# Advanced Info Service (ADVANC TB) - BUY, Price Bt188.5, TP Bt220

**Results Comment**

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## A Slight beat in 3Q21

- ADVANC reported norm profit at Bt6.8bn in 3Q21, excluding net loss from FX and hedging, slightly above our expectation but significantly beats the consensus' number.
- This is from 2% y-y higher total service revenues to Bt32.8bn in 3Q21 despite full-quarter of Covid lockdown, while ADVANC could keep its costs under control.
- Mobile revenue was flat y-y and q-q at Bt29.2bn since a net gain in subscriber base (290k postpaid and 134k prepaid subs) could offset 6% y-y and 1% q-q ARPU fall to Bt223/month.
- Fixed broadband revenue grew strongly 23% y-y and 7% q-q to Bt2.2bn, from accelerating growth in subscriber base (+133k subs in 3Q21) even its ARPU fell 6% y-y and 1% q-q to Bt455.
- Total network costs increased to Bt21.4bn in 3Q21, up 5% y-y from higher amortization cost from 5G spectrum licenses and up 2% q-q from continuing 4G and 5G network expansion.
- SG&A expenses dropped 13% y-y to Bt5.3bn from aggressive cost cut in marketing and advertising activities. SG&A-to-sales ratio was 12.4% in 3Q21 (12.1% in 2Q21 and 14.5% in 3Q20).
- Due to improving revenues but also higher costs, EBITDA was flat q-q at Bt22.9bn in 3Q21. A 4% growth y-y was since most of them were from non-cash spectrum amortization cost, while cash costs for network opex and SG&A were nicely controlled.
- We maintain our 2021F full-year forecast and our BUY rating on ADVANC as our top-pick in telecom sector.

**Income Statement** (consolidated)

| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|
| Revenue | 41,715 | 46,074 | 45,861 | 42,757 | 42,377 |
| **Gross profit** | **15,187** | **15,277** | **15,106** | **14,822** | **14,737** |
| SG&A | 6,050 | 6,070 | 5,538 | 5,183 | 5,273 |
| Operating profit | 9,138 | 9,207 | 9,568 | 9,639 | 9,463 |
| **EBITDA** | **22,086** | **22,231** | **22,577** | **23,016** | **22,905** |
| Other income | 147 | 193 | 159 | 68 | 128 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 1,449 | 1,358 | 1,386 | 1,460 | 1,414 |
| **Profit before tax** | **7,836** | **8,042** | **8,341** | **8,246** | **8,178** |
| Income tax | 1,215 | 1,374 | 1,477 | 1,471 | 1,399 |
| Equity & invest. income | 75 | (12) | 3 | 23 | 24 |
| Minority interests | (2) | (1) | (1) | (0) | (1) |
| Extraordinary items | (181) | 509 | (223) | 243 | (428) |
| **Net profit** | **6,513** | **7,164** | **6,644** | **7,041** | **6,374** |
| **Normalized profit** | **6,693** | **6,655** | **6,867** | **6,798** | **6,802** |
| EPS (Bt) | 2.19 | 2.41 | 2.23 | 2.37 | 2.14 |
| Normalized EPS (Bt) | 2.25 | 2.24 | 2.31 | 2.29 | 2.29 |

**Income Statement**

| (Bt m) | q-q% | y-y% | 9M as % 2021F | 2021F | 2022F |
|---|---|---|---|---|---|
| Revenue | (1) | 2 | 74 | 177,948 | 182,671 |
| **Gross profit** | **(1)** | **(3)** | **76** | **58,985** | **61,199** |
| SG&A | 2 | (13) | 70 | 22,988 | 23,180 |
| Operating profit | (2) | 4 | 80 | 35,997 | 38,019 |
| **EBITDA** | **(0)** | **4** | **79** | **86,517** | **90,462** |
| Other income | 88 | (13) | 57 | 623 | 639 |
| Other expense | | | na | 0 | 0 |
| Interest expense | (3) | (2) | 74 | 5,737 | 5,218 |
| **Profit before tax** | **(1)** | **4** | **80** | **30,883** | **33,441** |
| Income tax | (5) | 15 | 83 | 5,250 | 6,187 |
| Equity & invest. income | 4 | (68) | 17 | 300 | 337 |
| Minority interests | na | na | 32 | (5) | (5) |
| Extraordinary items | na | na | na | 0 | 0 |
| **Net profit** | **(9)** | **(2)** | **77** | **25,928** | **27,586** |
| **Normalized profit** | **0** | **2** | **79** | **25,928** | **27,586** |
| EPS (Bt) | (9) | (2) | 77 | 8.72 | 9.28 |
| Normalized EPS (Bt) | 0 | 2 | 79 | 8.72 | 9.28 |

**Balance Sheet** (consolidated)

| Yr-end Dec (Bt m) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|
| Cash & ST investment | 18,452 | 20,330 | 19,522 | 18,403 | 12,709 |
| A/C receivable | 19,028 | 17,781 | 17,076 | 17,461 | 16,624 |
| Inventory | 2,669 | 2,372 | 3,889 | 3,189 | 1,895 |
| Other current assets | 1,749 | 1,672 | 1,894 | 2,135 | 2,534 |
| Investment | 0 | 0 | 0 | 0 | 0 |
| Fixed assets | 123,755 | 122,518 | 119,278 | 117,184 | 116,704 |
| Other assets | 188,143 | 185,498 | 202,075 | 211,274 | 206,054 |
| **Total assets** | **353,797** | **350,171** | **363,733** | **369,646** | **356,521** |
| S-T debt | 35,423 | 29,286 | 29,526 | 26,821 | 29,053 |
| A/C payable | 40,720 | 40,571 | 40,673 | 40,348 | 43,600 |
| Other current liabilities | 26,746 | 23,956 | 36,080 | 23,701 | 20,736 |
| L-T debt | 76,513 | 79,301 | 77,198 | 80,898 | 77,971 |
| Other liabilities | 105,769 | 101,367 | 108,599 | 119,208 | 110,318 |
| Minority interest | 127 | 125 | 125 | 125 | 125 |
| **Shareholders' equity** | **68,500** | **75,564** | **71,532** | **78,545** | **74,718** |
| Working capital | (19,022) | (20,417) | (19,708) | (19,698) | (25,081) |
| Total debt | 111,936 | 108,588 | 106,724 | 107,719 | 107,024 |
| **Net debt** | **93,483** | **88,257** | **87,202** | **89,316** | **94,315** |

**Financial Ratios**

| (%) | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|
| Sales growth | (6.7) | (5.6) | 7.0 | 1.2 | 1.6 |
| Operating profit growth | (22.9) | (4.2) | (2.1) | 2.3 | 3.6 |
| EBITDA growth | 3.1 | 14.8 | (0.9) | 3.3 | 3.7 |
| Norm profit growth | (25.1) | (9.0) | (4.5) | 2.2 | 1.6 |
| Norm EPS growth | (25.1) | (9.0) | (4.5) | 2.2 | 1.6 |
| Gross margin | 36.4 | 33.2 | 32.9 | 34.7 | 34.8 |
| Operating margin | 21.9 | 20.0 | 20.9 | 22.5 | 22.3 |
| EBITDA margin | 52.9 | 48.3 | 49.2 | 53.8 | 54.1 |
| Norm net margin | 16.0 | 14.4 | 15.0 | 15.9 | 16.1 |
| D/E (x) | 1.6 | 1.4 | 1.5 | 1.4 | 1.4 |
| Net D/E (x) | 1.4 | 1.2 | 1.2 | 1.1 | 1.3 |
| Interest coverage (x) | 15.2 | 16.4 | 16.3 | 15.8 | 16.2 |
| Interest rate | 5.1 | 4.9 | 5.1 | 5.4 | 5.3 |
| Effective tax rate | 15.5 | 17.1 | 17.7 | 17.8 | 17.1 |
| ROA | 7.4 | 7.6 | 7.7 | 7.4 | 7.5 |
| ROE | 38.2 | 37.0 | 37.3 | 36.2 | 35.5 |

Sources: Company data, Thanachart estimates

| Quarterly results (Bt bn) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Service Revenue excl. IC** | **33.04** | **34.50** | **34.46** | **34.56** | **33.09** | **32.28** | **32.13** | **32.09** | **32.42** | **32.35** | **32.80** |
| - Mobile | 30.68 | 32.04 | 31.85 | 31.77 | 30.33 | 29.54 | 29.20 | 29.01 | 29.35 | 29.10 | 29.20 |
| - Fixed broadband | 1.29 | 1.38 | 1.41 | 1.58 | 1.64 | 1.68 | 1.78 | 1.85 | 1.92 | 2.04 | 2.19 |
| - Others | 1.08 | 1.08 | 1.20 | 1.21 | 1.12 | 1.07 | 1.15 | 1.22 | 1.16 | 1.22 | 1.40 |
| | | | | | | | | | | | |
| **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** | **2.19** |
| - Regulatory costs | 1.40 | 1.46 | 1.47 | 1.46 | 1.41 | 1.28 | 1.35 | 1.26 | 1.36 | 1.35 | 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 | 13.06 |
| - Network OPEX | 7.37 | 7.32 | 7.42 | 7.29 | 4.25 | 4.68 | 4.55 | 4.62 | 5.06 | 4.62 | 4.65 |
| - Others | 1.56 | 1.70 | 1.69 | 1.59 | 1.50 | 1.39 | 1.40 | 1.41 | 1.55 | 1.54 | 1.81 |
| | | | | | | | | | | | |
| **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** | **(0.03)** |
| SIM and devices margin | 0.9% | 0.4% | 1.8% | 1.5% | 0.7% | 2.5% | -1.2% | 1.2% | 0.6% | 2.7% | -0.5% |
| | | | | | | | | | | | |
| **Total SG&A expenses** | **6.26** | **6.45** | **6.21** | **7.12** | **6.27** | **6.01** | **6.02** | **6.03** | **5.49** | **5.15** | **5.24** |
| - Selling and marketing expenses | 1.93 | 1.91 | 1.50 | 2.17 | 1.76 | 1.60 | 1.55 | 1.68 | 1.64 | 1.24 | 1.43 |
| | | | | | | | | | | | |
| **% Growth Rate** | **1Q19** | **2Q19** | **3Q19** | **4Q19** | **1Q20** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** | **3Q21** |
| **Service Revenue y-y** | **(0.3)** | **3.1** | **4.0** | **2.6** | **0.1** | **(6.4)** | **(6.8)** | **(7.2)** | **(2.0)** | **0.2** | **2.1** |
| - Mobile | (1.7) | 2.5 | 3.1 | 1.1 | (1.1) | (7.8) | (8.3) | (8.7) | (3.2) | (1.5) | 0.0 |
| - Fixed broadband | 27.2 | 26.2 | 26.2 | 30.2 | 27.3 | 21.9 | 26.7 | 17.3 | 17.0 | 21.1 | 22.6 |
| - Others | 16.4 | (2.9) | 7.1 | 16.0 | 3.5 | (1.6) | (4.5) | 0.9 | 3.5 | 14.2 | 22.3 |
| **% Q-Q Growth Rate** | **1Q19** | **2Q19** | **3Q19** | **4Q19** | **1Q20** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** | **3Q21** |
| **Service Revenue q-q** | **(1.9)** | **4.4** | **(0.1)** | **0.3** | **(4.3)** | **(2.4)** | **(0.5)** | **(0.1)** | **1.0** | **(0.2)** | **1.4** |
| - Mobile | (2.4) | 4.4 | (0.6) | (0.3) | (4.5) | (2.6) | (1.1) | (0.6) | 1.2 | (0.9) | 0.4 |
| - Fixed broadband | 6.3 | 7.1 | 2.1 | 12.0 | 3.9 | 2.6 | 6.1 | 3.7 | 3.6 | 6.2 | 7.4 |
| - Others | 3.2 | 0.4 | 11.0 | 0.9 | (8.0) | (4.5) | 7.7 | 6.6 | (5.6) | 5.4 | 15.3 |
| **Profitability Ratio (%)** | **1Q19** | **2Q19** | **3Q19** | **4Q19** | **1Q20** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** | **3Q21** |
| - Network costs to sales | 37.1 | 36.8 | 37.6 | 34.6 | 39.3 | 40.6 | 41.0 | 37.4 | 38.5 | 41.1 | 41.8 |
| - Marketing expenses to sales | 4.5 | 4.3 | 3.3 | 4.5 | 4.1 | 3.8 | 3.7 | 3.7 | 3.6 | 2.9 | 3.4 |
| - EBITDA margin | 43.5 | 44.9 | 47.9 | 39.7 | 53.2 | 52.7 | 52.9 | 48.3 | 49.2 | 53.8 | 54.1 |
| | | | | | | | | | | | |
| **Key Statistics** | **1Q19** | **2Q19** | **3Q19** | **4Q19** | **1Q20** | **2Q20** | **3Q20** | **4Q20** | **1Q21** | **2Q21** | **3Q21** |
| **Total subscriber (m sub)** | **41.5** | **41.5** | **41.6** | **42.0** | **41.2** | **41.0** | **40.9** | **41.4** | **42.8** | **43.2** | **43.7** |
| **Net add (m sub)** | **0.32** | **(0.03)** | **0.09** | **0.46** | **(0.86)** | **(0.14)** | **(0.08)** | **0.50** | **1.33** | **0.47** | **0.42** |
| Postpaid | 0.35 | 0.25 | 0.21 | 0.11 | 0.03 | 0.40 | 0.24 | 0.42 | 0.44 | 0.35 | 0.29 |
| Prepaid | (0.03) | (0.28) | (0.11) | 0.35 | (0.89) | (0.53) | (0.31) | 0.07 | 0.89 | 0.11 | 0.13 |
| **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** | **31.8** |
| **Blended mobile ARPU (Bt/month)** | **246** | **256** | **255** | **252** | **242** | **239** | **237** | **234** | **232** | **225** | **223** |
| Postpaid | 529 | 537 | 531 | 537 | 525 | 523 | 498 | 486 | 480 | 471 | 470 |
| Prepaid | 174 | 182 | 179 | 173 | 162 | 156 | 157 | 154 | 150 | 142 | 138 |
| **4G-handset penetration** | 63% | 66% | 69% | 71% | 74% | 75% | 76% | 77% | 79% | 80% | 81% |
| **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 | 22.6 |
| **Base stations ('000 station)** | **133.4** | **135.7** | **137.8** | **140.9** | **142.9** | **148.1** | **152.7** | **155.7** | **157.8** | **158.5** | **158.2** |
| - 3G | 44.8 | 45.2 | 45.5 | 46.3 | 46.8 | 47.1 | 47.8 | 48.3 | 48.8 | 47.6 | 45.7 |
| - 4G | 88.6 | 90.5 | 92.3 | 94.6 | 96.1 | 101.0 | 104.9 | 107.4 | 109.0 | 110.9 | 112.5 |
| **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** | **1.67** |
| Net add (m sub) | 0.06 | 0.06 | 0.08 | 0.10 | 0.05 | 0.11 | 0.05 | 0.08 | 0.10 | 0.10 | 0.13 |
| Fixed broadband ARPU (Bt/month) | 563 | 558 | 549 | 533 | 514 | 489 | 484 | 476 | 462 | 458 | 455 |

Source: Company data

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