True Corporation Pcl (TRUE TB) - SELL, Price Bt4.96, TP N.M.

Results Comment

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Another loss-making quarter 2Q22

- TRUE reported Bt837m normalized loss in 2Q22, excluding an FX gain, slightly improved q-q from recovering mobile revenue but weakened in a y-y basis on due to higher operating cost from network expansion and softened revenue.
- **Mobile:** Core service revenue from TrueMoveH increased 1% q-q to Bt19.9bn in 2Q22 supported mainly by resumption of foreign tourist arrivals, thus more mobile users with positive impacts to local economy. It fell 1% y-y as local consumption remained weak post Covid-19. TRUE gained 769k new subs, making total of 33.3m subscriber base this quarter, but ARPU continued to decline 9% y-y and 2% q-q to Bt191/sub/month.
- **Fixed broadband:** Core service revenue from TrueOnline fell 1% y-y and 1% q-q to Bt7.3bn in 2Q22. This is since an ARPU fall to Bt469/month (-11% y-y and -4% q-q) outweighed its 95k subscribers gain to 4.8m subs this quarter.
- **TV subscription:** Subscription revenue from TrueVisions declined 11% y-y and 2% q-q to Bt1.3bn in 2Q22 as the shift of customer's behavior toward online streaming platform persists.
- Total cost of services increased 7% y-y to Bt21.2bn in 2Q22, mainly from higher depreciation as TRUE continues to expand its network, especially on 5G capacity. The cost was flat q-q.
- SG&A expense rose 5% y-y and 9% q-q to Bt6.9bn, likely from higher marketing and advertising costs as marketing activities resumed post Covid. EBITDA thus dropped by 3% y-y and 1% q-q to Bt13.9bn this quarter despite overall revenue recovered.

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 (XD-adjusted) tender price of Bt5.02/share.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Revenue	33,797	32,966	41,467	35,138	34,054
Gross profit	**9,741**	**8,882**	**9,185**	**8,249**	**8,299**
SG&A	6,520	5,942	6,620	6,293	6,876
Operating profit	3,221	2,940	2,565	1,956	1,423
EBITDA	**14,287**	**14,367**	**14,654**	**14,073**	**13,919**
Other income	237	189	79	1,032	1,442
Other expense	205	204	206	200	178
Interest expense	4,653	4,613	4,687	4,577	4,630
Profit before tax	**(1,400)**	**(1,688)**	**(2,249)**	**(1,789)**	**(1,943)**
Income tax	(61)	47	44	225	50
Equity & invest. income	873	888	1,042	818	1,140
Minority interests	53	29	5	30	16
Extraordinary items	115	215	1,299	(452)	75
Net profit	**(298)**	**(603)**	**53**	**(1,618)**	**(762)**
Normalized profit	**(413)**	**(818)**	**(1,246)**	**(1,166)**	**(837)**
EPS (Bt)	(0.01)	(0.02)	0.00	(0.05)	(0.02)
Normalized EPS (Bt)	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(3)	1	49	141,692	143,725
Gross profit	**1**	**(15)**	40	**40,946**	**41,065**
SG&A	9	5	51	25,791	25,567
Operating profit	(27)	(56)	22	15,154	15,498
EBITDA	**(1)**	**(3)**	45	**61,971**	**62,969**
Other income	40	508	1,956	126	101
Other expense	(11)	(13)	189	200	100
Interest expense	1	(0)	47	19,435	20,001
Profit before tax	**na**	**na**	na	**(4,355)**	**(4,502)**
Income tax	(78)	na	na	(150)	(200)
Equity & invest. income	39	31	61	3,198	3,182
Minority interests	(47)	(70)	37	126	128
Extraordinary items	na	(35)		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)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash & ST investment	26,302	17,338	22,634	26,323	21,664
A/C receivable	46,804	48,989	51,797	52,554	52,961
Inventory	4,107	4,377	1,374	1,523	1,259
Other current assets	31,885	30,153	24,325	24,538	21,302
Investment	23,682	23,931	24,494	24,710	22,443
Fixed assets	239,876	243,581	245,337	244,462	244,854
Other assets	254,122	253,409	254,953	251,696	251,154
Total assets	**626,777**	**621,777**	**624,915**	**625,806**	**615,638**
S-T debt	72,496	62,283	65,312	63,048	56,428
A/C payable	90,735	93,648	92,666	88,299	85,304
Other current liabilities	19,108	22,100	15,970	17,728	17,336
L-T debt	179,571	182,181	192,196	212,883	215,607
Other liabilities	182,425	179,729	176,953	163,685	163,789
Minority interest	478	462	456	426	410
Shareholders' equity	**81,965**	**81,375**	**81,362**	**79,736**	**76,765**
Working capital	(39,824)	(40,282)	(39,495)	(34,221)	(31,083)
Total debt	252,066	244,464	257,508	275,931	272,034
Net debt	**225,764**	**227,126**	**234,874**	**249,609**	**250,370**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Sales growth	(0.2)	(0.1)	13.7	(0.8)	0.8
Operating profit growth	20.4	15.2	(17.1)	(40.5)	(55.8)
EBITDA growth	9.4	7.6	4.5	0.1	(2.6)
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	28.8	26.9	22.2	23.5	24.4
Operating margin	9.5	8.9	6.2	5.6	4.2
EBITDA margin	42.3	43.6	35.3	40.1	40.9
Norm net margin	(1.2)	(2.5)	(3.0)	(3.3)	(2.5)
D/E (x)	3.1	3.0	3.1	3.4	3.5
Net D/E (x)	2.7	2.8	2.9	3.1	3.2
Interest coverage (x)	3.1	3.1	3.1	3.1	3.0
Interest rate	7.6	7.4	7.5	6.9	6.8
Effective tax rate	4.4	(2.8)	(2.0)	(12.6)	(2.6)
ROA	(0.3)	(0.5)	(0.8)	(0.7)	(0.5)
ROE	(2.0)	(4.0)	(6.1)	(5.8)	(4.3)

Sources: Company data, Thanachart estimates

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