Bangkok Exp. & Metro (BEM TB) - BUY, Price Bt9.00, TP Bt10.00

Results Comment

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Higher-than-expected 3Q21 results

- BEM reported normalized earnings of Bt108m in 3Q21, down 87% y-y and 46% q-q. The results were higher than what we had expected. Despite a significant fall in traffic volume and ridership, BEM still reported a profit. Thanks to its cost management plans.
- We have to revise up our full-year earnings forecast as BEM's 9M21 earnings make up 104% of our full-year forecast while we expect BEM to report stronger earnings in 4Q21F due to the easing of Bangkok's lockdown.
- We have a BUY rating on BEM as 1) we expect its strong earnings turnaround in 2022F driven by a recovery in traffic volume and ridership and 2) we see BEM as the potential winner for the West Orange Line project which we expect to open for bidding next year.
- BEM's total revenue fell by 40% y-y in 3Q21 due to the impacts from the COVID-19 crisis. Its revenue from the expressway business dropped by 41% y-y due to a fall in traffic volume by 42% y-y. Its revenue from the rail business dropped by 42% y-y due to a drop in ridership by 72% y-y. Its commercial development revenue also fell by 18% y-y following a plunge in ridership.
- The efficient cost management caused its gross margin to sustain at 29% in 3Q21 vs. 43% in 3Q20 and 28% in 2Q21. Its SG&A expenses also fell by 15% y-y.
- Dividend income from TTW also helped BEM to be able to report a profit in this quarter.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	3,572	3,632	3,111	2,403	2,153
Gross profit	**1,546**	**1,546**	**1,154**	**680**	**617**
SG&A	310	391	314	283	264
Operating profit	1,237	1,155	840	396	352
EBITDA	**1,615**	**1,545**	**1,165**	**649**	**569**
Other income	294	102	74	339	279
Other expense	0	0	0	0	0
Interest expense	560	549	532	549	549
Profit before tax	**971**	**708**	**382**	**186**	**82**
Income tax	148	140	76	(15)	(27)
Equity & invest. income	0	0	0	0	0
Minority interests	(2)	2	(1)	(0)	0
Extraordinary items	0	0	0	0	0
Net profit	**822**	**570**	**305**	**200**	**108**
Normalized profit	**822**	**570**	**305**	**200**	**108**
EPS (Bt)	0.05	0.04	0.02	0.01	0.01
Normalized EPS (Bt)	0.05	0.04	0.02	0.01	0.01

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(10)	(40)	71	10,772	13,529
Gross profit	**(9)**	**(60)**	**84**	**2,933**	**4,959**
SG&A	(7)	(15)	73	1,185	1,285
Operating profit	(11)	(72)	91	1,748	3,674
EBITDA	**(12)**	**(65)**	**65**	**3,691**	**5,784**
Other income	(18)	(5)	72	963	946
Other expense					
Interest expense	0	(2)	83	1,972	1,846
Profit before tax	**(56)**	**(92)**	**88**	**739**	**2,774**
Income tax	na	na	23	148	555
Equity & invest. income					
Minority interests	na	na	32	(3)	(4)
Extraordinary items					
Net profit	**(46)**	**(87)**	**104**	**588**	**2,216**
Normalized profit	**(46)**	**(87)**	**104**	**588**	**2,216**
EPS (Bt)	(46)	(87)	104	0.04	0.14
Normalized EPS (Bt)	(46)	(87)	104	0.04	0.14

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	3,037	2,375	2,606	2,385	1,678
A/C receivable	449	549	482	437	425
Inventory	0	0	0	0	0
Other current assets	2,139	2,120	2,150	2,132	2,199
Investment	17,530	15,841	15,999	16,886	16,671
Fixed assets	76,395	76,385	76,551	76,941	77,223
Other assets	16,148	16,346	16,662	16,852	17,062
Total assets	**115,698**	**113,616**	**114,451**	**115,632**	**115,258**
S-T debt	11,296	11,360	11,925	5,134	7,014
A/C payable	1,952	1,745	2,001	1,766	1,878
Other current liabilities	586	629	664	574	567
L-T debt	58,491	57,902	57,261	66,008	63,929
Other liabilities	4,280	3,947	4,079	4,401	4,002
Minority interest	44	42	43	2	2
Shareholders' equity	**39,049**	**37,991**	**38,478**	**37,748**	**37,866**
Working capital	(1,503)	(1,196)	(1,519)	(1,329)	(1,453)
Total debt	69,786	69,262	69,186	71,142	70,942
Net debt	**66,749**	**66,887**	**66,579**	**68,757**	**69,265**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(12.4)	(13.4)	(18.1)	(3.5)	(39.7)
Operating profit growth	4.7	13.5	(15.7)	21.0	(71.5)
EBITDA growth	(26.2)	(26.0)	(36.8)	13.3	(64.8)
Norm profit growth	(10.0)	10.1	(39.4)	31.7	(86.8)
Norm EPS growth	(10.0)	10.1	(39.4)	31.7	(86.8)
Gross margin	43.3	42.6	37.1	28.3	28.6
Operating margin	34.6	31.8	27.0	16.5	16.4
EBITDA margin	45.2	42.5	37.4	27.0	26.4
Norm net margin	23.0	15.7	9.8	8.3	5.0
D/E (x)	1.8	1.8	1.8	1.9	1.9
Net D/E (x)	1.7	1.8	1.7	1.8	1.8
Interest coverage (x)	2.9	2.8	2.2	1.2	1.0
Interest rate	3.2	3.2	3.1	3.1	3.1
Effective tax rate	15.2	19.8	19.8	(8.0)	(32.9)
ROA	2.9	2.0	1.1	0.7	0.4
ROE	8.7	5.9	3.2	2.1	1.1

Sources: Company data, Thanachart estimates

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