

Samart I-Mobile - SIM

Smartphone sales proportion rises to 47%
in 3QCY13 from 17% in 3QCY12

Bloomberg | Reuters
SIM TB | SIM.BK

Report type: Trade Flash

Company Overview

SIM operates in three lines of businesses as follows: (1) mobile business, (2) multimedia business and (3) telecommunication business.

- SIM reported 3QCY13 profit of Bt221.05mn, up a whopping 531.66% y-y as smart phone sales rose to 0.41mn units in 3QCY13 from 0.17mn units in 3QCY12.
- In 9MCY13, net profit swelled 763.78% y-y to Bt654.52mn.
- We expect SIM to deliver CY13 net profit of Bt868.63mn, up as much as 423.8% y-y.
- We call a 'BUY' on SIM shares with a CY14 target price of Bt5/share.

What is the news?

In 3QCY13, SIM sold 0.87mn units of mobile handsets, down from 1.02mn units and 1.01mn units in 2QCY13 and 3QCY12 respectively. Of the total, 0.46mn units were feature phones and the rest 0.41mn units were smart phones. Thirteen and nine new smart and feature phone models were launched respectively in 3QCY13.

The proportion of smart phone sales rose to 47% in 3QCY13 from 38% and 17% in 2QCY13 and 3QCY12 respectively. Burgeoning smart phone sales took handset average selling prices (ASPs) in 3QCY13 higher to Bt2,888/unit from Bt2,413/unit and Bt1,530/unit in 2QCY13 and 3QCY12 respectively. Higher ASPs were also chiefly credited to a rise in 3QCY13 gross profit margin to 22.76% from 17.53% in 3QCY12 due to an increased proportion of high-margin smart phone sales. In q-q terms, 3QCY13 gross profit margin narrowed from 27.58% in 2QCY13 as SIM cut smart phone prices to boost sales during low season in the third quarter.

SG&A expenses dropped in both y-y and q-q terms to 14.35% of total sales. In sum, SIM reported 3QCY13 net profit of Bt221.05mn, up 531.66% y-y but down 13.74% q-q.

How do we view this?

In 9MCY13, SIM reported total handset sales of 2.78mn units, down from 3.12mn units in 9MCY12. Feature phone sales dropped to 1.61mn units in 9MCY13 from 2.93mn units in 9MCY12 while smart phone sales rose to 1.17mn units in 9MCY13 from 0.20mn units in 9MCY12. The proportion of smart phone sales increased to 42% of total sales in 9MCY13 from a mere 6% in 9MCY12. Booming smart phone sales also took ASPs for i-Mobile handsets higher to Bt2,595/unit in 3QCY13 from Bt1,315/unit in 3QCY12. Higher ASPs also pushed gross profit margin higher to 33.69% in 9MCY13 from 34.12% in 9MCY12. Overall SIM posted 9MCY13 net profit of Bt654.52mn, up a whopping 763.78% from Bt75.77mn in 9MCY12.

SIM aims to achieve CY13 handset sales of 3.6mn units. For all of CY13, we forecast SIM to deliver CY13 net profit of Bt868.63mn, up as much as 423.8% y-y. We also expect its profit to rise further by 10.93% y-y to Bt963.53mn in CY14.

Investment Actions?

We call a 'BUY' on SIM shares with a CY14 target price of Bt5/share.

Figure 1: i-Mobile handset sales

	Feature Phone	Smart Phone	Total	ASP
1Q12	1,027,486	1,838	1,029,324	1,193
2Q12	1,064,981	22,424	1,087,405	1,231
3Q12	834,914	172,422	1,007,336	1,530
4Q12	615,027	340,352	955,379	2,129
1Q13	512,275	381,289	893,564	2,515
2Q13	631,330	384,081	1,015,411	2,413
3Q13	463,433	407,687	871,120	2,888

Valuation Method

P/E'14 (20x)

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