

BTS Rail Mass Transit (BTSGIF TB) - BUY, Price Bt4.20, TP Bt4.80**Results Comment**

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Stronger-than-expected 2Q earnings

- BTSGIF reported a normalized profit of Bt848m in 2QFY23 (Jul-Sep 2022), up from a normalized loss of Bt6m in 2QFY22 and up 51% q-q. The earnings were stronger than what we had expected. 1HFY23 normalized profit makes up 53% of our full-year forecast.
- Including a Bt460m loss from changes in fair value of investments in the "net revenue purchase and transfer agreement" (NRTA), BTSGIF reported a net profit of Bt388m in 2QFY23.
- We expect its normalized earnings to continue to recover in 3QFY23 as its ridership recovered to 14.6m trips in October 2022 or 70% of the pre-Covid FY20 level vs. 63% in Jul.-Sep. 2022.
- We maintain our BUY call given 1) its earnings recovery following the ridership improvement and 2) dividend IRR of 10% when held to the concession's end in 2029.
- Income from investment in the NRTA increased 8,684% y-y in 2QFY23 as its farebox revenue from the core Green Line rose by 289% y-y led by the increase in ridership by 278% y-y and the average fare by 3% y-y due to the termination of the monthly pass cards. Its operating and maintenance costs increased 36% y-y mainly due to selling expenses from rabbit reward point cost, employee expense, and utility expense.
- The new fair value of investment in NRTA slightly decreased to Bt37.5bn as of 30 Sep. 2022 vs. Bt38bn as of 30 Jun. 2022 due to the shortening period of its rights in net revenues under the concession agreement which will expire in 2029. Its NAV as of 30 Sep. 2022 was at Bt38.6bn, equivalent to Bt6.6703 per unit.
- As the fund had retained deficits, so distributable payout for 2QFY23 of Bt0.146/unit will be paid in form of capital return.

Income Statement						Income Statement					
Yr-end Mar (Bt m)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	(Bt m)	q-q%	y-y%	% 2023F	FY23F	FY24F
NET SALES	10	392	375	582	860	Revenue	48	8,684	52	2,756	4,274
GROSS PROFIT	10	392	375	582	860	Gross profit	48	8,684	52	2,756	4,274
SG&A	14	14	17	15	12	SG&A	(20)	(12)	40	69	77
Operating profit	(4)	378	358	567	848	Operating profit	50	na	53	2,687	4,197
EBITDA	(4)	378	358	567	848	EBITDA	50	na	53	2,687	4,197
Other income	0	1	1	1	1	Other income	40	165	44	4	6
Other expense	(3)	(1)	(2)	(5)	(1)	Other expense	na	na	na	(24)	(37)
Interest expense						Interest expense					
Profit before tax	(6)	378	356	563	848	Profit before tax	51	na	53	2,667	4,166
Income tax						Income tax					
Equity & invest. income						Equity & invest. income					
Minority interests						Minority interests					
Extraordinary items	349	(250)	(6,060)	(770)	(460)	Extraordinary items	na	na	21	(5,746)	(5,457)
Net Investment Income	343	128	(5,704)	(207)	388	Net profit	na	13	na	(3,079)	(1,291)
Norm Net Invest. Income	(6)	378	356	563	848	Normalized profit	51	na	53	2,667	4,166
EPS (Bt)	0.06	0.02	(0.99)	(0.04)	0.07	EPS (Bt)	na	13	na	(0.53)	(0.22)
Normalized EPS (Bt)	(0.00)	0.07	0.06	0.10	0.15	Normalized EPS (Bt)	51	na	53	0.46	0.72

Balance Sheet						Financial Ratios					
Yr-end Mar (Bt m)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	(%)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Cash & equivalent	27	57	17	15	96	Sales grow th	(98.7)	(51.3)	(11.7)	250.2	8,683.8
S-T investments						EBITDA grow th	na	(52.1)	(12.5)	279.3	na
A/C receivable	0	55	32	198	117	Net income grow th	(50.3)	na	na	na	13.0
Other						Norm income grow th	na	(52.1)	(12.5)	281.7	na
Investment & Loans	45,470	45,509	39,330	38,595	38,404	Norm EPS grow th	na	(52.1)	(12.5)	281.7	na
Fixed assets						Gross margin	100.0	100.0	100.0	100.0	100.0
Other assets						Operating margin	(41.1)	96.4	95.4	97.4	98.6
Total assets	45,500	45,623	39,383	38,810	38,619	EBITDA margin	(41.1)	96.4	95.4	97.4	98.6
S-T debt						Norm net margin	(65.3)	96.4	95.0	96.7	98.5
A/C payable						D/E (x)	-	-	-	-	-
Other current liabilities	14	12	12	12	2	Net D/E (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
L-T debt						Interest coverage (x)	na	na	na	na	na
Other liabilities						Effective tax rate	-	-	-	-	-
Minority interest						ROA	(0.1)	3.3	3.4	5.8	8.8
Net Assets	45,439	45,567	39,348	38,781	38,608	ROE	(0.1)	3.3	3.4	5.8	8.8
Net debt	(27)	(57)	(17)	(15)	(96)						
Avg outstanding units (shrs)	5,788	5,788	5,788	5,788	5,788						

Sources: Company data, Thanachart estimates

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