

COMPANY RESULTS

BTS Group Holdings (BTS TB)

2QFY20: Core Earnings Slightly Above Our And Street Estimates

BTS reported 2QFY20 net profit growth of 91% yoy, supported by a higher recurring revenue, big dividend income and an improvement in share of profit from associates and JVs. The approval from the cabinet for an extension of the Green Line concession will remain a key share price catalyst for BTS. Maintain BUY. Target price: Bt15.00.

2QFY20 RESULTS

| Year to 31 Mar (Btm) | 2QFY20 | 2QFY19 | 1QFY20 | yoy % chg | qoq % chg |
|----------------------|--------|--------|--------|-----------|-----------|
| Sales | 10,787 | 15,321 | 8,454 | -30 | 28 |
| Gross Profit | 1,699 | 1,361 | 1,475 | 25 | 15 |
| EBITDA | 1,264 | 847 | 979 | 49 | 29 |
| Pre-tax Profit | 1,756 | 1,090 | 1,258 | 61 | 40 |
| Net Profit | 1,278 | 670 | 894 | 91 | 43 |
| Core Profit | 1,123 | 508 | 894 | 121 | 26 |
| EPS (Bt) | 0.108 | 0.057 | 0.075 | 91 | 43 |
| Gross Margin (%) | 15.8 | 8.9 | 17.4 | | |
| EBITDA Margin (%) | 11.7 | 5.5 | 11.6 | | |
| Net Margin (%) | 11.8 | 4.4 | 10.6 | | |

Source: BTS Group Holdings Public Company Limited, UOB Kay Hian

RESULTS

- BTS reported huge net profit growth.** BTS reported 2QFY20 net profit at Bt1.3b, surging 91% yoy from Bt670m in the same period last year. Key growth contributors in 2QFY20 were: a) higher recurring revenue from core operations (mass transit and media), b) lower SG&A expenses, c) large dividend income received in the quarter, and d) higher income from associates and JVs.
- Meanwhile, core profit was slightly above estimates.** Despite the strong growth in reporting profit, we estimate BTS' adjusted profit at around Bt870m, expanding 18% yoy. This adjusted profit is above our and street estimates by 6-10%. We adjusted our profit forecasts, considering the unusually high dividend received in 2QFY20.

KEY FINANCIALS

| Year to 31 Mar (Btm) | 2018 | 2019 | 2020F | 2021F | 2022F |
|-------------------------------|--------|--------|--------|--------|--------|
| Net turnover | 12,171 | 45,895 | 39,677 | 36,823 | 33,317 |
| EBITDA | 2,690 | 3,821 | 4,189 | 4,815 | 5,877 |
| Operating profit | 1,932 | 3,028 | 3,460 | 4,041 | 4,822 |
| Net profit (rep./act.) | 4,416 | 2,873 | 3,759 | 4,558 | 5,421 |
| Net profit (adj.) | 1,998 | 2,610 | 3,759 | 4,558 | 5,421 |
| EPS (Bt) | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 |
| PE (x) | 81.8 | 62.6 | 43.5 | 35.9 | 30.2 |
| P/B (x) | 4.0 | 4.2 | 4.1 | 4.0 | 3.8 |
| EV/EBITDA (x) | 92.6 | 65.2 | 59.5 | 51.8 | 42.4 |
| Dividend yield (%) | 2.5 | 2.6 | 1.8 | 2.0 | 2.3 |
| Net margin (%) | 36.3 | 6.3 | 9.5 | 12.4 | 16.3 |
| Net debt/(cash) to equity (%) | 73.4 | 154.2 | 228.8 | 292.4 | 318.4 |
| Interest cover (x) | 2.2 | 2.3 | 2.1 | 1.7 | 1.7 |
| ROE (%) | 10.7 | 7.2 | 9.6 | 11.2 | 12.9 |
| Consensus net profit | - | - | 3,605 | 4,190 | 4,514 |
| UOBKH/Consensus (x) | - | - | 1.04 | 1.09 | 1.20 |

Source: BTS Group Holdings Public Company Limited, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|--------------|---------|
| Share Price | Bt13.80 |
| Target Price | Bt15.00 |
| Upside | +8.7% |

COMPANY DESCRIPTION

BTS Group Holdings is a leading conglomerate in Thailand. It focuses on rail mass transit and other mass transit-related businesses such as advertising, property and digital services.

STOCK DATA

| | |
|---------------------------------|-------------|
| GICS sector | Industrials |
| Bloomberg ticker: | BTS TB |
| Shares issued (m): | 12,755.2 |
| Market cap (Btm): | 176,021.2 |
| Market cap (US\$m): | 5,819.3 |
| 3-mth avg daily t'over (US\$m): | 18.4 |

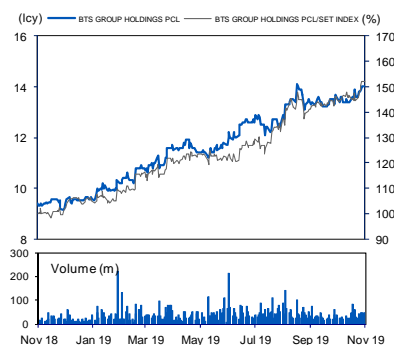
Price Performance (%)

| | | | | | |
|------------------|----------------|-------------|------------|------------|--|
| 52-week high/low | Bt14.10/Bt9.15 | | | | |
| 1mth | 3mth | 6mth | 1yr | YTD | |
| 2.2 | 10.4 | 19.0 | 46.8 | 44.5 | |

Major Shareholders

| | % |
|-------------------------------------|------|
| MR. KEEREE KANJANAPAS'S GROUP | 40.9 |
| THAI NVDR COMPANY LIMITED | 7.4 |
| BANGKOK BANK PUBLIC COMPANY LIMITED | 4.6 |
| FY20 NAV/Share (Bt) | 3.36 |
| FY20 Net Debt/Share (Bt) | 7.70 |

PRICE CHART



Source: Bloomberg

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- Total operating revenue declined on construction.** For group revenue, BTS reported total operating revenue at Bt10.8m, down 30% yoy. The major factor that dragged the top-line figure was a decline in a construction revenue (from Pink and Yellow Lines). In 2QFY20, revenue from installation and construction services came in at Bt8.4b, down 39% yoy, from Bt13.7b in 2QFY19 due to construction progress related factors. Nonetheless, recurring revenue was recorded at Bt2.4b, from Bt1.7b (+44% yoy). The robust growth in recurring revenue came from: a) recognition on the Southern Green Line Extension which has been in operation since Dec 18, and b) overseas business consolidation in the media business. Meanwhile, gross profit margin improved to 15.8% (2QFY20) from 8.9% (2QFY19) due to lower contribution from low-margin segment revenue (eg construction).

- Large dividend received in the quarter.** BTS recorded Bt307m dividend income during 2QFY20, up significantly from Bt25m in 2QFY19.

- Share of profit increased.** Regarding BTS' associates and JVs, BTS booked share of profit of Bt284m in 2QFY20, up 160% yoy from the same period last year. Key growth drivers in share of profit were: a) higher profit from the BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), as well as b) lower losses generated from U city PCL (U). For BTSGIF, as we expected, ridership numbers in 2QFY20 reached its historical high at 63.9m trips (+4.4% yoy) thanks to the operational commencement of Southern and Northern Green Line Extensions. Thus, share of profit from BTSGIF grew to Bt265m (+8.7% yoy). In addition, with no impairment loss from U's asset, U contributed only a minor loss to BTS in 2QFY20 (from loss of Bt99m in 2QFY19).

STOCK IMPACT

- Waiting for extension of Green Line concession.** BTS is still waiting Cabinet approval of the new concession terms. An announcement of the extension will be a key share price catalyst for BTS over the next few months.

EARNINGS REVISION/RISK

- None. We maintain our earnings forecast at Bt3.76b for FY20. BTS is expected to post 44% earnings growth this year.

VALUATION/RECOMMENDATION

- Maintain BUY with target price of Bt15.00.** With the good growth momentum on ridership numbers as well as the potential of existing Green Line concession extension, we maintain BUY on BTS with target price of Bt15.00.

SHARE PRICE CATALYST

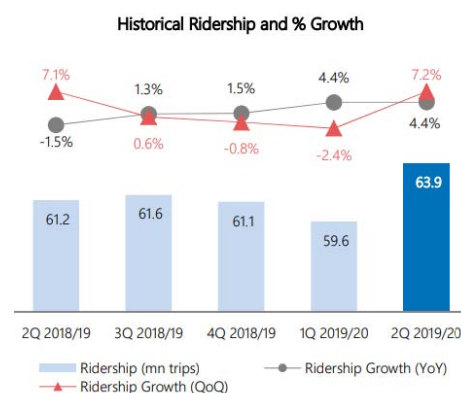
- Extension of Green Line concession.

SOTP VALUATION

| | Value (Btm) | Note |
|--------------------------------|----------------|-------------------------------|
| Mass transit-O&M | 41,974 | DCF (WACC 6.39%) |
| Mass transit-BTSGIF | 21,210 | DCF (WACC 6.39%) |
| Mass transit-Yellow Line | 16,378 | DCF (WACC 7.00%) |
| Mass transit-Pink Line | 15,639 | DCF (WACC 7.00%) |
| Media-VGI | 45,137 | DCF (WACC 8.79%, g 3%) |
| Property | 54,627 | 1.45 PBV/ -1.5SD 5 years mean |
| Potential concession extension | 43,223 | DCF (WACC 6.39%, 30 years) |
| -Net Debt | (46,900) | Net Debt |
| Total equity value | 191,289 | |
| number of share | 12,755 | |
| Target price (Bt) | 15.00 | |

Source: UOB Kay Hian

RIDERSHIP NUMBER



PROFIT & LOSS

| Year to 31 Mar (Btm) | 2019 | 2020F | 2021F | 2022F |
|----------------------------------|---------------|---------------|---------------|---------------|
| Net turnover | 45,895 | 39,677 | 36,823 | 33,317 |
| EBITDA | 3,821 | 4,189 | 4,815 | 5,877 |
| Deprec. & amort. | 793 | 729 | 774 | 1,055 |
| EBIT | 3,028 | 3,460 | 4,041 | 4,822 |
| Total other non-operating income | 2,232 | 2,814 | 3,615 | 4,129 |
| Associate contributions | 494 | 1,126 | 1,640 | 1,983 |
| Net interest income/(expense) | (1,652) | (2,008) | (2,882) | (3,458) |
| Pre-tax profit | 4,102 | 5,392 | 6,413 | 7,476 |
| Tax | (866) | (853) | (955) | (1,099) |
| Minorities | (692) | (780) | (900) | (957) |
| Net profit | 2,873 | 3,759 | 4,558 | 5,421 |
| Net profit (adj.) | 2,610 | 3,759 | 4,558 | 5,421 |

CASH FLOW

| Year to 31 Mar (Btm) | 2019 | 2020F | 2021F | 2022F |
|---|-----------------|-----------------|-----------------|-----------------|
| Operating | 6,383 | (14,893) | (7,659) | 1,632 |
| Pre-tax profit | 4,431 | 5,392 | 6,413 | 7,476 |
| Tax | (866) | (853) | (955) | (1,099) |
| Deprec. & amort. | 793 | 729 | 774 | 1,055 |
| Associates | 494 | 1,126 | 1,640 | 1,983 |
| Working capital changes | 4,001 | (22,870) | (14,016) | (5,773) |
| Non-cash items | (2,470) | 1,583 | (1,515) | (2,009) |
| Other operating cashflows | 0 | 0 | 0 | 0 |
| Investing | (38,065) | (16,812) | (19,309) | (13,359) |
| Capex (growth) | (19,034) | (7,350) | (16,650) | (10,567) |
| Investments | (3,939) | (1,250) | 0 | 0 |
| Others | (15,092) | (8,212) | (2,659) | (2,792) |
| Financing | 26,998 | 20,584 | 27,457 | 11,746 |
| Dividend payments | (4,202) | (2,631) | (3,191) | (3,794) |
| Issue of shares | (380) | 380 | 0 | 0 |
| Proceeds from borrowings | 25,261 | 20,321 | 29,831 | 15,939 |
| Loan repayment | 0 | 0 | 0 | 0 |
| Others/interest paid | 6,319 | 2,515 | 817 | (398) |
| Net cash inflow (outflow) | (4,683) | (11,121) | 490 | 19 |
| Beginning cash & cash equivalent | 17,354 | 12,670 | 1,550 | 2,040 |
| Ending cash & cash equivalent | 12,670 | 1,550 | 2,040 | 2,059 |

BALANCE SHEET

| Year to 31 Mar (Btm) | 2019 | 2020F | 2021F | 2022F |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Fixed assets | 26,145 | 32,767 | 48,643 | 58,155 |
| Other LT assets | 97,041 | 105,844 | 108,844 | 111,994 |
| Cash/ST investment | 12,670 | 1,550 | 2,040 | 2,059 |
| Other current assets | 8,458 | 28,495 | 44,026 | 51,809 |
| Total assets | 144,315 | 168,656 | 203,552 | 224,017 |
| ST debt | 29,544 | 35,635 | 47,328 | 52,635 |
| Other current liabilities | 12,250 | 11,000 | 11,000 | 11,000 |
| LT debt | 42,886 | 57,116 | 75,254 | 85,886 |
| Other LT liabilities | 7,484 | 6,825 | 7,166 | 7,525 |
| Shareholders' equity | 38,747 | 39,862 | 41,229 | 42,856 |
| Minority interest | 13,404 | 18,218 | 21,575 | 24,116 |
| Total liabilities & equity | 144,315 | 168,656 | 203,552 | 224,017 |

KEY METRICS

| Year to 31 Mar (%) | 2019 | 2020F | 2021F | 2022F |
|---------------------------|--------|--------|-------|-------|
| Profitability | | | | |
| EBITDA margin | 8.3 | 10.6 | 13.1 | 17.6 |
| Pre-tax margin | 8.9 | 13.6 | 17.4 | 22.4 |
| Net margin | 6.3 | 9.5 | 12.4 | 16.3 |
| ROA | 2.3 | 2.4 | 2.4 | 2.5 |
| ROE | 7.2 | 9.6 | 11.2 | 12.9 |
| Growth | | | | |
| Turnover | 277.1 | (13.5) | (7.2) | (9.5) |
| EBITDA | 42.0 | 9.6 | 14.9 | 22.1 |
| Pre-tax profit | 67.1 | 31.4 | 18.9 | 16.6 |
| Net profit | (34.9) | 30.8 | 21.3 | 18.9 |
| Net profit (adj.) | 30.7 | 44.0 | 21.3 | 18.9 |
| EPS | 30.6 | 44.0 | 21.3 | 18.9 |
| Leverage | | | | |
| Debt to total capital | 58.1 | 61.5 | 66.1 | 67.4 |
| Debt to equity | 186.9 | 232.7 | 297.3 | 323.2 |
| Net debt/(cash) to equity | 154.2 | 228.8 | 292.4 | 318.4 |
| Interest cover (x) | 2.3 | 2.1 | 1.7 | 1.7 |

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