

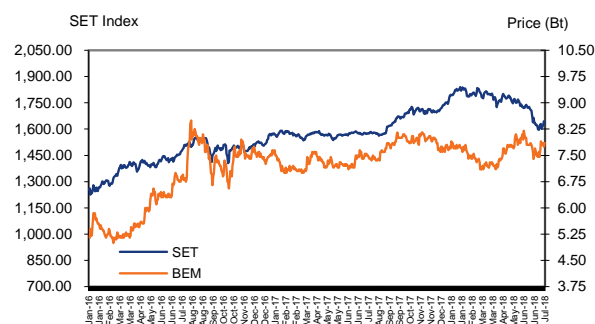
Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	7.75	10.00	29.0%	N/A	4

Consolidated earnings				
BT (mn)	2016	2017	2018E	2019E
Normalized earnings	2,575	3,123	3,709	4,093
Net profit	2,606	3,123	3,709	4,093
Normalized EPS (Bt)	0.17	0.20	0.24	0.27
EPS (Bt)	0.17	0.20	0.24	0.27
% growth	-1.7	19.9	18.8	10.3
Dividend (Bt)	0.1	0.1	0.2	0.2
BV/share (Bt)	1.9	2.0	2.1	2.2
EV/EBITDA (x)	20.1	19.5	17.7	16.9
Normalized PER (x)	46.0	37.9	31.9	28.9
PER (x)	45.5	37.9	31.9	28.9
PBV (x)	4.0	3.8	3.7	3.5
Dividend yield (%)	1.4	1.7	2.0	2.2
ROE (%)	8.7	10.0	11.5	12.2
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	
Sector	Transportation & Logistics
Close (11/07/2018)	7.75
SET Index	1,636.63
Foreign limit/actual (%)	49.00/10.38
Paid up shares (million)	15,285.00
Free float (%)	53.75
Market cap (Bt m)	118,458.75
Avg daily T/O (Bt m) (2018 YTD)	283.64
hi, lo, avg (Bt) (2018 YTD)	8.20, 7.00, 7.64

Source: SetSMARTS



Source: SET

Analyst: Jitra Amornthum

Register No.: 014530

Assistant Analyst : Thanyatorn Songwutti

Tel.: +662 646 9966

www.fnsyrus.com

 Finasia Syrus Securities

 @fnsyrus

Expect 2Q18 net profit to hit new high

Our forecast calls for BEM's 2Q18 net profit to amount to Bt1bn (+40% Q-Q, +43% Y-Y), the first quarter to touch the Bt1bn level. Such sharp gains should be supported by an extra gain of Bt242mn from sales of XPCL shares to CKP. Excluding extra items, we expect the company's normalized earnings to ease 2% Q-Q due to seasonality but jump 9% Y-Y thanks to a strong revenues gain in all of its three main businesses, and a rise in its associates' profit sharing. Looking ahead, we anticipate BEM's 3Q18 normalized earnings will continue to increase Q-Q because there are only a small number of holidays. We stand by our forecast which calls for profits to amount to Bt3.7bn (+19% Y-Y) in 2018 and Bt4.1bn (+10% Y-Y) in 2019. What's more, there are upsides from auctions of three expressways and one train line; all of which are anticipated to happen this year. We like BEM. It's a strong defensive counter against market volatility. In addition, the company's revenues growth is strong over the long run. Specifically, we expect daily average ridership to significantly increase after the entire Blue Line is in operation in 2020. We retain our BUY rating on BEM at our TP of Bt10.

Investment gain helps support 2Q18 profit to hit new high

Our forecast calls for BEM's 2Q18 net profit to amount to Bt1bn (+40% Q-Q, +43% Y-Y) thanks to an extra after-tax gain of Bt242mn from sales of XPCL shares to CKP. Excluding extra items, the company's normalized earnings are equal to Bt788mn (-2% Q-Q, +9% Y-Y). The modest Q-Q decrease is likely to be attributed to long holidays, which beats benefits from the refinancing of debts for Sri-Rat Outer Ring Road Expressway in 1Q18. Specifically, we expect such refinancing to make interest expense decrease by about Bt25mn a quarter or by 5% Q-Q in 2Q18. The sharp Y-Y gain is likely to be made possible by revenues which are anticipated to increase 2.5% Y-Y to Bt3.8bn. To elaborate, we predict revenues from its mass transit unit to increase 4% Y-Y, assuming that daily ridership was up by 5.5% Y-Y to 296,000 trips after the connection of the Purple and the Blue Lines. Revenues from expressway are expected to organically up 2% Y-Y, while revenues from its commercial development unit are anticipated to increase 5% Y-Y. What's more, we forecast profit sharing from associates, i.e. CKP and TTW, to increase 7% Y-Y.

Delay in fare hike and early launch of Blue Line's extensions do not affect estimate

BEM has postponed a fare hike on the Blue Line by Bt1 at the 5th, 8th and 11th station by three months from July 3 to October 3, 2018 to support the government's policy to ease consumer burden. We believe that such delay does not have any impact on our estimate, and stand by our forecast which calls for 2018 average fare to increase by 2% Y-Y to Bt25.6 after average fare in 6M18 stood at Bt25.3. We view that such rise will benefit 2019 when it has a full-year effect. Meanwhile, BEM has asked CK to expedite construction of the Blue Line's extensions so that they can begin service sooner. Such requests include the followings.

1. Hua Lamphong - Luk Song contract to be shortened by one month to August 14, 2019 (from September 2019)
2. Tao Poon - Sirinthorn contract to be shortened by three months to December 25, 2019 (from March 2020)
3. Sirinthorn - Tha Pra contract to be shortened to March 2, 2020 (from within March 2020)

We have a positive view about such requests because BEM will be able to start service of a number of stations by 1-3 months sooner than planned, while maintaining its original schedule to open service for the entire Blue Line, totaling 38 stations and 47 kilometers in length, in March 2020. Once completed, we expect it to help support daily average ridership to increase from 300,000 trips to 500,000 trips and average fare to increase in line with the number of stations.

Maintain BUY rating at TP of Bt10

We like BEM. It's a strong defensive counter against market volatility. Moreover, the company's revenues growth is strong over the long run thanks to daily average ridership and traffic which continue to increase. Looking ahead, there are upsides from auctions of expressways and a number of train lines, comprising Bang Pa-in - Nakhon Ratchasima motorway and Bang Yai - Kanchanburi motorway (whose bid envelope is expected in 3Q18), Pharam 3 - Dao Khanong expressway (whose bid envelope is anticipated this year), the South Purple Line (whose auction is expected in 4Q18), and the Orange Line (whose auction is anticipated in 1H19). In its latest move, BEM has purchased a bid envelope for the high-speed train to connect three airports, a project which is valued at Bt200bn. In this regard, we believe that BEM will partner with CK, its holding company, and participate in an auction on November 12, 2018. Given all that, we retain our BUY rating on BEM at our 2018 TP of Bt10.

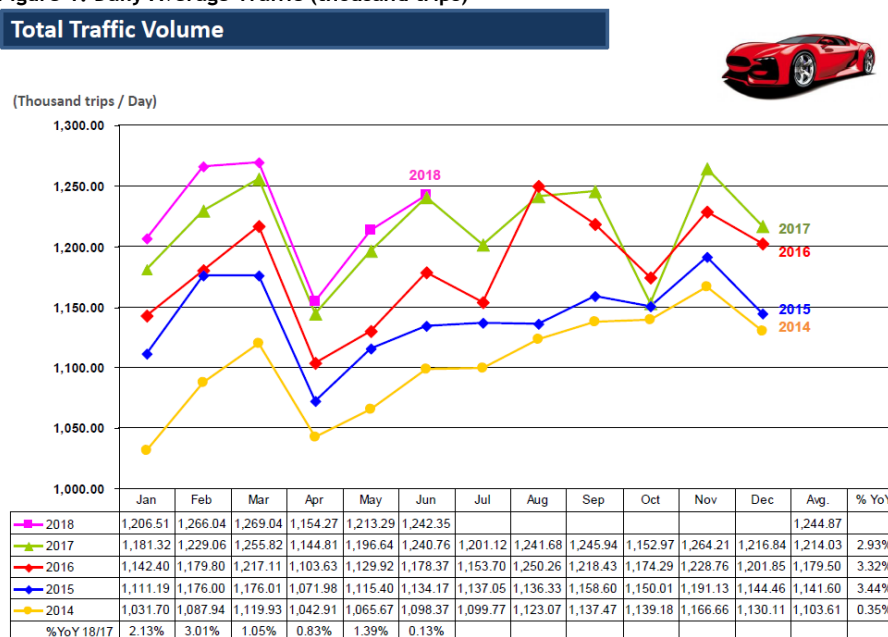
Risks: A delay in service commencement, a lower-than-expected ridership at the Blue Line's extensions, a delay in auctions for motorway and train lines, a failure to get a renewal for the 2nd stage expressway system

2Q18E Earnings Preview

(Bt mn)	2Q18E	1Q18	%Q-Q	2Q17	%Y-Y
Revenue	3,799	3,886	-2.2	3,705	2.5
Costs	2,314	2,363	-2.1	2,277	1.6
Gross profit	1,485	1,523	-2.5	1,428	4.0
SG&A costs	291	296	-1.7	284	2.4
Interest charge	458	482	-5.0	380	20.4
Norm profit	788	806	-2.2	723	9.1
Net profit	1,030	736	40.0	723	42.6
Gross margin (%)	39.1	39.2	-0.1	38.5	0.5
Norm earnings margin (%)	20.7	20.8	0.0	19.5	1.2
Net profit margin (%)	27.1	18.9	8.2	19.5	7.6

Source: FSS Research

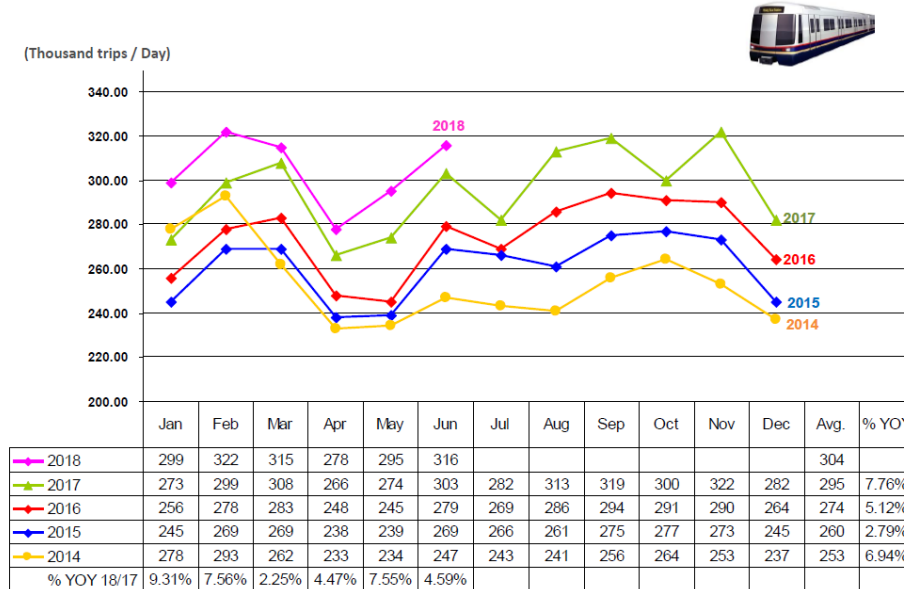
Figure 1: Daily Average Traffic (thousand trips)



Source: BEM Monthly report

Figure 2: Daily Average Ridership (thousand trips)

Metro : Average Daily Ridership : Blue Line (BL)



Source: BEM Monthly report

Figure 3: Blue Line Extension



Source: BEM Presentation

Income Statement (Consolidated)						Cash Flow Statement (Consolidated)					
(Bt mn)	2015	2016	2017	2018E	2019E	(Bt mn)	2015	2016	2017	2018E	2019E
Revenue	11,738	13,104	15,153	16,489	18,237	Net profit	2,650	2,606	3,123	3,709	4,093
Cost of sales	7,094	8,247	9,206	9,376	10,514	Depreciation etc.	3,226	3,911	3,941	3,900	3,957
Gross profit	4,643	4,857	5,947	7,113	7,723	Change in working cap	18,940	-24,813	6,814	1,233	689
SG&A	1,115	1,131	1,144	1,286	1,422	Other adjustments	0	0	0	0	0
Operating profit	3,528	3,727	4,803	5,827	6,301	CFO	24,816	-18,297	13,879	8,843	8,739
Other income	69	98	240	130	146	Capital expenditure	-8,797	-4,601	-22,108	-3,838	-6,468
EBIT	4,059	4,591	5,449	6,412	6,939	Others	-1,679	-625	-906	-779	0
EBITDA	7,285	8,502	9,390	10,312	10,896	CFI	-10,476	-5,226	-23,014	-4,617	-6,468
Interest charge	1,934	1,446	1,611	1,766	1,813	Free cash flow	14,340	-23,523	-9,136	4,226	2,271
Tax on income	721	563	696	929	1,025	Net borrowings	-12,505	21,770	12,712	-1,738	268
Earnings after tax	1,403	2,582	3,142	3,717	4,101	Equity capital raised	-12,915	0	0	0	0
Minority interest	51	7	19	7	8	Dividends paid	-1,925	-1,834	-1,834	-2,596	-2,865
Normalized earnings	1,352	2,575	3,123	3,709	4,093	Others	15,112	-119	108	7	8
Extraordinary items	1,298	31	0	0	0	CFF	-12,233	19,817	10,986	-4,327	-2,589
Net profit	2,650	2,606	3,123	3,709	4,093	Net change in cash	2,106	-3,706	1,850	-101	-318

Balance Sheet (Consolidated)						Important Ratios (Consolidated)					
(Bt mn)	2015	2016	2017	2018E	2019E		2015	2016	2017	2018E	2019E
Cash	4,483	777	2,627	2,526	2,208	Growth (%)					
Current investment	497	5,941	1,449	1,449	1,449	Revenue	4.5	11.6	15.6	8.8	10.6
Accounts receivable	649	2,371	2,076	1,538	1,551	EBITDA	-2.9	16.7	10.4	9.8	5.7
Other current asset	240	130	128	128	128	Net profit	-3.5	-1.7	19.9	18.8	10.3
Total current assets	5,869	9,219	6,280	5,641	5,336	Normalized earnings	-38.8	90.4	21.3	18.8	10.3
Investment	10,870	11,026	11,367	11,367	11,367	Profitability (%)					
PPE	59,085	60,500	66,150	67,497	71,415	Gross profit margin	39.6	37.1	39.2	43.1	42.3
Other assets	2,296	2,040	15,122	14,492	13,085	EBITDA margin	62.1	64.9	62.0	62.5	59.7
Total Assets	78,120	82,786	98,919	98,997	101,202	EBIT margin	34.6	35.0	36.0	38.9	38.0
Short-term loans	22,410	4,716	3,629	3,500	4,000	Norm profit margin	11.5	19.6	20.6	22.5	22.4
Account payable	2,580	819	2,108	3,409	3,823	Net profit margin	22.6	19.9	20.6	22.5	22.4
Current maturities	1,619	3,567	5,409	4,954	4,698	Normalized ROA	1.8	3.2	3.3	3.7	4.1
Other current liabilities	707	456	437	415	459	Normalized ROE	4.9	8.7	10.1	11.7	12.4
Total current liabilities	27,315	9,558	11,583	12,278	12,980	Normalized ROCE	6.2	7.4	7.9	8.4	8.7
Long-term debt	21,421	42,956	55,436	53,915	54,183	Risk (x)					
Other LT liabilities	254	489	721	504	504	D/E	1.68	1.78	2.03	2.17	2.06
Total non-cu	21,675	43,445	56,157	54,419	54,687	Net D/E	1.35	1.57	1.81	1.70	1.67
Total liabilities	48,990	53,003	67,740	66,697	67,667	Net debt/EBITDA	5.40	5.52	6.01	5.32	5.14
Registered capital	15,285	15,285	15,285	15,285	15,285	Per share data (Bt)					
Paid-up capital	15,285	15,285	15,285	15,285	15,285	Reported EPS	0.17	0.17	0.20	0.24	0.27
Share Premium	5,817	5,817	5,817	5,817	5,817	Normalized EPS	0.09	0.17	0.20	0.24	0.27
Legal reserve	800	929	1,077	1,263	1,468	EBITDA	0.48	0.56	0.61	0.67	0.71
Retained earnings	7,254	7,764	8,948	9,876	10,899	Book value	1.91	1.95	2.04	2.11	2.19
Others	-113	-105	-60	-60	-60	Dividend	0.07	0.11	0.13	0.15	0.17
Minority Interest	86	93	111	119	127	Par	1.00	1.00	1.00	1.00	1.00
Shareholders' equity	29,130	29,783	31,179	32,299	33,535	Valuations (x)					
						P/E	44.7	45.5	37.9	31.9	28.9
						Norm P/E	87.6	46.0	37.9	31.9	28.9
						P/BV	4.1	4.0	3.8	3.7	3.5
						EV/EBITDA	22.4	20.1	19.5	17.7	16.9
						Dividend yield (%)	0.9	1.4	1.7	2.0	2.2

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

Bangkapi

3105 N Mark Building, 3rd Floor,
Room A3R02, Ladprao Road,
Klongjian, 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 Thaisammit 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
Pratumtee

Khonkaen 2

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

Chiangmai 3

Malipace 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

7/129-221 Central Pinklao Office
Building, Room 2160/1, 16th Fl.,
Baromratchonnane Road,
Arunamarin, Bangkoknoi, Bangkok

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.

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 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

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 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.