

**VGI Global Media Pcl (VGI TB) - HOLD, Price Bt7.05, TP Bt6.40****Results Comment**

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**Higher-than-expected 2QFY22 loss**

- VGI reported normalized loss of Bt101m in 2QFY22 (VGI's fiscal year ends in March) versus a normalized profit of Bt12m in 2QFY21 and Bt10m in 1QFY22. The loss was higher than what we had expected. Weak results were mainly due to the COVID-19 crisis to cause lower ad spending.
- Despite the easing of the lockdown measures in late 3Q21, we expect VGI's earnings to gradually recover in 4Q21F given the ongoing COVID-19 and weak economy to slow down the ad spending recovery.
- We have a HOLD rating on VGI as its valuation looks fair to us at a PE of 63x in FY23F and 44x in FY24F versus its five-year pre-COVID average of 55x. We are also concerned on the work-from-home trend beyond this year and continued ad spending market share gains by online media.
- VGI's total revenue increased 29% y-y in 2QFY22. The lockdown measures caused its out-of-home media revenue drop by 39% y-y in 2QFY22. However, its digital service revenue rose by 165% y-y due to higher insurance commission fees, lead generation under Rabbit Group and the 2-month consolidation of Fanslink, an importer of Chinese electronics and an e-commerce enabler.
- Given its high operating leverage and Fanslink's low margin, VGI's overall gross margin fell to 18% in 2QFY22 from 40% in 2QFY21.
- Its equity income was negative at Bt23m. We believe this was due to higher profit contribution from MACO being offset by lower profit contribution from KEX and losses from Rabbit Line Pay and Demo Power.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Mar (Bt m)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	(Bt m)	q-q%	y-y%	% FY22F	FY22F	FY23F
Revenue	717	680	637	596	923	Revenue	55	29	53	2,854	3,729
<b>Gross profit</b>	<b>287</b>	<b>321</b>	<b>215</b>	<b>185</b>	<b>167</b>	<b>Gross profit</b>	(10)	(42)	31	1,128	1,631
SG&A	234	220	231	251	278	SG&A	11	19	56	942	969
Operating profit	53	101	(16)	(65)	(111)	Operating profit	na	na	(94)	187	661
<b>EBITDA</b>	<b>147</b>	<b>201</b>	<b>88</b>	<b>36</b>	<b>(11)</b>	<b>EBITDA</b>	na	na	4	578	1,070
Other income	28	94	28	24	23	Other income	(5)	(16)	29	162	193
Other expense	0	0	0	0	0	Other expense					
Interest expense	19	18	19	15	16	Interest expense	8	(17)	40	77	61
<b>Profit before tax</b>	<b>62</b>	<b>177</b>	<b>(6)</b>	<b>(56)</b>	<b>(103)</b>	<b>Profit before tax</b>	na	na	(59)	272	793
Income tax	16	29	(14)	(7)	6	Income tax	na	(64)	(2)	54	159
Equity & invest. income	(53)	29	56	38	(23)	Equity & invest. income	na	na	8	182	259
Minority interests	19	23	11	21	31	Minority interests	45	59	105	50	65
Extraordinary items	0	513	283	0	92	Extraordinary items					
<b>Net profit</b>	<b>12</b>	<b>713</b>	<b>359</b>	<b>10</b>	<b>(9)</b>	<b>Net profit</b>	na	na	0	449	958
<b>Normalized profit</b>	<b>12</b>	<b>200</b>	<b>76</b>	<b>10</b>	<b>(101)</b>	<b>Normalized profit</b>	na	na	(20)	449	958
EPS (Bt)	0.00	0.08	0.04	0.00	(0.00)	EPS (Bt)	na	na	0	0.05	0.11
Normalized EPS (Bt)	0.00	0.02	0.01	0.00	(0.01)	Normalized EPS (Bt)	na	na	(20)	0.05	0.11
Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Mar (Bt m)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	(%)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Cash & ST investment	788	799	1,461	1,606	1,505	Sales grow th	(30.9)	(44.9)	(22.9)	33.7	28.7
A/C receivable	751	841	794	790	879	Operating profit grow th	(80.9)	(75.0)	na	na	na
Inventory	0	0	0	0	0	EBITDA grow th	(62)	(61)	(47)	na	na
Other current assets	682	679	955	884	1,277	Norm profit grow th	(96)	(52)	(74)	na	na
Investment	9,074	9,620	9,223	9,251	8,986	Norm EPS grow th	(96)	(52)	(74)	na	na
Fixed assets	1,231	1,275	1,220	1,177	1,133	Gross margin	40.1	47.2	33.7	31.1	18.1
Other assets	6,674	6,655	7,317	6,543	6,567	Operating margin	7.5	14.9	(2.5)	(11.0)	(12.0)
<b>Total assets</b>	<b>19,201</b>	<b>19,869</b>	<b>20,970</b>	<b>20,252</b>	<b>20,347</b>	EBITDA margin	20.5	29.6	13.8	6.0	(1.2)
S-T debt	711	316	1,159	1,173	1,448	Norm net margin	1.7	29.4	11.9	1.7	(10.9)
A/C payable	280	349	399	465	601	D/E (x)	0.1	0.1	0.1	0.1	0.1
Other current liabilities	1,447	1,368	1,625	1,571	1,331	Net D/E (x)	0.1	0.0	(0.0)	(0.0)	(0.0)
L-T debt	1,192	1,174	0	0	14	Interest coverage (x)	7.7	11.3	4.7	2.4	(0.7)
Other liabilities	603	650	724	582	558	Effective tax rate	4.0	4.2	5.7	5.0	4.8
Minority interest	506	483	472	558	935	ROA	0.2	4.1	1.5	0.2	(2.0)
<b>Shareholders' equity</b>	<b>14,462</b>	<b>15,529</b>	<b>16,592</b>	<b>15,904</b>	<b>15,460</b>	ROE	0.3	5.3	1.9	0.2	(2.6)
Working capital	471	492	395	326	278						
Total debt	1,902	1,489	1,159	1,173	1,462						
<b>Net debt</b>	<b>1,115</b>	<b>690</b>	<b>(302)</b>	<b>(433)</b>	<b>(43)</b>						

Sources: Company data, Thanachart estimates

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