

Bangkok Airways Pcl (BA TB) - BUY, Price Bt16.00, TP Bt16.00**Results Comment**

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Strong 2Q earnings beat our forecast

- BA reported a normalized profit of Bt672m in 2Q23 vs. a normalized loss of Bt628m in 2Q22 and a normalized profit of Bt831m in 1Q23. The earnings were stronger than what we had expected. Even though the low season caused a fall in the airline business's operating profit q-q, dividend income from its 5%-owned BMDS helped to cushion its earnings drop. BA also booked a huge tax credit in this quarter.
- As we expect BA to report stronger earnings in 3Q23 due to the high season, we see an upside risk to our earnings forecast.
- We like BA and maintain our BUY call as 1) we expect its strong earnings turnaround following a strong tourism recovery and 2) we like BA's strategy 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 102% y-y in 2Q23. Its passenger revenue increased 109% y-y in 2Q23 driven by higher passenger number by 71% y-y and higher fare by 25% y-y. Its airport-related revenue also increased 84% y-y following Thailand's tourism recovery.
- While its RASK increased 10% y-y in 2Q23, its CASK fell by 24% y-y, causing its gross margin to improve to 20% in 2Q23 vs. a negative 15% in 2Q22.
- Its SG&A expenses increased 40% y-y in 2Q23 following higher revenue. Its other income rose by 72% y-y due to higher dividend income from BDMS and higher rental and service, breakage tickets, ticket fees, and excess baggage revenue.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	2,153	3,454	4,221	5,273	4,357	Revenue	(17)	102	48	19,894	20,132
Gross profit	(317)	147	515	1,457	867	Gross profit	(41)	na	53	4,368	3,741
SG&A	488	559	604	652	682	SG&A	5	40	48	2,785	2,819
Operating profit	(806)	(412)	(89)	805	184	Operating profit	(77)	na	62	1,583	922
EBITDA	(184)	195	486	1,299	623	EBITDA	(52)	na	51	3,767	3,089
Other income	368	488	410	438	632	Other income	44	72	53	2,019	2,082
Other expense	0	0	8	0	1	Other expense	360	244	na	0	0
Interest expense	299	373	533	543	546	Interest expense	1	82	56	1,946	1,695
Profit before tax	(737)	(297)	(219)	701	270	Profit before tax	(62)	na	59	1,656	1,309
Income tax	(1)	(33)	93	(13)	(230)	Income tax	na	na	na	331	262
Equity & invest. income	104	123	159	122	170	Equity & invest. income	39	64	67	435	457
Minority interests	6	3	2	(4)	3	Minority interests	na	(47)	na	28	28
Extraordinary items	(220)	(255)	302	44	(3)	Extraordinary items	na	na	na	0	0
Net profit	(848)	(393)	150	875	670	Net profit	(23)	na	86	1,788	1,532
Normalized profit	(628)	(138)	(152)	831	672	Normalized profit	(19)	na	84	1,788	1,532
EPS (Bt)	(0.40)	(0.19)	0.07	0.42	0.32	EPS (Bt)	(23)	na	86	0.85	0.73
Normalized EPS (Bt)	(0.30)	(0.07)	(0.07)	0.40	0.32	Normalized EPS (Bt)	(19)	na	84	0.85	0.73

Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	1,745	2,879	3,592	7,058	8,374	Sales growth	275.9	761.5	293.6	256.9	102.4
A/C receivable	602	770	1,185	1,162	1,038	Operating profit growth	na	na	na	na	na
Inventory	435	442	465	465	471	EBITDA growth	na	na	na	na	na
Other current assets	229	3,264	3,367	924	1,257	Norm profit growth	na	na	na	na	na
Investment	30,579	38,051	37,401	37,884	34,706	Norm EPS growth	na	na	na	na	na
Fixed assets	8,626	8,395	8,270	7,188	7,153	Gross margin	(14.7)	4.3	12.2	27.6	19.9
Other assets	7,928	8,379	7,967	7,862	6,904	Operating margin	(37.4)	(11.9)	(2.1)	15.3	4.2
Total assets	50,144	62,179	62,246	62,543	59,901	EBITDA margin	(8.5)	5.6	11.5	24.6	14.3
S-T debt	3,820	2,333	10,139	2,468	3,117	Norm net margin	(29.1)	(4.0)	(3.6)	15.8	15.4
A/C payable	1,086	1,343	1,558	1,390	1,260	D/E (x)	1.7	1.8	1.9	1.7	1.7
Other current liabilities	3,771	4,003	5,529	3,663	3,273	Net D/E (x)	1.6	1.7	1.6	1.3	1.3
L-T debt	19,422	28,378	21,074	27,995	26,818	Interest coverage (x)	(0.6)	0.5	0.9	2.4	1.1
Other liabilities	8,508	9,316	7,181	8,959	8,260	Interest rate	5.2	5.5	6.9	7.0	7.2
Minority interest	(47)	(50)	(55)	(52)	(55)	Effective tax rate	0.1	11.1	(42.2)	(1.9)	(85.1)
Shareholders' equity	13,585	16,855	16,818	18,120	17,230	ROA	(5.0)	(1.0)	(1.0)	5.3	4.4
Working capital	(48)	(131)	92	237	249	ROE	(18.1)	(3.6)	(3.6)	19.0	15.2
Total debt	23,242	30,712	31,214	30,463	29,935						
Net debt	21,496	27,833	27,622	23,405	21,561						

Sources: Company data, Thanachart estimates

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