

11 August 2017

Transportation & Logistics

BEM
Bangkok Expressway and Metro

Current	Previous	Close	2017 TP	Exp Return	THAI CAC	CG 2016
BUY	BUY	7.40	9.70	+ 31.1%	N/A	4

Consolidated earnings				
BT (mn)	2015	2016	2017E	2018E
Normalized earnings	1,352	2,575	3,150	3,594
Net profit	2,650	2,606	3,150	3,594
EPS (Bt) - Norm	0.088	0.168	0.206	0.235
EPS (Bt)	0.173	0.170	0.206	0.235
% EPS growth	-3.7	-1.7	20.9	14.4
Dividend (Bt)	0.13	0.12	0.14	0.16
BV/share (Bt)	1.91	1.95	2.01	2.09
EV/EBITDA (x)	21.6	19.4	17.4	16.5
PER (x) - Norm	83.66	43.93	35.91	31.47
PER (x)	42.69	43.41	35.91	31.47
PBV (x)	3.88	3.80	3.68	3.54
Dividend yield (%)	1.70	1.62	1.95	2.22
YE No. of shares (million)	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

2Q17 profit beats estimates

2Q17 net profit up 3% Q-Q and 43% Y-Y

BEM's 2Q17 net profit comes in at Bt723mn (+3% Q-Q, +43% Y-Y), higher than both our estimate and street forecast, after the contract for the Blue Line's extensions was signed in April. Under this contract, concession period of the Blue Line was extended from 2029 to 2050, resulting in a decline in compensation payments to the MRTA and annual amortization expense. The Q-Q increase is attributed to a decline in operating cost (-2% Q-Q) since the Blue Line's expense decreased after the concession period was extended. The sharp Y-Y gain is made possible by revenues which jumped 27% Y-Y thanks to the following factors. First, revenues from its expressway business surged 11% Y-Y owing to toll of Bt203mn from Sri-Rat Outer Ring Road Expressway. Second, revenues from its mass transit unit soared 89% Y-Y after the Blue Line's ridership was up 9% Y-Y. Moreover, there was O&M revenue of Bt468mn from the Purple Line. Third, revenues from its commercial unit jumped 21% Y-Y, while funding cost dropped by 22% Y-Y after the company restructured its finance last year. Nonetheless, margin was pressured by operating cost which was sharply up by 33.5% Y-Y after more projects started service. As a result, gross margin narrowed to 38.5% from 41.5% last year.

Maintain 2017E net profit and TP of Bt9.7

BEM's 1H17 net profit is equal to Bt1.4bn (+18% Y-Y). It's enough to secure 45% of our full-year estimate. Looking into 2H17, we expect operating performance to continue to grow, supported by the service between Bang Sue and Tao Poon which is scheduled to begin on August 11, 2017. Such connection is expected to contribute daily feed-in passenger of 30,000 trips to the Blue Line. What's more, we anticipate traffic on its expressway to expand, while O&M revenue from the Purple Line continues. We still like BEM in terms of long-term profit which is predicted to grow strong thanks to its expressway business. In addition, we believe ridership of its mass transit business will significantly increase after the Blue Line's extensions begin service in 2019, while its commercial business continues to grow. In this regard, we stand by our 2017E net profit at Bt3.2bn (+21% Y-Y) and retain our BUY rating on BEM at our 2017 TP of Bt9.7.

2Q17 Earnings Results						Comment
(Bt mn)	2Q17	1Q17	%Q-Q	2Q16	%Y-Y	
Revenues	3,705	3,731	-0.7	2,919	26.9	<ul style="list-style-type: none"> In 2Q17, revenues inched down 0.7% Q-Q due to seasonal factor, but jumped 27% Y-Y thanks to O&M revenue from the Purple Line and toll revenue from Sri-Rat Outer Ring Road Expressway. Operating cost surged 33.5% Y-Y because the cost of its mass transit business jumped 74% Y-Y due to the cost to operate the Purple Line, while the cost of its expressway business soared 18% Y-Y after Sri-Rat Outer Ring Road Expressway started service. Although revenues increased, gross margin narrowed to 38.5% from 41.5% last year, pressured by operating cost which increased after more projects started commercial run.
Operating Cost	2,277	2,321	-1.9	1,707	33.5	
Gross profit	1,428	1,410	1.2	1,212	17.8	
SG&A	284	265	7.0	242	17.1	
Interest expense	380	379	0.3	487	-21.8	
Normalized earnings	723	702	2.9	504	43.3	
Net profit	723	702	2.9	504	43.3	
Gross margin (%)	38.5	37.8	0.7	41.5	-3.0	
Norm earnings margin (%)	19.5	18.8	0.7	17.3	2.2	
Net profit margin (%)	19.5	18.8	0.7	17.3	2.2	

Source: Company and FSS Research

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Patumwan, Bangkok

Amarin Tower

496-502 Amarin Tower
20th Floor, Pleonchit,
Lumpini, Pathumwan,
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Central Pinklao 1

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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

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

Kian Gwan (Sindhorn 2)

140/1 Kian Gwan House II
18th 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 60
Kukod, Lumlookka
Pratumtanee

Thaisummit Tower

1768 Thaisammit 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 2

26/9 Moo 7, 2nd Floor
Sri Chant Mai Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
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 road 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, 2rd 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, 2rd 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 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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The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("**listed companies**") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

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.