

Bangkok Expressway and Metro

(BEM.BK/BEM TB)*

Neutral-Maintained

Price as of 10 Aug 2016	8.05
12M target price (Bt/shr)	7.48
Unchanged / Revised up (down) (%)	Unchanged
Upside/downside (%)	(7.1)

Key messages

BEM reported 2Q16 earnings of Bt504mn (down 28% QoQ). The result was in line with our expectation and accounts for 48% of our full-year forecast of Bt2.53bn. Its 2Q16 result was affected by a one-time item (penalty fee of Bt212mn from loan refinancing). We are maintaining a rating of Neutral for BEM with a DCF target price of Bt7.48, reflecting i) additional ridership from Purple Line project, ii) more ridership from potential Blue Line Extension project, and iii) lower interest expense related to its recent debenture issuance.

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2Q16 earnings review: In line with our expectation

Event

BEM reported 2Q16 earnings of Bt504mn (down 28% QoQ). The result was in line with our expectation and accounts for 48% of our full-year forecast of Bt2.53bn.

Impact

2Q16 earnings were in line with expectation

Revenue was down 3.5% QoQ to Bt2.9bn, in line with traffic volume from its expressway and underground mass-transit. Further, gross margin should improve slightly QoQ to 41.5%, from 41.3% in 1Q16. The company's core operation remained strong during the low season in this quarter, while its 2Q16 result was affected by a one-time item (penalty fee of Bt212mn from loan refinancing). Stripping out the one-time item, BEM's 2Q16 earnings would be stable QoQ.

Still positive on longer term outlook

The company's core earnings outlook for this year would be more interesting from i) Si-Rat Outer Ring Road Expressway (SOE), which is scheduled to operate August 20, 2016 and ii) Purple Line (Bang Yai-Bang Sue), which already opened August 6, 2016. Further, we believe BEM has a good chance to be chosen to operate the Blue Line extension (BLE) project with more revenue forecast at Bt1.1-3.4bn per year. We think that the opening of both projects will help i) raise traffic volume and ridership and ii) feed traffic and ridership to BEM's existing expressway and MRT systems.

Looking ahead, upcoming infrastructure projects will be driven by the government, and BEM will be a major player. In the longer-term, BEM is expected to be a high growth potential company as it has a great chance to combine a strong financial base (from BECL) and mass transit system expertise (from BMCL). Further, the new expressway and mass transit projects will play key roles in driving in the company's earnings growth.

Valuation & action

We are maintaining a rating of Neutral for BEM with a DCF target price of Bt7.48, reflecting i) additional ridership from Purple Line project, ii) more ridership from potential Blue Line Extension project, and iii) lower interest expense related to its recent debenture issuance. Further, additional upside of Bt1.90 per share would come from the IBL concession extension and awarded Yellow Line.

Risks

Lower-than-expected economic recovery and delay in government infrastructure projects.

Figure 1: 2Q16 earnings result

Bt mn	2Q16	1Q16	QoQ (%)	Comment
Sale revenue	2,919	3,026	(3.5)	Stable sales revenue
Operating cost	(1,707)	(1,777)	(4.0)	
Gross profit	1,212	1,248	(2.9)	
SG&A	(242)	(233)	4.1	
Pretax profit	1,097	1,142	(3.9)	
Net profit	504	702	(28.2)	Penalty fee from loan prepayment
Normalized profit	504	702	(28.2)	
EPS (Bt)	0.03	0.05	(28.2)	
Percent	2Q16	1Q16	QoQ (ppts)	
Gross margin	41.5	41.3	0.3	Good margin under control
Net profit margin	17.3	23.2	(5.9)	

Source: KGI Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORN BANK	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING		
KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK		



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	ERW	THE ERAWAN GROUP	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	GFPT	GFPT	SPALI	SUPALAI
AP	ASIAN PROPERTY DEVELOPMENT	IFEC	INTER FAR EAST ENGINEERING	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BBL	BANGKOK BANK	LPN	L.P.N. DEVELOPMENT	SVI	SVI
BH	BUMRUNGRAD HOSPITAL	MINT	MINOR INTERNATIONAL	TASCO	TIPCO ASPHALT
BIGC	BIG C SUPERCENTER	PS	PRUKSA REAL ESTATE	TCAP	THANACHART CAPITAL
CK	CH. KARNCHANG	QH	QUALITY HOUSES	TMB	TMB BANK
CPALL	CP ALL	ROBINS	ROBINSON DEPARTMENT STORE	TRUE	TRUE CORPORATION
CPN	CENTRAL PATTANA	RS	RS		
DRT	DIAMOND ROOFING TILES	SAMART	SAMART CORPORATION		



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
CENTEL	CENTRAL PLAZA HOTEL	HMPRO	HOME PRODUCT CENTER	MAKRO	SIAM MAKRO
DCC	DYNASTY CERAMIC	ILINK	INTERLINK COMMUNICATION	MODERN	MODERNFORM GROUP
GL	GROUP LEASE	KTC	KRUNGTHAI CARD	TRT	TIRATHAI
GLOW	GLOW ENERGY	MAJOR	MAJOR CINEPLEX GROUP	TVO	THAI VEGETABLE OIL

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES
ANAN	ANANDA DEVELOPMENT	CKP	CK POWER	PACE	PACE DEVELOPMENT CORPORATION
BA	BANGKOK AIRWAYS	DTAC	TOTAL ACCESS COMMUNICATION	SAWAD	SRI SAWAD POWER 1979
BCH	BANGKOK CHAIN HOSPITAL	GLOBAL	SIAM GLOBAL HOUSE	TMT	THAI METAL TRADE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	TPCH	TPC POWER HOLDING
BEM	BANGKOK EXPRESSWAY AND METRO	GUNKUL	GUNKUL ENGINEERING	WHA	WHA CORPORATION
BJCHI	BJC HEAVY INDUSTRIES	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CBG	CARABAO GROUP	MTLS	MUANGTHAI LEASING		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERAWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENDEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SRI SAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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Rating	Definition
Outperform (OP)	The stock's excess return* over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Neutral (N)	The stock's excess return* over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).1.3
Under perform (U)	The stock's excess return* over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. Excess return = 12M target price/current price-
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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