

Total Access Comm. (DTAC TB) - SELL, Price Bt49.5, TP U.R.**Results Comment**

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Muted recovery in 4Q22

- DTAC reported Bt969m net profit in 4Q22, and Bt3.1bn for 2022. After excluding one-off items, we estimate its norm profit at only Bt844m in 4Q22 and Bt2.4bn for 2022. The profits were below our expectation due to a slower-than-expected post-Covid revenue recovery pace. A strong jump of 70% y-y and 177% q-q for 4Q22's profit was from its policy to extend asset lives, thus lower depreciation expenses.
- Total service revenue dropped 1% y-y and 1% q-q to Bt13.9bn in 4Q22. DTAC recorded 106k net subscriber addition (+146k in prepaid but -39k for postpaid) this quarter, but it was more than offset by negative impact from a 9% y-y and 2% q-q ARPU fall to Bt217/sub/month.
- However, EBITDA grew 2% y-y and 1% q-q to Bt7.1bn in 4Q22, mainly from its aggressive cut in selling and marketing expenses. EBITDA margin improved to 34.7% in 4Q22 from 32.4% in 4Q21, despite it fell slightly from 35.2% in 3Q22 due to a high expense season during the fourth quarter.
- DTAC announces Bt1.22/share final dividend payment for its 2022's performance. An indicated XD date is on 13 Feb, with a dividend payment date on 22 Feb 2022.
- Given its full-year earnings in 2022 made up only 65% of our forecasts, we see a downside to our valuation on DTAC's existing business. We thus maintain SELL, believing the market has been overly optimistic on potential synergy value DTAC would get from its upcoming amalgamation with TRUE.

Income Statement (consolidated)						Income Statement 12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Revenue	21,587	20,131	19,960	20,030	20,480	Revenue	2	(5)	95	80,600	86,107
Gross profit	4,648	4,752	4,679	4,434	4,904	Gross profit	11	6	90	18,769	21,288
SG&A	3,387	3,182	3,343	3,230	3,182	SG&A	(1)	(6)	94	12,936	14,023
Operating profit	1,261	1,571	1,336	1,204	1,722	Operating profit	43	37	82	5,833	7,265
EBITDA	7,001	7,090	7,023	7,047	7,107	EBITDA	1	2	90	28,267	30,741
Other income	16	6	7	8	35	Other income	327	123	56	56	116
Other expense	0	0	0	0	0	Other expense				0	0
Interest expense	714	663	687	759	782	Interest expense	3	9	103	2,891	2,798
Profit before tax	562	913	656	453	975	Profit before tax	115	73	68	2,998	4,583
Income tax	65	174	131	146	130	Income tax	(12)	98	88	581	779
Equity & invest. income	(1)	(2)	(2)	(2)	(2)	Equity & invest. income	na	na	na	(6)	(5)
Minority interests	0	0	0	0	0	Minority interests				0	0
Extraordinary items	(325)	(12)	480	115	125	Extraordinary items	9	na	na	708	0
Net profit	171	726	1,004	420	969	Net profit	131	466	84	3,119	3,799
Normalized profit	496	738	524	305	844	Normalized profit	177	70	65	2,411	3,799
EPS (Bt)	0.07	0.31	0.42	0.18	0.41	EPS (Bt)	131	466	84	1.32	1.60
Normalized EPS (Bt)	0.21	0.31	0.22	0.13	0.36	Normalized EPS (Bt)	177	70	65	1.02	1.60

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22		4Q21	1Q22	2Q22	3Q22	4Q22
Cash & ST investment	3,631	5,654	4,093	5,946	5,652	Sales growth	5.1	(1.9)	0.8	4.1	(5.1)
A/C receivable	10,250	10,499	10,817	10,815	10,342	Operating profit growth	(23.9)	(15.5)	(34.5)	(25.1)	36.6
Inventory	1,307	1,425	1,166	1,322	1,118	EBITDA growth	3.8	(3.7)	(8.0)	(2.9)	1.5
Other current assets	4,539	4,551	4,440	3,969	3,730	Norm profit growth	(44.1)	(29.9)	(56.1)	(58.9)	70.3
Investment	228	226	225	223	222	Norm EPS growth	(44.1)	(29.9)	(56.1)	(58.9)	70.3
Fixed assets	110,808	110,692	109,102	106,547	104,718	Gross margin	21.5	23.6	23.4	22.1	23.9
Other assets	33,552	31,782	29,917	28,367	26,754	Operating margin	5.8	7.8	6.7	6.0	8.4
Total assets	164,315	164,830	159,760	157,189	152,535	EBITDA margin	32.4	35.2	35.2	35.2	34.7
S-T debt	12,979	12,949	13,152	13,351	11,010	Norm net margin	2.3	3.7	2.6	1.5	4.1
A/C payable	25,966	25,949	22,924	22,285	21,819	D/E (x)	3.2	3.6	3.3	3.8	3.4
Other current liabilities	8,151	10,335	11,114	7,487	10,934	Net D/E (x)	3.0	3.3	3.1	3.4	3.1
L-T debt	51,078	53,240	50,195	54,111	52,606	Interest coverage (x)	9.8	10.7	10.2	9.3	9.1
Other liabilities	45,973	43,949	42,964	42,069	37,343	Interest rate	4.4	4.1	4.2	4.6	4.8
Minority interest	0	0	0	0	0	Effective tax rate	11.6	19.0	19.9	32.3	13.3
Shareholders' equity	20,167	18,408	19,412	17,887	18,824	ROA	1.2	1.8	1.3	0.8	2.2
Working capital	(14,409)	(14,025)	(10,941)	(10,147)	(10,359)	ROE	9.9	15.3	11.1	6.5	18.4
Total debt	64,058	66,189	63,347	67,462	63,615						
Net debt	60,427	60,535	59,254	61,516	57,964						

Sources: Company data, Thanachart estimates

Quarterly results (Bt bn)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Service Revenue excl. IC	15.33	14.63	14.37	14.08	14.15	14.10	13.98	13.99	13.80	13.92	13.93	13.86
- Core mobile revenues	14.68	14.20	14.00	13.83	13.73	13.68	13.61	13.62	13.43	13.55	13.53	13.43
- Others	0.46	0.35	0.33	0.30	0.39	0.39	0.33	0.32	0.30	0.31	0.30	0.29
Cost of services excl. IC	11.29	11.19	11.31	11.72	12.06	12.03	12.31	12.38	12.26	12.46	12.76	12.33
- Regulatory costs	0.64	0.53	0.60	0.57	0.58	0.58	0.42	0.55	0.51	0.54	0.58	0.56
- Amortization costs	4.84	4.90	4.85	4.69	5.12	5.13	5.26	5.35	5.17	5.34	5.50	5.05
- Core network opex	1.78	1.62	1.47	1.76	1.37	1.35	1.46	1.30	1.35	1.30	1.36	1.42
- Others	4.03	4.13	4.39	4.69	0.34	5.13	5.17	5.18	5.23	5.29	5.32	5.32
SG&A expenses	3.66	3.14	3.44	3.62	3.35	3.31	3.27	3.82	3.18	3.90	3.23	3.18
- Selling and marketing expenses	1.14	0.84	1.03	1.10	1.03	0.95	1.00	1.20	1.05	0.99	0.85	0.84
- Others	2.52	2.30	2.41	2.52	2.32	2.36	2.27	2.61	2.13	2.91	2.38	2.34
Service Revenue ex. IC (% growth y-y)	2.6	(3.6)	(7.6)	(9.6)	(7.7)	(3.6)	(2.8)	(0.6)	(2.5)	(1.3)	(0.3)	(0.9)
- Core mobile revenues	4.8	(1.1)	(5.3)	(6.7)	(6.5)	(3.7)	(2.8)	(1.5)	(2.2)	(1.0)	(0.6)	(1.4)
- Others	(29.5)	(44.4)	(45.6)	(46.3)	(14.4)	10.9	0.6	7.1	(23.0)	(20.6)	(9.1)	(7.9)
Service Revenue ex. IC (% growth q-q)	(1.6)	(4.5)	(1.7)	(2.0)	0.5	(0.4)	(0.9)	0.1	(1.4)	0.9	0.1	(0.5)
- Core mobile revenues	(0.9)	(3.3)	(1.4)	(1.3)	(0.7)	(0.3)	(0.5)	0.0	(1.4)	0.9	(0.1)	(0.8)
- Others	(16.8)	(23.4)	(6.9)	(9.5)	32.5	(0.8)	(15.5)	(3.7)	(4.7)	2.3	(3.2)	(2.3)
- Regulatory costs to service revenues	4.2	3.6	4.2	4.1	4.1	4.1	3.0	4.0	3.7	3.9	4.1	4.0
- Network costs to sales	42.0	43.4	42.8	44.7	44.8	44.2	46.9	46.4	46.3	46.7	48.3	45.8
- Marketing expenses to sales	7.2	5.6	7.0	7.6	7.1	6.5	7.0	8.4	7.5	6.9	6.0	5.9
- EBITDA margin	38.2	41.6	40.2	32.9	35.9	38.5	37.7	32.4	35.2	35.2	35.2	34.7
Total subscriber (m sub)	19.63	18.79	18.68	18.86	19.09	19.25	19.27	19.56	19.87	20.28	21.05	21.16
Net add (m sub)	(1.0)	(0.8)	(0.1)	0.2	0.2	0.2	0.0	0.3	0.3	0.4	0.8	0.1
Prepaid subs (m sub)	13.5	12.7	12.6	12.8	12.9	13.1	13.1	13.4	13.7	14.1	14.9	15.1
Postpaid subs (m sub)	6.2	6.1	6.0	6.1	6.1	6.2	6.2	6.2	6.2	6.2	6.1	6.1
Blended ARPU (Bt/month)	251	253	255	250	248	247	241	239	231	230	222	217
Pre-paid ARPU (Bt/month)	130	125	129	128	127	128	120	120	114	114	111	109
Postpaid ARPU (Bt/month)	529	525	517	505	501	498	496	494	487	489	484	481

Source: Company data

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