Bangkok Airways Pcl (BA TB) - BUY, Price Bt10.30, TP Bt13.50

Results Comment

Saksid Phadthananarak | Email: saksid.pha@thanachartsec.co.th

Lower-than-expected loss in 2Q22

- BA reported a normalized loss of Bt628m in 2Q22 versus a normalized loss of Bt779m in 2Q21 and a normalized loss of Bt1.1bn in 1Q22. The loss in 2Q22 was lower than what we had expected. The lower loss was mainly due to the tourism recovery to boost its revenue and gross margin.
- The 1H22 loss makes up 52% of our full-year loss forecast.
- We still expect BA to make losses in 2H22F but at a lower degree given a continue tourism recovery and our expectation on lower oil prices.
- We maintain our BUY rating on BA as 1) we expect BA's loss to lower next year and turn to a profit in 2024F driven by a continued tourism recovery and 2) we like BA's plan to diversify its airline business into the airport and airport-related businesses which are more stable and less competitive than the airline business.
- BA's total revenue increased 276% y-y in 2Q22. Its passenger revenue increased 642% y-y in 1Q22 due to higher passenger number by 469% y-y and higher average fare by 32% y-y. Revenue from the airport-related operations businesses also increased 50% y-y in 1Q22.
- Given the higher load factor to 79% in 2Q22 vs. 58% in 2Q21, its revenue per available seat kilometers (RASK) increased by 28% y-y to Bt4.54/ASK while its operating costs per ASK (CASK) fell by 58% y-y to Bt6.12/ASK, making its gross loss of Bt317m in 2Q22 vs. Bt891m in 2Q21.
- Its SG&A expenses increased 31% y-y in 2Q22 following higher sales while other income fell by 46% y-y mainly due to lower dividend income from its 5.2%-owned BDMS.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	573	401	1,072	1,478	2,153
Gross profit	**(891)**	**(999)**	**(661)**	**(564)**	**(317)**
SG&A	374	423	406	446	488
Operating profit	(1,264)	(1,422)	(1,068)	(1,010)	(806)
EBITDA	**(673)**	**(855)**	**(496)**	**(382)**	**(184)**
Other income	684	179	1,127	184	368
Other expense	4	0	1	0	0
Interest expense	365	298	267	285	299
Profit before tax	**(949)**	**(1,541)**	**(209)**	**(1,111)**	**(737)**
Income tax	(5)	(78)	68	56	(1)
Equity & invest. income	153	108	40	104	104
Minority interests	12	10	17	6	6
Extraordinary items	93	(5,631)	79	37	(220)
Net profit	**(686)**	**(6,977)**	**(141)**	**(1,020)**	**(848)**
Normalized profit	**(779)**	**(1,346)**	**(221)**	**(1,057)**	**(628)**
EPS (Bt)	(0.33)	(3.32)	(0.07)	(0.49)	(0.40)
Normalized EPS (Bt)	(0.37)	(0.64)	(0.11)	(0.50)	(0.30)

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	46	276	43	8,541	14,814
Gross profit	**na**	**na**	**44**	**(1,996)**	**753**
SG&A	10	31	50	1,879	2,222
Operating profit	na	na	47	(3,875)	(1,469)
EBITDA	**na**	**na**	**36**	**(1,594)**	**842**
Other income	100	(46)	43	1,270	1,310
Other expense	(9)	(94)	na		
Interest expense	5	(18)	49	1,202	1,153
Profit before tax	**na**	**na**	**49**	**(3,808)**	**(1,312)**
Income tax	na	na	na	0	0
Equity & invest. income	(0)	(32)	53	391	375
Minority interests	(0)	(54)	7	157	273
Extraordinary items	na	na	na	0	0
Net profit	**na**	**na**	**57**	**(3,260)**	**(664)**
Normalized profit	**na**	**na**	**52**	**(3,260)**	**(664)**
EPS (Bt)	na	na	57	(1.55)	(0.32)
Normalized EPS (Bt)	na	na	52	(1.55)	(0.32)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	1,253	1,105	2,126	1,866	1,745
A/C receivable	253	240	373	493	602
Inventory	450	439	438	428	435
Other current assets	220	356	169	138	229
Investment	30,951	28,005	28,191	30,255	30,579
Fixed assets	9,376	9,203	8,927	8,747	8,626
Other assets	8,484	8,333	8,715	8,304	7,928
Total assets	**50,988**	**47,681**	**48,939**	**50,231**	**50,144**
S-T debt	3,351	14,405	17,910	3,161	3,820
A/C payable	888	863	967	899	1,086
Other current liabilities	4,058	4,853	4,926	3,679	3,771
L-T debt	2,804	4,932	4,540	19,604	19,422
Other liabilities	19,606	9,572	7,434	8,721	8,508
Minority interest	(8)	(19)	(36)	(42)	(47)
Shareholders' equity	**20,290**	**13,074**	**13,198**	**14,210**	**13,585**
Working capital	(184)	(184)	(156)	23	(48)
Total debt	6,155	19,337	22,450	22,765	23,242
Net debt	**4,902**	**18,232**	**20,324**	**20,899**	**21,496**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	99.6	(42.4)	1.6	120.2	275.9
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	(155.5)	(249.2)	(61.7)	(38.2)	(14.7)
Operating margin	(220.8)	(354.8)	(99.6)	(68.3)	(37.4)
EBITDA margin	(117.5)	(213.4)	(46.3)	(25.8)	(8.5)
Norm net margin	(136.0)	(335.6)	(20.6)	(71.6)	(29.1)
D/E (x)	0.3	1.5	1.7	1.6	1.7
Net D/E (x)	0.2	1.4	1.5	1.5	1.6
Interest coverage (x)	(1.8)	(2.9)	(1.9)	(1.3)	(0.6)
Interest rate	24.1	9.3	5.1	5.0	5.2
Effective tax rate	0.5	5.0	(32.7)	(5.0)	0.1
ROA	(6.2)	(10.9)	(1.8)	(8.5)	(5.0)
ROE	(15.6)	(32.3)	(6.7)	(30.9)	(18.1)

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 65 Derivative Warrants which are ADVANC16C2210A, ADVANC16C2211A, AMAT16C2209A, AOT16C2212A, AOT16C2209A, BANPU16C2210A, BCH16C2211A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2210A, CENTEL16C2209A, COM716C2208A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, EA16C2209A, EA16C2211A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2209A, GULF16C2210A, GUNK16C2209A, HANA16C2209A, HANA16C2211A, IVL16C2209A, IVL16C2211A, JMART16C2210A, JMART16C2211A, JMT16C2210A, JMT16C2211A, KBAN16C2208A, KBAN16C2209A, KBANK16C2211A, KCE16C2208A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2211A, MTC16C2209A, PTG16C2211A, PTG16C2209A, PTTE16C2209A, RBF16C2209A, RCL16C2208A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2211A, SCB16C2208A, SET5016C2209B, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, BANPU, BCH, BGRIM, BLA, CBG, CENTEL, COM7, CPALL, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PTG, PTTEP, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TIDLOR, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)