

BEM

Bangkok Expressway and Metro

Current
BUY
Previous
BUY
Close
7.70
2018 TP
10.00
Exp Return
+ 29.9%
THAI CAC
N/A
CG 2017
4
Consolidated earnings

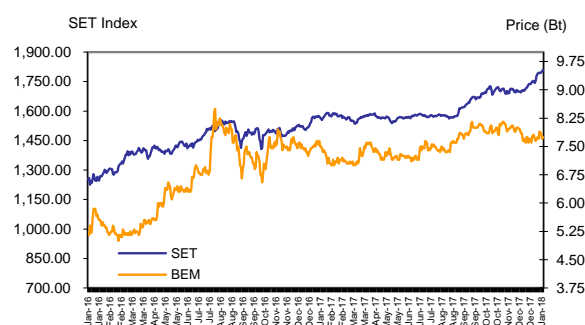
BT (mn)	2015	2016	2017E	2018E
Normalized earnings	1,352	2,575	3,150	3,709
Net profit	2,650	2,606	3,150	3,709
EPS (Bt) - Norm	0.09	0.17	0.21	0.24
EPS (Bt)	0.17	0.17	0.21	0.24
% EPS growth	-3.7	-1.7	20.9	17.8
Dividend (Bt)	0.1	0.1	0.1	0.2
BV/share (Bt)	1.9	1.9	2.0	2.1
EV/EBITDA (x)	22.3	20.0	17.8	17.1
PER (x) - Norm	87.1	45.7	37.4	31.7
PER (x)	44.4	45.2	37.4	31.7
PBV (x)	4.0	4.0	3.8	3.7
Dividend yield (%)	0.9	1.4	1.7	2.0
ROE (%)	9.1	8.7	10.2	11.6
YE No. of shares (million)	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 (12/01/2018)	7.70
SET Index	1,810.19
Foreign limit/actual (%)	49.00/10.30
Paid-up shares (million)	15,285.00
Free float (%)	53.99
Market cap (Bt m)	117,694.50
Avg daily T/O (Bt m) (2018 YTD)	439.88
Hi, lo, avg (Bt) (2018 YTD)	8.00, 7.65, 7.80

Source: Setsmarts



Source: SET

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4Q17 profit set to increase Y-Y but decrease Q-Q

Our forecast calls for BEM's 4Q17 net profit to come in at Bt899mn. It implies a loss of 4% Q-Q due to seasonality. However, it represents a sharp increase of 52% Y-Y because we expect margin to widen after amortization decreases in line with the extension of the Blue Line's concession. In addition, administrative expense is lower. In 2018, we anticipate net profit to jump 18% Y-Y thanks to decreased cost and increased number of passengers after the Purple and Blue Lines are connected for a full year. Besides that, there are upsides from an auction of the government's infrastructure projects, e.g. the South Purple and East Orange Lines. BEM has an advantage over its rivals. The company has the potential to manage both rail and expressway systems. However, BEM has decreased by 3% over the past three months, which is not in line with its solid fundamentals. It breaks rank from its subsidiaries, i.e. CKP and TTW which surges by over 11% and 16%, respectively. Hence, we retain our BUY rating on BEM at our TP of Bt10.

Expect 4Q17 profit to sharply rise Y-Y but slow Q-Q due to seasonality

Our forecast calls for BEM's 4Q17 net profit to amount to Bt899mn (-4% Q-Q, +52% Y-Y). The Q-Q decrease is likely to be attributed to seasonal factor after there were a number of long holidays during the quarter. Moreover, tolls and fares were exempted during the Royal Cremation Ceremonies, while profit contribution from its associates decreased. The sharp Y-Y gain is poised to be supported by the followings. First, we expect revenues to increase 4% Y-Y to Bt3.9bn. To elaborate, we expect revenues from its expressway business to increase 3% Y-Y, from its mass transit business to be up by 4% Y-Y, and from its commercial unit to jump 21% Y-Y. Second, we predict gross margin to widen to 41% (vs. 37.4% in 4Q16) after amortization decreased in line with the extension of the Blue Line's concession. Third, we predict SG&A expense-to-revenues ratio to drop to 6% (vs. 9% in 4Q16) after expenses related to its new project launch decreased and there were benefits from economies of scale. Assuming in-line 4Q17 results, we believe that BEM's 2017 net profit will come in slightly higher than our estimate, i.e. by 3%.

Profit looks set to continue to grow amid several future upsides

We view that BEM's net profit will surge 18% Y-Y to Bt3.7bn in 2018 thanks to growth in its three main businesses and widening of margin after cost decreases. To elaborate, we expect the Blue Line's daily average ridership to increase 9% Y-Y to 320,000 trips after Tao Poon and Bang Sue stations are connected for a full year. What's more, there are a number of upsides that we have not incorporated into our estimate. They include a concession for the South Purple and the East Orange Lines because BEM has an advantage in that the company is hired to run the current Purple Line and is able to partner with its holding company, i.e. CK, to participate in an auction. In 2018, there are issues that need monitoring. They comprise a consideration to increase expressway tolls, which is done every five years, and a consideration to raise train fare, which is done every 24 months. They are due for a consideration on September 1 and July 2, 2018, respectively. In this regard, there is high possibility that train fare will be increased. However, when the rise in the Bangkok Non-Food CPI after the latest increase in 2012 is taken into consideration, it's unlikely that expressway toll will be raised because the Bangkok CPI is still low.

Share price does not reflect solid fundamentals, retain BUY rating

We maintain our BUY rating on BEM at our 2018 TP of Bt10. BEM remains a counter that we like thanks to a number of factors. First, the company’s long-term revenues are stable thanks to the concessions on hand, including the concessions for train and expressway systems. Second, the investment in its subsidiaries, e.g. CKP, TTW, and XPCL, increases and looks set to continue to grow in line with the government’s auction for its infrastructure projects. Third, there is a hidden asset. To elaborate, BEM plans to list BMN (a subsidiary in which BEM owns a 65% stake) in the SET by 2019. In the past three months, the counter has decreased by 3%. Such loss does not correspond with its solid fundamentals. BEM is both a defensive and growth stock. Furthermore, it breaks rank from its subsidiaries, i.e. CKP and TTW which sharply increases by 11% and 16%, respectively.

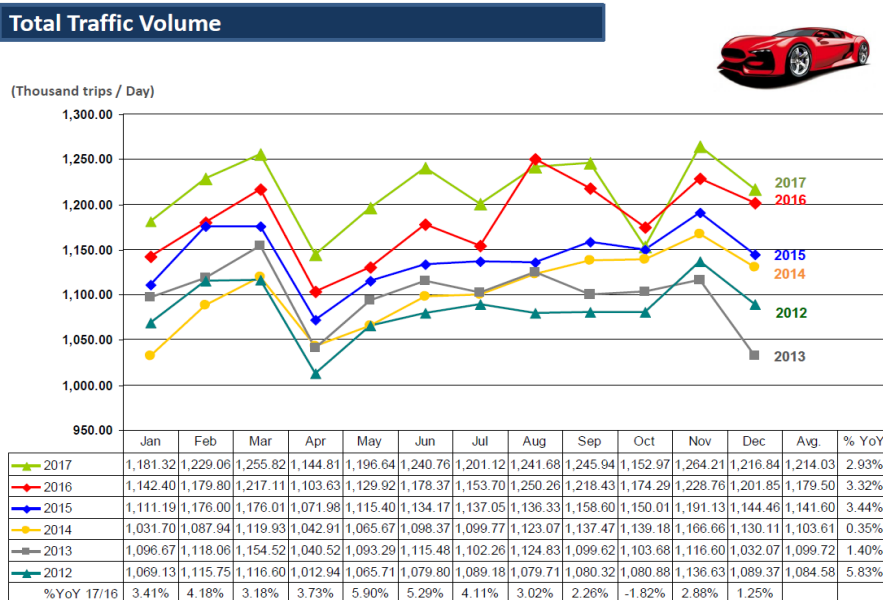
Risks - Lower-than-expected traffic volume at Sri-Rat Outer Ring Road Expressway, a delay in the commencement of its service, lower-than-expected ridership at the Blue Line’s extensions, a delay in the auction for motorway and train lines

4Q17E Earnings Preview

(Bt mn)	4Q17E	3Q17	%Q-Q	4Q16	%Y-Y
Sales revenue	3,866	3,900	-0.9	3,728	3.7
Costs	2,282	2,305	-1.0	2,335	-2.3
Gross profit	1,584	1,595	-0.7	1,393	13.7
SG&A costs	247	251	-1.3	366	-32.4
Interest charge	370	364	1.5	385	-3.8
Norm profit	899	940	-4.3	561	60.4
Net profit	899	940	-4.3	592	52.0
Gross margin (%)	41.0	40.9	0.1	37.4	3.6
Norm earnings margin (%)	23.3	24.1	-0.8	15.0	8.2
Net profit margin (%)	23.3	24.1	-0.8	15.9	7.4

Source: FSS Estimates, Company Data

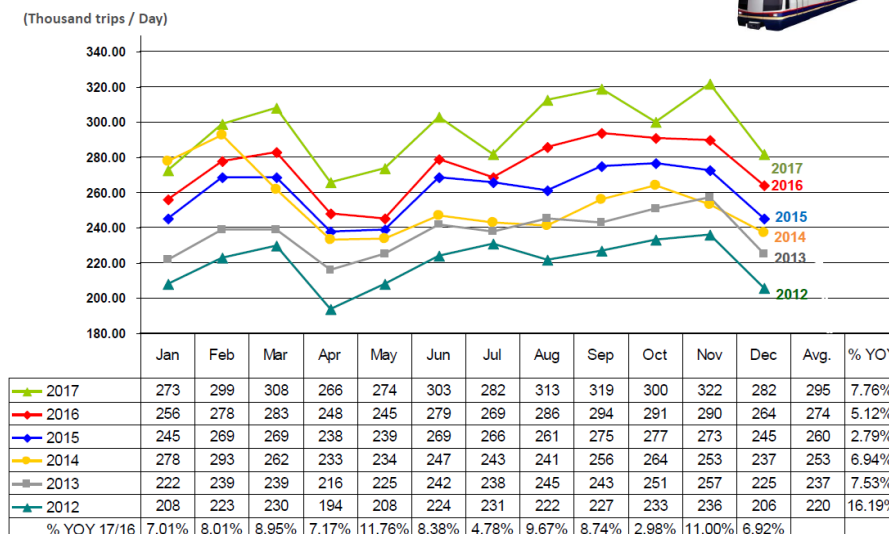
Figure 1: Daily Average Traffic (thousand trips)



Source: BEM Monthly report

Figure 2: Daily Average Ridership (thousand trips)

Metro : Average Daily Ridership : Blue Line (BL)



Source: BEM Monthly report

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

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

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

Important Ratios (Consolidated)

	2014	2015	2016	2017E	2018E
Growth (%)					
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
Profitability Ratios (%)					
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
Risk (x)					
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
Per share data (Bt)					
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
Valuations (x)					
P/E	79.1	44.4	45.2	37.4	31.7
Norm P/E	98.3	87.1	45.7	37.4	31.7
P/BV	8.4	4.0	4.0	3.8	3.7
EV/EBITDA	34.5	22.3	20.0	17.8	17.1
Dividend Yield	0	0.9	1.4	1.7	2.0

Source: Company data, FSS research

Finansia Syrus Securities Public Company Limited
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Bangkok

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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 1

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

Nakornratchasima

1242/2 Room A3, 7 fl.,
The Mall Ratchasima
Mitrphap road Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

Hatyai 3

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

Thaisummit Tower

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

Bangna

589 Tower 1 Office, 19th Floor,
Room 589/105 Moo 12,
Bangna-Trad Road, Bangna,
Bangkok

Prachachuen

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

Khonkaen 1

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

Chiangmai 2

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

Samutsakorn

813/30 Norrasing Road,
Tumbon Maha Chai,
Aumphoe Meungsamutsakorn,
Samutsakorn

Trang

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

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 Moo 17
Kukod, Lumlookka
Pratumtane

Khonkaen 2

26/9 Moo 7, 2nd Floor
Sri Chant Mai Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Chiangmai 3

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

Phuket

22/18 Luangporwatchalong Road,
Tumbon Talad Yai,
Amphoe Muang Phuket,
Phuket

Suratthani

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

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

Abdulrahim

990, Abdulrahim Place, 12nd Fl.,
Room 1210, Rama IV Road,
Silom, Bangrak, Bangkok

Khonkaen 3

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

Chiangrai

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

Hatyai 1

200/221, 200/223
Juldis Hadyai Plaza, 2rd Floor,
Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Pattane

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

Central Pinklao 1

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Sindhorn 3

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

Rattanatibet

576 Rattanatibet Road,
Tumbon Banggrasor,
Aumphoe Muang, Nonthaburi

Udonthani

197/29, 213/3
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumphoe Muang Udon Thani,
Udon Thani

Measai

119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Hatyai 2

106 Prachathipat Road,
Aumphoe Hadyai, Songkhla

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 2017

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 2017 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 July 31, 2017) are categorised into:

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