Total Access Comm. (DTAC TB) - SELL, Price Bt46.00, TP N.M.

Results Comment

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Weaker-than-expected 2Q22 profit

- DTAC reported Bt1.0bn profit in 2Q22 but after excluding one-off items, we estimate norm profit at Bt524m, down 56% y-y and 29% q-q in a like-for-like basis. This is below our and the market's expectations.
- Core service revenues were at Bt13.5bn in 2Q22, down 1% y-y on weak economy but improved 1% q-q from a resumption of foreign tourists and migrant workers back in the country.
- DTAC gained 412k new subscribers in 2Q22, mostly from prepaid segment, which more than offset a falling ARPU to Bt230/sub/month (-6.9% y-y and 0.4% q-q).
- SG&A expenses increased slightly by 1% y-y and 5% q-q to Bt3.3bn in 2Q22, with SG&A-to-sales ratio expanded to 16.8% (from 15.8% in 1Q22 and 16.7% in 2Q21). Higher bad debts provisions were key negative factor this quarter as the clients suffered from weak economy and cut their spendings.
- EBITDA dropped 8% y-y to Bt7.0bn in 2Q22 due to a decline in revenue and higher operating cost from network expansion and lifted-up electricity price. The fall was smaller at 1% q-q, thanks to improved revenue. EBITDA margin was 35.2% in 2Q22 vs. 35.2% in 1Q22 and 38.5% in 2Q21, in-line with revenue trend.
- DTAC announces Bt0.85/share interim dividend for 1H22, with an indicated XD date on 27 July and a payment date on 15 August 2022. Note that this is likely to be deducted from current tender price from 'Citrine Global' at Bt47.76/share.
- We see downside to our numbers as DTAC's 1H22 profit made up only 36% of our 2022F forecast while a recovery in mobile service industry looks to still be pressured by weak spendings amid high inflation. We stick to our strategy of selling DTAC's share into pre-merger tender offer, likely within this year.

*Note: N.M. = not meaningful due to the upcoming tender offer

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Revenue	19,804	19,232	21,587	20,131	19,960
Gross profit	**5,347**	**4,882**	**4,648**	**4,752**	**4,679**
SG&A	3,306	3,274	3,387	3,182	3,343
Operating profit	2,041	1,608	1,261	1,571	1,336
EBITDA	**7,630**	**7,257**	**7,001**	**7,090**	**7,023**
Other income	100	4	16	6	7
Other expense	0	0	0	0	0
Interest expense	699	729	714	663	687
Profit before tax	**1,442**	**882**	**562**	**913**	**656**
Income tax	249	139	65	174	131
Equity & invest. income	(1)	(1)	(1)	(2)	(2)
Minority interests	0	0	0	0	0
Extraordinary items	338	90	(325)	(12)	480
Net profit	**1,531**	**832**	**171**	**726**	**1,004**
Normalized profit	**1,192**	**742**	**496**	**738**	**524**
EPS (Bt)	0.65	0.35	0.07	0.31	0.42
Normalized EPS (Bt)	0.50	0.31	0.21	0.31	0.22

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(1)	1	47	84,501	86,107
Gross profit	**(2)**	**(13)**	45	**20,905**	**21,288**
SG&A	5	1	47	13,816	14,023
Operating profit	(15)	(35)	41	7,089	7,265
EBITDA	**(1)**	**(8)**	45	**31,270**	**30,741**
Other income	22	(93)	13	101	116
Other expense				0	0
Interest expense	4	(2)	48	2,801	2,798
Profit before tax	**(28)**	**(54)**	36	**4,388**	**4,583**
Income tax	(25)	(47)	46	658	779
Equity & invest. income	na	na	na	(5)	(5)
Minority interests				0	0
Extraordinary items	na	42		0	0
Net profit	**38**	**(34)**	46	**3,725**	**3,799**
Normalized profit	**(29)**	**(56)**	34	**3,725**	**3,799**
EPS (Bt)	38	(34)	46	1.57	1.60
Normalized EPS (Bt)	(29)	(56)	34	1.57	1.60

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash & ST investment	7,318	5,883	3,631	5,654	4,093
A/C receivable	9,976	9,827	10,250	10,499	10,817
Inventory	775	591	1,307	1,425	1,166
Other current assets	4,413	4,140	4,539	4,551	4,440
Investment	231	229	228	226	225
Fixed assets	112,388	111,680	110,808	110,692	109,102
Other assets	37,902	36,846	33,552	31,782	29,917
Total assets	**173,003**	**169,196**	**164,315**	**164,830**	**159,760**
S-T debt	20,383	15,671	12,979	12,949	13,152
A/C payable	24,549	23,971	25,966	25,949	22,924
Other current liabilities	7,891	8,138	8,151	10,335	11,114
L-T debt	45,673	49,544	51,078	53,240	50,195
Other liabilities	52,859	51,877	45,973	43,949	42,964
Minority interest	0	0	0	0	0
Shareholders' equity	**21,649**	**19,995**	**20,167**	**18,408**	**19,412**
Working capital	(13,798)	(13,554)	(14,409)	(14,025)	(10,941)
Total debt	66,056	65,215	64,058	66,189	63,347
Net debt	**58,738**	**59,331**	**60,427**	**60,535**	**59,254**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Sales growth	3.4	0.9	5.1	(1.9)	0.8
Operating profit growth	(23.2)	(32.5)	(23.9)	(15.5)	(34.5)
EBITDA growth	(4.4)	(5.3)	3.8	(3.7)	(8.0)
Norm profit growth	(24.2)	(49.2)	(44.1)	(29.9)	(56.1)
Norm EPS growth	(24.2)	(49.2)	(44.1)	(29.9)	(56.1)
Gross margin	27.0	25.4	21.5	23.6	23.4
Operating margin	10.3	8.4	5.8	7.8	6.7
EBITDA margin	38.5	37.7	32.4	35.2	35.2
Norm net margin	6.0	3.9	2.3	3.7	2.6
D/E (x)	3.1	3.3	3.2	3.6	3.3
Net D/E (x)	2.7	3.0	3.0	3.3	3.1
Interest coverage (x)	10.9	10.0	9.8	10.7	10.2
Interest rate	4.4	4.4	4.4	4.1	4.2
Effective tax rate	17.2	15.8	11.6	19.0	19.9
ROA	2.7	1.7	1.2	1.8	1.3
ROE	22.8	14.2	9.9	15.3	11.1

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Service Revenue excl. IC	**15.33**	**14.63**	**14.37**	**14.08**	**14.15**	**14.10**	**13.98**	**13.99**	**13.80**	**13.92**
- Core mobile revenues	14.68	14.20	14.00	13.83	13.73	13.68	13.61	13.62	13.43	13.55
- Others	0.46	0.35	0.33	0.30	0.39	0.39	0.33	0.32	0.30	0.31
Cost of services excl. IC	**11.29**	**11.19**	**11.31**	**11.72**	**12.06**	**12.03**	**12.31**	**12.38**	**12.26**	**11.31**
- Regulatory costs	0.64	0.53	0.60	0.57	0.58	0.58	0.42	0.55	0.51	0.54
- Amortization costs	4.84	4.90	4.85	4.69	5.12	5.13	5.26	5.35	5.17	5.34
- Core network opex	1.78	1.62	1.47	1.76	1.37	1.35	1.46	1.30	1.35	1.30
- Others	4.03	4.13	4.39	4.69	0.34	5.13	5.17	5.18	5.23	5.29
SG&A expenses	**3.66**	**3.14**	**3.44**	**3.62**	**3.35**	**3.31**	**3.27**	**3.82**	**3.18**	**3.90**
- Selling and marketing expenses	1.14	0.84	1.03	1.10	1.03	0.95	1.00	1.20	1.05	0.99
- Others	2.52	2.30	2.41	2.52	2.32	2.36	2.27	2.61	2.13	2.91
Service Revenue ex. IC (% growth y-y)	**2.6**	**(3.6)**	**(7.6)**	**(9.6)**	**(7.7)**	**(3.6)**	**(2.8)**	**(0.6)**	**(2.5)**	**(1.3)**
- Core mobile revenues	4.8	(1.1)	(5.3)	(6.7)	(6.5)	(3.7)	(2.8)	(1.5)	(2.2)	(1.0)
- Others	(29.5)	(44.4)	(45.6)	(46.3)	(14.4)	10.9	0.6	7.1	(23.0)	(20.6)
Service Revenue ex. IC (% growth q-q)	**(1.6)**	**(4.5)**	**(1.7)**	**(2.0)**	**0.5**	**(0.4)**	**(0.9)**	**0.1**	**(1.4)**	**0.9**
- Core mobile revenues	(0.9)	(3.3)	(1.4)	(1.3)	(0.7)	(0.3)	(0.5)	0.0	(1.4)	0.9
- Others	(16.8)	(23.4)	(6.9)	(9.5)	32.5	(0.8)	(15.5)	(3.7)	(4.7)	2.3
- Regulatory costs to service revenues	4.2	3.6	4.2	4.1	4.1	4.1	3.0	4.0	3.7	3.9
- Network costs to sales	42.0	43.4	42.8	44.7	44.8	44.2	46.9	46.4	46.3	46.7
- Marketing expenses to sales	7.2	5.6	7.0	7.6	7.1	6.5	7.0	8.4	7.5	6.9
- EBITDA margin	38.2	41.6	40.2	32.9	35.9	38.5	37.7	32.4	35.2	35.2
Total subscriber (m sub)	**19.63**	**18.79**	**18.68**	**18.86**	**19.09**	**19.25**	**19.27**	**19.56**	**19.87**	**20.28**
Net add (m sub)	(1.0)	(0.8)	(0.1)	0.2	0.2	0.2	0.0	0.3	0.3	0.4
Prepaid subs (m sub)	13.5	12.7	12.6	12.8	12.9	13.1	13.1	13.4	13.7	14.1
Postpaid subs (m sub)	6.2	6.1	6.0	6.1	6.1	6.2	6.2	6.2	6.2	6.2
Blended ARPU (Bt/month)	**251**	**253**	**255**	**250**	**248**	**247**	**241**	**239**	**231**	**230**
Pre-paid ARPU (Bt/month)	130	125	129	128	127	128	120	120	114	114
Postpaid ARPU (Bt/month)	529	525	517	505	501	498	496	494	487	489

Source: Company data

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