

29 MARCH 2021

THAILAND / TRANSPORT &amp; LOGISTICS

## ASIA AVIATION AAV TB

BUY

UNCHANGED

TARGET PRICE	THB3.80
CLOSE	THB2.86
UP/DOWNSIDE	+32.9%
PRIOR TP	THB3.40
CHANGE IN TP	+11.8%
TP vs CONSENSUS	+45.7%

## ฟ้าหลังฝน

## ข้อดีของหุ้นเพื่อจับปัจจัยบวกระยะสั้น

แม้ว่าการดำเนินงานจะอ่อนแอใน 1Q21 เราเห็นปัจจัยบวกระยะสั้นสำหรับ AAV ประกอบด้วย การฟื้นตัวของท่าอากาศยานในประเทศไทยในช่วงเทศกาลสงกรานต์ในเดือน เม.ย. การเปิดพรมแดนของไทย ซึ่งอาจเกิดขึ้นในช่วง 3Q21 และการสรุปแผนเพิ่มสภาพคล่องของ AAV ดังนั้นเราจึงแนะนำให้ลงทุนซื้อหุ้น AAV แม้ว่าการประกอบการ 1Q21 จะอ่อนแอ

## การดำเนินงานควรเริ่มฟื้นตัวในเดือน เม.ย.

เราคาดว่าปริมาณผู้โดยสารในประเทศจะลดลงเหลือประมาณ 1 ล้านคนใน 1Q21 (เทียบกับ 2.8 ล้านในช่วง 4Q20) จากการระบาด COVID-19 ในรอบที่ 2 อย่างไรก็ตาม AAV ได้พยายามลดต้นทุนของบริษัท โดยเฉพาะค่าเช่าเครื่องบิน นอกจากนี้ต้นทุนน้ำมันควรลดลงอย่างมีนัยสำคัญจากการใช้น้ำมันเชื้อเพลิงที่ลดลงและผลขาดทุนจากสัญญาป้องกันความเสี่ยงที่นำจะเหลือเพียงเล็กน้อย หลังบริษัท รับรู้ขาดทุนไปแล้วในปี 2020 ทำให้เราคาดว่าบริษัท จะรายงานผลขาดทุนจากการดำเนินงานจำนวน 1.2 พัน ลบ. ใน 1Q21 ก่อนช่วงใกล้เคียงกับผลขาดทุนจากการดำเนินงาน 1.4 พัน ลบ. ใน 3Q20 และ 1.2 พัน ลบ. ใน 4Q20 เราเชื่อว่า AAV ควรเริ่มฟื้นตัวได้ใน 2Q21 เนื่องจากบริษัท ได้เริ่มเพิ่มจำนวนเที่ยวบินในประเทศเป็นประมาณ 90% ของระดับก่อน COVID ในเดือน เม.ย.

## แผนเพิ่มกระแสเงินสดควรสรุปได้ในเร็ววัน

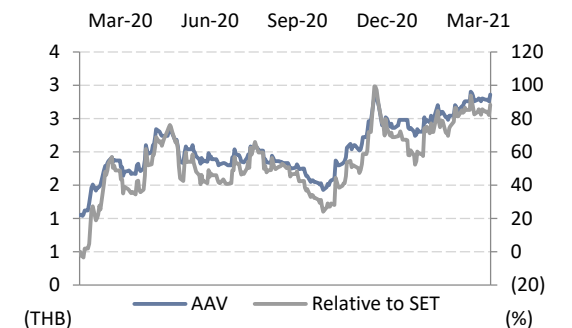
AAV ประสบปัญหากระแสเงินสดติดตัว โดยมีเงินสดในมือเพียง 1.1 พัน ลบ. ณ สิ้นไตรมาส 4Q20 เมื่อไม่นานมานี้ บริษัท ได้เงินประมาณ 300 ลบ. จากการขายบัตรที่สามารถใช้โดยสารโดยไม่จำกัดจำนวนเที่ยวเป็นรอบที่สองไปในเดือน มี.ค. ในราคา 3,600 บาทต่อใบ โดยบัตรดังกล่าวจะสามารถใช้เดินทางได้จนถึงสิ้นปีนี้ อย่างไรก็ตาม เราเห็นว่าปริมาณเงินสดดังกล่าวยังไม่มากพอ เราคาดว่า AAV ต้องการเงินมากถึง 4.0 พัน ลบ. สำหรับสภาพคล่องตลอดปี ซึ่งอาจได้มาจาก 1) การขายและเช่ากลับเครื่องบิน; 2) สินเชื่อระยะยาวจากธนาคาร; 3) สินเชื่อดอกเบี้ยต่ำจากรัฐบาล; และ 4) การเพิ่มทุน ถ้า AAV ประสบความสำเร็จในการเพิ่มกระแสเงินสด ความสำเร็จดังกล่าวจะเป็นปัจจัยบวกต่อราคาหุ้นในระยะสั้น

## คำแนะนำซื้อ ถ้าเราจะสูงเกินระดับก่อน COVID ภายในปี 2023

เราปรับลดผลขาดทุนจากการดำเนินงานในปี 2021E จากการระบาด COVID-19 ในรอบที่ 2 ในช่วง 1Q21 นอกจากนี้ เรายังคาดการณ์การดำเนินงานในปี 2023E ที่ 1.0 พัน ลบ. ซึ่งสูงกว่าผลขาดทุนจากการดำเนินงานในปี 2018-19 แต่ยังคงต่ำกว่าตัวเลขในปี 2017 ที่ 1.3 พัน ลบ. เนื่องจาก 1) ราคาน้ำมันเชื้อเพลิงลดลง ในปัจจุบันราคาน้ำมันอากาศยานอยู่ที่ USD60-70/bbl (เทียบกับ USD77-85/bbl ใน 2018-19); 2) ค่าใช้จ่ายในการดำเนินงานลดลง เนื่องจาก AAV ได้ลดค่าใช้จ่ายในการดำเนินงานลง 50% ในปี 2020 และค่าใช้จ่ายบางรายการจะลดลงอย่างถาวร; และ 3) การแข่งขันที่ลดลงในอุตสาหกรรมการบิน ซึ่งควรส่งผลให้ค่าโดยสารสูงขึ้น จากประมาณการในปี 2023 เราได้ราคาเป้าหมายใหม่ที่ 3.8 บาทจากค่า 2023E P/BV ที่ 1.4x

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	14,360	16,715	32,599	42,046
Net profit	(4,764)	(1,675)	425	1,037
EPS (THB)	(0.98)	(0.35)	0.09	0.21
vs Consensus (%)	-	nm	nm	nm
EBITDA	(2,236)	4,364	8,593	9,855
Core net profit	(4,997)	(1,675)	425	1,037
Core EPS (THB)	(1.03)	(0.35)	0.09	0.21
Chg. In EPS est. (%)	nm	nm	5.1	nm
EPS growth (%)	nm	nm	nm	143.8
Core P/E (x)	(2.8)	(8.3)	32.6	13.4
Dividend yield (%)	-	-	1.2	3.0
EV/EBITDA (x)	(24.4)	12.8	5.8	4.6
Price/book (x)	1.0	1.1	1.1	1.0
Net debt/Equity (%)	216.3	280.2	228.6	172.6
ROE (%)	(29.2)	(12.5)	3.3	7.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.2	14.4	167.3
Relative to country (%)	3.7	8.0	85.3
Mkt cap (USD m)	446		
3m avg. daily turnover (USD m)	4.5		
Free float (%)	59		
Major shareholder	Tassapon Bijleveld (41%)		
12m high/low (THB)	3.06/1.02		
Issued shares (m)	4,850.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 29 มีนาคม 2021

## Investment thesis

AAV is on track for a recovery. We expect its domestic market performance to recover by 2021. AAV should continue to gain more market share following a faster capacity ramp-up 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.

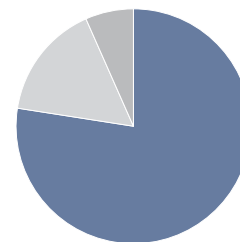
## Company profile

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

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

## Principal activities (revenue, 2020)

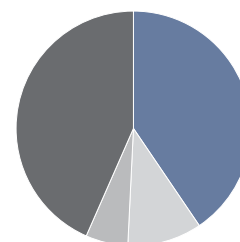
- Ticket sales - 77.5 %
- Ancillaries - 15.9 %
- Other revenue - 6.6 %



Source: Asia Aviation

## Major shareholders

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



Source: Asia Aviation

## Catalysts

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.

## Risks to our call

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.

## Event calendar

Date	Event
May 2021	1Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
Number of aircraft (no.)	52	54	56
Pax carried (m)	10	17	22
Load factor (%)	81	85	85
Average ticket fare (THB)	1,271	1,468	1,482
Ancillaries per pax (THB/pax)	289	332	342
Brent spot price (USD/bbl)	53	55	55
Fuel price net hedging (USD/bbl)	76	79	80
THB/USD	31.0	31.0	31.0

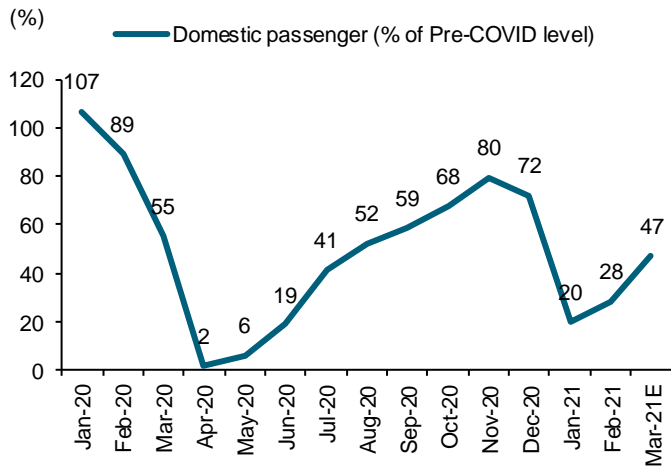
Source: FSSIA estimates

## Earnings sensitivity

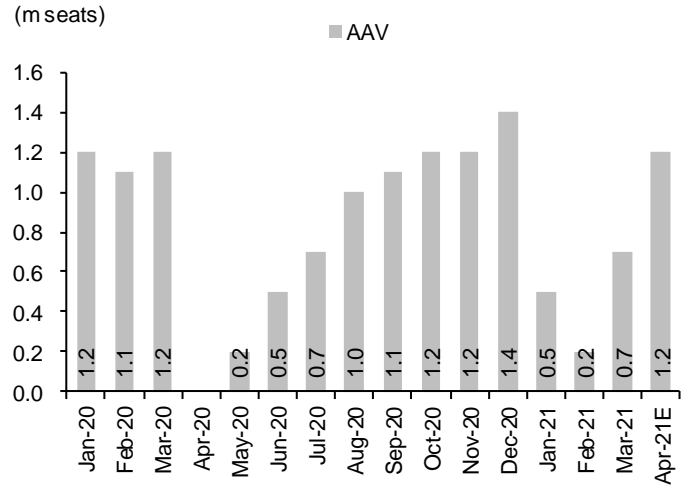
- For every 1% increase in load factor, we project a 2021 loss reduction of 10% and vice versa, all else being equal.
- For every 1% increase in average ticket fare, we project a 2021 loss reduction of 7% and vice versa, all else being equal.
- For every 1% increase in Brent spot price, we project a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

Source: FSSIA estimates

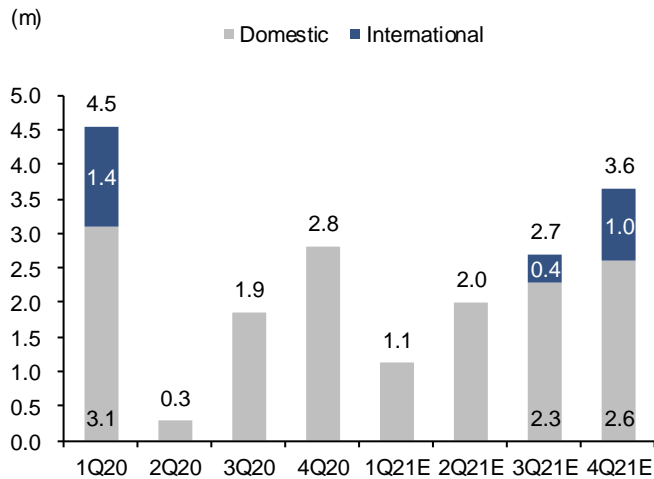


**Exhibit 1: Percentage of domestic passengers to pre-COVID level**

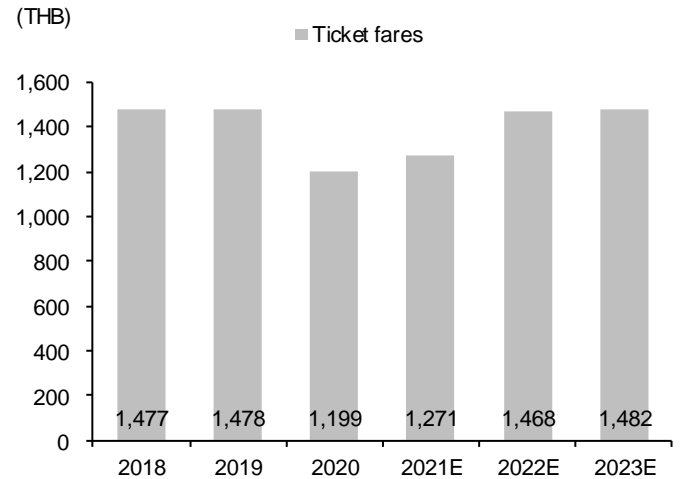
Sources: AOT; FSSIA estimate

**Exhibit 2: AAV's seating capacity should start to recover to pre-COVID levels in April**

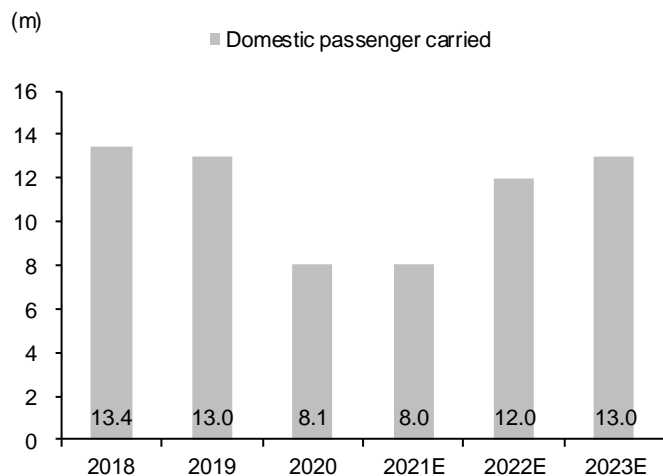
Sources: AOT; FSSIA estimate

**Exhibit 3: Domestic passengers carried – quarterly**

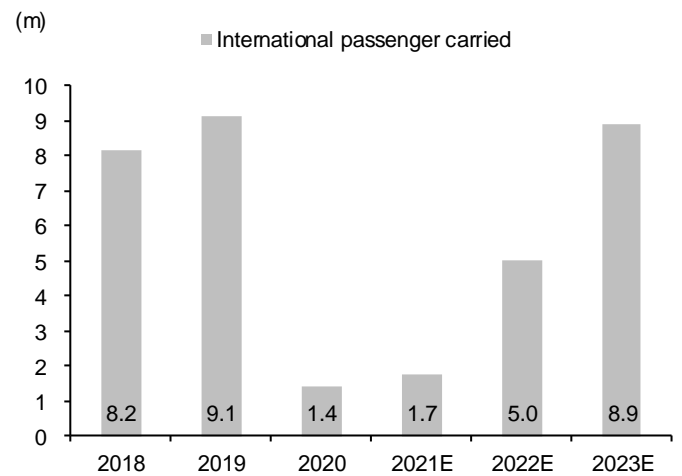
Sources: AAV; FSSIA estimates

**Exhibit 4: Ticket fares**

Sources: AAV; FSSIA estimates

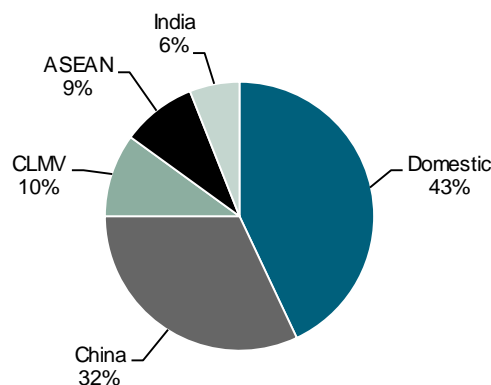
**Exhibit 5: Domestic passengers carried**

Sources: AAV; FSSIA estimate

**Exhibit 6: International passengers carried**

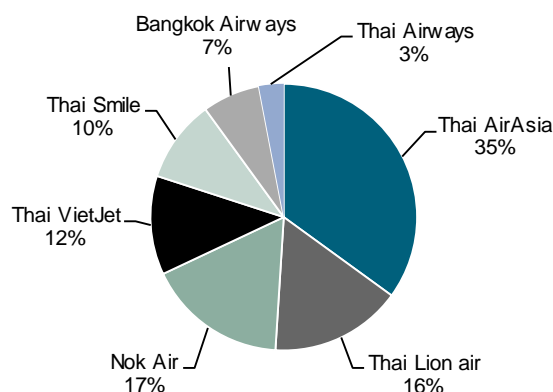
Sources: AAV; FSSIA estimate

Exhibit 7: Revenue contribution by route as of 2019



Source: AAV

Exhibit 8: Domestic market share as of 2020



Sources: Department of Airports; AAV

Exhibit 9: 1Q21E results preview

	1Q20	2Q20	3Q20	4Q20	-----1Q21E-----			2021E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
<b>Sales</b>	<b>7,937</b>	<b>380</b>	<b>2,403</b>	<b>3,640</b>	<b>1,894</b>	<b>(48)</b>	<b>(76)</b>	<b>16,715</b>	<b>16</b>
- Passenger revenue	6,348	292	1,857	2,626	1,232	(53)	(81)	12,374	11
- Other revenue	1,589	87	546	1,014	662	(35)	(58)	4,341	34
Expense	(8,671)	(3,852)	(4,677)	(5,135)	(3,612)	(30)	(58)	(18,103)	(19)
- Fuel and oil	(2,707)	(691)	(1,334)	(1,667)	(580)	(65)	(79)	(4,447)	(31)
- Non-fuel operating expenses	(5,964)	(3,161)	(3,343)	(3,468)	(3,032)	(13)	(49)	(13,656)	(14)
<b>Operating profit</b>	<b>(734)</b>	<b>(3,472)</b>	<b>(2,274)</b>	<b>(1,495)</b>	<b>(1,718)</b>	<b>15</b>	<b>134</b>	<b>(1,388)</b>	<b>(83)</b>
Interest income	8	10	3	2	2	0	(76)	7	n/a
Interest expense	(551)	(391)	(410)	(447)	(447)	0	(19)	(1,885)	5
<b>Pretax profit</b>	<b>(1,277)</b>	<b>(3,853)</b>	<b>(2,681)</b>	<b>(1,940)</b>	<b>(2,163)</b>	<b>12</b>	<b>69</b>	<b>(3,267)</b>	<b>(66)</b>
Income Tax	690	106	183	(319)	0	(100)	(100)	221	n/a
<b>Core profit (TAA)</b>	<b>(587)</b>	<b>(3,747)</b>	<b>(2,498)</b>	<b>(2,259)</b>	<b>(2,163)</b>	<b>(4)</b>	<b>269</b>	<b>(3,046)</b>	<b>(66)</b>
<b>Core profit (AAV)</b>	<b>(322)</b>	<b>(2,061)</b>	<b>(1,373)</b>	<b>(1,241)</b>	<b>(1,190)</b>	<b>(4)</b>	<b>269</b>	<b>(1,675)</b>	<b>(66)</b>
Extraordinaries	(635)	1,672	(843)	230	(560)	(343)	(12)	0	(100)
- FX gain (loss)	(2,097)	1,841	(735)	1,535	(560)	(136)	(73)	0	(100)
- Derivative gain (loss)	130	(170)	(108)	111	0			0	n/a
- Others	1,332	0	0	(1,416)	0			0	n/a
<b>Reported net profit (TAA)</b>	<b>(1,222)</b>	<b>(2,075)</b>	<b>(3,341)</b>	<b>(2,029)</b>	<b>(2,723)</b>	<b>34</b>	<b>123</b>	<b>(3,046)</b>	<b>(65)</b>
Minority interest	551	934	1,504	914	1,225	34	123	1,371	(65)
<b>Reported net profit (AAV)</b>	<b>(671)</b>	<b>(1,141)</b>	<b>(1,837)</b>	<b>(1,114)</b>	<b>(1,498)</b>	<b>34</b>	<b>123</b>	<b>(1,675)</b>	<b>(65)</b>
Shares out (end Q, m)	4,850	4,850	4,850	4,850	4,850	0	0	4,850	0
<b>Core EPS</b>	<b>(0.07)</b>	<b>(0.42)</b>	<b>(0.28)</b>	<b>(0.26)</b>	<b>(0.25)</b>	<b>n/a</b>	<b>n/a</b>	<b>(0.35)</b>	<b>(66)</b>
<b>EPS</b>	<b>(0.14)</b>	<b>(0.24)</b>	<b>(0.38)</b>	<b>(0.23)</b>	<b>(0.31)</b>	<b>n/a</b>	<b>n/a</b>	<b>(0.35)</b>	<b>(65)</b>
Depreciation	(1,464)	(1,447)	(1,414)	(1,414)	(1,314)	(7)	(10)	(5,752)	0
EBITDA	730	(2,025)	(860)	(81)	(404)	n/a	n/a	4,364	(295)
<b>Key Ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>
Operating profit margin	(9)	(915)	(95)	(41)	(91)	(50)	(81)	(8)	47
EBITDA margin	9	(533)	(36)	(2)	(21)	(19)	(31)	26	42
Net profit margin	(8)	(301)	(76)	(31)	(79)	(48)	(71)	(10)	23
<b>Operating stats</b>									
Passengers carried (m)	4.5	0.3	1.9	2.8	1.1				
Load factor (%)	84	52	65	74	80				
RPK (m seats-km)	3,988	172	1,207	2,368	889				
ASK (m seats-km)	4,834	329	1,853	3,158	1,112				
Average fare (THB)	1,401	1,031	996	1,023	1,100				
RASK (THB)	1.6	0.8	1.1	1.1	1.3				
CASK (THB)	1.9	12.6	2.7	1.7	n/a				
CASK ex-fuel (THB)	1.3	10.5	2.0	1.2	n/a				

Fuel cost per ASK (THB)	0.6	2.1	0.7	0.5	n/a				
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Sources: AAV; FSSIA estimates

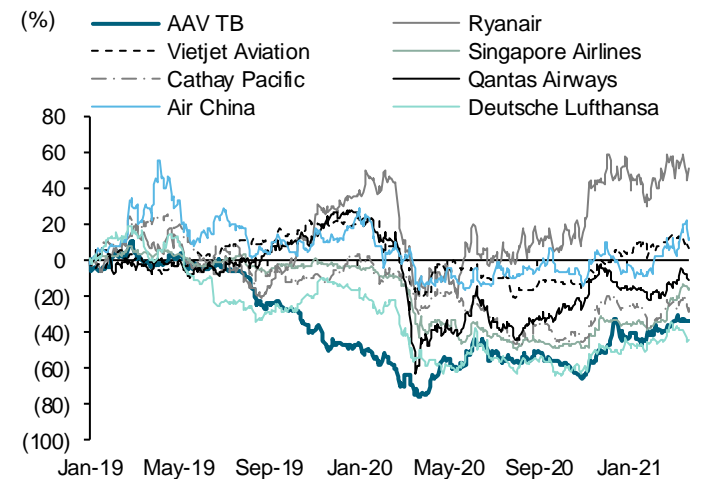
### Exhibit 10: Forecast revisions

	Current			Previous			Change (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Passengers carried (m)	9.7	17.0	21.9	14.0	19.5	22.3	(30.6)	(12.9)	(1.6)
Load factor (%)	81	85	85	85	85	85	(4.0)	0.0	0.0
Average fare (THB)	1,271.2	1,467.7	1,481.9	1,252.1	1,451.5	1,480.2	1.5	1.1	0.1
Fuel prices net hedging (USD/bbl)	76	79	80	76	79	80	0.7	0.0	0.0
Revenue (THB b)	16.7	32.6	42.0	23.1	36.7	42.6	(27.6)	(11.3)	(1.4)
EBITDA margin (%)	(8.3)	8.5	9.5	(3.0)	6.1	7.3	(5.3)	2.4	2.3
Core earnings (THB m)	(1,675)	425	1,037	(1,107)	405	876	51.4	5.1	18.4

Note: Change of items in percentage terms are represented in ppt change

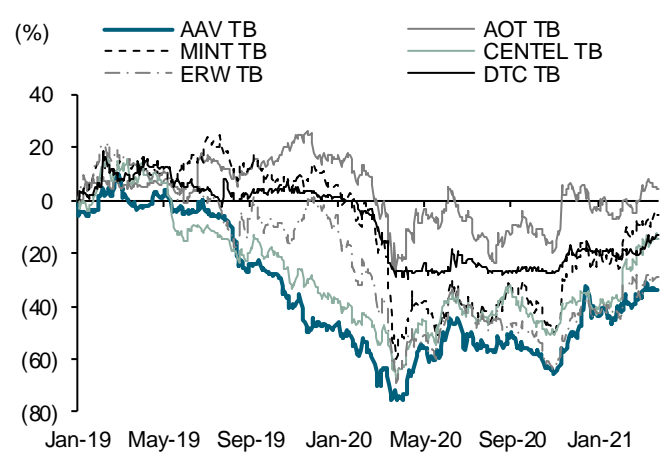
Sources: AAV; FSSIA estimates

### Exhibit 11: Share price performance compared to global airlines



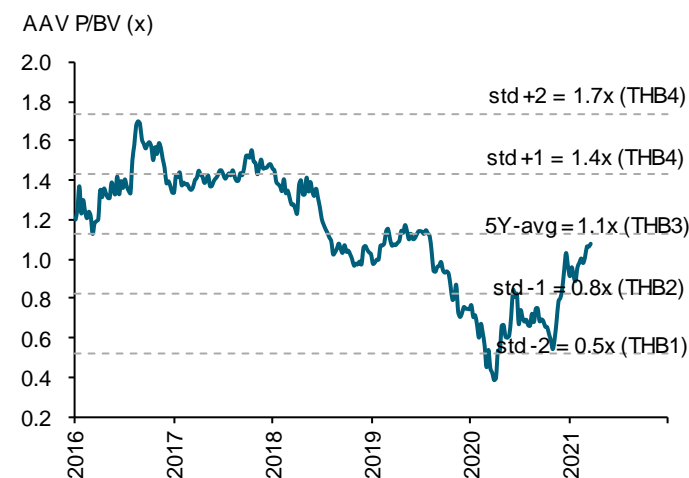
Source: Bloomberg

### Exhibit 12: Share price performance compared to tourism stocks in Thailand



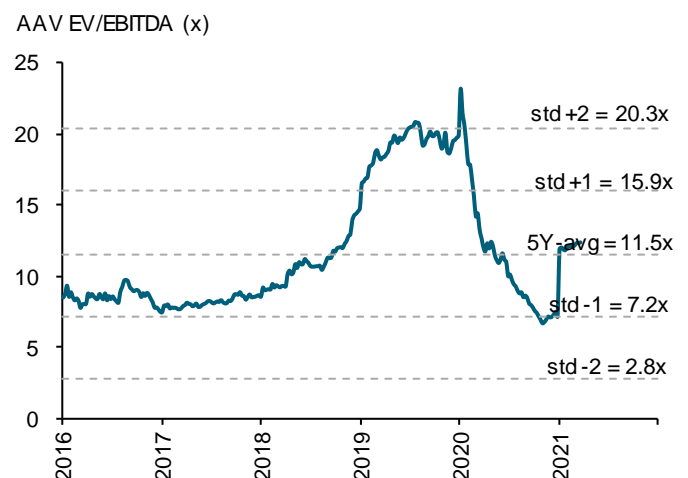
Source: Bloomberg

### Exhibit 13: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

### Exhibit 14: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

## Exhibit 15: Peer comparisons

Company	BBG	Rec	---Share price---			Market	----- PE -----		----- ROE -----		----- PBV -----		EV/ EBITDA	
			Current	Target	Upside	Cap	21E	22E	21E	22E	21E	22E	21E	22E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Thailand</b>														
Asia Aviation Pcl	AAV TB	BUY	2.86	3.8	32.9	446	(8.3)	32.6	(12.5)	3.3	1.1	1.1	12.8	5.8
Thai Airways International	THAI TB	HOLD	4.08	3.4	(16.7)	286	(0.3)	(0.6)	23.8	9.2	(0.1)	(0.1)	(167.8)	38.8
Bangkok Airways Pcl	BA TB	n/a	8.55	n/a	n/a	578	n/a	n/a	(21.2)	(13.3)	0.9	0.9	63.2	n/a
<b>Thailand average</b>						<b>1,441</b>	<b>(4.3)</b>	<b>16.0</b>	<b>(3.3)</b>	<b>(0.3)</b>	<b>0.7</b>	<b>0.7</b>	<b>(30.6)</b>	<b>22.3</b>
<b>Regional</b>														
Spring Airlines Co Ltd-A	601021 CH	n/a	59.46	n/a	n/a	8,299	n/a	29.5	(1.8)	10.0	3.7	3.3	99.4	21.2
Spicejet Ltd	SJET IN	n/a	69.25	n/a	n/a	573	n/a	n/a	n/a	53.0	n/a	n/a	30.3	18.7
Interglobe Aviation Ltd	INDIGO IN	n/a	1,613.00	n/a	n/a	8,549	n/a	n/a	(7.2)	(153.1)	8.8	108.8	20.3	n/a
Airasia Group Bhd	AAGB MK	n/a	1.14	n/a	n/a	1,058	n/a	n/a	(116.1)	(73.8)	2.6	4.5	n/a	11.4
Cebu Air Inc	CEB PM	n/a	44.30	n/a	n/a	558	n/a	n/a	(53.9)	(25.3)	1.0	1.6	n/a	19.2
Airasia X Bhd	AAX MK	n/a	0.10	n/a	n/a	105	n/a	n/a	203.3	80.5	n/a	n/a	n/a	17.9
Singapore Airlines Ltd	SIA SP	n/a	5.54	n/a	n/a	12,266	50.6	n/a	1.6	(23.8)	0.9	1.2	8.2	n/a
Japan Airlines Co Ltd	9201 JP	n/a	2,459.00	n/a	n/a	9,677	12.8	n/a	5.5	(31.8)	0.7	1.1	4.8	n/a
Ana Holdings Inc	9202 JP	n/a	2,563.50	n/a	n/a	11,135	24.7	n/a	3.1	(46.7)	0.8	1.3	8.2	n/a
Garuda Indonesia	GIAA IJ	n/a	344.00	n/a	n/a	624	n/a	n/a	(55.8)	24.4	n/a	n/a	n/a	29.5
Cathay Pacific Airways	293 HK	n/a	7.20	n/a	n/a	5,988	n/a	n/a	(30.5)	(8.0)	0.7	0.8	n/a	13.9
Eva Airways Corp	2618 TT	n/a	15.80	n/a	n/a	2,703	n/a	n/a	(7.5)	(2.0)	1.1	1.2	6.3	9.3
Air New Zealand Ltd	AIR NZ	n/a	1.77	n/a	n/a	1,349	n/a	n/a	(4.5)	(21.9)	1.3	2.0	8.1	14.8
<b>Regional average</b>						<b>62,885</b>	<b>29.4</b>	<b>29.5</b>	<b>(5.3)</b>	<b>(16.8)</b>	<b>2.2</b>	<b>12.6</b>	<b>23.2</b>	<b>17.3</b>
<b>Overall average</b>						<b>64,326</b>	<b>15.9</b>	<b>20.5</b>	<b>(4.9)</b>	<b>(13.7)</b>	<b>1.8</b>	<b>9.8</b>	<b>8.5</b>	<b>18.2</b>

Share prices as of 26 Mar 2021

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Asia Aviation

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	41,203	14,360	16,715	32,599	42,046
Cost of goods sold	(36,642)	(14,745)	(11,097)	(21,724)	(29,248)
<b>Gross profit</b>	<b>4,561</b>	<b>(385)</b>	<b>5,617</b>	<b>10,875</b>	<b>12,798</b>
Other operating income	-	-	-	-	-
Operating costs	(3,295)	(1,851)	(1,254)	(2,282)	(2,943)
<b>Operating EBITDA</b>	<b>1,266</b>	<b>(2,236)</b>	<b>4,364</b>	<b>8,593</b>	<b>9,855</b>
Depreciation	(1,717)	(5,739)	(5,752)	(5,818)	(5,843)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(451)</b>	<b>(7,975)</b>	<b>(1,388)</b>	<b>2,775</b>	<b>4,011</b>
Net financing costs	(766)	(1,776)	(1,878)	(1,808)	(1,654)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	193	233	0	0	0
<b>Profit before tax</b>	<b>(1,023)</b>	<b>(9,518)</b>	<b>(3,267)</b>	<b>967</b>	<b>2,357</b>
Tax	(1)	660	221	(193)	(471)
<b>Profit after tax</b>	<b>(1,024)</b>	<b>(8,858)</b>	<b>(3,046)</b>	<b>774</b>	<b>1,886</b>
Minority interests	392	3,903	1,371	(348)	(849)
Preferred dividends	-	-	-	-	-
Other items	158	191	0	0	0
<b>Reported net profit</b>	<b>(474)</b>	<b>(4,764)</b>	<b>(1,675)</b>	<b>425</b>	<b>1,037</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(193)</b>	<b>(233)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(667)</b>	<b>(4,997)</b>	<b>(1,675)</b>	<b>425</b>	<b>1,037</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.14)	(1.03)	(0.35)	0.09	0.21
Reported EPS	(0.10)	(0.98)	(0.35)	0.09	0.21
DPS	0.00	0.00	0.00	0.04	0.09
Diluted shares (used to calculate per share data)	4,850	4,850	4,850	4,850	4,850
<b>Growth</b>					
Revenue (%)	3.1	(65.1)	16.4	95.0	29.0
Operating EBITDA (%)	(39.0)	nm	nm	96.9	14.7
Operating EBIT (%)	nm	nm	nm	nm	44.5
Recurring EPS (%)	nm	nm	nm	nm	143.8
Reported EPS (%)	nm	nm	nm	nm	143.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	6.9	(42.6)	(0.8)	15.5	16.5
Gross margin of key business (%)	6.9	(42.6)	(0.8)	15.5	16.5
Operating EBITDA margin (%)	3.1	(15.6)	26.1	26.4	23.4
Operating EBIT margin (%)	(1.1)	(55.5)	(8.3)	8.5	9.5
Net margin (%)	(1.6)	(34.8)	(10.0)	1.3	2.5
Effective tax rate (%)	0.0	6.8	6.8	20.0	20.0
Dividend payout on recurring profit (%)	-	-	-	40.0	40.0
Interest cover (X)	(0.6)	(4.5)	(0.7)	1.5	2.4
Inventory days	2.4	6.6	6.9	4.5	5.2
Debtor days	17.2	46.0	24.0	12.3	9.5
Creditor days	10.5	32.2	30.2	19.6	22.6
Operating ROIC (%)	(2.7)	(33.8)	(4.7)	9.0	16.2
ROIC (%)	(1.0)	(14.2)	(2.2)	4.0	6.4
ROE (%)	(3.3)	(29.2)	(12.5)	3.3	7.9
ROA (%)	(0.5)	(11.1)	(1.9)	3.4	4.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Ticket sales	31,506	11,123	12,374	24,979	32,473
Ancillaries	7,511	2,285	2,812	5,654	7,498
Other revenue	2,185	952	1,529	1,966	2,076

Sources: Asia Aviation; FSSIA estimates



## Financial Statements

### Asia Aviation

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	(667)	(4,997)	(1,675)	425	1,037
Depreciation	1,717	5,739	5,752	5,818	5,843
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,370)	(2,016)	(1,371)	348	849
Change in working capital	(207)	(1,888)	(1,927)	3,231	2,348
<b>Cash flow from operations</b>	<b>(3,528)</b>	<b>(3,162)</b>	<b>779</b>	<b>9,823</b>	<b>10,077</b>
Capex - maintenance	(409)	(15,620)	(3,334)	(3,652)	(3,841)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(409)</b>	<b>(15,620)</b>	<b>(3,334)</b>	<b>(3,652)</b>	<b>(3,841)</b>
Dividends paid	0	0	0	(170)	(415)
Equity finance	0	0	0	0	0
Debt finance	3,476	16,305	2,894	(4,106)	(2,106)
Other financing cash flows	320	(395)	0	0	0
<b>Cash flow from financing</b>	<b>3,796</b>	<b>15,910</b>	<b>2,894</b>	<b>(4,276)</b>	<b>(2,521)</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>(140)</b>	<b>(2,872)</b>	<b>339</b>	<b>1,895</b>	<b>3,716</b>
Free cash flow to firm (FCFF)	(3,170.90)	(16,981.93)	(669.87)	7,987.78	7,910.46
Free cash flow to equity (FCFE)	(140.39)	(2,871.86)	339.17	2,064.80	4,130.36

#### Per share (THB)

FCFF per share	(0.65)	(3.50)	(0.14)	1.65	1.63
FCFE per share	(0.03)	(0.59)	0.07	0.43	0.85
Recurring cash flow per share	(0.68)	(0.26)	0.56	1.36	1.59

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	33,497	38,701	42,036	45,688	49,529
Less: Accumulated depreciation	(8,620)	(3,944)	(9,696)	(15,514)	(21,357)
<b>Tangible fixed assets (net)</b>	<b>24,877</b>	<b>34,758</b>	<b>32,340</b>	<b>30,174</b>	<b>28,171</b>
<b>Intangible fixed assets (net)</b>	<b>23,704</b>	<b>23,696</b>	<b>23,696</b>	<b>23,696</b>	<b>23,696</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	3,982	1,110	1,450	3,344	7,060
A/C receivable	2,518	1,100	1,100	1,100	1,100
Inventories	295	240	181	354	477
Other current assets	632	310	360	703	906
<b>Current assets</b>	<b>7,427</b>	<b>2,760</b>	<b>3,091</b>	<b>5,501</b>	<b>9,543</b>
Other assets	6,895	6,764	6,764	6,764	6,764
<b>Total assets</b>	<b>62,903</b>	<b>67,978</b>	<b>65,890</b>	<b>66,135</b>	<b>68,174</b>
Common equity	19,944	14,266	12,591	12,846	13,469
Minorities etc.	7,745	3,094	1,724	2,072	2,920
<b>Total shareholders' equity</b>	<b>27,688</b>	<b>17,360</b>	<b>14,315</b>	<b>14,918</b>	<b>16,389</b>
Long term debt	20,604	37,659	40,553	36,447	34,341
Other long-term liabilities	666	3,448	3,448	3,448	3,448
<b>Long-term liabilities</b>	<b>21,270</b>	<b>41,106</b>	<b>44,000</b>	<b>39,894</b>	<b>37,788</b>
A/C payable	1,555	1,049	789	1,545	2,081
Short term debt	1,750	1,000	1,000	1,000	1,000
Other current liabilities	10,639	7,462	5,786	8,777	10,916
<b>Current liabilities</b>	<b>13,944</b>	<b>9,511</b>	<b>7,575</b>	<b>11,322</b>	<b>13,997</b>
<b>Total liabilities and shareholders' equity</b>	<b>62,903</b>	<b>67,978</b>	<b>65,890</b>	<b>66,135</b>	<b>68,174</b>
Net working capital	(8,749)	(6,861)	(4,934)	(8,166)	(10,514)
Invested capital	46,726	58,356	57,865	52,468	48,117

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	4.11	2.94	2.60	2.65	2.78
Tangible book value per share	(0.78)	(1.94)	(2.29)	(2.24)	(2.11)

#### Financial strength

Net debt/equity (%)	66.4	216.3	280.2	228.6	172.6
Net debt/total assets (%)	29.2	55.2	60.9	51.6	41.5
Current ratio (x)	0.5	0.3	0.4	0.5	0.7
CF interest cover (x)	0.8	(0.6)	1.2	2.1	3.5

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>(20.8)</b>	<b>(2.8)</b>	<b>(8.3)</b>	<b>32.6</b>	<b>13.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(27.6)</b>	<b>(3.7)</b>	<b>(11.0)</b>	<b>43.3</b>	<b>17.8</b>
Reported P/E (x)	(29.3)	(2.9)	(8.3)	32.6	13.4
Dividend yield (%)	-	-	-	1.2	3.0
Price/book (x)	0.7	1.0	1.1	1.1	1.0
Price/tangible book (x)	(3.7)	(1.5)	(1.2)	(1.3)	(1.4)
EV/EBITDA (x) **	31.6	(24.4)	12.8	5.8	4.6
EV/EBITDA @ target price (x) **	35.2	(26.4)	13.8	6.4	5.0
EV/invested capital (x)	0.9	0.9	1.0	1.0	0.9

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Asia Aviation; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSI	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	HL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## 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 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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

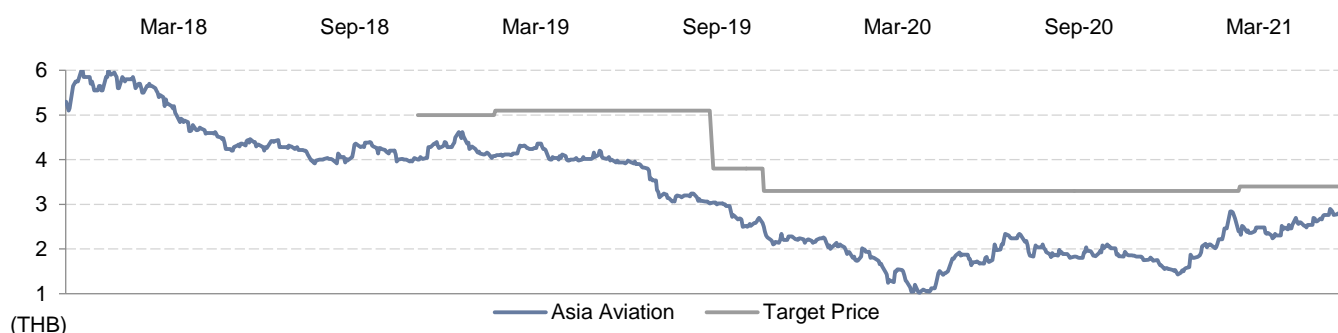
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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)



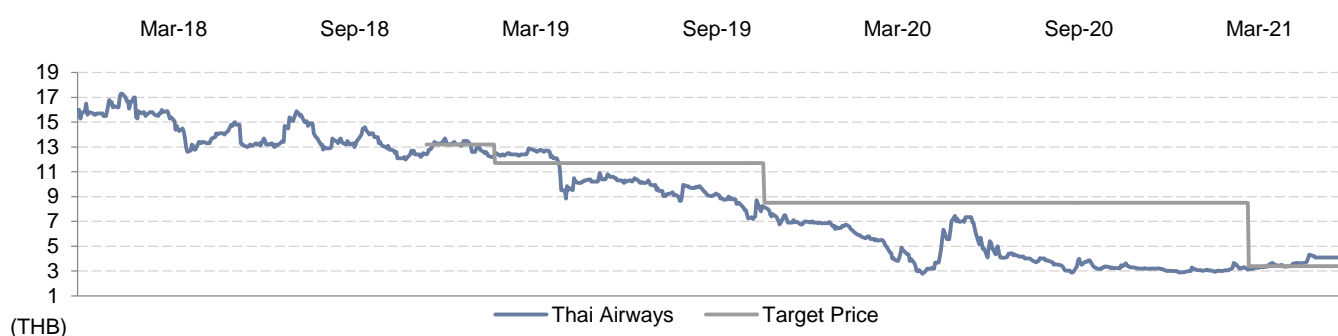
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2019	BUY	5.00	30-Sep-2019	BUY	3.80	02-Apr-2020	BUY	3.30
28-Mar-2019	BUY	5.10	12-Nov-2019	BUY	3.30	21-Dec-2020	BUY	3.40

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

Price and TP are in local currency

Source: FSSIA estimates

#### Thai Airways (THAI TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2019	HOLD	13.20	08-Nov-2019	HOLD	8.50	28-Dec-2020	HOLD	3.40
21-Mar-2019	HOLD	11.70	02-Apr-2020	HOLD	8.50			

Teerapol Udomvej, CFA started covering this stock from 28-Dec-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 2.86	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.
Thai Airways	THAI TB	THB 4.08	HOLD	Downside risks to our DCF-based 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. The upside risk is the availability of a COVID-19 vaccine.

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 26-Mar-2021 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.