

Advanced Info Service (ADVANC TB) - BUY, Price Bt177, TP Bt220

Results Comment

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

Better-than-expected 2Q21's profit

- We estimate ADVANC's normalized profit (excluding FX and hedging gain/loss and one-off items) at Bt6.8bn in 2Q21, up 2% y-y but down 1% q-q in a like-for-like basis. The result beat our and the market's expectation, mainly due to a better-than-expected cost control in spite of a weakened revenue.
- Core service revenues came in flat y-y and q-q at Bt32.4bn as a strong growth in fixed broadband (up 21% y-y and 6% q-q) could offset a lower mobile revenue (fell 2% y-y and 1% q-q).
- Postpaid revenue grew 4% y-y and 2% q-q, while prepaid fell 8% y-y and 4% q-q. This clearly reflected a weak spending by the locals, especially the grassroot economy, during Covid-19 and a more intense pricing competition in prepaid segment.
- ADVANC gained 104k fixed broadband subs to 1.5m subs in 2Q21, but its ARPU continued to drop by 6% y-y and 1% q-q.
- Thanks to aggressive cost control, EBITDA grew 3% y-y and 2% q-q to Bt23.0bn in 2Q21. Key highlight is a lower SG&A expense by 14% y-y and 6% q-q as the company cuts down marketing and advertising costs and lower bad debt provisions.
- ADVANC announces an interim dividend at Bt3.45/share with an XD date on 16 August and a payment date on 1 September 2021. This implies a 75% payout from its 1H21's net profit.
- ADVANC revises down its 2021F's guidance to 1) flat or slightly lower revenue (from low single-digit growth) and 2) flat EBITDA (from single-digit growth) to reflect a weakening Thai economy outlook during a surge of Covid-19 cases.
- We thus maintain our forecast for 2021F for ADVANC despite the earnings beat this quarter, since its 2H21F's performance is likely to be weaker than we'd earlier expected.

Income Statement (consolidated)						Income Statement (6M as)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	42,256	41,715	46,074	45,861	42,757	Revenue	(7)	1	50	177,948	182,671
Gross profit	15,489	15,187	15,277	15,106	14,822	Gross profit	(2)	(4)	51	58,985	61,199
SG&A	6,066	6,050	6,070	5,538	5,183	SG&A	(6)	(15)	47	22,988	23,180
Operating profit	9,423	9,138	9,207	9,568	9,639	Operating profit	1	2	53	35,997	38,019
EBITDA	22,285	22,086	22,231	22,577	23,016	EBITDA	2	3	53	86,517	90,462
Other income	81	147	193	159	68	Other income	(57)	(16)	36	623	639
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	1,546	1,449	1,358	1,386	1,460	Interest expense	5	(6)	50	5,737	5,218
Profit before tax	7,959	7,836	8,042	8,341	8,246	Profit before tax	(1)	4	54	30,883	33,441
Income tax	1,411	1,215	1,374	1,477	1,471	Income tax	(0)	4	56	5,250	6,187
Equity & invest. income	103	75	(12)	3	23	Equity & invest. income	696	(77)	9	300	337
Minority interests	1	(2)	(1)	(1)	(0)	Minority interests	na	na	21	(5)	(5)
Extraordinary items	350	(181)	509	(223)	243	Extraordinary items	na	(31)	na	0	0
Net profit	7,001	6,513	7,164	6,644	7,041	Net profit	6	1	53	25,928	27,586
Normalized profit	6,651	6,693	6,655	6,867	6,798	Normalized profit	(1)	2	53	25,928	27,586
EPS (Bt)	2.35	2.19	2.41	2.23	2.37	EPS (Bt)	6	1	53	8.72	9.28
Normalized EPS (Bt)	2.24	2.25	2.24	2.31	2.29	Normalized EPS (Bt)	(1)	2	53	8.72	9.28

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	27,558	18,452	20,330	19,522	18,403	Sales grow th	(4.1)	(6.7)	(5.6)	7.0	1.2
A/C receivable	18,871	19,028	17,781	17,076	17,461	Operating profit grow th	(12.3)	(22.9)	(4.2)	(2.1)	2.3
Inventory	3,190	2,669	2,372	3,889	3,189	EBITDA grow th	12.6	3.1	14.8	(0.9)	3.3
Other current assets	1,973	1,749	1,672	1,894	2,135	Norm profit grow th	(17.0)	(25.1)	(9.0)	(4.5)	2.2
Investment	0	0	0	0	0	Norm EPS grow th	(17.0)	(25.1)	(9.0)	(4.5)	2.2
Fixed assets	123,841	123,755	122,518	119,278	117,184	Gross margin	36.7	36.4	33.2	32.9	34.7
Other assets	192,640	188,143	185,498	202,075	211,274	Operating margin	22.3	21.9	20.0	20.9	22.5
Total assets	368,074	353,797	350,171	363,733	369,646	EBITDA margin	52.7	52.9	48.3	49.2	53.8
S-T debt	49,009	35,423	29,286	29,526	26,821	Norm net margin	15.7	16.0	14.4	15.0	15.9
A/C payable	39,243	40,720	40,571	40,673	40,348	D/E (x)	1.6	1.6	1.4	1.5	1.4
Other current liabilities	26,885	26,746	23,956	36,080	23,701	Net D/E (x)	1.2	1.4	1.2	1.2	1.1
L-T debt	66,660	76,513	79,301	77,198	80,898	Interest coverage (x)	14.4	15.2	16.4	16.3	15.8
Other liabilities	114,580	105,769	101,367	108,599	119,208	Interest rate	5.3	5.1	4.9	5.1	5.4
Minority interest	128	127	125	125	125	Effective tax rate	17.7	15.5	17.1	17.7	17.8
Shareholders' equity	71,569	68,500	75,564	71,532	78,545	ROA	7.2	7.4	7.6	7.7	7.4
Working capital	(17,181)	(19,022)	(20,417)	(19,708)	(19,698)	ROE	39.1	38.2	37.0	37.3	36.2
Total debt	115,670	111,936	108,588	106,724	107,719						
Net debt	88,111	93,483	88,257	87,202	89,316						

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Service Revenue excl. IC	33.04	34.50	34.46	34.56	33.09	32.28	32.13	32.09	32.42	32.35
- Mobile	30.68	32.04	31.85	31.77	30.33	29.54	29.20	29.01	29.35	29.10
- Fixed broadband	1.29	1.38	1.41	1.58	1.64	1.68	1.78	1.85	1.92	2.04
- Others	1.08	1.08	1.20	1.21	1.12	1.07	1.15	1.22	1.16	1.22
Cost of services excl. IC	2.76	2.88	2.90	3.06	1.94	2.19	1.96	2.05	2.26	2.26
- Regulatory costs	1.40	1.46	1.47	1.46	1.41	1.28	1.35	1.26	1.36	1.35
- Depreciation & amortization costs	8.69	8.90	9.41	9.60	12.59	12.48	12.54	12.60	12.60	12.96
- Netw ork OPEX	7.37	7.32	7.42	7.29	4.25	4.68	4.55	4.62	5.06	4.62
- Others	1.56	1.70	1.69	1.59	1.50	1.39	1.40	1.41	1.55	1.54
Net SIM and devices revenues (expenses)	0.06	0.03	0.11	0.16	0.05	0.16	(0.07)	0.13	0.06	0.19
SIM and devices margin	0.9%	0.4%	1.8%	1.5%	0.7%	2.5%	-1.2%	1.2%	0.6%	2.7%
Total SG&A expenses	6.26	6.45	6.21	7.12	6.27	6.01	6.02	6.03	5.49	5.15
- Selling and marketing expenses	1.93	1.91	1.50	2.17	1.76	1.60	1.55	1.68	1.64	1.24
% Growth Rate	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Service Revenue y-y	(0.3)	3.1	4.0	2.6	0.1	(6.4)	(6.8)	(7.2)	(2.0)	0.2
- Mobile	(1.7)	2.5	3.1	1.1	(1.1)	(7.8)	(8.3)	(8.7)	(3.2)	(1.5)
- Fixed broadband	27.2	26.2	26.2	30.2	27.3	21.9	26.7	17.3	17.0	21.1
- Others	16.4	(2.9)	7.1	16.0	3.5	(1.6)	(4.5)	0.9	3.5	14.2
% Q-Q Growth Rate	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Service Revenue q-q	(1.9)	4.4	(0.1)	0.3	(4.3)	(2.4)	(0.5)	(0.1)	1.0	(0.2)
- Mobile	(2.4)	4.4	(0.6)	(0.3)	(4.5)	(2.6)	(1.1)	(0.6)	1.2	(0.9)
- Fixed broadband	6.3	7.1	2.1	12.0	3.9	2.6	6.1	3.7	3.6	6.2
- Others	3.2	0.4	11.0	0.9	(8.0)	(4.5)	7.7	6.6	(5.6)	5.4
Profitability Ratio (%)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
- Netw ork costs to sales	37.1	36.8	37.6	34.6	39.3	40.6	41.0	37.4	38.5	41.1
- Marketing expenses to sales	4.5	4.3	3.3	4.5	4.1	3.8	3.7	3.7	3.6	2.9
- EBITDA margin	43.5	44.9	47.9	39.7	53.2	52.7	52.9	48.3	49.2	53.8
Key Statistics	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Total subscriber (m sub)	41.5	41.5	41.6	42.0	41.2	41.0	40.9	41.4	42.8	43.2
Net add (m sub)	0.32	(0.03)	0.09	0.46	(0.86)	(0.14)	(0.08)	0.50	1.33	1.33
Postpaid	0.35	0.25	0.21	0.11	0.03	0.40	0.24	0.42	0.44	0.35
Prepaid	(0.03)	(0.28)	(0.11)	0.35	(0.89)	(0.53)	(0.31)	0.07	0.89	0.11
Mobile data subscriber (m sub)	25.7	26.1	26.6	27.2	26.7	27.5	26.9	27.6	29.7	32.3
Blended mobile ARPU (Bt/month)	246	256	255	252	242	239	237	234	232	225
Postpaid	529	537	531	537	525	523	498	486	480	471
Prepaid	174	182	179	173	162	156	157	154	150	142
4G-handset penetration	63%	66%	69%	71%	74%	75%	76%	77%	79%	80%
VOU (GB/data sub/month)	11.4	11.5	12.1	12.7	14.7	17.0	17.2	18.0	18.2	19.7
Base stations ('000 station)	133.4	135.7	137.8	140.9	142.9	148.1	152.7	155.7	157.8	158.5
- 3G	44.8	45.2	45.5	46.3	46.8	47.1	47.8	48.3	48.8	47.6
- 4G	88.6	90.5	92.3	94.6	96.1	101.0	104.9	107.4	109.0	110.9
Fixed broadband subscriber (m sub)	0.80	0.86	0.94	1.04	1.09	1.20	1.26	1.34	1.43	1.54
Net add (m sub)	0.06	0.06	0.08	0.10	0.05	0.11	0.05	0.08	0.10	0.10
Fixed broadband ARPU (Bt/month)	563	558	549	533	514	489	484	476	462	458

Source: Company data

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