# Total Access Comm. (DTAC TB) - BUY, Price Bt38.75, TP Bt46

Results Comment

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## Weaker-than-expected profit in 3Q21

- DTAC reported normalized profit (excluding one-time Bt120m cost reversal) at Bt742m in 3Q21, down 49% y-y and 38% q-q, due to a fall in service revenue and higher network costs. This comes in lower than our and the market's expectations.
- Mobile revenue fell 3% y-y and 1% q-q to Bt13.6bn in 3Q21, following weak domestic consumption and lack of economic activities during Covid-19 lockdown. DTAC recorded 28k net-add to its subscriber base this quarter, while its ARPU dropped 5% y-y and 2% q-q to Bt241/sub/month.
- Major cost-items surged in 3Q21. Depreciation and network expenses increased as DTAC continued its low-band (700MHz and 900MHz) network roll out. Amortization cost went up on starting of 700MHz spectrum license cost. Total operating cost thus rose to 66% of total revenue, vs. 62% in 2Q21 and 3Q20.
- DTAC controlled its SG&A expenses to compensate for higher operating costs. Total SG&A expenses declined 5% y-y and 1% q-q to Bt3.3bn. This implies 17.0% SG&A-to-sales ratio in 3Q21, compared to 16.7% in 2Q21 and 18.1% in 3Q20.
- Given falling revenues but higher costs, EBITDA contracted 5% y-y and 5% q-q to Bt7.3bn in 3Q21, or a 37.7% EBITDA margin, weakened from 38.5% in 2Q21 and 40.2% in 3Q20.
- Despite weaker-than-expected profit this quarter, we maintain our full-year earnings forecast for DTAC as its 9M21's profit already made up 84% of our numbers, while we expect an improvement in its mobile revenue backed by re-opening of the country for tourism and easing Covid-19 lockdown measures.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Revenue | 19,053 | 20,531 | 20,516 | 19,804 | 19,232 |
| **Gross profit** | **5,827** | **5,279** | **5,206** | **5,347** | **4,882** |
| SG&A | 3,443 | 3,622 | 3,347 | 3,306 | 3,274 |
| Operating profit | 2,384 | 1,656 | 1,859 | 2,041 | 1,608 |
| **EBITDA** | **7,664** | **6,747** | **7,359** | **7,630** | **7,257** |
| Other income | 38 | 10 | 19 | 100 | 4 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 689 | 664 | 687 | 699 | 729 |
| **Profit before tax** | **1,733** | **1,003** | **1,190** | **1,442** | **882** |
| Income tax | 270 | 114 | 135 | 249 | 139 |
| Equity & invest. income | (2) | (2) | (2) | (1) | (1) |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Extraordinary items | (24) | (605) | (231) | 338 | 90 |
| **Net profit** | **1,436** | **281** | **822** | **1,531** | **832** |
| **Normalized profit** | **1,460** | **886** | **1,053** | **1,192** | **742** |
| EPS (Bt) | 0.61 | 0.12 | 0.35 | 0.65 | 0.35 |
| Normalized EPS (Bt) | 0.62 | 0.37 | 0.44 | 0.50 | 0.31 |

| Income Statement | | | 9M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % 2021F | 2021F | 2022F |
| Revenue | (3) | 1 | 75 | 79,604 | 82,321 |
| **Gross profit** | **(9)** | **(16)** | **77** | **19,972** | **20,154** |
| SG&A | (1) | (5) | 75 | 13,323 | 13,362 |
| Operating profit | (21) | (33) | 83 | 6,648 | 6,792 |
| **EBITDA** | **(5)** | **(5)** | **74** | **29,898** | **30,489** |
| Other income | (96) | (90) | 179 | 68 | 84 |
| Other expense | | | na | 0 | 0 |
| Interest expense | 4 | 6 | 80 | 2,659 | 2,473 |
| **Profit before tax** | **(39)** | **(49)** | **87** | **4,057** | **4,403** |
| Income tax | (44) | (48) | 107 | 487 | 661 |
| Equity & invest. income | na | na | 33 | (12) | (12) |
| Minority interests | | | na | 0 | 0 |
| Extraordinary items | (73) | na | na | 0 | 0 |
| **Net profit** | **(46)** | **(42)** | **89** | **3,559** | **3,731** |
| **Normalized profit** | **(38)** | **(49)** | **84** | **3,559** | **3,731** |
| EPS (Bt) | (46) | (42) | 89 | 1.50 | 1.58 |
| Normalized EPS (Bt) | (38) | (49) | 84 | 1.50 | 1.58 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Cash & ST investment | 9,922 | 6,647 | 6,920 | 7,134 | 5,827 |
| A/C receivable | 9,529 | 9,889 | 9,781 | 9,976 | 9,827 |
| Inventory | 699 | 634 | 1,330 | 775 | 591 |
| Other current assets | 3,560 | 4,553 | 4,298 | 4,597 | 4,197 |
| Investment | 236 | 233 | 231 | 231 | 229 |
| Fixed assets | 97,519 | 113,452 | 112,830 | 112,388 | 111,680 |
| Other assets | 39,144 | 38,873 | 39,166 | 37,902 | 36,846 |
| **Total assets** | **160,609** | **174,280** | **174,557** | **173,003** | **169,196** |
| S-T debt | 18,128 | 14,215 | 14,957 | 20,383 | 15,671 |
| A/C payable | 20,846 | 26,944 | 25,059 | 24,549 | 23,971 |
| Other current liabilities | 7,312 | 7,267 | 13,200 | 7,891 | 8,138 |
| L-T debt | 41,625 | 47,641 | 47,251 | 45,673 | 49,544 |
| Other liabilities | 48,649 | 53,898 | 53,974 | 52,859 | 51,877 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| **Shareholders' equity** | **24,049** | **24,315** | **20,118** | **21,649** | **19,995** |
| Working capital | (10,618) | (16,421) | (13,947) | (13,798) | (13,554) |
| Total debt | 59,753 | 61,856 | 62,207 | 66,056 | 65,215 |
| **Net debt** | **49,831** | **55,209** | **55,288** | **58,922** | **59,388** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| Sales growth | (6.1) | (8.2) | 2.2 | 3.4 | 0.9 |
| Operating profit growth | (18.5) | (14.6) | (22.8) | (23.2) | (32.5) |
| EBITDA growth | (4.0) | (4.2) | (4.0) | (4.4) | (5.3) |
| Norm profit growth | (17.2) | (41.5) | (23.5) | (24.2) | (49.2) |
| Norm EPS growth | (17.2) | (41.5) | (23.5) | (24.2) | (49.2) |
| | | | | | |
| Gross margin | 30.6 | 25.7 | 25.4 | 27.0 | 25.4 |
| Operating margin | 12.5 | 8.1 | 9.1 | 10.3 | 8.4 |
| EBITDA margin | 40.2 | 32.9 | 35.9 | 38.5 | 37.7 |
| Norm net margin | 7.7 | 4.3 | 5.1 | 6.0 | 3.9 |
| | | | | | |
| D/E (x) | 2.5 | 2.5 | 3.1 | 3.1 | 3.3 |
| Net D/E (x) | 2.1 | 2.3 | 2.7 | 2.7 | 3.0 |
| Interest coverage (x) | 11.1 | 10.2 | 10.7 | 10.9 | 10.0 |
| Interest rate | 4.6 | 4.4 | 4.4 | 4.4 | 4.4 |
| Effective tax rate | 15.6 | 11.4 | 11.3 | 17.2 | 15.8 |
| ROA | 3.6 | 2.1 | 2.4 | 2.7 | 1.7 |
| ROE | 24.0 | 14.7 | 19.0 | 22.8 | 14.2 |

Sources: Company data, Thanachart estimates

| Quarterly results (Bt bn) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Service Revenue excl. IC** | **14.93** | **15.18** | **15.55** | **15.57** | **15.33** | **14.63** | **14.37** | **14.08** | **14.15** | **14.10** | **13.98** |
| - Core mobile revenues | 14.01 | 14.37 | 14.79 | 14.81 | 14.68 | 14.20 | 14.00 | 13.83 | 13.73 | 13.68 | 13.61 |
| - Others | 0.65 | 0.63 | 0.60 | 0.55 | 0.46 | 0.35 | 0.33 | 0.30 | 0.39 | 0.39 | 0.33 |
| | | | | | | | | | | | |
| **Cost of services excl. IC** | **10.21** | **10.72** | **11.03** | **11.41** | **11.29** | **11.19** | **11.31** | **11.72** | **12.06** | **12.03** | **12.31** |
| - Regulatory costs | 0.67 | 0.65 | 0.68 | 0.64 | 0.64 | 0.53 | 0.60 | 0.57 | 0.58 | 0.58 | 0.42 |
| - Amortization costs | 4.47 | 4.55 | 4.66 | 4.70 | 4.84 | 4.90 | 4.85 | 4.69 | 5.12 | 5.13 | 5.26 |
| - Network OPEX | 1.76 | 1.74 | 1.76 | 1.81 | 1.78 | 1.62 | 1.47 | 1.76 | 1.37 | 1.35 | 1.46 |
| - Others | 3.31 | 3.78 | 3.93 | 4.26 | 4.03 | 4.13 | 4.39 | 4.69 | 0.34 | 5.13 | 5.17 |
| | | | | | | | | | | | |
| **SG&A expenses** | **3.77** | **3.57** | **3.66** | **4.43** | **3.66** | **3.14** | **3.44** | **4.17** | **3.35** | **3.31** | **3.27** |
| - Selling and marketing expenses | 1.17 | 1.10 | 1.18 | 1.27 | 1.14 | 0.84 | 1.03 | 1.10 | 1.03 | 0.95 | 1.00 |
| - Others | 2.60 | 2.47 | 2.48 | 3.15 | 2.52 | 2.30 | 2.41 | 3.07 | 2.32 | 2.36 | 2.27 |
| | | | | | | | | | | | |
| **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)** | **(3.6)** | **(2.8)** |
| - Core mobile revenues | (5.8) | (3.2) | 0.9 | 3.5 | 4.8 | (1.1) | (5.3) | (6.7) | (6.5) | (3.7) | (2.8) |
| - Others | (25.1) | (25.9) | (22.6) | (22.7) | (29.5) | (44.4) | (45.6) | (46.3) | (14.4) | 10.9 | 0.6 |
| | | | | | | | | | | | |
| **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** | **(0.4)** | **(0.9)** |
| - Core mobile revenues | (2.1) | 2.6 | 3.0 | 0.1 | (0.9) | (3.3) | (1.4) | (1.3) | (0.7) | (0.3) | (0.5) |
| - Others | (8.7) | (2.9) | (4.8) | (8.3) | (16.8) | (23.4) | (6.9) | (9.5) | 32.5 | (0.8) | (15.5) |
| | | | | | | | | | | | |
| - Regulatory costs to service revenues | 4.5 | 4.3 | 4.4 | 4.1 | 4.2 | 3.6 | 4.2 | 4.1 | 4.1 | 4.1 | 3.0 |
| - Network costs to sales | 40.4 | 40.1 | 39.9 | 40.4 | 42.0 | 43.4 | 42.8 | 44.7 | 44.8 | 44.2 | 46.9 |
| - Marketing expenses to sales | 7.6 | 7.0 | 7.3 | 7.9 | 7.2 | 5.6 | 7.0 | 7.6 | 7.1 | 6.5 | 7.0 |
| - EBITDA margin | 36.9 | 38.7 | 39.4 | 31.5 | 38.2 | 41.6 | 40.2 | 32.9 | 35.9 | 38.5 | 37.7 |
| | | | | | | | | | | | |
| **Total subscriber (m sub)** | **20.73** | **20.63** | **20.42** | **20.64** | **19.63** | **18.79** | **18.68** | **18.86** | **19.09** | **19.25** | **19.27** |
| Net add (m sub) | (0.5) | (0.1) | (0.2) | 0.2 | (1.0) | (0.8) | (0.1) | 0.2 | 0.2 | 0.2 | 0.0 |
| Prepaid subs (m sub) | 14.5 | 14.3 | 14.0 | 14.2 | 13.5 | 12.7 | 12.6 | 12.8 | 12.9 | 13.1 | 13.1 |
| Postpaid subs (m sub) | 6.2 | 6.3 | 6.4 | 6.4 | 6.2 | 6.1 | 6.0 | 6.1 | 6.1 | 6.2 | 6.2 |
| | | | | | | | | | | | |
| **Blended ARPU (Bt/month)** | **238** | **249** | **258** | **258** | **251** | **253** | **255** | **250** | **248** | **247** | **241** |
| Pre-paid ARPU (Bt/month) | 130 | 137 | 142 | 138 | 130 | 125 | 129 | 128 | 127 | 128 | 120 |
| Postpaid ARPU (Bt/month) | 522 | 532 | 543 | 546 | 529 | 525 | 517 | 505 | 501 | 498 | 496 |

Source: Company data

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