Digital Telecom. Infra. Fund (DIF TB) - BUY, Price Bt14.3, TP Bt15

Results Comment

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

Stable 1Q22 profit, in-line

- DIF reported Bt3.12bn normalized investment income in 1Q22, down slightly 2% y-y and 1% q-q due to expirations of some small rental contracts. It was partially offset by lower interest expense, thus DIF could still pay a stable dividend this quarter.
- Total revenue was at Bt3.60bn in 1Q22, down 2% y-y and 2% q-q due to expiration of active transmission system equipment rental contract. We project DIF's revenue to stable at this new base over the next ten years since there would be no contract expirations during that period.
- Total expenses decreased 5% y-y and 8% q-q to Bt332m in 1Q22. Lower interest expense as DIF continued to repay down its debt was the key supporting factor. This implies 9.2% costs-to-sales ratio in 1Q22, versus 9.8% in 4Q21 and 9.5% in 1Q21.
- DIF has announced its quarterly dividend payment at Bt0.26 per unit for its 1Q22 performance, in-line with our expectation. An indicated XD date is on 17 May and a dividend payment date on 6 June 2022.
- However, note we see now see limited upside to our valuation while rising interest rate environment may create downside pressure to its unit price. We thus become less positive on DIF.

Income Statement					
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
NET SALES	3,681	3,681	3,682	3,683	3,602
GROSS PROFIT	**3,681**	**3,681**	**3,682**	**3,683**	**3,602**
SG&A	75	74	75	84	75
Operating profit	3,606	3,607	3,606	3,598	3,527
EBITDA	**3,606**	**3,607**	**3,606**	**3,598**	**3,527**
Other income	4	4	4	4	4
Other expense	10	10	13	10	(11)
Interest expense	418	442	419	441	400
Profit before tax	**3,181**	**3,159**	**3,179**	**3,151**	**3,121**
Income tax	0	0	0	0	0
Equity & invest. income					
Minority interests					
Extraordinary items	(224)	(216)	(235)	892	(225)
Net Investment Income	**2,957**	**2,943**	**2,944**	**4,044**	**2,895**
Norm Net Invest. Income	**3,181**	**3,159**	**3,179**	**3,151**	**3,120**
EPS (Bt)	0.28	0.28	0.28	0.38	0.27
Normalized EPS (Bt)	0.30	0.30	0.30	0.30	0.29
NAV (Bt)					

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(2)	(2)	24	14,726	14,783
Gross profit	**(2)**	**(2)**	**24**	**14,726**	**14,783**
SG&A	(12)	(1)	24	315	322
Operating profit	(2)	(2)	24	14,411	14,461
EBITDA	**(2)**	**(2)**	**24**	**14,411**	**14,461**
Other income	(8)	11	117	3	3
Other expense	na	na	(24)	43	44
Interest expense	(9)	(4)	24	1,682	1,590
Profit before tax	**(1)**	**(2)**	**25**	**12,689**	**12,830**
Income tax	(15)	(16)	24	2	2
Equity & invest. income					
Minority interests					
Extraordinary items	na	na			
Net profit	**(28)**	**(2)**	**23**	**12,687**	**12,829**
Normalized profit	**(1)**	**(2)**	**25**	**12,687**	**12,829**
EPS (Bt)	(28)	(2)	23	1.19	1.20
Normalized EPS (Bt)	(1)	(2)	25	1.19	1.20

Balance Sheet					
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & equivalent	2,262	452	2,384	4,397	1,925
S-T investments					
A/C receivable	3,196	3,297	3,399	3,499	3,580
Other					
Investment & Loans	217,209	218,733	217,126	215,927	218,019
Fixed assets					
Other assets					
Total assets	**222,772**	**222,587**	**223,004**	**223,886**	**223,583**
S-T debt	12,663	12,494	12,326	12,157	11,973
A/C payable	166	332	497	663	166
Other current liabilities	3,870	3,899	3,899	3,898	3,920
L-T debt	27,604	27,426	27,444	27,267	27,285
Other liabilities					
Minority interest					
Net Assets	**174,609**	**174,778**	**174,947**	**176,216**	**176,336**
Net debt	38,005	39,469	37,386	35,028	37,333
Avg outstanding units (shrs)	10,632	10,632	10,632	10,632	10,632

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	0.3	0.3	0.3	0.2	(2.1)
EBITDA growth	0.3	0.3	0.3	(0.1)	(2.2)
Net income growth	5.2	3.5	3.0	(17.7)	(2.1)
Norm income growth	4.6	1.0	1.1	1.9	(1.9)
Norm EPS growth	4.6	1.0	1.1	1.9	(1.9)
Gross margin	100.0	100.0	100.0	100.0	100.0
Operating margin	98.0	98.0	98.0	97.7	97.9
EBITDA margin	98.0	98.0	98.0	97.7	97.9
Norm net margin	86.4	85.8	86.3	85.6	86.6
D/E (x)	0.2	0.2	0.2	0.2	0.2
Net D/E (x)	0.2	0.2	0.2	0.2	0.2
Interest coverage (x)	8.6	8.2	8.6	8.2	8.8
Effective tax rate	0.0	0.0	0.0	0.0	0.0
ROA	5.7	5.7	5.7	5.6	5.6
ROE	7.3	7.2	7.3	7.2	7.1

Sources: Company data, Thanachart estimates

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