# Summary of the appraisal reports by independent appraisers and summary table of assumptions of the independent appraisers in respect of the Additional Telecom Infrastructure Assets No. 4 and the opinion of the Management Company in relation to the appropriateness of the assumptions used by the independent appraisers in their appraisal

**Valuation Report on the Fair Value**
**of Additional Telecom Infrastructure Assets No.4**

**of**

**Digital Telecommunications Infrastructure Fund**

Prepared by

**Jay Capital Advisory Limited**

**30 April 2019**

## Section 3 Summary of the Opinion by the Appraiser

The valuation of the additional Telecom Infrastructure Assets No.4 by the Appraiser is based on an Income Approach, which takes into account the ability to generate income from the assets and related expenses incurred. This approach determines the present value of future cash flow to be generated from the assets, under a set of revenue and expense assumptions as per the Summary of Draft Transaction Agreements, documents of the Fund and the Management Company, interviews with the management and relevant parties, the financial statements together with the Fund's Auditor's Report relating to the transaction, as well as various statistical information, including the industry data as well as other statistical data from the SET. **The fair value of the Assets is in the range of THB 14,329.04 – 16,023.75 million with a base value of THB 16,023.75 million as of the date that the assets' ownerships have been transferred and the assets commence to generate revenue to the Fund.**

Jay Capital Advisory Limited, as the independent appraiser appointed by the Fund, hereby certifies that it has studied, analyzed the above information and prudently performed its duties in accordance with the professional standards. The opinion rendered is based on an objective and unbiased analysis of the information.

The opinion on the aforementioned transaction is based on the information from the documents provided by the Fund and/or interviews with the Fund's management, publicly available information and other relevant documents. The Appraiser assumes that all information received is true and correct. Therefore, if the said information is incorrect and/or is untrue and/or has significantly changed in the future, then the appraised fair value of the assets by the Appraiser may be altered accordingly. As such, the Appraiser is unable to certify or warrant the future impact to the Fund as a result of the said factors. In addition, the Appraiser's opinion merely aims to consider the fair value of the additional Telecom Infrastructure Assets No. 4 and does not in any way certify the completion of the transaction or any potential impact to the Fund as a result of the transaction.

Yours Sincerely,

JAY CAPITAL ADVISORY LIMITED
บริษัท เจย์ แคปปิตอล แอดไวเซอรี่ จำกัด

Ms. Jirayong Anuman-Rajadhon
Managing Director
Jay Capital Advisory Limited

# Valuation Report on the Fair Value of Assets

of

# Digital Telecommunications Infrastructure Fund

Prepared by

**Silom Advisory Company Limited**

**30 April 2019**

## Section 3: Summary of the Appraiser's Opinion

### 3.1 Summary of the Appraiser's Opinion

The Appraiser considered the Income Approach to be an appropriate method to evaluate the fair value of the assets in which DIF will invest, as the approach incorporates past performances and also takes into account of the assets' ability to generate income as well as future economic trends. The fair value of the assets which DIF will invest, calculated with the Income Approach, can be summarized as follows:

| | Million Baht |
|---|---|
| Fair Value of the Assets | 14,851.10 - 16,173.92 |

The value according to the base-case assumptions is equal to 15,475.87 million Baht.

### 3.2 Other Considerations

As the Appraiser has performed a due diligence on the documents and information received, the Appraiser has an opinion that, in order to evaluate the fair value of the assets which will be invested by DIF, additional risks should be considered as follows;

1. The agreements which the Appraiser received are merely summaries of key terms of the draft transaction agreements and other draft agreements related to the transaction. The content of final agreements might differ from the draft agreements received by the Appraiser which, in such case, may affect the fair value of the assets which DIF will invest.
2. The assumption of investment date might be different from an actual investment date which will be determined in the future. In case there is a change in the investment date, the fair value of the assets which DIF will invest might be affected.

Sincerely yours,

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(Mr. Pitak Kittiakrasatien)
Managing Director
Silom Advisory Company Limited

## Summary of Key Assumptions in the Appraisal Reports for the Additional Telecom Infrastructure Assets No.4

| | Jay Capital Advisory Co., Ltd | Silom Advisory Co., Ltd |
|---|---|---|
| **Valuation Method** | The Income Approach typically applies Discounted Cash Flow ( DCF) Approach for the valuation. DCF Approach is based upon discounting forecasted cash flows with Weighted Average Cost of Capital (WACC) of the Fund. | |
| **Forecasting Period** | <u>Telecommunications towers</u><br>During the period of 1 October 2019 – 31 December 2034, which consists of the following 2 time periods:<br>- Period 1 (1 October 2019 – 15 September 2033): Lease term under summary of draft lease agreement with TUC.<br>- Period 2 (16 September 2033 – 31 December 2034): Terminal Value calculated during the period. Under the assumption that TRUE extends its lease agreement with the Fund, after summary of draft lease agreement with TUC expires.<br><br><u>FOC</u><br>During the period of 1 October 2019 – 31 December 2034, which consists of the following 2 time periods:<br>- Period 1 (1 October 2019 – 15 September 2033): Lease term period under summary of draft lease agreements with TUC and TICC.<br>- Period 2 (16 September 2033 – 31 December 2034): And Terminal Value calculated at the end of the period. Under the assumption that TRUE Group extends its lease agreement with the Fund, after summary of draft lease agreement with TUC and TICC expires. | <u>Telecommunications towers</u><br>During the period of 1 January 2020 – 31 September 2033, which consists of the following 2 time periods:<br>- Period 1 (1 October 2019 – 15 September 2033): Lease term under summary of draft lease agreement with TUC.<br>- Period 2 (16 September 2033 – 30 September 2033): And Terminal Value calculated at the end of 2033.<br><br><u>FOC</u><br>During the period of 1 January 2020 – 30 April 2048, which consists of the following 3 time periods:<br>- Period 1 (1 January 2020 – 15 September 2033): Lease term period under summary of draft lease agreements with TUC and TICC<br>- Period 2 (16 September 2033 – 15 September 2043): Option to extend lease terms with TUC and TICC for a further 10 years, under the summary of draft lease agreement.<br>- Period 3 (16 September 2043 – 30 April 2048): Terminal Value calculated at the end of 2048 |
| **Net Cash Flow of Towers from TUC** | | |
| Number of leased<br>(Slots / Tower) | - Period 1 : TUC leases 2 slots per tower, with no third party tenants involved.<br>- Period 2: Appraiser assumes that TRUE Group leases 2 slots per tower thereafter, with no third party tenants involved. | - TUC leases 2 slots per tower, throughout the forecasted periods, with no third party tenants involved. |

| | Jay Capital Advisory Co., Ltd | Silom Advisory Co., Ltd |
|---|---|---|
| | | |
| Tower rental rate for tenants under True Group | - Ground-based towers: THB 11,265.68 / slot / month for 2019<br>- Rooftop towers: THB 10,289.77 / slot / month for 2019<br>Rental rate increases by 2.70% per year, starting in 2020 | |
| Tower rental rate for third party tenants | - Ground-based towers: THB 15,020.90 / slot / month for 2019<br>- Rooftop towers: THB 13,719.69 / slot / month for 2019<br>Rental rate increases by 2.70% per year, starting in 2020 | |
| Land lease expense and property tax | - Ground-based towers (GBT): THB 6,477.00 / tower / month for 2019<br>- Rooftop towers (RTT): THB 20,374.00 / tower / month for 2019<br>Expense increases by 2.20% per year, starting in 2020 | |
| Maintenance expense | The lessees are responsible for the maintenance of towers | |
| Insurance expense | - All risks insurance premium is projected to be 0.0174% of the total assets' insured value/ sum insured of GBT and RTT of THB 1.01 million and THB 0.27 million, respectively.<br>- The total amount of sum insured is forecasted to grow at a rate of 2.00% per year based on the target inflation rate from the Bank of Thailand.<br>- Business interruption insurance premium is projected to be 0.0104% of the operating revenues. | - Insurance expense in 2019 is projected to be THB 1.00 million with a 3.07% increase per year |
| Relocation expense | No additional relocation expense from additional investment no.4 | |
| Capital expenditure | No additional expense incur to the Fund, as lessees are responsible for the repair and maintenance of the towers. | |
| Marketing services fee | 2.00% of the rental income from third party tenants | |
| Administrative services fee | 0.15 % of net revenue after deducting total expenses for main operation | |
| **Net Cash Flows of FOC from TUC RMV and TICC** | | |
| Utilization Rate | - Period 1: TUC and TICC utilize 80% of the total core kilometers.<br>- Period 2: Appraiser assumes that TRUE utilizes 80% of the total core kilometers, as sole leases. | - TUC and TICC utilize 80% of the total core kilometers, throughout the forecasted periods. |
| FOC rental rates | - THB 350 / core kilometer / month for lessees under True Group<br>- THB 500 / core kilometer / month for third party lessees | |
| Anchor tenant discounts | Preventive maintenance and Corrective maintenance discounts of THB 4,410.00 / kilometer / year and THB 6,615.00 / kilometer / year respectively, for the reimbursement of any maintenance expenses of FOC to lessees | |
| Right of way expense | THB 55.00 / pole / year or equivalent to THB 1,925.00 / pole / kilometer / year | |
| Maintenance expense | The lessees are responsible for the maintenance of the FOCs | |

| | **Jay Capital Advisory Co., Ltd** | **Silom Advisory Co., Ltd** |
|---|---|---|
| Insurance expense | - Business interruption insurance premium is projected to be 0.0104% of the operating revenues. | - Insurance expense in 2019 is projected to be THB 0.50 million with a 3.07% increase per year. |
| Relocation expense | No additional relocation expense from additional investment no.4 | |
| Capital expenditure | No additional expense incur to the fund, as lessees are responsible for the maintenance of the FOCs. | |
| Marketing expense | 2.00% of the rental income from third party tenants | |
| Administrative expense | 0.15 % of net revenue after deducting total expenses for main operation | |
| Terminal growth rate | <u>Tower</u><br>- 1.00%<br><br><u>FOC</u><br>- N/A | <u>Tower</u><br>- N/A<br><br><u>FOC</u><br>- N/A |
| Weighted Average Cost of Capital (WACC) | 7.03% | 7.12% |
| Sensitivity analysis | Sensitivity analysis of the impact on the appraised fair value, due to changes in the number of Tower slots, between 1.00 – 2.00 slots, that TRUE Group leases following the expiry of the lease contract including period of terminal value projection and changes in the utilization, between 70.00% – 80.00%, of FOCs by True Group following the expiry of the lease contract including period of terminal value projection | Sensitivity analysis of the impact on the appraised fair value, due to changes in the discount rates, between 6.62% – 7.62%, and changes in the terminal growth rates between -0.50% – 0.50%. |

**Opinion of the Management Company**

We, having reviewed and analysed the information in the appraisal reports for the Additional Telecom Infrastructure Assets No. 4 as well as interviewing the two appraisers namely Jay Capital Advisory Co., Ltd. and Silom Advisory Co., Ltd. which have the experience and expertise in asset valuation and are granted license by the SEC Office, are of the opinion that the value of the assets and assumptions adopted by the two appraisers are reasonable, since the valuation method used are suitable with the investment structure of the Fund for Telecom Infrastructure Assets, that is, the discounted cash flow approach which takes into account the operating performance and capability to generate future cash flow which appropriately reflects the actual value of the assets to be invested by the Fund.

The assumptions applied by both appraisers, for the projection period to obtain the projected revenues and material expenses, are based on the summary of draft material agreements relating to the investment in the Additional Telecom Infrastructure Assets No. 4. The projected revenues are based on the terms of the master lease, operation and management agreements between the Fund and the founding lessee, which have been amended and restated; those agreements set out the terms and conditions which expressly affect the Fund's revenues, such as, rental rate and number of leases. In respect of the projected telecommunications towers and FOC rental incomes from other tenants, both appraisers have applied the conservative assumptions which exclude rental incomes from other tenants while expenses related to the assets, such as, land lease expenses, rights of way costs, relocation costs for telecommunications towers and FOC, and marketing expenses are based on the terms of the master lease, operation and management agreements between the Fund and the founding lessee which have been amended and restated as well as from the master service agreement. However, appraisers have adjusted certain assumptions, by their own discretion, based on publicly disclosed information, such as, the inflation rate and terminal value, etc.

Furthermore, with respect to the projection of terminal value of telecommunication towers, both appraisers have referenced the rental rate, number of lease and land lease expenses from the lease agreement with the current founding lessee, the terms and conditions of which are in accordance with the market and industry normal practice. One appraiser has applied the terminal growth rate of 1 per cent, from the assumption that the rate at which the projected cash flow beyond the projection period is assumed to grow subtracted by the targeted inflation rate. While the other appraiser has adopted a conservative assumption, that is, no terminal growth. Moreover, with respect to the projection of the terminal value of FOC, both appraisers have referenced to the rental rate, number of lease and rights of way costs from the lease agreement with the current founding lessee, the terms and conditions of which are in accordance with the market and industry normal practice and applies the terminal growth rate at 0 per cent which is considered to be a conservative assumption.

Finally, regarding the sensitivity analysis, one appraiser applied sensitivity analysis, based on the nature of business operations of the assets, to test the impact of the appraised value from changes in number of lease of telecommunications towers' slots and changes in utilization rate of FOC by True Group. Additionally, the second appraiser tested the impact on the appraised fair value from the changes in discount rates and changes in the terminal growth rate. We find that such sensitivity analysis approaches are reasonable, as they reflect the range of value of assets based on business factors, as well as, changes in discount rates.

Overall, we have the opinion that the methods used for calculating the discount rates, adopted by both appraisers are reasonable and appropriate, given the overall situation of the capital market, economic conditions and the current capital structure of the Fund, that is, the assumed financing costs are close to the lending interest rates applicable by current lenders of the Fund as well as the long-term capital structure of the Fund.

The opinion of the Management Company is based on the current business circumstances and economic conditions. Should there be any changes in the future which are not anticipated, the actual performance may differ from the assumptions and may result in change of the opinion of the Management Company in the future.