

VGI Global Media Pcl (VGI TB) - SELL, Price Bt4.78, TP Bt4.90**Results Comment**

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Still making a normalized loss

- VGI reported a normalized loss of Bt52m in 3QFY23 (VGI's fiscal year ends in March) versus a normalized loss of Bt125m in 3QFY22 and Bt147m in 2QFY23. The loss was higher than what we had expected and we see a downside risk to our earnings forecast.
- Including a Bt7m loss on financial instruments and Bt171m gain on sales of investment in associate, it reported a net profit of Bt102m in 3QFY23.
- An earnings recovery from its OOH media business was weighted down by losses from its other businesses, e.g. Fanslink, NINE, and Rabbit Group. It also booked a net loss contribution from its associates. With the low season, we expect VGI's weak performance to continue in 4QFY23F.
- As VGI's share price is below our TP, we put our earnings forecast and TP under review.
- VGI's total revenue decreased 4% y-y in 3QFY23. A recovery in the OOH ad spends caused its OOH media revenue growth of 42% y-y in 3QFY23 (transit media sale increased 31% y-y and office media sales increased 227% y-y). While revenue from its digital service increased 22% y-y driven by higher lead generation and commission from Rabbit Care, revenue from its distribution business dropped by 44% y-y as Fanslink selected to sell high margin products.
- Its gross margin improved from 23% in 3QFY22 to 34% in 3QFY23 due to a lower revenue proportion of the low-margin distribution business. However, SG&A expenses rose by 56% y-y due to the consolidation of NINE and expansion of Rabbit Care and Rabbit Cash.
- Its equity income was negative at Bt94m in 3QFY23 mainly due to a loss contribution from Kerry Express (KEX TB, Bt15.5, SELL).

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Mar (Bt m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	(Bt m)	q-q%	y-y%	% FY23F	FY23F	FY24F
Revenue	1,429	1,150	1,042	1,225	1,377	Revenue	12	(4)	56	6,451	7,297
Gross profit	324	213	265	279	472	Gross profit	69	46	56	1,830	2,401
SG&A	367	268	395	487	573	SG&A	17	56	116	1,258	1,532
Operating profit	(43)	(56)	(130)	(208)	(101)	Operating profit	na	na	na	573	869
EBITDA	56	39	(38)	(109)	(0)	EBITDA	na	na	na	980	1,305
Other income	38	42	47	32	118	Other income	272	210	138	142	200
Other expense	0	0	0	0	0	Other expense					
Interest expense	24	46	13	7	6	Interest expense	(15)	(76)	16	167	5
Profit before tax	(30)	(59)	(96)	(183)	11	Profit before tax	na	na	na	547	1,064
Income tax	13	22	42	7	65	Income tax	804	385	105	109	213
Equity & invest. income	(119)	(90)	(101)	(51)	(94)	Equity & invest. income	na	na	na	117	298
Minority interests	37	66	60	95	96	Minority interests	2	158	352	71	64
Extraordinary items	49	60	205	215	154	Extraordinary items	(28)	213	624	92	0
Net profit	(76)	(45)	25	68	102	Net profit	51	na	27	718	1,213
Normalized profit	(125)	(105)	(180)	(147)	(52)	Normalized profit	na	na	na	626	1,213
EPS (Bt)	(0.01)	(0.01)	0.00	0.01	0.01	EPS (Bt)	51	na	32	0.07	0.11
Normalized EPS (Bt)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	Normalized EPS (Bt)	na	na	na	0.06	0.11
Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Mar (Bt m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	(%)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Cash & ST investment	1,290	1,205	7,768	7,418	7,614	Sales grow th	110.2	80.5	74.9	32.7	(3.6)
A/C receivable	1,018	1,007	1,350	1,161	1,500	Operating profit grow th	na	na	na	na	na
Inventory	0	380	387	398	333	EBITDA grow th	(72)	(56)	na	na	na
Other current assets	1,157	13,715	805	838	877	Norm profit grow th	na	na	na	na	na
Investment	15,123	15,265	14,849	14,495	13,969	Norm EPS grow th	na	na	na	na	na
Fixed assets	1,092	1,062	1,125	1,091	1,115	Gross margin	22.7	18.5	25.5	22.8	34.3
Other assets	8,271	8,158	7,459	7,948	8,345	Operating margin	(3.0)	(4.8)	(12.5)	(17.0)	(7.3)
Total assets	27,951	40,792	33,743	33,351	33,753	EBITDA margin	3.9	3.4	(3.6)	(8.9)	(0.0)
S-T debt	8,203	8,130	720	0	0	Norm net margin	(8.7)	(9.2)	(17.3)	(12.0)	(3.7)
A/C payable	516	665	723	623	674	D/E (x)	0.5	0.3	0.0	0.0	0.0
Other current liabilities	1,277	1,185	1,423	1,446	1,383	Net D/E (x)	0.4	0.2	(0.2)	(0.2)	(0.2)
L-T debt	20	20	20	20	20	Interest coverage (x)	2.3	0.8	(2.9)	(16.0)	(0.0)
Other liabilities	744	809	619	704	789	Interest rate	2.0	2.2	1.2	7.2	116.6
Minority interest	898	849	2,508	2,759	2,663	Effective tax rate	(45.5)	(37.4)	(44.0)	(3.9)	588.3
Shareholders' equity	16,293	29,133	27,730	27,799	28,224	ROA	(2.1)	(1.2)	(1.9)	(1.8)	(0.6)
Working capital	503	721	1,014	936	1,159	ROE	(3.1)	(1.9)	(2.5)	(2.1)	(0.7)
Total debt	8,223	8,150	740	20	20						
Net debt	6,934	6,945	(7,028)	(7,398)	(7,594)						

Sources: Company data, Thanachart estimates

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