# VGI Global Media Pcl (VGI TB) - SELL, Price Bt5.05, TP Bt4.90

**Results Comment**

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## Weaker-than-expected 4Q results

- VGI reported normalized loss of Bt105m in 4QFY22 (VGI's fiscal year ends in March) versus a normalized profit of Bt77m in 4QFY21 and a normalized loss of Bt125m in 3QFY22. The loss was higher than what we had expected due to a higher loss contribution from its associates.
- Including a Bt60m gain on financial instruments, VGI reported a net loss of Bt45m in 4QFY22.
- We expect VGI's earnings to gradually recover in 1QFY23F, driven by the easing of the Covid-19 restrictions to recover the OOH ad spend. Moreover, we forecast a net profit contribution from its associates next year as we expect JMART will contribute more profits. The share price now fell to our TP, so we will review our forecast and recommendation. Previously, we had a SELL on the stock.
- VGI's total revenue increased 80% y-y in 4QFY22. A recovery in the OOH ad spends caused its out-of-home media revenue growth of 41% y-y in 4QFY22 (transit media sale increased 53% y-y but office media sales decreased 45% y-y). Despite a fall in its digital service revenue by 33% y-y, the consolidation of Fanslink caused additional revenue of Bt476m in 4QFY22.
- Given Fanslink's low margin, VGI's overall gross margin fell to 19% in 4QFY22 from 34% in 4QFY21. A rise in SG&A expenses by 17% y-y was also due to the consolidation of Fanslink.
- Its equity income was negative at Bt90m in 4QFY22 mainly due to a loss contribution from Kerry Express (KEX TB, Bt23.7, non-rated).

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Mar (Bt m) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 |
| Revenue | 637 | 596 | 923 | 1,429 | 1,150 |
| **Gross profit** | **215** | **185** | **167** | **324** | **213** |
| SG&A | 229 | 251 | 278 | 367 | 268 |
| Operating profit | (14) | (65) | (111) | (43) | (56) |
| **EBITDA** | **89** | **36** | **(11)** | **56** | **39** |
| Other income | 28 | 24 | 23 | 38 | 42 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 19 | 15 | 16 | 24 | 46 |
| **Profit before tax** | **(5)** | **(56)** | **(103)** | **(30)** | **(59)** |
| Income tax | (14) | (7) | 6 | 13 | 22 |
| Equity & invest. income | 56 | 38 | (23) | (119) | (90) |
| Minority interests | 11 | 21 | 31 | 37 | 66 |
| Extraordinary items | 282 | 0 | 92 | 49 | 60 |
| **Net profit** | **359** | **10** | **(9)** | **(76)** | **(45)** |
| **Normalized profit** | **77** | **10** | **(101)** | **(125)** | **(105)** |
| EPS (Bt) | 0.04 | 0.00 | (0.00) | (0.01) | (0.01) |
| Normalized EPS (Bt) | 0.01 | 0.00 | (0.01) | (0.01) | (0.01) |

| Income Statement | | | 12M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % FY22F | FY22A | FY23F |
| Revenue | (19) | 80 | 104 | 4,098 | 6,148 |
| **Gross profit** | (34) | **(1)** | **95** | **889** | **1,796** |
| SG&A | (27) | 17 | 102 | 1,164 | 1,414 |
| Operating profit | na | na | 132 | (275) | 382 |
| **EBITDA** | (31) | **(56)** | **21** | **120** | **1,483** |
| Other income | 12 | 51 | 128 | 128 | 142 |
| Other expense | | | | | |
| Interest expense | 91 | 146 | 185 | 100 | 35 |
| **Profit before tax** | na | **na** | **152** | **(248)** | **489** |
| Income tax | 65 | na | na | 34 | 98 |
| Equity & invest. income | na | na | 426 | (194) | 195 |
| Minority interests | 78 | 478 | 219 | 156 | 64 |
| Extraordinary items | 22 | (79) | 218 | 201 | 0 |
| **Net profit** | na | **na** | **263** | **(120)** | **649** |
| **Normalized profit** | na | **na** | **233** | **(321)** | **649** |
| EPS (Bt) | na | na | 288 | (0.01) | 0.06 |
| Normalized EPS (Bt) | na | na | 255 | (0.03) | 0.06 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Mar (Bt m) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 |
| Cash & ST investment | 1,461 | 1,606 | 1,505 | 1,290 | 1,205 |
| A/C receivable | 756 | 790 | 879 | 1,018 | 1,063 |
| Inventory | 20 | 0 | 0 | 0 | 380 |
| Other current assets | 973 | 884 | 1,277 | 1,157 | 13,715 |
| Investment | 9,223 | 9,251 | 8,986 | 15,123 | 15,265 |
| Fixed assets | 1,220 | 1,177 | 1,133 | 1,092 | 1,062 |
| Other assets | 7,330 | 6,543 | 6,567 | 8,271 | 8,159 |
| **Total assets** | **20,983** | **20,252** | **20,347** | **27,951** | **40,848** |
| S-T debt | 1,159 | 1,173 | 1,448 | 8,203 | 8,130 |
| A/C payable | 410 | 465 | 601 | 516 | 722 |
| Other current liabilities | 1,625 | 1,571 | 1,331 | 1,277 | 1,185 |
| L-T debt | 0 | 0 | 14 | 20 | 20 |
| Other liabilities | 726 | 582 | 558 | 744 | 809 |
| Minority interest | 472 | 558 | 935 | 898 | 849 |
| **Shareholders' equity** | **16,592** | **15,904** | **15,460** | **16,293** | **29,133** |
| Working capital | 366 | 326 | 278 | 503 | 722 |
| Total debt | 1,159 | 1,173 | 1,462 | 8,223 | 8,150 |
| **Net debt** | **(302)** | **(433)** | **(43)** | **6,934** | **6,945** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 |
| Sales growth | (22.9) | 33.7 | 28.7 | 110.2 | 80.5 |
| Operating profit growth | na | na | na | na | na |
| EBITDA growth | (46) | na | na | (72) | (56) |
| Norm profit growth | (73) | na | na | na | na |
| Norm EPS growth | (73) | na | na | na | na |
| | | | | | |
| Gross margin | 33.7 | 31.1 | 18.1 | 22.7 | 18.5 |
| Operating margin | (2.2) | (11.0) | (12.0) | (3.0) | (4.8) |
| EBITDA margin | 14.0 | 6.0 | (1.2) | 3.9 | 3.4 |
| Norm net margin | 12.1 | 1.7 | (10.9) | (8.7) | (9.2) |
| | | | | | |
| D/E (x) | 0.1 | 0.1 | 0.1 | 0.5 | 0.3 |
| Net D/E (x) | (0.0) | (0.0) | (0.0) | 0.4 | 0.2 |
| Interest coverage (x) | 4.8 | 2.4 | (0.7) | 2.3 | 0.8 |
| Interest rate | 5.7 | 5.0 | 4.8 | 2.0 | 2.2 |
| Effective tax rate | 294.0 | 12.5 | (5.7) | (45.5) | (37.4) |
| ROA | 1.5 | 0.2 | (2.0) | (2.1) | (1.2) |
| ROE | 1.9 | 0.2 | (2.6) | (3.1) | (1.9) |

Sources: Company data, Thanachart estimates

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