VGI Global Media Pcl (VGI TB) - SELL, Price Bt4.44, TP Bt4.90

Results Comment

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Higher-than-expected 1QFY23 loss

- VGI reported a normalized loss of Bt180m in 1QFY23 (VGI's fiscal year ends in March) versus a normalized profit of Bt10m in 1QFY22 and a normalized loss of Bt105m in 4QFY22. The loss was higher than what we had expected due to high SG&A expenses and loss contribution from associates. We thus see a downside risk to our earnings forecast this year.
- Including a Bt34m gain on financial instruments and Bt172m gain on sales of investment in associate, VGI reported a net profit of Bt25m in 1QFY23.
- We expect VGI's earnings improvement in 2QFY23F onward driven by the OOH ad spend recovery. However, we are still concerned on loss contribution from its associates. VGI's share price now fell below our TP, so we will review our forecast and recommendation. Previously, we had a SELL call on the stock.
- VGI's total revenue increased 75% y-y in 1QFY23. A recovery in the OOH ad spends caused its out-of-home media revenue growth of 9% y-y in 1QFY23 (transit media sale increased 12% y-y but office media sales still decreased 35% y-y). While the digital service revenue increased 20% y-y due to more transaction fees and card sales revenue, the consolidation of Fanslink also caused additional revenue of Bt370m in 1QFY23.
- However, given Fanslink's low margin, VGI's overall gross margin fell to 26% in 1QFY23 from 31% in 1QFY22. A rise in SG&A expenses by 58% y-y was also mainly due to the consolidation of Fanslink.
- Its equity income was negative at Bt101m in 1QFY23 mainly due to a loss contribution from Kerry Express (KEX TB, Bt21.2, non-rated).

Income Statement					(consolidated)
Yr-end Mar (Bt m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Revenue	596	923	1,429	1,150	1,042
Gross profit	**185**	**167**	**324**	**213**	**265**
SG&A	251	278	367	268	395
Operating profit	(65)	(111)	(43)	(56)	(130)
EBITDA	**36**	**(11)**	**56**	**39**	**(38)**
Other income	24	23	38	42	47
Other expense	0	0	0	0	0
Interest expense	15	16	24	46	13
Profit before tax	**(56)**	**(103)**	**(30)**	**(59)**	**(96)**
Income tax	(7)	6	13	22	42
Equity & invest. income	38	(23)	(119)	(90)	(101)
Minority interests	21	31	37	66	60
Extraordinary items	0	92	49	60	205
Net profit	**10**	**(9)**	**(76)**	**(45)**	**25**
Normalized profit	**10**	**(101)**	**(125)**	**(105)**	**(180)**
EPS (Bt)	0.00	(0.00)	(0.01)	(0.01)	0.00
Normalized EPS (Bt)	0.00	(0.01)	(0.01)	(0.01)	(0.02)

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% FY23F	FY23F	FY24F
Revenue	(9)	75	16	6,451	7,297
Gross profit	25	**43**	**14**	**1,830**	**2,401**
SG&A	47	58	31	1,258	1,532
Operating profit	na	na	na	573	869
EBITDA	na	**na**	**na**	**980**	**1,305**
Other income	11	94	33	142	200
Other expense					
Interest expense	(71)	(10)	8	167	5
Profit before tax	na	**na**	**na**	**547**	**1,064**
Income tax	91	na	39	109	213
Equity & invest. income	na	na	na	117	298
Minority interests	(10)	179	84	71	64
Extraordinary items	242	na	223		
Net profit	na	**153**	**4**	**718**	**1,213**
Normalized profit	na	**na**	**na**	**626**	**1,213**
EPS (Bt)	na	153	4	0.07	0.11
Normalized EPS (Bt)	na	na	na	0.06	0.11

Balance Sheet					(consolidated)
Yr-end Mar (Bt m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Cash & ST investment	1,606	1,505	1,290	1,205	7,768
A/C receivable	790	879	1,018	1,007	1,350
Inventory	0	0	0	380	387
Other current assets	884	1,277	1,157	13,715	805
Investment	9,251	8,986	15,123	15,265	14,849
Fixed assets	1,177	1,133	1,092	1,062	1,125
Other assets	6,543	6,567	8,271	8,158	7,459
Total assets	**20,252**	**20,347**	**27,951**	**40,792**	**33,743**
S-T debt	1,173	1,448	8,203	8,130	720
A/C payable	465	601	516	665	723
Other current liabilities	1,571	1,331	1,277	1,185	1,423
L-T debt	0	14	20	20	20
Other liabilities	582	558	744	809	619
Minority interest	558	935	898	849	2,508
Shareholders' equity	**15,904**	**15,460**	**16,293**	**29,133**	**27,730**
Working capital	326	278	503	721	1,014
Total debt	1,173	1,462	8,223	8,150	740
Net debt	**(433)**	**(43)**	**6,934**	**6,945**	**(7,028)**

Financial Ratios					
(%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Sales growth	33.7	28.7	110.2	80.5	74.9
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	(72)	(56)	na
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	31.1	18.1	22.7	18.5	25.5
Operating margin	(11.0)	(12.0)	(3.0)	(4.8)	(12.5)
EBITDA margin	6.0	(1.2)	3.9	3.4	(3.6)
Norm net margin	1.7	(10.9)	(8.7)	(9.2)	(17.3)
D/E (x)	0.1	0.1	0.5	0.3	0.0
Net D/E (x)	(0.0)	(0.0)	0.4	0.2	(0.2)
Interest coverage (x)	2.4	(0.7)	2.3	0.8	(2.9)
Interest rate	5.0	4.8	2.0	2.2	1.2
Effective tax rate	12.5	(5.7)	(45.5)	(37.4)	(44.0)
ROA	0.2	(2.0)	(2.1)	(1.2)	(1.9)
ROE	0.2	(2.6)	(3.1)	(1.9)	(2.5)

Sources: Company data, Thanachart estimates

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