

Intouch Holdings Pcl (INTUCH TB) - BUY, Price Bt62.5, TP Bt66.0

Results Comment

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Decent 2Q21's profit, in-line

- INTUCH reported a normalized profit, excluding an FX gain, at Bt2.57bn in 2Q21, up 6% y-y and 9% q-q. The earnings came in-line with our and the market's expectations since a strong cost control in AIS Group could offset a weaker performance of satellite business in Thaicom.
- AIS Group** contributes Bt2.85bn profit to INTUCH in 2Q21, up 1% y-y and 6% q-q. This is backed by a strong cost control from AIS Group despite its revenue was flat this quarter.
- However, AIS announces to revise down its guidance for this year to reflect a weakening outlook of local economy due to a surge of Covid-19 cases in Thailand. This implies a weaker contribution to INTUCH in 2H21F.
- Satellite business:** Thaicom recorded Bt76m normalized loss in 2Q21, vs. Bt66m loss in 1Q21 and Bt14m profit in 2Q20. This weaker result was due to higher SG&A expense related to the legal issues. We see one positive sign for Thaicom that its service revenue is stabilizing after a few years of contraction.
- INTUCH announces interim dividend of Bt1.23/share with an indicated XD date on 17 August and a payment date on 2 September 2021.
- We see a slight downside to our earnings and dividend for INTUCH forecasts this year, since we expect weaker profit contribution from ADVANC in 2H21F. Having said that, we now prefer direct investment in ADVANC over INTUCH, given the NAV-discount is narrow at only 9%, vs. 15-25% usual range.

Income Statement (unconsolidated)						Income Statement (unconsolidated)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	6M as % 2021F	2021F	2022F
Revenue	927	924	828	788	796	Revenue	1	(14)	47	3,360	3,094
Gross profit	215	178	293	138	146	Gross profit	5	(32)	31	904	771
SG&A	184	269	367	290	314	SG&A	8	70	52	1,159	1,107
Operating profit	31	(91)	(74)	(151)	(168)	Operating profit	na	na	125	(255)	(336)
EBITDA	381	259	195	192	176	EBITDA	(8)	(54)	34	1,082	1,024
Other income	71	127	(26)	103	106	Other income	3	50	89	235	217
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	48	49	41	41	40	Interest expense	(1)	(15)	60	134	134
Profit before tax	54	(13)	(141)	(89)	(103)	Profit before tax	na	na	125	(154)	(254)
Income tax	26	14	(101)	6	22	Income tax	288	(14)	na	0	0
Equity & invest. income	2,849	2,636	2,879	2,672	2,843	Equity & invest. income	6	(0)	53	10,418	11,702
Minority interests	(295)	(46)	153	(68)	23	Minority interests	na	na	(27)	166	239
Extraordinary items	397	97	(326)	151	71	Extraordinary items	(53)	(82)	na	0	0
Net profit	2,980	2,661	2,666	2,661	2,813	Net profit	6	(6)	52	10,430	11,687
Normalized profit	2,583	2,564	2,991	2,509	2,742	Normalized profit	9	6	50	10,430	11,687
EPS (Bt)	0.93	0.83	0.83	0.83	0.88	EPS (Bt)	6	(6)	52	3.25	3.65
Normalized EPS (Bt)	0.81	0.80	0.93	0.78	0.86	Normalized EPS (Bt)	9	6	50	3.25	3.65

Balance Sheet (unconsolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	9,849	10,036	10,112	10,198	10,732	Sales growth	(26.0)	(24.4)	(22.5)	(20.3)	(14.2)
A/C receivable	2,105	2,366	1,961	1,966	1,783	Operating profit growth	na	na	na	na	na
Inventory	103	45	55	84	88	EBITDA growth	7.0	(26.9)	(15.8)	(18.2)	(53.9)
Other current assets	812	922	889	5,378	915	Norm profit growth	(13.8)	(23.8)	7.6	0.3	6.2
Investment	32,257	29,921	33,662	32,127	35,032	Norm EPS growth	(13.8)	(23.8)	7.6	0.3	6.2
Fixed assets	4,142	3,840	3,667	3,362	3,080	Gross margin	23.2	19.2	35.4	17.6	18.3
Other assets	2,556	3,434	2,290	2,207	2,156	Operating margin	3.4	(9.9)	(8.9)	(19.2)	(21.1)
Total assets	51,824	50,565	52,637	55,322	53,787	EBITDA margin	41.1	28.1	23.6	24.3	22.1
S-T debt	393	402	2,581	2,598	2,607	Norm net margin	278.7	277.5	361.4	318.3	344.7
A/C payable	969	1,146	756	653	679	D/E (x)	0.1	0.1	0.1	0.1	0.1
Other current liabilities	3,393	3,030	3,106	7,664	3,297	Net D/E (x)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
L-T debt	3,788	3,626	1,344	1,204	1,232	Interest coverage (x)	8.0	5.3	4.7	4.7	4.4
Other liabilities	607	636	708	695	685	Interest rate	4.5	4.7	4.2	4.2	4.2
Minority interest	6,200	6,263	6,077	6,010	5,988	Effective tax rate	47.5	(106.2)	71.3	(6.4)	(21.5)
Shareholders' equity	36,475	35,462	38,064	36,497	39,299	ROA	19.7	20.0	23.2	18.6	20.1
Working capital	1,239	1,265	1,260	1,396	1,192	ROE	29.5	28.5	32.5	26.9	28.9
Total debt	4,180	4,028	3,925	3,801	3,839						
Net debt	(5,669)	(6,008)	(6,187)	(6,397)	(6,894)						

Sources: Company data, Thanachart estimates

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