

Advanced Info Service (ADVANC TB) - BUY, Price Bt171, TP Bt220**Results Comment**

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1Q21's profit slightly beat estimates

- ADVANC reported a normalized profit (excluding FX loss and hedging gain) at Bt6.87bn in 1Q21, down 4% y-y but grew 3% q-q. Continuing revenue improvement and strong cost control drove a consecutive earnings recovery trend, while negative impacts from Covid-19 pandemic on its revenue stream resulted as a y-y earnings contraction.
- Service revenue continues to recover by 1% q-q to Bt32.4bn in 1Q21, backed by strong customer acquisition in both mobile and fixed broadband segments during this quarter which more than offset their ARPU fall. The revenue dropped 2% y-y as lingering impacts from Covid-19 still pressured customer spending while tourism-related revenue remained muted.
- ADVANC recorded 1.33m net-adds to its mobile subscriber base in 1Q21 (up 3% q-q to 42.8m subs) and 95k net-adds for fixed broadband (+7% to 1.43m subs).
- However, blended mobile ARPU fell 1% q-q (-4% y-y) to Bt232/sub/month. Fixed broadband's ARPU also dropped 3% q-q (-10% y-y) to Bt462.
- EBITDA margin rose to 49.2% in 1Q21, from 48.3% in 4Q20, thanks to higher revenues and seasonally lower marketing and staff-related expenses, but was weaker than 53.2% in 1Q20 (pre-Covid pandemic). EBITDA was at Bt22.6bn this quarter, down 1% y-y but improved 2% q-q.
- This 1Q21's result was slightly better than our and the market's forecasts, made up 26% of our full-year numbers, while we still expect ADVANC's earnings to start recovering in 2H21F given improving economic outlook on easing Covid-19 situation. We thus maintain BUY.

| Income Statement | | | | | | Income Statement | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|--------------------------|------------|------------|-----------|---------------|---------------|
| (consolidated) | | | | | | 3M as | | | | | |
| Yr-end Dec (Bt m) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | (Bt m) | q-q% | y-y% | % 2021F | 2021F | 2022F |
| Revenue | 42,845 | 42,256 | 41,715 | 46,074 | 45,861 | Revenue | (0) | 7 | 26 | 177,008 | 183,980 |
| Gross profit | 16,088 | 15,489 | 15,187 | 15,277 | 15,106 | Gross profit | (1) | (6) | 24 | 62,145 | 66,539 |
| SG&A | 6,313 | 6,066 | 6,050 | 6,070 | 5,538 | SG&A | (9) | (12) | 22 | 25,488 | 25,904 |
| Operating profit | 9,775 | 9,423 | 9,138 | 9,207 | 9,568 | Operating profit | 4 | (2) | 26 | 36,658 | 40,635 |
| EBITDA | 22,782 | 22,285 | 22,086 | 22,231 | 22,577 | EBITDA | 2 | (1) | 25 | 91,147 | 95,190 |
| Other income | 227 | 81 | 147 | 193 | 159 | Other income | (18) | (30) | 26 | 620 | 644 |
| Other expense | 0 | 0 | 0 | 0 | 0 | Other expense | | | na | 0 | 0 |
| Interest expense | 1,564 | 1,546 | 1,449 | 1,358 | 1,386 | Interest expense | 2 | (11) | 22 | 6,238 | 6,112 |
| Profit before tax | 8,438 | 7,959 | 7,836 | 8,042 | 8,341 | Profit before tax | 4 | (1) | 27 | 31,039 | 35,167 |
| Income tax | 1,335 | 1,411 | 1,215 | 1,374 | 1,477 | Income tax | 7 | 11 | 31 | 4,811 | 5,627 |
| Equity & invest. income | 85 | 103 | 75 | (12) | 3 | Equity & invest. income | na | (97) | 1 | 337 | 364 |
| Minority interests | (1) | 1 | (2) | (1) | (1) | Minority interests | na | na | 12 | (5) | (5) |
| Extraordinary items | (430) | 350 | (181) | 509 | (223) | Extraordinary items | na | na | na | 0 | 0 |
| Net profit | 6,756 | 7,001 | 6,513 | 7,164 | 6,644 | Net profit | (7) | (2) | 25 | 26,560 | 29,899 |
| Normalized profit | 7,187 | 6,651 | 6,693 | 6,655 | 6,867 | Normalized profit | 3 | (4) | 26 | 26,560 | 29,899 |
| EPS (Bt) | 2.27 | 2.35 | 2.19 | 2.41 | 2.23 | EPS (Bt) | (7) | (2) | 25 | 8.93 | 10.06 |
| Normalized EPS (Bt) | 2.42 | 2.24 | 2.25 | 2.24 | 2.31 | Normalized EPS (Bt) | 3 | (4) | 26 | 8.93 | 10.06 |

| Balance Sheet | | | | | | Financial Ratios | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|-------------------------|-------|--------|--------|-------|-------|
| (consolidated) | | | | | | 3M as | | | | | |
| Yr-end Dec (Bt m) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | (%) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
| Cash & ST investment | 32,402 | 27,558 | 18,452 | 20,330 | 19,522 | Sales growth | (1.0) | (4.1) | (6.7) | (5.6) | 7.0 |
| A/C receivable | 17,625 | 18,871 | 19,028 | 17,781 | 17,076 | Operating profit growth | (2.1) | (12.3) | (22.9) | (4.2) | (2.1) |
| Inventory | 2,739 | 3,190 | 2,669 | 2,372 | 3,889 | EBITDA growth | 20.9 | 12.6 | 3.1 | 14.8 | (0.9) |
| Other current assets | 2,572 | 1,973 | 1,749 | 1,672 | 1,894 | Norm profit growth | (4.0) | (17.0) | (25.1) | (9.0) | (4.5) |
| Investment | 124 | 0 | 0 | 0 | 0 | Norm EPS growth | (4.0) | (17.0) | (25.1) | (9.0) | (4.5) |
| Fixed assets | 122,323 | 123,841 | 123,755 | 122,518 | 119,278 | Gross margin | 37.5 | 36.7 | 36.4 | 33.2 | 32.9 |
| Other assets | 196,931 | 192,640 | 188,143 | 185,498 | 202,075 | Operating margin | 22.8 | 22.3 | 21.9 | 20.0 | 20.9 |
| Total assets | 374,715 | 368,074 | 353,797 | 350,171 | 363,733 | EBITDA margin | 53.2 | 52.7 | 52.9 | 48.3 | 49.2 |
| S-T debt | 50,221 | 49,009 | 35,423 | 29,286 | 29,526 | Norm net margin | 16.8 | 15.7 | 16.0 | 14.4 | 15.0 |
| A/C payable | 39,057 | 39,243 | 40,720 | 40,571 | 40,673 | D/E (x) | 1.8 | 1.6 | 1.6 | 1.4 | 1.5 |
| Other current liabilities | 36,303 | 26,885 | 26,746 | 23,956 | 36,080 | Net D/E (x) | 1.3 | 1.2 | 1.4 | 1.2 | 1.2 |
| L-T debt | 68,397 | 66,660 | 76,513 | 79,301 | 77,198 | Interest coverage (x) | 14.6 | 14.4 | 15.2 | 16.4 | 16.3 |
| Other liabilities | 115,966 | 114,580 | 105,769 | 101,367 | 108,599 | Interest rate | 5.3 | 5.3 | 5.1 | 4.9 | 5.1 |
| Minority interest | 128 | 128 | 127 | 125 | 125 | Effective tax rate | 15.8 | 17.7 | 15.5 | 17.1 | 17.7 |
| Shareholders' equity | 64,643 | 71,569 | 68,500 | 75,564 | 71,532 | ROA | 8.7 | 7.2 | 7.4 | 7.6 | 7.7 |
| Working capital | (18,694) | (17,181) | (19,022) | (20,417) | (19,708) | ROE | 42.9 | 39.1 | 38.2 | 37.0 | 37.3 |
| Total debt | 118,618 | 115,670 | 111,936 | 108,588 | 106,724 | | | | | | |
| Net debt | 86,216 | 88,111 | 93,483 | 88,257 | 87,202 | | | | | | |

Sources: Company data, Thanachart estimates

| Quarterly results (Bt bn) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
|--|--------------|---------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|
| Service Revenue excl. IC | 33.04 | 34.50 | 34.46 | 34.56 | 33.09 | 32.28 | 32.13 | 32.09 | 32.42 |
| - Mobile | 30.68 | 32.04 | 31.85 | 31.77 | 30.33 | 29.54 | 29.20 | 29.01 | 29.35 |
| - Fixed broadband | 1.29 | 1.38 | 1.41 | 1.58 | 1.64 | 1.68 | 1.78 | 1.85 | 1.92 |
| - Others | 1.08 | 1.08 | 1.20 | 1.21 | 1.12 | 1.07 | 1.15 | 1.22 | 1.16 |
| Cost of services excl. IC | 2.76 | 2.88 | 2.90 | 3.06 | 1.94 | 2.19 | 1.96 | 2.05 | 2.26 |
| - Regulatory costs | 1.40 | 1.46 | 1.47 | 1.46 | 1.41 | 1.28 | 1.35 | 1.26 | 1.36 |
| - Depreciation & amortization costs | 8.69 | 8.90 | 9.41 | 9.60 | 12.59 | 12.48 | 12.54 | 12.60 | 12.60 |
| - Network OPEX | 7.37 | 7.32 | 7.42 | 7.29 | 4.25 | 4.68 | 4.55 | 4.62 | 5.06 |
| - Others | 1.56 | 1.70 | 1.69 | 1.59 | 1.50 | 1.39 | 1.40 | 1.41 | 1.55 |
| Net SIM and devices revenues (expenses) | 0.06 | 0.03 | 0.11 | 0.16 | 0.05 | 0.16 | (0.07) | 0.13 | 0.06 |
| SIM and devices margin | 0.9% | 0.4% | 1.8% | 1.5% | 0.7% | 2.5% | -1.2% | 1.2% | 0.6% |
| Total SG&A expenses | 6.26 | 6.45 | 6.21 | 7.12 | 6.27 | 6.01 | 6.02 | 6.03 | 5.49 |
| - Selling and marketing expenses | 1.93 | 1.91 | 1.50 | 2.17 | 1.76 | 1.60 | 1.55 | 1.68 | 1.64 |
| % Growth Rate | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
| Service Revenue y-y | (0.3) | 3.1 | 4.0 | 2.6 | 0.1 | (6.4) | (6.8) | (7.2) | (2.0) |
| - Mobile | (1.7) | 2.5 | 3.1 | 1.1 | (1.1) | (7.8) | (8.3) | (8.7) | (3.2) |
| - Fixed broadband | 27.2 | 26.2 | 26.2 | 30.2 | 27.3 | 21.9 | 26.7 | 17.3 | 17.0 |
| - Others | 16.4 | (2.9) | 7.1 | 16.0 | 3.5 | (1.6) | (4.5) | 0.9 | 3.5 |
| % Q-Q Growth Rate | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
| Service Revenue q-q | (1.9) | 4.4 | (0.1) | 0.3 | (4.3) | (2.4) | (0.5) | (0.1) | 1.0 |
| - Mobile | (2.4) | 4.4 | (0.6) | (0.3) | (4.5) | (2.6) | (1.1) | (0.6) | 1.2 |
| - Fixed broadband | 6.3 | 7.1 | 2.1 | 12.0 | 3.9 | 2.6 | 6.1 | 3.7 | 3.6 |
| - Others | 3.2 | 0.4 | 11.0 | 0.9 | (8.0) | (4.5) | 7.7 | 6.6 | (5.6) |
| Profitability Ratio (%) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
| - Network costs to sales | 37.1 | 36.8 | 37.6 | 34.6 | 39.3 | 40.6 | 41.0 | 37.4 | 38.5 |
| - Marketing expenses to sales | 4.5 | 4.3 | 3.3 | 4.5 | 4.1 | 3.8 | 3.7 | 3.7 | 3.6 |
| - EBITDA margin | 43.5 | 44.9 | 47.9 | 39.7 | 53.2 | 52.7 | 52.9 | 48.3 | 49.2 |
| Key Statistics | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 |
| Total subscriber (m sub) | 41.5 | 41.5 | 41.6 | 42.0 | 41.2 | 41.0 | 40.9 | 41.4 | 42.8 |
| Net add (m sub) | 0.32 | (0.03) | 0.09 | 0.46 | (0.86) | (0.14) | (0.08) | 0.50 | 1.33 |
| Postpaid | 0.35 | 0.25 | 0.21 | 0.11 | 0.03 | 0.40 | 0.24 | 0.42 | 0.44 |
| Prepaid | (0.03) | (0.28) | (0.11) | 0.35 | (0.89) | (0.53) | (0.31) | 0.07 | 0.89 |
| Mobile data subscriber (m sub) | 25.7 | 26.1 | 26.6 | 27.2 | 26.7 | 27.5 | 26.9 | 27.6 | 0.0 |
| Blended mobile ARPU (Bt/month) | 246 | 256 | 255 | 252 | 242 | 239 | 237 | 234 | 232 |
| Postpaid | 529 | 537 | 531 | 537 | 525 | 523 | 498 | 486 | 480 |
| Prepaid | 174 | 182 | 179 | 173 | 162 | 156 | 157 | 154 | 150 |
| 4G-handset penetration | 63% | 66% | 69% | 71% | 74% | 75% | 76% | 77% | 79% |
| VOU (GB/data sub/month) | 11.4 | 11.5 | 12.1 | 12.7 | 14.7 | 17.0 | 17.2 | 18.0 | 18.2 |
| Base stations ('000 station) | 133.4 | 135.7 | 137.8 | 140.9 | 142.9 | 148.1 | 152.7 | 155.7 | 157.8 |
| - 3G | 44.8 | 45.2 | 45.5 | 46.3 | 46.8 | 47.1 | 47.8 | 48.3 | 48.8 |
| - 4G | 88.6 | 90.5 | 92.3 | 94.6 | 96.1 | 101.0 | 104.9 | 107.4 | 109.0 |
| Fixed broadband subscriber (m sub) | 0.80 | 0.86 | 0.94 | 1.04 | 1.09 | 1.20 | 1.26 | 1.34 | 1.43 |
| Net add (m sub) | 0.06 | 0.06 | 0.08 | 0.10 | 0.05 | 0.11 | 0.05 | 0.08 | 0.10 |
| Fixed broadband ARPU (Bt/month) | 563 | 558 | 549 | 533 | 514 | 489 | 484 | 476 | 462 |

Source: Company data

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