

## ***Big 3 stocks fall despite successes***

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***The country's three giant mobile operators yesterday saw their stock prices slip despite the long-awaited auction for 2.1-gigahertz spectrum slots producing successful bids that were only 2.8 per cent above the minimum reserve price.***

However, 3G-related businesses are expected to be leveraged by 14 per cent to Bt210 billion next year, according to Kasikorn Research Centre.

Brokerages are recommending a "trading buy" on telecom stocks, as the successful cellular operators are expected to benefit from 3G licensing through a lower average cost-to-revenue ratio of 10 per cent.

Tisco Securities yesterday recommended Advanced Info Service (AIS) shares as its top pick following the company's successful participation in the 3G auction. However, the broker suggests a "trading buy" on the stock.

Total Access Communication (DTAC) stock yesterday closed at Bt85, down 3.68 per cent from the previous trading day.

AIS stock, which trades as ADVANC, closed 3.47 per cent lower at Bt195, while True shares fell 0.89 per cent to close the day at Bt5.55. True's closing price had peaked at Bt6.25 on October 1.

Asia Plus Securities said in research that it believed AIS could post 58-per-cent growth in net profit this year in addition to the auction.

The operator is expected to take three to six months for 3G network installation and should launch services by the end of the first quarter of next year, implying that its cost-to-revenue ration under new 3G licences will drop to 10-12 per cent from 25 per cent under its existing concession.

Based on an assumption that 50 per cent of its post-paid and 10 per cent of its prepaid customers are transferred from existing to new licences, this supports the brokerage's belief that net profit will grow 12 per cent to an estimated Bt39.4 billion this year. Finansia Syrus reiterated in its latest research that it targeted AIS's third-quarter normalised earnings at Bt8.7 billion, flat quarter on quarter but up 33 per cent year on year, due mainly to growing non-voice income and a fall in interest and tax costs.

The brokerage is keeping a "hold" recommendation on the company's stock, as AIS's dividend yield is at a relatively high rate of 6 per cent.

Kiatnakin Securities said the 2.1GHz auction would be positive for all three successful bidders, giving them lower costs per unit on frequency use and adding to their stock value. For True, even though the estimated 2.1Ghz 3G cost is higher than that for its current use of the 850MHz frequency for 3G HSPA (high-speed packet access), which it took over from Hong Kong's Hutchinson for Bt6.2 billion, it could be an alternative if the amendment of the 3G HSPA contract is prolonged, said the brokerage.

"We expect True group still has a sufficient cash flow to pay for the first round of 3G licences, which is required at 50 per cent of the total bid prices," said the brokerage.

Kasikorn Research Centre reiterated in its latest research that the 3G auction would help push Bt125 billion-worth of investments into the telecommunication network over the next three years.

**Nathaporn Phanudom, partner for technology, infocomm, entertainment and media at PricewaterhouseCoopers (Thailand), said there would be 19 million 3G users in the next five years, up 35 per cent after 3G services are fully commercialised**