

BTS Group Holdings Pcl (BTS TB) - BUY, Price Bt8.35, TP Bt13.00 | Results Comment

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Lower-than-expected 2Q earnings

- BTS reported a normalized profit of Bt336m in 2QFY23, up 6% y-y but down 45% q-q. The results were lower than what we had expected. Its earnings growth year on year was due to lower equity loss while its earnings drop quarter on quarter was because its equity income turned to be negative.
- Including Bt236m gain on sales of investments, Bt21m gain on land sales and Bt119m loss on financial instruments, its net profit was Bt474m in 2QFY23, down 18% y-y.
- We have a BUY call on BTS. Even though we forecast a fall in its earnings in FY23F due to lower non-core non-cash construction revenue, we 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.
- BTS's total revenue dropped by 18% y-y in 2QFY23 as:
 - 1) Revenue from the mass-transit business dropped 31% y-y as construction revenue was down by 53% y-y while O&M revenue was up by 7% y-y.
 - 2) Revenue from the media business rose by 34% y-y as the OOH media sales increased 48% y-y while digital services and contribution revenues grew 44% y-y and 14% y-y, respectively.
 - 3) Revenue from the property business increased by 54% y-y due to higher rental and service revenue from Thana Citi Golf & Sports Club.
- Its gross margin improved to 32.5% in 2QFY23 vs. 24.3% in 2QFY22 due to lower low-margin construction revenue while SG&A expenses increased 41% y-y from the consolidation of the high SG&A companies in the media business.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Mar (Bt m)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	(Bt m)	q-q%	y-y%	% 2022F	FY23F	FY24F
Revenue	5,589	7,896	4,729	4,003	4,580	Revenue	14	(18)	44	19,644	14,738
Gross profit	1,356	1,490	1,371	1,371	1,487	Gross profit	8	10	61	4,685	4,496
SG&A	621	765	621	793	874	SG&A	10	41	61	2,750	2,874
Operating profit	736	725	750	578	612	Operating profit	6	(17)	62	1,935	1,622
EBITDA	945	974	927	802	857	EBITDA	7	(9)	43	3,823	6,483
Other income	1,015	1,161	996	1,104	1,074	Other income	(3)	6	50	4,391	3,921
Other expense	0	0	0	0	0	Other expense			na		
Interest expense	838	865	795	884	936	Interest expense	6	12	43	4,214	4,186
Profit before tax	913	1,021	950	798	751	Profit before tax	(6)	(18)	73	2,112	1,358
Income tax	336	270	285	392	301	Income tax	(23)	(10)	164	422	272
Equity & invest. income	(236)	311	(187)	213	(116)	Equity & invest. income	na	na	25	384	856
Minority interests	(24)	(3)	27	(8)	3	Minority interests	na	na	13	(42)	(31)
Extraordinary items	259	(5)	307	(74)	138	Extraordinary items					
Net profit	576	1,054	812	536	474	Net profit	(12)	(18)	50	2,032	1,911
Normalized profit	317	1,059	505	610	336	Normalized profit	(45)	6	47	2,032	1,911
EPS (Bt)	0.04	0.08	0.06	0.04	0.04	EPS (Bt)	(12)	(18)	50	0.15	0.15
Normalized EPS (Bt)	0.02	0.08	0.04	0.05	0.03	Normalized EPS (Bt)	(45)	6	47	0.15	0.15

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Mar (Bt m)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23		2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Cash & ST investment	10,297	6,805	5,115	10,941	8,838	Sales grow th	(37.7)	(10.1)	(37.9)	(49.0)	(18.1)
A/C receivable	1,013	1,598	1,100	1,415	1,224	Operating profit grow th	(24.8)	(27.6)	(38.6)	(39.6)	(16.8)
Inventory	996	953	977	984	995	EBITDA grow th	(20.8)	(20.5)	(33.9)	(32.8)	(9.3)
Other current assets	4,999	4,939	15,952	1,718	3,360	Norm profit grow th	(43.6)	177.5	(59.1)	(29.8)	5.9
Investment	39,367	49,384	49,511	48,996	48,179	Norm EPS grow th	(43.6)	177.5	(59.1)	(29.8)	5.9
Fixed assets	63,278	66,397	67,927	69,471	71,069	Gross margin	24.3	18.9	29.0	34.3	32.5
Other assets	108,898	113,565	115,229	120,278	124,076	Operating margin	13.2	9.2	15.9	14.4	13.4
Total assets	228,847	243,641	255,810	253,804	257,742	EBITDA margin	16.9	12.3	19.6	20.0	18.7
S-T debt	32,259	35,458	40,963	26,039	32,472	Norm net margin	5.7	13.4	10.7	15.2	7.3
A/C payable	6,136	4,908	4,441	4,396	4,554	D/E (x)	1.7	1.8	1.8	1.7	1.8
Other current liabilities	2,443	2,174	2,063	2,677	2,520	Net D/E (x)	1.6	1.7	1.7	1.6	1.7
L-T debt	97,696	107,866	110,319	122,765	121,008	Interest coverage (x)	1.1	1.1	1.2	0.9	0.9
Other liabilities	13,500	13,587	11,896	9,735	10,104	Interest rate	2.6	2.5	2.2	2.4	2.5
Minority interest	17,144	17,618	24,065	25,464	25,847	Effective tax rate	36.8	26.5	30.0	49.2	40.1
Shareholders' equity	59,669	62,029	62,063	62,727	61,236	ROA	0.6	1.8	0.8	1.0	0.5
Working capital	(4,128)	(2,358)	(2,365)	(1,997)	(2,335)	ROE	2.1	7.0	3.3	3.9	2.2
Total debt	129,955	143,324	151,282	148,804	153,481						
Net debt	119,658	136,519	146,167	137,863	144,643						

Sources: Company data, Thanachart estimates

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