Total Access Comm. (DTAC TB) - SELL, Price Bt47.25, TP N.M.

Results Comment

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Weaker-than-expected 1Q22 profit

- DTAC reported Bt738m norm profit in 1Q22, down 30% y-y but up 49% q-q in a like-for-like basis. The result came in below our expectation, but better then the market's forecast. Weak service revenue was the key reason for its drop y-y, while lower SG&A and depreciation costs boosted profit q-q.
- Core service revenue dropped 2% y-y and 1% q-q to Bt13.4bn in 1Q22, pressured by weak spending power and low mobility of the people due to a widespread of Omicron strain and an intense pricing competition among three operators.
- Cost of services increased only 1% y-y (and even fell 2% q-q), despite a swift rollout of its low-band network (5G-700MHz and 4G-900MHz), thanks to its aggressive cost cuts and benefit from fully depreciation of legacy (3G/4G) network equipment.
- Total SG&A expense decreased 5% y-y and 6% q-q, despite there was a Bt110m extra merging-related cost, to Bt3.1bn in 1Q22. Lower admin (y-y) and marketing costs (q-q) were two major cost saving items this quarter.
- EBITDA declined 4% y-y along with the drop in revenue to Bt7.1bn this quarter. It improved 1% q-q due to a seasonal impact of high expenses in the previous quarter.
- From downside to our earnings forecast after the miss this quarter and our bearish view on post-merger benefits in near-term, we still suggest investors to SELL shares of DTAC to the upcoming tender offer at Bt47.76/share, likely in 3Q22F.
- *Our TP is N.M. (not meaningful) since it is lower than an already announced pre-merger tender price by Citrine Global.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	20,516	19,804	19,232	21,587	20,131
Gross profit	**5,206**	**5,347**	**4,882**	**4,648**	**4,752**
SG&A	3,347	3,306	3,274	3,387	3,182
Operating profit	1,859	2,041	1,608	1,261	1,571
EBITDA	**7,359**	**7,630**	**7,257**	**7,001**	**7,090**
Other income	19	100	4	16	6
Other expense	0	0	0	0	0
Interest expense	687	699	729	714	663
Profit before tax	**1,190**	**1,442**	**882**	**562**	**913**
Income tax	135	249	139	65	174
Equity & invest. income	(2)	(1)	(1)	(1)	(2)
Minority interests	0	0	0	0	0
Extraordinary items	(231)	338	90	(325)	(12)
Net profit	**822**	**1,531**	**832**	**171**	**726**
Normalized profit	**1,053**	**1,192**	**742**	**496**	**738**
EPS (Bt)	0.35	0.65	0.35	0.07	0.31
Normalized EPS (Bt)	0.44	0.50	0.31	0.21	0.31

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(7)	(2)	24	84,501	86,107
Gross profit	**2**	**(9)**	**23**	**20,905**	**21,288**
SG&A	(6)	(5)	23	13,816	14,023
Operating profit	25	(15)	22	7,089	7,265
EBITDA	**1**	**(4)**	**23**	**31,270**	**30,741**
Other income	(62)	(68)	6	101	116
Other expense			na	0	0
Interest expense	(7)	(3)	24	2,801	2,798
Profit before tax	**62**	**(23)**	**21**	**4,388**	**4,583**
Income tax	166	29	26	658	779
Equity & invest. income	na	na	30	(5)	(5)
Minority interests			na	0	0
Extraordinary items	na	na	na	0	0
Net profit	**325**	**(12)**	**20**	**3,725**	**3,799**
Normalized profit	**49**	**(30)**	**20**	**3,725**	**3,799**
EPS (Bt)	325	(12)	20	1.57	1.60
Normalized EPS (Bt)	49	(30)	20	1.57	1.60

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	6,920	7,134	5,827	3,575	5,627
A/C receivable	9,781	9,976	9,827	10,250	10,499
Inventory	1,330	775	591	1,307	1,425
Other current assets	4,298	4,597	4,197	4,595	4,579
Investment	231	231	229	228	226
Fixed assets	112,830	112,388	111,680	110,808	110,692
Other assets	39,166	37,902	36,846	33,552	31,782
Total assets	**174,557**	**173,003**	**169,196**	**164,315**	**164,830**
S-T debt	14,957	20,383	15,671	12,979	12,949
A/C payable	25,059	24,549	23,971	25,966	25,949
Other current liabilities	13,200	7,891	8,138	8,151	10,335
L-T debt	47,251	45,673	49,544	51,078	53,240
Other liabilities	53,974	52,859	51,877	45,973	43,949
Minority interest	0	0	0	0	0
Shareholders' equity	**20,118**	**21,649**	**19,995**	**20,167**	**18,408**
Working capital	(13,947)	(13,798)	(13,554)	(14,409)	(14,025)
Total debt	62,207	66,056	65,215	64,058	66,189
Net debt	**55,288**	**58,922**	**59,388**	**60,482**	**60,562**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	2.2	3.4	0.9	5.1	(1.9)
Operating profit growth	(22.8)	(23.2)	(32.5)	(23.9)	(15.5)
EBITDA growth	(4.0)	(4.4)	(5.3)	3.8	(3.7)
Norm profit growth	(23.5)	(24.2)	(49.2)	(44.1)	(29.9)
Norm EPS growth	(23.5)	(24.2)	(49.2)	(44.1)	(29.9)
Gross margin	25.4	27.0	25.4	21.5	23.6
Operating margin	9.1	10.3	8.4	5.8	7.8
EBITDA margin	35.9	38.5	37.7	32.4	35.2
Norm net margin	5.1	6.0	3.9	2.3	3.7
D/E (x)	3.1	3.1	3.3	3.2	3.6
Net D/E (x)	2.7	2.7	3.0	3.0	3.3
Interest coverage (x)	10.7	10.9	10.0	9.8	10.7
Interest rate	4.4	4.4	4.4	4.4	4.1
Effective tax rate	11.3	17.2	15.8	11.6	19.0
ROA	2.4	2.7	1.7	1.2	1.8
ROE	19.0	22.8	14.2	9.9	15.3

Sources: Company data, Thanachart estimates

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Quarterly results (Bt bn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Service Revenue excl. IC	**15.33**	**14.63**	**14.37**	**14.08**	**14.15**	**14.10**	**13.98**	**13.99**	**13.80**
- Core mobile revenues	14.68	14.20	14.00	13.83	13.73	13.68	13.61	13.62	13.43
- Others	0.46	0.35	0.33	0.30	0.39	0.39	0.33	0.32	0.30
Cost of services excl. IC	**11.29**	**11.19**	**11.31**	**11.72**	**12.06**	**12.03**	**12.31**	**12.38**	**12.26**
- Regulatory costs	0.64	0.53	0.60	0.57	0.58	0.58	0.42	0.55	0.51
- Amortization costs	4.84	4.90	4.85	4.69	5.12	5.13	5.26	5.35	5.17
- Network OPEX	1.78	1.62	1.47	1.76	1.37	1.35	1.46	1.30	1.36
- Others	4.03	4.13	4.39	4.69	0.34	5.13	5.17	5.18	5.23
SG&A expenses	**3.66**	**3.14**	**3.44**	**3.62**	**3.35**	**3.31**	**3.27**	**3.39**	**3.07**
- Selling and marketing expenses	1.14	0.84	1.03	1.10	1.03	0.95	1.00	1.20	1.05
- Others	2.52	2.30	2.41	2.52	2.32	2.36	2.27	2.18	2.02
Service Revenue ex. IC (% growth y-y)	**2.6**	**(3.6)**	**(7.6)**	**(9.6)**	**(7.7)**	**(3.6)**	**(2.8)**	**(0.6)**	**(2.5)**
- Core mobile revenues	4.8	(1.1)	(5.3)	(6.7)	(6.5)	(3.7)	(2.8)	(1.5)	(2.2)
- Others	(29.5)	(44.4)	(45.6)	(46.3)	(14.4)	10.9	0.6	7.1	(23.0)
Service Revenue ex. IC (% growth q-q)	**(1.6)**	**(4.5)**	**(1.7)**	**(2.0)**	**0.5**	**(0.4)**	**(0.9)**	**0.1**	**(1.4)**
- Core mobile revenues	(0.9)	(3.3)	(1.4)	(1.3)	(0.7)	(0.3)	(0.5)	0.0	(1.4)
- Others	(16.8)	(23.4)	(6.9)	(9.5)	32.5	(0.8)	(15.5)	(3.7)	(4.7)
- Regulatory costs to service revenues	4.2	3.6	4.2	4.1	4.1	4.1	3.0	4.0	3.7
- Network costs to sales	42.0	43.4	42.8	44.7	44.8	44.2	46.9	46.4	46.4
- Marketing expenses to sales	7.2	5.6	7.0	7.6	7.1	6.5	7.0	8.4	7.5
- EBITDA margin	38.2	41.6	40.2	32.9	35.9	38.5	37.7	32.4	35.2
Total subscriber (m sub)	**19.63**	**18.79**	**18.68**	**18.86**	**19.09**	**19.25**	**19.27**	**19.56**	**19.87**
Net add (m sub)	(1.0)	(0.8)	(0.1)	0.2	0.2	0.2	0.0	0.3	0.3
Prepaid subs (m sub)	13.5	12.7	12.6	12.8	12.9	13.1	13.1	13.4	13.7
Postpaid subs (m sub)	6.2	6.1	6.0	6.1	6.1	6.2	6.2	6.2	6.2
Blended ARPU (Bt/month)	**251**	**253**	**255**	**250**	**248**	**247**	**241**	**239**	**231**
Pre-paid ARPU (Bt/month)	130	125	129	128	127	128	120	120	114
Postpaid ARPU (Bt/month)	529	525	517	505	501	498	496	494	488

Source: Company data