Advanced Info Service (ADVANC TB) - BUY, Price Bt203, TP Bt240

Results Comment

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Recovering profit in 2Q22, in-line

- ADVANC reported norm profit (excluding non-cash FX-related items) at Bt6.64bn in 2Q22, down 2% y-y but grew 5% q-q. The profit came in-line with our forecast, but missed slightly the market's expectation likely on the cost side.
- Mobile revenue came in strong at Bt29.2bn in 2Q22, up 0.4% y-y and 1.3% q-q. ADVANC gained 881k subscribers during the quarter (+315k postpaid and +566k prepaid) while ARPU was maintained at Bt215/sub/month (-0.5% q-q and -4.2% y-y).
- Fixed broadband revenue grew by 22% y-y and 2% q-q to Bt2.5bn in 2Q22. Expanded subscriber base to 1.97m subs (+28% y-y and +6% q-q) outweighed negative impact by an ARPU decline to Bt432/sub/month (-6% y-y and -3% q-q).
- EBITDA, however, fell 3% y-y to Bt22.3bn in 2Q22 despite some improvement in revenue. This is due to higher operating, driven by network expansion and higher electricity price, and higher marketing expenses as ADVANC resumed promotional campaigns and activities to boost market share.
- We are not surprised with ADVANC's revised down its owned 2022F projections to 1) low single-digit service revenue growth (from mid single-digit growth) and 2) flat to slight fall in EBITDA (from low single-digit growth), and have already factored those numbers in our earnings forecast.
- We maintain BUY on ADVANC, expecting its earnings recovery trend continues in 2H22F supported mainly by resumption of foreign tourist (including outbound tourism from Thailand) and increasing mobility and economic activities among the locals.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	42,757	42,377	50,338	45,279	45,273
Gross profit	**14,822**	**14,737**	**15,215**	**14,601**	**14,874**
SG&A	5,183	5,273	5,851	5,578	5,718
Operating profit	9,639	9,463	9,364	9,023	9,156
EBITDA	**23,016**	**22,905**	**22,910**	**22,393**	**22,348**
Other income	68	128	200	154	255
Other expense	0	0	0	0	0
Interest expense	1,460	1,414	1,366	1,320	1,323
Profit before tax	**8,246**	**8,178**	**8,197**	**7,857**	**8,088**
Income tax	1,471	1,399	1,522	1,543	1,467
Equity & invest. income	23	24	26	40	20
Minority interests	(0)	(1)	(1)	(1)	(1)
Extraordinary items	243	(428)	163	(42)	(335)
Net profit	**7,041**	**6,374**	**6,863**	**6,311**	**6,305**
Normalized profit	**6,798**	**6,802**	**6,700**	**6,353**	**6,640**
EPS (Bt)	2.37	2.14	2.31	2.12	2.12
Normalized EPS (Bt)	2.29	2.29	2.25	2.14	2.23

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(0)	6	51	177,640	198,409
Gross profit	**2**	**0**	50	**59,013**	**67,335**
SG&A	3	10	51	21,995	27,319
Operating profit	1	(5)	49	37,019	40,016
EBITDA	**(0)**	**(3)**	50	**89,549**	**94,754**
Other income	66	274	77	533	595
Other expense				0	0
Interest expense	0	(9)	50	5,306	6,090
Profit before tax	**3**	**(2)**	49	**32,246**	**34,521**
Income tax	(5)	(0)	52	5,804	6,283
Equity & invest. income	(51)	(16)	57	104	1,086
Minority interests	na	na	na	(5)	(6)
Extraordinary items	na	na		0	0
Net profit	**(0)**	**(10)**	48	**26,541**	**29,319**
Normalized profit	**5**	**(2)**	49	**26,541**	**29,319**
EPS (Bt)	(0)	(10)	48	8.93	9.86
Normalized EPS (Bt)	5	(2)	49	8.93	9.86

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	18,403	12,709	14,120	17,636	11,168
A/C receivable	17,461	16,624	16,552	16,501	17,637
Inventory	3,189	1,895	2,104	3,831	4,058
Other current assets	2,135	2,534	2,789	3,050	3,518
Investment	0	0	0	0	0
Fixed assets	117,184	116,704	117,844	115,800	116,087
Other assets	211,274	206,054	202,812	198,966	197,049
Total assets	**369,646**	**356,521**	**356,222**	**355,783**	**349,517**
S-T debt	26,821	29,053	25,035	24,045	31,266
A/C payable	40,348	43,600	45,055	41,904	44,897
Other current liabilities	23,701	20,736	21,778	36,139	22,255
L-T debt	80,898	77,971	73,697	72,577	66,890
Other liabilities	119,208	110,318	108,832	105,382	101,807
Minority interest	125	125	126	126	126
Shareholders' equity	**78,545**	**74,718**	**81,699**	**75,611**	**82,275**
Working capital	(19,698)	(25,081)	(26,399)	(21,572)	(23,202)
Total debt	107,719	107,024	98,731	96,622	98,157
Net debt	**89,316**	**94,315**	**84,611**	**78,986**	**86,989**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	1.2	1.6	9.3	(1.3)	5.9
Operating profit growth	2.3	3.6	1.7	(5.7)	(5.0)
EBITDA growth	3.3	3.7	3.1	(0.8)	(2.9)
Norm profit growth	2.2	1.6	0.7	(7.5)	(2.3)
Norm EPS growth	2.2	1.6	0.7	(7.5)	(2.3)
Gross margin	34.7	34.8	30.2	32.2	32.9
Operating margin	22.5	22.3	18.6	19.9	20.2
EBITDA margin	53.8	54.1	45.5	49.5	49.4
Norm net margin	15.9	16.1	13.3	14.0	14.7
D/E (x)	1.4	1.4	1.2	1.3	1.2
Net D/E (x)	1.1	1.3	1.0	1.0	1.1
Interest coverage (x)	15.8	16.2	16.8	17.0	16.9
Interest rate	5.4	5.3	5.3	5.4	5.4
Effective tax rate	17.8	17.1	18.6	19.6	18.1
ROA	7.4	7.5	7.5	7.1	7.5
ROE	36.2	35.5	34.3	32.3	33.6

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Service Revenue excl. IC	**33.09**	**32.28**	**32.13**	**32.09**	**32.42**	**32.35**	**32.80**	**33.40**	**32.77**	**33.29**
- Mobile	30.33	29.54	29.20	29.01	29.35	29.10	29.20	29.59	28.85	29.22
- Fixed broadband	1.64	1.68	1.78	1.85	1.92	2.04	2.19	2.29	2.44	2.49
- Others	1.12	1.07	1.15	1.22	1.16	1.22	1.40	1.52	1.49	1.59
Cost of services excl. IC	**1.94**	**2.19**	**1.96**	**2.05**	**2.26**	**2.26**	**2.19**	**2.35**	**2.52**	**2.58**
- Regulatory costs	1.41	1.28	1.35	1.26	1.36	1.35	1.35	1.26	1.36	1.37
- Depreciation & amortization costs	12.59	12.48	12.54	12.60	12.60	12.96	13.06	13.16	12.97	12.78
- Network OPEX	4.25	4.68	4.55	4.62	5.06	4.62	4.65	4.81	4.82	4.83
- Others	1.50	1.39	1.40	1.41	1.55	1.54	1.81	1.90	1.84	2.08
Net SIM and devices revenues (expenses)	**0.05**	**0.16**	**(0.07)**	**0.13**	**0.06**	**0.19**	**(0.03)**	**0.11**	**0.13**	**0.02**
SIM and devices margin	0.7%	2.5%	-1.2%	1.2%	0.6%	2.7%	-0.5%	0.8%	1.4%	0.2%
Total SG&A expenses	**6.27**	**6.03**	**6.01**	**6.03**	**5.49**	**5.15**	**5.24**	**5.82**	**5.54**	**5.69**
- Selling and marketing expenses	1.76	1.60	1.55	1.68	1.64	1.24	1.43	1.73	1.49	1.84
% Growth Rate	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Service Revenue y-y	**0.1**	**(6.4)**	**(6.8)**	**(7.2)**	**(2.0)**	**0.2**	**2.1**	**4.1**	**1.1**	**2.9**
- Mobile	(1.1)	(7.8)	(8.3)	(8.7)	(3.2)	(1.5)	0.0	2.0	(1.7)	0.4
- Fixed broadband	27.3	21.9	26.7	17.3	17.0	21.1	22.6	23.7	27.0	22.0
- Others	3.5	(1.6)	(4.5)	0.9	3.5	14.2	22.3	23.9	28.7	30.5
% Q-Q Growth Rate	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Service Revenue q-q	**(4.3)**	**(2.4)**	**(0.5)**	**(0.1)**	**1.0**	**(0.2)**	**1.4**	**1.8**	**(1.9)**	**1.6**
- Mobile	(4.5)	(2.6)	(1.1)	(0.6)	1.2	(0.9)	0.4	1.3	(2.5)	1.3
- Fixed broadband	3.9	2.6	6.1	3.7	3.6	6.2	7.4	4.6	6.4	2.0
- Others	(8.0)	(4.5)	7.7	6.6	(5.6)	5.4	15.3	8.0	(1.9)	6.9
Profitability Ratio (%)	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
- Network costs to sales	39.3	40.6	41.0	37.4	38.5	41.1	41.8	35.7	39.3	38.9
- Marketing expenses to sales	4.1	3.8	3.7	3.7	3.6	2.9	3.4	3.4	3.3	4.1
- EBITDA margin	53.2	52.7	52.9	48.3	49.2	53.8	54.1	45.5	49.5	49.4
Key Statistics	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Total subscriber (m sub)	**41.2**	**41.0**	**40.9**	**41.4**	**42.8**	**43.2**	**43.7**	**44.1**	**44.6**	**45.5**
Net add (m sub)	**(0.86)**	**(0.14)**	**(0.08)**	**0.50**	**1.33**	**0.47**	**0.42**	**0.46**	**0.51**	**0.88**
Postpaid	0.03	0.40	0.24	0.42	0.44	0.35	0.29	0.25	0.24	0.31
Prepaid	(0.89)	(0.53)	(0.31)	0.07	0.89	0.11	0.13	0.21	0.27	0.57
Mobile data subscriber (m sub)	**26.7**	**27.5**	**26.9**	**27.6**	**29.7**	**32.3**	**31.8**	**31.1**	**31.2**	**31.9**
Blended mobile ARPU (Bt/month)	**242**	**239**	**237**	**234**	**232**	**225**	**223**	**224**	**216**	**215**
Postpaid	525	523	498	486	480	471	470	473	460	460
Prepaid	162	156	157	154	150	142	138	136	129	127
VOU (GB/data sub/month	14.7	17.0	17.2	18.0	18.2	19.7	22.6	24.9	26.6	28.0
5G package subscription (m sub)	**n.a.**	**n.a.**	**n.a.**	**0.24**	**0.72**	**1.00**	**1.50**	**2.20**	**2.80**	**3.90**
Fixed broadband subscriber (m sub)	**1.09**	**1.20**	**1.26**	**1.34**	**1.43**	**1.54**	**1.67**	**1.77**	**1.87**	**1.97**
Net add (m sub)	0.05	0.11	0.05	0.08	0.10	0.10	0.13	0.10	0.09	0.11
Fixed broadband ARPU (Bt/month)	514	489	484	476	462	458	455	444	446	432

Source: Company data

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