

True Corporation Pcl (TRUE TB) - SELL, Price Bt3.08, TP Bt2.70

Results Comment

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Better-than-expected 2Q21, but still a loss

- TRUE reported a normalized loss (excluding FX loss and one-time reversal of regulatory fee) at Bt413m in 2Q21, slightly improved y-y and q-q. This came in-line with our forecast but higher than market's expectation from a strong cost control.
- Core mobile revenue was flat y-y, but up 1% q-q, to Bt20.2bn in 2Q21 (71% contribution to core service revenue), supported by rising subscriber base which more than offset a slight decline in ARPU (-3% y-y and -2% q-q).
- Broadband revenue increased 10% y-y and 2% q-q to Bt9.6bn in 2Q21 (22% of core service revenue). TRUE recorded 105k subs gain this quarter which outweighed slightly negative impact from a 1% y-y and 1% ARPU fall.
- TV subscription and entertainment revenues continued to drop 10% y-y and 8% q-q to Bt2.4bn (7% of core service revenue), as paid-TV subscriber base continues to decline.
- EBITDA grew stronger than revenues at 8% y-y and 1% q-q to Bt17.2bn in 2Q21, thanks to its aggressive cost control. Lower network opex and lower loss from handset subsidy were two major cost cutting items, despite depreciation and amortization expenses went up from its 5G network rollout.
- Having said that, net D/E increased to 3.1x this quarter (from 2.8x in 1Q21 and 2.5x in 2Q20) as TRUE's operating cash generation (CFO minus capex) remains negative this quarter. This resulted as 6% y-y and 1% q-q higher interest expenses for TRUE.
- On its negative cash flow generation and loss-making core operation, we maintain our bearish view and our SELL rating on TRUE.

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	33,878	33,008	36,481	35,426	33,797	Revenue	(5)	(0)	50	139,497	141,692
Gross profit	9,587	9,146	9,593	9,975	9,741	Gross profit	(2)	2	50	39,439	40,946
SG&A	6,912	6,595	6,499	6,686	6,520	SG&A	(2)	(6)	51	25,997	25,791
Operating profit	2,675	2,551	3,094	3,289	3,221	Operating profit	(2)	20	48	13,442	15,154
EBITDA	15,955	16,421	17,032	17,081	17,241	EBITDA	1	8	60	57,567	61,971
Other income	(20)	42	281	209	237	Other income	13	na	225	198	126
Other expense	250	225	230	229	258	Other expense	13	3	244	200	200
Interest expense	4,349	4,467	4,469	4,548	4,600	Interest expense	1	6	50	18,474	19,435
Profit before tax	(1,944)	(2,099)	(1,324)	(1,279)	(1,400)	Profit before tax	na	na	na	(5,034)	(4,355)
Income tax	12	27	5	45	(61)	Income tax	na	na	16	(100)	(150)
Equity & invest. income	1,016	913	779	874	873	Equity & invest. income	(0)	(14)	54	3,214	3,198
Minority interests	40	41	5	6	53	Minority interests	783	33	48	124	126
Extraordinary items	2,162	1,276	388	(137)	115	Extraordinary items	na	(95)	na	0	0
Net profit	1,262	104	(157)	(581)	(298)	Net profit	na	na	na	(1,596)	(881)
Normalized profit	(900)	(1,172)	(545)	(444)	(413)	Normalized profit	na	na	na	(1,596)	(881)
EPS (Bt)	0.04	0.00	(0.00)	(0.02)	(0.01)	EPS (Bt)	na	na	na	(0.05)	(0.03)
Normalized EPS (Bt)	(0.03)	(0.04)	(0.02)	(0.01)	(0.01)	Normalized EPS (Bt)	na	na	na	(0.05)	(0.03)

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	25,061	32,063	24,469	20,216	26,302	Sales grow th	0.9	(3.6)	(3.2)	1.7	(0.2)
A/C receivable	47,333	48,233	44,919	45,113	46,804	Operating profit grow th	22.8	145.0	334.9	41.4	20.4
Inventory	5,650	4,858	4,508	4,228	4,107	EBITDA grow th	84.4	107.6	111.4	13.1	8.1
Other current assets	25,675	24,095	30,509	31,432	31,885	Norm profit grow th	na	na	na	na	na
Investment	24,832	22,646	23,213	23,448	23,682	Norm EPS grow th	na	na	na	na	na
Fixed assets	221,271	225,012	231,894	235,451	239,876	Gross margin	28.3	27.7	26.3	28.2	28.8
Other assets	260,211	258,759	258,035	258,910	254,122	Operating margin	7.9	7.7	8.5	9.3	9.5
Total assets	610,034	615,666	617,548	618,798	626,777	EBITDA margin	47.1	49.7	46.7	48.2	51.0
S-T debt	40,622	46,983	64,508	68,933	72,496	Norm net margin	(2.7)	(3.6)	(1.5)	(1.3)	(1.2)
A/C payable	95,574	94,279	90,277	92,727	90,735	D/E (x)	2.5	2.6	2.6	2.8	3.1
Other current liabilities	18,137	18,971	21,002	19,804	19,108	Net D/E (x)	2.2	2.2	2.3	2.5	2.7
L-T debt	174,300	175,077	158,491	166,402	179,571	Interest coverage (x)	3.7	3.7	3.8	3.8	3.7
Other liabilities	195,643	194,503	197,653	185,881	182,425	Interest rate	8.2	8.2	8.0	7.9	7.6
Minority interest	574	533	528	531	478	Effective tax rate	(0.6)	(1.3)	(0.4)	(3.5)	4.4
Shareholders' equity	85,184	85,320	85,089	84,519	81,965	ROA	(0.6)	(0.8)	(0.4)	(0.3)	(0.3)
Working capital	(42,591)	(41,188)	(40,850)	(43,386)	(39,824)	ROE	(4.3)	(5.5)	(2.6)	(2.1)	(2.0)
Total debt	214,922	222,060	222,999	235,335	252,066						
Net debt	189,860	189,996	198,530	215,119	225,764						

Sources: Company data, Thanachart estimates

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