BTS Group Holdings Pcl (BTS TB) - BUY, Price Bt8.45, TP Bt13.00

Results Comment

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Better-than-expected 1QFY22 earnings

- BTS reported a normalized profit of Bt803m in 1QFY22, up 82% y-y and 421% q-q. The results were slightly better than what we had expected due to lower share of loss.
- Including Bt198m gain on changes in value of financial instruments, Bt481m gain on sales of lands and Bt100m loss on sales of investments, BTS reported its net profit of Bt1.4bn in 1QFY22.
- Even though its 1QFY22 profit makes up 34% of our full-year earnings forecast, we maintain our forecast as we are concerned on the ongoing Covid-19 pandemic to drag on the earnings in 2QFY22.
- We like BTS for long-term investment as 1) a fall in the share price looks priced in bad news and 2) we factor in BTS to be able to extend its concession for 30 years. We then maintain a BUY rating on BTS.
- Total revenue dropped by 20% y-y in 1QFY22 as:
  1) Total revenue from the mass-transit business dropped 22% y-y as construction revenue was down by 29% y-y while O&M revenue was up by 35% y-y.
  2) Revenue from the media business increased 34% y-y due to the low base last year from the first wave of Covid-19.
  3) Revenue from the property business decreased by 44% y-y due to lower construction revenue from its 51%-owned HHT Construction.
- Its gross margin improved to 20% in 1QFY22 from 14% in 1QFY21 mainly due to a lower proportion of the low-margin construction revenue.
- Share of loss decreased to Bt19m in 1QFY22 from Bt479m in 1QFY21 due to lower loss contribution from U City And MACO.

Income Statement					(consolidated)
Yr-end Mar (Bt m)	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**	**1QFY22**
Revenue	9,763	8,967	8,779	7,619	7,842
Gross profit	**1,398**	**1,520**	**1,610**	**1,925**	**1,571**
SG&A	613	542	604	838	681
Operating profit	786	978	1,006	1,087	890
EBITDA	**979**	**1,193**	**1,229**	**1,268**	**1,127**
Other income	1,006	885	1,043	813	1,032
Other expense	0	0	0	0	0
Interest expense	573	609	655	673	722
Profit before tax	**1,218**	**1,254**	**1,394**	**1,228**	**1,201**
Income tax	271	394	746	515	323
Equity & invest. income	(479)	(242)	277	(304)	(19)
Minority interests	(26)	(56)	(447)	(255)	(56)
Extraordinary items	1	203	1,208	1,528	580
Net profit	**443**	**765**	**1,686**	**1,682**	**1,383**
Normalized profit	**442**	**562**	**478**	**154**	**803**
EPS (Bt)	0.03	0.06	0.13	0.13	0.11
Normalized EPS (Bt)	0.03	0.04	0.04	0.01	0.06

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	3	(20)	32	24,185	11,058
Gross profit	**(18)**	**12**	**30**	**5,215**	**4,123**
SG&A	(19)	11	26	2,660	2,765
Operating profit	(18)	13	35	2,555	1,358
EBITDA	**(11)**	**15**	**32**	**3,563**	**2,952**
Other income	27	3	27	3,873	3,639
Other expense					
Interest expense	7	26	26	2,728	3,318
Profit before tax	**(2)**	**(1)**	**32**	**3,700**	**1,678**
Income tax	(37)	19	44	740	336
Equity & invest. income	na	na	26	(72)	836
Minority interests	na	na	10	(539)	(247)
Extraordinary items					
Net profit	**(18)**	**212**	**59**	**2,349**	**1,932**
Normalized profit	**421**	**82**	**34**	**2,349**	**1,932**
EPS (Bt)	(18)	212	59	0.18	0.15
Normalized EPS (Bt)	421	82	34	0.18	0.15

Balance Sheet					(consolidated)
Yr-end Mar (Bt m)	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**	**1QFY22**
Cash & ST investment	6,346	6,922	7,912	6,717	10,248
A/C receivable	1,029	881	2,989	957	866
Inventory	602	602	602	602	602
Other current assets	3,382	3,713	4,263	5,882	9,581
Investment	33,134	33,731	34,230	34,127	39,595
Fixed assets	44,861	48,329	56,416	55,448	59,275
Other assets	86,463	91,728	99,562	108,329	105,084
Total assets	**175,817**	**185,906**	**205,974**	**212,062**	**225,250**
S-T debt	17,378	23,362	21,221	22,813	32,121
A/C payable	7,701	7,398	6,647	5,804	6,685
Other current liabilities	3,292	2,233	3,169	3,642	3,703
L-T debt	70,026	75,620	87,084	91,542	92,883
Other liabilities	14,386	14,381	14,839	12,223	13,811
Minority interest	11,753	11,845	14,980	15,876	15,537
Shareholders' equity	**51,281**	**51,067**	**58,034**	**60,162**	**60,511**
Working capital	(6,070)	(5,915)	(3,056)	(4,246)	(5,217)
Total debt	87,404	98,982	108,305	114,355	125,004
Net debt	**81,058**	**92,060**	**100,393**	**107,638**	**114,756**

Financial Ratios					
(%)	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**	**1QFY22**
Sales growth	22.6	(11.7)	(8.6)	(0.7)	(19.7)
Operating profit growth	30.6	6.1	(7.3)	159.2	13.3
EBITDA growth	14.5	1.0	(8.9)	105.5	15.1
Norm profit growth	(50.9)	(46.7)	(64.7)	5.4	81.7
Norm EPS growth	(55.8)	(49.1)	(64.7)	5.4	81.7
Gross margin	14.3	17.0	18.3	25.3	20.0
Operating margin	8.0	10.9	11.5	14.3	11.4
EBITDA margin	10.0	13.3	14.0	16.6	14.4
Norm net margin	4.5	6.3	5.4	2.0	10.2
D/E (x)	1.4	1.6	1.5	1.5	1.6
Net D/E (x)	1.3	1.5	1.4	1.4	1.5
Interest coverage (x)	1.7	2.0	1.9	1.9	1.6
Interest rate	2.6	2.6	2.5	2.4	2.4
Effective tax rate	22.3	31.4	53.5	42.0	26.9
ROA	1.0	1.2	1.0	0.3	1.5
ROE	3.3	4.4	3.5	1.0	5.3

Sources: Company data, Thanachart estimates

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