

Company Update

Friday, April 05, 2024



I V Global Securities Public Company Limited

BTS Group Holdings Plc (BTS)

Rating: HOLD

Fair price: Bt6.3

Close price: Bt5.85

Cash position improves from BMA payment

Company Information

Ticker:	BTS TB
Sector:	Transportation
Shares outstanding (m):	13,167.64
Market capitalization (Btm):	74,397.16
Trading vol/day (Btm):	340.98
Free float (%):	59.34
Beta:	0.59

Major Shareholders

Mr. Keeree Kanjanapas	21.02%
Thai NVDR	10.81%
UBS AG Singapore Branch	6.33%
Mr. Kawin Kanjanapas	4.59%
Social Security	3.18%

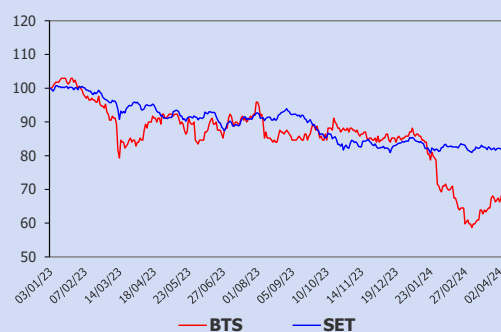
Consensus Bloomberg

2023/24F EPS (Bt):	0.03
Target price (Bt):	7.23

Price Performance

52 Wk high/low:	8.10 / 4.92
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	1M	3M	1Y	YTD
Absolute (%)	15.8	-21.5	-18.8	-19.3
Relative (%)	15.0	-17.2	-4.9	-16.3



Rating	CGR	Thai CAC	SET ESG
BTS		Certified	AA

Analyst

Rattana Leenutaphong
rattana@ivglobal.co.th
Tel: 662-658-5787

- **Event:** On 2 April, the Bangkok Metropolitan Administration (BMA) paid its debt to Bangkok Mass Transit System Plc (BTSC) of Bt23.092bn related to a mass-transit project. The debt was owed due to previous work on the Green Line Skytrain extensions under an E&M installation contract. The remaining debt balance of another Bt22.8bn is pending a court verdict.
- The payment of the E&M debt by BMA will help improve BTS's financial position with a net DE ratio of 2.6x at the end of December 2023. However, there is Bt50bn-plus of total debts owed to BTS by the BMA, with the remaining balance coming to Bt22.8bn (pending the court ruling) and another Bt10bn or so (in the consideration of filing at the court). There are several court cases pending verdicts, as follows:
 - The first portion is the operating and maintenance contract (O&M) divided into a) debts related to the operation and maintenance of the Green Line extension phase 1 of Bt2.35bn, b) similar debts for the Green Line extension phase 2 of Bt9.4bn. The second portion comprises the debts related to a similar case for the O&M contract of another Bt11.07bn. Therefore, the combined debts related to the O&M contract of the Green Line extension pending the court's verdict amount to Bt22.8bn.
 - We view BMA's first debt payment to BTS as a positive step, although it should have no impact on the P&L. The company is expected to use the proceeds to repay the debts, with the reduction in financial costs offsetting the interest income charged from the project. The remaining debts outstanding owed by the BMA could be settled via a concession extension of the original Green Line contract, which is due to expire in 2029, five years from now. In fact, the BMA should inform the company of its decision ahead of the contract expiry whether it will hire BTS to operate the entire project on a new contract basis or convert the debts into a new concession contract. This major decision for the BMA will likely take a long time.
- **Maintain HOLD.** The attempt to divest loss-making investments should allow BTS to start generating a positive bottom line from fiscal year 2025F. However, there's downside risk to our current earnings estimates if the associate companies continue generating slim profits (particularly from the Yellow and Pink Line projects). It remains to be seen how the remaining debts of BMA will be settled with BTS. This could be in the form of extending the concession contract of the existing Green Line mass-transit project. We prefer to maintain our HOLD rating on BTS with a price target of Bt6.3, using sum-of-the-parts valuation methodology. The downside risk is a continued operating loss for some associates, which would continue to drag on its overall performance.

Investment Summary

	FY March 31	Mar-21	Mar-22	Mar-23	Mar 24F	Mar 25F	Mar 26F
Revenue (Btm)	35,128	26,056	18,311	17,797	17,453	17,884	
YoY (%)	-0.8	-25.8	-29.7	-2.8	-1.9	2.5	
Net profit (Btm)	4,576	3,826	1,836	(5,312)	1,126	1,246	
YoY (%)	-43.9	-16.4	-52.0	-389.3	-121.2	10.7	
EPS (Bt)	0.348	0.291	0.139	-0.403	0.086	0.095	
Change (%)	-44.0	-16.4	-52.0	-389.3	-121.2	10.7	
P/E (x)	16.8	20.1	41.9	n.m.	68.4	61.8	
DPS (Bt)	0.31	0.31	0.31	0.00	0.09	0.09	
Yield (%)	5.3	5.3	5.3	0.0	1.5	1.6	
EV/EBITDA (x)	20.9	25.9	29.5	30.4	26.1	27.9	
BVPS (Bt)	4.57	4.58	4.26	3.53	3.53	3.53	
P/BV (x)	1.3	1.3	1.4	1.7	1.7	1.7	
ROE (%)	7.6	6.4	3.2	-10.4	2.4	2.7	
ROA (%)	2.2	1.6	0.7	-2.0	0.4	0.5	
Net D/E ratio (%)	140.9	158.4	195.0	260.5	260.4	258.7	

Source: Company and IVG estimates

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Results

(Btm)	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	9M23	% YoY
Service income	3,352	3,155	6.2	3,090	8.5	9,441	8,941	5.6
Others	1,796	1,566	14.7	891	101.6	4,847	4,363	11.1
Total revenues	5,148	4,721	9.0	3,981	29.3	14,288	13,304	7.4
Total gross profit	1,449	1,487	-2.6	1,316	10.1	4,203	4,345	-3.3
SG&A	(1,336)	(1,218)	9.7	(1,098)	21.6	(3,431)	(2,885)	18.9
EBIT	113	270	-58.0	218	-48.0	771	1,460	-47.2
Other income	1,724	1,714	0.6	1,519	13.5	4,746	3,878	22.4
Interest expense	(1,581)	(1,032)	53.2	(1,459)	8.3	(4,225)	(2,852)	48.1
Profit after interest	256	952	-73.1	277	-7.5	1,292	2,485	-48.0
Equity profit	(980)	444	320.9	(50)	1842.7	(1,995)	540	-469.1
Pre-tax profits	(724)	1,396	-151.9	227	-419.2	(703)	3,026	-123.2
Tax	(453)	(468)	-3.2	(478)	-5.2	(1,464)	(1,162)	26.0
Profit before minority	(1,177)	927	-226.9	(251)	368.8	(2,167)	1,864	-216.2
Minority	1,494	26	5605.3	(43)	-3546.7	1,623	21	7697.5
Net profit	(4,762)	1,049	-554.1	257	-1952.5	(5,277)	2,059	-356.3
EPS (Bt)	(0.36)	0.08	-554.1	0.02	-1952.5	(0.40)	0.16	-356.3

Source: Company and IVG estimates

Financial ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Revenue growth YoY	-49.0	-18.1	-40.2	5.9	28.9	-13.1	9.0
Revenue growth QoQ	-15.4	14.4	3.1	6.1	3.0	-22.8	29.3
Gross margin	34.3	32.5	31.5	33.0	27.9	33.1	28.1
SG&A % of revenue	19.8	19.1	25.8	25.0	19.3	27.6	25.9
EBIT margin	14.4	13.4	5.7	8.0	8.5	5.5	2.2
Net margin	14.9	7.8	20.2	4.9	-2.5	-7.2	6.2

Source: Company and IVG estimates

Quarterly Results

(Btm)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Service income	2,802	2,983	3,155	3,229	2,999	3,090	3,352
Others	1,201	1,596	1,566	1,778	2,161	891	1,796
Total revenues	4,003	4,580	4,721	5,007	5,159	3,981	5,148
Total gross profit	1,371	1,487	1,487	1,655	1,438	1,316	1,449
SG&A	(793)	(874)	(1,218)	(1,253)	(997)	(1,098)	(1,336)
EBIT	578	612	270	401	441	218	113
Other income	1,104	1,074	1,714	1,271	1,502	1,519	1,724
Interest expense	(884)	(936)	(1,032)	(965)	(1,185)	(1,459)	(1,581)
Profit after interest	798	751	952	707	758	277	256
Equity profit	213	(116)	444	(190)	(964)	(50)	(980)
Pre-tax profits	1,011	634	1,396	517	(206)	227	(724)
Tax	(392)	(301)	(468)	(377)	(533)	(478)	(453)
Profit before minority	618	333	927	140	(739)	(251)	(1,177)
Minority	(8)	3	26	193	172	(43)	1,494
Net profit	536	474	1,049	(222)	(773)	257	(4,762)

Source: Company and IVG estimates

Financial ratios

(%)	1Q23	2Q23	3Q23	4Q23	2022	2023
Revenue growth YoY	-49.0	-18.1	-40.2	5.9	-25.8	-29.7
Revenue growth QoQ	-15.4	14.4	3.1	6.1	0.0	0.0
Gross margin	34.3	32.5	31.5	33.0	22.2	32.8
SG&A % of revenue	19.8	19.1	25.8	25.0	10.1	22.6
EBIT margin	14.4	13.4	5.7	8.0	12.2	10.2
Net margin	14.9	7.8	20.2	4.9	10.7	11.8

Source: Company and IVG estimates



BTS	75%
IVG ESG Rating: GOOD	
E: Environmental	17%
Energy Efficiency Management	50%
Climate-Related Management	50%
Sustainable Water Management	50%
Sustainable Waste Management	50%
S: Social	25%
Human Rights Management	50%
Education and Training Policy	50%
Occupational Health and Safety Policy	100%
Corporate Social Responsibility Policy	100%
G: Governance	33%
Corporate Governance Rating (CGR)	100%
Employees Trained on Anti-Corruption	100%
Risk and Crisis Management	100%
Cybersecurity and Customer Data Privacy Protection	100%
Digitalization and Innovation	100%
Customer Relationship Management	100%

TRANS sector	Scores	Weights	BTS
E: Environmental	8	33%	17%
S: Social	8	33%	25%
G: Governance	10	33%	33%
Total	26	100%	75%

Company ESG Policy Priorities		
POOR	MEDIUM	GOOD
1-50%	>50 - 70%	>70 - 100%

Source: Sustainability report from company 2022 and Criteria by IVG

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.

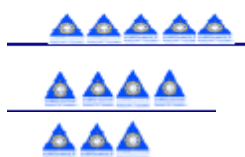
HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months.

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)



Excellent

Very good

Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

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I V Global Securities Public Company Limited

18th Floor, Mercury Tower, 540 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330

Telephone: +66 (0) 2658-5800 Fax: +66 (0) 2658-5799