

COMPANY UPDATE

Bangkok Expressway And Metro (BEM TB)

Defensive Play With Steady Growth

BEM reported a continuous yoy earnings growth in 3Q24 on the back of stronger Blue Line railway ridership. Looking forward to 2025, we expect the Blue Line to continue to be a key driver of BEM's earnings momentum. For the Double Deck project, management guided that it should be finalised by 1Q25, following a delay from 2H24. Maintain BUY. Target price: Bt10.60.

WHAT'S NEW

- These are the takeaways from Bangkok Expressway And Metro's (BEM) analyst meeting yesterday.
- **Stable business development.** Overall, management is still positive on the core business development including expressway, railway and commercial development. Management expects the Double Deck project to be approved by 1Q25 following a delay due to a government process in 2H24. Currently, the Orange Line (West) Project has already begun civil work construction and is expected to be operational by 2029 while the Orange Line (East) Project is expected to be operational by 2028.

STOCK IMPACT

- **Blue Line railway to be key driver of BEM's earnings.** Looking forward, we are still positive on BEM's Blue Line railway operation. The key catalysts for Blue Line ridership in 2025 will be from: a) a continuous improvement in ridership from the opening of mega projects such as One Bangkok and Dusit Central Park, b) a gradual improvement in Yellow Line which is the feeder line to Blue Line, and c) organic growth following higher fare adjustment, more economic activities and tourists. Management expects the One Bangkok Project to increase ridership to 25,000 per day, equivalent to 5.6% of our 2025 ridership assumption. Additionally, the company procured 21 three-car rolling stocks and invested in developing the Blue Line railway system's efficiency which is expected to be completed before the commencement of the Orange Line (West) Project.
- **Expect gradual improvement in expressway and commercial developments.** We expect to see a slightly better expressway revenue growth in 2025 following the completion of road construction near its Bang Pa-in toll station by mid-25, and a recovery in traffic volume of some expressways following an increase in toll prices.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	14,029	16,374	16,923	17,550	18,422
EBITDA	6,012	7,790	8,150	8,697	9,105
Operating profit	4,423	5,822	6,182	6,654	6,976
Net profit (rep./act.)	2,436	3,479	3,767	4,112	4,184
Net profit (adj.)	2,436	3,479	3,767	4,112	4,184
EPS (Bt)	0.2	0.2	0.2	0.3	0.3
PE (x)	48.3	33.8	31.2	28.6	28.1
P/B (x)	3.2	3.1	3.0	2.9	2.7
EV/EBITDA (x)	30.2	23.3	22.3	20.9	19.9
Dividend yield (%)	1.0	1.6	1.7	1.9	2.1
Net margin (%)	17.4	21.2	22.3	23.4	22.7
Net debt/(cash) to equity (%)	181.5	178.4	168.5	156.9	150.0
Interest cover (x)	2.5	3.3	3.3	3.5	3.5
ROE (%)	6.5	9.3	9.8	10.2	10.0
Consensus net profit	-	-	3,830	4,300	4,478
UOBKH/Consensus (x)	-	-	0.98	0.96	0.93

Source: Bangkok Expressway and Metro, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt7.65
Target Price	Bt10.60
Upside	+38.6%
(Previous TP)	Bt11.60)

COMPANY DESCRIPTION

BEM 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):	116,930.3
Market cap (US\$m):	3,436.1
3-mth avg daily t'over (US\$m):	10.5

Price Performance (%)

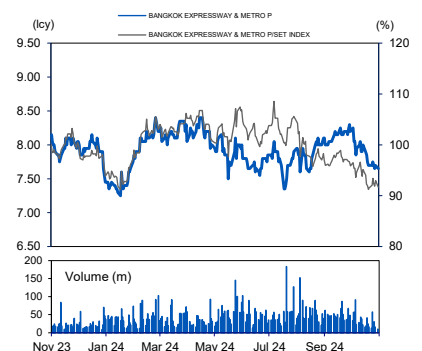
52-week high/low	Bt9.10/Bt7.25			
1mth	3mth	6mth	1yr	YTD
(7.2)	(2.5)	(3.8)	(5.5)	(3.1)

Major Shareholders

CH Karnchang group	36.40
Mass Rapid Transit Authority of Thailand	8.22
Thai NVDR	5.38

FY24 NAV/Share (Bt)	2.57
FY24 Net Debt/Share (Bt)	4.33

PRICE CHART



Source: Bloomberg

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3Q24 RESULTS

Year to 31 Dec (Btm)	3Q24	3Q23	2Q24	yoy % chg	qoq % chg
Sales	4,365	4,257	4,023	3%	8%
Gross Profit	1,939	1,792	1,705	8%	14%
EBITDA	2,158	2,145	1,887	1%	14%
Pre-tax Profit	1,281	1,159	1,170	11%	9%
Net Profit	1,067	970	1,003	10%	6%
Core Profit	1,067	970	1,003	10%	6%
EPS (Bt)	0.070	0.063	0.066	10%	6%
Ratio (%)					
Gross Margin	44.4%	42.1%	42.4%	2.3%	2.0%
EBITDA Margin	49.4%	50.4%	46.9%	-0.9%	2.5%
Net Margin	24.4%	22.8%	24.9%	1.6%	-0.5%

Source: BEM, UOB Kay Hian

- **3Q24 earnings in line.** BEM reported 3Q24 net profit of Bt1,067m, up 10% yoy and 6.4% qoq, in line with market estimate. It reported 3Q24 revenue of Bt4,365m, up 4% yoy and 8.5% qoq. The revenue improvement was mainly driven by the rail business (Bt1,782m, +8% yoy) arising from higher MRT Blue Line ridership of about 438,000 trips/day (+7% yoy). Meanwhile, revenue of the expressway business was Bt2,275m (+1% yoy) with average traffic volume of 1.12m trips/day. 3Q24 gross margin increased to 44.4%, up from 42.4% and 42.1% in 2Q24 and 3Q23, respectively. The key drivers of margin were from lower electricity cost and higher average fare rate, resulting from fare rate adjustment since 3 Jul 24 and termination of 30-day trip passes since 1 Aug 24.

EARNINGS REVISION/RISK

- We fine-tune our 2024-25 earnings forecasts to reflect 4Q24 outlook and a more conservative assumption on the expressway business in the medium to long term.

EARNINGS REVISION

(Btm)	2024F			2025F		
	New	Previous	Change	New	Previous	Change
Revenue	16,315	16,923	3.7%	17,530	17,550	0.1%
Net Profit	3,719	3,767	1.3%	4,270	4,112	-3.7%

Source: UOB Kay Hian

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower SOTP-based target price of Bt10.60.** We still hold our previous view and expectation for BEM's business outlook. We view BEM as a defensive play stock which mainly focuses on domestic consumption.

SHARE PRICE CATALYST

- Official announcement of Public-Private Partnerships investment in the Double Deck project, and better mobility of traffic on expressways and the MRT Blue Line.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5
SET ESG Rating: AA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Net zero. BEM aims to be a carbon neutral and net zero company by 2050 and 2065 respectively. It is committed to developing the business to be sustainable and grow according to Sustainable Development Goals. • Social <ul style="list-style-type: none"> - The company emphasises business operations with social responsibility in every operation by treating every stakeholder with respect for human rights as a basis, emphasises fair and equal treatment of workers, and complies with relevant laws • Governance <ul style="list-style-type: none"> - Good governance practices. BEM is committed to operating its business in accordance with good corporate governance policy and management excellence. BEM received the "Excellent" rating on good corporate governance from the Thai Institute of Directors (IOD).

SOTP-BASED VALUATION

Business(es)	Value (Btm)	Note
BEMs Existing Operation	146,995	Using DCF WACC 5.61%
MRT Orange Line Project	5,724	Using DCF WACC 5.61%
Key investment(s)	9,317	
CKP	3,743	Using consensus TP
TTW	5,575	Using consensus TP
Total Value	162,037	
number of shares (m)	15,285	
Fair Value (Bt)	10.60	

Source: BEM, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	16,374	16,923	17,550	18,422
EBITDA	7,790	8,150	8,697	9,105
Deprec. & amort.	1,968	1,968	2,043	2,129
EBIT	5,822	6,182	6,654	6,976
Total other non-operating income	764	777	802	831
Associate contributions	0	0	0	0
Net interest income/(expense)	(2,371)	(2,440)	(2,486)	(2,637)
Pre-tax profit	4,216	4,520	4,970	5,170
Tax	(737)	(750)	(854)	(982)
Minorities	(0)	(4)	(4)	(4)
Net profit	3,479	3,767	4,112	4,184
Net profit (adj.)	3,479	3,767	4,112	4,184

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	6,353	6,202	6,888	7,338
Pre-tax profit	4,216	4,520	4,970	5,170
Tax	(737)	(750)	(854)	(982)
Deprec. & amort.	1,968	1,968	2,043	2,129
Associates	0	0	0	0
Working capital changes	(2,176)	467	731	1,023
Non-cash items	2,346	(3)	(3)	(2)
Other operating cashflows	737	0	0	0
Investing	(518)	(3,022)	(2,980)	(4,618)
Capex (growth)	(1,182)	(467)	(206)	(211)
Investments	11,802	12,013	12,227	12,445
Others	(11,138)	(14,568)	(15,001)	(16,852)
Financing	(6,377)	2,494	(3,533)	(3,438)
Dividend payments	(1,834)	(1,987)	(2,260)	(2,467)
Issue of shares	0	4,481	0	0
Proceeds from borrowings	(4,543)	0	(1,273)	(971)
Loan repayment	0	0	0	0
Others/interest paid	(542)	5,673	374	(718)
Net cash inflow (outflow)	1,788	1,246	6,920	7,294
Beginning cash & cash equivalent	0	0	0	0
Ending cash & cash equivalent	1,246	6,920	7,294	6,576

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	77,455	75,954	74,117	72,200
Other LT assets	29,794	32,432	35,290	39,784
Cash/ST investment	1,246	6,920	7,294	6,576
Other current assets	4,001	3,810	3,177	2,280
Total assets	112,496	119,116	119,879	120,839
ST debt	13,299	13,246	12,156	14,606
Other current liabilities	2,268	2,540	2,636	2,761
LT debt	55,121	59,832	59,649	56,228
Other LT liabilities	4,144	4,227	4,311	4,398
Shareholders' equity	37,663	39,265	41,117	42,833
Minority interest	2	5	10	14
Total liabilities & equity	112,496	119,116	119,879	120,839

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	47.6	48.2	49.6	49.4
Pre-tax margin	25.7	26.7	28.3	28.1
Net margin	21.2	22.3	23.4	22.7
ROA	3.1	3.3	3.4	3.5
ROE	9.3	9.8	10.2	10.0
Growth				
Turnover	16.7	3.4	3.7	5.0
EBITDA	29.6	4.6	6.7	4.7
Pre-tax profit	48.8	7.2	9.9	4.0
Net profit	42.8	8.3	9.2	1.7
Net profit (adj.)	42.8	8.3	9.2	1.7
EPS	42.8	8.3	9.2	1.7
Leverage				
Debt to total capital	64.5	65.0	63.6	62.3
Debt to equity	181.7	186.1	174.6	165.4
Net debt/(cash) to equity	178.4	168.5	156.9	150.0
Interest cover (x)	3.3	3.3	3.5	3.5

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