

BEM (BEM TB)

Bangkok Expressway and Metro

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	8.35	10.00	+19.8%	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)	21.2	20.5	18.6	17.7
Normalized PER (x)	49.6	40.9	34.4	31.2
PER (x)	49.0	40.9	34.4	31.2
PBV (x)	4.3	4.1	4.0	3.8
Dividend yield (%)	1.3	1.6	1.8	2.0
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

Analyst: Jitra Amornthum

Register No.: 014530

Assistant Analyst : Thanyatorn Songwutti

Tel.: +662 646 9966

www.fnsyrus.com

 Finansia Syrus Securities

 @fnsyrus

2Q18 profit hits new high, in line

2Q18 normalized earnings down 1.5% Q-Q and up 10% Y-Y

BEM's 2Q18 net profit comes in at Bt978mn (+33% Q-Q, +35% Y-Y), a new high. Excluding extra items, i.e. an extra gain of Bt184mn from sales of its investment in XPCL to CKP, the company's normalized earnings are equal to Bt794mn (-1.5% Q-Q, +10% Y-Y), in line with both our estimate and the street forecast. The modest Q-Q decrease can be blamed on seasonal factor because there were a number of long holidays during the quarter. However, it was partly offset by the refinance of its loans for the Sri-Rat Expressway in 1Q18, which helped make it possible for interest expense to decrease 11% Q-Q. The sharp Y-Y gain is made possible by the followings. First, revenues increased 2.5% Y-Y to Bt3.8bn thanks to a rise in both its mass transit and expressway businesses. Second, gross margin widened to 39% (vs. 38.5% in 2Q17) thanks to economies of scale in its expressway unit. Third, profit sharing from its associates, i.e. CKP and TTW, jumped to Bt110mn (+17% Y-Y).

Profit set to continue to grow in 3Q18

BEM's 1H18 normalized earnings are equal to Bt1.6bn (+12.5% Y-Y). It's sufficient to secure 43% of our full-year estimate. Looking ahead, we expect the company's profit to continue to grow in 3Q18 thanks to the followings. First, there are a low number of long holidays in this quarter. Second funding cost decreases after the debt restructuring in 1Q18. In 4Q18, profit will be supported by a rise in the Blue Line's fare by Bt1 at the 5th, 8th, and 11th stations starting from October 3, 2018 onward. Given that, we stand by our forecast which calls for BEM's normalized earnings to amount to Bt3.7bn (+19% Y-Y) in 2018 and Bt4bn (+10% Y-Y) in 2019.

Maintain BUY rating at TP of Bt10

Although BEM has rallied 5.8% YTD, it currently trades on 2018-2019 PE of just 33x, lower than its historical average and BTS which currently trades on 2018-2019 PE of 38x. Furthermore, there are upsides to our estimate because there is a chance BEM will receive additional concessions from auctions of at least four expressways and train lines. In this regard, we have a bullish view about the timeline which has become more concrete. To elaborate, we expect a TOR for O&M works of Bang Pa-In - Nakhon Ratchasima motorway and Bang Yai - Kanchanaburi in September 2018. BEM has high chance to win in these auctions because it has an advantage over its rivals. In particular, the company is the only one in Thailand that has experience to manage expressways. Besides expressways, we believe that the South Purple and Orange Lines will be proposed to the PPP committee for a consideration within November 2018. Given that, we retain our BUY rating on BEM at our 2018 TP of Bt10.

Risks: A delay in commercial run, lower-than-expected ridership for the Blue Line's extensions, a delay in the auctions of motorway and train lines, a failure to get a renewal for the second stage expressway

2Q18 Earnings Results

(Bt mn)	2Q18	1Q18	%Q-Q	2Q17	%Y-Y	Comment
Revenue	3,799	3,886	-2.2	3,705	2.5	<ul style="list-style-type: none"> In 2Q18, revenues grew strong Y-Y thanks to revenues from its expressway unit (+1% Q-Q, +3% Y-Y), from its mass transit unit (+6% Q-Q, +5% Y-Y) and from its commercial unit (-7% Q-Q, +10% Y-Y). Gross margin was strong thanks to its expressway unit's margin which widened to 45.2% (vs. 44.8% in 1Q18 and 44% in 2Q17). Funding cost decreased 11% Q-Q after BEM refinanced its long-term loan of Bt10bn for the Sri-Rat Expressway through its issuance of debentures in April 2018.
Costs	2,321	2,363	-1.8	2,277	1.9	
Gross profit	1,479	1,523	-2.9	1,428	3.6	
SG&A costs	312	296	5.6	284	10.0	
Interest charge	430	482	-10.8	380	13.0	
Norm profit	794	806	-1.5	723	9.9	
Net profit	978	736	32.9	723	35.4	
Gross margin (%)	38.9	39.2	-0.3	38.5	0.4	
Norm earnings margin (%)	20.9	20.8	0.1	19.5	1.4	
Net profit margin (%)	25.7	18.9	6.8	19.5	6.2	

Source: Company and FSS Research

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	48.2	49.0	40.9	34.4	31.2
						Norm P/E	94.4	49.6	40.9	34.4	31.2
						P/BV	4.4	4.3	4.1	4.0	3.8
						EV/EBITDA	23.6	21.2	20.5	18.6	17.7
						Dividend yield (%)	0.8	1.3	1.6	1.8	2.0

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 Thaisammit Tower Building,
5th, 31th 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 2160/1, 16th Fl.,
Baromratchonnane Road,
Arunamarin, Bangkoknoi, Bangkok

Bangkapi

3105 N Mark Building, 3rd Floor,
Room A3R02, Ladprao Road,
Klongjan, Bangkapi, Bangkok

Bangna

589 Tower 1 Office, 19th Floor,
Room 589/105 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, Jutujak, Bangkok

Rang sit

1/832 Moo 17
Kukod, Lumlookka
Pratumtee

Abdulrahim

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

Rattanatibet

576 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

197/29, 213/3
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

Malipace Building 32/4 moo 2
1 fl., Room B1-1, B1-2
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 Room A3, 7 fl.,
The Mall Ratchasima
Mitrphap road Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

Samutsakorn

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

Phuket

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

Hatyai 1

200/221, 200/223
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

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 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.