

Bangkok Expressway and Metro

(BEM.BK/BEM TB)*

Outperform · Maintained

Price as of 27 Feb 2018	7.40
12M target price (Bt/shr)	8.68
Unchanged / Revised up (down) (%)	Unchanged
Upside/downside (%)	17.3

Key messages

BEM reported 4Q17 earnings of Bt758mn (+28.2% YoY, -19.3% QoQ). The result was 20% below our estimate, but in line with the market consensus. Full-year net profit was Bt3.12bn (+19.9% YoY). The company also announced a 2H17 dividend of Bt0.07/share, XD April 27. Looking ahead, it is certain that BEM will participate in bidding on the government's infrastructure projects since these will help drive its growth momentum in the long run. We maintain a rating of Outperform with a target price of Bt8.68.

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4Q17 earnings review: Below our estimate
Event

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Impact
4Q17 earnings were weaker than our forecast

Revenues from expressway and rail businesses were Bt3.82bn (+2.4% YoY, -2.1% QoQ), in line with traffic volume from its expressway and underground mass-transit. However, this was seasonally lower QoQ. Revenue increased from all three businesses, but was mainly from the Si Rat-Outer Ring Road Expressway (SOE) and the O&M service of the MRT Purple Line which began in August 2016 and the company realized these revenues for the full quarter this year. However, costs of services were under control with operating costs looking stable both YoY and QoQ. Meanwhile, its 4Q17 gross margin was 39.7%, improving from 35.4% in 4Q16 but down from 40.9% in 3Q17.

Positive toward longer term outlook

Looking ahead, it is certain that BEM will participate in bidding on the government's infrastructure projects since these will help drive its growth momentum in the long run. We believe BEM will be a major player in the upcoming mass transit projects as the company is one of Thailand's mass transit operators. Further, we believe the company's financial status will remain strong regarding cash generated from expressway and underground businesses.

Selling 7.5% stake in Xayaburi Power

The company's board approved the disposal of all 201.46mn shares (7.5% stake) in Xayaburi Power (XPCL) to CK Power (CKP.BK/CKP TB)*. The company will use the Bt2.065bn in proceeds to invest in various bidding projects by the government.

Valuation & action

We maintain a rating of Outperform with a DCF target price of Bt8.68, including the BLE project.

Risks

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

Figure 1: BEM's 4Q17 earnings review

Bt mn	4Q17	4Q16	YoY (%)	3Q17	QoQ (%)	2017	2016	YoY (%)	Comment
Sale revenue	3,817	3,728	2.4	3,900	(2.1)	15,153	13,104	15.6	Slightly stronger than our estimate
Operating cost	(2,303)	(2,408)	(4.4)	(2,305)	(0.1)	(9,206)	(7,994)	15.2	
Gross profit	1,514	1,320	14.7	1,595	(5.1)	5,947	5,110	16.4	
SG&A	(345)	(301)	14.3	(251)	37.5	(1,144)	(985)	16.2	Below our expectation
Pretax profit	1,149	861	33.5	1,370	(16.1)	5,043	4,254	18.5	
Net profit	758	592	28.2	940	(19.3)	3,123	2,606	19.9	Below our forecast
Normalized profit	916	711	28.8	802	14.3	3,142	2,613	20.3	
EPS (Bt)	0.05	0.04	28.2	0.06	(19.3)	0.20	0.17	19.9	
Percent	4Q17	4Q16	YoY (ppts)	3Q17	QoQ (ppts)	2017	2016	YoY (ppts)	
Gross margin	39.7	35.4	4.3	40.9	(1.2)	39.2	39.0	0.3	Lower than our expectation
Net profit margin	19.9	15.9	4.0	24.1	(4.2)	20.6	19.9	0.7	

Source: KGI Research

KGI Locations

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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 DUSIT 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	SEAFKO	SEAFKO
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
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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.