Bangkok Airways Pcl (BA TB) - BUY, Price Bt10.70, TP Bt13.50

Results Comment

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Higher-than-expected 1Q22 loss

- BA reported a normalized loss of Bt1.1bn in 1Q22 versus a normalized loss of Bt826m in 1Q21 and a normalized loss of Bt221m in 4Q21. The loss was higher than what we had expected. The higher loss y-y was due to lower other income while the higher loss q-q was due to lower other and no dividend income. The 1Q22 loss makes up 37% of our full-year forecast.
- We expect BA to make a lower loss in 2Q22F than that in 1Q22 due to a recovery of Thailand's tourism and dividend income from its 5% owned BDMS.
- Despite our concerns on high oil prices, we maintain a BUY rating on BA as 1) we expect BA's earnings to turn around in 2023F given a continued recovery of Thailand's tourism and 2) we like its plan to diversify into the airport and airport-related businesses which are more stable and less competitive than the airline business.
- BA's total revenue increased 120% y-y in 1Q22. Its passenger revenue increased 209% y-y in 1Q22 due to higher passengers by 146% y-y and higher average fare by 31% y-y. Revenue from the airport-related operations businesses also increased 42% y-y in 1Q22.
- However, given higher available seat kilometers (ASK) by 116% y-y, its revenue per ASK (RASK) fell by 29% y-y to Bt3.45/ASK while its operating costs fell by 41% y-y to Bt5.11/ASK, making a Bt564m gross loss in 1Q22 vs. a Bt847m gross loss in 1Q21.
- However, its SG&A expenses increased 28% y-y in 1Q22 following higher sales while other income fell by 58% y-y mainly due to lower revenue from breakage ticket.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	671	573	401	1,072	1,478
Gross profit	**(847)**	**(891)**	**(999)**	**(661)**	**(564)**
SG&A	348	374	423	406	446
Operating profit	(1,195)	(1,264)	(1,422)	(1,068)	(1,010)
EBITDA	**(582)**	**(673)**	**(855)**	**(496)**	**(382)**
Other income	439	684	179	1,127	184
Other expense	0	4	0	1	0
Interest expense	335	365	298	267	285
Profit before tax	**(1,091)**	**(949)**	**(1,541)**	**(209)**	**(1,111)**
Income tax	(102)	(5)	(78)	68	56
Equity & invest. income	152	153	108	40	104
Minority interests	11	12	10	17	6
Extraordinary items	80	93	(5,631)	79	37
Net profit	**(746)**	**(686)**	**(6,977)**	**(141)**	**(1,020)**
Normalized profit	**(826)**	**(779)**	**(1,346)**	**(221)**	**(1,057)**
EPS (Bt)	(0.36)	(0.33)	(3.32)	(0.07)	(0.49)
Normalized EPS (Bt)	(0.39)	(0.37)	(0.64)	(0.11)	(0.50)

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	38	120	25	5,919	17,464
Gross profit	**na**	**na**	**26**	**(2,189)**	**1,443**
SG&A	10	28	25	1,776	2,445
Operating profit	na	na	25	(3,965)	(1,002)
EBITDA	**na**	**na**	**30**	**(1,272)**	**1,775**
Other income	(84)	(58)	10	1,887	1,937
Other expense	(79)	(46)	na	0	0
Interest expense	7	(15)	23	1,241	1,190
Profit before tax	**na**	**na**	**33**	**(3,320)**	**(256)**
Income tax	(19)	na	na	0	0
Equity & invest. income	161	(32)	27	391	375
Minority interests	(67)	(49)	16	34	102
Extraordinary items	(53)	(54)	na	0	0
Net profit	**na**	**na**	**35**	**(2,894)**	**221**
Normalized profit	**na**	**na**	**37**	**(2,894)**	**221**
EPS (Bt)	na	na	35	(1.38)	0.11
Normalized EPS (Bt)	na	na	37	(1.38)	0.11

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	1,521	1,253	1,105	2,126	1,866
A/C receivable	296	253	240	373	493
Inventory	455	450	439	438	428
Other current assets	163	220	356	169	138
Investment	29,389	30,951	28,005	28,191	30,255
Fixed assets	9,573	9,376	9,203	8,927	8,747
Other assets	8,856	8,484	8,333	8,715	8,304
Total assets	**50,253**	**50,988**	**47,681**	**48,939**	**50,231**
S-T debt	3,334	3,351	14,405	17,910	3,161
A/C payable	827	888	863	967	899
Other current liabilities	4,492	4,058	4,853	4,926	3,679
L-T debt	2,607	2,804	4,932	4,540	19,604
Other liabilities	19,284	19,606	9,572	7,434	8,721
Minority interest	4	(8)	(19)	(36)	(42)
Shareholders' equity	**19,705**	**20,290**	**13,074**	**13,198**	**14,210**
Working capital	(76)	(184)	(184)	(156)	23
Total debt	5,941	6,155	19,337	22,450	22,765
Net debt	**4,421**	**4,902**	**18,232**	**20,324**	**20,899**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(88.1)	99.6	(42.4)	1.6	120.2
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	(126.3)	(155.5)	(249.2)	(61.7)	(38.2)
Operating margin	(178.1)	(220.8)	(354.8)	(99.6)	(68.3)
EBITDA margin	(86.8)	(117.5)	(213.4)	(46.3)	(25.8)
Norm net margin	(123.1)	(136.0)	(335.6)	(20.6)	(71.6)
D/E (x)	0.3	0.3	1.5	1.7	1.6
Net D/E (x)	0.2	0.2	1.4	1.5	1.5
Interest coverage (x)	(1.7)	(1.8)	(2.9)	(1.9)	(1.3)
Interest rate	23.2	24.1	9.3	5.1	5.0
Effective tax rate	9.4	0.5	5.0	(32.7)	(5.0)
ROA	(6.6)	(6.2)	(10.9)	(1.8)	(8.5)
ROE	(16.8)	(15.6)	(32.3)	(6.7)	(30.9)

Sources: Company data, Thanachart estimates

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