0.6
Interest coverage (x)	34.1	41.5	45.7	15.3	13.6

### BALANCE SHEET (Btm)

	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>21,817</b>	<b>27,288</b>	<b>21,973</b>	<b>12,234</b>	<b>15,859</b>
Accounts receivable	6,242	6,179	6,575	7,227	6,861
Inventory	494	342	384	860	755
PP&E-net	66,594	64,886	62,646	61,818	60,191
Other assets	7,218	7,663	10,075	9,080	10,118
<b>Total assets</b>	<b>103,798</b>	<b>107,793</b>	<b>103,847</b>	<b>92,844</b>	<b>95,401</b>
Accounts payable	17,349	21,972	19,480	23,776	30,485
ST debts & current portion	4,321	1,321	1,321	5,321	5,321
Long-term debt	3,929	3,929	3,269	19,269	16,608
Other liabilities	786	917	840	868	875
<b>Total liabilities</b>	<b>35,994</b>	<b>36,914</b>	<b>68,959</b>	<b>58,193</b>	<b>57,921</b>
Paid-up capital	4,736	4,736	4,736	4,736	4,736
Share premium	23,543	23,543	23,543	23,543	23,543
Retained earnings	37,862	40,935	4,944	4,710	7,538
<b>Shareholders' equity</b>	<b>67,789</b>	<b>70,861</b>	<b>34,871</b>	<b>34,636</b>	<b>37,465</b>
Minority interests	15	17	17	15	15
<b>Total Liab.&amp;Shareholders' equity</b>	<b>103,798</b>	<b>107,793</b>	<b>103,847</b>	<b>92,844</b>	<b>95,401</b>

Sources: Company data, Bualuang Research

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80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.