

21 DECEMBER 2020

THAILAND / TRANSPORT &amp; LOGISTICS

# ASIA AVIATION AAV TB

## BUY

TARGET PRICE THB3.40  
CLOSE THB2.68  
UP/DOWNSIDE +26.9%  
TP vs CONSENSUS +52.9%

### บินสู่เขตปลอดภัย

ส่วนแบ่งตลาดในประเทศเพิ่ม พร้อมจับการฟื้นตัวของอุตสาหกรรมท่องเที่ยว เราเชื่อว่าปัจจุบัน AAV มีอัตราส่วนผลตอบแทนต่อความเสี่ยงที่น่าสนใจ บริษัทฯ เป็นผู้นำตลาดด้วยส่วนแบ่งตลาดในประเทศที่ 35% และควรได้ส่วนแบ่งตลาดเพิ่มอย่างต่อเนื่องหลังกำลังการผลิตเพิ่มเร็วกว่าบริษัทอื่น นอกจากนี้ เรายังมองว่าบริษัทฯ ยังเป็นหนึ่งในหุ้นท่องเที่ยวแนวหน้าที่จะจับการฟื้นตัวของตลาดนักท่องเที่ยวจีน (32% ของรายได้รวมของ AAV ในปี 2019) ซึ่งเป็นปัจจัยหนุนการเติบโตสำคัญของการอุตสาหกรรมท่องเที่ยวไทย

#### ตัวเลขผู้โดยสารในประเทศจะฟื้นตัวเต็มที่ภายใน 2H21

AAV ได้เพิ่มกำลังการผลิตสำหรับตลาดในประเทศ (43% ของรายได้ในปี 2019) สู่ระดับก่อน COVID ตั้งแต่ พ.ย. 20 ทำให้ตัวเลขผู้โดยสารในประเทศควรฟื้นตัวเกือบเต็มร้อยในช่วง 4Q20-1Q21 ซึ่งเป็นฤดูกาลที่ดีสำหรับการท่องเที่ยวไทย นอกจากนี้เรายังคาดว่าอีกว่าประเทศไทยจะกลับมาเปิดประเทศใน 3Q21 ทำให้ผลประกอบการจากตลาดในประเทศของ AAV ฟื้นตัวเต็มที่และทำให้บริษัทฯ สามารถจับความต้องการที่ฟื้นในไตรมาสต่างประเทศ (57% ของรายได้ในปี 2019) ในภาพรวม เราคาดว่าตัวเลขผู้โดยสารจะโตในอัตรา 31% CAGR จาก 10 ล้าน ในปี 2020 เป็น 22.3 ล้าน ในปี 2023 เท่ากับระดับก่อน COVID

#### โครงสร้างต้นทุนดีกว่าทำให้พลิกฟื้นได้เร็วกว่า

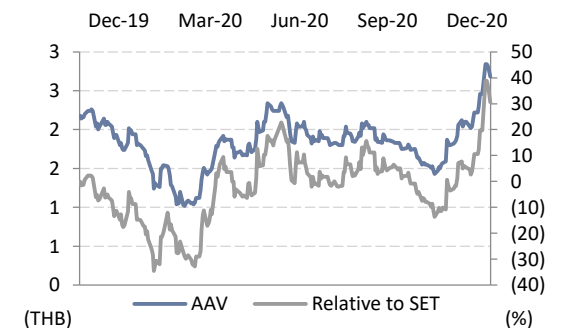
เราคาดว่า AAV จะบันทึกผลขาดทุนจากสัญญาป้องกันความเสี่ยงเป็นจำนวนมากในปี 2020 เนื่องจากบริษัทฯ ทำสัญญาป้องกันความเสี่ยงสำหรับน้ำมันอากาศยานมากเกินไปปริมาณที่ใช้จริง ในขณะที่ราคาน้ำมันในตลาดลดลงมากในปี นี้ อย่างไรก็ตาม เราคาดว่าค่าใช้จ่ายน้ำมันของ AAV จะกลับสู่ระดับปกติในปี 2021 เนื่องจากในปัจจุบันผลขาดทุนจากสัญญาป้องกันความเสี่ยงมีเหลืออยู่น้อยกว่า 750 ลบ. และบริษัทฯ น่าจะรับรู้ผลขาดทุนคงค้างเกือบทั้งหมดได้ภายใน 1Q21 เราคาดว่าราคาเชื้อเพลิงหลังสัญญาป้องกันความเสี่ยงจะลดลงเหลือ USD76/บาร์เรล ในปี 2021 จาก USD106/บาร์เรลในปี 2020E นอกจากนี้ AAV ได้ทำการปรับลดต้นทุนที่ไม่ใช่น้ำมันเชื้อเพลิงอย่างต่อเนื่อง ดังนั้นเราจึงคาดว่า EBITDA จะพลิกเป็นบวกได้ใน 1Q21 และผลประกอบการจะพลิกเป็นกำไรได้ภายใน 4Q21

#### ซื้อขายโดยมีส่วนลดเมื่อเทียบกับค่าเฉลี่ยในอดีตและของกลุ่ม

เรากลับมารายงาน AAV ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 3.4 บาท โดยคิดจากค่า 2021E P/BV ที่ 1.1x ตามค่าเฉลี่ยย้อนหลัง 5 ปี ปัจจุบัน AAV มีการซื้อขายที่ระดับการประเมินมูลค่าที่น่าสนใจที่ 0.9x ซึ่งต่ำกว่าค่าเฉลี่ยของกลุ่มฯ ที่ 1.5x ของค่า 2021E P/BV ในระยะสั้นหุ้นมีโอกาสได้ปัจจัยบวกจาก 1) Load Factor ที่ดีในช่วง 4Q20-1Q21 ซึ่งเป็นจุดสูงสุดของฤดูท่องเที่ยว; และ 2) การได้ประโยชน์จากค่าเงินบาทที่แข็งเมื่อเทียบกับเงินเหรียญสหรัฐ ซึ่งควรก่อให้เกิดกำไรอัตราแลกเปลี่ยนจำนวนมากใน 4Q20 และค่าใช้จ่ายในรูปเงินเหรียญสหรัฐ ที่ลดลง โดยเฉพาะค่าใช้จ่ายเชื้อเพลิงและค่าเช่าเครื่องบิน

### KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	41,203	14,445	23,076	36,734
Net profit	(474)	(4,110)	(1,107)	405
EPS (THB)	(0.10)	(0.85)	(0.23)	0.08
vs Consensus (%)	-	nm	nm	(37.5)
EBITDA	1,266	(2,334)	5,206	8,276
Core net profit	(667)	(4,816)	(1,107)	405
Core EPS (THB)	(0.14)	(0.99)	(0.23)	0.08
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	nm	nm	nm	nm
Core P/E (x)	(19.5)	(2.7)	(11.7)	32.1
Dividend yield (%)	-	-	-	1.2
EV/EBITDA (x)	30.9	(24.0)	10.0	5.8
Price/book (x)	0.7	0.8	0.9	0.9
Net debt/Equity (%)	66.4	191.3	194.1	166.5
ROE (%)	(3.3)	(26.9)	(7.2)	2.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	44.1	44.1	22.9
Relative to country (%)	32.6	25.2	29.7
Mkt cap (USD m)	436		
3m avg. daily turnover (USD m)	3.2		
Free float (%)	59		
Major shareholder	Tassapon Bijleveld (41%)		
12m high/low (THB)	3.06/1.00		
Issued shares (m)	4,850.00		

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

teerapol.udo@fssia.com  
+66 2611 3535

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 21 ธันวาคม 2020

## Investment thesis

AAV is on track for a recovery. We expect its domestic market performance to recover by 2021, given that it has already ramped up its seat capacity to pre-COVID levels; faster than its peers. Meanwhile, AAV should be able to capture the strong pent-up demand from Chinese tourists after Thailand's border reopens.

We also expect that its cost structure in 2021 onward will be able to support its operational turnaround, especially its fuel costs, which should significantly decrease from 2020 since almost all of the hedging loss has already been realised in 2020, and the jet fuel spot price is currently below 2018-19 levels. In addition, AAV has continue to trim its non-fuel expenses.

We expect its EBITDA to turn positive by 1Q21 and its earnings to breakeven by 4Q21.

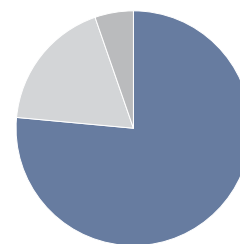
## Company profile

AAV owns 55% of Thai Air Asia (TAA, Not listed), which is the leading low cost carrier in Thailand. TAA serves travelers throughout Asia, Middle East and Europe.

[www.aavplc.com](http://www.aavplc.com)

## Principal activities (revenue, 2019)

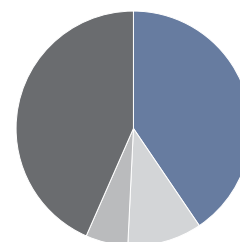
- Ticket sales - 76.5 %
- Ancillaries - 18.2 %
- Other revenue - 5.3 %



Source: Asia Aviation

## Major shareholders

- Tassapon Bijleveld - 40.5 %
- BBL Asset Management - 10.3 %
- Thai NVDR - 5.8 %
- Others - 43.4 %



Source: Asia Aviation

## Catalyst

Key potential growth drivers include 1) a higher number of passengers carried following a global tourism recovery; 2) lower jet fuel prices; and 3) the availability of a COVID-19 vaccine.

## Risk to our call

Downside risks to our target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.

## Event calendar

Date	Event
Feb 2021	4Q20 results announcement

## Key assumptions

	2020E	2021E	2022E
Number of aircraft (no.)	59	52	54
Pax carried (m)	10	14	20
Load factor (%)	73	85	85
Average ticket fare (THB)	1,147	1,252	1,451
Ancillaries per pax (THB/pax)	237	285	328
Brent spot price (USD/bbl)	44	53	55
Fuel price net hedging (USD/bbl)	105	76	79
THB/USD	31.4	31.0	31.0

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in load factor, we project a 2021 loss reduction of 10% and vice versa, all else being equal.
- For every 1% increase in average ticket fare, we project a 2021 loss reduction of 7% and vice versa, all else being equal.
- For every 1% increase in Brent spot price, we project a 2021 loss increase of 3% and vice versa, all else being equal.

Source: FSSIA estimates

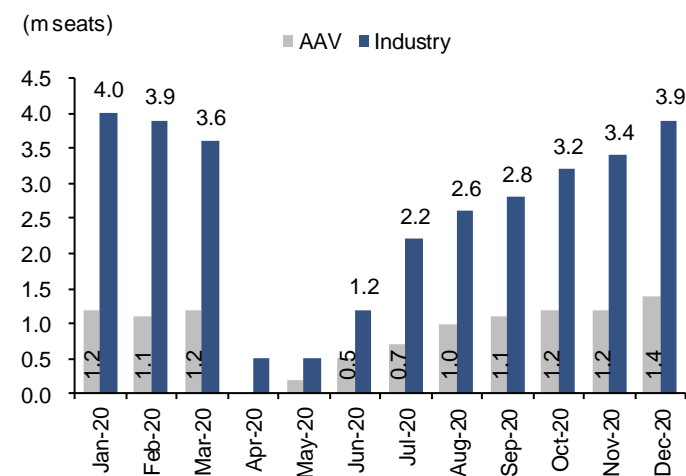


## Expect revenue to recover to pre-COVID levels by 2023

### Gaining more domestic market share

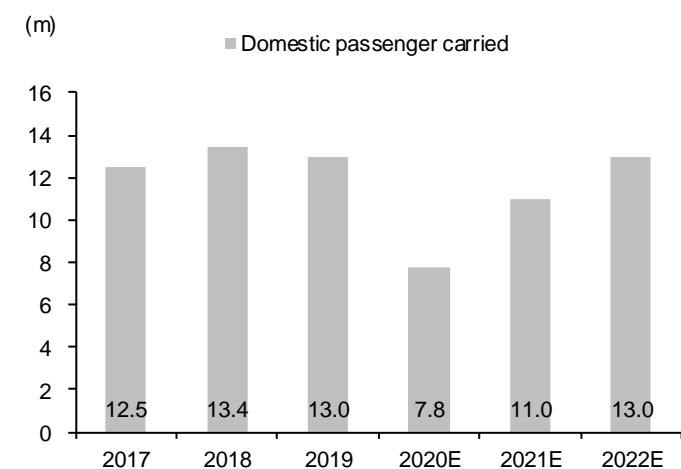
AAV has ramped up its domestic capacity to 1.4 m seats per month in Dec-20, which has already exceeded its 1.2m pre-COVID seating capacity. This is due to the establishment of a new hub at Suvarnabhumi Airport (BKK) with four routes from BKK to Chiang Mai, Phuket, Krabi and Surat Thani since Sept-20, leading to a total of 39 domestic routes, exceeding the 35 domestic routes it had in 2019. AAV's capacity ramp-up rate is also better than the industry average, which recovered to near pre-COVID levels. As a result, AAV's market share has increased to 35% as of 9M20 from 33% in 2019, and we expect it to reach 38-40% by 2021, thanks to having more flights and routes at the BKK hub, as well as more operational readiness compared to other airlines. We expect AAV's domestic passengers carried to jump by 41% to 11m in 2021, and reach pre-COVID levels by 2022.

**Exhibit 1: AAV's seating capacity has already exceeded pre-COVID levels**



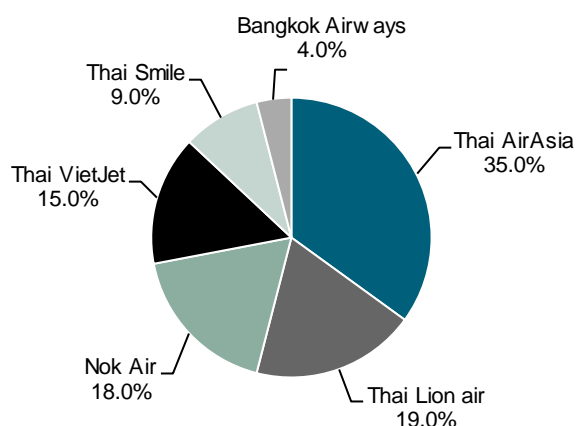
Source: AAV

**Exhibit 2: Domestic passengers carried**



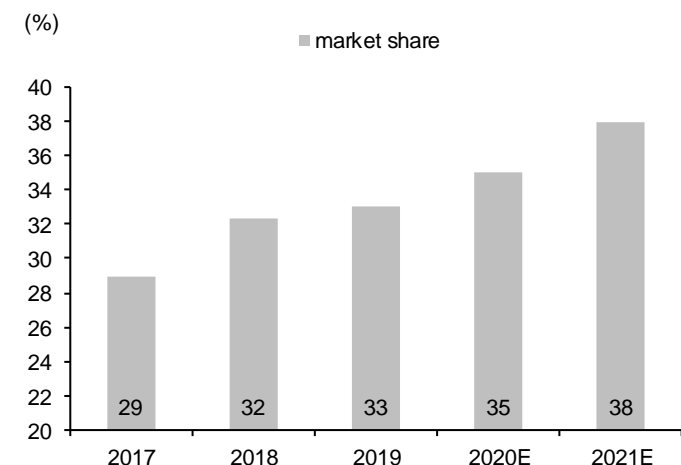
Sources: AAV; FSSIA estimates

**Exhibit 3: Domestic market share as of 9M20**

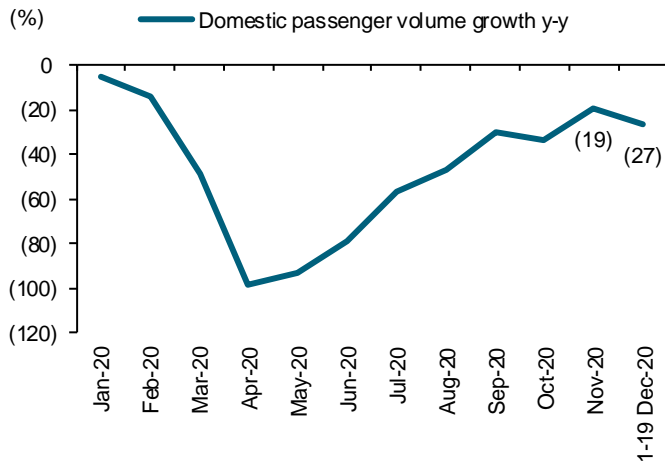


Sources: Department of Airports; AAV

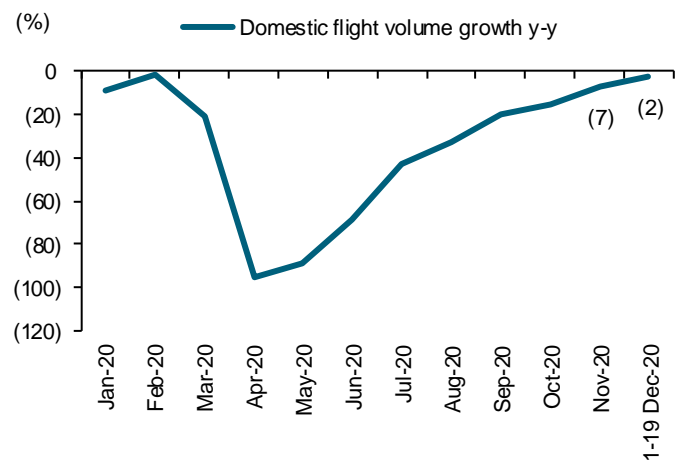
**Exhibit 4: AAV should continue to gain more domestic market share**



Sources: Department of Airports; AAV; FSSIA estimates

**Exhibit 5: Domestic passenger volume monthly trend**

Source: Airports of Thailand (AOT)

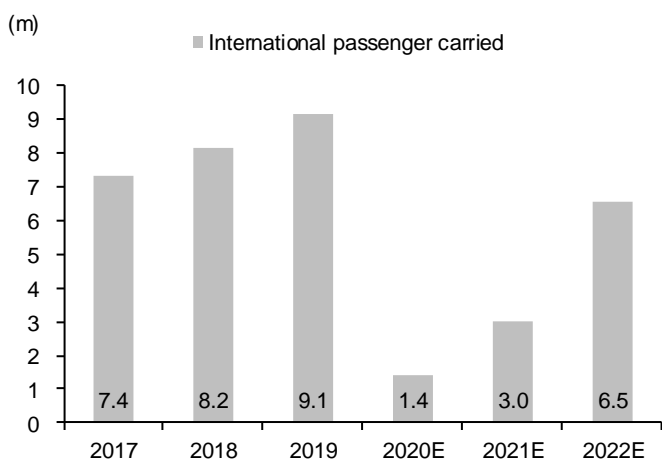
**Exhibit 6: Domestic flight volume monthly trend**

Source: AOT

**International flights should recover by 3Q21**

We expect the Thai government to reopen the country for international tourism by 3Q21. International passengers accounted for 41% of AAV's total passengers carried, and revenue contributions from international passenger accounted for c55% of AAV's total revenue as of 2019. The border reopening should help AAV turn profitable again, given that the company currently utilises only 47 aircraft from a total of 62 aircraft, with a utilisation rate of 8 hours/day compared with the normal average of 12 hours/day, and it still has to pay aircraft rental payments.

We expect the number of international passengers carried to reach 6.5m in 2021, equivalent to 71% of the number in 2019, with a possible recovery to pre-COVID levels by 2023. Furthermore, we expect AAV to be the airline that gains the greatest benefit from reopening the country, considering that it had revenue contributions from its routes from China at 32% and India at 6% as of 2019. Chinese and Indian tourists have been the key growth drivers of Thai tourism over the past five years, and that momentum should continue, given that the passport penetration rate for those two countries is below 10%.

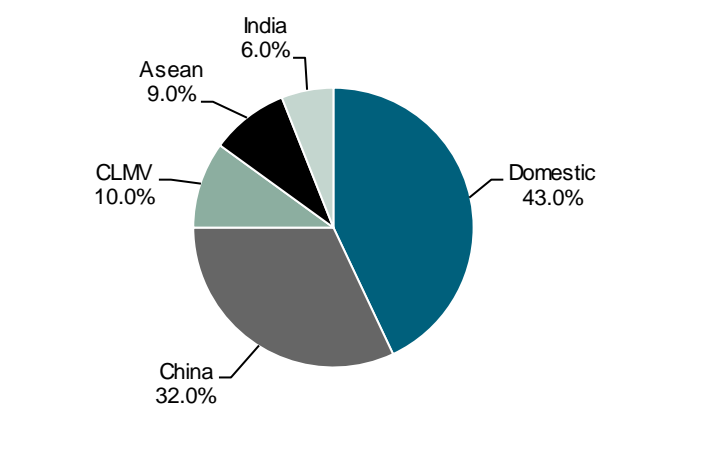
**Exhibit 7: International passengers carried**

Sources: AAV; FSSIA estimates

**Exhibit 8: Tourist arrivals should recover by 2023**

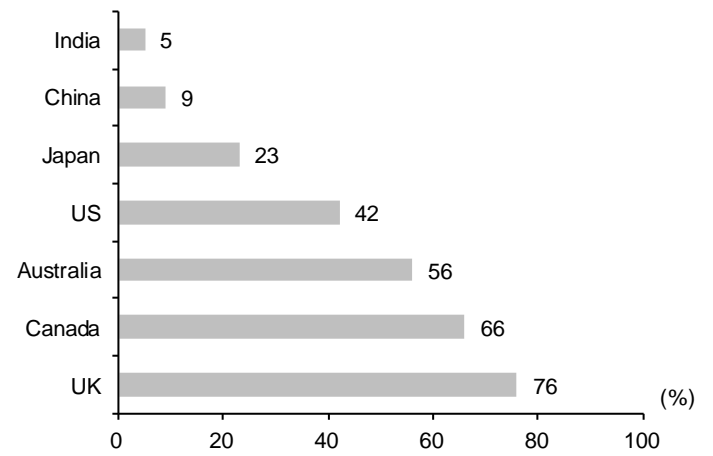
Sources: Ministry of Tourism &amp; Sports (MOTS); FSSIA estimates

Exhibit 9: Revenue contribution by route as of 2019



Source: AAV

Exhibit 10: Passport penetration rate



Source: FSSIA's compilation

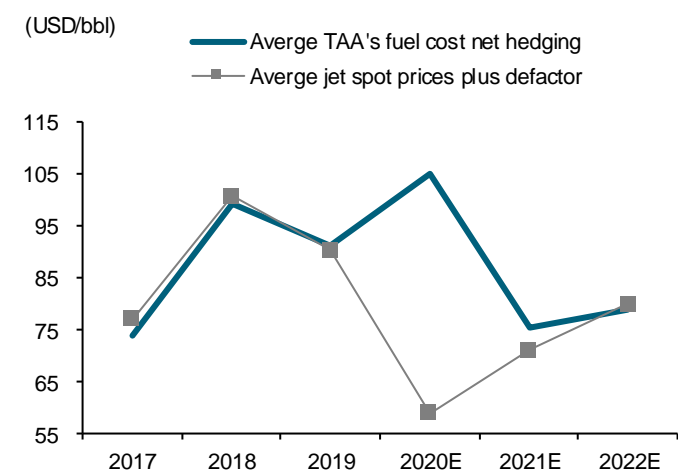
## Better cost structure should lead to more profitability

### Smaller hedging loss on jet fuel in 2021

AAV over-hedged jet fuel this year at an average Brent cost of around USD61/bbl, resulting in a large 2020E hedging loss, as the average 2020E Brent price is USD47/bbl. The hedging loss outstanding is cTHB750m as of 3Q20, based on a Brent cost at cUSD41/bbl. This implies that the hedging loss outstanding should be less than THB750m, given that Brent is currently at cUSD51/bbl. AAV has continued to restructure a portion of its fuel hedging with its counterparties in order to minimise and extend its realised loss. We estimate that AAV should almost completely realise its hedging loss outstanding in 4Q20-1Q21.

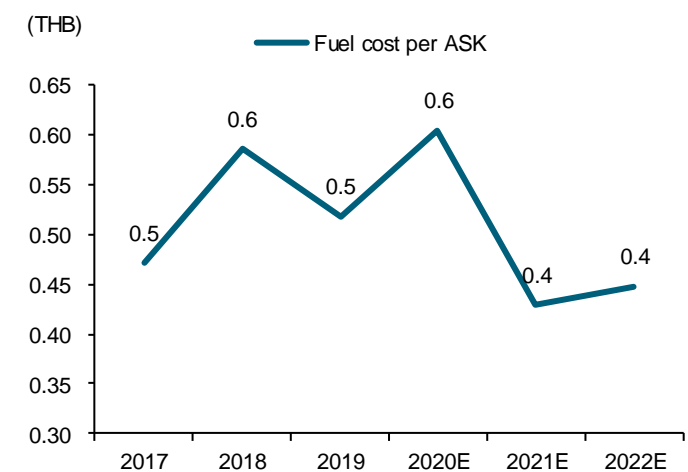
For the next year, AAV has hedged only c10-20% of its fuel consumption. Thus, we forecast that its fuel price net of hedging should decrease to USD76/bbl in 2021 from USD106/bbl in 2020E. This would significantly improve AAV's profitability, as normally fuel expenses account for 30-35% of its total expenses.

**Exhibit 11: Fuel cost net hedging should normalise in 2020-21**



Sources: Bloomberg; FSSIA estimates

**Exhibit 12: Fuel cost per available seat kilometres (ASK)**

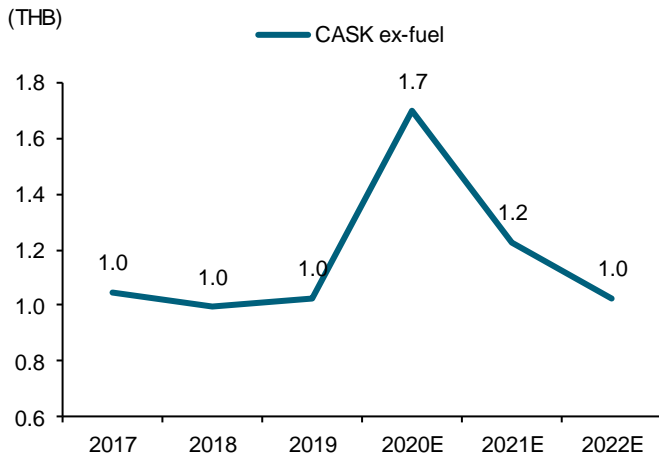


Sources: AAV; FSSIA estimates

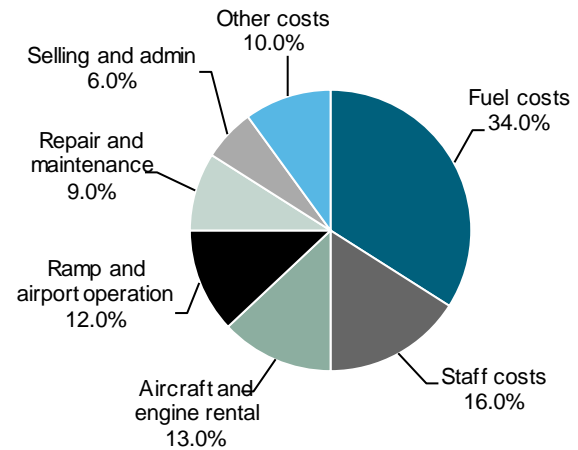
### Expect AAV to continue trimming non-fuel expenses

AAV has reduced its non-fuel expenses by 34% y-y in 9M20, thanks to its cost-saving measures, including 1) cutting staff costs by offering voluntary leave without pay to employees and temporarily freezing hiring; 2) negotiating aircraft lease payments with lessors; and 3) optimizing its assets with the use of new aircraft, resulting in lower maintenance costs. Airports of Thailand (AOT TB, BUY, TP THB70) has also waived parking charges for hibernating aircraft and offered a 50% discount on landing and parking fees for operating aircraft, leading to lower airport operation expenses.

We expect AAV to continue to trim its costs, and this could lower its cost per available seat kilometres (CASK) ex-fuel in the long term. Furthermore, the THB has appreciated against the USD since end of 3Q20, from 31.6 to 30.0 THB/USD. This should benefit AAV's operation, given that the aircraft lease payments and jet fuel are in USD terms.

**Exhibit 13: CASK ex-fuel**

Sources: AAV; FSSIA estimate

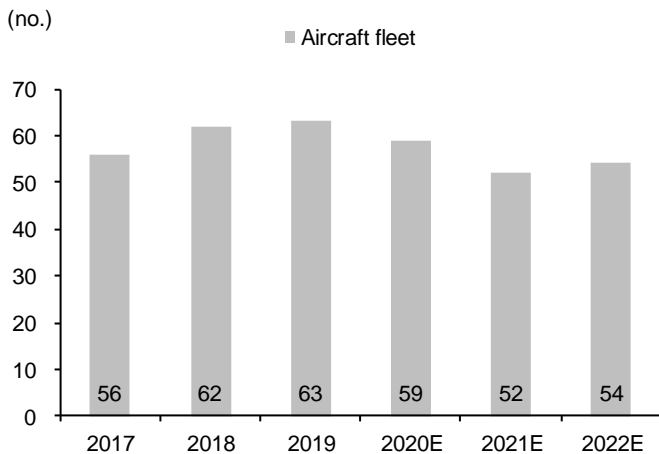
**Exhibit 14: Cost breakdown as of 2019**

Source: AAV

**Restructuring aircraft fleet to boost profitability**

AAV had 62 aircraft as of 9M20. It plans to reduce its fleet to 59 aircraft by the end of 2020 and to 52 by the end of 2021, due to the retirement of aircraft leases and the deferment of new aircraft deliveries. This should reduce its aircraft lease payments during this abnormal period with widespread restrictions on global tourism.

After tourism restrictions start to ease, we believe AAV can maintain its ASK, even with a smaller fleet, by increasing the utilisation rate of its aircraft (only 8 hours/day in 9M20 vs 12 hours/day in 2019).

**Exhibit 15: Aircraft fleet**

Sources: AAV; FSSIA estimates

**Exhibit 16: Aircraft lease payments**

Sources: AAV; FSSIA estimates



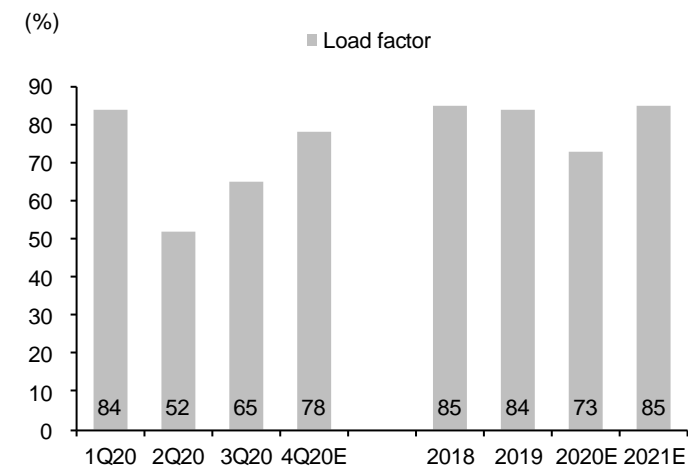
## Forecast and valuation

### Expect a smaller loss in 4Q20 and 2021, and a turnaround in 2022

We expect AAV to post a smaller net loss of THB0.5b in 4Q20, compared to a THB1.8b net loss in 3Q20. We expect the load factor to improve from 65% in 3Q20 to 78% in 4Q20. 4Q20E passengers carried should increase to 2.6m from 1.9m in 3Q20. In addition, we project AAV to book an FX gain of up to THB1.2b-1.4b, as the THB has appreciated against the USD, and AAV has cUSD800m lease liabilities outstanding.

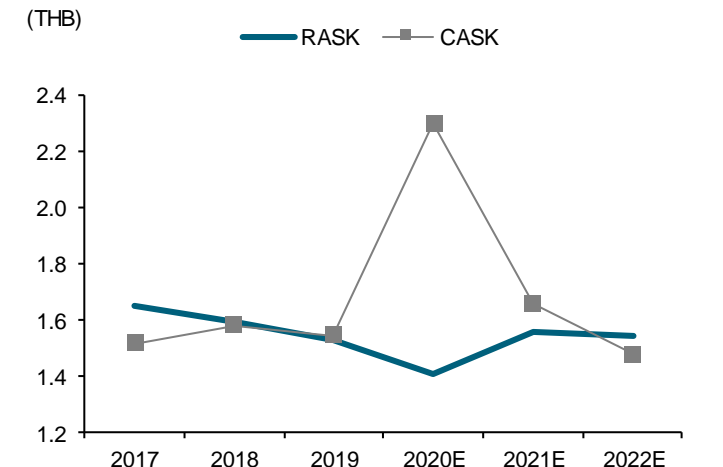
We forecast AAV's net loss to narrow to THB1.1b in 2021 from THB4.1b in 2020 thanks to 1) the near total recovery of its domestic market performance and a partial international market recovery in 2H21; 2) lower jet fuel prices; and 3) higher aircraft utilisation rates. We expect AAV to turn profitable in 4Q21 and 2022, along with a global tourism recovery.

**Exhibit 17: Load factor**



Sources: AAV; FSSIA estimates

**Exhibit 18: RASK and CASK**



Sources: AAV; FSSIA estimates

## Exhibit 19: 4Q20E results preview

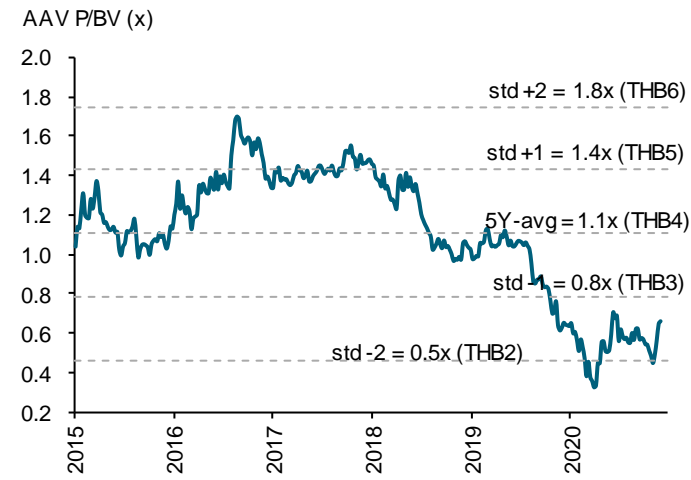
	4Q19	1Q20	2Q20	3Q20	-----4Q20E-----			2020E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	10,193	7,937	380	2,403	3,725	55	(63)	14,445	(65)
- Passenger revenue	8,180	6,348	292	1,857	2,927	58	(64)	11,425	(65)
- Other revenue	2,013	1,589	87	546	798	46	(60)	3,021	(64)
Expense	(10,213)	(8,671)	(3,852)	(4,677)	(5,339)	14	(48)	(22,539)	(46)
- Fuel and oil	(3,199)	(2,707)	(691)	(1,334)	(1,451)	9	(55)	(6,183)	(56)
- Non-fuel operating expenses	(7,014)	(5,964)	(3,161)	(3,343)	(3,888)	16	(45)	(16,356)	(40)
Operating profit	(20)	(734)	(3,472)	(2,274)	(1,613)	(29)	8,171	(8,093)	1,696
Interest income	(18)	8	10	3	6	78	(135)	28	n/a
Interest expense	(196)	(551)	(391)	(410)	(420)	2	115	(1,773)	132
Pretax profit	(233)	(1,277)	(3,853)	(2,681)	(2,027)	(24)	770	(9,838)	709
Income Tax	21	690	106	183	103	(44)	396	1,082	n/a
Core profit (TAA)	(212)	(587)	(3,747)	(2,498)	(1,924)	(23)	807	(8,756)	620
Core profit (AAV)	(116)	(322)	(2,061)	(1,373)	(1,059)	(23)	815	(4,816)	622
Extraordinaries	79	(635)	1,672	(843)	1,090	(229)	1,275	1,284	266
- FX gain (loss)	79	(2,097)	1,841	(735)	1,190	(262)	1,402	200	(43)
- Derivative gain (loss)	0	130	(170)	(108)	(100)			(248)	n/a
- Others	0	1,332	0	0	0			1,332	n/a
Reported net profit (TAA)	(133)	(1,222)	(2,075)	(3,341)	(834)	(75)	528	(7,472)	763
Minority interest	61	551	934	1,504	374	(75)	517	3,363	757
Reported net profit (AAV)	(72)	(671)	(1,141)	(1,837)	(460)	(75)	537	(4,110)	767
Shares out (end Q, m)	4,850	4,850	4,850	4,850	4,850	0	0	4,850	0
Adjusted shares (m)	4,850	4,850	4,850	4,850	4,850	0	0	4,850	0
Core EPS	(0.02)	(0.07)	(0.42)	(0.28)	(0.22)	n/a	n/a	(0.99)	622
EPS	(0.01)	(0.14)	(0.24)	(0.38)	(0.09)	n/a	n/a	(0.85)	767
Depreciation	(423)	(1,464)	(1,447)	(1,414)	(1,434)	1	239	(5,759)	235
EBITDA	404	730	(2,025)	(860)	(179)	n/a	n/a	(2,334)	(284)
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Operating profit margin	(0)	(9)	(915)	(95)	(43)	51	(43)	(56)	(107)
EBITDA margin	4	9	(533)	(36)	(5)	31	(9)	(16)	(19)
Net profit margin	(1)	(8)	(301)	(76)	(12)	64	(12)	(28)	(27)
Operating stats									
Passengers carried (m)	5.4	4.5	0.3	1.9	2.6				
Load factor (%)	86	84	52	65	78				
RPK (m seats-km)	5,433	3,988	172	1,207	1,996				
ASK (m seats-km)	6,398	4,834	329	1,853	2,559				
Average fare (THB)	1,508	1,401	1,031	996	1,070				
RASK (THB)	1.6	1.6	0.8	1.1	1.3				
CASK (THB)	1.6	1.9	12.6	2.7	2.1				
CASK ex-fuel (THB)	1.1	1.3	10.5	2.0	1.5				

Sources: AAV; FSSIA estimates

## Trading at an attractive valuation

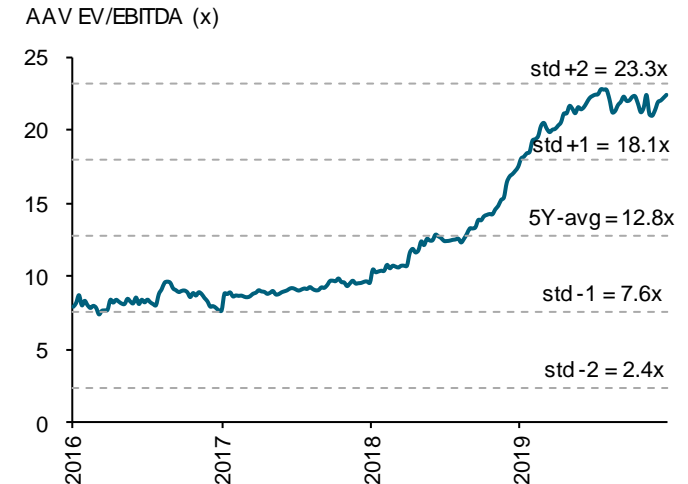
We reinitiate our coverage of AAV with a BUY rating and a TP of THB3.4, based on 1.1x 2021E P/BV, which is in line with its 5-yr average and lower than its regional peers' average of 1.5x 2021E P/BV (excluding outliers). The market is concerned about the company's weak balance sheet and the risk of capital raising. Once its operation turns around, we believe AAV should re-rate and trade at a premium valuation to both its historical average and its regional peers' average.

Exhibit 20: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 21: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 22: Peer comparisons

Company	BBG	Rec	---Share price---			Market	--- PE ---		--- ROE ---		--- PBV ---		EV/ EBITDA	
			Current	Target	Upside	Cap	20E	21E	20E	21E	20E	21E	20E	21E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Thailand</b>														
Asia Aviation Pcl	AAV TB	BUY	2.68	3.40	26.9	436	nm	nm	(26.9)	(7.2)	0.8	0.9	nm	10.0
Nok Airlines Pcl	NOK TB	n/a	1.50	n/a	n/a	159	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Thai Airways International	THAI TB	n/a	3.54	n/a	n/a	238	n/a	n/a	nm	nm	n/a	n/a	n/a	28.4
Bangkok Airways Pcl	BA TB	n/a	7.20	n/a	n/a	476	n/a	n/a	(14.7)	(3.0)	0.6	0.6	56.1	34.6
<b>Thailand average</b>						<b>1,309</b>	<b>n/a</b>	<b>n/a</b>	<b>(20.8)</b>	<b>(5.1)</b>	<b>0.7</b>	<b>0.7</b>	<b>56.1</b>	<b>24.3</b>
<b>Regional</b>														
Spring Airlines Co Ltd-A	601021 CH	n/a	53.75	n/a	n/a	7,494	n/a	45.8	(0.7)	9.4	3.3	3.0	98.6	19.2
Spicejet Ltd	SJET IN	n/a	101.65	n/a	n/a	790	n/a	n/a	n/a	53.0	n/a	n/a	34.1	10.4
Interglobe Aviation Ltd	INDIGO IN	n/a	1,651.05	n/a	n/a	8,347	n/a	n/a	(7.2)	nm	8.8	nm	20.1	nm
Airasia Group Bhd	AAGB MK	n/a	0.89	n/a	n/a	731	n/a	n/a	nm	(42.6)	2.0	3.7	n/a	10.2
Cebu Air Inc	CEB PM	n/a	57.30	n/a	n/a	685	n/a	n/a	(36.9)	(4.6)	1.1	1.3	n/a	11.1
Airasia X Bhd	AAX MK	n/a	0.08	n/a	n/a	77	n/a	n/a	nm	nm	n/a	n/a	n/a	11.3
Singapore Airlines Ltd	SIA SP	n/a	4.43	n/a	n/a	9,778	40.0	n/a	1.6	(34.8)	0.7	1.1	6.8	n/a
Japan Airlines Co Ltd	9201 JP	n/a	1,928.00	n/a	n/a	7,902	10.1	n/a	5.5	(30.0)	0.5	0.9	4.2	n/a
Ana Holdings Inc	9202 JP	n/a	2,247.00	n/a	n/a	10,131	21.6	n/a	3.1	(44.3)	0.7	1.1	8.5	n/a
Garuda Indonesia Persero Tbk	GIAA IJ	n/a	454.00	n/a	n/a	850	n/a	n/a	64.1	36.2	n/a	n/a	n/a	30.1
Cathay Pacific Airways	293 HK	n/a	7.40	n/a	n/a	5,895	n/a	n/a	(29.1)	(3.1)	0.7	0.8	n/a	9.8
Eva Airways Corp	2618 TT	n/a	13.90	n/a	n/a	2,429	n/a	n/a	(6.7)	(4.6)	1.0	1.1	5.9	6.3
Air New Zealand Ltd	AIR NZ	n/a	1.77	n/a	n/a	1,409	n/a	n/a	(4.5)	(23.6)	1.3	2.4	8.2	14.4
<b>Regional average</b>						<b>56,516</b>	<b>23.9</b>	<b>45.8</b>	<b>(1.1)</b>	<b>(8.1)</b>	<b>2.0</b>	<b>1.7</b>	<b>23.3</b>	<b>13.6</b>
<b>Overall average</b>						<b>57,826</b>	<b>23.9</b>	<b>45.8</b>	<b>(4.4)</b>	<b>(7.6)</b>	<b>1.8</b>	<b>1.5</b>	<b>26.9</b>	<b>16.3</b>

Sources: Bloomberg; FSSIA estimates

## Risks

### Risk of a cash call due to weak balance sheet

TAA has a weak balance sheet with a 5.9x D/E ratio and negative equity of THB2.0b as of 9M20. Although it already received covenant testing until the end of 2020, and its operations continue to improve, there is still a high risk of a cash call. Alternatively, AAV has requested a soft loan from the government. If the soft loan is approved, we believe the cash call risk should be dismissed, and it would likely be a re-rating catalyst for the stock. In the worst-case scenario, if AAV decides to raise cash, it would provide negative sentiment for its share price. However, it would strengthen its balance sheet and quickly enable AAV to accommodate a higher number of flights compared to its competitors.

### Risk on asset impairment

AAV has goodwill and landing rights of THB23.7b, accounting for 33% of its total assets. If the tourism recovery is slower than expected, it may have to book an impairment loss for those items. An impairment loss would lead to a lower book value and the market may revise down AAV's valuation, as the common valuation method for the aviation sector is based on the P/BV multiple. However, we believe this would only constitute an accounting loss, while its fundamentals would remain unchanged.

## Financial Statements

### Asia Aviation

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	39,950	41,203	14,445	23,076	36,734
Cost of goods sold	(34,757)	(36,642)	(15,191)	(16,139)	(25,887)
<b>Gross profit</b>	<b>5,193</b>	<b>4,561</b>	<b>(745)</b>	<b>6,937</b>	<b>10,847</b>
Other operating income	-	-	-	-	-
Operating costs	(3,116)	(3,295)	(1,589)	(1,731)	(2,571)
<b>Operating EBITDA</b>	<b>2,076</b>	<b>1,266</b>	<b>(2,334)</b>	<b>5,206</b>	<b>8,276</b>
Depreciation	(1,667)	(1,717)	(5,759)	(5,908)	(6,034)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>410</b>	<b>(451)</b>	<b>(8,093)</b>	<b>(701)</b>	<b>2,241</b>
Net financing costs	(744)	(766)	(1,745)	(1,560)	(1,322)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	138	193	706	0	0
<b>Profit before tax</b>	<b>(196)</b>	<b>(1,023)</b>	<b>(9,132)</b>	<b>(2,261)</b>	<b>920</b>
Tax	211	(1)	1,082	249	(184)
<b>Profit after tax</b>	<b>15</b>	<b>(1,024)</b>	<b>(8,050)</b>	<b>(2,013)</b>	<b>736</b>
Minority interests	(57)	392	3,363	906	(331)
Preferred dividends	-	-	-	-	-
Other items	113	158	578	0	0
<b>Reported net profit</b>	<b>70</b>	<b>(474)</b>	<b>(4,110)</b>	<b>(1,107)</b>	<b>405</b>
<b>Non recurring items &amp; goodwill (net)</b>	<b>(138)</b>	<b>(193)</b>	<b>(706)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(68)</b>	<b>(667)</b>	<b>(4,816)</b>	<b>(1,107)</b>	<b>405</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.01)	(0.14)	(0.99)	(0.23)	0.08
Reported EPS	0.01	(0.10)	(0.85)	(0.23)	0.08
DPS	0.34	0.00	0.00	0.00	0.03
Diluted shares (used to calculate per share data)	4,850	4,850	4,850	4,850	4,850
<b>Growth</b>					
Revenue (%)	8.1	3.1	(64.9)	59.7	59.2
Operating EBITDA (%)	(53.2)	(39.0)	nm	nm	59.0
Operating EBIT (%)	(86.3)	nm	nm	nm	nm
Recurring EPS (%)	nm	nm	nm	nm	nm
Reported EPS (%)	(95.3)	nm	nm	nm	nm
<b>Operating performance</b>					
Gross margin inc depreciation (%)	8.8	6.9	(45.0)	4.5	13.1
Gross margin of key business (%)	8.8	6.9	(45.0)	4.5	13.1
Operating EBITDA margin (%)	5.2	3.1	(16.2)	22.6	22.5
Operating EBIT margin (%)	1.0	(1.1)	(56.0)	(3.0)	6.1
Net margin (%)	(0.2)	(1.6)	(33.3)	(4.8)	1.1
Effective tax rate (%)	63.2	0.0	11.0	11.0	20.0
Dividend payout on recurring profit (%)	(2,398.0)	-	-	-	40.0
Interest cover (X)	0.6	(0.6)	(4.6)	(0.4)	1.7
Inventory days	1.8	2.4	5.0	2.8	2.4
Debtor days	12.6	17.2	45.4	17.0	10.7
Creditor days	7.0	10.5	26.4	15.0	12.6
Operating ROIC (%)	0.9	(2.7)	(28.9)	(2.0)	6.7
ROIC (%)	0.3	(1.0)	(13.4)	(1.1)	3.3
ROE (%)	(0.3)	(3.3)	(26.9)	(7.2)	2.7
ROA (%)	0.4	(0.5)	(9.9)	(0.9)	2.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue By Division (THB m)</b>					
Ticket sales	29,073	31,506	11,425	17,553	28,366
Ancillaries	7,134	7,511	2,365	3,994	6,402
Other revenue	3,743	2,185	655	1,529	1,966

Sources: Asia Aviation; FSSIA estimates

## Financial Statements

### Asia Aviation

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	(68)	(667)	(4,816)	(1,107)	405
Depreciation	1,667	1,717	5,759	5,908	6,034
Associates & minorities	-	-	-	-	-
Other non-cash items	(280)	(4,370)	2,225	(906)	331
Change in working capital	(163)	(207)	(3,688)	2,054	2,028
<b>Cash flow from operations</b>	<b>1,156</b>	<b>(3,528)</b>	<b>(519)</b>	<b>5,949</b>	<b>8,798</b>
Capex - maintenance	(2,379)	(409)	(19,725)	(2,615)	(4,571)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(2,379)</b>	<b>(409)</b>	<b>(19,725)</b>	<b>(2,615)</b>	<b>(4,571)</b>
Dividends paid	(1,625)	0	0	0	(162)
Equity finance	0	0	0	0	0
Debt finance	1,230	3,476	19,750	(5,000)	(4,000)
Other financing cash flows	(1,087)	320	(48)	0	0
<b>Cash flow from Financing</b>	<b>(1,481)</b>	<b>3,796</b>	<b>19,702</b>	<b>(5,000)</b>	<b>(4,162)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(2,705)</b>	<b>(140)</b>	<b>(542)</b>	<b>(1,666)</b>	<b>65</b>
Free cash flow to firm (FCFF)	(479.42)	(3,170.90)	(18,471.83)	4,918.09	5,560.53
Free cash flow to equity (FCFE)	(1,079.63)	(140.39)	(542.41)	(1,666.05)	226.59
<b>Per share (THB)</b>					
FCFF per share	(0.10)	(0.65)	(3.81)	1.01	1.15
FCFE per share	(0.22)	(0.03)	(0.11)	(0.34)	0.05
Recurring cash flow per share	0.27	(0.68)	0.65	0.80	1.40
Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Tangible fixed asset (gross)	33,116	33,497	53,222	55,838	60,409
Less: Accumulated depreciation	(6,931)	(8,620)	(14,379)	(20,287)	(26,321)
<b>Tangible fixed assets (Net)</b>	<b>26,185</b>	<b>24,877</b>	<b>38,843</b>	<b>35,551</b>	<b>34,088</b>
<b>Intangible fixed assets (Net)</b>	<b>23,708</b>	<b>23,704</b>	<b>23,704</b>	<b>23,704</b>	<b>23,704</b>
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	0	0	0	0	0
Cash & equivalents	4,123	3,982	3,440	1,774	1,838
A/C receivable	1,365	2,518	1,073	1,073	1,073
Inventories	188	295	122	130	208
Other current assets	689	632	222	354	564
<b>Current assets</b>	<b>6,365</b>	<b>7,427</b>	<b>4,857</b>	<b>3,331</b>	<b>3,684</b>
Other assets	5,488	6,895	3,395	3,395	3,395
<b>Total assets</b>	<b>61,747</b>	<b>62,903</b>	<b>70,798</b>	<b>65,980</b>	<b>64,870</b>
Common equity	20,455	19,944	15,834	14,727	14,970
Minorities etc.	8,167	7,745	4,382	3,476	3,808
<b>Total Shareholders' equity</b>	<b>28,623</b>	<b>27,688</b>	<b>20,216</b>	<b>18,204</b>	<b>18,778</b>
Long term debt	16,927	20,604	40,604	35,604	31,604
Other long-term liabilities	3,047	666	2,000	2,000	2,000
<b>Long-term liabilities</b>	<b>19,974</b>	<b>21,270</b>	<b>42,604</b>	<b>37,604</b>	<b>33,604</b>
A/C payable	553	1,555	645	685	1,098
Short term debt	1,950	1,750	1,500	1,500	1,500
Other current liabilities	10,647	10,639	5,834	7,988	9,890
<b>Current liabilities</b>	<b>13,150</b>	<b>13,944</b>	<b>7,978</b>	<b>10,173</b>	<b>12,488</b>
<b>Total liabilities and shareholders' equity</b>	<b>61,747</b>	<b>62,903</b>	<b>70,798</b>	<b>65,980</b>	<b>64,870</b>
Net working capital	(8,957)	(8,749)	(5,061)	(7,116)	(9,143)
Invested capital	46,424	46,726	60,880	55,534	52,043
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	4.22	4.11	3.26	3.04	3.09
Tangible book value per share	(0.67)	(0.78)	(1.62)	(1.85)	(1.80)
<b>Financial strength</b>					
Net debt/Equity (%)	51.5	66.4	191.3	194.1	166.5
Net debt/total assets (%)	23.9	29.2	54.6	53.5	48.2
Current ratio (x)	0.5	0.5	0.6	0.3	0.3
CF interest cover (x)	(0.5)	0.8	0.7	(0.1)	1.2
Valuation	2018	2019	2020E	2021E	2022E
<b>Recurring P/E (x) *</b>	<b>(191.8)</b>	<b>(19.5)</b>	<b>(2.7)</b>	<b>(11.7)</b>	<b>32.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(243.4)</b>	<b>(24.7)</b>	<b>(3.4)</b>	<b>(14.9)</b>	<b>40.7</b>
Reported P/E (x)	185.8	(27.4)	(3.2)	(11.7)	32.1
Dividend yield (%)	12.5	-	-	-	1.2
Price/book (x)	0.6	0.7	0.8	0.9	0.9
Price/tangible book (x)	(4.0)	(3.5)	(1.7)	(1.4)	(1.5)
EV/EBITDA (x) **	17.3	30.9	(24.0)	10.0	5.8
EV/EBITDA @ target price (x) **	19.0	33.6	(25.5)	10.6	6.2
EV/invested capital (x)	0.8	0.8	0.9	0.9	0.9
* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income					

Sources: Asia Aviation; FSSIA estimates

## Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGC	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANAH
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENTEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMPG	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range		Number of Logo					Description			
90-100							Excellent			
80-89							Very Good			
70-79							Good			
60-69							Satisfactory			
50-59							Pass			
Less than 50		No logo given					-			

## Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAH	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

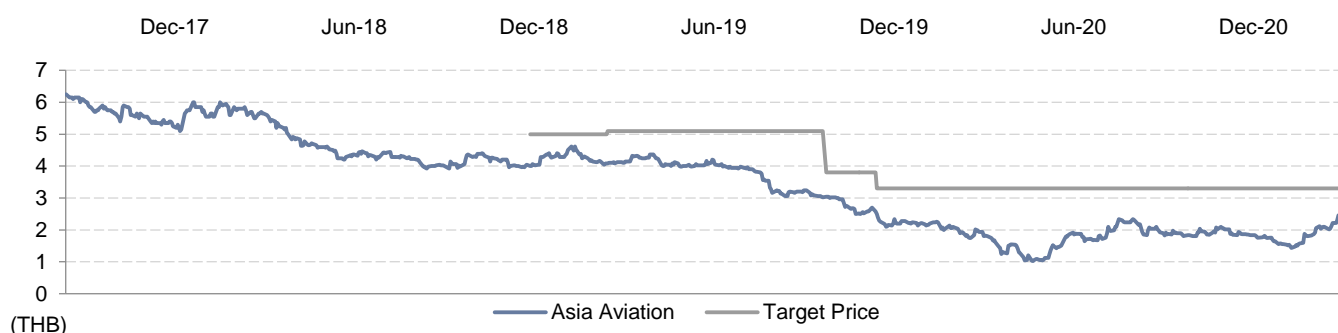
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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### History of change in investment rating and/or target price

#### Asia Aviation (AAV TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2019	BUY	5.00	30-Sep-2019	BUY	3.80	-	-	-
28-Mar-2019	BUY	5.10	12-Nov-2019	BUY	3.30			

Teerapol Udomvej, CFA Started covering this stock from 21-Dec-2020

Price and TP are in local currency

Source: FSSIA estimates

#### Airports of Thailand (AOT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	HOLD	59.00	02-Apr-2020	HOLD	72.00	-	-	-
20-Jun-2019	HOLD	72.00	10-Sep-2020	BUY	70.00			

Teerapol Udomvej, CFA Started covering this stock from 10-Sep-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 2.68	BUY	Downside risks to our target price include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Airports of Thailand	AOT TB	THB 65.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.

Source: FSSIA estimates

**Additional Disclosures**

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 18-Dec-2020 unless otherwise stated.

**RECOMMENDATION STRUCTURE****Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

**Industry Recommendations**

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

**Country (Strategy) Recommendations**

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.