

28 February 2020

Transport | Road & Rail

## Bangkok Expressway & Metro (BEM TB)

**Neutral** (Maintained)

### Cash Cow Starts To Milk Again

Target Price (Return): THB10.80 (+9%)  
 Price: THB9.90  
 Market Cap: USD4,780m  
 Avg Daily Turnover (THB/USD) 531m/17.3m

- **Stay NEUTRAL and THB10.80 TP, 9% upside plus 1.6% yield.** As the expressway concession renewal becomes a reality, our view towards Bangkok Expressway & Metro gearing towards being more positive. However, we maintain our call and TP on this counter, as the current share price is providing limited upside while its P/E is at a level that is slightly below 30x – quite stretching when compared to the SET average.

#### Analyst

Chatree Srismaicharoen  
 +66 2088 9743  
[chatree.sr@rhbgroup.com](mailto:chatree.sr@rhbgroup.com)



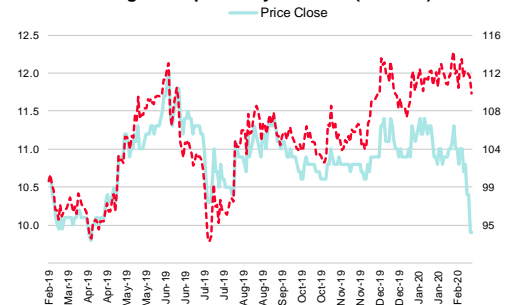
- **Unsurprising 4Q19 earnings result.** BEM announced an FY19 net profit of THB5.4bn, which increased slightly 2% YoY – most of this occurred in 2Q19 when there was a non-cash item of THB2.3bn. This was an after tax gain from a fair value adjustment of investments in TTW (TTW TB, NR), which was based on a reclassification recorded during the quarter. As there was an absence of profit sharing from associates and dividend income, 4Q19 earnings were heavily reliant on BEM's three core businesses. Inevitably, 4Q19 net profit declined 44% QoQ to THB521m. However, it still grew 8% YoY due to higher fare box revenue from the mass rapid transit (MRT) unit, post full commencement of operations at the Blue-Line MRT Extension in 4Q19. However, the expressway business was quite disappointing, as traffic volumes within BEM's whole network has fell YoY during Nov-Dec 2019.

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(9.2)	(9.2)	(6.6)	(10.8)	(6.6)
Relative	2.5	(0.7)	6.6	2.9	9.6
52-wk Price low/high (THB)	9.80 – 12.0				

- **Clear outlook after signing the expressway concession renewal.** The overhang embedded in the expressway business has finally been eliminated after BEM recently signed the concession renewal with the Expressway Authority of Thailand (EXAT). It is now withdrawing all legal cases against EXAT. Therefore, there is a likely chance that both parties can continue their business partnership as soon as the existing concession expires at end February. Under the new concession, the new terms for all sections under the second-stage network and Bang Pa-in-Pak Kret section will be extended and expire in Oct 2035. Also, the profit-sharing condition between the two partners will be the same as before. Therefore, going forward, this cash cow business remains undisturbed. We also expect the traffic volume within the network to continue growing within a range of 1-2% YoY.

Bangkok Expressway & Metro (BEM TB)



Source: Bloomberg

- **Growth going forward from the MRT business.** Without any concerns over the new expressway concession, we believe BEM's earnings quality going forward will be more solidified. While expressways are normally the solid base for the company's overall earnings, we expect the growth driver for FY20 to be the MRT business. This is due to its full-year performance, supported by the full loop of the Blue-Line MRT network. In addition, the commercial development business – currently the smallest earnings base for BEM – should be another area with growth potential. This is due to the company's consistent plans to modernise commercial areas within Blue-Line MRT stations.

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	15,614	16,107	19,338	20,168	21,641
Recurring net profit (THBm)	2,867	2,719	5,088	5,568	6,174
Recurring net profit growth (%)	(8.2)	(5.2)	87.1	9.4	10.9
Recurring P/E (x)	52.77	55.65	29.74	27.18	24.51
P/B (x)	4.4	4.0	3.8	3.5	3.2
P/CF (x)	18.76	18.92	31.76	15.89	18.63
Dividend Yield (%)	1.3	1.5	1.6	1.8	1.6
EV/EBITDA (x)	22.86	22.38	17.60	18.59	16.39
Return on average equity (%)	16.2	15.1	13.1	13.3	13.7
Net debt to equity (%)	170.1	166.1	155.9	141.3	128.5

Source: Company data, RHB

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## Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Regional	Recurring EPS	0.19	0.18	0.33	0.36	0.40
Transport	DPS	0.13	0.15	0.16	0.17	0.16
<b>Bangkok Expressway and Metro</b>	BVPS	2.26	2.46	2.63	2.83	3.07
BEM TB	Return on average equity (%)	16.2	15.1	13.1	13.3	13.7
Neutral						
	<b>Valuation metrics</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
<b>Valuation basis</b>	Recurring P/E (x)	52.77	55.65	29.74	27.18	24.51
We use SOP methodology:	P/B (x)	4.4	4.0	3.8	3.5	3.2
i. The company's core businesses are based on DCF;	FCF Yield (%)	(1.5)	0.3	(5.3)	(3.4)	(5.7)
ii. CK Power and TTW are based on Bloomberg consensus.	Dividend Yield (%)	1.3	1.5	1.6	1.8	1.6
	EV/EBITDA (x)	22.86	22.38	17.60	18.59	16.39
	EV/EBIT (x)	44.42	44.53	28.35	25.73	22.21
<b>Key drivers</b>	<b>Income statement (THBm)</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
The chance of winning new infrastructure projects under public-private partnership schemes.	Total turnover	15,614	16,107	19,338	20,168	21,641
	Gross profit	5,841	5,797	8,453	9,163	10,457
	EBITDA	8,699	8,877	11,311	10,617	11,998
	Depreciation and amortisation	(4,222)	(4,416)	(4,289)	(2,946)	(3,142)
	Operating profit	4,477	4,460	7,022	7,671	8,855
	Net interest	(1,407)	(1,330)	(1,086)	(1,143)	(1,581)
	Pre-tax profit	6,525	7,207	6,450	7,052	7,811
	Taxation	(1,189)	(1,755)	(1,290)	(1,410)	(1,562)
	Reported net profit	5,317	5,435	5,088	5,568	6,174
	Recurring net profit	2,867	2,719	5,088	5,568	6,174
	<b>Cash flow (THBm)</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
	Change in working capital	1,777	1,911	1,029	1	(142)
	Cash flow from operations	8,067	7,999	4,764	9,522	8,121
	Capex	(10,302)	(7,610)	(12,714)	(14,734)	(16,734)
	Cash flow from investing activities	(7,353)	(7,563)	(12,456)	(14,476)	(16,476)
	Dividends paid	(1,987)	(2,293)	(2,442)	(2,673)	(2,469)
	Cash flow from financing activities	(2,815)	(1)	8,704	5,217	7,831
	Cash at beginning of period	2,627	526	704	1,458	1,462
	Net change in cash	(2,101)	435	1,012	262	(524)
	Ending balance cash	527	961	1,716	1,720	938
	<b>Balance sheet (THBm)</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
	Total cash and equivalents	1,809	1,861	2,616	2,620	1,838
	Tangible fixed assets	324	311	306	298	286
	Total investments	13,178	17,217	17,217	17,217	17,217
	Total assets	103,831	111,697	116,012	119,138	121,767
	Short-term debt	10,856	8,916	11,500	10,700	10,164
	Total long-term debt	51,544	57,416	56,000	55,000	54,000
	Total liabilities	68,219	72,874	74,399	74,483	73,257
	Total equity	35,612	38,823	41,613	44,655	48,509
	Total liabilities & equity	103,831	111,697	116,012	119,138	121,767
	<b>Key metrics</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-20F</b>	<b>Dec-21F</b>	<b>Dec-22F</b>
	Revenue growth (%)	3.0	3.2	20.1	4.3	7.3
	Recurrent EPS growth (%)	(8.2)	(5.2)	87.1	9.4	10.9
	Gross margin (%)	37.4	36.0	43.7	45.4	48.3
	Operating EBITDA margin (%)	55.7	55.1	58.5	52.6	55.4
	Net profit margin (%)	34.1	33.7	26.3	27.6	28.5
	Dividend payout ratio (%)	37.4	42.2	48.0	48.0	40.0
	Capex/sales (%)	66.0	47.2	65.7	73.1	77.3
	Interest cover (x)	2.41	2.59	4.00	4.32	4.76

Source: Company data, RHB

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Figure 1: SOP valuation

		Value (THBm)	Remarks
Expressway business	DCF	85,963	Based on the scenario of a contract extension for network sectors including the second stage (A, B, C, and D) and Bang Pa-in-Pak Kret section to end on 31 Oct 2035.
Mass transit business	DCF	96,741	
Commercial development	DCF	21,034	
<b>BEM's investment listed in SET</b>	Stake		
CK Power (CKP TB, NR)	17.83%	8,697	Based on Bloomberg consensus TP.
TTW (TTW TB, NR)	18.47%	10,686	Based on Bloomberg consensus TP.
Other operating assets		6,533	
Net debt		(64,471)	
Minority interest		(42)	
<b>Total</b>		<b>165,141</b>	
Number of shares outstanding		15,285	
<b>Per share (THB)</b>		<b>10.80</b>	

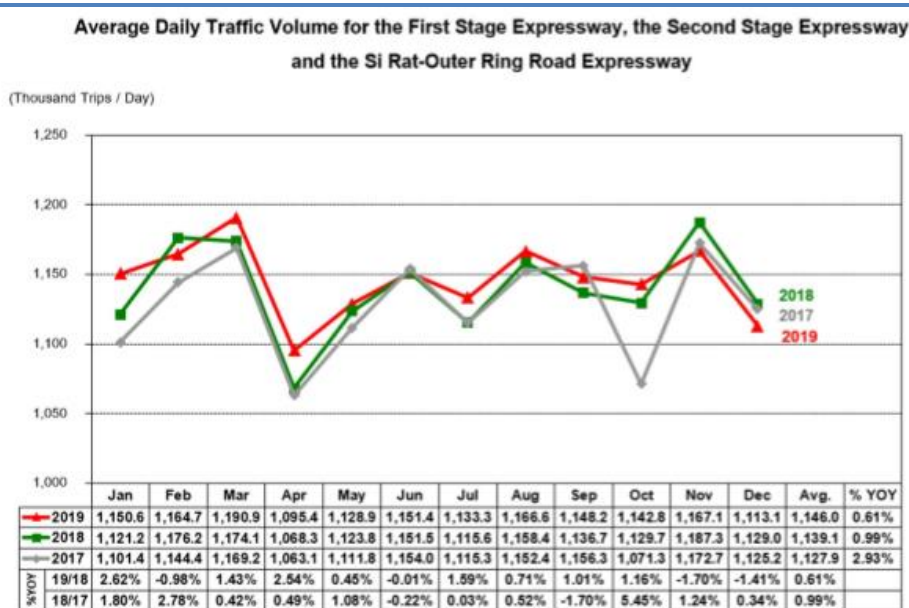
Source: RHB

Figure 2: 4Q19 earnings were reliant on its three core businesses, as there were no dividend income or profit sharing from associates recorded during this quarter

FYE Dec (THBm)	4Q18	1Q19	2Q19	3Q19	4Q19	YoY (%)	QoQ (%)
Total Turnover	3,983	3,970	3,862	4,073	4,202	5.5	3.2
Gross Profit	1,268	1,518	1,383	1,481	1,361	7.3	(8.1)
Gross Profit Margin (%)	31.8	38.3	35.8	36.4	32.4		
EBITDA	2,498	2,451	5,730	2,322	2,533	1.4	9.1
EBITDA Margin (%)	62.7	61.7	148.3	57.0	60.3		
EBIT	987	1,467	4,762	1,315	1,074	8.8	18.3
EBIT Margin (%)	24.8	37.0	123.3	32.3	25.6		
Interest expense	(414)	(404)	(421)	(422)	(477)	15.2	13.0
Equity Income	94	106	67	0	0	NM	NM
Pre-tax profit	571	1,046	4,372	1,109	646	13.0	(41.8)
Pre-tax profit margin (%)	14.3	26.3	113.2	27.2	15.4		
Tax	(98)	(196)	(1,257)	(175)	(127)	29.3	(27.5)
Minority Interest	(100)	(9)	(3)	(3)	(2)	NM	NM
Net Profit	483	859	3,118	937	521	7.9	(44.3)

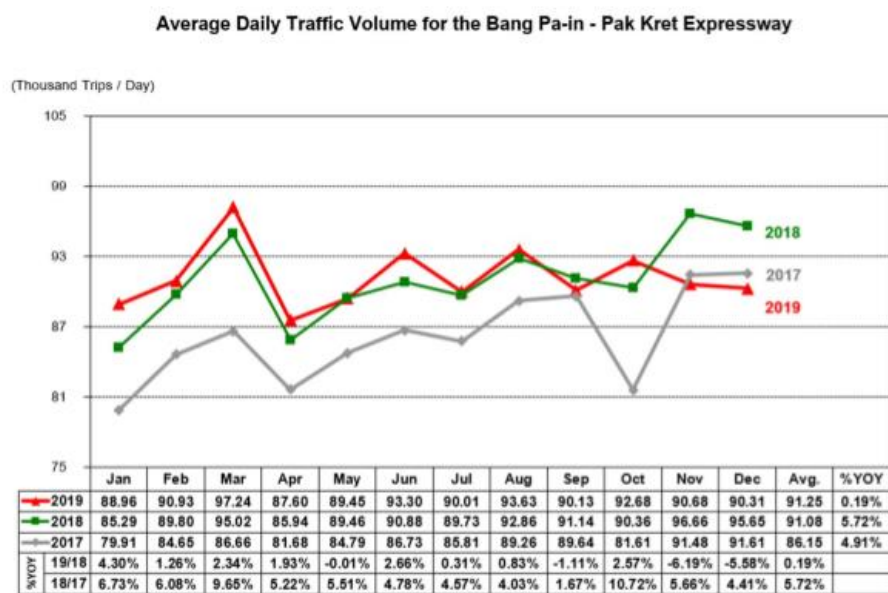
Source: Company data, RHB

Figure 3: Consistent traffic volume growth within its expressway network (I)



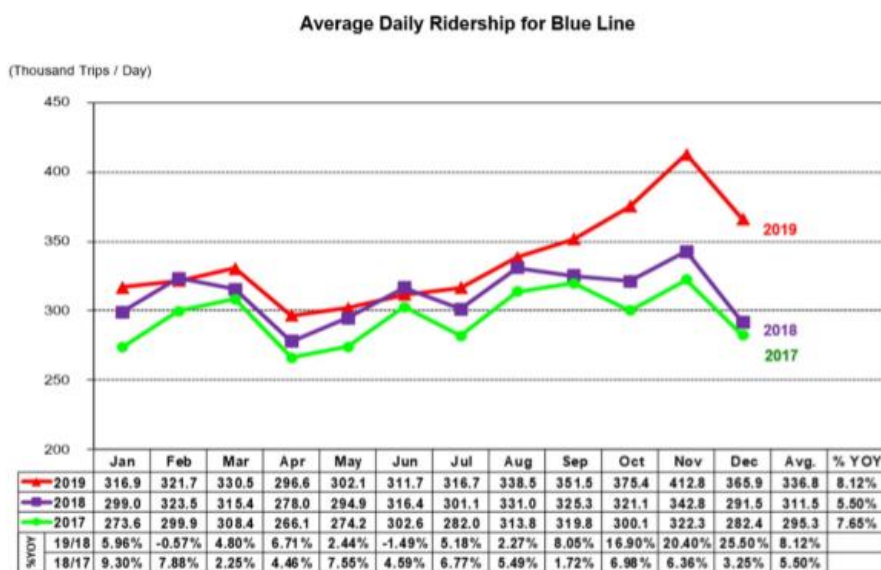
Source: Company data

Figure 4: Consistent traffic volume growth within its expressway network (II)



Source: Company data

Figure 5: A noticeable increase in 3Q19 and 4Q19 – driven by trial run services of the overall route extension



Source: Company data

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2019-12-24	Neutral	10.8	11.0
2019-11-13	Neutral	10.8	10.8
2019-08-13	Neutral	10.8	10.9
2019-06-28	Neutral	10.8	11.4
2019-05-10	Neutral	10.8	11.0
2019-02-28	Neutral	10.8	10.6
2019-01-10	Buy	10.8	9.8

Source: RHB, Bloomberg



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#### **KUALA LUMPUR**

**RHB Investment Bank Bhd**  
Level 3A, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur 50400  
Malaysia  
Tel : +603 9280 8888  
Fax : +603 9200 2216

#### **JAKARTA**

**PT RHB Sekuritas Indonesia**  
Revenue Tower, 11th Floor, District 8  
- SCBD  
Jl. Jendral Sudirman Kav 52-53  
Jakarta 12190  
Indonesia  
Tel : +6221 509 39 888  
Fax : +6221 509 39 777

#### **HONG KONG**

**RHB Securities Hong Kong Ltd.**  
12<sup>th</sup> Floor, World-Wide House  
19 Des Voeux Road  
Central  
Hong Kong  
Tel : +852 2525 1118  
Fax : +852 2810 0908

#### **BANGKOK**

**RHB Securities (Thailand) PCL**  
10th Floor, Sathorn Square Office  
Tower  
98, North Sathorn Road, Silom  
Bangrak, Bangkok 10500  
Thailand  
Tel: +66 2088 9999  
Fax :+66 2088 9799

#### **SINGAPORE**

**RHB Securities Singapore  
Pte Ltd.**  
10 Collyer Quay  
#09-08 Ocean Financial Centre  
Singapore 049315  
Tel : +65 6533 1818  
Fax : +65 6532 6211





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80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนาธรรมนี้เข้าร่วม CAC
- ได้รับการรับรอง CAC

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