

**BTS Group Holdings Pcl (BTS TB) - BUY, Price Bt9.30, TP Bt13.00** | Results Comment

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**Higher-than-expected 3Q earnings**

- BTS reported a normalized profit of Bt1.1bn in 3QFY22, up 178% y-y and 234% q-q. The results were higher than what we had expected. A significant increase in earnings year on year and quarter on quarter was due to lower tax expenses, higher equity income and lower minority interest.
- For its profit before tax, it decreased 21% y-y (mainly due to lower construction revenue by 27% y-y despite higher O&M revenue by 15% y-y) while it increased 12% q-q (due to higher construction, O&M and media revenue).
- We maintain a BUY on BTS. Even though We forecast BTS's earnings fall by 8% y-y in FY23F but it is because of lower non-core construction revenue while we still expect its core O&M and media revenue growth. We also factor in BTS to be able to extend its concession for 30 years, boosting its long-term core value.
- Total revenue dropped by 10% y-y in 3QFY22 as:
  - 1) Revenue from the mass-transit business dropped 21% y-y as construction revenue was down by 27% y-y while O&M revenue was up by 15% y-y.
  - 2) Revenue from the media business rose by 99% y-y as a 6% y-y fall in OOH media sales was offset by a 31% y-y rise in digital sales due to higher insurance commission fees and lead generation while the full-quarter consolidation of Fanslink added Bt681m in revenue.
  - 3) Revenue from the property business decreased by 22% y-y due to lower construction revenue from its 51%-owned HHT Construction.
- Its gross margin slightly improved to 19% in 3QFY22 from 18% in 3QFY21 while SG&A expenses were up 26% y-y due to the full-quarter consolidation of Fanslink.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Mar (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	8,779	7,619	7,842	5,589	7,896	Revenue	41	(10)	88	24,185	11,058
<b>Gross profit</b>	<b>1,610</b>	<b>1,925</b>	<b>1,571</b>	<b>1,356</b>	<b>1,490</b>	<b>Gross profit</b>	<b>10</b>	<b>(7)</b>	<b>85</b>	<b>5,215</b>	<b>4,306</b>
SG&A	608	833	681	621	765	SG&A	23	26	78	2,660	2,765
Operating profit	1,001	1,092	890	736	725	Operating profit	(1)	(28)	92	2,555	1,541
<b>EBITDA</b>	<b>1,224</b>	<b>1,273</b>	<b>1,127</b>	<b>945</b>	<b>974</b>	<b>EBITDA</b>	<b>3</b>	<b>(20)</b>	<b>85</b>	<b>3,563</b>	<b>3,135</b>
Other income	952	905	1,032	1,015	1,161	Other income	14	22	83	3,873	3,639
Other expense	0	0	0	0	0	Other expense					
Interest expense	655	673	722	838	865	Interest expense	3	32	89	2,728	3,318
<b>Profit before tax</b>	<b>1,298</b>	<b>1,324</b>	<b>1,201</b>	<b>913</b>	<b>1,021</b>	<b>Profit before tax</b>	<b>12</b>	<b>(21)</b>	<b>85</b>	<b>3,700</b>	<b>1,861</b>
Income tax	746	515	323	336	270	Income tax	(19)	(64)	126	740	372
Equity & invest. income	277	(304)	(19)	(236)	311	Equity & invest. income	na	12	(77)	(72)	714
Minority interests	(447)	(255)	(56)	(24)	(3)	Minority interests	na	na	15	(539)	(247)
Extraordinary items	1,304	1,432	580	259	(5)	Extraordinary items					
<b>Net profit</b>	<b>1,686</b>	<b>1,682</b>	<b>1,383</b>	<b>576</b>	<b>1,054</b>	<b>Net profit</b>	<b>83</b>	<b>(37)</b>	<b>128</b>	<b>2,349</b>	<b>1,956</b>
<b>Normalized profit</b>	<b>382</b>	<b>250</b>	<b>803</b>	<b>317</b>	<b>1,059</b>	<b>Normalized profit</b>	<b>234</b>	<b>178</b>	<b>93</b>	<b>2,349</b>	<b>1,956</b>
EPS (Bt)	0.13	0.13	0.11	0.04	0.08	EPS (Bt)	83	(37)	128	0.18	0.15
Normalized EPS (Bt)	0.03	0.02	0.06	0.02	0.08	Normalized EPS (Bt)	234	178	93	0.18	0.15

  

Balance Sheet (consolidated)						Financial Ratios					
Yr-end Mar (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	(%)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Cash & ST investment	7,912	6,717	10,248	10,297	6,805	Sales grow th	(8.6)	(0.7)	(19.7)	(37.7)	(10.1)
A/C receivable	2,989	957	866	1,013	1,598	Operating profit grow th	(7.8)	160.3	13.3	(24.8)	(27.6)
Inventory	602	621	602	996	953	EBITDA grow th	(9.2)	106.3	15.1	(20.8)	(20.5)
Other current assets	4,263	5,862	9,581	4,999	4,939	Norm profit grow th	(71.8)	71.3	81.7	(43.6)	177.5
Investment	34,230	34,127	39,595	39,367	49,384	Norm EPS grow th	(71.8)	71.3	81.7	(43.6)	177.5
Fixed assets	56,416	55,448	59,275	63,278	66,397	Gross margin	18.3	25.3	20.0	24.3	18.9
Other assets	99,562	108,329	105,084	108,898	113,565	Operating margin	11.4	14.3	11.4	13.2	9.2
<b>Total assets</b>	<b>205,974</b>	<b>212,062</b>	<b>225,250</b>	<b>228,847</b>	<b>243,641</b>	EBITDA margin	13.9	16.7	14.4	16.9	12.3
S-T debt	21,221	22,813	32,121	32,259	35,458	Norm net margin	4.3	3.3	10.2	5.7	13.4
A/C payable	6,647	5,804	6,685	6,136	4,908	D/E (x)	1.5	1.5	1.6	1.7	1.8
Other current liabilities	3,169	3,642	3,703	2,443	2,174	Net D/E (x)	1.4	1.4	1.5	1.6	1.7
L-T debt	87,084	90,650	92,883	97,696	107,866	Interest coverage (x)	1.9	1.9	1.6	1.1	1.1
Other liabilities	14,839	13,116	13,811	13,500	13,587	Interest rate	2.5	2.4	2.4	2.6	2.5
Minority interest	14,980	15,876	15,537	17,144	17,618	Effective tax rate	57.5	38.9	26.9	36.8	26.5
<b>Shareholders' equity</b>	<b>58,034</b>	<b>60,162</b>	<b>60,511</b>	<b>59,669</b>	<b>62,029</b>	ROA	0.8	0.5	1.5	0.6	1.8
Working capital	(3,056)	(4,226)	(5,217)	(4,128)	(2,358)	ROE	2.8	1.7	5.3	2.1	7.0
Total debt	108,305	113,463	125,004	129,955	143,324						
<b>Net debt</b>	<b>100,393</b>	<b>106,746</b>	<b>114,756</b>	<b>119,658</b>	<b>136,519</b>						

Sources: Company data, Thanachart estimates

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