Bangkok Exp. & Metro (BEM TB) - BUY, Price Bt8.15, TP Bt10.00

Results Comment

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Slight earnings miss in 1Q22

- BEM reported normalized earnings of Bt336m in 1Q22, up 10% y-y but down 15% q-q. The results were slightly lower than what we had expected due to a slow recovery in ridership given the Omicron outbreak. 1Q22 earnings make up 15% of our full-year forecast.
- Despite that, we still maintain our projection as we expect strong earnings in 2Q22F onward due to a continued recovery of traffic volume and ridership and dividend income from TTW.
- We thus maintain our BUY rating on BEM as 1) we expect its strong earnings turnaround this year, 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 late this year.
- BEM's total revenue fell by 1% y-y in 1Q22. Given the Omicron outbreak, its revenue from the expressway business in 1Q22 grew by only 2% y-y (its traffic volume growth of 1% y-y) while its revenue from the rail business dropped by 3% y-y (its ridership fall by 8% y-y). Its commercial development revenue also dropped by 9% y-y following the ridership fall.
- Despite that, the efficient cost management caused its gross margin to slightly improve to 38% in 1Q22 vs. 37% in 1Q21. Its SG&A expenses also fell by 16% y-y.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	3,111	2,403	2,153	3,060	3,094
Gross profit	**1,154**	**680**	**617**	**1,287**	**1,189**
SG&A	314	283	264	298	264
Operating profit	840	396	352	989	925
EBITDA	**1,165**	**649**	**569**	**1,324**	**1,251**
Other income	74	339	279	63	65
Other expense	0	0	0	0	0
Interest expense	532	549	549	556	570
Profit before tax	**382**	**186**	**82**	**496**	**419**
Income tax	76	(15)	(27)	100	83
Equity & invest. income	0	0	0	0	0
Minority interests	(1)	(0)	0	(0)	(0)
Extraordinary items	0	0	0	0	0
Net profit	**305**	**200**	**108**	**396**	**336**
Normalized profit	**305**	**200**	**108**	**396**	**336**
EPS (Bt)	0.02	0.01	0.01	0.03	0.02
Normalized EPS (Bt)	0.02	0.01	0.01	0.03	0.02

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	1	(1)	23	13,529	15,467
Gross profit	**(8)**	**3**	**24**	**4,959**	**6,088**
SG&A	(11)	(16)	21	1,285	1,315
Operating profit	(6)	10	25	3,674	4,773
EBITDA	**(5)**	**7**	**22**	**5,784**	**7,045**
Other income	2	(13)	7	946	1,021
Other expense			na	0	0
Interest expense	2	7	31	1,846	1,706
Profit before tax	**(15)**	**10**	**15**	**2,774**	**4,088**
Income tax	(17)	10	15	555	818
Equity & invest. income					
Minority interests	na	na	0	(4)	(4)
Extraordinary items					
Net profit	**(15)**	**10**	**15**	**2,216**	**3,266**
Normalized profit	**(15)**	**10**	**15**	**2,216**	**3,266**
EPS (Bt)	(15)	10	15	0.14	0.21
Normalized EPS (Bt)	(15)	10	15	0.14	0.21

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	2,606	2,385	1,678	1,897	2,432
A/C receivable	482	437	425	473	489
Inventory	0	0	0	0	0
Other current assets	2,150	2,132	2,199	2,170	2,066
Investment	15,999	16,886	16,671	15,910	15,763
Fixed assets	76,551	76,941	77,223	77,289	77,254
Other assets	16,662	16,852	17,062	17,349	17,678
Total assets	**114,451**	**115,632**	**115,258**	**115,088**	**115,682**
S-T debt	11,925	5,134	7,014	8,544	7,351
A/C payable	2,001	1,766	1,878	1,492	1,966
Other current liabilities	664	574	567	609	652
L-T debt	57,261	66,008	63,929	62,763	63,345
Other liabilities	4,079	4,401	4,002	3,982	4,131
Minority interest	43	2	2	2	2
Shareholders' equity	**38,478**	**37,748**	**37,866**	**37,697**	**38,235**
Working capital	(1,519)	(1,329)	(1,453)	(1,019)	(1,477)
Total debt	69,186	71,142	70,942	71,307	70,697
Net debt	**66,579**	**68,757**	**69,265**	**69,410**	**68,265**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(18.1)	(3.5)	(39.7)	(15.8)	(0.5)
Operating profit growth	(15.7)	21.0	(71.5)	(14.4)	10.1
EBITDA growth	(36.8)	13.3	(64.8)	(14.3)	7.5
Norm profit growth	(39.4)	31.7	(86.8)	(30.5)	10.1
Norm EPS growth	(39.4)	31.7	(86.8)	(30.5)	10.1
Gross margin	37.1	28.3	28.6	42.1	38.4
Operating margin	27.0	16.5	16.4	32.3	29.9
EBITDA margin	37.4	27.0	26.4	43.3	40.4
Norm net margin	9.8	8.3	5.0	12.9	10.9
D/E (x)	1.8	1.9	1.9	1.9	1.8
Net D/E (x)	1.7	1.8	1.8	1.8	1.8
Interest coverage (x)	2.2	1.2	1.0	2.4	2.2
Interest rate	3.1	3.1	3.1	3.1	3.2
Effective tax rate	19.8	(8.0)	(32.9)	20.1	19.8
ROA	1.1	0.7	0.4	1.4	1.2
ROE	3.2	2.1	1.1	4.2	3.5

Sources: Company data, Thanachart estimates

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