

**BEM**

**Bangkok Expressway and Metro**

<b>Current BUY</b>	<b>Previous BUY</b>	<b>Close 6.90</b>	<b>2017 TP 12.00</b>	<b>Exp Return + 73.9%</b>	<b>Anti-corrupt -</b>	<b>CGR 2015 -</b>
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Consolidated earnings				
BT (mn)	2014	2015	2016E	2017E
Normalized profit	2,208	1,352	2,756	3,763
Net profit	2,745	2,650	3,128	3,763
EPS (Bt)-Norm	0.14	0.09	0.18	0.246
EPS (Bt)	0.18	0.17	0.204	0.246
% EPS growth	-37.3	-3.5	18.1	20.3
Dividend (Bt)	0.09	0.13	0.10	0.12
BV/share (Bt)	1.93	1.91	2.01	2.14
EV/EBITDA (x)	20.2	21.5	17.6	13.9
PER (x) - Norm	50.90	79.14	38.82	28.43
PER (x)	40.90	40.38	34.20	28.43
PBV(x)	3.81	3.67	3.49	3.28
Dividend yield (%)	1.95	1.80	1.46	1.76
YE No. of shares (mn)	15,285	15,285	15,285	15,285
No. of shares- full dilution	15,285	15,285	15,285	15,285
Par (Bt)	1.0	1.0	1.0	1.0

Source: Company data, FSS estimates

**Share data**

Close (18/10/2016)	6.90
SET Index	1,477.54
Foreign limit/actual (%)	49.00/11.74
Paid-up shares (million)	15,285.00
Free float (%)	55.55
Market cap (Bt m)	105,466.50
Avg daily T/O (Bt m) (2016 YTD)	958.87
Hi, lo, avg (Bt) (2016 YTD)	8.90, 4.90, 6.61

Source: Setsmarts

**Expect catalyst from investment to support long-term revenues**

Our forecast calls for BEM's 3Q16 net profit to be bright both Q-Q and Y-Y thanks to the start of Sri-Rat Outer Ring Road Expressway and the Purple Train Line in August. Looking ahead, we maintain our long-term bullish view since we expect extension of the Blue Line to commence service in 2019 and the connection between Tao Poon and Bang Sue to begin service in 1Q17. Both of which will help ridership to increase. In addition, there is upside from the expedition to begin auction for train lines, while BEM is able to save interest expense following its debt restructuring. We stand by our 2016E net profit at about Bt3.1bn; roll over to our 2017 TP of Bt12 (DCF); and retain our BUY rating on BEM.

**Expect 3Q16 net profit to jump 30% Q-Q**

Our forecast calls for BEM's 3Q16 net profit to surge 30% Q-Q to Bt656mn after Sri-Rat Outer Ring Road Expressway started service and the company began to realize O&M revenue from the Purple Line in August. Although there was heavy rain in September, both traffic and ridership continued to increase. Moreover, there were only a few holidays during the period. As a result, we expect revenues to soar 15% Q-Q thanks to a rise in both toll (+7.8% Q-Q) and fare (+10% Q-Q) revenues. In addition, we anticipate the fee for early repayment to disappear and funding cost to decrease following the refinancing of debts through its issuance of debenture in June 2016.

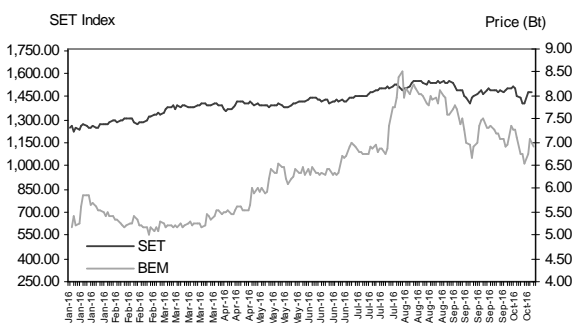
**Talks continue**

The Mass Rapid Transit Authority (MRTA) has extended the talk on the Blue Line and its extension with BEM for another 30 days. Although there is yet to be a conclusion, both parties agree that the concession for the current Blue Line is extended to end in 2049, the same year as its extension. Furthermore, they concede that the highest fare for the whole Blue Line is Bt42, providing unfeasible return for BEM. As a result, the company has requested that it receives compensation of Bt52bn for the existing Blue Line, while the talk continues whether to separate the one connecting station between Bang Sue and Tao Poon into a new contract. For these reasons, we stand by our profit estimate until such talks come to an end.

**Maintain BUY rating after rolling over to 2017 TP of Bt12**

We have rolled over to our 2017 TP of Bt12 (DCF). 2017 will be a good year for BEM as the company realizes full-year revenue from Sri-Rat Outer Ring Road Expressway and full-year O&M revenue from the Purple Line, while it saves interest expense of Bt106mn p.a. after its restructuring of debt. With that, we predict normalized earnings to jump 36.5% Y-Y next year. What's more, we continue to believe that BEM will emerge as operator of the extension of the Blue Line, which will commence full service within 2019. On top of these, BEM still has upside that we are yet to incorporate into our estimate, i.e. chance that the company will win in many large projects after the Ministry of Transport has expedited auction for several train lines in order to stimulate state investment. In this regard, BEM has participated in the auction for the Pink Line (Khae Rai - Minburi) and the Yellow Line (Ladprao - Samrong). Their result will be announced in 1Q17. Other than that, it will participate in auction to operate and manage the Orange Line (Thailand Cultural Center - Minburi) next year. BEM has an edge over its rivals in terms of cost and is expected winner in this auction.

*Risks: Delay in the negotiation and the commencement of the Blue Line extension, delay in the auction of train lines, failure to get an extension for Sri-Rat Outer Ring Road Expressway*



Source: SET

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**BEM: 3Q16E Earnings Preview**

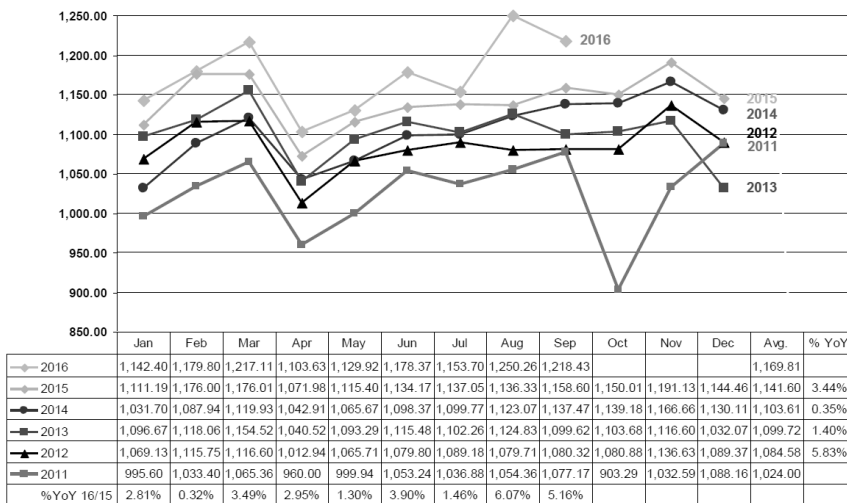
(Bt mn)	3Q16E	2Q16	%Q-Q	2016E	2015	%Y-Y
Sales revenue	3,356	2,919	15.0	13,265	11,738	13.01
Costs	2,031	1,707	19.0	7,535	7,094	6.21
Gross profit	1,325	1,212	9.3	5,729	4,643	23.39
SG&A costs	285	242	17.7	1,151	1,115	3.19
Interest charge	342	317	8.1	1,586	1,455	8.99
Norm profit	656	674	-2.7	2,756	1,352	103.86
Net profit	656	504	30.1	3,128	2,650	18.06
EPS (Bt/share)	0.043	0.030	43.1	0.205	0.173	18.06
Gross margin (%)	39.5	41.5	-2.1	43.2	39.6	3.6
Norm earnings margin (%)	19.5	23.1	-3.5	20.8	11.5	9.3
Net profit margin (%)	19.5	17.3	2.3	23.6	22.6	1.0

Source: FSS Estimates

**Total Traffic Volume**



(Thousand trips / Day)



SOE is operated in August 22, 2016

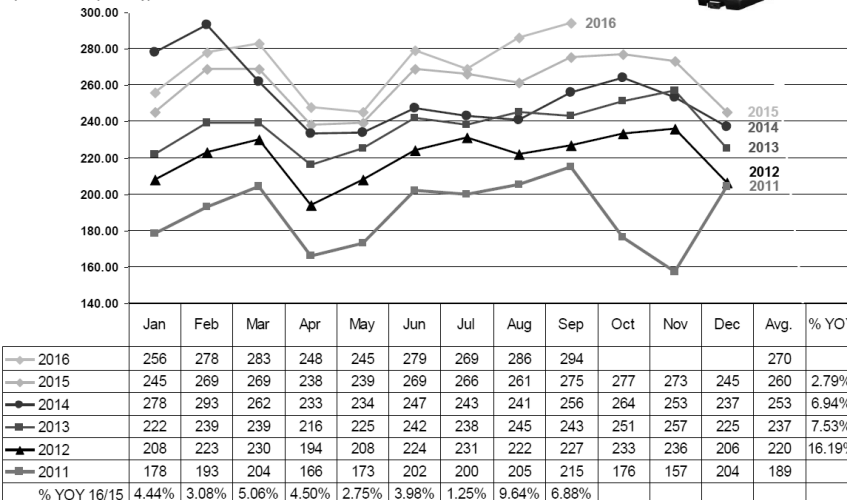


Source: BEM Monthly report

**Metro : Average Daily Ridership : Initial Blue Line (IBL)**



(Thousand trips / Day)



Source: BEM Monthly report

Income Statement (Consolidated)					
(Bt mn)	2013	2014	2015	2016E	2017E
Revenue	10,597	11,234	11,738	13,265	16,597
Costs of sales	5,272	6,556	7,094	7,535	9,572
Gross profit	5,326	4,677	4,643	5,729	7,025
SG&A costs	1,983	923	1,115	1,151	1,444
Operating profit	3,342	3,754	3,528	4,578	5,581
Other income	136	113	69	141	170
EBIT	3,879	4,413	4,059	5,127	6,200
EBITDA	6,997	7,505	7,285	8,751	10,575
Interest charge	2,029	1,437	1,934	1,586	1,365
Tax on income	467	702	721	708	967
Earnings after tax	1,383	2,274	1,403	2,833	3,868
Minority interests	22	66	51	77	105
Normalized earnings	1,361	2,208	1,352	2,756	3,763
Extraordinary items	3,039	537	1,298	372	0
Net profit	4,399	2,745	2,650	3,128	3,763

Balance Sheet (Consolidated)					
(Bt mn)	2013	2014	2015	2016E	2017E
Cash	3,033	2,377	4,483	5,635	6,545
Current investment	775	2,348	497	1,825	1,825
Accounts receivable	83	102	649	673	842
Other current asset	198	198	240	200	213
Total current assets	4,087	5,025	5,869	8,334	9,425
Investment	10,020	9,714	10,870	10,893	10,893
PPE	50,425	54,273	59,085	60,739	56,191
Other assets	829	1,014	2,296	2,979	2,989
Total Assets	65,361	70,026	78,120	82,945	79,499
Short-term loans	0	2,000	22,410	3,000	2,000
Account payable	1,495	2,009	2,580	2,740	3,480
Current maturities	4,743	4,541	1,619	4,433	4,398
Other current liabilities	943	1,087	707	606	623
Total current liabilities	7,182	9,637	27,315	10,779	10,501
Long-term debt	32,882	33,736	21,421	41,221	36,066
Other LT liabilities	583	444	254	275	275
Total non-cu	33,465	34,180	21,675	41,495	36,340
Total liabilities	40,647	43,817	48,990	52,274	46,841
Registered capital	28,200	28,500	15,285	15,285	15,285
Paid-up capital	28,200	28,200	15,285	15,285	15,285
Share Premium	5,817	5,817	5,817	5,817	5,817
Legal reserve	800	800	800	957	1,145
Retained earnings	-7,821	-6,391	7,254	8,662	10,355
Others	-2,373	-2,375	-113	-213	-213
Minority Interest	91	157	86	163	268
Shareholders' equity	24,714	26,209	29,130	30,671	32,657

Cash Flow Statement (Consolidated)					
(Bt mn)	2013	2014	2015	2016E	2017E
Net profit	N.A.	2,745	2,650	3,128	3,763
Depreciation &	N.A.	3,092	3,226	3,624	4,374
Change in working capital	N.A.	862	18,940	-17,849	-460
Other adjustments	N.A.	0	0	0	0
Cash flow from operation	N.A.	6,699	24,816	-11,096	7,677
Capital expenditure	N.A.	-6,939	-8,797	-5,283	164
Others	N.A.	119	-1,679	-702	0
Cash flow from investing	N.A.	-6,820	-10,476	-5,985	164
Free cash flow	N.A.	-121	14,340	-17,081	7,841
Net borrowings	N.A.	715	-12,505	19,820	-5,155
Equity capital raised	N.A.	0	-12,915	0	0
Dividends paid	N.A.	-1,309	-1,925	-1,564	-1,881
Others	N.A.	59	15,112	-23	105
Cash flow from financing	N.A.	-535	-12,233	18,233	-6,932
Net change in cash	N.A.	-656	2,106	1,152	910

Important Ratios (Consolidated) - Ended March					
	2013	2014	2015	2016E	2017E
<b>Growth (%)</b>					
Sales	5.9	6.0	4.5	13.0	25.1
EBITDA	18.2	7.3	-2.9	20.1	20.8
Net profit	56.9	-37.6	-3.5	18.1	20.3
Norm profit	-14.4	62.3	-38.8	103.9	36.5
<b>Profitability Ratios (%)</b>					
Gross profit margin	50.3	41.6	39.6	43.2	42.3
EBITDA margin	66.0	66.8	62.1	66.0	63.7
EBIT margin	36.6	39.3	34.6	38.7	37.4
Norm profit margin	12.8	19.7	11.5	20.8	22.7
Net profit margin	41.5	24.4	22.6	23.6	22.7
Normalized ROA	2.2	3.3	1.8	3.4	4.6
Normalized ROE	5.8	8.7	4.9	9.2	11.9
Normalized ROCE	8.0	7.1	9.0	8.7	9.0
<b>Risk (x)</b>					
D/E	1.33	1.36	1.50	1.44	1.17
Net D/E	1.21	1.27	1.35	1.26	0.97
Net debt/EBITDA	4.27	4.44	5.40	4.41	2.98
<b>Per share data (Bt)</b>					
Reported EPS	0.17	0.18	0.17	0.20	0.25
Norm EPS	0.05	0.14	0.09	0.18	0.25
EBITDA	0.25	0.27	0.48	0.57	0.69
Book value	1.93	0.92	1.91	2.01	2.14
Dividend	0	0.09	0.13	0.10	0.12
Par (Bt)	1.00	1.00	1.00	1.00	1.00
<b>Valuations (x)</b>					
P/E	44.87	40.90	40.38	34.20	28.43
Norm P/E	145.08	50.90	79.14	38.82	28.43
P/BV	7.99	3.81	3.67	3.49	3.28
EV/EBITDA	33.59	20.20	20.80	17.56	13.93
Dividend Yield	0	1.95	1.80	1.46	1.76

Source: Company data, FSS research

**Finansia Syrus Securities Public Company Limited**
**Head Office**

999/9 The offices at Central World  
18th, 25th Fl.,  
Rama 1 Rd., Patumwan,  
Bangkok

**Thaisummit Tower**

1768 Thaisummit Tower Building,  
5<sup>th</sup>, 31<sup>th</sup> Fl., New Petchburi Road,  
Bangkapi, Huaykwang,  
Bangkok

**Alma Link**

9th, 14th, 15th Fl.,  
Alma Link Building 25  
Soi Chidlom, Ploenchit, Lumpini,  
Patumwan, Bangkok

**Amarin Tower**

496-502 Amarin Tower  
20th Floor, Pleonchit,  
Lumpini, Pathumwan,  
Bangkok

**Central Pinklao 1**

7/129-221 Central Pinklao Office  
Building, Room 1404, 14th Fl.,  
Baromratchonnane Road,  
Arunamarin, Bangkoknoi, Bangkok

**Bangkapi**

3105 N Mark Building, 3rd Floor,  
Room A3 R02, Ladprao Road,  
Klongjan, Bangkapi, Bangkok

**Bangna**

1093 Tower 1 Office, 19th Floor,  
Room 1093/105 Moo 12,  
Bangna-Trad Road, Bangna,  
Bangkok

**Sindhorn 1**

140/1 Kian Gwan House II  
18th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

**Sindhorn 2**

130-132 Sindhorn Building 3,  
24th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

**Sindhorn 3**

130-132 Sindhorn Building 3,  
19th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

**Ladprao**

555 Rasa Tower 2, 11st Floor,  
Unit 1106, Phaholyothin Road,  
Chatuchak, Bangkok

**Prachachuen**

105/1 B Building, 4th Floor,  
Thessabansongkhrao Road,  
Ladyao, Jutajak, Bangkok

**Rang sit**

1/832 Phaholyothin 50  
Kukod, Lumlookka  
Pratumtane

**Thaisummit Tower**

1768 Thaisummit Tower Building,  
2nd Floor, New Petchburi Road  
Bangkapi, Huaykwang,  
Bangkok

**Rattanatibet**

68/127 Moo 8 Rattanatibet Road,  
Tumbon Banggrasor,  
Aumphoe Muang,  
Nonthaburi

**Sriracha**

135/99 (G fl.) Sukumvit Road,  
Tumbon Sriracha  
Aumphoe Sriracha, Chonburi

**Khonkaen 1**

311/16 2nd Floor, Klangmeung  
Road, Tumbon Nai Meung,  
Aumphoe Meung,  
Khonkaen

**Khonkaen 3**

311/1  
Khang Meung Road,  
Tumbon Nai Meung,  
Aumphoe Meung Khonkaen,  
Khonkaen

**Udonthani**

104/6, 2 fl., ICBC Bank Tower  
Udon Dusadee Road,  
Tumbon Mak Khaeng,  
Aumphoe Muang Udon Thani,  
Udon Thani

**Chiangmai 1**

308 Chiang Mai Land,  
Chang Klan R., Chang Klan  
Muang  
Chiangmai

**Chiangmai 2**

310 Chiang Mai Land,  
Chang Klan R., Chang Klan  
Muang  
Chiangmai

**Chiangmai 3**

Maliplace Building 32/4 moo 2  
1 fl., B1-1, B1-2 room  
Tumbon Maehia  
Chiangmai

**Chiangrai**

353/15 Moo 4,  
Tumbon Rimkok  
Aumphoe Muang, Cheangrai

**Measai**

119 Moo 10,  
Tumbon Maesai,  
Aumphoe Muang, Cheangrai

**Nakornratchasima**

1242/2 A3 room, 7 fl.,  
The Mall Ratchasima  
Mittraphap rood Tumbon Nai Muang  
Aumphoe Muang Nakornratchasima  
Nakornratchasima

**Samutsakorn**

1045/16-17 Vichienchodok,  
Tumbon Mhachai, Aumphoe  
Meungsamutsakorn, Samutsakorn

**Nakornpathom**

28/16-17 Yingpao Road,  
Tumbon Sanamjan,  
Aumphoe Muang, Nakornpathom

**Phuket**

22/18 Vanish Plaza Shopping  
Mall, Luangporwatchalong Road,  
Tumbon Talad Yai,

**Hatyai 1**

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2nd Floor,  
Building, Niphat Uthit 3 Road,  
Aumphoe Hadyai, Songkhla

**Hatyai 2**

106 Prachathipat Road,  
Aumphoe Hadyai, Songkhla

**Hatyai 3**

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2nd Floor,  
Building, Niphat Uthit 3 Road,  
Aumphoe Hadyai, Songkhla

**Krabi**

223/20 Mharaj Road,  
Tumbon Paknam,  
Aumphoe Meung, Krabi

**Trang**

59/28 Huaiyod Road,  
Tumbon Thaptieng,  
Aumphoe Meungtrang, Trang

**Suratthani**

173/83-84 Moo 1  
Watpho-Bangyai Road.,  
Tumbon Makamtia,  
Aumphoe Mueang, Suratthani

**Pattane**

300/69-70 Moo 4,  
Tumbon Rusamirae,  
Aumphoe Meung, Pattane

**Recommendation Definitions**

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average






*Note: The expected return may change as market risks increase or decline.*

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**Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2015**

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

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**Anti-corruption Progress Indicator**

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
	- Level 3A	Established by Declaration of Intent
	- Level 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

*Anti-corruption Progress Indicator from Thaipat Institute (as of November 6, 2015)*