

VGI Global Media Pcl (VGI TB) - SELL, Price Bt5.30, TP Bt4.90**Results Comment**

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Higher-than-expected 3QFY22 losses

- VGI reported normalized loss of Bt125m in 3QFY22 (VGI's fiscal year ends in March) versus a normalized profit of Bt189m in 3QFY21 and a normalized loss of Bt101m in 2QFY22. The loss was higher than what we had expected given a new loss contribution from its associates.
- Including a Bt49m gain on financial instruments, VGI reported a net loss of Bt76m in 3QFY22.
- We expect VGI's earnings to gradually recover in 4QFY22F. Despite the ongoing COVID-19 and weak economy to slow a recovery in the ad spend, we forecast a net profit contribution from its associates in 4QFY22F onward as JMART will contribute a full-quarter profit. However, we have a SELL rating on VGI given its expensive valuation, our concerns on out-of-home (OOH) media having lost market share to online media and a potential valuation de-rating after becoming a conglomerate.
- VGI's total revenue increased 110% y-y in 3QFY22. A slow recovery in ad spends caused a drop in its out-of-home media by 5% y-y in 3QFY22 (transit media sale increased 8% y-y but office media sales decreased 69% y-y). However, its digital service revenue rose by 41% y-y due to higher insurance commission fees and lead generation under Rabbit Group while the full-quarter consolidation of Fanslink caused additional revenue of Bt681m.
- Given Fanslink's low margin, VGI's overall gross margin fell to 23% in 3QFY22 from 47% in 3QFY21. A rise in SG&A expenses by 67% y-y was also due to the consolidation of Fanslink.
- Its equity income was negative at Bt119m mainly due to a loss contribution from Kerry Express (KEX TB, Bt23.7, non-rated).

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Mar (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	(Bt m)	q-q%	y-y%	% FY22F	FY22F	FY23F
Revenue	680	637	596	923	1,429	Revenue	55	110	75	3,949	6,148
Gross profit	321	215	185	167	324	Gross profit	94	1	72	936	1,796
SG&A	220	231	251	278	367	SG&A	32	67	78	1,145	1,414
Operating profit	101	(16)	(65)	(111)	(43)	Operating profit	na	na	105	(209)	382
EBITDA	202	88	36	(11)	56	EBITDA	na	(72)	14	561	1,483
Other income	83	39	24	23	38	Other income	64	(54)	85	100	142
Other expense	0	0	0	0	0	Other expense					
Interest expense	18	19	15	16	24	Interest expense	53	35	100	54	35
Profit before tax	167	4	(56)	(103)	(30)	Profit before tax	na	na	116	(163)	489
Income tax	29	(14)	(7)	6	13	Income tax	128	(54)	na	0	98
Equity & invest. income	29	56	38	(23)	(119)	Equity & invest. income	na	na	229	(46)	195
Minority interests	23	11	21	31	37	Minority interests	20	62	126	71	64
Extraordinary items	524	272	0	92	49	Extraordinary items	(46)	(91)			
Net profit	713	359	10	(9)	(76)	Net profit	na	na	164	(46)	649
Normalized profit	189	86	10	(101)	(125)	Normalized profit	na	na	156	(138)	649
EPS (Bt)	0.08	0.04	0.00	(0.00)	(0.01)	EPS (Bt)	na	na	179	(0.00)	0.06
Normalized EPS (Bt)	0.02	0.01	0.00	(0.01)	(0.01)	Normalized EPS (Bt)	na	na	171	(0.01)	0.06

Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Mar (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22		3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Cash & ST investment	799	1,461	1,606	1,505	1,290	Sales grow th	(44.9)	(22.9)	33.7	28.7	110.2
A/C receivable	841	794	790	879	1,018	Operating profit grow th	(74.9)	na	na	na	na
Inventory	0	0	0	0	0	EBITDA grow th	(61)	(47)	na	na	(72)
Other current assets	679	955	884	1,277	1,157	Norm profit grow th	(54)	(70)	na	na	na
Investment	9,620	9,223	9,251	8,986	15,123	Norm EPS grow th	(54)	(70)	na	na	na
Fixed assets	1,275	1,220	1,177	1,133	1,092	Gross margin	47.2	33.7	31.1	18.1	22.7
Other assets	6,655	7,317	6,543	6,567	8,271	Operating margin	14.9	(2.5)	(11.0)	(12.0)	(3.0)
Total assets	19,869	20,970	20,252	20,347	27,951	EBITDA margin	29.7	13.7	6.0	(1.2)	3.9
S-T debt	316	1,159	1,173	1,448	8,203	Norm net margin	27.9	13.6	1.7	(10.9)	(8.7)
A/C payable	349	399	465	601	516	D/E (x)	0.1	0.1	0.1	0.1	0.5
Other current liabilities	1,368	1,625	1,571	1,331	1,277	Net D/E (x)	0.0	(0.0)	(0.0)	(0.0)	0.4
L-T debt	1,174	0	0	14	20	Interest coverage (x)	11.3	4.7	2.4	(0.7)	2.3
Other liabilities	650	724	582	558	744	Effective tax rate	4.2	5.7	5.0	4.8	2.0
Minority interest	483	472	558	935	898	ROA	3.9	1.7	0.2	(2.0)	(2.1)
Shareholders' equity	15,529	16,592	15,904	15,460	16,293	ROE	5.1	2.2	0.2	(2.6)	(3.1)
Working capital	492	395	326	278	503						
Total debt	1,489	1,159	1,173	1,462	8,223						
Net debt	690	(302)	(433)	(43)	6,934						

Sources: Company data, Thanachart estimates

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