Bangkok Airways Pcl (BA TB) - BUY, Price Bt9.15, TP Bt13.50

Results Comment

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2Q21 loss was lower than expected

- BA reported a normalized loss of Bt779m in 2Q21 versus a normalized loss of Bt2.4bn in 2Q20 and a normalized loss of Bt826m in 1Q21. Thanks to the cost cutting plan and dividend income from its 5.2%-owned BDMS. Including Bt96m gain on exchange rates and Bt189m gain on derivatives, BA reported a net loss of Bt686m in 2Q21.
- However, we maintain our earnings forecast as we are concerned on the current operation halt due to the severe Covid-19 pandemic and the uncertainty of Thailand lifting the tourist arrival ban in 4Q21.
- Despite negative short-term outlook, we maintain a BUY rating on BA as 1) a fall in the share price looks priced in bad news, 2) we expect BA's strong financial status to allow it to survive in this tough situation and emerge as a long-term winner after the Covid-19 subsides, and 3) we like its plan to diversify the airline business into the airport and airport-related businesses.
- BA's revenue increased by 100% y-y in 2Q21 due to the low base last year from the first wave of Covid-19.
- Even though its cost cutting plans caused a drop in the operating costs by 34% y-y in 2Q21 and SG&A expenses by 50% y-y, it was still not enough to offset a sharp fall in revenue making it to still make a loss.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	287	697	1,056	671	573
Gross profit	**(1,918)**	**(1,047)**	**(865)**	**(847)**	**(891)**
SG&A	753	381	400	348	374
Operating profit	(2,671)	(1,428)	(1,265)	(1,195)	(1,264)
EBITDA	**(1,938)**	**(705)**	**(609)**	**(582)**	**(673)**
Other income	585	206	769	439	684
Other expense	0	27	(28)	0	4
Interest expense	238	207	255	335	365
Profit before tax	**(2,325)**	**(1,456)**	**(723)**	**(1,091)**	**(949)**
Income tax	268	(30)	71	(102)	(5)
Equity & invest. income	174	105	145	152	153
Minority interests	19	16	9	11	12
Extraordinary items	(575)	(265)	240	80	93
Net profit	**(2,975)**	**(1,569)**	**(401)**	**(746)**	**(686)**
Normalized profit	**(2,400)**	**(1,304)**	**(640)**	**(826)**	**(779)**
EPS (Bt)	(1.42)	(0.75)	(0.19)	(0.36)	(0.33)
Normalized EPS (Bt)	(1.14)	(0.62)	(0.30)	(0.39)	(0.37)

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(15)	100	59	2,112	5,919
Gross profit	**na**	**na**	**na**	**(3,400)**	**(2,189)**
SG&A	7	(50)	49	1,478	1,776
Operating profit	na	na	na	(4,879)	(3,965)
EBITDA	**na**	**na**	**na**	**(2,288)**	**(1,272)**
Other income	56	17	61	1,830	1,887
Other expense	677	651	na	0	0
Interest expense	9	53	62	1,127	1,241
Profit before tax	**na**	**na**	**na**	**(4,176)**	**(3,320)**
Income tax	na	na	na	0	0
Equity & invest. income	0	(12)	59	522	391
Minority interests	10	(38)	186	12	34
Extraordinary items	16	na	na	0	0
Net profit	**na**	**na**	**na**	**(3,641)**	**(2,894)**
Normalized profit	**na**	**na**	**na**	**(3,641)**	**(2,894)**
EPS (Bt)	na	na	na	(1.73)	(1.38)
Normalized EPS (Bt)	na	na	na	(1.73)	(1.38)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	3,097	3,071	2,181	1,521	1,253
A/C receivable	365	377	401	296	253
Inventory	498	479	477	455	450
Other current assets	1,074	340	198	163	220
Investment	4,909	4,916	28,305	29,389	30,951
Fixed assets	10,279	10,078	9,777	9,573	9,376
Other assets	36,540	32,768	9,263	8,856	8,484
Total assets	**56,763**	**52,030**	**50,602**	**50,253**	**50,988**
S-T debt	2,057	2,393	2,593	3,334	3,351
A/C payable	1,473	996	1,119	827	888
Other current liabilities	5,218	4,865	6,965	4,492	4,058
L-T debt	2,424	2,510	3,046	2,607	2,804
Other liabilities	22,591	22,433	17,272	19,284	19,606
Minority interest	37	22	14	4	(8)
Shareholders' equity	**22,962**	**18,811**	**19,591**	**19,705**	**20,290**
Working capital	(610)	(139)	(242)	(76)	(184)
Total debt	4,481	4,903	5,640	5,941	6,155
Net debt	**1,384**	**1,833**	**3,459**	**4,421**	**4,902**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(94.5)	(88.0)	(81.3)	(88.1)	99.6
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	na	na	na
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(668.4)	(150.3)	(82.0)	(126.3)	(155.5)
Operating margin	(930.9)	(205.0)	(119.8)	(178.1)	(220.8)
EBITDA margin	(675.5)	(101.2)	(57.6)	(86.8)	(117.5)
Norm net margin	(836.4)	(187.3)	(60.6)	(123.1)	(136.0)
D/E (x)	0.2	0.3	0.3	0.3	0.3
Net D/E (x)	0.1	0.1	0.2	0.2	0.2
Interest coverage (x)	(8.1)	(3.4)	(2.4)	(1.7)	(1.8)
Interest rate	21.3	17.7	19.3	23.2	24.1
Effective tax rate	(11.5)	2.1	(9.8)	9.4	0.5
ROA	(16.8)	(9.6)	(5.0)	(6.6)	(6.2)
ROE	(42.4)	(25.0)	(13.3)	(16.8)	(15.6)

Sources: Company data, Thanachart estimates

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