Advanced Info Service (ADVANC TB) - HOLD, Price Bt213, TP Bt230

Results Comment

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

Slightly weaker-than-expected 1Q22

- ADVANC reported Bt6.4bn norm profit in 1Q22, down 7% y-y and 5% q-q, weaker than our and the market's expectations. Sharper-than-expected drop in mobile service revenue due to weak consumption and inflation impact was the key reason for the earnings miss this quarter.
- Core service revenue grew 1% y-y as strong growth in fixed broadband and enterprise services segments more than offset weak mobile revenue, but it dropped 2% q-q given a sharp fall in mobile revenue pressured by weak economy post-Covid and fierce pricing competition in the market.
- ADVANC gained 507k new mobile subscribers in 1Q22 (+238k postpaid and +269k prepaid). However, mobile ARPU declined 7% y-y and 3% q-q to Bt216/month, thus mobile revenue fall.
- Fixed broadband subs grew 93k from previous quarter to 1.9m subs in 1Q22, while its ARPU rose 1% q-q (-4% y-y).
- Total SG&A expense was at Bt5.6bn, up 1% y-y on higher staff-related costs but it lowered 5% q-q as ADVANC did less advertising campaigns and marketing activities in 1Q22.
- EBITDA thus decreased 1% y-y and 2% q-q to Bt22.4bn in 1Q22, due to a lower revenue this quarter. Having said that, EBITDA margin improved to 49.5%, vs. 45.5% in 4Q21 which was the high expense season and from 49.2% in 1Q21 from an aggressive cost cutting measures.
- We see some downside to our 2022F earnings forecast and yet expect a strong recovery for ADVANC in near-term given a weak economic outlook in Thailand and still lack of foreign tourists in the country. We maintain HOLD.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	45,861	42,757	42,377	50,338	45,279
Gross profit	**15,106**	**14,822**	**14,737**	**15,215**	**14,601**
SG&A	5,538	5,183	5,273	5,851	5,578
Operating profit	9,568	9,639	9,463	9,364	9,023
EBITDA	**22,577**	**23,016**	**22,905**	**22,910**	**22,393**
Other income	159	68	128	200	154
Other expense	0	0	0	0	0
Interest expense	1,386	1,460	1,414	1,366	1,320
Profit before tax	**8,341**	**8,246**	**8,178**	**8,197**	**7,857**
Income tax	1,477	1,471	1,399	1,522	1,543
Equity & invest. income	3	23	24	26	40
Minority interests	(1)	(0)	(1)	(1)	(1)
Extraordinary items	(223)	243	(428)	163	(42)
Net profit	**6,644**	**7,041**	**6,374**	**6,863**	**6,311**
Normalized profit	**6,867**	**6,798**	**6,802**	**6,700**	**6,353**
EPS (Bt)	2.23	2.37	2.14	2.31	2.12
Normalized EPS (Bt)	2.31	2.29	2.29	2.25	2.14

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(10)	(1)	24	189,323	196,353
Gross profit	**(4)**	**(3)**	**24**	**62,044**	**66,415**
SG&A	(5)	1	25	22,756	23,812
Operating profit	(4)	(6)	23	39,288	42,603
EBITDA	**(2)**	**(1)**	**24**	**92,153**	**98,148**
Other income	(23)	(3)	27	568	589
Other expense			na	0	0
Interest expense	(3)	(5)	22	5,965	6,076
Profit before tax	**(4)**	**(6)**	**23**	**33,891**	**37,116**
Income tax	1	4	25	6,100	6,755
Equity & invest. income	53	1,263	39	104	131
Minority interests	na	na	14	(5)	(5)
Extraordinary items	na	na	na	0	0
Net profit	**(8)**	**(5)**	**23**	**27,889**	**30,486**
Normalized profit	**(5)**	**(7)**	**23**	**27,889**	**30,486**
EPS (Bt)	(8)	(5)	23	9.38	10.25
Normalized EPS (Bt)	(5)	(7)	23	9.38	10.25

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	19,522	18,403	12,709	14,120	17,636
A/C receivable	17,076	17,461	16,624	16,552	16,501
Inventory	3,889	3,189	1,895	2,104	3,831
Other current assets	1,894	2,135	2,534	2,789	3,050
Investment	0	0	0	0	0
Fixed assets	119,278	117,184	116,704	117,844	115,800
Other assets	202,075	211,274	206,054	202,812	198,966
Total assets	**363,733**	**369,646**	**356,521**	**356,222**	**355,783**
S-T debt	29,526	26,821	29,053	25,035	24,045
A/C payable	40,673	40,348	43,600	45,055	41,904
Other current liabilities	36,080	23,701	20,736	21,778	36,139
L-T debt	77,198	80,898	77,971	73,697	72,577
Other liabilities	108,599	119,208	110,318	108,832	105,382
Minority interest	125	125	125	126	126
Shareholders' equity	**71,532**	**78,545**	**74,718**	**81,699**	**75,611**
Working capital	(19,708)	(19,698)	(25,081)	(26,399)	(21,572)
Total debt	106,724	107,719	107,024	98,731	96,622
Net debt	**87,202**	**89,316**	**94,315**	**84,611**	**78,986**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	7.0	1.2	1.6	9.3	(1.3)
Operating profit growth	(2.1)	2.3	3.6	1.7	(5.7)
EBITDA growth	(0.9)	3.3	3.7	3.1	(0.8)
Norm profit growth	(4.5)	2.2	1.6	0.7	(7.5)
Norm EPS growth	(4.5)	2.2	1.6	0.7	(7.5)
Gross margin	32.9	34.7	34.8	30.2	32.2
Operating margin	20.9	22.5	22.3	18.6	19.9
EBITDA margin	49.2	53.8	54.1	45.5	49.5
Norm net margin	15.0	15.9	16.1	13.3	14.0
D/E (x)	1.5	1.4	1.4	1.2	1.3
Net D/E (x)	1.2	1.1	1.3	1.0	1.0
Interest coverage (x)	16.3	15.8	16.2	16.8	17.0
Interest rate	5.1	5.4	5.3	5.3	5.4
Effective tax rate	17.7	17.8	17.1	18.6	19.6
ROA	7.7	7.4	7.5	7.5	7.1
ROE	37.3	36.2	35.5	34.3	32.3

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Service Revenue excl. IC	**33.09**	**32.28**	**32.13**	**32.09**	**32.42**	**32.35**	**32.80**	**33.40**	**32.77**
- Mobile	30.33	29.54	29.20	29.01	29.35	29.10	29.20	29.59	28.85
- Fixed broadband	1.64	1.68	1.78	1.85	1.92	2.04	2.19	2.29	2.44
- Others	1.12	1.07	1.15	1.22	1.16	1.22	1.40	1.52	1.49
Cost of services excl. IC	**1.94**	**2.19**	**1.96**	**2.05**	**2.26**	**2.26**	**2.19**	**2.35**	**2.52**
- Regulatory costs	1.41	1.28	1.35	1.26	1.36	1.35	1.35	1.26	1.36
- Depreciation & amortization costs	12.59	12.48	12.54	12.60	12.60	12.96	13.06	13.16	12.97
- Network OPEX	4.25	4.68	4.55	4.62	5.06	4.62	4.65	4.81	4.82
- Others	1.50	1.39	1.40	1.41	1.55	1.54	1.81	1.90	1.84
Net SIM and devices revenues (expenses)	**0.05**	**0.16**	**(0.07)**	**0.13**	**0.06**	**0.19**	**(0.03)**	**0.11**	**0.13**
SIM and devices margin	0.7%	2.5%	-1.2%	1.2%	0.6%	2.7%	-0.5%	0.8%	1.4%
Total SG&A expenses	**6.27**	**6.03**	**6.01**	**6.03**	**5.49**	**5.15**	**5.24**	**5.82**	**5.54**
- Selling and marketing expenses	1.76	1.60	1.55	1.68	1.64	1.24	1.43	1.73	1.49

% Growth Rate	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Service Revenue y-y	**0.1**	**(6.4)**	**(6.8)**	**(7.2)**	**(2.0)**	**0.2**	**2.1**	**4.1**	**1.1**
- Mobile	(1.1)	(7.8)	(8.3)	(8.7)	(3.2)	(1.5)	0.0	2.0	(1.7)
- Fixed broadband	27.3	21.9	26.7	17.3	17.0	21.1	22.6	23.7	27.0
- Others	3.5	(1.6)	(4.5)	0.9	3.5	14.2	22.3	23.9	28.7
% Q-Q Growth Rate	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Service Revenue q-q	**(4.3)**	**(2.4)**	**(0.5)**	**(0.1)**	**1.0**	**(0.2)**	**1.4**	**1.8**	**(1.9)**
- Mobile	(4.5)	(2.6)	(1.1)	(0.6)	1.2	(0.9)	0.4	1.3	(2.5)
- Fixed broadband	3.9	2.6	6.1	3.7	3.6	6.2	7.4	4.6	6.4
- Others	(8.0)	(4.5)	7.7	6.6	(5.6)	5.4	15.3	8.0	(1.9)
Profitability Ratio (%)	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
- Network costs to sales	39.3	40.6	41.0	37.4	38.5	41.1	41.8	35.7	39.3
- Marketing expenses to sales	4.1	3.8	3.7	3.7	3.6	2.9	3.4	3.4	3.3
- EBITDA margin	53.2	52.7	52.9	48.3	49.2	53.8	54.1	45.5	49.5

Key Statistics	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Total subscriber (m sub)	**41.2**	**41.0**	**40.9**	**41.4**	**42.8**	**43.2**	**43.7**	**44.1**	**44.6**
Net add (m sub)	**(0.86)**	**(0.14)**	**(0.08)**	**0.50**	**1.33**	**0.47**	**0.42**	**0.46**	**0.51**
Postpaid	0.03	0.40	0.24	0.42	0.44	0.35	0.29	0.25	0.24
Prepaid	(0.89)	(0.53)	(0.31)	0.07	0.89	0.11	0.13	0.21	0.27
Mobile data subscriber (m sub)	**26.7**	**27.5**	**26.9**	**27.6**	**29.7**	**32.3**	**31.8**	**31.1**	**31.2**
Blended mobile ARPU (Bt/month)	**242**	**239**	**237**	**234**	**232**	**225**	**223**	**224**	**216**
Postpaid	525	523	498	486	480	471	470	473	460
Prepaid	162	156	157	154	150	142	138	136	129
4G-handset penetration	75%	75%	76%	77%	79%	80%	81%	80%	0%
VOU (GB/data sub/month	14.7	17.0	17.2	18.0	18.2	19.7	22.6	24.9	26.6
Base stations ('000 station)	**142.9**	**148.1**	**152.7**	**155.7**	**157.8**	**158.5**	**158.2**	**161.1**	**0.0**
- 3G	46.8	47.1	47.8	48.3	48.8	47.6	45.7	46.0	0.0
- 4G	96.1	101.0	104.9	107.4	109.0	110.9	112.5	115.1	0.0
Fixed broadband subscriber (m sub)	**1.09**	**1.20**	**1.26**	**1.34**	**1.43**	**1.54**	**1.67**	**1.77**	**1.87**
Net add (m sub)	0.05	0.11	0.05	0.08	0.10	0.10	0.13	0.10	0.09
Fixed broadband ARPU (Bt/month)	514	489	484	476	462	458	455	444	446

Source: Company data

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 65 Derivative Warrants which are AMAT16C2206A , AOT16C2206A , AWC16C2207A , BAM16C2206A , BAM16C2207A , BANP16C2205A , BANP16C2207A , BCH16C2207A , BEC16C2207A , BGRI16C2205A , BLA16C2208A, BLA16C2205A , CBG16C2205A , CBG16C2207A , CHG16C2207A , COM716C2208A, COM716C2205A , CPF16C2205A , DOHO16C2207A , EA16C2205A , EA16C2206A , EA16C2207A , GPSC16C2205A , GPSC16C2206A , GPSC16C2207A , GULF16C2205A , GULF16C2207A , GUNK16C2205A , GUNK16C2206A , GUNK16C2207A , HANA16C2205A , HANA16C2207A , INTU16C2205A , IRPC16C2205A , IVL16C2206A , JMAR16C2205A , JMAR16C2206A , JMT16C2205A , JMT16C2207A , KBAN16C2208A, KBAN16C2206A , KCE16C2209A, KCE16C2208A, KCE16C2205A , KCE16C2205B , MEGA16C2207A , MINT16C2207A , OR16C2205A , PTT16C2205A , PTTE16C2209A, PTTG16C2207A , RCL16C2208A, RCL16C2205A , RS16C2205A , S5016C2206A , S5016P2206A , S5016P2206B , SAWA16C2205A , SCB16C2208A, SYNE16C2206A , TOP16C2206A , TRUE16C2205A , TRUE16C2205B , TTA16C2208A, TTA16C2207A , (underlying securities are AMATA , AOT , AWC , BAM , BANPU , BBL , BCH , BEC , BGRIM , BLA , CBG , CHG , COM7 , CPF , DOHOME , EA , GPSC , GULF , GUNKUL , HANA , INTUCH , IRPC , IVL , JMART , JMT , KBANK , KCE , MEGA , MINT , OR , PTT, PTTEP, PTTGC , RCL , RS , SAWAD , SCB, SET50 , TOP, TRUE, TTA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of 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 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (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: SCG Packaging Pcl (SCGP TB)