# True Corporation Pcl (TRUE TB) - SELL, Price Bt4.48, TP N.M.

**Results Comment**

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## Larger-than-expected loss in 1Q22

- TRUE reported Bt1.17bn normalized loss (excluding Bt452m FX loss) in 1Q22, weakened sharply y-y due to lower mobile service revenue pressured by weak economy but it improved slightly q-q from higher non-operating income. The result came in below our expectation.
- **Mobile:** TrueMoveH recorded Bt19.7bn service revenue in 1Q22, decreased 1% y-y and 1% q-q. It gained 315k new subscribers this quarter, but an ARPU fall by 9% y-y and 4% q-q to Bt194/sub/month due to softened consumer spending was the key reason for a revenue drop in 1Q22.
- **Fixed broadband:** TrueOnline reported an unexpected fall in service revenue by 3% q-q (up 2% y-y) to Bt7.3bn in 1Q22. Number of subscribers rose to 4.73m subs (+2% q-q) but its ARPU dropped 3% from previous quarter to Bt491/sub/month.
- **TV subscription:** Subscription revenue declined to Bt1.3bn in 1Q22, down sharply 16% y-y and 3% q-q, due to a shift of customer behavior to online platform, seen in TrueID's increase in active users to 30m users with more than 3.2m household installs TrueID TV OTT box.
- Total cost of services grew 5% y-y and 1% q-q to Bt21.2bn as TRUE continues to roll out 5G network and increase 4G service capacity to serve growing data consumption.
- However, SG&A expense was well controlled at Bt6.3bn in 1Q22 (down 6% y-y and 5% q-q) or 24.3% of service revenue (24.9% in 4Q21). EBITDA thus flat y-y at Bt14.1bn, despite a 4% fall from previous quarter due to fallen revenue base.

Note: Our TP is now N.M. (not meaningful) as we suggest investors to SELL TRUE's shares to the upcoming pre-merger tender offer at the tender price of Bt5.09/share.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Revenue | 35,426 | 33,797 | 32,966 | 41,467 | 35,138 |
| **Gross profit** | **9,975** | **9,741** | **8,882** | **9,185** | **8,249** |
| SG&A | 6,686 | 6,520 | 5,942 | 6,620 | 6,293 |
| Operating profit | 3,289 | 3,221 | 2,940 | 2,565 | 1,956 |
| **EBITDA** | **14,054** | **14,287** | **14,367** | **14,654** | **14,073** |
| Other income | 209 | 237 | 189 | 79 | 1,032 |
| Other expense | 229 | 205 | 204 | 206 | 200 |
| Interest expense | 4,548 | 4,653 | 4,613 | 4,687 | 4,577 |
| **Profit before tax** | **(1,279)** | **(1,400)** | **(1,688)** | **(2,249)** | **(1,789)** |
| Income tax | 45 | (61) | 47 | 44 | 225 |
| Equity & invest. income | 874 | 873 | 888 | 1,042 | 818 |
| Minority interests | 6 | 53 | 29 | 5 | 30 |
| Extraordinary items | (137) | 115 | 215 | 1,299 | (452) |
| **Net profit** | **(581)** | **(298)** | **(603)** | **53** | **(1,618)** |
| **Normalized profit** | **(444)** | **(413)** | **(818)** | **(1,246)** | **(1,166)** |
| EPS (Bt) | (0.02) | (0.01) | (0.02) | 0.00 | (0.05) |
| Normalized EPS (Bt) | (0.01) | (0.01) | (0.02) | (0.04) | (0.03) |

| Income Statement | | | 3M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % 2022F | 2022F | 2023F |
| Revenue | (15) | (1) | 25 | 141,692 | 143,725 |
| **Gross profit** | **(10)** | **(17)** | **20** | **40,946** | **41,065** |
| SG&A | (5) | (6) | 24 | 25,791 | 25,567 |
| Operating profit | (24) | (41) | 13 | 15,154 | 15,498 |
| **EBITDA** | **(4)** | **0** | **23** | **61,971** | **62,969** |
| Other income | 1,206 | 394 | 816 | 126 | 101 |
| Other expense | (3) | (13) | 100 | 200 | 100 |
| Interest expense | (2) | 1 | 24 | 19,435 | 20,001 |
| **Profit before tax** | **na** | **na** | **na** | **(4,355)** | **(4,502)** |
| Income tax | 411 | 400 | na | (150) | (200) |
| Equity & invest. income | (21) | (6) | 26 | 3,198 | 3,182 |
| Minority interests | 500 | 400 | 24 | 126 | 128 |
| Extraordinary items | na | na | | 0 | 0 |
| **Net profit** | **na** | **na** | **na** | **(881)** | **(992)** |
| **Normalized profit** | **na** | **na** | **na** | **(881)** | **(992)** |
| EPS (Bt) | na | na | na | (0.03) | (0.03) |
| Normalized EPS (Bt) | na | na | na | (0.03) | (0.03) |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Cash & ST investment | 20,216 | 26,302 | 17,338 | 22,634 | 26,323 |
| A/C receivable | 45,113 | 46,804 | 48,989 | 51,797 | 52,554 |
| Inventory | 4,228 | 4,107 | 4,377 | 1,374 | 1,523 |
| Other current assets | 31,432 | 31,885 | 30,153 | 24,325 | 24,538 |
| Investment | 23,448 | 23,682 | 23,931 | 24,494 | 24,710 |
| Fixed assets | 235,451 | 239,876 | 243,581 | 245,337 | 244,462 |
| Other assets | 258,910 | 254,122 | 253,409 | 254,953 | 251,696 |
| **Total assets** | **618,798** | **626,777** | **621,777** | **624,915** | **625,806** |
| S-T debt | 68,933 | 72,496 | 62,283 | 65,312 | 63,048 |
| A/C payable | 92,727 | 90,735 | 93,648 | 92,666 | 88,299 |
| Other current liabilities | 19,804 | 19,108 | 22,100 | 15,970 | 17,728 |
| L-T debt | 166,402 | 179,571 | 182,181 | 192,196 | 212,883 |
| Other liabilities | 185,881 | 182,425 | 179,729 | 176,953 | 163,685 |
| Minority interest | 531 | 478 | 462 | 456 | 426 |
| **Shareholders' equity** | **84,519** | **81,965** | **81,375** | **81,362** | **79,736** |
| Working capital | (43,386) | (39,824) | (40,282) | (39,495) | (34,221) |
| Total debt | 235,335 | 252,066 | 244,464 | 257,508 | 275,931 |
| **Net debt** | **215,119** | **225,764** | **227,126** | **234,874** | **249,609** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Sales growth | 1.7 | (0.2) | (0.1) | 13.7 | (0.8) |
| Operating profit growth | 41.4 | 20.4 | 15.2 | (17.1) | (40.5) |
| EBITDA growth | 15.0 | 9.4 | 7.6 | 4.5 | 0.1 |
| Norm profit growth | na | na | na | na | na |
| Norm EPS growth | na | na | na | na | na |
| Gross margin | 28.2 | 28.8 | 26.9 | 22.2 | 23.5 |
| Operating margin | 9.3 | 9.5 | 8.9 | 6.2 | 5.6 |
| EBITDA margin | 39.7 | 42.3 | 43.6 | 35.3 | 40.1 |
| Norm net margin | (1.3) | (1.2) | (2.5) | (3.0) | (3.3) |
| D/E (x) | 2.8 | 3.1 | 3.0 | 3.1 | 3.4 |
| Net D/E (x) | 2.5 | 2.7 | 2.8 | 2.9 | 3.1 |
| Interest coverage (x) | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 |
| Interest rate | 7.9 | 7.6 | 7.4 | 7.5 | 6.9 |
| Effective tax rate | (3.5) | 4.4 | (2.8) | (2.0) | (12.6) |
| ROA | (0.3) | (0.3) | (0.5) | (0.8) | (0.7) |
| ROE | (2.1) | (2.0) | (4.0) | (6.1) | (5.8) |

Sources: Company data, Thanachart estimates

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