Advanced Info Service (ADVANC TB) - BUY, Price Bt191.5, TP Bt240

Results Comment

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Slightly weaker-than-expected 3Q22

- ADVANC reported Bt6.26bn normalized profit (excluding non-cash FX and hedging gains/losses) in 3Q22, down 8% y-y and 6% q-q in a like-for-like basis. The result came in below our and market's expectations due to impacts from weak local consumption on prepaid segment and rising electricity cost.
- Mobile revenue dropped 0.3% y-y and 0.4% q-q to Bt29.1bn in 3Q22, mainly due to a weakness in prepaid segment where ADVANC had a net-loss of 139k subscriber with 11% y-y (3% q-q) ARPU fall. Postpaid was relatively strong with 296k subs net-adds and slower ARPU decline (-4% y-y and -2% q-q).
- Revenue from fixed broadband service continued growing by 16% y-y and 2% q-q this quarter to Bt2.5bn, which is 8% of its core services revenue. ADVANC gained 115k subs in 3Q22, but ARPU was still falling 8% y-y and 3% q-q to Bt418/month.
- EBITDA fell much faster than revenue at 4% y-y and 1% q-q to Bt22.1bn in 3Q22. EBITDA margin contracted to 47.8% this quarter, from 49.4% in 2Q22 and 54.1% in 3Q21, due to higher in electricity cost and continuous network expansion to serve rising data consumption and 5G service rollout.
- SG&A expenses also increased 8% y-y on normalization of advertising and marketing activities post Covid.
- Given ADVANC's 9M22 profit made only 73% of our full-year projection while we see two major pressures of weak domestic consumption and rising utility cost persist into 4Q22F, we see downsides to our earnings forecasts on ADVANC.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	42,377	50,338	45,279	45,273	46,234
Gross profit	**14,737**	**15,215**	**14,601**	**14,874**	**14,538**
SG&A	5,273	5,851	5,578	5,718	5,669
Operating profit	9,463	9,364	9,023	9,156	8,870
EBITDA	**22,905**	**22,910**	**22,393**	**22,348**	**22,092**
Other income	128	200	154	255	84
Other expense	0	0	0	0	0
Interest expense	1,414	1,366	1,320	1,323	1,294
Profit before tax	**8,178**	**8,197**	**7,857**	**8,088**	**7,660**
Income tax	1,399	1,522	1,543	1,467	1,410
Equity & invest. income	24	26	40	20	14
Minority interests	(1)	(1)	(1)	(1)	(1)
Extraordinary items	(428)	163	(42)	(335)	(231)
Net profit	**6,374**	**6,863**	**6,311**	**6,305**	**6,032**
Normalized profit	**6,802**	**6,700**	**6,353**	**6,640**	**6,263**
EPS (Bt)	2.14	2.31	2.12	2.12	2.03
Normalized EPS (Bt)	2.29	2.25	2.14	2.23	2.11

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	2	9	77	178,508	199,221
Gross profit	**(2)**	**(1)**	**74**	**59,686**	**66,643**
SG&A	(1)	8	74	22,868	27,700
Operating profit	(3)	(6)	73	36,818	38,943
EBITDA	**(1)**	**(4)**	**75**	**89,348**	**93,681**
Other income	(67)	(34)	92	536	598
Other expense				0	0
Interest expense	(2)	(8)	74	5,306	6,092
Profit before tax	**(5)**	**(6)**	**74**	**32,047**	**33,449**
Income tax	(4)	1	77	5,769	6,088
Equity & invest. income	(30)	(43)	71	104	1,086
Minority interests	na	na	na	(5)	(6)
Extraordinary items	na	na		0	0
Net profit	**(4)**	**(5)**	**71**	**26,378**	**28,442**
Normalized profit	**(6)**	**(8)**	**73**	**26,378**	**28,442**
EPS (Bt)	(4)	(5)	71	8.87	9.57
Normalized EPS (Bt)	(6)	(8)	73	8.87	9.57

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	12,709	14,120	17,636	11,168	10,393
A/C receivable	16,624	16,552	16,501	17,637	18,267
Inventory	1,895	2,104	3,831	4,058	5,006
Other current assets	2,534	2,789	3,050	3,518	4,220
Investment	0	0	0	0	0
Fixed assets	116,704	117,844	115,800	116,087	113,989
Other assets	206,054	202,812	198,966	197,049	193,496
Total assets	**356,521**	**356,222**	**355,783**	**349,517**	**345,370**
S-T debt	29,053	25,035	24,045	31,266	41,705
A/C payable	43,600	45,055	41,904	44,897	47,514
Other current liabilities	20,736	21,778	36,139	22,255	20,932
L-T debt	77,971	73,697	72,577	66,890	64,316
Other liabilities	110,318	108,832	105,382	101,807	92,689
Minority interest	125	126	126	126	127
Shareholders' equity	**74,718**	**81,699**	**75,611**	**82,275**	**78,087**
Working capital	(25,081)	(26,399)	(21,572)	(23,202)	(24,241)
Total debt	107,024	98,731	96,622	98,157	106,022
Net debt	**94,315**	**84,611**	**78,986**	**86,989**	**95,629**

Financial Ratios					
(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Sales growth	1.6	9.3	(1.3)	5.9	9.1
Operating profit growth	3.6	1.7	(5.7)	(5.0)	(6.3)
EBITDA growth	3.7	3.1	(0.8)	(2.9)	(3.6)
Norm profit growth	1.6	0.7	(7.5)	(2.3)	(7.9)
Norm EPS growth	1.6	0.7	(7.5)	(2.3)	(7.9)
Gross margin	34.8	30.2	32.2	32.9	31.4
Operating margin	22.3	18.6	19.9	20.2	19.2
EBITDA margin	54.1	45.5	49.5	49.4	47.8
Norm net margin	16.1	13.3	14.0	14.7	13.5
D/E (x)	1.4	1.2	1.3	1.2	1.4
Net D/E (x)	1.3	1.0	1.0	1.1	1.2
Interest coverage (x)	16.2	16.8	17.0	16.9	17.1
Interest rate	5.3	5.3	5.4	5.4	5.1
Effective tax rate	17.1	18.6	19.6	18.1	18.4
ROA	7.5	7.5	7.1	7.5	7.2
ROE	35.5	34.3	32.3	33.6	31.2

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Service Revenue excl. IC	**33.09**	**32.28**	**32.13**	**32.09**	**32.42**	**32.35**	**32.80**	**33.40**	**32.77**	**33.29**	**33.13**
- Mobile	30.33	29.54	29.20	29.01	29.35	29.10	29.20	29.59	28.85	29.22	29.11
- Fixed broadband	1.64	1.68	1.78	1.85	1.92	2.04	2.19	2.29	2.44	2.49	2.54
- Others	1.12	1.07	1.15	1.22	1.16	1.22	1.40	1.52	1.49	1.59	1.48
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**	**2.96**
- Regulatory costs	1.41	1.28	1.35	1.26	1.36	1.35	1.35	1.26	1.36	1.37	1.38
- Depreciation & amortization costs	12.59	12.48	12.54	12.60	12.60	12.96	13.06	13.16	12.97	12.78	12.82
- Network OPEX	4.25	4.68	4.55	4.62	5.06	4.62	4.65	4.81	4.82	4.83	5.16
- Others	1.50	1.39	1.40	1.41	1.55	1.54	1.81	1.90	1.84	2.08	2.51
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**	**0.10**
SIM and devices margin	0.7%	2.5%	-1.2%	1.2%	0.6%	2.7%	-0.5%	0.8%	1.4%	0.2%	1.0%
Total SG&A expenses	**6.27**	**6.03**	**6.01**	**6.03**	**5.49**	**5.15**	**5.24**	**5.82**	**5.54**	**5.69**	**5.63**
- Selling and marketing expenses	1.76	1.60	1.55	1.68	1.64	1.24	1.43	1.73	1.49	1.84	1.82
% Growth Rate	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Service Revenue y-y	**0.1**	**(6.4)**	**(6.8)**	**(7.2)**	**(2.0)**	**0.2**	**2.1**	**4.1**	**1.1**	**2.9**	**1.0**
- Mobile	(1.1)	(7.8)	(8.3)	(8.7)	(3.2)	(1.5)	0.0	2.0	(1.7)	0.4	(0.3)
- Fixed broadband	27.3	21.9	26.7	17.3	17.0	21.1	22.6	23.7	27.0	22.0	16.1
- Others	3.5	(1.6)	(4.5)	0.9	3.5	14.2	22.3	23.9	28.7	30.5	5.6
% Q-Q Growth Rate	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Service Revenue q-q	**(4.3)**	**(2.4)**	**(0.5)**	**(0.1)**	**1.0**	**(0.2)**	**1.4**	**1.8**	**(1.9)**	**1.6**	**(0.5)**
- Mobile	(4.5)	(2.6)	(1.1)	(0.6)	1.2	(0.9)	0.4	1.3	(2.5)	1.3	(0.4)
- Fixed broadband	3.9	2.6	6.1	3.7	3.6	6.2	7.4	4.6	6.4	2.0	2.2
- Others	(8.0)	(4.5)	7.7	6.6	(5.6)	5.4	15.3	8.0	(1.9)	6.9	(6.7)
Profitability Ratio (%)	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
- Network costs to sales	39.3	40.6	41.0	37.4	38.5	41.1	41.8	35.7	39.3	38.9	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	3.9
- EBITDA margin	53.2	52.7	52.9	48.3	49.2	53.8	54.1	45.5	49.5	49.4	47.8
Key Statistics	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Total mobile subscriber (m sub)	**41.2**	**41.0**	**40.9**	**41.4**	**42.8**	**43.2**	**43.7**	**44.1**	**44.6**	**45.5**	**45.7**
Net add (m sub)	**(0.86)**	**(0.14)**	**(0.08)**	**0.50**	**1.33**	**0.47**	**0.42**	**0.46**	**0.51**	**0.88**	**0.16**
Postpaid	0.03	0.40	0.24	0.42	0.44	0.35	0.29	0.25	0.24	0.31	0.30
Prepaid	(0.89)	(0.53)	(0.31)	0.07	0.89	0.11	0.13	0.21	0.27	0.57	(0.14)
Blended mobile ARPU (Bt/month)	**242**	**239**	**237**	**234**	**232**	**225**	**223**	**224**	**216**	**215**	**212**
Postpaid	525	523	498	486	480	471	470	473	460	460	453
Prepaid	162	156	157	154	150	142	138	136	129	127	123
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	29.6
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**	**5.50**
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**	**2.09**
Net add (m sub)	0.05	0.11	0.05	0.08	0.10	0.10	0.13	0.10	0.09	0.11	0.11
Fixed broadband ARPU (Bt/month)	514	489	484	476	462	458	455	444	446	432	418

Source: Company data

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