

**True Corporation Pcl (TRUE TB) - SELL, Price Bt4.92, TP N.M.****Results Comment**

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

**Still a weak profit in 3Q22**

- TRUE reported Bt2.4bn normalized loss in 3Q22, weakened both y-y and q-q in a like-for-like basis. It came in below our expectation due to a slower-than-expected recovery of mobile service industry, but it is in-line with the market's forecasts.
- TruemoveH:** Mobile revenue grew 1.3% y-y and 0.4% q-q to Bt20.0bn in 3Q22, supported by a 221k net subscriber addition to 33.6m subscribers despite its ARPU fell to Bt187/sub/month (down 9% y-y and 2% q-q). Postpaid segment was the growth driver as its growing subscriber base outweighed falling ARPU, while prepaid revenue was almost flat.
- TrueOnline:** Fixed broadband revenue was flat (up 0.3% y-y and 0.5% q-q) at Bt8.7bn. TRUE gained 81k fixed broadband subscribers in 3Q22, made up 4.9m subscriber base. ARPU continued to fall to Bt460/month (down 12% y-y and 2% q-q).
- TrueVisions:** Revenue from TV subscription and advertising service dropped 9% y-y and 16% q-q to Bt2.0bn in 3Q22. This made TRUE's total core service revenue was at Bt30.7bn this quarter, down slightly 0.3% y-y and 0.2% q-q.
- EBITDA was flat y-y at Bt14.4bn in 3Q22, in-line with revenue trend, given no significant change to its cost structure. It grew 3% q-q, thanks to TRUE's more aggressive policies on cost efficiency improvement this year.
- We see significant downside to our earnings forecast and our valuation on TRUE. However, it looks irrelevant now as the upcoming pre-merger tender price at Bt5.02/share (post XD-adjusted) is far above its valuation in our view. We still suggest investors to SELL its shares into the tender offer.

\*N.M. = Not meaningful, since the tender offer price is above our TP

Income Statement (consolidated)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	32,966	41,467	35,138	34,054	32,608
<b>Gross profit</b>	<b>8,882</b>	<b>9,185</b>	<b>8,249</b>	<b>8,299</b>	<b>9,135</b>
SG&A	5,942	6,620	6,293	6,876	7,622
Operating profit	2,940	2,565	1,956	1,423	1,513
<b>EBITDA</b>	<b>14,367</b>	<b>14,654</b>	<b>14,073</b>	<b>13,919</b>	<b>14,368</b>
Other income	189	79	1,032	249	319
Other expense	204	206	200	178	182
Interest expense	4,613	4,687	4,577	4,630	4,738
<b>Profit before tax</b>	<b>(1,688)</b>	<b>(2,249)</b>	<b>(1,789)</b>	<b>(3,136)</b>	<b>(3,088)</b>
Income tax	47	44	225	50	76
Equity & invest. income	888	1,042	818	1,140	747
Minority interests	29	5	30	16	26
Extraordinary items	215	1,299	(452)	1,268	(366)
<b>Net profit</b>	<b>(603)</b>	<b>53</b>	<b>(1,618)</b>	<b>(762)</b>	<b>(2,757)</b>
<b>Normalized profit</b>	<b>(818)</b>	<b>(1,246)</b>	<b>(1,166)</b>	<b>(2,030)</b>	<b>(2,391)</b>
EPS (Bt)	(0.02)	0.00	(0.05)	(0.02)	(0.08)
Normalized EPS (Bt)	(0.02)	(0.04)	(0.03)	(0.06)	(0.07)

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	17,338	22,634	26,323	21,664	25,181
A/C receivable	48,989	51,797	52,554	52,961	53,126
Inventory	4,377	1,374	1,523	1,259	1,736
Other current assets	30,153	24,325	24,538	21,302	20,680
Investment	23,931	24,494	24,710	22,443	22,540
Fixed assets	243,581	245,337	244,462	244,854	247,476
Other assets	253,409	254,953	251,696	251,154	250,388
<b>Total assets</b>	<b>621,777</b>	<b>624,915</b>	<b>625,806</b>	<b>615,638</b>	<b>621,127</b>
S-T debt	62,283	65,312	63,048	56,428	73,636
A/C payable	93,648	92,666	88,299	85,304	86,866
Other current liabilities	22,100	15,970	17,728	17,336	16,590
L-T debt	182,181	192,196	212,883	215,607	208,193
Other liabilities	179,729	176,953	163,685	163,789	160,996
Minority interest	462	456	426	410	469
<b>Shareholders' equity</b>	<b>81,375</b>	<b>81,362</b>	<b>79,736</b>	<b>76,765</b>	<b>74,376</b>
Working capital	(40,282)	(39,495)	(34,221)	(31,083)	(32,004)
Total debt	244,464	257,508	275,931	272,034	281,830
<b>Net debt</b>	<b>227,126</b>	<b>234,874</b>	<b>249,609</b>	<b>250,370</b>	<b>256,649</b>

Sources: Company data, Thanachart estimates

Income Statement					
(Bt m)	q-q%	y-y%	9M as		
			% 2022F	2022F	2023F
Revenue	(4)	(1)	72	141,692	143,725
<b>Gross profit</b>	<b>10</b>	<b>3</b>	<b>63</b>	<b>40,946</b>	<b>41,065</b>
SG&A	11	28	81	25,791	25,567
Operating profit	6	(49)	32	15,154	15,498
<b>EBITDA</b>	<b>3</b>	<b>0</b>	<b>68</b>	<b>61,971</b>	<b>62,969</b>
Other income	28	69	1,265	126	101
Other expense	2	(11)	280	200	100
Interest expense	2	3	72	19,435	20,001
<b>Profit before tax</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(4,355)</b>	<b>(4,502)</b>
Income tax	52	62	na	(150)	(200)
Equity & invest. income	(34)	(16)	85	3,198	3,182
Minority interests	63	(10)	57	126	128
Extraordinary items	na	na		0	0
<b>Net profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(881)</b>	<b>(992)</b>
<b>Normalized profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(881)</b>	<b>(992)</b>
EPS (Bt)	na	na	na	(0.03)	(0.03)
Normalized EPS (Bt)	na	na	na	(0.03)	(0.03)

Financial Ratios (%)					
	3Q21	4Q21	1Q22	2Q22	3Q22
Sales grow th	(0.1)	13.7	(0.8)	0.8	(1.1)
Operating profit grow th	15.2	(17.1)	(40.5)	(55.8)	(48.5)
EBITDA grow th	7.6	4.5	0.1	(2.6)	0.0
Norm profit grow th	na	na	na	na	na
Norm EPS grow th	na	na	na	na	na
Gross margin	26.9	22.2	23.5	24.4	28.0
Operating margin	8.9	6.2	5.6	4.2	4.6
EBITDA margin	43.6	35.3	40.1	40.9	44.1
Norm net margin	(2.5)	(3.0)	(3.3)	(6.0)	(7.3)
D/E (x)	3.0	3.1	3.4	3.5	3.8
Net D/E (x)	2.8	2.9	3.1	3.2	3.4
Interest coverage (x)	3.1	3.1	3.1	3.0	3.0
Interest rate	7.4	7.5	6.9	6.8	6.8
Effective tax rate	(2.8)	(2.0)	(12.6)	(1.6)	(2.5)
ROA	(0.5)	(0.8)	(0.7)	(1.3)	(1.5)
ROE	(4.0)	(6.1)	(5.8)	(10.4)	(12.7)

**General Disclaimers And Disclosures:**

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 88 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2301A, ADVANC16C2302A, AMATA16C2212A, AOT16C2212A, AOT16C2302A, BANPU16C2212A, BANPU16C2302A, BBL16C2212A, BCH16C2211A, BGRIM16C2212A, BGRIM16C2301A, BGRIM16C2302A, BH16C2212A, BH16C2212B, BLA16C2212A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2211A, COM716C2211B, COM716C2211C, COM716C2302A, CPALL16C2211A, CPN16C2301A, CRC16C2303A, DOHOME16C2301A, DOHOME16C2303A, DTAC16C2212A, EA16C2211A, EA16C2303A, ESSO16C2302A, FORTH16C2211A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2211A, HANA16C2301A, HANA16C2303A, IVL16C2211A, IVL16C2212A, IVL16C2301A, JMART16C2211A, JMART16C2303A, JMT16C2211A, JMT16C2302A, KBANK16C2211A, KBANK16C2301A, KBANK16C2302A, KCE16C2211A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, KTC16C2211A, MINT16C2211A, MINT16C2301A, MINT16C2302A, MTC16C2212A, MTC16C2301A, PSL16C2212A, PTG16C2211A, PTTEP16C2212A, PTTEP16C2303A, SAWAD16C2211A, SAWAD16C2302A, SCB16C2211A, SCB16C2301A, SCGP16C2212A, SCGP16C2303A, SET5016C2212A, SET5016C2212B, SET5016C2212C, SET5016P2212A, SET5016P2212B, SINGER16C2212A, SPRC16C2212A, TIDLOR16C2212A, TOP16C2211A, TRUE16C2212A, TTA16C2211A, VGI16C2301A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BCH, BGRIM, BH, BLA, BTS, CBG, COM7, CPALL, CPN, CRC, DOHOME, DTAC, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, KTC, MINT, MTC, PSL, PTG, PTTEP, SAWAD, SCB, SCGP, SET50, SINGER, SPRC, TIDLOR, TOP, TTA, VGI, TRUE). before making investment decisions.

**Note:** Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

**Note:** Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

**Disclosure of Interest of Thanachart Securities****Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)