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KEY HIGHLIGHTS

Sector

Land Transport

Traffic bounces back with new projects unveiled.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,380.18	(7.51)	(0.54)
SET50	852.94	(4.96)	(0.58)
Value (Btm) - SET	70,321		
Top 5 Sector			
BANK	367.24	(4.62)	(1.24)
PETRO	716.41	(9.00)	(1.24)
PROP	226.83	0.78	0.35
ENERG	20,604.31	(279.39)	(1.34)
ICT	148.98	(1.87)	(1.24)

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
CPALL	52.00	0.48	2,517.9
AOT	59.50	0.85	4,260.2
RATCH	32.50	(7.14)	892.9
KBANK	128.00	(2.66)	1,117.7
PTT	34.75	(0.71)	1,541.5

TOP GAINERS

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
RP	1.53	22.40	5.9
JAS	2.32	19.59	397.4
LHPF	6.70	9.84	0.2
RICHY	0.68	9.68	0.2
TU-PF	0.60	9.09	0.0

TOP LOSERS

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
SDC	0.04	(20.00)	0.2
PPPM	0.05	(16.67)	0.3
EMC	0.08	(11.11)	0.2
JKN	0.56	(11.11)	84.9
MANRIN	30.00	(10.45)	0.0

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	80.9	(4.3)	(4.9)	0.2
Dubai crude*	84.2	(5.7)	(2.8)	7.1
Baltic Dry Index	2,696.0	92.4	153.1	78.0
Gold Spot***	2,041.6	3.0	5.2	11.9

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(105.1)	(548.1)	(5,505.5)	(11,595.1)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 35.24

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 7.10

SECTOR UPDATE

Land Transport – Thailand

Traffic Bounces Back With New Projects Unveiled

Traffic mobility for railway and expressway has recovered significantly both yoy and qoq; however, we expect a tapering in ridership and traffic volume as the holiday season approaches. The sector is expected to benefit from the conclusion of railway and expressway projects like Double-Deck and Orange Line in 2024. We maintain our positive outlook for the land transport sector. Maintain MARKET WEIGHT.

WHAT'S NEW

• **3Q23 results recap and 2023-24 outlook.** Bangkok Expressway and Metro (BEM) and BTS Group Holdings (BTS) posted strong rail performance in 3Q23 (2QFY24 for BTS) which helped boost their revenues. However on the bottom-line, both are still being pressured by individual factors - BEM's MRT Blue Line gross profit margin remains slim, while BTS is still seeing continued losses from its associate.

For 4Q23, we expect a slight qoq drop in ridership due to the long holidays and the end of the school semester in Dec 23. However, this may be partly offset by heightened traffic during social and festive events. In 2024, we expect both BEM and BTS to receive pass-through ridership from Yellow Line and the newly-opened Pink Line, and higher traffic from the openings of One Bangkok and The Emsphere, which will open in 1Q24.

• **Pre- and post-pandemic performance.** Based on from MOT data, ridership and traffic volume have progressively recovered, compared with 2019. Ridership on the MRT Blue Line ridership grew 22% qoq compared with pre-COVID levels, suggesting a continuation in its organic growth. However, we suspect that the rise in ridership in recent months was due to the release of pent-up accumulated travel demand back during the pandemic.

As of Sep 23, Green Core Line 's ridership was 547,000 trips/day, 19% lower than pre-pandemic level, while BEM's expressways' traffic volumes are 10% lower qoq compared with the normalised period in 2019. We believe this is due to people's changing behaviours as working from home is still prevalent, in addition to a slowdown in economic activity. Nevertheless, we expect traffic volume and ridership to fully recover within 2024.

• **Factors to monitor in 2024.** Overall, traffic volume and ridership have recovered significantly compared with pre-COVID levels, though railway has seen a slightly better recovery pace than expressways due to the former's affordability and timeliness. Going forward, we expect ridership to outperform traffic volumes of expressways and motorways due to pass-through ridership from the new Pink Line and Bt20 flat rate. The higher interest rate environment also poses challenges for highly leveraged companies and exposes companies who have taken on large projects to re-financing risks. As for short-term catalysts for individual companies, BTS is expecting Electrical & Mechanical (E&M) outstanding debt to be repaid within early-24. Apart from this, BEM and BTS are also currently waiting for a conclusion on the Double Deck and Orange Line (West) ruling from the Supreme Court.

ACTION

• **Maintain MARKET WEIGHT** on the land transport sector. Given the higher-than-expected ridership and financial performance in 3Q23, both BEM's and BTS' share prices are still laggards in our view. Although sector mobility and rising finance costs pose short-to medium-term concerns, we still believe this sector will outperform the market. Given the current ridership performance of the MRT Blue Line and the solid earnings, we still believe BEM will outperform BTS in the short to medium term. Our top pick is BEM.

PEER COMPARISON

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Core PE 2022 (x)	Core PE 2023F (x)	Core PE 2024F (x)	EPS CAGR 22-24F (%)	PEG 2023F (x)	P/B 2023F (%)	Yield 2023F (%)	ROE 2023F (x)
Bangkok Expressway and Metro	BEM TB	BUY	7.80	9.60	23.1	3,309	48.9	36.2	30.1	27.6	1.0	3.1	1.5	8.7
BTS Group Holdings	BTS TB	HOLD	7.25	7.00	-3.4	2,650	62.0	173.7	133.9	-31.9	-2.7	1.8	4.3	1.0
Sector						5,959	54.7	97.3	76.2			2.5	2.8	5.3

Source: UOB Kay Hian, BTS figures are shown for FY22, FY23F and FY24F, respectively.

MARKET WEIGHT

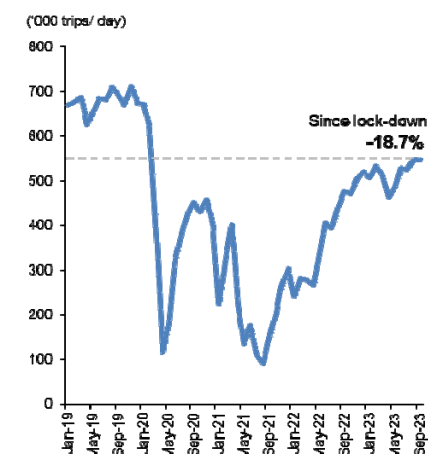
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SECTOR TOP PICKS

Company	Rec	Share price (Bt)	Target price (Bt)
BEM	BUY	7.80	9.60

Source: UOB Kay Hian

GREEN CORE LINE RIDERSHIP



Source: BTS/GIF, UOB Kay Hian

MRT BLUE LINE RIDERSHIP



Source: BEM, UOB Kay Hian

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ESSENTIALS

- Commencement of BTS Pink Line.** BTS' Pink Line commenced its free trial run on 21 Nov 23, from Min Buri to Khae Rai, totalling 30 stations. The line intersects with many existing interchange railways such as the Purple Line (North), SRT Red Line, Green Line Extension 2 and Orange Line (East). The trial period will last for around one month, starting on 21 Nov 23 and ending on 2 Jan 24, before it starts its first commercial run.

Pink Line ridership during the first week of the trial run was surprisingly higher than the Yellow Line. The Pink Line reporting an astonishing weekly average of 89,000 trips/day compared with 28,000 trips/day in the first week of Yellow Line's trial run, a notable 200% ridership difference; this indicates a real travel demand for Pink Line. Besides the free trial period, we believe the high-volume ridership can also be attributed to: a) stations which are located near densely populated areas (eg Central Chaengwattana Department Store, Phranakhon Rajabhat University), and b) numerous intersection points with existing railways. BTS' railway system is expected to benefit from the pass-through ridership, as ridership should begin to ramp up once the Pink Line starts commercial operations on 3 Jan 24.

- Disappointing Yellow Line performance.** Yellow Line's ridership has remained at an average of 39,000 trips/day, which is 29% lower than the company's target of 55,000 trips/day. We believe this was due to: a) Yellow Line, as a feeder line, will have fewer stations that are often located in areas with sparse traffic, and b) its fare is relatively high given that majority of people change lines at the MRT Blue Line to get around the inner city. However, ridership is expected to improve slightly in 2024, as the company plans to boost travel demand with marketing promotions such as discounts and bundle packages. The current target ridership is around 55,000 trips/day, while the breakeven ridership is 130,000 trips/day according to the company's guidance. At this rate, we estimate that the Yellow Line will achieve bottom line breakeven by 2029.

- Minor update on Double Deck.** An initial feasibility study suggests that the project will yield low returns (IRR 9-10%). The Expressway Authority of Thailand (EXAT) is currently in discussions with BEM on the possibilities of extending its concession period on existing expressways. We believe the extension of the concession period will depend on how long the amount of cash flows being generated from existing expressway will net off the Double Deck investment. Construction is expected to commence in 2025 while operations should start in 2030.

3Q23 (BEM)/ 3QFY22 (BTS) RESULTS RECAP

	4Q20	3Q21	4Q21F	yoy (%)	qoq (%)
Revenue (Btm)					
BEM	4,257	3,739	3,907	13.9	9.0
BTS	3,981	4,580	5,080	-13.1	-21.6
Total	8,238	8,318	8,987	-1.0	-8.3
EBITDA (Btm)					
BEM	2,145	1,797	1,962	19.4	9.3
BTS	507	890	729	-43.0	-30.4
Total	2,652	2,687	2,691	-1.3	-1.5
Core profit (Btm)					
BEM	970	863	901	12.5	7.7
BTS	300	474	-945	-36.6	131.8
Total	1,271	1,337	-43	-4.9	3035.9
Gross margin (%)					
BEM	970	863	901	12.5	7.7
BTS	34	390	556	-91.3	-93.9
Total	1,004	1,252	1,458	-19.8	-31.1
SG&A-to-revenue (%)					
BEM	42.1	44.0	40.3	-1.9	1.8
BTS	33.1	32.5	26.7	0.6	6.3
Total	37.7	37.6	32.6	0.1	5.1
Key statistics and assumptions					
Daily expressway traffic	1,110	1,069	1,100	3.8	1.0
Daily ridership - MRT Blue Line	411	313	352	31.3	16.8
Daily ridership - Green Line core	540	438	487	23.3	10.9

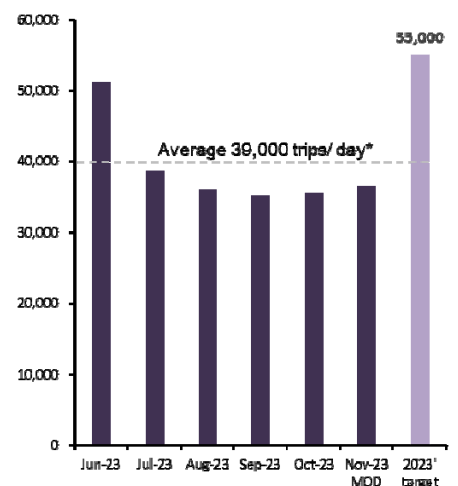
Source: Respective companies, UOB Kay Hian

BEM'S EXPRESSWAY TRAFFIC VOLUME



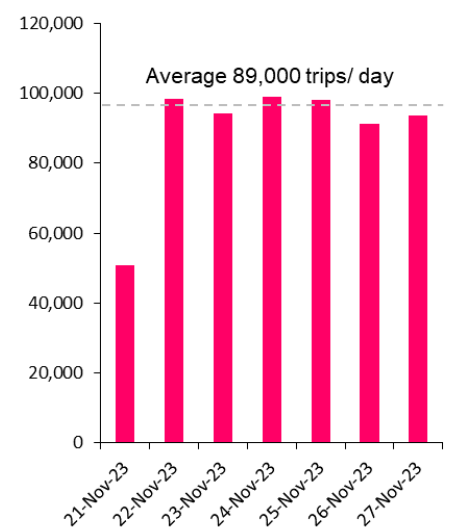
Source: BEM, UOB Kay Hian

YELLOW LINE RIDERSHIP



Source: MOT, BTS, UOB Kay Hian

PINK LINE RIDERSHIP



Source: MOT, BTS, UOB Kay Hian

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