Digital Telecom. Infra. Fund (DIF TB) - HOLD, Price Bt13.9, TP Bt14.5 | Results Comment

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Stable profit in 2Q22

- DIF reported Bt3.08bn normalized net investment income in 2Q22, down slightly 2% y-y and 1% q-q in a like-for-like basis due to higher interest expense.
- Total revenue declined 2% y-y to Bt3.60bn in 2Q22 due to an expiration in one of its small contracts. It was flat q-q given fixed rental volume in the contracts.
- Total operating cost for the asset fund was at Bt85m in 2Q22, increased by 6% y-y and 5% q-q.
- Interest expense fell 2% y-y but increased 8% q-q to Bt434m in 2Q22. DIF's cost of debt rose to 4.4% in 2Q22, from 4.1% in 1Q22 and 4.3% in 2Q21, amid rising interest rate environment.
- DIF announced earlier a Bt0.26/unit dividend payment based on its 2Q22 performance. An indicated XD date is on 16 August and a payment date is 5 September 2022.
- We maintain HOLD on DIF, seeing the unit price is fairly priced at 7.5% dividend yield.

Income Statement					
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
NET SALES	3,681	3,682	3,683	3,602	3,602
GROSS PROFIT	**3,681**	**3,682**	**3,683**	**3,602**	**3,602**
SG&A	74	75	84	75	77
Operating profit	3,607	3,606	3,598	3,527	3,525
EBITDA	**3,607**	**3,606**	**3,598**	**3,527**	**3,525**
Other income	4	4	4	4	4
Other expense	10	13	10	11	(13)
Interest expense	442	419	441	400	434
Profit before tax	**3,159**	**3,179**	**3,151**	**3,121**	**3,083**
Income tax	0	0	0	0	0
Equity & invest. income					
Minority interests					
Extraordinary items	(216)	(235)	892	(225)	(205)
Net Investment Income	**2,943**	**2,944**	**4,044**	**2,895**	**2,877**
Norm Net Invest. Income	**3,159**	**3,179**	**3,151**	**3,120**	**3,082**
EPS (Bt)	0.28	0.28	0.38	0.27	0.27
Normalized EPS (Bt)	0.30	0.30	0.30	0.29	0.29
NAV (Bt)					

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(0)	(2)	50	14,506	14,565
Gross profit	**(0)**	**(2)**	**50**	**14,506**	**14,565**
SG&A	3	4	48	316	324
Operating profit	(0)	(2)	50	14,189	14,241
EBITDA	**(0)**	**(2)**	**50**	**14,189**	**14,241**
Other income	12	22	37	23	23
Other expense	na	na	(5)	44	45
Interest expense	8	(2)	52	1,611	1,552
Profit before tax	**(1)**	**(2)**	**49**	**12,557**	**12,667**
Income tax	(15)	26	54	1	1
Equity & invest. income					
Minority interests					
Extraordinary items	na	na			
Net profit	**(1)**	**(2)**	**46**	**12,556**	**12,666**
Normalized profit	**(1)**	**(2)**	**49**	**12,556**	**12,666**
EPS (Bt)	(1)	(2)	46	1.18	1.19
Normalized EPS (Bt)	(1)	(2)	50	1.18	1.19

Balance Sheet					
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & equivalent	452	2,384	4,397	1,925	3,024
S-T investments					
A/C receivable	3,297	3,399	3,499	3,580	3,656
Other					
Investment & Loans	218,733	217,126	215,927	218,019	216,690
Fixed assets					
Other assets					
Total assets	**222,587**	**223,004**	**223,886**	**223,583**	**223,427**
S-T debt	12,494	12,326	12,157	11,973	11,789
A/C payable	332	497	663	166	332
Other current liabilities	3,899	3,899	3,898	3,920	3,917
L-T debt	27,426	27,444	27,267	27,285	27,225
Other liabilities					
Minority interest					
Net Assets	**174,778**	**174,947**	**176,216**	**176,336**	**176,449**
Net debt	39,469	37,386	35,028	37,333	35,990
Avg outstanding units (shrs)	10,632	10,632	10,632	10,632	10,632

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	0.3	0.3	0.2	(2.1)	(2.2)
EBITDA growth	0.3	0.3	(0.1)	(2.2)	(2.3)
Net income growth	3.5	3.0	(17.7)	(2.1)	(2.2)
Norm income growth	1.0	1.1	1.9	(1.9)	(2.4)
Norm EPS growth	1.0	1.1	1.9	(1.9)	(2.4)
Gross margin	100.0	100.0	100.0	100.0	100.0
Operating margin	98.0	98.0	97.7	97.9	97.9
EBITDA margin	98.0	98.0	97.7	97.9	97.9
Norm net margin	85.8	86.3	85.6	86.6	85.6
D/E (x)	0.2	0.2	0.2	0.2	0.2
Net D/E (x)	0.2	0.2	0.2	0.2	0.2
Interest coverage (x)	8.2	8.6	8.2	8.8	8.1
Effective tax rate	0.0	0.0	0.0	0.0	0.0
ROA	5.7	5.7	5.6	5.6	5.5
ROE	7.2	7.3	7.2	7.1	7.0

Sources: Company data, Thanachart estimates

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