Total Access Comm. (DTAC TB) - BUY, Price Bt32.75, TP Bt46

Results Comment

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

1Q21's earnings beat on strong cost control

- DTAC reported a normalized profit (excluding FX and hedging loss) at Bt1.05bn in 1Q21, down 24% y-y but up 19% q-q. This beat our and market's estimates due to a better-than-expected cost cut, despite a flattish revenue growth trend.
- Mobile revenue dropped 1% q-q to Bt13.7bn as a pressure from declining ARPU trend outweighs a slight growth on its subscriber base. The fall was much larger at 8% in a y-y basis, mainly due to a hit from Covid-19 pandemic on domestic consumption and a lack of tourist-related revenues.
- DTAC booked 299k net-adds to its subscriber base in 1Q21, or a 1% q-q increase to 19.1m subs. However, blended ARPU fell 1% y-y and 1% q-q to Bt248/ month, due to a weaker spending power from clients in both prepaid and postpaid segments
- EBITDA grew 9% q-q to Bt7.4bn despite the slight revenue fall, thanks to its aggressive cost cutting measures. Outstanding items were an over 80% cut in cost of equipment leased from CAT and a seasonally lower SG&A expenses. EBITDA margin stood at 35.9% in 1Q21, vs 32.9% in 4Q20 and 38.2% in 1Q20.
- DTAC revises up its guidance to 'low single digit decline or flat' revenue and EBITDA growth in 2021F (from 'low single digit decline') as the management see impacts from Covid-19 situation to be much less that what it had expected earlier.
- We see an upside to our 2021F's projections from this revised up guidance, while its 1Q21's earnings had already made up 30% of our full-year numbers. We maintain BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q20	2Q20	3Q20	4Q20	1Q21
Revenue	20,075	19,160	19,053	20,531	20,516
Gross profit	**6,065**	**5,794**	**5,827**	**5,279**	**5,206**
SG&A	3,657	3,137	3,443	3,622	3,347
Operating profit	2,408	2,657	2,384	1,656	1,859
EBITDA	**7,666**	**8,631**	**7,013**	**6,747**	**7,359**
Other income	11	7	38	10	19
Other expense	0	0	0	0	0
Interest expense	775	731	689	664	687
Profit before tax	**1,644**	**1,932**	**1,733**	**1,003**	**1,190**
Income tax	264	354	270	114	135
Equity & invest. income	(3)	(4)	(2)	(2)	(2)
Minority interests	0	0	0	0	0
Extraordinary items	124	315	(24)	(605)	(231)
Net profit	**1,501**	**1,889**	**1,436**	**281**	**822**
Normalized profit	**1,377**	**1,574**	**1,460**	**886**	**1,053**
EPS (Bt)	0.63	0.80	0.61	0.12	0.35
Normalized EPS (Bt)	0.58	0.66	0.62	0.37	0.44

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(0)	2	26	80,066	83,619
Gross profit	**(1)**	**(14)**	**25**	**20,755**	**20,828**
SG&A	(8)	(8)	24	13,844	13,936
Operating profit	12	(23)	27	6,911	6,892
EBITDA	**9**	**(4)**	**25**	**29,964**	**31,199**
Other income	89	74	31	60	59
Other expense			na	0	0
Interest expense	4	(11)	25	2,800	2,850
Profit before tax	**19**	**(28)**	**29**	**4,171**	**4,100**
Income tax	18	(49)	20	667	615
Equity & invest. income	na	na	15	(12)	(12)
Minority interests			na	0	0
Extraordinary items	na	na	na	0	0
Net profit	**193**	**(45)**	**24**	**3,492**	**3,473**
Normalized profit	**19**	**(24)**	**30**	**3,492**	**3,473**
EPS (Bt)	193	(45)	24	1.47	1.47
Normalized EPS (Bt)	19	(23)	30	1.47	1.47

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q20	2Q20	3Q20	4Q20	1Q21
Cash & ST investment	10,034	7,605	9,922	6,647	6,920
A/C receivable	9,266	9,548	9,529	9,889	9,781
Inventory	602	617	699	634	1,330
Other current assets	3,393	3,890	3,560	4,553	4,298
Investment	247	238	236	233	231
Fixed assets	101,954	99,375	97,519	113,452	112,830
Other assets	42,053	41,618	39,144	38,873	39,166
Total assets	**167,548**	**162,890**	**160,609**	**174,280**	**174,557**
S-T debt	28,184	27,144	18,128	14,215	14,957
A/C payable	23,219	21,968	20,846	26,944	25,059
Other current liabilities	11,350	7,102	7,312	7,267	13,200
L-T debt	32,712	32,697	41,625	47,641	47,251
Other liabilities	49,300	49,306	48,649	53,898	53,974
Minority interest	0	0	0	0	0
Shareholders' equity	**22,784**	**24,673**	**24,049**	**24,315**	**20,118**
Working capital	(13,351)	(11,803)	(10,618)	(16,421)	(13,947)
Total debt	60,895	59,841	59,753	61,856	62,207
Net debt	**50,861**	**52,236**	**49,831**	**55,209**	**55,288**

Financial Ratios					
(%)	1Q20	2Q20	3Q20	4Q20	1Q21
Sales growth	3.3	(4.3)	(6.1)	(8.2)	2.2
Operating profit growth	5.2	(4.9)	(18.5)	(14.6)	(22.8)
EBITDA growth	7.1	11.3	(12.2)	(4.2)	(4.0)
Norm profit growth	4.5	(5.3)	(17.2)	(41.5)	(23.5)
Norm EPS growth	4.5	(5.4)	(17.2)	(41.5)	(23.5)
Gross margin	30.2	30.2	30.6	25.7	25.4
Operating margin	12.0	13.9	12.5	8.1	9.1
EBITDA margin	38.2	45.0	36.8	32.9	35.9
Norm net margin	6.9	8.2	7.7	4.3	5.1
D/E (x)	2.7	2.4	2.5	2.5	3.1
Net D/E (x)	2.2	2.1	2.1	2.3	2.7
Interest coverage (x)	9.9	11.8	10.2	10.2	10.7
Interest rate	5.1	4.8	4.6	4.4	4.4
Effective tax rate	16.1	18.3	15.6	11.4	11.3
ROA	3.3	3.8	3.6	2.1	2.4
ROE	23.1	26.5	24.0	14.7	19.0

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Service Revenue excl. IC	**14.93**	**15.18**	**15.55**	**15.57**	**15.33**	**14.63**	**14.38**	**14.08**	**14.15**
- Core mobile revenues	14.01	14.37	14.79	14.81	14.68	14.20	14.00	13.83	13.73
- Others	0.65	0.63	0.60	0.55	0.46	0.35	0.33	0.30	0.39
Cost of services excl. IC	**10.21**	**10.72**	**11.03**	**11.41**	**11.29**	**11.19**	**11.31**	**11.72**	**12.06**
- Regulatory costs	0.67	0.65	0.68	0.64	0.64	0.53	0.60	0.57	0.58
- Amortization costs	4.47	4.55	4.66	4.70	4.84	4.90	4.85	4.69	5.12
- Network OPEX	1.76	1.74	1.76	1.81	1.78	1.62	1.47	1.76	1.37
- Others	3.31	3.78	3.93	4.26	4.03	4.13	4.39	4.69	4.99
SG&A expenses	**3.77**	**3.57**	**3.66**	**4.43**	**3.66**	**3.14**	**3.44**	**4.17**	**3.35**
- Selling and marketing expenses	1.17	1.10	1.18	1.27	1.14	0.84	1.03	1.10	1.03
- Others	2.60	2.47	2.48	3.15	2.52	2.30	2.41	3.07	2.32
Service Revenue ex. IC (% growth y-y)	**(6.9)**	**(5.3)**	**(0.7)**	**1.9**	**2.6**	**(3.6)**	**(7.6)**	**(9.6)**	**(7.7)**
- Core mobile revenues	(5.8)	(3.2)	0.9	3.5	4.8	(1.1)	(5.3)	(6.7)	(6.5)
- Others	(25.1)	(25.9)	(22.6)	(22.7)	(29.5)	(44.4)	(45.6)	(46.3)	(14.4)
Service Revenue ex. IC (% growth q-q)	**(2.2)**	**1.6**	**2.5**	**0.1**	**(1.6)**	**(4.5)**	**(1.7)**	**(2.0)**	**0.5**
- Core mobile revenues	(2.1)	2.6	3.0	0.1	(0.9)	(3.3)	(1.4)	(1.3)	(0.7)
- Others	(8.7)	(2.9)	(4.8)	(8.3)	(16.8)	(23.4)	(6.9)	(9.5)	32.5
- Regulatory costs to service revenues	4.5	4.3	4.4	4.1	4.2	3.6	4.2	4.1	4.1
- Network costs to sales	40.4	40.1	39.9	40.4	42.0	43.4	42.8	44.7	44.8
- Marketing expenses to sales	7.6	7.0	7.3	7.9	7.2	5.6	7.0	7.6	7.1
- EBITDA margin	36.9	38.7	39.4	31.5	38.2	45.0	36.8	32.9	35.9
Total subscriber (m sub)	**20.73**	**20.63**	**20.42**	**20.64**	**19.63**	**18.79**	**18.68**	**18.86**	**19.09**
Net add (m sub)	(0.5)	(0.1)	(0.2)	0.2	(1.0)	(0.8)	(0.1)	0.2	0.2
Prepaid subs (m sub)	14.5	14.3	14.0	14.2	13.5	12.7	12.6	12.8	12.9
Postpaid subs (m sub)	6.2	6.3	6.4	6.4	6.2	6.1	6.0	6.1	6.1
Blended ARPU (Bt/month)	**238**	**249**	**258**	**258**	**251**	**253**	**255**	**250**	**248**
Pre-paid ARPU (Bt/month)	130	137	142	138	130	125	129	128	127
Postpaid ARPU (Bt/month)	522	532	543	546	529	525	517	505	501

Source: Company data

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 64 Derivative Warrants which are ADVA16C2105A, ADVA16C2107A, AEON16C2105A, AOT16C2106A, BAM16C2107A, BANP16C2104A, BANP16C2107A, BBL16C2106A, BDMS16C2104A,BDMS16C2107A, BGRI16C2105A, BPP16C2106A, CBG16C2108A, CBG16C2104A, COM716C2104A, COM716C2107A, CPAL16C2106A, CPF16C2107A, DELT16C2108A, EA16C2108A, EA16C2104A, EA16C2107A, GLOB16C2105A, GPSC16C2104A, GPSC16C2106A, GULF16C2104A, GULF16C2107A, HANA16C2107A, IRPC16C2105A, IVL16C2107A, KBANK16C2108A, KBAN16C2107A, KCE16C2104A, KCE16C2106A, KKP16C2105A, KTC16C2105A, KTC16C2106A, MINT16C2107A, MTC16C2108A, MTC16C2104A, OR16C2108A, OR16C2106A, OR16C2107A, PRM16C2105A, PTG16C2105A, PTG16C2107A, PTT16C2105A, PTTE16C2105A, PTTG16C2108A, PTTG16C2104A, RS16C2108A, S5016C2106B, S5016P2106C, S5016C2106A, S5016P2106A, S5016P2106B, SAWA16C2105A, SAWA16C2107A, SCB16C2106A, SCGP16C2107A, STA16C2107A, TASC16C2107A, TISC16C2105A, WHA16C2104A (underlying securities are ADVANC, AEONTS, AOT, BAM, BANPU, BBL, BDMS, BGRIM, BPP, CBG, COM7, CPALL, CPF, DELTA, EA, GLOBAL, GPSC, GULF, HANA, IRPC, IVL, KBANK, KCE, KKP, KTC, MINT, MTC, OR, PRM, PTG, PTT, PTTEP, PTTGC, RS, SAWAD, SCB, SCGP, STA, SET50, TASCO, TISCO, WHA). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMB Bank Public Company Limited (TMB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMB Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.
For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.