

True Corporation Pcl (TRUE TB) - SELL, Price Bt4.12, TP Bt2.70

Results Comment

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Weaker-than-expected 3Q21

- TRUE reported Bt818m normalized loss (excluding FX gain) in 3Q21, improved from the same period last year but weakened q-q. This misses our forecast due to an unexpected service revenue fall by 4% y-y and 4% q-q despite strong cost control.
- Mobile:** TrueMove reported 1% y-y and 2% q-q lower revenue to Bt19.8bn (75% of total service revenue) in 3Q21, pressured by lower revenue from prepaid segment amid weak economy during Covid-19 lockdown. Lower ARPU by 6% y-y and 2% q-q to Bt205/month outweighed benefit from a net 319k subs gain.
- Fixed broadband:** Core service revenue from TrueOnline was up 9% y-y and 2% q-q to Bt7.5bn (19%) in 3Q21, supported by strong customer gain of 135k subs this quarter to 4.5m total subs, despite ARPU also fell 2% y-y and 1% q-q to Bt524.
- TV subscription:** Service revenue dropped 9% y-y to Bt2.4bn in 3Q21 given a shift of demand for monthly TV-service into an online channel. It improved 1% q-q, likely from higher revenue from English Premier League football broadcasting service.
- EBITDA, however, increased 8% y-y and 1% q-q against the revenue fall. This thanks to its cost optimization program via digitalization approach on various items, i.e. marketing cost, admin and employee expenses, and network opex.
- We see downside to our full-year forecast for 2021F from a lower-than-expected revenue base, even we expect some improvement next quarter given lower impacts from Covid-19 lockdown. We maintain SELL on TRUE.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	33,008	36,481	35,426	33,797	32,966
Gross profit	9,146	9,593	9,975	9,741	8,882
SG&A	6,595	6,499	6,686	6,520	5,942
Operating profit	2,551	3,094	3,289	3,221	2,940
EBITDA	13,351	14,023	14,054	14,287	14,367
Other income	42	281	209	237	189
Other expense	225	230	229	258	204
Interest expense	4,467	4,469	4,548	4,653	4,613
Profit before tax	(2,099)	(1,324)	(1,279)	(1,453)	(1,688)
Income tax	27	5	45	(61)	47
Equity & invest. income	913	779	874	873	888
Minority interests	41	5	6	53	29
Extraordinary items	1,276	388	(137)	115	215
Net profit	104	(157)	(581)	(351)	(603)
Normalized profit	(1,172)	(545)	(444)	(466)	(818)
EPS (Bt)	0.00	(0.00)	(0.02)	(0.01)	(0.02)
Normalized EPS (Bt)	(0.04)	(0.02)	(0.01)	(0.01)	(0.02)

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	32,063	24,469	20,216	26,302	17,338
A/C receivable	48,233	44,919	45,113	46,804	48,989
Inventory	4,858	4,508	4,228	4,107	4,377
Other current assets	24,095	30,509	31,432	31,885	30,153
Investment	22,646	23,213	23,448	23,682	23,931
Fixed assets	225,012	231,894	235,451	239,876	243,581
Other assets	258,759	258,035	258,910	254,122	253,409
Total assets	615,666	617,548	618,798	626,777	621,777
S-T debt	46,983	64,508	68,933	72,496	62,283
A/C payable	94,279	90,277	92,727	90,735	93,648
Other current liabilities	18,971	21,002	19,804	19,108	22,100
L-T debt	175,077	158,491	166,402	179,571	182,181
Other liabilities	194,503	197,653	185,881	182,425	179,729
Minority interest	533	528	531	478	462
Shareholders' equity	85,320	85,089	84,519	81,965	81,375
Working capital	(41,188)	(40,850)	(43,386)	(39,824)	(40,282)
Total debt	222,060	222,999	235,335	252,066	244,464
Net debt	189,996	198,530	215,119	225,764	227,126

Sources: Company data, Thanachart estimates

Income Statement					
(Bt m)	q-q%	y-y%	9M as		
			% 2021F	2021F	2022F
Revenue	(2)	(0)	73	139,497	141,692
Gross profit	(9)	(3)	73	39,439	40,946
SG&A	(9)	(10)	74	25,997	25,791
Operating profit	(9)	15	70	13,442	15,154
EBITDA	1	8	74	57,567	61,971
Other income	(20)	352	320	198	126
Other expense	(21)	(9)	346	200	200
Interest expense	(1)	3	75	18,474	19,435
Profit before tax	na	na	na	(5,034)	(4,355)
Income tax	na	74	na	(100)	(150)
Equity & invest. income	2	(3)	82	3,214	3,198
Minority interests	(45)	(29)	71	124	126
Extraordinary items	87	(83)	na	0	0
Net profit	na	na	na	(1,596)	(881)
Normalized profit	na	na	na	(1,596)	(881)
EPS (Bt)	na	na	na	(0.05)	(0.03)
Normalized EPS (Bt)	na	na	na	(0.05)	(0.03)

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales grow th	(3.6)	(3.2)	1.7	(0.2)	(0.1)
Operating profit grow th	145.0	334.9	41.4	20.4	15.2
EBITDA grow th	68.8	74.0	15.0	9.4	7.6
Norm profit grow th	na	na	na	na	na
Norm EPS grow th	na	na	na	na	na
Gross margin	27.7	26.3	28.2	28.8	26.9
Operating margin	7.7	8.5	9.3	9.5	8.9
EBITDA margin	40.4	38.4	39.7	42.3	43.6
Norm net margin	(3.6)	(1.5)	(1.3)	(1.4)	(2.5)
D/E (x)	2.6	2.6	2.8	3.1	3.0
Net D/E (x)	2.2	2.3	2.5	2.7	2.8
Interest coverage (x)	3.0	3.1	3.1	3.1	3.1
Interest rate	8.2	8.0	7.9	7.6	7.4
Effective tax rate	(1.3)	(0.4)	(3.5)	4.2	(2.8)
ROA	(0.8)	(0.4)	(0.3)	(0.3)	(0.5)
ROE	(5.5)	(2.6)	(2.1)	(2.2)	(4.0)

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