Bangkok Exp. & Metro (BEM TB) - BUY, Price Bt7.75, TP Bt10.00

Results Comment

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Better-than-expected 2Q21 results

- BEM reported normalized earnings of Bt200m in 2Q21, up 32% y-y but down 34% q-q. The results were better than what we had expected. An earnings growth year on year was mainly due to better cost control while an earnings drop quarter on quarter was because of lower traffic volume and ridership.
- Even though its 1H21 earnings make up 86% of our full-year forecast, we expect BEM to make a loss in 3Q21F due to due to severe Covid-19 pandemic to cause a tighter lockdown in Bangkok. We thus maintain our earnings forecast this year.
- We also have a BUY rating on BEM for long-term investment as 1) a fall in the share price looks priced-in bad news and 2) we expect a recovery of traffic volume and ridership after the Covid-19 subsides to drive its strong earnings growth next year.
- BEM's total revenue fell by 3% y-y in 2Q21. The revenue from the expressway business dropped by 7% y-y due to the waiver of toll fee on official holidays and a fall in traffic volume by 4% y-y. The revenue from the rail business dropped by 2% y-y as a fall in farebox revenue from the Blue Line due to a drop in ridership by 11% y-y was offset by higher O&M revenue from the Purple Line.
- The efficient cost management caused its gross margin to improve to 28% in 2Q21 vs. 27% in 2Q20 and SG&A expenses to fall by 17% y-y.
- Dividend income from TTW also helped BEM's other income to increase by 357% q-q in 2Q21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Revenue	2,489	3,572	3,632	3,111	2,403
Gross profit	**668**	**1,546**	**1,546**	**1,154**	**680**
SG&A	340	310	391	314	283
Operating profit	328	1,237	1,155	840	396
EBITDA	**573**	**1,615**	**1,545**	**1,165**	**649**
Other income	345	294	102	74	339
Other expense	0	0	0	0	0
Interest expense	548	560	549	532	549
Profit before tax	**124**	**971**	**708**	**382**	**186**
Income tax	(29)	148	140	76	(15)
Equity & invest. income	0	0	0	0	0
Minority interests	(1)	(2)	2	(1)	(0)
Extraordinary items	0	0	0	0	0
Net profit	**152**	**822**	**570**	**305**	**200**
Normalized profit	**152**	**822**	**570**	**305**	**200**
EPS (Bt)	0.01	0.05	0.04	0.02	0.01
Normalized EPS (Bt)	0.01	0.05	0.04	0.02	0.01

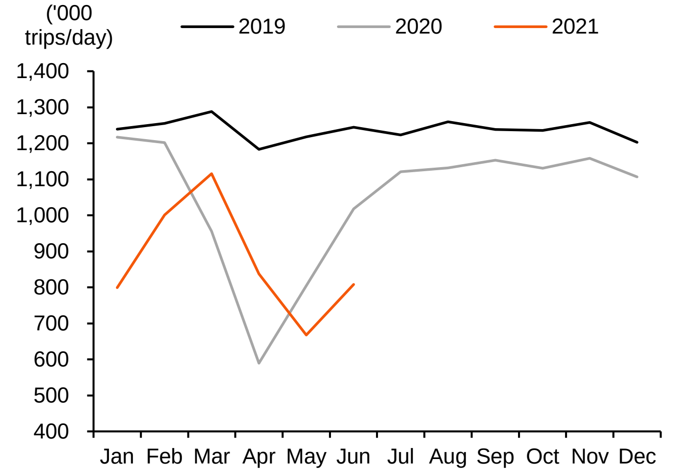
Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	(23)	(3)	50	11,012	13,897
Gross profit	**(41)**	**2**	**61**	**3,014**	**5,113**
SG&A	(10)	(17)	49	1,211	1,320
Operating profit	(53)	21	69	1,803	3,793
EBITDA	**(44)**	**13**	**50**	**3,608**	**5,763**
Other income	357	(2)	45	909	828
Other expense					
Interest expense	3	0	55	1,972	1,848
Profit before tax	**(51)**	**50**	**77**	**739**	**2,773**
Income tax	na	na	41	148	555
Equity & invest. income					
Minority interests	na	na	31	(3)	(4)
Extraordinary items					
Net profit	**(34)**	**32**	**86**	**588**	**2,215**
Normalized profit	**(34)**	**32**	**86**	**588**	**2,215**
EPS (Bt)	(34)	32	86	0.04	0.14
Normalized EPS (Bt)	(34)	32	86	0.04	0.14

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Cash & ST investment	3,217	3,037	2,375	2,606	2,385
A/C receivable	444	449	549	482	437
Inventory	0	0	0	0	0
Other current assets	2,101	2,139	2,120	2,150	2,132
Investment	15,699	17,530	15,841	15,999	16,886
Fixed assets	76,403	76,395	76,385	76,551	76,941
Other assets	15,971	16,148	16,346	16,662	16,852
Total assets	**113,835**	**115,698**	**113,616**	**114,451**	**115,632**
S-T debt	12,024	11,296	11,360	11,925	5,134
A/C payable	1,655	1,952	1,745	2,001	1,766
Other current liabilities	558	586	629	664	574
L-T debt	58,822	58,491	57,902	57,261	66,008
Other liabilities	3,961	4,280	3,947	4,079	4,401
Minority interest	46	44	42	43	2
Shareholders' equity	**36,769**	**39,049**	**37,991**	**38,478**	**37,748**
Working capital	(1,211)	(1,503)	(1,196)	(1,519)	(1,329)
Total debt	70,846	69,786	69,262	69,186	71,142
Net debt	**67,629**	**66,749**	**66,887**	**66,579**	**68,757**

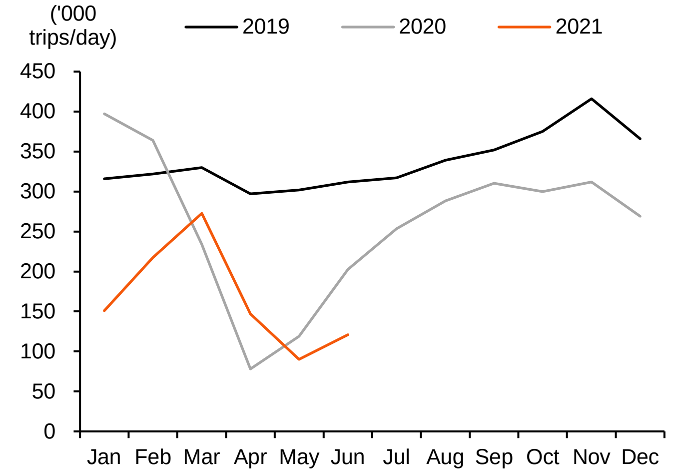
Financial Ratios					
(%)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Sales growth	(35.6)	(12.4)	(13.4)	(18.1)	(3.5)
Operating profit growth	(68.9)	4.7	13.5	(15.7)	21.0
EBITDA growth	(71.7)	(26.2)	(26.0)	(36.8)	13.3
Norm profit growth	(77.6)	(10.0)	10.1	(39.4)	31.7
Norm EPS growth	(77.6)	(10.0)	10.1	(39.4)	31.7
Gross margin	26.8	43.3	42.6	37.1	28.3
Operating margin	13.2	34.6	31.8	27.0	16.5
EBITDA margin	23.0	45.2	42.5	37.4	27.0
Norm net margin	6.1	23.0	15.7	9.8	8.3
D/E (x)	1.9	1.8	1.8	1.8	1.9
Net D/E (x)	1.8	1.7	1.8	1.7	1.8
Interest coverage (x)	1.0	2.9	2.8	2.2	1.2
Interest rate	3.1	3.2	3.2	3.1	3.1
Effective tax rate	(23.2)	15.2	19.8	19.8	(8.0)
ROA	0.5	2.9	2.0	1.1	0.7
ROE	1.7	8.7	5.9	3.2	2.1

Sources: Company data, Thanachart estimates

Ex 1: BEM's Traffic Volume



Ex 2: BEM's Ridership



Sources: Company data

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