

AIS preparing deal to acquire TTTBB, JASIF



The acquisition of TTTBB will expand AIS's broadband business and double its broadband subscriber base to 4.3 million.

Regulatory panel to study B32.4bn deal

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SET-listed Advanced Info Service (AIS) has announced its plan to acquire fixed broadband provider Triple T Broadband (TTTBB) and Jasmine Broadband Internet Infrastructure Fund (JASIF) for 32.4 billion baht in a bid to drive growth in the broadband internet frontier and add business value.

The acquisition will be undertaken by Advanced Wireless Network (AWN), a subsidiary of AIS, the country's largest mobile operator said in an exchange filing.

Meanwhile, the National Broadcasting and Telecommunications Commission (NBTC) said it will set up a panel to scrutinise the deal.

Under the purchase deal, AWN will buy 7.5 billion shares — equivalent to 99.8% of TTTBB's shares — from Acumen Co (ACU), a subsidiary of

Jasmine International Plc (JAS). The investment will cost 19.5 billion baht.

AWN will also purchase 1.52 billion units — equivalent to 19% of JASIF from JAS — at 8.5 baht per unit with the cost of 12.9 billion baht. JAS is the biggest shareholder of JASIF with a 19% stake.

AWN signed the undertaking agreements with ACU and JAS on Sunday, the same day AIS's board approved the investment foray.

AIS chief finance officer Tee Seeumpornroj said in the exchange filing that approval is required from the NBTC before the transactions are to be executed.

The firm expects the acquisition to be completed in the first quarter of next year.

"This acquisition will enhance consumer access to broader and better quality of service by improving broadband inclusion in new areas targeting upcountry and non-city areas," said Mr Tee.

"This aligns with our business direction to grow the broadband business and effectively develop the nation's fibre infrastructure."

According to Mr Tee, a combined fibre network will support "effective sharing

that reduces unnecessary fibre network duplication". TTTBB operates its broadband internet service under the brand 3BB while AIS runs the home internet business under the brand AIS Fibre.

"The transaction will enhance the value of our business and sustainable growth for key stakeholders, such as customers, society and shareholders over the long term," Mr Tee said.

The investment in JASIF, he said, will open the door for the fund to invest in additional telecom assets of AIS. The company is committed to its dividend policy of a minimum 70% payout of net profit after the transactions, he said.

As of the fourth quarter in 2021, Thailand was estimated to have 13.1 million broadband internet subscribers, according to the NBTC, up from 12.7 million in the previous quarter.

True was projected to have the biggest market share that quarter with 35.3%, followed by 3BB at 27.8%, NT at 20.4% and AWN at 13.4%.

SCRUTINY PANEL

Sutisak Tantayotin, deputy secretary-general of the NBTC, said the regula-

tor will wait for the formal notification about the acquisition from AIS and JAS.

"It is too early to elaborate on the regulatory scheme to govern the deal," he said.

He said this deal is different from the planned amalgamation of True and Total Access Communication (DTAC), which sees the formation of a new merged firm through a share swap model.

Under the latest deal, AIS will purchase the entire stake of TTTBB, he said.

According to Mr Sutsak, the NBTC will set up a panel to vet the deal and the NBTC office will apply the fair regulatory standard to governing the deal.

CUSTOMER BASE EXPANSION

Capital Nomura Securities (CNS) has a positive view on JAS, expecting JAS to record a profit of around 11 billion baht from the sale of TTTBB shares which may translate into special dividends of 0.50-0.60 baht per share after deducting debt and other expenses.

However, the brokerage has a short-term negative view on JASIF as the purchase price of 8.50 baht is 11% lower than the market price as of July 1.

The main contract for the tender offer for JASIF investment units may also be amended, causing changes in JASIF's fundamentals.

CNS has downgraded its recommendation on JAS from "buy" to "neutral", pending further contract amendments.

The brokerage views that AIS's purchases of a 99.8% stake in TTTBB at a value of 19.5 billion baht and 19% of JASIF investment units at a value of 12.9 billion baht are inexpensive as the price-to-earnings ratios stand at 1.07 times for the TTTBB deal and about 8.5 times for the JASIF deal.

TTTBB's revenue and earnings before interest and taxes stood at 18.2 billion baht and 1.6 billion baht, respectively, in 2021. The same year, JASIF recorded 10 billion baht income and 8 billion baht net profit from investment.

CNS views that the deal will not affect AIS's performance and ability to pay dividends because AIS's main source of funding is debt capital.

The deal will expand AIS's broadband business and double its broadband subscriber base to 4.3 million, excluding 3BB's non-active customer, from 1.87 million at the present.

AIS's broadband market share will also rise to 38% from 16%, second only to True, which occupies 41%.

GREEN LIGHT EXPECTED

Pisut Ngamvijitvong, senior equity

FIXED BROADBAND INTERNET MARKET SHARE (2021)

	Q1	Q2	Q3	Q4(p)
■ NT	18.6%	19.4%	19.9%	20.4%
■ True	36.1%	35.6%	35.5%	35.3%
■ 3BB	29.3%	28.9%	28.3%	27.8%
■ AWN	12.0%	12.4%	13.0%	13.4%
■ Others	3.38%	3.53%	3.12%	2.95%
Total broadband subscribers (million)	11.8	12.3	12.7	13.1

AVERAGE MONTHLY REVENUE PER FIXED BROADBAND INTERNET USER (BAHT [2021])

	Q1	Q2	Q3	Q4
■ NT	460	446	440	443
■ True	532	527	524	507
■ 3BB	603	598	595	597
■ AWN	462	458	455	444

Source: NBTC

BANGKOK POST GRAPHICS

research analyst of Kasikorn Security (KS), said the AIS-TTTBB deal is expected to pass through regulatory checks by the NBTC, in the same way expected for the True-DTAC deal.

After the deal is completed, AIS is expected to become the second biggest fixed broadband operator with a 34% market share, trailing only True with a 39% market share.

The latest deal shows the telecom sector is being turned into a duopoly market like other sectors, such as department stores, hyper markets, convenience stores, high-speed train operators and expressway operators.

"After the deal is concluded, we would see more healthy performance by players as their profit margins would be better and their stock prices are projected to rise in the long run," said Mr Pisut.

PROMISING DEAL

Responding to the deal, a source from InTouch Holdings, the parent of AIS, said the deal has strong points in four aspects. The source, who requested anonymity, said AIS first sought approval from NBTC directly in this deal.

Second, the acquisition would make AIS only the second biggest player in

terms of subscriber base while there would be at least three major players in the market, excluding more than 10 local operators in the provinces, the source said.

The fixed internet broadband market has only 51% penetration of population, which remains unsaturated, as opposed to 120% in the mobile market.

Finally, the home internet business does not require frequencies to operate.

A telecom veteran who requested anonymity said the move is likely to be a game play by AIS as True and DTAC are on the path towards a merger.

If the merger of True and DTAC is given the nod by the NBTC but AIS's deal falters, the NBTC would be in trouble, the source said.