Intouch Holdings Pcl (INTUCH TB) - HOLD, Price Bt71.5, TP Bt74.5

Results Comment

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Slightly weak 1Q22 profit

- INTUCH reported Bt2.55bn norm profit in 1Q22, grew 3% y-y but down 4% q-q in a like-for-like basis. The earnings slightly missed our expectation due to a weaker-than-expected profit contribution from AIS despite a higher profit from Thaicom.
- **AIS Group:** Profit contribution from AIS Group went down 5% y-y and 8% q-q to Bt2.55bn in 1Q22. This was due to its lower mobile service revenue this quarter, pressured by inflation impacts and weak economy, thus lower spending from Thais on mobile services despite growing fixed broadband revenue.
- **Thaicom:** Satellite business in Thaicom contributed Bt21m profit to INTUCH in 1Q22, accounted for only 1% of its total net profit. Weak demand for satellite services and expiration in one of its satellite operating licenses were its two major drags.
- Total expenses from the parent level and profit contributions from other businesses were at Bt26m loss this quarter, slightly improved both y-y and q-q, thanks to lower operating cost and INTUCH's level after the organization restructuring last year.
- INTUCH's NAV-discount from its holding value in ADVANC is now at 12%, in which we yet see as attractive compared to its usual range between 15-25% over the past five years while we still see some valuation downside from a weaker-than-expected operations in ADVANC. We maintain HOLD.

Income Statement					(unconsolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	788	796	935	804	703
Gross profit	**138**	**146**	**270**	**399**	**341**
SG&A	290	314	347	319	173
Operating profit	(151)	(168)	(77)	79	168
EBITDA	**192**	**176**	**224**	**231**	**315**
Other income	103	106	168	34	50
Other expense	0	0	0	0	0
Interest expense	41	40	48	28	28
Profit before tax	**(89)**	**(103)**	**44**	**85**	**190**
Income tax	6	22	13	50	62
Equity & invest. income	2,672	2,843	2,511	2,595	2,478
Minority interests	(68)	23	(87)	42	(31)
Extraordinary items	151	71	206	(59)	(23)
Net profit	**2,661**	**2,813**	**2,662**	**2,612**	**2,552**
Normalized profit	**2,509**	**2,742**	**2,456**	**2,672**	**2,575**
EPS (Bt)	0.83	0.88	0.83	0.81	0.80
Normalized EPS (Bt)	0.78	0.86	0.77	0.83	0.80

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(13)	(11)	26	2,752	2,612
Gross profit	**(15)**	**146**	**45**	**761**	**690**
SG&A	(46)	(40)	16	1,081	1,037
Operating profit	112	na	(52)	(320)	(347)
EBITDA	**36**	**64**	**184**	**171**	**(18)**
Other income	47	(52)	18	275	261
Other expense			na	0	0
Interest expense	0	(31)	32	87	81
Profit before tax	**123**	**na**	**(143)**	**(132)**	**(167)**
Income tax	22	986	na	0	0
Equity & invest. income	(5)	(7)	22	11,203	12,093
Minority interests	na	na	(29)	107	120
Extraordinary items	na	na	na	0	0
Net profit	**(2)**	**(4)**	**23**	**11,178**	**12,046**
Normalized profit	**(4)**	**3**	**23**	**11,178**	**12,046**
EPS (Bt)	(2)	(4)	23	3.49	3.76
Normalized EPS (Bt)	(4)	3	23	3.49	3.76

Balance Sheet					(unconsolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	10,198	10,732	10,700	8,464	9,174
A/C receivable	1,966	1,783	1,983	2,173	1,485
Inventory	84	88	36	7	8
Other current assets	5,378	915	1,062	1,011	6,237
Investment	32,127	35,032	33,578	36,160	33,434
Fixed assets	3,362	3,080	2,846	2,787	2,716
Other assets	2,207	2,156	3,450	3,381	3,165
Total assets	**55,322**	**53,787**	**53,654**	**53,984**	**56,218**
S-T debt	2,598	2,607	2,631	424	423
A/C payable	653	679	819	861	794
Other current liabilities	7,664	3,297	3,128	3,156	8,502
L-T debt	1,204	1,232	1,089	1,073	858
Other liabilities	695	685	1,876	1,769	1,650
Minority interest	6,010	5,988	6,079	6,014	5,824
Shareholders' equity	**36,497**	**39,299**	**38,033**	**40,687**	**38,167**
Working capital	1,396	1,192	1,200	1,320	698
Total debt	3,801	3,839	3,719	1,498	1,281
Net debt	**(6,397)**	**(6,894)**	**(6,980)**	**(6,966)**	**(7,893)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(20.3)	(14.2)	1.2	(2.9)	(10.9)
Operating profit growth	na	na	na	na	na
EBITDA growth	(18.2)	(53.9)	(13.5)	18.2	64.3
Norm profit growth	0.3	6.2	(4.2)	(10.7)	2.6
Norm EPS growth	0.3	6.2	(4.2)	(10.7)	2.6
Gross margin	17.6	18.3	28.9	49.6	48.5
Operating margin	(19.2)	(21.1)	(8.2)	9.8	23.9
EBITDA margin	24.3	22.1	24.0	28.7	44.8
Norm net margin	318.3	344.7	262.6	332.2	366.6
D/E (x)	0.1	0.1	0.1	0.0	0.0
Net D/E (x)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)
Interest coverage (x)	4.7	4.4	4.7	8.2	11.2
Interest rate	4.2	4.2	5.1	4.3	8.1
Effective tax rate	(6.4)	(21.5)	28.9	59.2	32.5
ROA	18.6	20.1	18.3	19.9	18.7
ROE	26.9	28.9	25.4	27.2	26.1

Sources: Company data, Thanachart estimates

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