

18 May 2020

Transport | Road & Rail

Bangkok Expressway and Metro (BEM TB)

Buy (Maintained)

V-Shape Recovery Ahead; Maintain BUY

Target Price (Return): THB11.50 (+21%)
 Price: THB9.50
 Market Cap: USD4,524m
 Avg Daily Turnover (THB/USD) 711m/22.1m

- **Maintain BUY with new SOP-based TP of THB11.50 from THB9.25, 21% upside and c.2% yield.** 1Q20 earnings fell YoY and QoQ due to COVID-19 that affected expressway traffic and MRT passenger numbers, aside from the absence of profit sharing from associates. However, a fast recovery in expressway and MRT numbers is expected as soon as people resume their normal daily activities. We believe this is a good time to invest in this pure-play stock representing road & rail transport, especially post-lockdown.

- **1Q20 earnings fell.** 1Q20 net profit fell to THB508m (-41% YoY, -3% QoQ) mainly due to the impact of the pandemic, resulting in a nationwide lockdown, work-from-home (WFH) policy, and temporary closure of leisure and entertainment outlets. We regard Bangkok Expressway and Metro's earnings decline as an unsurprising due to COVID-19 that pressured expressway traffic and MRT passenger numbers, especially in March with the rising concerns over the pandemic. Another factor was the absence of profit sharing from associates in 1Q20 after its investment in TTW (TTW TB, NR) was re-classified from associate to available-for-sale securities since 2Q19. Feb 2020 saw the start of an abnormal fall in expressway traffic (-4.3% YoY) – 1Q20 average was only 1.12m trips/day (-10.8% YoY). Likewise, the Blue-Line MRT passenger numbers also grew only 13% YoY in Feb 2020 but began to decline 29% YoY in Mar 2020. Revenue from expressway dropped 11% YoY while MRT business revenue rose only 7% YoY in spite of the full-loop network being operational since 4Q19.

- **Busier in May.** The Government's gradual easing of lockdown measures from May 2020 is a positive sign for a turnaround in expressway traffic and MRT ridership. Since late April, we have seen a higher number of vehicles on the expressway, especially during working hours and greater passenger flow in the MRT stations.

- **Upgrade earnings forecasts and TP.** Based on the increased easing of lockdown measures, we raise our FY20 assumptions for expressway traffic by 2% to 1.12m trips/day and Blue-Line MRT ridership by 10% to 450,000 passengers/day. Although expressway traffic has recovered faster than MRT ridership, we expect the latter to have ample upside from the full-loop network. Therefore, we lift FY20F revenue and net profit by 3.8% to THB17.9bn and 9.8% to THB4.78bn. Our SOP-based TP therefore increases by 24% to THB11.50, implying 37x P/E or -0.5SD from its 4-year mean.

Analyst

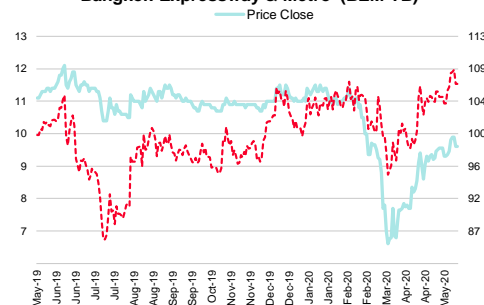
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(12.9)	6.7	(13.6)	(12.0)	(15.9)
Relative	6.0	3.1	2.5	8.1	5.1
52-wk Price low/high (THB)				6.50	12.0

Bangkok Expressway & Metro (BEM TB)



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	15,614	16,107	17,912	19,175	20,667
Recurring net profit (THBm)	2,867	2,719	4,784	5,260	5,923
Recurring net profit growth (%)	(8.2)	(5.2)	75.9	10.0	12.6
Recurring P/E (x)	50.64	53.40	30.36	27.61	24.52
P/B (x)	4.2	3.9	3.6	3.4	3.1
P/CF (x)	18.00	18.76	28.67	16.68	19.10
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	22.16	21.69	17.98	19.06	16.70
Return on average equity (%)	16.2	15.1	12.4	12.7	13.3
Net debt to equity (%)	170.1	166.1	156.0	141.9	131.1

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	0.19	0.18	0.31	0.34	0.39
Transport	DPS	0.13	0.15	0.16	0.15	0.17
Bangkok Expressway and Metro	BVPS	2.26	2.46	2.61	2.80	3.02
BEM TB	Return on average equity (%)	16.2	15.1	12.4	12.7	13.3
Buy						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Valuation basis	Recurring P/E (x)	50.64	53.40	30.36	27.61	24.52
We use SOP methodology:	P/B (x)	4.2	3.9	3.6	3.4	3.1
i. The company's core businesses are based on DCF;	FCF Yield (%)	(1.5)	0.1	(5.3)	(4.2)	(6.3)
ii. CK Power and TTW are based on Bloomberg consensus.	Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
	EV/EBITDA (x)	22.16	21.69	17.98	19.06	16.70
	EV/EBIT (x)	43.05	43.16	30.01	27.00	23.03
Key drivers						
Chance for winning new infrastructure projects under public-private partnership schemes	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	15,614	16,107	17,912	19,175	20,667
	Gross profit	5,841	5,797	7,740	8,494	9,814
	EBITDA	8,699	8,877	10,703	10,022	11,427
	Depreciation and amortisation	(4,222)	(4,416)	(4,289)	(2,946)	(3,142)
	Operating profit	4,477	4,460	6,414	7,075	8,284
	Net interest	(1,407)	(1,330)	(680)	(749)	(1,132)
	Pre-tax profit	6,525	7,207	6,064	6,661	7,493
	Taxation	(1,189)	(1,755)	(1,213)	(1,332)	(1,499)
	Reported net profit	5,317	5,435	4,784	5,260	5,923
	Recurring net profit	2,867	2,719	4,784	5,260	5,923
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	1,777	1,911	1,040	14	(136)
	Cash flow from operations	8,067	7,741	5,064	8,704	7,604
	Capex	(10,302)	(7,610)	(12,714)	(14,734)	(16,734)
	Cash flow from investing activities	(7,353)	(7,563)	(12,456)	(14,456)	(16,456)
	Dividends paid	(1,987)	(2,293)	(2,487)	(2,367)	(2,665)
	Cash flow from financing activities	(2,815)	(1)	7,654	6,519	7,632
	Cash at beginning of period	2,627	526	704	966	1,713
	Net change in cash	(2,101)	177	263	766	(1,220)
	Ending balance cash	527	703	966	1,733	493
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	1,809	1,861	2,124	2,871	1,631
	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	114,296	118,537	120,723
	Short-term debt	10,856	8,916	10,500	10,700	10,164
	Total long-term debt	51,544	57,416	56,000	55,000	54,000
	Total liabilities	68,219	72,874	73,041	74,250	73,035
	Total equity	35,612	38,823	41,255	44,286	47,688
	Total liabilities & equity	103,831	111,697	114,296	118,537	120,723
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	3.0	3.2	11.2	7.1	7.8
	Recurrent EPS growth (%)	(8.2)	(5.2)	75.9	10.0	12.6
	Gross margin (%)	37.4	36.0	43.2	44.3	47.5
	Operating EBITDA margin (%)	55.7	55.1	59.8	52.3	55.3
	Net profit margin (%)	34.1	33.7	26.7	27.4	28.7
	Dividend payout ratio (%)	37.4	42.2	52.0	45.0	45.0
	Capex/sales (%)	66.0	47.2	71.0	76.8	81.0
	Interest cover (x)	2.41	2.59	4.19	5.13	5.87

Source: Company data, RHB

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Figure 1: 1Q20 earnings declined mainly due to softer revenue from expressway business and an absence of any profit sharing from associates

FYE Dec (THBm)	1Q19	2Q19	3Q19	4Q19	1Q20	YoY (%)	QoQ (%)
Total Turnover	3,970	3,862	4,073	4,202	3,797	(4.4)	(9.6)
Gross Profit	1,518	1,383	1,481	1,361	1,302	(14.3)	(8.0)
Gross Profit Margin (%)	38.3	35.8	36.4	33.7	34.3		
EBITDA	2,189	2,019	2,185	2,484	1,841	(15.9)	(25.9)
EBITDA Margin (%)	55.1	52.3	53.6	59.1	48.5		
EBIT	1,205	1,052	1,179	1,025	997	(25.8)	(3.5)
EBIT Margin (%)	30.4	27.2	28.9	24.4	26.2		
Interest expense	(404)	(421)	(422)	(477)	(455)	12.7	(4.6)
Equity Income	106	67	0	0	0	(100)	NM
Pre-tax profit	1,063	4,378	1,115	651	633	(40.5)	(2.7)
Pre-tax profit margin (%)	26.8	113.4	27.4	15.5	16.7		
Tax	(196)	(1,257)	(175)	(127)	(123)	(37.2)	(3.2)
Minority Interest	(9)	(3)	(3)	(2)	(3)	NM	NM
Net Profit	859	3,118	937	521	508	(40.9)	(2.6)

Source: Company data, RHB

Figure 2: Changes to our assumptions for FY20F and also earnings forecasts

	Previous	New	% change
Expressway traffic volume (trips per day)	1,099,150	1,120,000	+1.9%
YoY growth (%)	-11.2%	-9.5%	
Blue-Line MRT ridership (passengers per day)	410,000	450,000	+9.8%
YoY growth (%)	+21.7%	+33.6%	
Our FY20F earnings			
Total revenue (THBm)	17,252	17,912	+3.8%
Net profit (THBm)	4,365	4,784	+9.6%

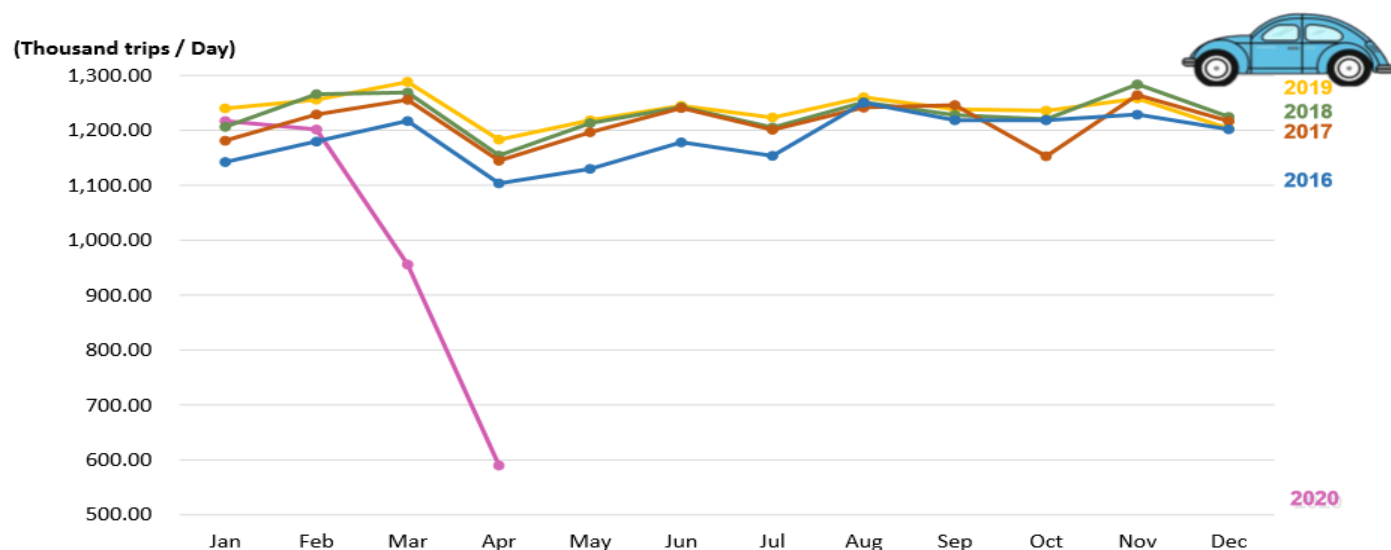
Source: RHB

Figure 3: SOP valuation

	Value (THBm)	Remarks	
Expressway business	89,654	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	101,253		
Commercial development	27,152		
BEM's investment listed in SET			
Stake			
CK Power (CKP TB, NR)	16.64%	6,642	Based on Bloomberg consensus TP (THB4.91).
TTW (TTW TB, NR)	18.47%	10,649	Based on Bloomberg consensus TP (THB14.45).
Other operating assets	6,125		
Net debt	(65,629)		
Minority interest	(42)		
Total	175,804		
Number of shares outstanding	15,285		
Per share (THB)	11.50		

Source: RHB

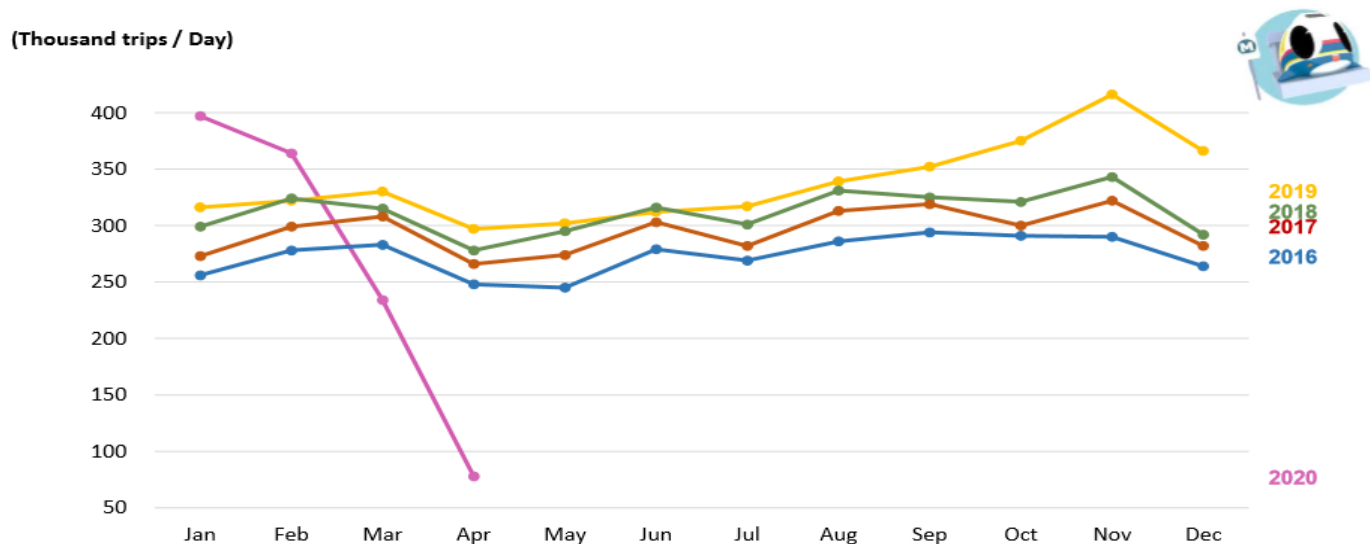
Figure 4: Expressway traffic began to soften in Feb 2020 and decline sharply in Mar 2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg.	%YoY
2020	1,216.97	1,201.74	955.75	589.86									990.91	-20.21%
2019	1,239.85	1,255.73	1,288.11	1,183.02	1,218.34	1,244.63	1,223.34	1,260.20	1,238.35	1,235.54	1,257.85	1,203.37	1,237.26	0.58%
2018	1,206.51	1,266.04	1,269.04	1,154.27	1,213.29	1,242.35	1,205.30	1,251.22	1,227.88	1,220.11	1,283.91	1,224.67	1,230.13	1.33%
2017	1,181.32	1,229.06	1,255.82	1,144.81	1,196.64	1,240.76	1,201.12	1,241.68	1,245.94	1,152.97	1,264.21	1,216.84	1,214.03	2.93%
2016	1,142.40	1,179.80	1,217.11	1,103.63	1,129.92	1,178.37	1,153.70	1,250.26	1,218.43	1,218.43	1,228.76	1,201.85	1,179.50	3.32%
%YoY 20/19	-1.82%	-4.30%	-25.80%	-50.14%										

Source: Company data

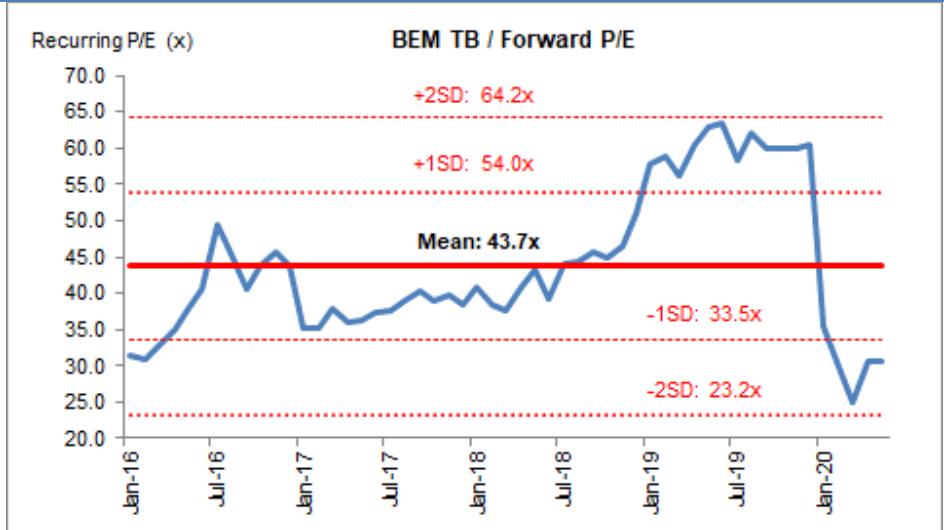
Figure 5: Blue-Line MRT ridership began to slow down in Feb 2020 instead of surpassing the 400,000 passengers/day level



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg.	%YoY
2020	397	364	234	78									268	-15.18%
2019	316	322	330	297	302	312	317	339	352	375	416	366	337	8.17%
2018	299	324	315	278	295	316	301	331	325	321	343	292	312	5.50%
2017	273	299	308	266	274	303	282	313	319	300	322	282	295	7.65%
2016	256	278	283	248	245	279	269	286	294	291	290	264	274	5.12%
%YoY 20/19	25.43%	13.10%	-29.20%	-73.54%										

Source: Company data

Figure 6: BEM's P/E currently staying at a low level of between -1SD and -2SD



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-03-24	Buy	9.3	6.7
2020-02-28	Neutral	10.8	9.3
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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Analyst	Company
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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		พอใช้	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

ประกาศเจตนารมณ์ 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

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- ได้ประกาศเจตนารมณ์เข้าร่วม CAC
- ได้รับการรับรอง CAC

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