

BANGKOK EXPRESSWAY AND METRO PLC

No. 27/2018

19 March 2018

CORPORATES

| | |
|------------------------|--------|
| Company Rating: | A |
| Issue Ratings: | |
| Senior unsecured | A |
| Outlook: | Stable |

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 05/04/16 | A | Stable |

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RATIONALE

TRIS Rating affirms the company rating and the ratings of outstanding senior unsecured debentures of Bangkok Expressway and Metro PLC (BEM) at "A". At the same time, TRIS Rating assigns a rating of "A" to BEM's proposed issue of up to Bt10,000 million in senior unsecured debentures. The proceeds from the new debentures will be used for refinancing BEM's bank loan for the Si Rat-Outer Bangkok Ring Road Expressway (SOE).

The ratings reflect BEM's strong business profile, supported by stable and predictable operating cash flow and the growth prospects in the mass rapid transit (MRT) segment. The ratings also take into consideration uncertainty over the renewal of the urban sector expressway concession which will expire in 2020 and rising leverage from new investments in MRT projects.

In 2017, BEM reported Bt15,153 million in revenue, up by 15.6% from a year earlier. The rise in revenue was mainly due to the full-year operation of the SOE expressway and the MRT Purple Line, both of which opened in August 2016. In addition, the connection of the MRT Purple Line and the MRT Blue Line in August 2017 drives growth in MRT ridership. In 2017, average daily traffic volume grew by 2.9% year-on-year (y-o-y) to 1.21 million trips per day while average daily toll revenue was Bt27.28 million per day, rising by 7% y-o-y. For the MRT segment, average daily ridership was 295,302 trips, up by 7.9% y-o-y and average daily revenue was Bt7.37 million, up by 8.6% y-o-y.

BEM's profitability remains healthy, due mainly to the strong profitability of the expressway segment. The operating margin (operating income before depreciation and amortization as a percentage of sales) was in a high level at 52.64% in 2017.

BEM's financial leverage is rising. The MRT Blue Line Extension project requires a total investment of Bt22,036 million during 2017-2019. BEM plans to fund the investment with Bt14,000 million in bank loans and the remainder with internal cash flows. The ratio of total debt (including provisions for land site acquisition in the expressway business) to capitalization will increase from 62.15% at the end of 2017 to a peak of 65%-70% in 2018-2019. When calculating these ratios, TRIS Rating excludes a debt of approximately Bt14,160 million from the investment in the maintenance and engineering (M&E) systems and the rolling stock of the Purple Line, as it is backed by an agreement with the Mass Rapid Transit Authority of Thailand (MRTA), stipulating that the debt will be paid back in 10 years.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that BEM will maintain its strong business profile and steady cash flows from its two core lines of business.

RATING SENSITIVITIES

BEM's credit upside is limited, given the large debt-funded investment planned over the next three years and the uncertainty surrounding the renewal of the urban sector expressway concession. A credit downgrade will be triggered if the company's business profile weakens and its financial profile materially

deteriorates such that the debt to capitalization ratio stays over 65% on a sustained basis.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

| | Year Ended 31 December | | | |
|--|------------------------|--------|--------|--------|
| | 2017 | 2016 | 2015 | 2014 |
| Revenue | 15,153 | 13,104 | 11,738 | 11,234 |
| Gross interest expense | 1,660 | 1,728 | 2,320 | 1,687 |
| Net income from operations | 2,214 | 1,910 | 719 | 1,899 |
| Funds from operations (FFO) | 6,917 | 5,837 | 4,091 | 6,162 |
| Capital expenditures | 8,191 | 6,741 | 7,354 | 6,311 |
| Total assets | 98,919 | 82,786 | 78,095 | 70,026 |
| Total debt | 51,188 | 51,220 | 45,424 | 40,276 |
| Shareholders' equity including minority interests | 31,179 | 29,783 | 29,130 | 26,209 |
| Operating income before depreciation and amortization as % of sales | 52.64 | 56.73 | 57.60 | 64.23 |
| Pretax return on permanent capital (%) | 5.56 | 5.02 | 4.86 | 6.17 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) interest coverage (times) | 5.17 | 4.56 | 3.14 | 4.67 |
| FFO/total debt (%) | 13.51 | 11.40 | 9.01 | 15.30 |
| Total adjusted debt/capitalization (%) | 62.15 | 63.23 | 60.93 | 60.58 |

* Consolidated financial statements

Bangkok Expressway and Metro PLC (BEM)

| | |
|---|--------|
| Company Rating: | A |
| Issue Ratings: | |
| BEM196A: Bt5,000 million senior unsecured debentures due 2019 | A |
| BEM200A: Bt2,500 million senior unsecured debentures due 2020 | A |
| BEM216A: Bt1,615 million senior unsecured debentures due 2021 | A |
| BEM229A: Bt2,000 million senior unsecured debentures due 2022 | A |
| BEM236A: Bt2,000 million senior unsecured debentures due 2023 | A |
| BEM249A: Bt3,000 million senior unsecured debentures due 2024 | A |
| BEM250A: Bt2,500 million senior unsecured debentures due 2025 | A |
| BEM266A: Bt3,335 million senior unsecured debentures due 2026 | A |
| BEM270A: Bt3,000 million senior unsecured debentures due 2027 | A |
| BEM286A: Bt2,750 million senior unsecured debentures due 2028 | A |
| BEM286B: Bt500 million senior unsecured debentures due 2028 | A |
| Up to Bt10,000 million senior unsecured debentures due within 7 years | A |
| Rating Outlook: | Stable |

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