

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Update

Bangkok Expressway and Metro (BEM TB/BUY/Bt9.05/Target: Bt11.00) Page 2

Looking for good earnings growth from next year onwards; there is no need for capital increase. Maintain BUY as share price is undervalued.

KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,477.21	1.08	0.07
SET50	949.28	1.46	0.15
Value (Btm) - SET	81,775		
Top 5 Sector			
BANK	344.93	(1.99)	(0.57)
PETRO	1,011.97	36.42	3.73
PROP	222.31	(0.19)	(0.09)
ENERG	23,208.43	139.88	0.61
ICT	141.30	(1.62)	(1.13)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
KBANK	117.00	0.00	40,969.8
CPALL	64.00	(0.78)	63,985.5
BAM	22.90	(0.43)	141,729.4
ADVANC	187.50	(1.83)	14,870.8
PTT	42.75	1.18	64,379.4

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
INSURE	40.25	29.84	0.2
EMC	0.18	28.57	37,533.2
PERM	1.11	27.59	37,476.6
UWC	0.05	25.00	7,791.9
SAM	0.48	20.00	11,458.4

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
T	0.03	(25.00)	66.0
BTNC	11.50	(21.23)	1.8
POST	1.06	(15.20)	16.2
DTCI	29.50	(15.11)	0.2
PROUD	0.93	(10.58)	139.4

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	50.8	18.2	20.3	(16.1)
Dubai crude*	49.8	17.9	27.5	(23.9)
Baltic Dry Index	1,235.0	11.2	(3.6)	13.3
Gold Spot***	1,851.8	(2.0)	(5.5)	22.0

*(US\$/bb), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
47.6	211.4	(8,156.8)	(6,915.1)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 30.04

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

COMPANY UPDATE

Bangkok Expressway and Metro (BEM TB)

Looking For Good Earnings Growth Next Year While Capital Increase Is Unlikely

We believe BEM's share price has overreacted to the slow recovery of traffic volume and ridership as well as a potential capital increase if it wins the Orange line concession. With the availability of COVID-19 vaccine(s), BEM's revenue and earnings growth will resume from next year. Meanwhile, its low net IBD/E at 1.4x will ensure there is no need to raise new capital. Maintain BUY. Target price: Bt11.00.

WHAT'S NEW

- Expect traffic volume and ridership to return to pre-COVID-19 levels at end-21.** Both average daily traffic volume and ridership of Bangkok Expressway and Metro (BEM) have been gradually increasing mom since the peak of pandemic back in Apr 20. In the month of Nov 20, average daily traffic volume and ridership recovered by 92% and 76% yoy to 1.159m and 311,752 respectively. However, the recovery in both businesses was lower than our estimates. This was due several factors such as the lower number of public events, lesser travel due to fear of infection, as well as the minimum number of foreign tourists. These factors are expected to remain until the COVID-19 vaccine(s) is available to the masses in Thailand. With the availability of the COVID-19 vaccine now in the western world and later in Thailand (likely in 2H21), we expect a meaningful recovery for both of BEM's businesses in 2H21. This is due to pent-up demand of Thai people and foreign tourists who are willing to travel. This may bring traffic volume and ridership back to pre-COVID-19 levels by end-21, with growth expected in 2022.
- No capital raising to support the Orange line concession.** Although the bidding of the Orange line concession has been suspended pending the court's decision, we expect the bidding to resume within 1H21. Should BEM win the concession, we do not expect it to carry out any capital raising to support the project. Given BEM's current net interest bearing debt-to-equity (IBD/E) of 1.4x vs the covenant of 2.5x, it means that BEM still has capacity to borrow up to Bt41m of additional long-term loans. This is more than sufficient to invest in the mechanical and engineering (M&E) part of the Orange line project worth Bt32b. As for the civil work worth Bt91b, this could be financed by inter-company or bridging loans as it will be fully paid back (including the interest) by the government, once the project commences operation.
- Small benefit from the increase of subway fares.** BEM's subway line farebox will increase next year, in line with the clause in its concession. The fare will be raised by Bt1 for a rider travelling one, four, seven and 10 stations, but will maintain the maximum fare ceiling at Bt42. Based on our channel check, 80% of daily ridership with an average fare rate of Bt27 will be increased to Bt28. This will increase BEM's revenue by Bt80m in 2021, representing a 0.5% increase in BEM's total revenue in 2021. We therefore see limited benefit from the increase in BEM's farebox revenue next year.

KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	15,615	16,106	13,448	16,561	17,988
EBITDA	8,344	8,486	5,258	8,829	9,545
Operating profit	4,477	4,460	3,695	6,309	6,807
Net profit (rep./act.)	5,317	5,435	2,015	4,000	4,450
Net profit (adj.)	2,890	2,920	2,012	4,000	4,450
EPS (Bt)	0.19	0.19	0.13	0.26	0.29
PE (x)	47.9	47.4	68.8	34.6	31.1
P/B (x)	3.9	3.6	3.7	3.4	3.2
EV/EBITDA (x)	23.9	23.5	38.0	22.6	20.9
Dividend yield (%)	1.7	1.7	0.7	1.4	1.6
Net margin (%)	34.1	33.7	15.0	24.2	24.7
Net debt/(cash) to equity (%)	170.3	165.7	161.9	140.7	125.2
Interest cover (x)	4.5	4.9	2.5	4.3	4.9
ROE (%)	16.0	14.6	5.3	10.2	10.6
Consensus net profit	-	-	2,256	4,003	4,621
UOBKH/Consensus (x)	-	-	0.89	1.00	0.96

Source: BEM, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt9.05
Target Price	Bt11.00
Upside	+21.5%
(Previous TP)	Bt11.50)

COMPANY DESCRIPTION

Bangkok Expressway and Metro is an operator of expressway and train services in Bangkok and suburban areas under the concessions of the Expressway Authority of Thailand and the Mass Rapid Transit Authority of Thailand.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	BEM TB
Shares issued (m):	15,285.0
Market cap (Btm):	138,329.3
Market cap (US\$m):	4,603.3
3-mth avg daily t'over (US\$m):	9.2

Price Performance (%)

52-week high/low	Bt11.40/Bt6.50			
1mth	3mth	6mth	1yr	YTD
(1.1)	0.0	(6.7)	(20.6)	(17.0)

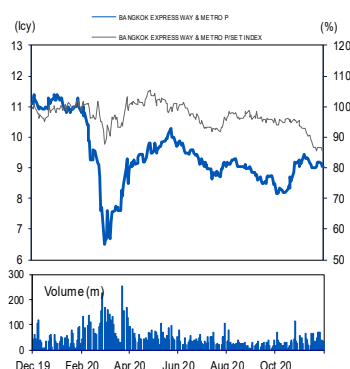
Major Shareholders

	%
CH Karnchang group	32.2
Mass Rapid Transit Authority of Thailand	8.2
Thai NVDR	7.9

FY20 NAV/Share (Bt) 2.47

FY20 Net Debt/Share (Bt) 4.00

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **Expect a small earnings growth in 4Q20.** We expect BEM's 4Q20 revenue to decline by 15% yoy to Bt3.6b on an expectation of lower average daily traffic volume (-8% yoy) and ridership (-24% yoy) due to a slow pace of recovery after the peak of pandemic since Apr 20. Although 4Q20 gross margin is expected to improve to 43% (4Q19: 34%) on lower amortisation expenses on the expressway, EBITDA margin are expected to decline to 38% (4Q19: 50%) on extra expenses incurred for the official ceremony of the opening of Blue Line Extension services by the Thai King and Queen in November. We therefore expect 4Q20 core profit to rise by only 3% yoy to Bt533m.

EARNINGS REVISION/RISK

- **Revise down forecasts.** As the recovery of average traffic volume and ridership is lower than estimated, we revise down BEM's 2020 and 2021 revenue and earnings forecasts by 6-28%.
- **Despite that, 2021 core profit should grow significantly by 99% yoy.** Based on our assumption that BEM's traffic volume and ridership will improve at a slow pace in 2020 while 90% of its costs are fixed, we expect BEM's 2020 EBITDA margin to drop to 39% (2019: 53%). Therefore, we expect 2020 revenue and core profit to fall by 17% and 31% yoy to Bt13.4b and Bt2.0b, respectively. With a meaningful recovery in traffic volume and ridership in 2H21 as well as a full-year benefit of the reduction in amortisation expenses of the expressway, we expect 2021 EBITDA margin to improve to 53%. We forecast 2021 revenue and core profit to rise significantly by 23% and 99% yoy to Bt16.6b and Bt4.0b, respectively. This is also supported by the low base in 2020.

VALUATION/RECOMMENDATION

- **Cut target price to Bt11.00.** To capture the lower earnings in 2021, we cut our target price to Bt11.00, based on SOTP valuation.
- **Maintain BUY.** We believe share price has overreacted to the slow pace of BEM's recovery and a possibility of capital increase if BEM wins the Orange line concession. With the availability of COVID-19 vaccine(s) now in the western world and later in Thailand, we expect BEM's revenue and core profit growth to see a fast recovery starting from next year. The low net IBD/E of 1.4x means BEM has the ability to fund the Orange line concession based on its existing capital base. Despite a cut in target price, BEM still offers an attractive price upside of 22% and trades at -1 SD below its average 5-year forward PE mean.

SHARE PRICE CATALYST

- The availability of COVID-19 vaccine(s) worldwide and in Thailand.

4Q20F RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q20F	yoy % chg	qoq % chg	2020F	Yoy % chg
Revenue	3,591	(14.5)	0.5	13,448	(16.5)
Gross Profit	1,530	8.2	(1.1)	5,047	(12.9)
EBITDA	1,368	(34.6)	(7.4)	5,260	(38.0)
Pre-tax Profit	671	3.7	(30.9)	2,397	(30.4)
Tax	(135)	5.5	(8.2)	(376)	(44.7)
Net Profit	533	2.3	(35.2)	2,015	(62.9)
Net Profit (Ex EI)	533	3.1	(35.2)	2,012	(31.1)
EPS (Bt)	0.04	5.7	(29.2)	0.13	(63.0)
Gross margin (%)	42.6			37.5	
EBITDA margin (%)	38.1			39.1	
Net margin (%)	14.8			15.0	

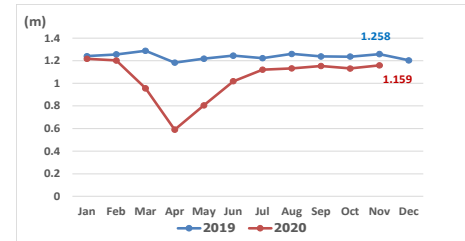
Source: UOB Kay Hian

SOTP VALUATION

	Value (Btm)	Value/share (Bt)	Remarks
BEM: Toll way & Fare box	158,932	10.40	DCF, discount rate 7%
CKP (16.5%)	442	0.03	market price
TTW (18.5%)	8,724	0.57	market price
Total	184,879	11.00	

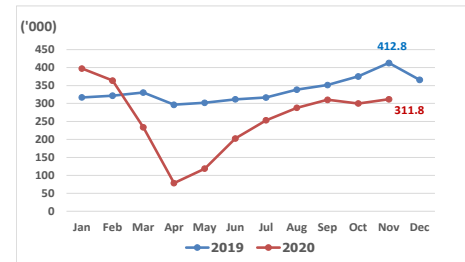
Source: UOB Kay Hian

DAILY TRAFFIC VOLUME RECOVERED BY 92% YOY



Source: BEM, UOB Kay Hian

DAILY RIDERSHIP RECOVERED BY 76% YOY



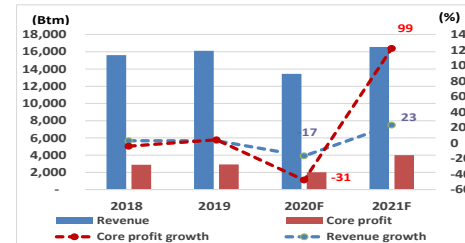
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EARNINGS REVISION

	2020F			2021F		
(Btm)	Old	New	%chg	Old	New	%chg
Revenue	14,494	13,448	-7%	17,607	16,561	-6%
Core profit	2,793	2,012	-28%	4,240	4,000	-6%

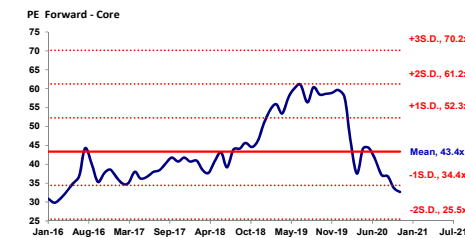
Source: UOB Kay Hian

REVENUE AND CORE PROFIT GROWTH YOY



Source: BEM, UOB Kay Hian

PE MEAN AND SD



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Net turnover	16,106	13,448	16,561	17,988
EBITDA	8,486	5,258	8,829	9,545
Deprec. & amort.	4,026	1,562	2,520	2,738
EBIT	4,460	3,695	6,309	6,807
Total other non-operating income	707	812	769	726
Associate contributions	173	0	0	0
Net interest income/(expense)	(1,723)	(2,110)	(2,066)	(1,957)
Pre-tax profit	3,617	2,397	5,013	5,576
Tax	(680)	(376)	(1,003)	(1,115)
Minorities	(17)	(9)	(10)	(11)
Net profit	5,435	2,015	4,000	4,450
Net profit (adj.)	2,920	2,012	4,000	4,450

CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Operating	14,433	6,388	4,800	5,300
Pre-tax profit	5,959	2,400	5,013	5,576
Tax	(680)	(376)	(1,003)	(1,115)
Deprec. & amort.	4,026	1,562	2,520	2,738
Associates	156	(9)	(10)	(11)
Working capital changes	7,100	2,757	(1,720)	(1,888)
Non-cash items	(2,128)	53	0	0
Investing	(17,725)	(658)	(350)	(384)
Capex (growth)	(17,725)	(658)	(350)	(384)
Capex (maintenance)	n.a.	n.a.	n.a.	n.a.
Proceeds from sale of assets	n.a.	n.a.	n.a.	n.a.
Financing	3,400	(2,365)	(5,079)	(5,842)
Dividend payments	(2,293)	(2,989)	(1,008)	(2,000)
Issue of shares	0	0	0	0
Proceeds from borrowings	5,693	624	0	0
Loan repayment	0	0	(4,071)	(3,842)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	108	3,364	(629)	(926)
Beginning cash & cash equivalent	1,959	2,067	5,431	4,803
Ending cash & cash equivalent	2,067	5,431	4,803	3,877

BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Fixed assets	75,548	71,861	70,442	68,888
Other LT assets	31,701	31,473	32,476	33,689
Cash/ST investment	2,067	5,431	4,803	3,877
Other current assets	2,381	2,305	2,403	2,450
Total assets	111,697	111,070	110,124	108,904
ST debt	8,916	9,431	11,233	15,733
Other current liabilities	2,513	2,209	2,315	2,459
LT debt	57,417	57,212	50,993	42,271
Other LT liabilities	4,028	4,369	4,742	5,150
Shareholders' equity	38,781	37,807	40,800	43,249
Minority interest	42	42	42	42
Total liabilities & equity	111,697	111,070	110,124	108,904

KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Profitability				
EBITDA margin	52.7	39.1	53.3	53.1
Pre-tax margin	22.5	17.8	30.3	31.0
Net margin	33.7	15.0	24.2	24.7
ROA	5.0	1.8	3.6	4.1
ROE	14.6	5.3	10.2	10.6
Growth				
Turnover	3.1	(16.5)	23.1	8.6
EBITDA	1.7	(38.0)	67.9	8.1
Pre-tax profit	2.5	(33.7)	109.1	11.2
Net profit	2.2	(62.9)	98.5	11.2
Net profit (adj.)	1.0	(31.1)	98.8	11.2
EPS	1.0	(31.1)	98.8	11.2
Leverage				
Debt to total capital	63.1	63.8	60.4	57.3
Debt to equity	171.0	176.3	152.5	134.1
Net debt/(cash) to equity	165.7	161.9	140.7	125.2
Interest cover (x)	4.9	2.5	4.3	4.9

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