

# Shin corporation - INTUCH

## ADVANC & THCOM seen as major growth booster

### Report type: Company Update

#### Company Overview

INTUCH is holdings company investing in domestic wireless telecommunications, satellite and international business, as well as media and advertising.

- ADVANC delivered stellar earnings growth of 42.40% y-y in 9MCY12.
- On a core business basis, THCOM swung to a profit of Bt349mn in 9MCY12 from a loss of Bt176mn in 9MCY11.
- INTUCH plans to bid for broadcasting licenses to operate three terrestrial digital TV channels. The auction of digital TV licenses is expected to take place in Apr 2013.
- We estimate INTUCH will earn a net profit of Bt14,312.25mn in CY12 and its profit is projected to rise further by 19.4% y-y to Bt17,089.58mn in CY13.
- We rate INTUCH shares a 'BUY' with a target price of Bt82/ share based on a 10% discount to NAV.

#### What is the news?

In 9MCY12, INTUCH achieved a net profit of Bt10,475.72mn, up 34.72% y-y thanks to a profit contribution of Bt10,750mn from ADVANC and another Bt21mn profit from satellite and advertising businesses. Other businesses suffered losses.

#### How do we view this?

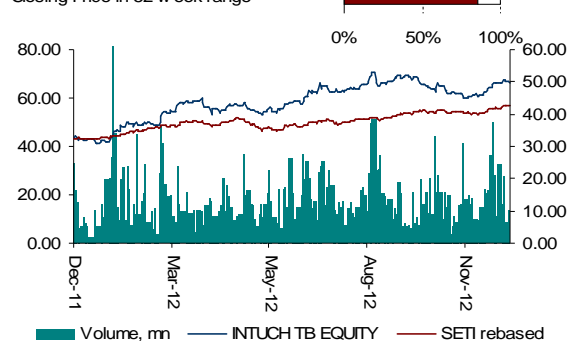
We estimate INTUCH will earn a net profit of Bt14,312.25mn in CY12 and its profit is projected to rise further by 19.4% y-y to Bt17,089.58mn in CY13.

#### Investment Actions?

We rate INTUCH shares a 'BUY' with a target price of Bt82/ share based on a 10% discount to NAV.

#### Shin corporation

<b>Rating</b>	<b>1.00</b>	<b>Buy</b>
- Previous Rating	1.00	Buy
<b>Target Price (Bt)</b>	<b>82</b>	
- Previous Target Price (Bt)	78	
Closing Price (Bt)	66.50	
Expected Capital Gains (%)	23.3%	
Expected Dividend Yield (%)	8.0%	
<b>Expected Total Return (%)</b>	<b>31.3%</b>	
Raw Beta (Past 2yrs weekly data)	0.55	
Market Cap. (USD mn)	6,970	
Enterprise Value (USD mn)	7,294	
Market Cap. (Bt mn)	213,227	
Enterprise Value (Bt mn)	223,202	
3M Average Daily T/O (mn)	12.74	
52 week range	40.25 - 71	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Aspen Holdings Co.Ltd.	41.6
2. SINGTEL STRATEGIC INVESTMENTS PTE.LTD.	38.0
3. Cedar Holdings Co.Ltd	5.4

#### Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btrm)	7,967	8,649	9,538	9,876
Net Profit (Btrm)	8,016	16,559	14,312	17,090
EPS (Bt)	2.50	5.16	4.46	5.33
Net Profit, adj. (Btrm)	8,106	11,195	14,312	17,090
EPS, adj. (Bt)	2.53	3.49	4.46	5.33
P/E (X),adj.	26.3	19.0	14.9	12.5
BVPS (Bt)	6.92	9.15	9.93	10.76
P/B (X)	9.6	7.3	6.7	6.2
DPS (Bt)	6.77	5.50	4.46	5.33
Div. Yield (%)	10.2	8.3	6.7	8.0

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

Net Asset Value (NAV)

#### Analyst

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### Stellar profits from ADVANC and THCOM

In 9MCY12, ADVANC, the mobile phone arm of INTUCH delivered strong profit growth of up to 42.40% y-y to Bt26,425.62mn as top-line revenue jumped 10.84% y-y boosted by a 7% y-y rise in voice revenue and a 33% y-y surge in non-voice revenue. The NBTC on Dec 7, 2012 issued the 3G 2.1GHz mobile phone license to ADVANC, allowing it to speed up investment to improve non-voice service efficiency. In our view, the 3G license would serve as a growth catalyst for non-voice services. As of end-9MCY12, ADVANC had a total of 35.234mn subscribers, making up a 44.45% share of the domestic cellular market in Thailand.

THCOM, a satellite subsidiary of INTUCH achieved the core business profit of Bt349mn in 9MCY12. Including exceptional charges related to the divestment of MFONE, including impairment losses on assets classified as held for sale at MFONE and others, 9MCY12 net profit came in at only Bt50mn but reversed a loss of Bt176mn in 9MCY11 thanks largely to strong growth from Thaicom and iPSTAR satellite business. Revenue from iPSTAR and Thaicom satellite business continued to grow at a brisk pace of 11.65% y-y to Bt4,649mn and gross profit jumped 38.87% y-y to Bt1,747mn.

The following table shows INTUCH realized a profit of up to Bt10,759mn from ADVANC in 9MCY12, up 31.70% y-y. ADVANC was the biggest profit contributor for INTUCH.

Consolidated operating results

Financial results by business segment	3Q12	2Q12	1Q12	3Q11	9M12	9M11	y-y%
Shin Corporation Plc. (the Company) and others	-63	-45	-42	-51	-150	-143	4.68%
Local wireless telecommunications - AIS	3,622	3,506	3,631	2,640	10,759	8,170	31.70%
Satellite & telephone networks in foreign entities - THCOM	-44	47	17	7	21	-66	-131.11%
Media & Advertising	-48	-39	-67	-63	-154	-185	-16.67%
Profit attributable to owners of the parent	3,467	3,470	3,539	2,533	10,476	7,776	34.72%

### ADVANC and THCOM still seen as major growth contributors for INTUCH ahead

In 9MCY12, INTUCH achieved a net profit of Bt10,475.72mn, up 34.72% y-y. ADVANC contributed the biggest share of growth for INTUCH. In our view, much of the growth would continue to come from ADVANC on the back of robust growth in non-voice services thanks to the increasing use of smart phones and social networks. We expect ADVANC to deliver a net profit of Bt34,900mn in CY12 and its profit is forecast to rise by 13.3% y-y to Bt39,528mn in CY13.

THCOM is also expected to see explosive earnings growth in CY13 thanks to revenue growth from Thaicom and iPSTAR satellite business and deconsolidation of its loss-making MFONE. THCOM realized losses of around Bt130mn per quarter from its loss-making Cambodian mobile unit MFONE, a wholly-owned subsidiary of Sherington Investment, which is 51% owned by THCOM, due to a fierce price war in Cambodian mobile phone market. In 9MCY12, THCOM realized losses of around Bt375mn from MFONE which suffered losses of around Bt750mn though it earned revenue

of Bt645mn. THCOM therefore decided to sell its loss-making MFONE to INT Management Service Corp. Following divestment, loss-ridden MFONE will be de-consolidated from THCOM's balance sheet. The transaction is expected to be completed by the end of this year. We forecast THCOM to post a net profit of Bt232mn in CY12 and its profit is expected to rise more than fourfold to Bt1,099mn in CY13.

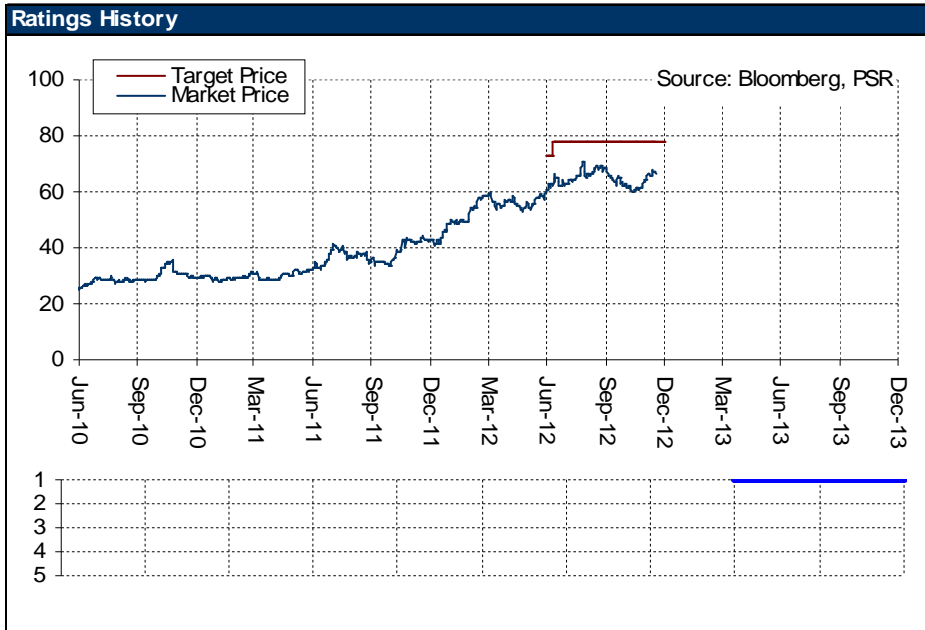
On this basis, we estimate INTUCH will earn a net profit of Bt14,312.25mn in CY12 and its profit is projected to rise further to Bt17,089.58mn in CY13.

### Plan to branch out into digital TV business

INTUCH plans to branch out into digital TV business. Under the draft spectrum management and TV and radio broadcasting mater plans, the NBTC plans to switch Thailand from analog to terrestrial digital TV broadcasting system, a move that will enable the creation of at least 50 digital free TV channels. INTUCH plans to bid for broadcasting licenses to operate three terrestrial digital TV channels. The auction of digital TV licenses is expected to take place in Apr 2013.

### 'BUY' rating with Bt82/share target price

Normally INTUCH trades at a discount to its NAV. Our target price of Bt82/share for INTUCH represents a 10% discount to our CY13 NAV forecast of Bt91/share based on its major holdings in ADVANC and THCOM. At current prices, we rate INTUCH shares a 'BUY.'



**Phillip Group Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

**Remarks**  
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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