

24 April 2017

Transportation & Logistics

BEM
Bangkok Expressway and Metro

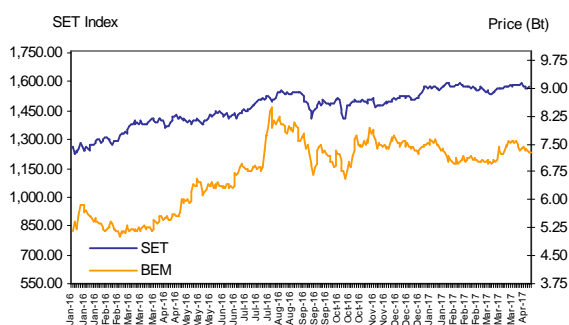
Current	Previous	Close	2017 TP	Exp Return	THAI CAC	CG 2016
BUY	BUY	7.30	10.50	+ 43.8%	N/A	4

Consolidated earnings				
BT (mn)	2015	2016	2017E	2018E
Normalized profit	1,352	2,575	3,323	3,802
Net profit	2,650	2,606	3,323	3,802
EPS (Bt)-Norm	0.088	0.168	0.217	0.249
EPS (Bt)	0.173	0.170	0.217	0.249
% EPS growth	-3.7	-1.7	27.5	14.4
Dividend (Bt)	0.13	0.12	0.15	0.17
BV/share (Bt)	1.91	1.95	2.02	2.10
EV/EBITDA (x)	21.4	19.3	16.7	15.8
PER (x) - Norm	82.53	43.34	33.57	29.35
PER (x)	42.11	42.82	33.57	29.35
PBV(x)	3.83	3.75	3.62	3.48
Dividend yield (%)	1.73	1.64	2.08	2.39
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 (21/04/2017)	7.30
SET Index	1,570.02
Foreign limit/actual (%)	49.00/10.86
Paid-up shares (million)	15,285.00
Free float (%)	55.55
Market cap (Bt m)	111,580.50
Avg daily T/O (Bt m) (2017 YTD)	434.67
Hi, lo, avg (Bt) (2017 YTD)	7.70, 6.95, 7.31

Source: Setsmarts



Source: SET

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1Q17 net profit set to grow both Q-Q and Y-Y

Our forecast calls for BEM's 1Q17 net profit to increase 27% Q-Q and 7% Y-Y thanks to a decline in SG&A expense and a rise in revenues (+24% Y-Y) after traffic increased in all routes, while ridership was up. Moreover, BEM booked O&M revenues from the Purple Line. In 2017, we maintain our bullish view on BEM. To elaborate, we expect the company to realize strong toll revenue from Sri-Rat Outer Ring Road Expressway and full-year O&M revenue from the Purple Line. Moreover, we expect the Purple Line's ridership to sharply increase after the connection between Bang Sue - Tao Poon starts to operate in August. We stand by our 2017E net profit at Bt3.3bn (+27% Y-Y). Finally, we retain our BUY rating on BEM at our 2017 TP of Bt10.5. Note our forecast has priced in the Blue Line's extensions.

Expect 1Q17 profit to recover well due to decreased expense

Our forecast calls for BEM's 1Q17 net profit to amount to Bt751mn (+27% Q-Q, +7% Y-Y). Excluding extra item, i.e. extra gain of Bt31mn from sales of investment booked in 4Q16, we expect normalized earnings to jump 34% Q-Q thanks to a drop in SG&A expense (-25.6% Q-Q) because the company recorded expense related to its new projects in 4Q16. The Y-Y gain is likely to be attributed to revenues which are expected to jump 24% Y-Y to about Bt3.8bn. In the January-March quarter, revenue from its expressway unit is likely to increase 7.7% Y-Y. Although average toll decreased 5% Y-Y, daily average traffic increased to 1,357,000 trips from 1,179,000 trips last year. Revenue from its mass transit business is set to soar 84% Y-Y due to revenue realization of Bt480mn from its management of the Purple Line and a rise in daily average ridership (+8% Y-Y).

Contract for Blue Line's extension signed

BEM has signed concession contract for the Blue Line's extensions, i.e. Hua Lamphong - Bang Kae and Bang Sue - Tha Phra. The contract lasts 33 years and will end in 2049, the year that the contract for the existing Blue Line ends. It fixes the fare of the whole Blue Line at Bt16-42. Given that, we expect BEM to start to operate some of the stations, i.e. Hua Lamphong - Bang Kae, in 2019 and to operate the entire route in 2020. Note our estimate has factored in the aforementioned concession. Once the Line is fully in operation, we expect it to help support daily average ridership to increase by 100,000 trips in the first 1-2 years. Besides this, there is upside that is yet to be incorporated into our estimate, i.e. a plan to auction management and operation of the Orange Line (Taling Chan - Minburi) within 2H17.

Maintain 2017 net profit estimate; TP and BUY rating

Looking ahead, we expect 2Q17 net profit to ease Q-Q due to seasonal factor. To elaborate, there were quite a number of holidays in April, which resulted in a decline in daily average traffic and ridership. However, we expect 3Q17 performance to recover well. To elaborate, we expect a rise in toll and fare revenues because there will not be many holidays. In addition, there is positive impact from the one connection between Bang Sue and Tao Poon which will begin to operate in August. In this regard, we expect it to increase feed-in passenger to the existing Blue Line by 20,000-30,000 daily. Given all that, we stand by our 2017E net profit at Bt3.3bn (+27% Y-Y) and maintain our 2017 TP at Bt10.5 (DCF). Note such forecast has priced in the Blue Line's extensions.

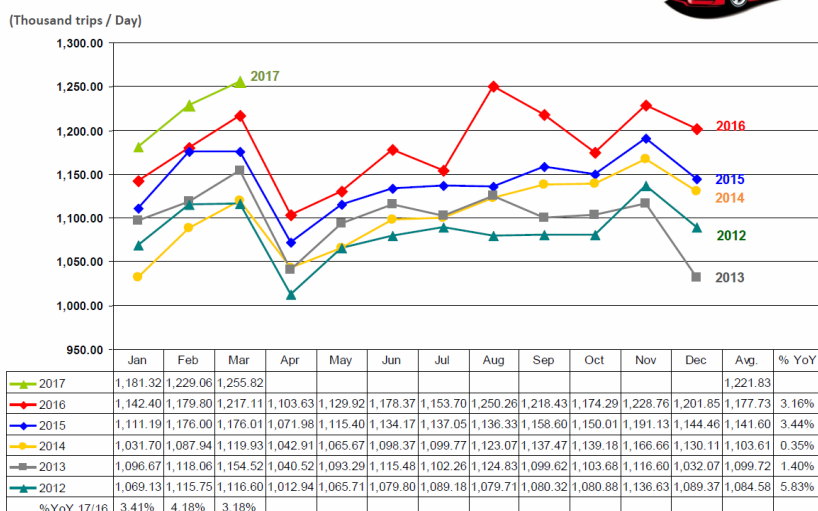
Risks - Lower-than-expected traffic from Sri-Rat Outer Ring Road Expressway, delay in the operation of the Blue Line's extensions, delay in the auction of train lines

1Q17E Earnings Preview

(Bt mn)	1Q17E	4Q16	%Q-Q	1Q16	%Y-Y
Sales revenue	3,753	3,728	0.7	3,026	24.0
Costs	2,315	2,335	-0.8	1,777	30.3
Gross profit	1,437	1,393	3.2	1,248	15.1
SG&A costs	295	366	-19.5	233	26.6
Interest charge	338	385	-12.1	279	21.3
Norm profit	751	561	33.9	702	6.9
Net profit	751	592	26.9	702	6.9
EPS (Bt/share)	0.049	0.039	26.9	0.046	6.9
Gross margin (%)	38.3	37.4	0.9	41.3	-3.0
Norm earnings margin (%)	20.0	15.0	5.0	23.2	-3.2
Net profit margin (%)	20.0	15.9	4.1	23.2	-3.2

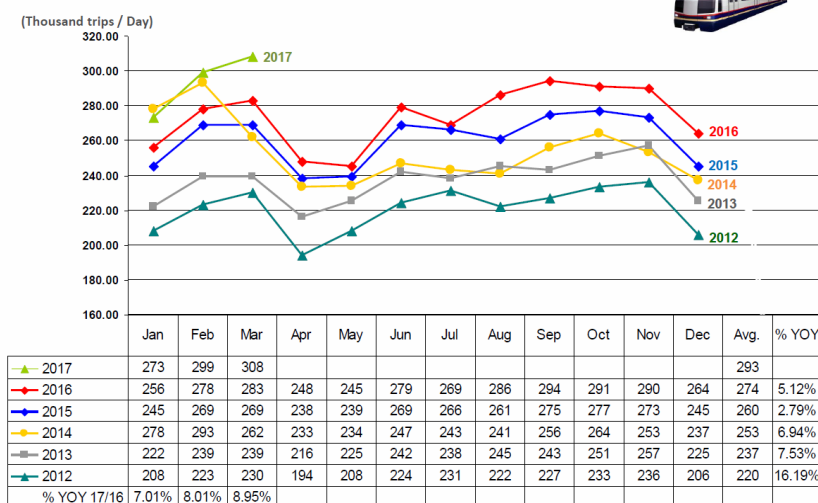
Source: FSS Estimates, Company Data

Total Traffic Volume



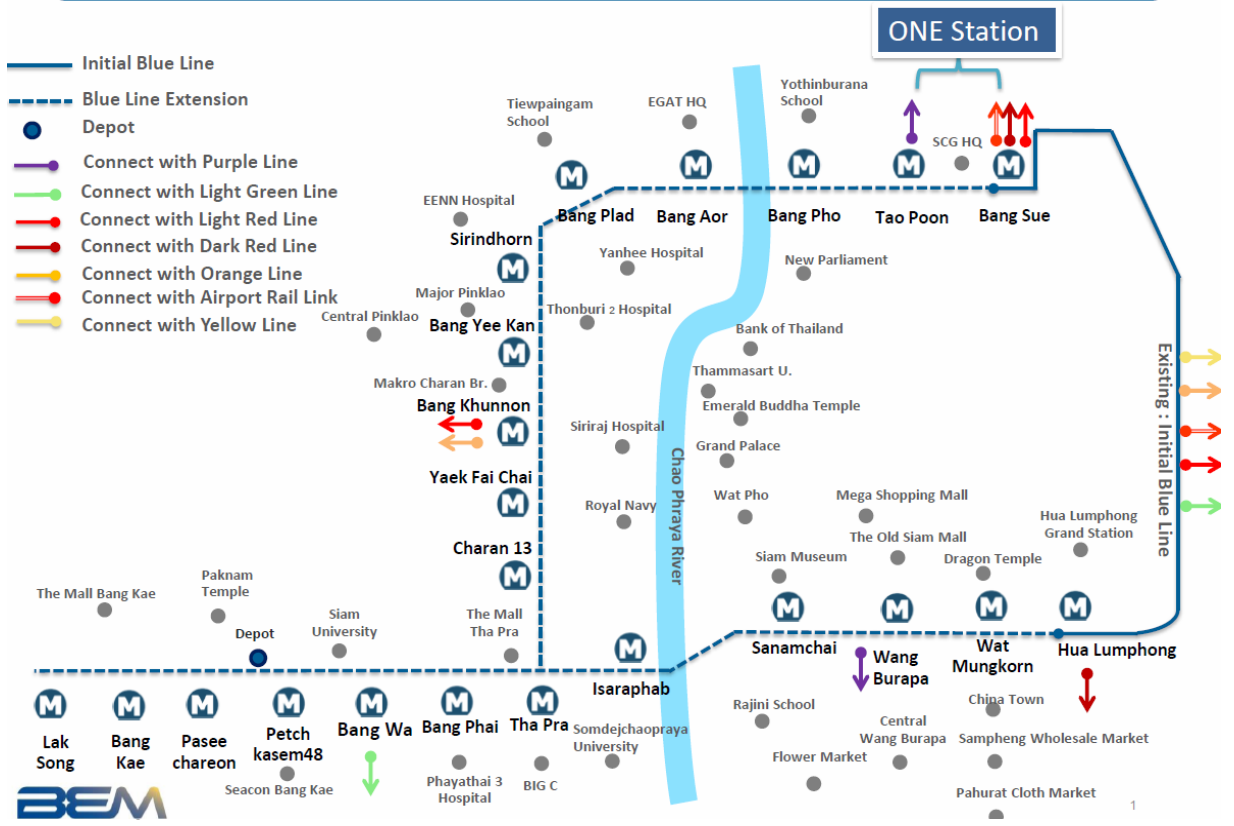
Source: BEM Monthly report

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



Source: BEM Monthly report

Map of Blue Line Extension



Source: BEM Monthly report

Income Statement (Consolidated)					
(Bt mn)	2014	2015	2016	2017E	2018E
Revenue	11,234	11,738	13,104	15,716	17,171
Costs of sales	6,556	7,094	8,247	9,231	9,636
Gross profit	4,677	4,643	4,857	6,485	7,535
SG&A costs	923	1,115	1,131	1,524	1,666
Operating profit	3,754	3,528	3,727	4,960	5,869
Other income	113	69	98	189	105
EBIT	4,413	4,059	4,591	5,599	6,431
EBITDA	7,505	7,285	8,502	9,806	10,700
Interest charge	1,437	1,934	1,446	1,381	1,606
Tax on income	702	721	563	844	965
Earnings after tax	2,274	1,403	2,582	3,374	3,860
Minority interests	66	51	7	51	58
Normalized earnings	2,208	1,352	2,575	3,323	3,802
Extraordinary items	537	1,298	31	0	0
Net profit	2,745	2,650	2,606	3,323	3,802

Cash Flow Statement (Consolidated)					
(Bt mn)	2014	2015	2016	2017E	2018E
Net profit	2,745	2,650	2,721	3,323	3,802
Depreciation &	3,092	3,226	3,636	4,207	4,269
Change in working capital	862	18,940	-16,368	7,887	1,374
Other adjustments	0	0	0	0	0
Cash flow from operation	6,699	24,816	-10,011	15,418	9,445
Capital expenditure	-6,939	-8,797	-5,083	-10,287	-11,545
Others	119	-1,679	-702	-77	0
Cash flow from investing	-6,820	-10,476	-5,985	-10,364	-11,545
Free cash flow	-121	14,340	-15,996	5,054	-2,100
Net borrowings	715	-12,505	27,788	863	4,149
Equity capital raised	0	-12,915	0	0	0
Dividends paid	-1,309	-1,925	-1,360	-2,326	-2,662
Others	59	15,112	-24	51	58
Cash flow from financing	-535	-12,233	26,403	-1,413	1,545
Net change in cash	-656	2,106	10,407	3,641	-555

Balance Sheet (Consolidated)					
(Bt mn)	2014	2015	2016	2017E	2018E
Cash	2,377	4,483	777	4,418	3,864
Current investment	2,348	497	5,941	1,825	1,825
Accounts receivable	102	649	2,371	793	867
Other current asset	198	240	130	210	216
Total current assets	5,025	5,869	9,219	7,247	6,772
Investment	9,714	10,870	11,026	10,893	10,893
PPE	54,273	59,085	60,500	66,600	73,872
Other assets	1,014	2,296	2,040	2,230	2,234
Total Assets	70,026	78,120	82,786	86,970	93,771
Short-term loans	2,000	22,410	4,716	2,000	2,000
Account payable	2,009	2,580	819	3,357	3,504
Current maturities	4,541	1,619	3,567	5,857	7,160
Other current liabilities	1,087	707	456	618	621
Total current liabilities	9,637	27,315	9,558	11,832	13,285
Long-term debt	33,736	21,421	42,956	44,034	48,183
Other LT liabilities	444	254	489	275	275
Total non-cu	34,180	21,675	43,445	44,308	48,457
Total liabilities	43,817	48,990	53,003	56,140	61,742
Registered capital	28,500	15,285	15,285	15,285	15,285
Paid-up capital	28,200	15,285	15,285	15,285	15,285
Share Premium	5,817	5,817	5,817	5,817	5,817
Legal reserve	800	800	929	1,095	1,285
Retained earnings	-6,391	7,254	7,764	8,594	9,545
Others	-2,375	-113	-105	-105	-105
Minority Interest	157	86	93	144	202
Shareholders' equity	26,209	29,130	29,783	30,830	32,029

Important Ratios (Consolidated) - Ended March					
	2014	2015	2016	2017E	2018E
Growth (%)					
Sales	6.0	4.5	19.9	19.9	9.3
EBITDA	7.3	-2.9	16.7	8.9	9.1
Net profit	-37.6	-3.5	-1.7	27.5	14.4
Norm profit	62.3	-38.8	90.4	29.1	14.4
Profitability Ratios (%)					
Gross profit margin	41.6	39.6	37.1	41.3	43.9
EBITDA margin	66.8	62.1	64.9	62.4	62.3
EBIT margin	39.3	34.6	35.0	35.6	37.5
Norm profit margin	19.7	11.5	19.6	21.1	22.1
Net profit margin	24.4	22.6	19.9	21.1	22.1
Normalized ROA	3.3	1.8	3.2	3.7	4.2
Normalized ROE	8.7	4.9	8.7	10.8	12.1
Normalized ROCE	6.7	7.5	8.0	8.6	9.1
Risk (x)					
D/E	1.36	1.50	1.60	1.49	1.57
Net D/E	1.27	1.35	1.57	1.35	1.45
Net debt/EBITDA	4.44	5.40	5.52	4.24	4.33
Per share data (Bt)					
Reported EPS	0.18	0.17	0.17	0.22	0.25
Norm EPS	0.08	0.09	0.17	0.22	0.25
EBITDA	0.27	0.48	0.56	0.64	0.70
Book value	0.92	1.91	1.95	2.02	2.10
Dividend	0.05	0.13	0.12	0.15	0.17
Par (Bt)	1.00	1.00	1.00	1.00	1.00
Valuations (x)					
P/E	75.01	42.11	42.82	33.57	29.35
Norm P/E	93.24	82.53	43.34	33.57	29.35
P/BV	7.94	3.83	3.75	3.62	3.48
EV/EBITDA	32.95	21.43	19.27	16.65	15.84
Dividend Yield	0.64	1.73	1.64	2.08	2.39

Source: Company data, FSS research

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Klongjan, Bangkapi, Bangkok

Ladprao

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

Sriracha

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

Chiangmai 2

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

Samutsakorn

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

Hatyai 3

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

Thaisummit Tower

1768 Thaisammit Tower Building,
5th, 31th Fl., New Petchburi Road,
Bangkapi, Huaykwang,
Bangkok

Bangna

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

Prachachuen

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

Khonkaen 1

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

Chiangmai 3

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

Nakornpathom

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

Krabi

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

Alma Link

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

Sindhorn 1

130-132 Sindhorn Building 1,
2rd Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Rang sit

1/832 Phaholyothin 60
Kukod, Lumlookka
Pratumtanee

Khonkaen 3

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

Chiangrai

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

Phuket

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

Trang

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

Amarin Tower

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

Kian Gwan (Sindhorn 2)

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

Thaisummit Tower

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

Udonthani

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

Measai

119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Hatyai 1

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

Suratthani

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

Central Pinklao 1

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

Sindhorn 3

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

Rattanatibet

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

Chiangmai 1

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

Nakornratchasima

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

Hatyai 2

106 Prachathipat Road,
Aumphoe Hadyai, Songkhla

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 2016

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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Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

1 CG Score 2016 from Thai Institute of Directors Association (IOD)

2 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

(as of October 28, 2016) are categorised into:

- companies that have declared their intention to join CAC, and
- companies certified by CAC.