

BTS RAIL MASS TRANSIT GROWTH INFRASTRUCTURE FUND

3Q 18/19 and 9M 18/19 Management Discussion & Analysis

14 February 2019



QUARTERLY HIGHLIGHTS

- **Farebox revenue** in 3Q 18/19 rose by 2.9% YoY and 1.7% QoQ to THB 1,791.8mn (including the reversion of free-trip allowance to passengers from train services disruption during June 2018, of THB 0.6mn).
- **Average fare¹** for 3Q 18/19 was THB 29.1 per trip, increasing 1.5% YoY and 1.0% QoQ
- **Quarterly ridership** in 3Q 18/19 was 61.6mn trips, increasing by 1.3% YoY and 0.6% QoQ.
- **Total income** in 3Q 18/19 increased by 1.4% YoY but decreased by 1.6% QoQ to THB 1,218.9mn.
- **Net investment income** in 3Q 18/19 rose 1.6% YoY but dropped by 1.1% QoQ to THB 1,196.9mn.
- **Increase in net assets resulting from operations** in 3Q 18/19 was THB 197.0mn, decreasing 79.9% YoY and 83.7% QoQ from the loss from the devaluation in the fair value of the investment in NRTA.
- **Net investment income margin** in 3Q 18/19 was 98.2%, versus 98.0% in 3Q 17/18 and 97.7% in 2Q 18/19.
- **Dividend payout** for 3Q 18/19 of THB 0.206 per unit, will be paid on 14 Mar 2019.
- As of 31 Dec 2018, **Net Asset Value (NAV)** was THB 65,631.9mn, equivalent to THB 11.3393 per unit.

9M 18/19 HIGHLIGHTS

- **Farebox revenue** in 9M 18/19 rose 2.0% YoY to THB 5,193.7mn, after deducting the net free-trip allowance to passengers from train services disruption during June 2018, of THB 18.5mn.
- **Average fare¹** for 9M 18/19 was THB 29.0 per trip, increasing 3.0% YoY.
- **Total ridership** in 9M 18/19 was 180.0mn trips, slightly decreasing by 0.6% YoY.
- **Total income** in 9M 18/19 was THB 3,628.5mn, increasing 2.1% YoY.
- **Net investment income** in 9M 18/19 rose 2.2% YoY to THB 3,545.5mn.
- **Increase in net assets resulting from operations** in 9M 18/19 decreased by 17.1% YoY to THB 2,545.6mn from the loss from the devaluation in the fair value of the investment in NRTA.
- **Net investment income margin** in 9M 18/19 was 97.7%, equaled to 9M 17/18.
- **Cumulative dividend payout** for 9M 18/19 will be THB 0.611 per unit.

¹ Average fare is calculated based on the exclusion of the impact of free-trip allowance to passengers from train services disruption during June 2018. If including the free-trip allowance, average fare would be THB 29.1 per trip in 3Q 18/19 and THB 28.9 per trip in 9M 18/19.

FINANCIAL PERFORMANCE

Unit (THB mn)	3Q 18/19	3Q 17/18	% YoY	2Q 18/19	% QoQ	9M 18/19	9M 17/18	%YoY
Income from investment in NRTA* (see table below)	1,214.4	1,198.6	1.3%	1,234.5	(1.6)%	3,615.9	3,540.5	2.1%
Interest income	4.5	3.9	15.3%	4.1	9.8%	12.6	12.5	0.4%
Total Income	1,218.9	1,202.5	1.4%	1,238.6	(1.6)%	3,628.5	3,553.0	2.1%
Fund management fee and expenses	20.7	19.9	4.2%	19.7	5.0%	63.2	61.8	2.2%
Other expenses	1.3	4.1	(69.1)%	8.6	(85.3)%	19.8	20.6	(3.7)%
Total Expenses	22.0	24.0	(8.3)%	28.3	(22.3)%	83.0	82.4	0.7%
Net Investment Income	1,196.9	1,178.5	1.6%	1,210.3	(1.1)%	3,545.5	3,470.6	2.2%
Total Unrealised Gain (Loss) on Investments	(999.9)	(200.0)	(399.8)%	(0.0)	N/A	(999.9)	(400.0)	(150.0)%
Increase in Net Assets resulting from Operations	197.0	978.5	(79.9)%	1,210.3	(83.7)%	2,545.6	3,070.6	(17.1)%
Net Investment Income Margin (%)	98.2%	98.0%		97.7%		97.7%	97.7%	

*Income from investment in net revenue purchase and transfer agreement (NRTA) is calculated from farebox revenue less operating and maintenance costs.

INCOME FROM INVESTMENT IN NRTA

Unit (THB mn)	3Q 18/19	3Q 17/18	% YoY	2Q 18/19	% QoQ	9M 18/19	9M 17/18	%YoY
Farebox revenues	1,791.8	1,741.7	2.9%	1,762.3	1.7%	5,193.7	5,089.5	2.0%
Total operating and maintenance costs	577.4	543.1	6.3%	527.8	9.4%	1,577.8	1,549.0	1.9%
Employee expenses	246.8	196.9	25.3%	178.8	38.0%	633.1	593.7	6.6%
Maintenance costs	112.8	121.0	(6.8)%	109.4	3.1%	336.8	334.8	0.6%
Utilities expenses	94.9	92.7	2.4%	98.3	(3.4)%	290.0	282.0	2.8%
Property insurance premium	0.1	0.0	N/A	0.0	N/A	0.1	0.0	N/A
Selling expenses	20.1	19.4	3.5%	21.7	(7.6)%	66.2	59.3	11.6%
Administrative and other expenses	32.9	23.2	42.3%	30.5	8.2%	82.6	67.4	22.6%
Capital expenditures	69.8	89.9	(22.4)%	89.1	(21.6)%	168.9	211.8	(20.2)%
Total income from investment in NRTA	1,214.4	1,198.6	1.3%	1,234.5	(1.6)%	3,615.9	3,540.5	2.1%
Income from investment in NRTA margin (%)	67.8%	68.8%		70.0%		69.6%	69.6%	

3Q 18/19 PERFORMANCE

TOTAL INCOME

Total income for 3Q 18/19 was THB 1,218.9mn, up 1.4% YoY but down 1.6% QoQ, largely from income from investment in NRTA of the Core BTS SkyTrain network under the concession agreement. The income from investment in NRTA increased by 1.3% YoY but decreased by 1.6% QoQ to THB 1,214.4mn.

In this quarter, **farebox revenue** was THB 1,791.8mn, up 2.9% YoY and 1.7% QoQ primarily led by the increase in average fare, ridership growth, and partly from the reversion of free-trip allowance to passengers from train services disruption during June 2018 of 0.6mn as free-trip period was expired. If excluding the reversion of free-trip allowance, farebox revenue was THB 1,791.2mn, up 2.8% YoY and 1.6% QoQ. Please refer to section “3Q 18/19 and 9M 18/19 BTS Operational Performance” below for more details.

3Q 18/19 **operating and maintenance costs** were THB 577.4mn, increasing 6.3% YoY and 9.4% QoQ. YoY and QoQ increases were principally due to (i) bonus paid for employees this quarter, being partially offset by (ii) lower CAPEX; the main CAPEX components in 3Q 18/19 were Automatic Fare Collection (AFC) system upgrade of THB 41.5mn and rolling stocks of THB 11.5mn, compared to radio upgrade of THB 66.0mn and AFC system upgrade of 9.6mn last year, and compared to radio upgrade of THB 71.1mn and rolling stocks of THB 3.9mn last quarter. Additionally, YoY increase was from the changing of new Single Journey Tickets (SJT) from magnetic cards to thin cards for supporting the new Automatic Fare Collection (AFC) system in administrative and other expenses.

In this quarter, **income from investment in NRTA margin** decreased to 67.8%, compared to 68.8% in the same quarter last year and 70.0% in the previous quarter, primarily from operating and maintenance costs increased at the higher rate than farebox revenue as explained previously.

TOTAL EXPENSES

3Q 18/19 total expenses were THB 22.0mn, decreasing 8.3% YoY and 22.3% QoQ, as a result of lower administrative expenses and incentive fee in other expenses than the same quarter last year and previous quarter.

NET INVESTMENT INCOME

BTSGIF recorded net investment income of THB 1,196.9mn in 3Q 18/19, increasing by 1.6% YoY but down by 1.1% QoQ.

In 3Q 18/19, net investment income margin rose to 98.2% compared to 98.0% in 3Q 17/18 and 97.7% in previous quarter, from lower total expenses as mentioned earlier.

UNREALISED GAIN (LOSS) ON INVESTMENTS

In 3Q 18/19, BTSGIF recognised a non-cash, unrealised loss on investment of THB 999.9mn, primarily from the devaluation in the fair value of its investment in NRTA of THB 1,000.0mn, due to the revaluation of investment by an income approach method from an independent appraiser. The new fair value of investment in NRTA decreased to THB 64,400mn from THB 65,400mn in the previous quarter.

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

In 3Q18/19, increase in net assets resulting from operations considerably dropped to THB 197.0mn, down by 79.9% YoY and 83.7% QoQ, largely due to the recognition of unrealised loss on investments as mentioned earlier.

9M 18/19 PERFORMANCE

TOTAL INCOME

For 9M 18/19, **total income** was THB 3,628.5mn, up 2.1% YoY from the increase in income from investment in NRTA by 2.1% YoY to 3,615.9mn.

Farebox revenue for 9M 18/19 was THB 5,193.7mn, rising by 2.0% YoY due to (i) the fare increase by 3.0% YoY to THB 29.0 per trip but being partially offset by (ii) the decrease in ridership of 0.6% and (iii) compensation expenses from net free-trip allowance to passengers from train services disruption during June 2018 of THB 18.5mn. Please refer to section “3Q 18/19 and 9M 18/19 BTS Operational Performance” below for more details.

In this period, **operating and maintenance costs** were THB 1,577.8mn, increasing 1.9% YoY primarily due to (i) an increase in annual base salary and bonus paid for employees (ii) increase in administrative and other expenses from new SJT cards, as aforementioned, being partially offset by (iii) lower CAPEX; the main CAPEX components in this year were radio upgrade of THB 71.1mn, AFC system upgrade of THB 41.5mn and rolling stocks of THB 15.4mn, compared to radio upgrade of THB 66.0mn, rolling stocks of THB 60.1mn and AFC system upgrade of 58.4mn in the same period last year.

9M 18/19 **income from investment in NRTA margin** remained unchanged from the same period last year at 69.6%.

TOTAL EXPENSES

9M 18/19 total expenses were THB 83.0mn, slightly up by 0.7% YoY primarily from higher professional fees.

NET INVESTMENT INCOME

For 9M 18/19, net investment income was THB 3,545.5mn, up 2.2% YoY mainly from the increase in total income as explained above.

Net investment income margin was 97.7% in 9M 18/19, equaled to the same period last year.

UNREALISED GAIN (LOSS) ON INVESTMENTS

9M 18/19, BTSGIF recognised an unrealised loss on investment of THB 999.9mn primarily from the devaluation in the fair value of its investment in the NRTA to THB 64,400mn from THB 65,400.0mn in the same period last year.

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

For 9M 18/19, increase in net assets resulting from operations decreased by 17.1% YoY to THB 2,545.6mn due to the recognition of unrealised loss on investments this year as mentioned earlier.

3Q 18/19 AND 9M 18/19 BTS OPERATIONAL PERFORMANCE

For a more meaningful examination, the following analysis will be presented under two scenarios; (i) the inclusion of a free-trip allowance to passengers from train services disruption during June 2018 and (ii) the exclusion of a free-trip allowance to passengers from train services disruption during June 2018

THE INCLUSION OF FREE-TRIP ALLOWANCE TO PASSENGERS FROM TRAIN SERVICES DISRUPTION DURING JUNE 2018

3Q 18/19 farebox revenue rose by 2.9% YoY and 1.7% QoQ due to an increase in ridership, average fare increase and partly benefit from the impact from reversion of free-trip allowance to passengers from train services disruption during late 1Q 18/19, of THB 0.6mn in this quarter.

Ridership, in 3Q 18/19, was 61.6mn trips, increasing by 1.3% YoY and 0.6% QoQ from organic growth.

3Q 18/19 *average fare* increased to THB 29.1 per trip, up by 1.5% YoY, from the adjustments to the promotional price for stored-value cards since Apr 2018 and the impact from the aforesaid reversion of free-trip allowance and up by 1.1% QoQ.

9M 18/19 farebox revenue rose by 2.0% YoY led by the increase in average fare. However, the increase was partly offset by the slight decrease in ridership and the impact from deduction of the net free-trip allowance to passengers from train services disruption during June 2018, of THB 18.5mn.

9M 18/19 *ridership* was 180.0mn, decreasing by 0.6% YoY partly due to train services disruption during June 2018, passengers' sensitivity to the fare increases in the core skytrain network and lower weekdays this year.

9M 18/19 the *average fare* was THB 28.9 per trip, an increase of 2.6% YoY largely as a result of the fare increase since Oct 2017 and adjustments to the promotional price for stored-value cards since Apr 2018.

THE EXCLUSION OF FREE-TRIP ALLOWANCE TO PASSENGERS FROM TRAIN SERVICES DISRUPTION DURING JUNE 2018

3Q 18/19 farebox revenue rose by 2.8% YoY and 1.6% QoQ due to an increase in ridership and average fare increase.

3Q 18/19 *ridership* was 61.6mn trips, increasing by 1.3% YoY and 0.6% QoQ from organic growth.

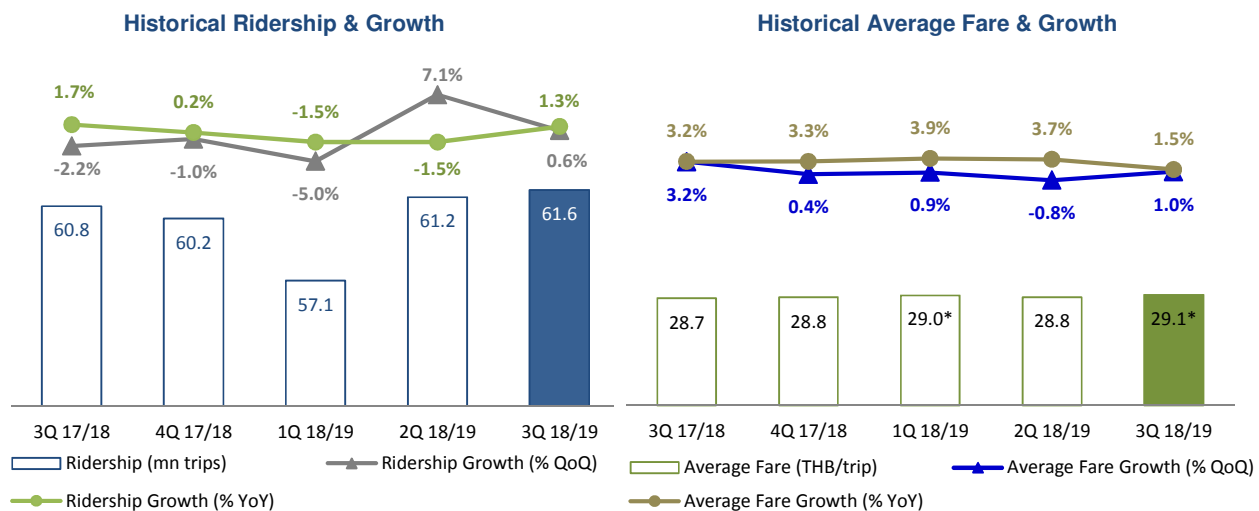
3Q 18/19 *average fare* increased to THB 29.1 per trip, up by 1.5% YoY from the adjustments to the promotional price for stored-value card since Apr 2018 and up by 1.0% QoQ.

9M 18/19 farebox revenue grew by 2.4% YoY led by the increase in average fare. However, the increase was partly offset by the slight decrease in ridership.

9M 18/19 *ridership* was 180.0mn, decreasing by 0.6% YoY partly due to train services disruption during Jun 2018, passengers' sensitivity to the fare increases in the core skytrain network and lower weekdays this year.

9M 18/19 the *average fare* was THB 29.0 per trip, an increase of 3.0% YoY largely as a result of the fare increase since Oct 2017 and adjustments to the promotional price for stored-value card since Apr 2018.

Note: From train services disruption during June 2018, the Fund recorded a free-trip allowance in 1Q 18/19 of THB 19.2mn. After the free-trip period was expired in 3Q 18/19, the Fund reversed the free-trip allowance by 0.6mn. The net free-trip allowance was therefore THB 18.5mn.



* Excluding the impact of free-trip allowance to passengers from train services disruption

BALANCE SHEET

Unit: THB mn	31 Dec 18	30 Sep 18
Investment in NRTA	64,400.0	65,400.0
<i>at cost</i>	<i>61,432.1</i>	<i>61,432.1</i>
Investments in securities at fair value and Cash at bank	1,022.3	1,112.8
Other assets	236.1	160.8
Total Assets	65,658.4	66,673.6
Total Liabilities	26.5	29.1
Net Asset Value	65,631.9	66,644.5
Capital Received from Unitholders	61,416.5	61,416.5
Retained Earnings	4,215.4	5,228.0
NAV per Unit (THB)	11.3393	11.5142

Total assets as of 31 December 2018 stood at THB 65,658.4mn. The main components were (i) investment in the NRTA of THB 64,400.0mn, (ii) investment in securities at fair value and cash at bank of THB 1,022.3mn and (iii) other assets of THB 236.1mn (primarily account receivable from NRTA of THB 234.1mn). Total liabilities stood at THB 26.5mn. Net Asset Value (NAV) as of 31 December 2018 was THB 65,631.9mn, equivalent to THB 11.3393 per unit.

DISTRIBUTION TO UNITHOLDERS

Dividend payout for 3Q 18/19 performance and retained earnings is THB 0.206 per unit. XD is on 26 Feb 2019, book closing date on 28 Feb 2019 and payment is scheduled on 14 Mar 2019. The annualised dividend yield is equivalent to 7.7% based on the par value of THB 10.611 per unit.

For 9M 18/19, cumulative dividend payout is THB 0.611 per unit, equivalent to a 7.6% annualised dividend yield based on par value of THB 10.611 per unit.

No.	FY	Dividend Period	Dividend Payout (THB per unit)	Accumulated Dividend for the Year (THB per unit)
1-4	13/14	17 Apr 2013 – 31 Mar 2014	0.579	0.579
5-8	14/15	1 Apr 2014 – 31 Mar 2015	0.606	0.606
9-12	15/16	1 Apr 2015 – 31 Mar 2016	0.692	0.692
13-16	16/17	1 Apr 2016 – 31 Mar 2017	0.772	0.772
17-20	17/18	1 Apr 2017 – 31 Mar 2018	0.798	0.798
21	1Q 18/19	1 Apr 2018 – 30 Jun 2018	0.196	0.611
22	2Q 18/19	1 Jul 2018 – 30 Sep 2018	0.209	
23	3Q 18/19	1 Oct 2018 – 31 Dec 2018	0.206	
Total		17 Apr 2013 – 31 Dec 2018	4.058	