

21 March 2024

Industrials | Road & Rail

Bangkok Expressway and Metro (BEM TB)

Buy (Maintained)

Organic Growth Of MRT Still On Track; Keep BUY

Target Price (Return): THB10.77 (31.3%)
 Price (Market Cap): THB8.20 (USD3,464m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (THB/USD) 267m/6.39m

- **Keep BUY and SOP-based THB10.77 TP, 31% upside and c.2% yield.** After several years of seeing solid growth drivers for both its business segments, we believe Bangkok Expressway and Metro's FY24 growth will be heavily reliant on its mass rapid transit (MRT) business. Its expressway business, on the other hand, will play a vital role in managing the downside for BEM's overall earnings. The MRT business' organic growth – driven by additional passengers fed in from other MRT routes – is still a key growth engine.
- **The Department of Rail Transport** recently released statistics of ridership for two MRT routes, including the State Railway of Thailand's Red Line MRT and the Mass Rapid Transit Authority of Thailand's Purple Line MRT. These two routes have been pilot projects for the current Government's flagship policy to apply a THB20 flat rate per trip, based on their election campaigns. The data collected during the implementation of the flat fare rates confirmed that ridership numbers for the two MRT routes were moderately driven by the flat rates, and surpassed the Government's growth target of +10%. Since the new fare policy was implemented on 16 Oct 2023, average ridership numbers (up to 14 Mar 2024) have risen 28% to 27.7k/day for the Red Line MRT and by 14% to 65.2k/day for the Purple Line MRT, compared to the same period prior to the implementation.
- **Among the two MRT routes**, ridership growth for the Purple Line MRT will have a greater impact on BEM's Blue Line MRT network, as it is estimated that about 40% of Purple Line MRT's ridership is fed into the Blue Line MRT. As the Purple Line MRT's extension (currently under construction with the completion targeted by FY27) will expand its coverage into more populated areas including Bangkok's central and southern areas, the Purple-Line MRT's overall ridership should eventually reach above 100k/day. By 2027, we expect to see Blue Line MRT ridership rise to an average of at least 550k/day.
- **For FY24**, we expect core revenue to grow by 10% YoY to THB18bn based on assumptions that: i) FY24 average expressway traffic will inch up by only 3% YoY from FY23's average of 1.12.m trips/day and, ii) Blue Line MRT will be driven by a THB1/trip fare increase from the mid-year and a 15% growth in ridership numbers. Note that our FY24 assumptions include average traffic of 1.15m trips/day and average ridership of 450k trips/day. Therefore, FY24 net profit should grow moderately by 21% YoY.
- **ESG.** Based on the solid organic growth of BEM's core businesses, we keep our SOP-based TP, which includes a 2% ESG premium based on the company's ESG score of 3.3 (above the country median of 3.2).

Analyst

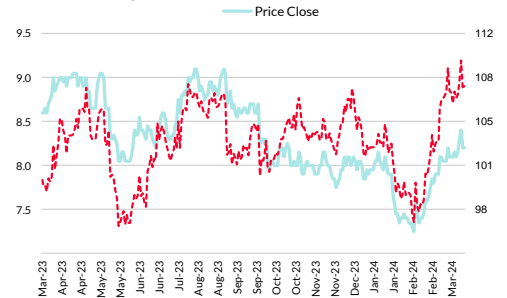
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	3.1	5.8	1.9	(5.8)	(3.0)
Relative	5.5	6.2	2.8	3.4	8.6
52-wk Price low/high (THB)				7.25	–9.10

Bangkok Expressway & Metro (BEM TB)



Source: Bloomberg

Overall ESG Score: 3.3 (out of 4)

E: GOOD

BEM has assured that the expressway users are provided with convenient, fast, safe services, by which the economic losses caused by fuel burning in the course of traffic congestion can be minimised. As for the metro system, in addition to safe, convenient, fast services provided to users, it is also an eco-friendly public transport system that consumes clean energy, helps minimise air pollution, and reduces greenhouse gas and carbon dioxide emissions.

S: EXCELLENT

BEM has carried out activities based on responsibility for impact its business has had on communities and the society. It also participates in helping to develop and maintain the well-being of communities. Its guidelines for operations on care for and collaborations in community development are divided into three target groups: i) Origin (communities surrounding the workplaces), ii) middle-way (communities along the service routes), and iii) destination (society as a whole).

G: EXCELLENT

The structure and agility of BEM's governance is essential to ensure consistency in: i) Strategic risk management; and ii) giving critical, accurate and timely information throughout the entire IT governance system. This is so that BEM can maximise efficiency in managing resources, in response to the ever-changing business environment.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (THBm)	14,029	16,374	17,988	18,524	19,169
Recurring net profit (THBm)	2,436	3,479	4,200	4,318	4,576
Recurring net profit growth (%)	141.2	42.8	20.7	2.8	6.0
Recurring P/E (x)	51.45	36.03	29.84	29.03	27.39
P/B (x)	3.2	3.1	3.0	2.9	2.8
P/CF (x)	22.25	19.73	19.12	20.16	18.22
Dividend Yield (%)	1.5	1.7	2.2	2.2	2.4
EV/EBITDA (x)	27.91	21.63	17.57	19.34	18.29
Return on average equity (%)	6.3	8.7	10.1	10.0	10.2
Net debt to equity (%)	181.7	175.9	166.3	156.5	145.0

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (THB)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Thailand	Recurring EPS	0.16	0.23	0.27	0.28	0.30
Industrials	DPS	0.12	0.14	0.18	0.18	0.19
Bangkok Expressway and Metro	BVPS	2.56	2.68	2.77	2.87	2.98
BEM TB	Return on average equity (%)	6.3	8.7	10.1	10.0	10.2
Buy						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	51.45	36.03	29.84	29.03	27.39
We use SOP methodology:	P/B (x)	3.2	3.1	3.0	2.9	2.8
i. The company's core businesses are based on DCF;	FCF Yield (%)	3.5	4.2	4.5	4.4	4.7
ii. CK Power and TTW are based on Bloomberg consensus.	Dividend Yield (%)	1.5	1.7	2.2	2.2	2.4
	EV/EBITDA (x)	27.91	21.63	17.57	19.34	18.29
	EV/EBIT (x)	40.59	30.88	27.53	26.71	25.27
	Income statement (THBm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Key drivers	Total turnover	14,029	16,374	17,988	18,524	19,169
i. Chances of winning new infrastructure projects under public-private partnership schemes	Gross profit	5,582	7,064	7,875	8,078	8,435
	EBITDA	6,432	8,311	10,167	9,159	9,558
	Depreciation and amortisation	(2,009)	(2,488)	(3,679)	(2,528)	(2,641)
	Operating profit	4,423	5,822	6,488	6,631	6,917
	Net interest	(2,173)	(2,371)	(2,139)	(2,132)	(2,078)
Key risks	Pre-tax profit	2,834	4,216	4,990	5,144	5,485
i. Weaker-than-expected future traffic and ridership growth	Taxation	(398)	(737)	(790)	(825)	(909)
	Reported net profit	2,436	3,479	4,200	4,318	4,576
	Recurring net profit	2,436	3,479	4,200	4,318	4,576
Company Profile						
BEM conducts construction and operations of expressways, operations management of MRT systems, and other related businesses.						
	Cash flow (THBm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Change in working capital	1,798	1,304	286	(25)	97
	Cash flow from operations	5,632	6,353	6,556	6,218	6,879
	Capex	(1,276)	(1,144)	(938)	(664)	(987)
	Cash flow from investing activities	(597)	(518)	(938)	(664)	(987)
	Dividends paid	(1,223)	(1,834)	(2,730)	(2,807)	(2,975)
	Cash flow from financing activities	(4,379)	(6,377)	(5,315)	(4,166)	(6,568)
	Cash at beginning of period	1,131	1,788	1,246	1,549	2,937
	Net change in cash	656	(542)	303	1,388	(677)
	Ending balance cash	1,788	1,246	1,549	2,937	2,260
	Balance sheet (THBm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	2,735	2,070	2,373	3,761	3,084
	Tangible fixed assets	338	327	340	311	279
	Total investments	13,539	11,802	11,802	11,802	11,802
	Total assets	114,128	112,496	113,958	115,664	114,547
	Short-term debt	9,673	13,246	12,987	12,500	11,100
	Total long-term debt	60,768	55,057	54,474	54,864	53,261
	Total liabilities	76,865	74,832	74,823	75,018	72,297
	Total equity	37,264	37,664	39,135	40,646	42,250
	Total liabilities & equity	114,128	112,496	113,958	115,664	114,547
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	30.8	16.7	9.9	3.0	3.5
	Recurrent EPS growth (%)	141.2	42.8	20.7	2.8	6.0
	Gross margin (%)	39.8	43.1	43.8	43.6	44.0
	Operating EBITDA margin (%)	45.8	50.8	56.5	49.4	49.9
	Net profit margin (%)	17.4	21.2	23.3	23.3	23.9
	Dividend payout ratio (%)	75.3	61.5	65.0	65.0	65.0
	Capex/sales (%)	9.1	7.0	5.2	3.6	5.2
	Interest cover (x)	1.87	2.46	2.83	2.86	3.05

Source: Company data, RHB

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Figure 1: Average ridership numbers of two major MRT routes under the Government's THB20 flat fare policy (16 Oct 2023-14 Mar 2024)

	Before	After	Change (%)
Red Line MRT	21,632	27,683	+27.97
Purple Line MRT	56,979	65,179	+14.39

Source: Department of Rail Transport

Figure 2: SOP valuation

		Value (THBm)	Remarks
Expressway business		82,563	Based on a contract extension for expressway network sectors - including the second stage (A, B, C, and D) and the Bang Pa-in-Pak Kret section - which will end on 31 Oct 2035.
Mass transit business		99,845	
Commercial development		27,821	
BEM's investments listed on the SET	Stake		
CK Power	16.82%	6,290	Based on Bloomberg consensus' FV.
TTW	18.47%	7,370	Based on Bloomberg consensus' FV.
Other operating assets		4,577	
Net debt		(67,057)	
Minority interest		(2)	
Total		161,407	
Number of shares outstanding		15,285	
Intrinsic value (THB)		10.56	
ESG premium/(discount)		2%	
TP (THB)		10.77	

Source: RHB

Emissions And ESG

Trend analysis

- Data in the table is the sum of BEM's Scope 1 and 2 emissions, and contains only greenhouse gas emissions from its MRT business.

Rail systems

- In 2022, the fuel use rate related to Scope 1 emissions of the rail systems – with respect to common vehicles – decreased 9.6% YoY.
- In 2022, the rail systems' electricity use rate – with regards to Scope 2 emissions – increased by 1.33% YoY, as the volume of electricity used in 2021 was lower than usual. This was in tandem with the reduced service hours in accordance with government measures imposed to prevent the spread of COVID-19 infections.

Expressway systems

- In 2022, the rate of fuel used in running the expressway systems (ie Scope 1 emissions) – with respect to operating vehicles – decreased by 7.2% YoY, and that for common vehicles decreased by 16.5% YoY.
- In 2022, the expressway systems' electricity use rate – related to Scope 2 emissions – decreased by 32% from levels recorded in 2014-2017.

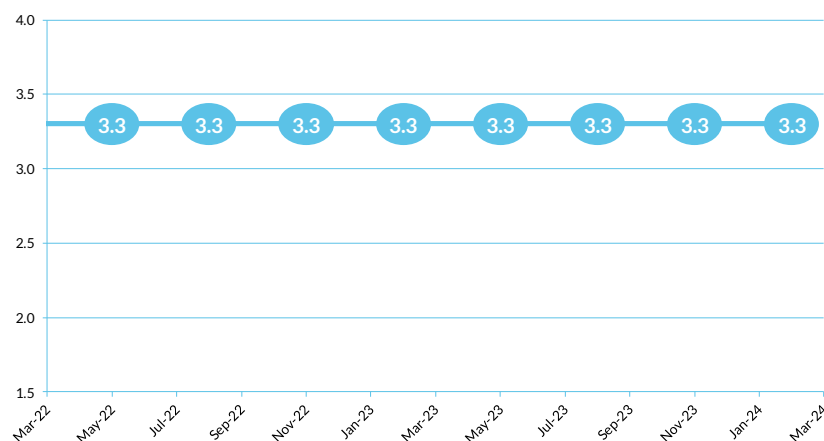
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	114,196	100,398	na
Scope 2	na	na	na
Scope 3	na	na	na
Total emissions	114,196	100,398	na

Source: Company data, RHB

Latest ESG-Related Developments

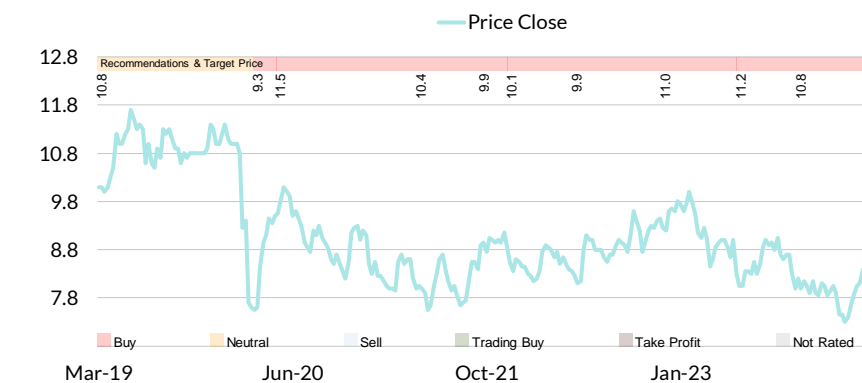
- BEM aims to achieve carbon neutrality in its operations by FY50.
- The company plans to put in place a procedure to manage waste from various activities for efficient waste disposal, including recycling for reuse.
- The company encourages staff and contractors to act towards the optimal use of resources, and aim to reduce the environmental impact from internal processes, both directly and indirectly.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-03-07	Buy	10.8	8.1
2024-01-11	Buy	10.8	8.0
2023-11-14	Buy	10.8	7.9
2023-10-05	Buy	10.8	8.1
2023-05-16	Buy	11.2	8.7
2023-02-27	Buy	11.0	9.1
2023-02-06	Buy	11.0	9.8
2022-11-17	Buy	11.0	9.5
2022-04-21	Buy	9.9	8.4
2022-02-27	Buy	10.1	8.9
2022-02-16	Buy	10.1	8.7
2021-11-17	Buy	10.1	9.0
2021-09-12	Buy	9.9	8.4
2021-04-15	Buy	10.4	8.1
2021-03-03	Buy	11.5	8.4

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
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Analyst	Company
-	-

(2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.



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Corporate Governance Report Rating 2023 (CG Score) as of 13 Nov 2023



Companies with Excellent CG Scoring by alphabetical order

7UP	AMA	BA	BIC	CIMBT	CV	FLOYD	HENG	JAS	LRH	MTI	PAP	PRINC	SA	SENA	SO	SVT	TIDLOR	TPCS	TVT	WINMED
AAV	AMARIN	BAFS	BICHI	CIVIL	DCC	FN	HMPRO	JTS	LST	NC	PATO	PRM	SABINA	SENX	SPALI	SYMC	TIPH	TPIPL	TWPC	WINNER
ABM	AMATA	BAM	BKI	CK	DDD	FPI	HPT	KBANK	M	NCH	PB	PRTR	SAK	SFP2	SPC	SYNEX	TISCO	TPIPP	UAC	XPG
ACE	AMATAV	BANPU	BLA	CKP	DELTA	FPT	HTC	KCC	MAJOR	NCL	PCSGH	PSH	SAMART	SFT	SPCG	SYNTEC	TK	TPS	UBE	YUASA
ACG	ANAN	BAY	BOL	CM	DEMCO	FSX	ICC	KCE	MALEE	NDR	PDG	PSL	SAMTEL	SGC	SPI	TACC	TKN	TQM	UBIS	ZEN
ADB	AOT	BBGI	BPP	CNT	DMT	FVC	ICHI	KEX	MATCH	NER	PDJ	PT	SAPPE	SGF	SPRC	TAE	TKS	TQR	UKEM	
ADD	AP	BBIK	BRI	COLOR	DOHOME	GBX	ICN	KKP	MBK	NKI	PG	PTC	SAT	SGP	SR	TCAP	TKT	TRT	UP	
ADVANC	APCO	BBL	BROOK	COM7	DRT	GC	III	KSL	MC	NOBLE	PHOL	PTT	SBNEXT	SHR	SSC	TCMC	TLI	TRUE	UPF	
AEONTS	APCS	BC	BRR	COTTO	DUSIT	GCAP	ILINK	KTBL	M-CHAI	NRF	PIMO	PTTEP	SC	SICT	SSF	TEAMG	TM	TRV	UPOIC	
AF	ARIP	BCH	BTS	CPALL	EA	GENCO	ILM	KTC	MCOT	NTV	PIW	PTTGC	SCB	SIRI	SSSC	TEGH	TMC	TSC	UV	
AGE	ARROW	BCP	BTW	CPAXT	EASTW	GFPT	IMH	KTMS	MEGA	NVD	PLANB	Q-CON	SCC	SIS	STA	TFG	TMD	TSTE	VCOM	
AH	ASEFA	BCPG	BWG	CPF	ECF	GGC	IND	KUMWEL	MFC	NWR	PLAT	QH	SCCC	SITHAI	STC	TFMAMA	TMT	TSTH	VGI	
AHC	ASK	BDMS	BYD	CPI	ECL	GLAND	INET	KUN	MFEC	NYT	PLUS	QTC	SCG	SIWD	STEC	TGE	TNDT	TTA	VIBHA	
AIRA	ASP	BEC	CBG	CPL	EE	GLOBAL	INTUCH	LALIN	MILL	OCC	PM	RATCH	SCGP	SKR	STGT	TGH	TNITY	TTB	VIH	
AIT	ASW	BEM	CENTEL	CPN	EGCO	GPSC	IP	LANNA	MINT	OISHI ¹	POLY	RBF	SCM	SM	STI	THANA	TNL	TTCL	VL	
AJ	ATP30	BEYOND	CFRESH	CPW	EPG	GRAMMY	IRC	LH	MONO	ONEE	PORT	RPH	SDC	SMPC	SUC	THANI	TNR	TTW	WACOAL	
AKP	AUCT	BGC	CHASE	CRC	ERW	GULF	IRPC	LHFG	MOONG	OR	PPP	RS	SEAFCO	SMT	SUN	THCOM	TOA	TURTLE	WGE	
AKR	AWC	BGRIM	CHEWA	CRD	ETC	GUNKUL	ITC	LIT	MSC	ORI	PPS	RT	SEAOL	SNC	SUSCO	THIP	TOG	TVDH	WHA	
ALLA	AYUD	BH	CHG [*]	CSC	ETE	HANA	ITEL	LOXLEY	MST	OSP	PR9	S	SECURE	SNNP	SUTHA	THRE	TOP	TVH	WHAUP	
ALT	B	BIZ	CHOW	CSS	FE	HARN	IVL	LPN	MTC	OTO	PRG	S&J	SELIC	SNP	SVI	THREL	TPBI	TVO	WICE	



Companies with Very Good CG Scoring by alphabetical order

2S	CHIC	HUMAN	LEO	PTECH	SVOA
A5	CI	IFS	LHK	PYLON	SWC
AAI	CIG	INSET	MACO	RCL	TCC
AIE	CMC	IT	METCO	SALEE	TEKA
ALUCON	COMAN	J	MICRO	SANKO	TFM
AMR	CSP	JCKH	MK	SCI	TMILL
APURE	DOD	JDF	MVP	SCN	TNP
ARIN	DPAINT	JKN	NCAP	SE	TPLAS
AS	DVB	JMART	NOVA	SE-ED	TPOLY
ASIA	EFORL	JUBILE	NTSC	SFLEX	TRC
ASIAN	EKH	K	PACO	SINGER	TRU
ASIMAR	ESSO	KCAR	PIN	SKN	TRUBB
ASN	ESTAR	KGI	PQS	SONIC	TSE
AURA	EVER	KIAT	PREB	SORKON	VRANDA
BR	FORTH	KISS	PRI	SPVI	WAVE
BSBM	FSMART	KK	PRIME	SSP	WFX
BTG	FTI	KTIS	PROEN	SST	WIIK
CEN	GEL	KWC	PROS	STANLY	WIN
CGH	GPI	KWM	PROUD	STP	WP
CH	HEALTH	LDC	PSTC	SUPER	XO



Companies with Good CG Scoring by alphabetical order

24CS	EASON	LEE	PMTA	SOLAR	WORK
AMANAH	FNS	MASTER	PPM	SPA	WPH
AMARC	FTE	MBAX	PRAKIT	STECH	YONG
AMC	GIFT	MEB	PRAPAT	STPI	ZIGA
APP	GJS	MENA	PRECHA	SVR	
ASAP	GTB	META	PRIN	TC	
BCT	GTV	MGT	PSG	TCCC ¹	
BEB	GYT	MITSIB	RABBIT	TEAM	
BIG	HL	MJD	READY	TH	
BIOTEC	HTECH	MOSHI	RJH	TIGER	
BLESS	HYDRO	MUD	RSP	TITLE	
BSM	IIG	NATION	RWI	TKC	
BVG	INGRS	NNCL	S11	TMI	
CAZ	INSURE	NPK	SAAM	TNH	
CCET	IRCP	NSL	SAF	TPA	
CHARAN	ITD	NV	SAMCO	TPAC	
CHAYO	ITNS	OGC	SAWAD	TRITN	
CHOTI	JCK	PAF	SCAP	UBA	
CITY	JMT	PCC	SCP	UMI	
CMAN	JR	PEACE	SIAM	UMS	
CMR	JSP	PICO	SKE	UTP	
CRANE	KBS	PK	SKY	VARO	
CWT	KGEN	PL	SMART	VPO	
DHOUSE	KIL	PLANET	SMD	W	
DTCENT	L&E	PLE	SMIT	WARRIX	

Score Range	Number of Logo	Description
Less than 50	No logo given	-
50-59		Pass
60-69		Satisfactory
70-79		Good
80-89		Very Good
90-100		Excellent

Source : <http://www.thai-iod.com/th/projects-2.asp>

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การเปิดเผยผลการสำรวจของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (IOD) ในเรื่องการกำกับดูแลกิจการ (Corporate Governance) นี้เป็นการดำเนินการตามนโยบายของสำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์ โดยที่การสำรวจของ IOD เป็นการสำรวจและประเมินจากข้อมูลของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยและตลาดหลักทรัพย์เอ็มเอไอ ที่มีการเปิดเผยต่อสาธารณะและเป็นข้อมูลที่ผู้ลงทุนทั่วไปสามารถเข้าถึงได้ ดังนั้นผลการสำรวจดังกล่าวจึงเป็นการนำเสนอในมุมมองของบุคคลภายนอกโดยไม่ได้เป็นการประเมินการปฏิบัติและมีได้มีการใช้ข้อมูลภายในในการประเมิน

อนึ่ง ผลการสำรวจดังกล่าว เป็นผลการสำรวจ ณ วันที่ปรากฏในรายงานการกำกับดูแลกิจการบริษัทจดทะเบียนไทยเท่านั้น ดังนั้นผลการสำรวจจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าว ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความถูกต้องของผลการสำรวจดังกล่าวแต่อย่างใด

