

Bangkok Expressway and Metro

(BEM.BK/BEM TB)*

Outperform Maintained

| | |
|-----------------------------------|-----------|
| Price as of 22 Feb 2017 | 7.15 |
| 12M target price (Bt/shr) | 8.68 |
| Unchanged / Revised up (down) (%) | Unchanged |
| Upside/downside (%) | 21.4 |

Key messages

BEM reported 4Q16 earnings of Bt592mn (+947% YoY; -27% QoQ). The result was 15% above our expectation. FY16 earnings were Bt2.61bn, compared to our forecast of Bt2.53bn. The key factors were i) revenue rising to Bt3.7bn (+24% YoY; +9% QoQ), led by continued growth in expressway and subway traffic volume, and ii) positive impact from loan refinancing that occurred in 2Q16, leading to lower interest expenses in the quarter (Bt385mn versus Bt826mn in 4Q15). BEM will be the prime beneficiary of the final result of BLE and it should add about Bt1.20/share to the company's target price. We are maintaining a rating of Outperform with a DCF target price of Bt8.68.

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4Q16 earnings review: Beat expectation

Event

BEM reported 4Q16 earnings of Bt592mn (+947% YoY; -27% QoQ). The result was 15% above our expectation. FY16 earnings were Bt2.61bn, compared to our forecast of Bt2.53bn.

Impact

4Q16 earnings beat expectation

The key factors were i) revenue rising to Bt3.7bn (+24% YoY; +9% QoQ), led by continued growth in expressway and subway traffic volume, and ii) positive impact from loan refinancing that occurred in 2Q16, leading to lower interest expenses in the quarter (Bt385mn versus Bt826mn in 4Q15). Meanwhile, gross margin remained stable YoY at 37.4%, from 37.9% in 4Q15. Normalized profit was Bt711mn as the company had no significant extra item during the period. Note that the company had toll revenue of Bt9.3bn (+5.5% YoY), due to an increase in traffic volume along all routes. Further, the company had farebox revenue of Bt3.2bn (+36% YoY).

To connect the missing link between Bang Sue and Tao Poon stations

BEM will play a key role in combining the one-kilometre gap between the Purple Line and the Initial Blue Line (IBL); Bang Sue and Tao Poon stations. This will benefit commuters and help them connect between the Purple Line and IBL more easily than the current shuttle bus. BEM should gain more passengers on IBL following the completion of the link by September 2017. Initially, there were only 20K passengers per day using the Purple Line, which was below estimates.

BLE to add Bt1.20/share to BEM's value

We believe the Blue Line Extension project (BLE) will be the government's next target to speed up the final negotiations between the Mass Rapid Transit Authority of Thailand (MRTA) and BEM by March 2017. The project will increase the length of IBL (Bang Sue-Tha Phra & Hua Lamphong-Bang Khae). Demand by commuters to use this mass-transit line looks strong and affordable. Therefore, BEM will be the prime beneficiary of the final result and it should add about Bt1.20/share to the company's target price.

Valuation & action

We maintain our earnings forecasts during 2017-18. Moreover, we are retaining a rating of Outperform with a target price of Bt8.68.

Risks

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

Figure 1: 4Q16 earnings result

| Bt mn | 4Q16 | 4Q15 | YoY (%) | 3Q16 | QoQ (%) | Comment |
|-------------------|-------------|-------------|-------------------|-------------|-------------------|-------------------------------|
| Sale revenue | 3,728 | 3,004 | 24.1 | 3,431 | 8.7 | Continued sales growth |
| Operating cost | (2,335) | (1,866) | 25.1 | (2,009) | 16.2 | |
| Gross profit | 1,393 | 1,138 | 22.4 | 1,422 | (2.0) | |
| SG&A | (366) | (371) | (1.4) | (290) | 26.3 | |
| Pretax profit | 869 | 1,773 | (51.0) | 1,166 | (25.4) | |
| Net profit | 592 | 57 | 946.7 | 808 | (26.8) | Significant growth YoY |
| Normalized profit | 711 | 1,431 | (50.3) | 695 | 2.3 | |
| EPS (Bt) | 0.04 | 0.00 | 946.7 | 0.05 | (26.8) | |
| Percent | 4Q16 | 4Q15 | YoY (ppts) | 3Q16 | QoQ (ppts) | |
| Gross margin | 37.4 | 37.9 | (0.5) | 41.4 | (4.1) | Slightly softer margin |
| Net profit margin | 15.9 | 1.9 | 14.0 | 23.5 | (7.7) | |

Source: KGI Research

KGI Locations

| | | |
|------------------|----------|---|
| China | Shanghai | Room 1907-1909 , Tower A, No. 100 Zunyi Road, Shanghai, PRC 200051 |
| | Shenzhen | Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008 |
| Taiwan | Taipei | 700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691 |
| Hong Kong | | 41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800 |
| Thailand | Bangkok | 8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014 |

KGI's Ratings

| 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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Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|------------------------------|-------|--------------------------------|-------|---|
| AOT | AIRPORTS OF THAILAND | GPSC | GLOBAL POWER SYNERGY | PTTGC | PTT GLOBAL CHEMICAL |
| BCP | THE BANGCHAK PETROLEUM | HMPRO | HOME PRODUCT CENTER | QH | QUALITY HOUSES |
| BIGC | BIG C SUPERCENTER | IRPC | IRPC | RATCH | RATCHABURI ELECTRICITY GENERATING HOLDING |
| BTS | BTS GROUP HOLDINGS | KBANK | KASIKORNBANK | SCB | THE SIAM COMMERCIAL BANK |
| CK | CH. KARNCHANG | KCE | KCE ELECTRONICS | SCC | THE SIAM CEMENT |
| CPF | CHAROEN POKPHAND FOODS | KKP | KIATNAKIN BANK | SPALI | SUPALAI |
| CPN | CENTRAL PATTANA | KTB | KRUNG THAI BANK | STEC | SINO-THAI ENGINEERING AND CONSTRUCTION |
| DELTA | DELTA ELECTRONICS (THAILAND) | KTC | KRUNGTHAI CARD | SVI | SVI |
| DRT | DIAMOND ROOFING TILES | LPN | L.P.N. DEVELOPMENT | TCAP | THANACHART CAPITAL |
| DTAC | TOTAL ACCESS COMMUNICATION | MINT | MINOR INTERNATIONAL | TISCO | TISCO FINANCIAL GROUP |
| EGCO | ELECTRICITY GENERATING | PTT | PTT | TMB | TMB BANK |
| GFPT | GFPT | PTTEP | PTT EXPLORATION AND PRODUCTION | TOP | THAI OIL |



Companies with Very Good CG Scoring

| Stock | Company name | Stock | Company name | Stock | Company name |
|--------|---------------------------------|--------|------------------------------|--------|---------------------------|
| AAV | ASIA AVIATION | CKP | CK POWER | PYLON | PYLON |
| ADVANC | ADVANCED INFO SERVICE | DCC | DYNASTY CERAMIC | ROBINS | ROBINSON DEPARTMENT STORE |
| ANAN | ANANDA DEVELOPMENT | ERW | THE ERAWAN GROUP | SEAFCO | SEAFCO |
| AP | ASIAN PROPERTY DEVELOPMENT | GLOBAL | SIAM GLOBAL HOUSE | SPRC | STAR PETROLEUM REFINING |
| BANPU | BANPU | GLOW | GLOW ENERGY | TASCO | TIPCO ASPHALT |
| BBL | BANGKOK BANK | GUNKUL | GUNKUL ENGINEERING | TMT | THAI METAL TRADE |
| BDMS | BANGKOK DJISIT MEDICAL SERVICES | LH | LAND AND HOUSES | TRUE | TRUE CORPORATION |
| BEM | BANGKOK EXPRESSWAY AND METRO | MALEE | MALEE SAMPRAN | TVO | THAI VEGETABLE OIL |
| CENDEL | CENTRAL PLAZA HOTEL | MTLS | MUANGTHAI LEASING | | |
| CHG | CHULARAT HOSPITAL | PACE | PACE DEVELOPMENT CORPORATION | | |



Companies with Good CG Scoring

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|--------------------------|--------|---------------------|-------|----------------------------|
| BA | BANGKOK AIRWAYS | MAKRO | SIAM MAKRO | SCN | SCAN INTER |
| BH | BUMRUNGRAD HOSPITAL | MODERN | MODERNFORM GROUP | SIRI | SANSIRI |
| BJCHI | BJC HEAVY INDUSTRIES | NOK | NOK AIRLINES | TKN | TAOKAENOI FOOD & MARKETING |
| CBG | CARABAO GROUP | SAPPE | SAPPE | TPCH | TPC POWER HOLDING |
| ILINK | INTERLINK COMMUNICATION | SAWAD | SRISAWAD POWER 1979 | TRT | TIRATHAI |
| LPH | LADPRAO GENERAL HOSPITAL | SCI | SCI ELECTRIC | | |

Companies classified Not in the three highest score groups

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|------------------------|-------|--------------|-------|-------------------|
| BCH | BANGKOK CHAIN HOSPITAL | BPP | BANPU POWER | FN | FN FACTORY OUTLET |
| BCPG | BCPG | CPALL | CP ALL | | |

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 |
|--------|--------------------------------|--------|------------------------------|--------|---|
| ADVANC | ADVANCED INFO SERVICE | GLOBAL | SIAM GLOBAL HOUSE | QH | QUALITY HOUSES |
| ANAN | ANANDA DEVELOPMENT | GPSC | GLOBAL POWER SYNERGY | RATCH | RATCHABURI ELECTRICITY GENERATING HOLDING |
| BBL | BANGKOK BANK | HMPRO | HOME PRODUCT CENTER | ROBINS | ROBINSON DEPARTMENT STORE |
| BCH | BANGKOK CHAIN HOSPITAL | IRPC | IRPC | SCC | THE SIAM CEMENT |
| BDMS | BANGKOK DUSIT MEDICAL SERVICES | KBANK | KASIKORN BANK | SIRI | SANSIRI |
| BIGC | BIG C SUPERCENTER | KCE | KCE ELECTRONICS | SPALI | SUPALAI |
| CK | CH. KARNCHANG | KKP | KIATNAKIN BANK | STEC | SINO-THAI ENGINEERING AND CONSTRUCTION |
| DCC | DYNASTY CERAMIC | KTB | KRUNG THAI BANK | TCAP | THANACHART CAPITAL |
| DELTA | DELTA ELECTRONICS (THAILAND) | LPH | LADPRAO GENERAL HOSPITAL | TISCO | TISCO FINANCIAL GROUP |
| DRT | DIAMOND ROOFING TILES | PACE | PACE DEVELOPMENT CORPORATION | TMT | THAI METAL TRADE |
| EGCO | ELECTRICITY GENERATING | PTT | PTT | TOP | THAI OIL |
| GFPT | GFPT | PTTGC | PTT GLOBAL CHEMICAL | | |

Level 4: Certified

| Stock | Company name | Stock | Company name | Stock | Company name |
|--------|----------------------------|--------|--------------------------------|--------|----------------------------|
| AAV | ASIA AVIATION | ERW | THE ERAWAN GROUP | SAPPE | SAPPE |
| AP | ASIAN PROPERTY DEVELOPMENT | GLOW | GLOW ENERGY | SAWAD | SRI SAWAD POWER 1979 |
| BA | BANGKOK AIRWAYS | GUNKUL | GUNKUL ENGINEERING | SCB | THE SIAM COMMERCIAL BANK |
| BANPU | BANPU | ILINK | INTERLINK COMMUNICATION | SCN | SCAN INTER |
| BCP | THE BANGCHAK PETROLEUM | KTC | KRUNGTHAI CARD | SEAFCO | SEAFCO |
| BH | BUMRUNGRAD HOSPITAL | LH | LAND AND HOUSES | SVI | SVI |
| BJCHI | BJC HEAVY INDUSTRIES | LPN | L.P.N. DEVELOPMENT | TASCO | TIPCO ASPHALT |
| CBG | CARABAO GROUP | MAKRO | SIAM MAKRO | TKN | TAOKAENOI FOOD & MARKETING |
| CENDEL | CENTRAL PLAZA HOTEL | MALEE | MALEE SAMPRAN | TMB | TMB BANK |
| CHG | CHULARAT HOSPITAL | MINT | MINOR INTERNATIONAL | TRT | TIRATHAI |
| CKP | CK POWER | MODERN | MODERNFORM GROUP | TRUE | TRUE CORPORATION |
| CPF | CHAROEN POKPHAND FOODS | NOK | NOK AIRLINES | TVO | THAI VEGETABLE OIL |
| CPN | CENTRAL PATTANA | PTTEP | PTT EXPLORATION AND PRODUCTION | | |
| DTAC | TOTAL ACCESS COMMUNICATION | PYLON | PYLON | | |

Level 3: Established

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|------------------------------|-------|-------------------|-------|-------------------------|
| BEM | BANGKOK EXPRESSWAY AND METRO | MTLS | MUANGTHAI LEASING | SPRC | STAR PETROLEUM REFINING |
| CPALL | CP ALL | SCI | SCI ELECTRIC | | |

No progress

| Stock | Company name | Stock | Company name | Stock | Company name |
|-------|----------------------|-------|--------------------|-------|-------------------|
| AOT | AIRPORTS OF THAILAND | BPP | BANPU POWER | FN | FN FACTORY OUTLET |
| BCPG | BCPG | BTS | BTS GROUP HOLDINGS | TPCH | TPC POWER HOLDING |

Source: www.ogthailand.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.