

## Advanced Info Service (ADVANC TB) - HOLD, Price Bt219, TP Bt230 | Results Comment

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## 4Q21 was a slight beat

- ADVANC reported Bt6.7bn in 4Q21, relatively flat both y-y and q-q, slightly beat our and the market's expectations. Full-year profit of Bt27.2bn in 2021 was flat y-y and made up 101% of our forecast. Stronger-than-expected mobile revenue was the key earnings surprise this quarter.
- Core services revenue grew nicely 4% y-y and 2% q-q, driven by all three key segments. Mobile revenue increased 2% y-y and 1% q-q on stronger consumption and higher mobility given easing Covid-19 situation. Fixed broadband revenue rose 24% y-y and 5% q-q as 103k subs addition during the quarter more than offset a 3% q-q ARPU fall (-7% y-y). Enterprise services grew 26% y-y on higher cloud and datacenter demand.
- ADVANC gained 459k mobile subscribers in 4Q21 (246k from postpaid and 213k from prepaid) to 44.1m subs, while ARPU started to flat q-q (still fell 5% y-y) at Bt224/sub/month.
- EBITDA grew 3% y-y and flat q-q to Bt22.9bn in 4Q21, slightly below revenue's pace due to higher network operating cost on continuing network expansion. SG&A expenses were still under control at 17.4% to sales (18.7% in 4Q20 and 20.6% in 4Q19).
- ADVANC announces Bt4.24/share final dividend of (95% of net profit in 2H21) with an XD date on 18 February and a dividend payment date on 19 April 2022. Bt7.69/share full-year dividend in 2021 implies 85% payout, higher than we'd expected (80%).
- We see ADVANC's strong revenue recovery in 4Q21 as a good starting point for it into 2022F, despite we expect some impacts in 1Q22F from the Omicron variant. ADVANC guides for 'mid-single digit' core service revenue growth (+1% in 2021) and 'low-single digit' EBITDA growth in 2022F (+2% in 2021), with Bt30-35bn capex budget (Bt25.3bn in 2021).

| Income Statement         |               | (consolidated) |               |               |               |  |
|--------------------------|---------------|----------------|---------------|---------------|---------------|--|
| Yr-end Dec (Bt m)        | 4Q20          | 1Q21           | 2Q21          | 3Q21          | 4Q21          |  |
| Revenue                  | 46,074        | 45,861         | 42,757        | 42,377        | 50,338        |  |
| <b>Gross profit</b>      | <b>15,277</b> | <b>15,106</b>  | <b>14,822</b> | <b>14,737</b> | <b>15,215</b> |  |
| SG&A                     | 6,070         | 5,538          | 5,183         | 5,273         | 5,851         |  |
| Operating profit         | 9,207         | 9,568          | 9,639         | 9,463         | 9,364         |  |
| <b>EBITDA</b>            | <b>22,231</b> | <b>22,577</b>  | <b>23,016</b> | <b>22,905</b> | <b>22,910</b> |  |
| Other income             | 193           | 159            | 68            | 128           | 200           |  |
| Other expense            | 0             | 0              | 0             | 0             | 0             |  |
| Interest expense         | 1,358         | 1,386          | 1,460         | 1,414         | 1,366         |  |
| <b>Profit before tax</b> | <b>8,042</b>  | <b>8,341</b>   | <b>8,246</b>  | <b>8,178</b>  | <b>8,197</b>  |  |
| Income tax               | 1,374         | 1,477          | 1,471         | 1,399         | 1,522         |  |
| Equity & invest. income  | (12)          | 3              | 23            | 24            | 26            |  |
| Minority interests       | (1)           | (1)            | (0)           | (1)           | (1)           |  |
| Extraordinary items      | 509           | (223)          | 243           | (428)         | 163           |  |
| <b>Net profit</b>        | <b>7,164</b>  | <b>6,644</b>   | <b>7,041</b>  | <b>6,374</b>  | <b>6,863</b>  |  |
| <b>Normalized profit</b> | <b>6,655</b>  | <b>6,867</b>   | <b>6,798</b>  | <b>6,802</b>  | <b>6,700</b>  |  |
| EPS (Bt)                 | 2.41          | 2.23           | 2.37          | 2.14          | 2.31          |  |
| Normalized EPS (Bt)      | 2.24          | 2.31           | 2.29          | 2.29          | 2.25          |  |

| Balance Sheet               |                | (consolidated) |                |                |                |  |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|--|
| Yr-end Dec (Bt m)           | 4Q20           | 1Q21           | 2Q21           | 3Q21           | 4Q21           |  |
| Cash & ST investment        | 20,330         | 19,522         | 18,403         | 12,709         | 14,120         |  |
| A/C receivable              | 17,781         | 17,076         | 17,461         | 16,624         | 16,552         |  |
| Inventory                   | 2,372          | 3,889          | 3,189          | 1,895          | 2,104          |  |
| Other current assets        | 1,672          | 1,894          | 2,135          | 2,534          | 2,789          |  |
| Investment                  | 0              | 0              | 0              | 0              | 0              |  |
| Fixed assets                | 122,518        | 119,278        | 117,184        | 116,704        | 117,844        |  |
| Other assets                | 185,498        | 202,075        | 211,274        | 206,054        | 202,812        |  |
| <b>Total assets</b>         | <b>350,171</b> | <b>363,733</b> | <b>369,646</b> | <b>356,521</b> | <b>356,222</b> |  |
| S-T debt                    | 29,286         | 29,526         | 26,821         | 29,053         | 25,035         |  |
| A/C payable                 | 40,571         | 40,673         | 40,348         | 43,600         | 45,055         |  |
| Other current liabilities   | 23,956         | 36,080         | 23,701         | 20,736         | 21,778         |  |
| L-T debt                    | 79,301         | 77,198         | 80,898         | 77,971         | 73,697         |  |
| Other liabilities           | 101,367        | 108,599        | 119,208        | 110,318        | 108,832        |  |
| Minority interest           | 125            | 125            | 125            | 125            | 126            |  |
| <b>Shareholders' equity</b> | <b>75,564</b>  | <b>71,532</b>  | <b>78,545</b>  | <b>74,718</b>  | <b>81,699</b>  |  |
| Working capital             | (20,417)       | (19,708)       | (19,698)       | (25,081)       | (26,399)       |  |
| Total debt                  | 108,588        | 106,724        | 107,719        | 107,024        | 98,731         |  |
| <b>Net debt</b>             | <b>88,257</b>  | <b>87,202</b>  | <b>89,316</b>  | <b>94,315</b>  | <b>84,611</b>  |  |

| Income Statement         |            | 12M as     |            |               |               |  |
|--------------------------|------------|------------|------------|---------------|---------------|--|
| (Bt m)                   | q-q%       | y-y%       | % 2021F    | 2021A         | 2022F         |  |
| Revenue                  | 19         | 9          | 101        | 181,333       | 182,138       |  |
| <b>Gross profit</b>      | <b>3</b>   | <b>(0)</b> | <b>101</b> | <b>59,880</b> | <b>62,461</b> |  |
| SG&A                     | 11         | (4)        | 102        | 21,846        | 22,628        |  |
| Operating profit         | (1)        | 2          | 100        | 38,034        | 39,833        |  |
| <b>EBITDA</b>            | <b>0</b>   | <b>3</b>   | <b>103</b> | <b>91,408</b> | <b>92,371</b> |  |
| Other income             | 56         | 4          | 124        | 555           | 455           |  |
| Other expense            |            |            | na         | 0             | 0             |  |
| Interest expense         | (3)        | 1          | 99         | 5,626         | 5,357         |  |
| <b>Profit before tax</b> | <b>0</b>   | <b>2</b>   | <b>101</b> | <b>32,963</b> | <b>34,932</b> |  |
| Income tax               | 9          | 11         | 97         | 5,870         | 6,462         |  |
| Equity & invest. income  | 8          | na         | 26         | 77            | 337           |  |
| Minority interests       | na         | na         | 46         | (2)           | (5)           |  |
| Extraordinary items      | na         | (68)       | na         | (246)         | 0             |  |
| <b>Net profit</b>        | <b>8</b>   | <b>(4)</b> | <b>100</b> | <b>26,922</b> | <b>28,801</b> |  |
| <b>Normalized profit</b> | <b>(1)</b> | <b>1</b>   | <b>101</b> | <b>27,168</b> | <b>28,801</b> |  |
| EPS (Bt)                 | 8          | (4)        | 100        | 9.06          | 9.69          |  |
| Normalized EPS (Bt)      | (1)        | 1          | 101        | 9.14          | 9.69          |  |

| Financial Ratios         |       |       |      |      |      |  |
|--------------------------|-------|-------|------|------|------|--|
| (%)                      | 4Q20  | 1Q21  | 2Q21 | 3Q21 | 4Q21 |  |
| Sales grow th            | (5.6) | 7.0   | 1.2  | 1.6  | 9.3  |  |
| Operating profit grow th | (4.2) | (2.1) | 2.3  | 3.6  | 1.7  |  |
| EBITDA grow th           | 14.8  | (0.9) | 3.3  | 3.7  | 3.1  |  |
| Norm profit grow th      | (9.0) | (4.5) | 2.2  | 1.6  | 0.7  |  |
| Norm EPS grow th         | (9.0) | (4.5) | 2.2  | 1.6  | 0.7  |  |
| Gross margin             | 33.2  | 32.9  | 34.7 | 34.8 | 30.2 |  |
| Operating margin         | 20.0  | 20.9  | 22.5 | 22.3 | 18.6 |  |
| EBITDA margin            | 48.3  | 49.2  | 53.8 | 54.1 | 45.5 |  |
| Norm net margin          | 14.4  | 15.0  | 15.9 | 16.1 | 13.3 |  |
| D/E (x)                  | 1.4   | 1.5   | 1.4  | 1.4  | 1.2  |  |
| Net D/E (x)              | 1.2   | 1.2   | 1.1  | 1.3  | 1.0  |  |
| Interest coverage (x)    | 16.4  | 16.3  | 15.8 | 16.2 | 16.8 |  |
| Interest rate            | 4.9   | 5.1   | 5.4  | 5.3  | 5.3  |  |
| Effective tax rate       | 17.1  | 17.7  | 17.8 | 17.1 | 18.6 |  |
| ROA                      | 7.6   | 7.7   | 7.4  | 7.5  | 7.5  |  |
| ROE                      | 37.0  | 37.3  | 36.2 | 35.5 | 34.3 |  |

Sources: Company data, Thanachart estimates

| Quarterly results (Bt bn)                      | 1Q20          | 2Q20          | 3Q20          | 4Q20         | 1Q21         | 2Q21         | 3Q21          | 4Q21         |
|--|---------------|---------------|---------------|--------------|--------------|--------------|---------------|--------------|
| <b>Service Revenue excl. IC</b>                | <b>33.09</b>  | <b>32.28</b>  | <b>32.13</b>  | <b>32.09</b> | <b>32.42</b> | <b>32.35</b> | <b>32.80</b>  | <b>33.40</b> |
| - Mobile                                       | 30.33         | 29.54         | 29.20         | 29.01        | 29.35        | 29.10        | 29.20         | 29.59        |
| - Fixed broadband                              | 1.64          | 1.68          | 1.78          | 1.85         | 1.92         | 2.04         | 2.19          | 2.29         |
| - Others                                       | 1.12          | 1.07          | 1.15          | 1.22         | 1.16         | 1.22         | 1.40          | 1.52         |
| <b>Cost of services excl. IC</b>               | <b>1.94</b>   | <b>2.19</b>   | <b>1.96</b>   | <b>2.05</b>  | <b>2.26</b>  | <b>2.26</b>  | <b>2.19</b>   | <b>2.35</b>  |
| - Regulatory costs                             | 1.41          | 1.28          | 1.35          | 1.26         | 1.36         | 1.35         | 1.35          | 1.26         |
| - Depreciation & amortization costs            | 12.59         | 12.48         | 12.54         | 12.60        | 12.60        | 12.96        | 13.06         | 13.16        |
| - Network OPEX                                 | 4.25          | 4.68          | 4.55          | 4.62         | 5.06         | 4.62         | 4.65          | 4.81         |
| - Others                                       | 1.50          | 1.39          | 1.40          | 1.41         | 1.55         | 1.54         | 1.81          | 1.90         |
| <b>Net SIM and devices revenues (expenses)</b> | <b>0.05</b>   | <b>0.16</b>   | <b>(0.07)</b> | <b>0.13</b>  | <b>0.06</b>  | <b>0.19</b>  | <b>(0.03)</b> | <b>0.11</b>  |
| SIM and devices margin                         | 0.7%          | 2.5%          | -1.2%         | 1.2%         | 0.6%         | 2.7%         | -0.5%         | 0.8%         |
| <b>Total SG&amp;A expenses</b>                 | <b>6.27</b>   | <b>6.03</b>   | <b>6.01</b>   | <b>6.03</b>  | <b>5.49</b>  | <b>5.15</b>  | <b>5.24</b>   | <b>5.82</b>  |
| - Selling and marketing expenses               | 1.76          | 1.60          | 1.55          | 1.68         | 1.64         | 1.24         | 1.43          | 1.73         |
| <b>% Growth Rate</b>                           | <b>1Q20</b>   | <b>2Q20</b>   | <b>3Q20</b>   | <b>4Q20</b>  | <b>1Q21</b>  | <b>2Q21</b>  | <b>3Q21</b>   | <b>4Q21</b>  |
| <b>Service Revenue y-y</b>                     | <b>0.1</b>    | <b>(6.4)</b>  | <b>(6.8)</b>  | <b>(7.2)</b> | <b>(2.0)</b> | <b>0.2</b>   | <b>2.1</b>    | <b>4.1</b>   |
| - Mobile                                       | (1.1)         | (7.8)         | (8.3)         | (8.7)        | (3.2)        | (1.5)        | 0.0           | 2.0          |
| - Fixed broadband                              | 27.3          | 21.9          | 26.7          | 17.3         | 17.0         | 21.1         | 22.6          | 23.7         |
| - Others                                       | 3.5           | (1.6)         | (4.5)         | 0.9          | 3.5          | 14.2         | 22.3          | 23.9         |
| <b>% Q-Q Growth Rate</b>                       | <b>1Q20</b>   | <b>2Q20</b>   | <b>3Q20</b>   | <b>4Q20</b>  | <b>1Q21</b>  | <b>2Q21</b>  | <b>3Q21</b>   | <b>4Q21</b>  |
| <b>Service Revenue q-q</b>                     | <b>(4.3)</b>  | <b>(2.4)</b>  | <b>(0.5)</b>  | <b>(0.1)</b> | <b>1.0</b>   | <b>(0.2)</b> | <b>1.4</b>    | <b>1.8</b>   |
| - Mobile                                       | (4.5)         | (2.6)         | (1.1)         | (0.6)        | 1.2          | (0.9)        | 0.4           | 1.3          |
| - Fixed broadband                              | 3.9           | 2.6           | 6.1           | 3.7          | 3.6          | 6.2          | 7.4           | 4.6          |
| - Others                                       | (8.0)         | (4.5)         | 7.7           | 6.6          | (5.6)        | 5.4          | 15.3          | 8.0          |
| <b>Profitability Ratio (%)</b>                 | <b>1Q20</b>   | <b>2Q20</b>   | <b>3Q20</b>   | <b>4Q20</b>  | <b>1Q21</b>  | <b>2Q21</b>  | <b>3Q21</b>   | <b>4Q21</b>  |
| - Network costs to sales                       | 39.3          | 40.6          | 41.0          | 37.4         | 38.5         | 41.1         | 41.8          | 35.7         |
| - Marketing expenses to sales                  | 4.1           | 3.8           | 3.7           | 3.7          | 3.6          | 2.9          | 3.4           | 3.4          |
| - EBITDA margin                                | 53.2          | 52.7          | 52.9          | 48.3         | 49.2         | 53.8         | 54.1          | 45.5         |
| <b>Key Statistics</b>                          | <b>1Q20</b>   | <b>2Q20</b>   | <b>3Q20</b>   | <b>4Q20</b>  | <b>1Q21</b>  | <b>2Q21</b>  | <b>3Q21</b>   | <b>4Q21</b>  |
| <b>Total subscriber (m sub)</b>                | <b>41.2</b>   | <b>41.0</b>   | <b>40.9</b>   | <b>41.4</b>  | <b>42.8</b>  | <b>43.2</b>  | <b>43.7</b>   | <b>44.1</b>  |
| <b>Net add (m sub)</b>                         | <b>(0.86)</b> | <b>(0.14)</b> | <b>(0.08)</b> | <b>0.50</b>  | <b>1.33</b>  | <b>0.47</b>  | <b>0.42</b>   | <b>0.46</b>  |
| Postpaid                                       | 0.03          | 0.40          | 0.24          | 0.42         | 0.44         | 0.35         | 0.29          | 0.25         |
| Prepaid  | (0.89)        | (0.53)        | (0.31)        | 0.07         | 0.89         | 0.11         | 0.13          | 0.21         |
| <b>Mobile data subscriber (m sub)</b>          | <b>26.7</b>   | <b>27.5</b>   | <b>26.9</b>   | <b>27.6</b>  | <b>29.7</b>  | <b>32.3</b>  | <b>31.8</b>   | <b>31.1</b>  |
| <b>Blended mobile ARPU (Bt/month)</b>          | <b>242</b>    | <b>239</b>    | <b>237</b>    | <b>234</b>   | <b>232</b>   | <b>225</b>   | <b>223</b>    | <b>224</b>   |
| Postpaid                                       | 525           | 523           | 498           | 486          | 480          | 471          | 470           | 473          |
| Prepaid  | 162           | 156           | 157           | 154          | 150          | 142          | 138           | 136          |
| <b>4G-handset penetration</b>                  | <b>75%</b>    | <b>75%</b>    | <b>76%</b>    | <b>77%</b>   | <b>79%</b>   | <b>80%</b>   | <b>81%</b>    | <b>80%</b>   |
| <b>VOU (GB/data sub/month)</b>                 | <b>14.7</b>   | <b>17.0</b>   | <b>17.2</b>   | <b>18.0</b>  | <b>18.2</b>  | <b>19.7</b>  | <b>22.6</b>   | <b>24.9</b>  |
| <b>Base stations ('000 station)</b>            | <b>142.9</b>  | <b>148.1</b>  | <b>152.7</b>  | <b>155.7</b> | <b>157.8</b> | <b>158.5</b> | <b>158.2</b>  | <b>161.1</b> |
| - 3G   | 46.8          | 47.1          | 47.8          | 48.3         | 48.8         | 47.6         | 45.7          | 46.0         |
| - 4G   | 96.1          | 101.0         | 104.9         | 107.4        | 109.0        | 110.9        | 112.5         | 115.1        |
| <b>Fixed broadband subscriber (m sub)</b>      | <b>1.09</b>   | <b>1.20</b>   | <b>1.26</b>   | <b>1.34</b>  | <b>1.43</b>  | <b>1.54</b>  | <b>1.67</b>   | <b>1.77</b>  |
| Net add (m sub)                                | 0.05          | 0.11          | 0.05          | 0.08         | 0.10         | 0.10         | 0.13          | 0.10         |
| Fixed broadband ARPU (Bt/month)                | 514           | 489           | 484           | 476          | 462          | 458          | 455           | 444          |

Source: Company data

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Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 110 Derivative Warrants which are ACE16C2202A, ADVA16C2202A, ADVA16C2203A, AOT16C2202A, AOT16C2204A, BAM16C2204A, BANP16C2205A, BANP16C2202A, BANP16C2204A, BBL16C2203A, BBL16C2204A, BCH16C2203A, BEC16C2202A, BEC16C2204A, BGRI16C2203A, BGRI16C2205A, BLA16C2205A, CBG16C2202A, CBG16C2204A, CBG16C2205A, CHG16C2202A, COM716C2203A, COM716C2205A, CPAL16C2203A, CPAL16C2204A, CPF16C2205A, CPN16C2202A, CRC16C2204A, DELT16C2202A, DELT16C2203A, DOHO16C2202A, DTAC16C2203A, EA16C2206A, EA16C2203A, EA16C2205A, ESSO16C2202A, GLOB16C2203A, GPSC16C2206A, GPSC16C2203A, GPSC16C2205A, GULF16C2202A, GULF16C2203A, GULF16C2205A, GUNK16C2203A, GUNK16C2205A, HANA16C2202A, HANA16C2204A, HANA16C2205A, HMPR16C2202A, INTU16C2202A, INTU16C2205A, IRPC16C2205A, IVL16C2202A, IVL16C2203A, JAS16C2202A, JMAR16C2206A, JMAR16C2202A, JMAR16C2205A, JMT16C2203A, JMT16C2205A, KBAN16C2202A, KBAN16C2204A, KCE16C2204A, KCE16C2205A, KCE16C2205B, KTC16C2202A, LH16C2202A, MINT16C2203A, MINT16C2204A, MTC16C2202A, MTC16C2204A, OR16C2202A, OR16C2203A, OR16C2205A, PTG16C2202A, PTG16C2203A, PTL16C2202A, PTL16C2202B, PTT16C2203A, PTT16C2205A, PTTE16C2203A, RBF16C2202A, RCL16C2205A, RS16C2205A, S5016C2203A, S5016C2203B, S5016C2206A, S5016P2203A, S5016P2203B, S5016P2206A, SAWA16C2202A, SAWA16C2204A, SAWA16C2205A, SCB16C2202A, SCC16C2204A, SCGP16C2202A, SPAL16C2202A, STA16C2203A, STEC16C2204A, STGT16C2202A, SYNE16C2202A, TOP16C2202A, TRUE16C2205A, TRUE16C2202A, TRUE16C2203A, TRUE16C2203B, TU16C2202A, TU16C2204A, WHA16C2202A, WHA16C2204A (underlying securities are ACE, ADVANC, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, RBF, RCL, RS, SAWAD, SCB, SCC, SCGP, SET50, SPALI, STA, STEC, STGT, SYNEX, TOP, TU, WHA, TRUE). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

**Note:** Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 21.2% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

**Disclosure of Interest of Thanachart Securities****Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB), SCG Packaging Pcl (SCGP TB)