

### Report type: Trade Flash

#### Company Overview

THCOM provides satellite telecommunication services in Thailand under a 30-year BTO concession from ICT, which is due to end in 2021. Satellites currently in service include Thaicom 4 (iPSTAR) and Thaicom 5.

- THCOM's subsidiary signed a framework agreement to provide iPSTAR service capacity for China-based Vast.
- China is expected to become the largest consumer of iPSTAR gateway of 9.219 Gbps, accounting for 24.7% of the whole capacity that iPSTAR provides services around the globe.
- We expect THCOM to register net profit of Bt232mn in CY12. Earnings performance is expected to improve notably in 2013 after a disposal of MFONE which will allow THCOM to book net profit of Bt1,009mn in CY13.
- We rate THCOM an 'ACCUMULATE' with a CY13 target price of Bt27.30/share.

#### What is the news?

THCOM's subsidiary IPSTAR entered into framework agreement with Vastsuccess Holdings (Vast) which is wholly owned by Synertone Communication Corporation (Synertone). Details of the definitive agreement and relevant agreements shall be finalized within Mar 31, 2013.

According to the framework agreement, THCOM via its subsidiary IPSTAR will grant rights to use the whole iPSTAR gateway in China to Synertone (the Mother company of Vast) with the following conditions.

1. Vast agreed to pay for the transaction which all details shall be agreed and included in the Definitive Agreement and other relevant agreements.
2. Synertone agreed to allot and issue Consideration Share to IPSTAR or other company in the group in compliance with the relevant agreements.
3. Vast agreed to share its revenue from providing any part of whole Chinese capacity in accordance with the relevant agreements.

This move will affect positively THCOM as China is a key target customer considering the largest capacity of up to 9.219 Gbps which accounts for 24.7% of 37.39 Gbps IPSTAR's total capacity (India is considered a second largest capacity with a 6.4% ratio). As the transaction is the bulk deal, IPSTAR is no need to find more customers to share the gateway capacity.

Given the whole capacity, China will be able to implement a variety of services, such as mobile backhubs, education projects and USO projects.

#### How do we view this?

An entering into agreement with China will likely strengthen profitability to THCOM as the increased capacity of around 24% from China will add to the current capacity of 25%, implying an accelerated revenue growth in foreseeable future. However, a usage of capacity from China will increase gradually on annual basis that comprehensive details will be described on the definite agreement which is due to be signed within Mar 2013.

#### Investment Actions?

We rate THCOM an 'ACCUMULATE' with a CY13 target price of Bt27.30/share.

#### Capacity Allocation : Country

| Country               | Capacity in Mbps | % of total IPSTAR Capacity (45G) |
|-----------------------|------------------|----------------------------------|
| Australia             | 5,493            | 14.7%                            |
| Cambodia              | 362              | 1.0%                             |
| China                 | 9,219            | 24.7%                            |
| India                 | 6,075            | 16.2%                            |
| Indonesia             | 2,480            | 6.6%                             |
| Japan                 | 2,530            | 6.8%                             |
| Korea, Republic       | 893              | 2.4%                             |
| Malaysia              | 2,378            | 6.4%                             |
| Myanmar               | 723              | 1.9%                             |
| New Zealand           | 848              | 2.3%                             |
| Philippines           | 1,201            | 3.2%                             |
| Taiwan                | 804              | 2.2%                             |
| Thailand              | 2,935            | 7.9%                             |
| Vietnam               | 1,447            | 3.9%                             |
| <b>Total capacity</b> | <b>37,388</b>    | <b>100.0%</b>                    |

#### Valuation Method

DCF (WACC 15.83%, terminal g: 2% )

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