

Advanced Info Service (ADVANC TB) - BUY, Price Bt199.5, TP Bt240**Results Comment**

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Stronger recovery in 4Q22, in-line

- ADVANC reported Bt7.4bn net profit in 4Q22 and Bt26.0bn for 2022. After stripping off non-recurring and non-cash items, we estimate its norm profit at Bt6.6bn in 4Q22, down 2% y-y but improved 5% q-q in a like-for-like basis. This made its full-year norm profit was at Bt25.8bn, down 5% y-y, in-line with our and the market's expectations.
- Mobile service revenue recovered 1.4% q-q to Bt29.5bn in 4Q22, driven by 0.5% higher ARPU and 351k subscriber gain (+0.8%) this quarter. Postpaid posted a stronger growth while prepaid was flat as inflation impacts weighed down positives from tourism resumption. The revenue dropped only 0.2% y-y.
- Fixed broadband service revenue grew 14% y-y and 2% q-q to Bt2.6bn in 4Q22. Net addition of 83k new subscribers (+22% y-y and 4% q-q) to 2.17m subs was the key driver, despite ARPU continued to fall 8% y-y and 3% q-q ARPU fall to Bt407.
- EBITDA dropped slightly 1% y-y to Bt22.6bn in 4Q22 from both lower revenues and higher operating costs. Its 2% q-q growth was driven by strong mobile revenue recovery and expanding enterprise solutions business.
- ADVANC announces Bt4.24/share final dividend with an XD date on 22 February and a dividend payment date on 19 April 2023. Its full-year dividend was Bt7.69 for 2022's performance, implying 88% payout ratio from its reported net profit.
- 1) ADVANC's guidance of 3-5% service revenue growth for 2023F is in-line with our numbers. 2) However, a mid-single digit EBITDA growth target is higher than our forecast. 3) It guides for lower capex to Bt27-30bn (from Bt32bn in 2022).
- We maintain our BUY rating on ADVANC, expecting a faster earnings recovery in 2023F, while its profitability and financial status are the strongest among Thai telco peers.

Income Statement		(consolidated)				
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	
Revenue	50,338	45,279	45,273	46,234	48,699	
Gross profit	15,215	14,601	14,874	14,538	15,300	
SG&A	5,851	5,578	5,718	5,669	5,821	
Operating profit	9,364	9,023	9,156	8,870	9,478	
EBITDA	22,910	22,393	22,348	22,092	22,597	
Other income	200	154	255	84	39	
Other expense	0	0	0	0	0	
Interest expense	1,366	1,320	1,323	1,294	1,294	
Profit before tax	8,197	7,857	8,088	7,660	8,223	
Income tax	1,522	1,543	1,467	1,410	1,687	
Equity & invest. income	26	40	20	14	17	
Minority interests	(1)	(1)	(1)	(1)	(1)	
Extraordinary items	163	(42)	(335)	(231)	812	
Net profit	6,863	6,311	6,305	6,032	7,363	
Normalized profit	6,700	6,353	6,640	6,263	6,552	
EPS (Bt)	2.31	2.12	2.12	2.03	2.48	
Normalized EPS (Bt)	2.25	2.14	2.23	2.11	2.20	

Balance Sheet		(consolidated)				
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	
Cash & ST investment	14,120	17,636	11,168	10,393	9,994	
A/C receivable	16,552	16,501	17,637	18,267	17,902	
Inventory	2,104	3,831	4,058	5,006	3,839	
Other current assets	2,789	3,050	3,518	4,220	2,603	
Investment	0	0	0	0	0	
Fixed assets	117,844	115,800	116,087	113,989	113,252	
Other assets	202,812	198,966	197,049	193,496	189,454	
Total assets	356,222	355,783	349,517	345,370	337,044	
S-T debt	25,035	24,045	31,266	41,705	31,399	
A/C payable	45,055	41,904	44,897	47,514	42,457	
Other current liabilities	21,778	36,139	22,255	20,932	22,485	
L-T debt	73,697	72,577	66,890	64,316	63,914	
Other liabilities	108,832	105,382	101,807	92,689	90,972	
Minority interest	126	126	126	127	128	
Shareholders' equity	81,699	75,611	82,275	78,087	85,689	
Working capital	(26,399)	(21,572)	(23,202)	(24,241)	(20,716)	
Total debt	98,731	96,622	98,157	106,022	95,313	
Net debt	84,611	78,986	86,989	95,629	85,319	

Sources: Company data, Thanachart estimates

Income Statement		12M as				
(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F	
Revenue	5	(3)	104	185,485	199,221	
Gross profit	5	1	99	59,313	66,643	
SG&A	3	(1)	100	22,786	27,700	
Operating profit	7	1	99	36,527	38,943	
EBITDA	2	(1)	100	89,429	93,681	
Other income	(54)	(81)	99	532	598	
Other expense				0	0	
Interest expense	0	(5)	99	5,230	6,092	
Profit before tax	7	0	99	31,828	33,449	
Income tax	20	11	106	6,108	6,088	
Equity & invest. income	21	(36)	87	90	1,086	
Minority interests	na	na	na	(3)	(6)	
Extraordinary items	na	398		203	0	
Net profit	22	7	99	26,011	28,442	
Normalized profit	5	(2)	98	25,808	28,442	
EPS (Bt)	22	7	99	8.75	9.57	
Normalized EPS (Bt)	5	(2)	98	8.68	9.57	

Financial Ratios		12M as				
(%)	4Q21	1Q22	2Q22	3Q22	4Q22	
Sales growth	9.3	(1.3)	5.9	9.1	(3.3)	
Operating profit growth	1.7	(5.7)	(5.0)	(6.3)	1.2	
EBITDA growth	3.1	(0.8)	(2.9)	(3.6)	(1.4)	
Norm profit growth	0.7	(7.5)	(2.3)	(7.9)	(2.2)	
Norm EPS growth	0.7	(7.5)	(2.3)	(7.9)	(2.2)	
Gross margin	30.2	32.2	32.9	31.4	31.4	
Operating margin	18.6	19.9	20.2	19.2	19.5	
EBITDA margin	45.5	49.5	49.4	47.8	46.4	
Norm net margin	13.3	14.0	14.7	13.5	13.5	
D/E (x)	1.2	1.3	1.2	1.4	1.1	
Net D/E (x)	1.0	1.0	1.1	1.2	1.0	
Interest coverage (x)	16.8	17.0	16.9	17.1	17.5	
Interest rate	5.3	5.4	5.4	5.1	5.1	
Effective tax rate	18.6	19.6	18.1	18.4	20.5	
ROA	7.5	7.1	7.5	7.2	7.7	
ROE	34.3	32.3	33.6	31.2	32.0	

Quarterly results (Bt bn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Service Revenue excl. IC	32.42	32.35	32.80	33.40	32.77	33.29	33.13	33.84
- Mobile	29.35	29.10	29.20	29.59	28.85	29.22	29.11	29.52
- Fixed broadband	1.92	2.04	2.19	2.29	2.44	2.49	2.54	2.60
- Others	1.16	1.22	1.40	1.52	1.49	1.59	1.48	1.72
Cost of services excl. IC	2.26	2.26	2.19	2.35	2.52	2.58	2.96	2.87
- Regulatory costs	1.36	1.35	1.35	1.26	1.36	1.37	1.38	1.39
- Depreciation & amortization costs	12.60	12.96	13.06	13.16	12.97	12.78	12.82	12.72
- Network OPEX	5.06	4.62	4.65	4.81	4.82	4.83	5.16	5.28
- Others	1.55	1.54	1.81	1.90	1.84	2.08	2.51	2.65
Net SIM and devices revenues (expenses)	0.06	0.19	(0.03)	0.11	0.13	0.02	0.10	0.13
SIM and devices margin	0.6%	2.7%	-0.5%	0.8%	1.4%	0.2%	1.0%	1.2%
Total SG&A expenses	5.49	5.15	5.24	5.82	5.54	5.69	5.63	5.49
- Selling and marketing expenses	1.64	1.24	1.43	1.73	1.49	1.84	1.82	1.87
% Growth Rate	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Service Revenue y-y	(2.0)	0.2	2.1	4.1	1.1	2.9	1.0	1.3
- Mobile	(3.2)	(1.5)	0.0	2.0	(1.7)	0.4	(0.3)	(0.2)
- Fixed broadband	17.0	21.1	22.6	23.7	27.0	22.0	16.1	13.5
- Others	3.5	14.2	22.3	23.9	28.7	30.5	5.6	13.3
% Q-Q Growth Rate	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Service Revenue q-q	1.0	(0.2)	1.4	1.8	(1.9)	1.6	(0.5)	2.1
- Mobile	1.2	(0.9)	0.4	1.3	(2.5)	1.3	(0.4)	1.4
- Fixed broadband	3.6	6.2	7.4	4.6	6.4	2.0	2.2	2.2
- Others	(5.6)	5.4	15.3	8.0	(1.9)	6.9	(6.7)	15.9
Profitability Ratio (%)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
- Network costs to sales	38.5	41.1	41.8	35.7	39.3	38.9	38.9	37.0
- Marketing expenses to sales	3.6	2.9	3.4	3.4	3.3	4.1	3.9	3.8
- EBITDA margin	49.2	53.8	54.1	45.5	49.5	49.4	47.8	46.4
Key Statistics	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Total mobile subscriber (m sub)	42.8	43.2	43.7	44.1	44.6	45.5	45.7	46.0
Net add (m sub)	1.33	0.47	0.42	0.46	0.51	0.88	0.16	0.35
Postpaid	0.44	0.35	0.29	0.25	0.24	0.31	0.30	0.19
Prepaid	0.89	0.11	0.13	0.21	0.27	0.57	(0.14)	0.16
Blended mobile ARPU (Bt/month)	232	225	223	224	216	215	212	213
Postpaid	480	471	470	473	460	460	453	455
Prepaid	150	142	138	136	129	127	123	123
VOU (GB/data sub/month)	18.2	19.7	22.6	24.9	26.6	28.0	29.6	31.5
5G package subscription (m sub)	0.72	1.00	1.50	2.20	2.80	3.90	5.50	6.83
Fixed broadband subscriber (m sub)	1.43	1.54	1.67	1.77	1.87	1.97	2.09	2.17
Net add (m sub)	0.10	0.10	0.13	0.10	0.09	0.11	0.11	0.08
Fixed broadband ARPU (Bt/month)	462	458	455	444	446	432	418	407

Source: Company data

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