BTS Rail Mass Transit (BTSGIF TB) - BUY, Price Bt4.00, TP Bt5.10

Results Comment

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Lower-than-expected 3QFY22 results

- BTSGIF reported normalized earnings of Bt378m in 3QFY22 (Oct-Dec 2021), down 52% y-y but up from a normalized loss of Bt6m in 2QFY22. The results were lower than what we had expected due to a slow recovery of ridership.
- Including a Bt250m loss from changes in fair value of investments in the "net revenue purchase and transfer agreement" (NRTA), BTSGIF reported a net profit of Bt128m in 3QFY22.
- As the Omicron's impact could even slow a ridership recovery this quarter, we see a downside risk to our earnings forecast in FY22F. In January 2022, BTS's ridership increased 7.7% y-y but fell by 20% m-m. However, we have a BUY on BTSGIF as 1) bad news looks already priced into the unit price, 2) we expect a recovery in ridership next year to drive its strong earnings growth and 3) dividend IRR is high at 11% when held to the concession's end.
- Income from investment in the NRTA decreased 51% y-y in 3QFY22. Its farebox revenue from the core Green Line fell by 34% y-y (ridership dropped by 41% y-y while the average fare grew 11% y-y due to no more discounted monthly ticket sales).
- Its operating and maintenance costs increased 4% y-y mainly due to higher employee and selling expenses.
- The new fair value of investment in NRTA increased to Bt44.8bn as of 31 December 2021 vs. Bt45.1bn as of 30 September 2021. Its NAV as of 31 December 2021 was at Bt45.6bn, equivalent to Bt7.8726 per unit.
- The fund had retained deficits of Bt10.3bn, so it can't pay a dividend for 3QFY22, but it will pay unit holders in form of capital return at Bt0.089/unit.

Income Statement Yr-end Mar (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
NET SALES	805	425	166	10	392
GROSS PROFIT	**805**	**425**	**166**	**10**	**392**
SG&A	16	16	17	14	14
Operating profit	789	409	149	(4)	378
EBITDA	**789**	**409**	**149**	**(4)**	**378**
Other income	1	1	1	0	1
Other expense	(1)	(3)	(3)	(3)	(1)
Interest expense					
Profit before tax	**789**	**407**	**147**	**(6)**	**378**
Income tax					
Equity & invest. income					
Minority interests					
Extraordinary items	(2,966)	(5,642)	(90)	349	(250)
Net Investment Income	**(2,176)**	**(5,235)**	**57**	**343**	**128**
Norm Net Invest. Income	**789**	**407**	**147**	**(6)**	**378**
EPS (Bt)	(0.38)	(0.90)	0.01	0.06	0.02
Normalized EPS (Bt)	0.14	0.07	0.03	(0.00)	0.07

Income Statement (Bt m)	q-q%	y-y%	9M as % 2022F	2022F	2023F
Revenue	3,900	(51)	41	1,368	3,910
Gross profit	**3,900**	**(51)**	**41**	**1,368**	**3,910**
SG&A	1	(11)	130	34	70
Operating profit	na	(52)	39	1,334	3,839
EBITDA	**na**	**(52)**	**39**	**1,334**	**3,839**
Other income	70	(53)	26	6	6
Other expense	na	na	107	(6)	(16)
Interest expense					
Profit before tax	**na**	**(52)**	**39**	**1,335**	**3,830**
Income tax					
Equity & invest. income					
Minority interests					
Extraordinary items	na	na	(1)	(900)	(2,238)
Net profit	**(63)**	**na**	**122**	**435**	**1,592**
Normalized profit	**na**	**(52)**	**39**	**1,335**	**3,830**
EPS (Bt)	(63)	na	122	0.08	0.28
Normalized EPS (Bt)	na	(52)	39	0.23	0.66

Balance Sheet Yr-end Mar (Bt m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Cash & equivalent	111	68	49	27	57
S-T investments					
A/C receivable	183	13	120	0	55
Other					
Investment & Loans	51,075	45,395	45,025	45,470	45,509
Fixed assets					
Other assets					
Total assets	**51,369**	**45,479**	**45,197**	**45,500**	**45,623**
S-T debt					
A/C payable					
Other current liabilities	8	12	12	14	12
L-T debt					
Other liabilities					
Minority interest					
Net Assets	**51,281**	**45,322**	**45,096**	**45,439**	**45,567**
Net debt	(111)	(68)	(49)	(27)	(57)
Avg outstanding units (shrs)	5,788	5,788	5,788	5,788	5,788

Financial Ratios (%)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
Sales growth	(36.6)	(56.6)	17.5	(98.7)	(51.3)
EBITDA growth	(37.0)	(57.5)	22.0	na	(52.1)
Net income growth	na	na	(93.5)	(50.3)	na
Norm income growth	(37.2)	(57.7)	19.6	na	(52.1)
Norm EPS growth	(37.2)	(57.7)	19.6	na	(52.1)
Gross margin	100.0	100.0	100.0	100.0	100.0
Operating margin	98.0	96.3	89.9	(41.1)	96.4
EBITDA margin	98.0	96.3	89.9	(41.1)	96.4
Norm net margin	98.1	95.9	88.7	(65.3)	96.4
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Interest coverage (x)	na	na	na	na	na
Effective tax rate	-	-	-	-	-
ROA	6.0	3.4	1.3	(0.1)	3.3
ROE	6.0	3.4	1.3	(0.1)	3.3

Sources: Company data, Thanachart estimates

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