

**BEM**

**Bangkok Expressway and Metro**

<b>Current</b>	<b>Previous</b>	<b>Close</b>	<b>2018 TP</b>	<b>Exp Return</b>	<b>THAI CAC</b>	<b>CG 2016</b>
<b>BUY</b>	<b>BUY</b>	<b>7.95</b>	<b>10.00</b>	<b>+ 25.8%</b>	<b>N/A</b>	<b>4</b>

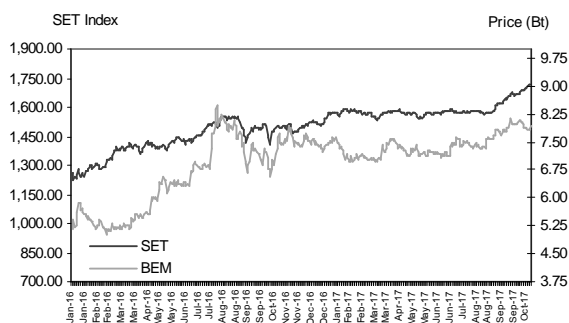
Consolidated earnings				
BT (mn)	2015	2016	2017E	2018E
Normalized profit	1,352	2,575	3,150	3,709
Net profit	2,650	2,606	3,150	3,709
EPS (Bt)-Norm	0.088	0.168	0.206	0.243
EPS (Bt)	0.173	0.170	0.206	0.243
% EPS growth	-3.7	-1.7	20.9	17.8
Dividend (Bt)	0.07	0.11	0.13	0.16
BV/share (Bt)	1.91	1.95	2.01	2.09
EV/EBITDA (x)	22.8	20.4	18.2	17.5
PER (x) - Norm	89.88	47.20	38.58	32.76
PER (x)	45.86	46.63	38.58	32.76
PBV(x)	4.17	4.08	3.95	3.81
Dividend yield (%)	0.88	1.38	1.67	1.97
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 (12/10/2017)	7.95
SET Index	1,712.48
Foreign limit/actual (%)	49.00/10.21
Paid-up shares (million)	15,285.00
Free float (%)	53.99
Market cap (Bt m)	121,515.75
Avg daily T/O (Bt m) (2017 YTD)	382.55
Hi, lo, avg (Bt) (2017 YTD)	8.20, 6.95, 7.47

Source: Setsmarts



Source: SET

Analyst: Jitra Amornthum

Register No.: 014530

Assistant Analyst : Thanyatorn Songwutti

Tel.: +662 646 9966

email: jitra.a@fnsyrus.com

www.fnsyrus.com

**Both expressway and mass transit units hit record high in 3Q17**

Our forecast calls for BEM's 3Q17 net profit to be outstanding. In particular, we expect it to jump 16% Q-Q and increase 4% Y-Y to Bt837mn after there were a small number of holidays in 3Q. Moreover, BEM started service of the connection between Bang Sue and Tao Poon in mid August. In the July-September quarter, both daily average traffic and ridership hit a new high. In 2018, we expect growth to remain strong after the outlook for all of BEM's three businesses remains solid. What's more, there are additional upsides from an auction of the East Orange and the South Purple Lines. In this regard, we anticipate 2017-2018 net profit to grow at an average rate of 19% p.a. BEM is one of the fundamental stocks that we like. It offers both defensive nature and growth opportunity. However, the stock only increased by 7% in the past three months. It lags behind its subsidiary, i.e. CKP, and the transport sector, which jumped by over 25% and 11%, respectively. Hence, we retain our BUY rating on BEM after we have rolled over to our 2018 TP of Bt10.

**Expect 3Q17 profit to grow strong**

Our forecast calls for BEM's 3Q17 net profit to jump 16% Q-Q and go up 4% Y-Y to Bt837mn because there were a small number of holidays in 3Q. Moreover, BEM started service of the connection between Bang Sue and Tao Poon on August 11, 2017. In the July-September quarter, revenues are expected to increase 5% Q-Q and jump 14% Y-Y to Bt3.9bn thanks to the followings. First, we expect revenues from its expressway unit to increase 5% Q-Q and 8% Y-Y after daily average traffic was up by 3% Q-Q and Y-Y to a new high of 1.25mn trips, while the daily average traffic of Sri-Rat Expressway hit a new high of 55,000 trips. Second, we anticipate revenues from its mass transit business to increase 7% Q-Q and jump 29% Y-Y thanks to O&M revenue from the Purple Line and revenues from the Blue Line, which is anticipated to increase 8% Q-Q and 9% Y-Y after daily average ridership increased to a record high of 320,000 trips. Third, we project revenues from its commercial business to increase 2% Q-Q and surge 16% Y-Y. Lately, BMN (in which BEM holds 65% stake) has opened a gourmet market at MRT Ladprao, the first of its kind, on September 19, 2017. We believe that such market will help revenues from the Blue Line and drive its subsidiary's growth. Finally, we retain our 2017E net profit at Bt3.2bn (+21% Y-Y).

**Revise 2018E net profit by 3% to factor in rise in ridership**

We have increased our 2018E net profit by 3% to Bt3.7bn (+18% Y-Y). It factors in a rise of 5% in our daily average ridership estimate on the Blue Line to 320,000 trips and a cut in annual amortization expense by Bt200-300mn after the concession period on the Blue Line was extended from 2029 to 2050. We maintain our view that 2018 will remain the best year for BEM thanks to growth in all of its three units and a rise of Bt5 in its toll for the NECL and SES routes late this year, which has been priced into our estimate. Besides that, there are additional upsides from an auction of the East Orange Line (Taling Chan - Thailand Cultural Center - Minburi) and the South Purple Line (Tao Poon - Ratburana) as well as an extension to the concession period for the SES route, which will expire in 2020.

**Maintain BUY rating at 2018 TP of Bt10**

We maintain our bullish view toward BEM's revenues. In particular, we view that the company's revenues are stable over the long run thanks to its seven concessions in both the rail and expressway systems. In addition, we like BEM because the counter's fundamentals are strong. It's defensive in nature and offers growth opportunity. The company has high management potential and is ready in terms of capital when it comes to auction. However, the stock only increased by 7% in the past three months. It lags behind its subsidiary, i.e. CKP (in which BEM owns 19.4% stake), which jumped by 25.5% over the same period and sharply outperformed the market, as well as the transport sector, which surged by 11%. In this regard, we retain our BUY rating on BEM after we have rolled over to our 2018 DCF-based TP of Bt10 (WACC 6.1%, Terminal Growth 2%), which has priced in the Blue Line's extensions.

*Risks - Lower-than-expected traffic at Sri-Rat Expressway, later-than-expected COD, smaller-than-expected ridership at the Blue Line's extensions, and later-than-expected date of auction for the motorway and train line projects*

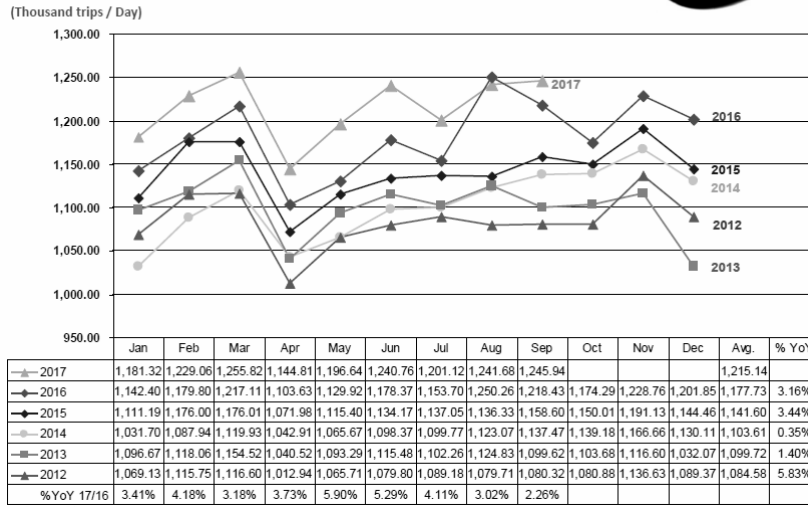
**3Q17E Earnings Preview**

(Bt mn)	3Q17E	2Q17	%Q-Q	3Q16	%Y-Y
Sales revenue	3,898	3,705	5.2	3,431	13.6
Costs	2,320	2,277	1.9	2,009	15.5
Gross profit	1,578	1,428	10.5	1,422	11.0
SG&A costs	274	284	-3.5	290	-5.4
Interest charge	387	380	1.8	296	30.7
Norm profit	837	723	15.8	808	3.6
Net profit	837	723	15.8	808	3.6
EPS (Bt/share)	0.055	0.047	15.8	0.053	3.6
Gross margin (%)	40.5	38.5	1.9	41.4	-1.0
Norm earnings margin (%)	21.5	19.5	2.0	23.5	-2.1
Net profit margin (%)	21.5	19.5	2.0	23.5	-2.1

Source: FSS Estimates, Company Data

Figure 1: Daily Average Traffic (thousand trips)

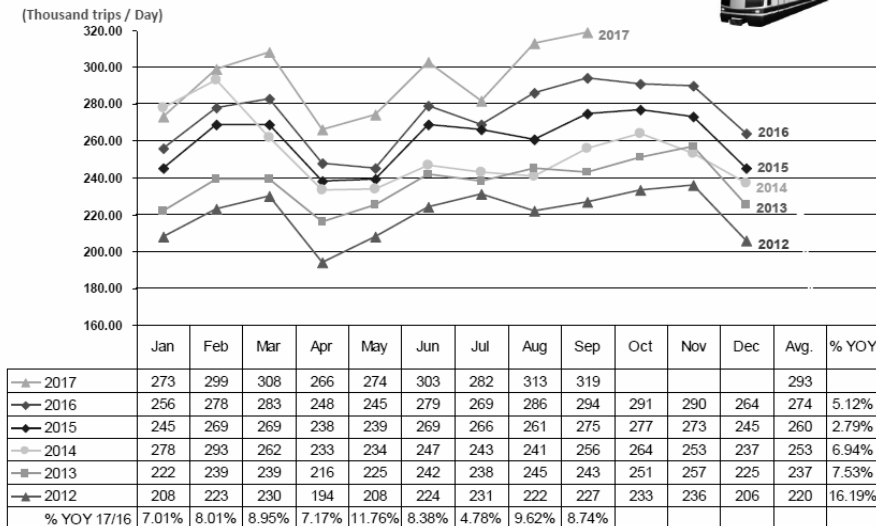
Total Traffic Volume



Source: BEM Monthly report

Figure 2: Daily Average Ridership (thousand trips)

Metro : Average Daily Ridership : Blue Line (BL)



Source: BEM Monthly report

**BEM's Business Outlook**

**BEM : Road Business Outlook**

Existing Projects	Kms	2020	2025	2030	2035	2040	2045+	
1. SES	38.5	2020	To extend for 10Yr 2 times (20 yrs) in accordance with SES Contract					
2. SES (Sector D)	8.7		2027					
3. Bang Pa In- Pak Kret (Sector C+)	32.0		2026	To extend for 10Yr 2 times (20 yrs) in accordance with Sector C+ Contract				
4. SOE	16.7						2042	

Future Projects	Kms	Start	Construction	Operation
1. Rama III – Dao Kanong	19.0	2018	2018-2020	
2. N2 & N3 Expressway	21.5	2018	2018-2021	
3. Motorway: Bang Pa-in - Nakhon Ratchasima	196.0	2016	2016-2020	+30Y PPP Gross Cost (O&M Service)
4. Motorway: Bang Yai - Kanchanaburi	96.0	2016	2016-2019	+30Y PPP Gross Cost (O&M Service)
5. Motorway: Pattaya - Map Ta Phut	32.1	2016	2016-2019	+30Y PPP Gross Cost (O&M Service)

**BEM : Rail Business Outlook**

Existing Projects	Stations	Kms	2020	2025	2030	2035	2040	2045	2050
1. IBL (Hau Lamphong – Bang Sue)	18	20							
2. Bl Ex (Hau Lamphong – Lak Song and Bang Sue – Tha Pra)	20	27	+3Y M&E Installation		+30Y Operation period				
3. PPL (Bang Yai – Bang Sue)	16	23						2043	

Focus Future Projects	Stations	Kms	M&E Project Cost	Start	Construction	Operation
✓ 1. BL Extension (Bang Khae – Phutthamonthon Sai 4)	4	8	6,407 MB.	2018	+3Y Const.	+30Y Operation
✓ 2. PPL Extension (Tao Poon – Rajburana)	16	19.8	15,800 MB.	2018	+5Y Const.	+30Y Operation
✓ 3. Orange Line (West-East) (Taling Chan– Thai Cultural Center- Min Buri)	30	39.8	33,259 MB.	2018	+5Y Const.	+30Y Operation

High Speed Train Projects	Stations	Kms	Project Cost	Start	Construction	Operation
✓ 1. EEC Bangkok – Rayong connects 3 airports (DMK-BKK-UTP)	N/A	193	152,528 MB.	2018	+>4Y Const.	+ >50Y Operation
2. Bangkok – Chiang Mai (Phase1)	N/A	745	224,416 MB.	N/A	N/A	+ >50Y Operation
3. Bangkok – Hua Hin	N/A	225	94,674 MB.	N/A	N/A	+ >50Y Operation
4. Bangkok – Nakhonratchasima	N/A	256	229,614 MB.	N/A	N/A	+ >50Y Operation

Source: BEM Analyst meeting presentation

**Income Statement (Consolidated)**

(Bt mn)	2014	2015	2016	2017E	2018E
Revenue	11,234	11,738	13,104	15,159	16,769
Costs of sales	6,556	7,094	8,247	9,063	9,435
Gross profit	4,677	4,643	4,857	6,096	7,335
SG&A costs	923	1,115	1,131	1,349	1,509
Operating profit	3,754	3,528	3,727	4,747	5,825
Other income	113	69	98	182	130
EBIT	4,413	4,059	4,591	5,378	6,412
EBITDA	7,505	7,285	8,502	9,504	10,312
Interest charge	1,437	1,934	1,446	1,381	1,766
Tax on income	702	721	563	799	929
Earnings after tax	2,274	1,403	2,582	3,198	3,717
Minority interests	66	51	7	48	7
Normalized earnings	2,208	1,352	2,575	3,150	3,709
Extraordinary items	537	1,298	31	0	0
Net profit	2,745	2,650	2,606	3,150	3,709

**Cash Flow Statement (Consolidated)**

(Bt mn)	2014	2015	2016	2017E	2018E
Net profit	2,745	2,650	2,606	3,150	3,709
Depreciation &	3,092	3,226	3,911	4,126	3,900
Change in working capital	862	18,940	-24,813	7,856	2,276
Other adjustments	0	0	0	0	0
Cash flow from operation	6,699	24,816	-18,297	15,132	9,886
Capital expenditure	-6,939	-8,797	-4,601	-10,286	-11,546
Others	119	-1,679	-625	-77	0
Cash flow from investing	-6,820	-10,476	-5,226	-10,362	-11,546
Free cash flow	-121	14,340	-23,523	4,770	-1,660
Net borrowings	715	-12,505	21,770	863	9,149
Equity capital raised	0	-12,915	0	0	0
Dividends paid	-1,309	-1,925	-1,834	-2,205	-2,597
Others	59	15,112	-119	48	7
Cash flow from financing	-535	-12,233	19,817	-1,294	6,560
Net change in cash	-656	2,106	-3,706	3,476	4,900

**Balance Sheet (Consolidated)**

(Bt mn)	2014	2015	2016	2017E	2018E
Cash	2,377	4,483	777	4,253	9,153
Current investment	2,348	497	5,941	1,825	1,825
Accounts receivable	102	649	2,371	765	846
Other current asset	198	240	130	208	214
Total current assets	5,025	5,869	9,219	7,052	12,039
Investment	9,714	10,870	11,026	10,893	10,893
PPE	54,273	59,085	60,500	66,682	74,322
Other assets	1,014	2,296	2,040	2,228	2,233
Total Assets	70,026	78,120	82,786	86,855	99,488
Short-term loans	2,000	22,410	4,716	2,000	2,000
Account payable	2,009	2,580	819	3,295	3,431
Current maturities	4,541	1,619	3,567	5,857	8,075
Other current liabilities	1,087	707	456	618	629
Total current liabilities	9,637	27,315	9,558	11,771	14,134
Long-term debt	33,736	21,421	42,956	44,034	53,183
Other LT liabilities	444	254	489	275	275
Total non-cu	34,180	21,675	43,445	44,308	53,457
Total liabilities	43,817	48,990	53,003	56,079	67,592
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	1,086	1,272
Retained earnings	-6,391	7,254	7,764	8,551	9,478
Others	-2,375	-113	-105	-105	-105
Minority Interest	157	86	93	141	149
Shareholders' equity	26,209	29,130	29,783	30,776	31,896

**Important Ratios (Consolidated)**

	2014	2015	2016	2017E	2018E
<b>Growth (%)</b>					
Sales	6.0	4.5	11.6	15.7	10.6
EBITDA	7.3	-2.9	16.7	11.8	8.5
Net profit	-37.6	-3.5	-1.7	20.9	17.8
Norm profit	62.3	-38.8	90.4	22.3	17.8
<b>Profitability Ratios (%)</b>					
Gross profit margin	41.6	39.6	37.1	40.2	43.7
EBITDA margin	66.8	62.1	64.9	62.7	61.5
EBIT margin	39.3	34.6	35.0	35.5	38.2
Norm profit margin	19.7	11.5	19.6	20.8	22.1
Net profit margin	24.4	22.6	19.9	20.8	22.1
Normalized ROA	3.3	1.8	3.2	3.5	4.0
Normalized ROE	8.7	4.9	8.7	10.3	11.8
Normalized ROCE	6.7	7.2	7.7	8.3	8.4
<b>Risk (x)</b>					
D/E	1.36	1.50	1.60	1.50	1.73
Net D/E	1.27	1.35	1.57	1.36	1.44
Net debt/EBITDA	4.44	5.40	5.52	4.40	4.46
<b>Per share data (Bt)</b>					
Reported EPS	0.18	0.17	0.17	0.21	0.24
Norm EPS	0.08	0.09	0.17	0.21	0.24
EBITDA	0.27	0.48	0.56	0.62	0.67
Book value	0.92	1.91	1.95	2.01	2.09
Dividend	0.00	0.07	0.11	0.13	0.16
Par (Bt)	1.00	1.00	1.00	1.00	1.00
<b>Valuations (x)</b>					
P/E	81.69	45.86	46.63	38.58	32.76
Norm P/E	101.54	89.88	47.20	38.58	32.76
P/BV	8.65	4.17	4.08	3.95	3.81
EV/EBITDA	35.39	22.79	20.44	18.24	17.45
Dividend Yield	0.0	0.88	1.38	1.67	1.97

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

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.*

**DISCLAIMER:** This report has been prepared by Finansia Syrus Securities Public Company Limited (FSS). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSS. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Finansia Syrus Securities Public Company Limited may act as market maker and issuer of DWs. The company may prepare the research reports on those underlying securities. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

**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

**IOD (IOD Disclaimer)**

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.