

21 OCTOBER 2021

THAILAND / TRANSPORT & LOGISTICS

ASIA AVIATION AAV TB

BUY

UNCHANGED

TARGET PRICE	THB3.50
CLOSE	THB2.92
UP/DOWNSIDE	+19.9%
PRIOR TP	THB3.20
CHANGE IN TP	+9.4%
TP vs CONSENSUS	+24.5%

Refuelling the tank by raising capital

Capital raising totalling THB14.0b

AAV announced capital raising totalling THB14.0b by issuing new shares through a private placement (PP) (THB8.8b), a rights offering (RO) (THB3.0b) and convertible bonds (THB2.2). AAV plans to utilise THB7.8b to restructure its shareholding by repaying debt to AirAsia Group Berhad (AAGB, holds a 45% stake in Thai AirAsia (TAA)) and buying a 100% stake in TAA from 55% currently. The remaining THB6.2b will serve as cash flow liquidity, which should be sufficient to pass the Covid pandemic, vs its average cash burn rate of THB200m-300m per month.

Healthy balance sheet post-transaction with IBD/E of 0.2-0.3x

AAV's balance sheet should be stronger post-transaction. Its 2022E equity should jump to THB21b from THB11b as of 2Q21. We forecast its IBD/E to significantly drop from 0.8x as of 2Q21 to 0.3x in 2022, in line with management's guidance of 0.2x post-capital increase. Management also expects that once domestic travel recovers to pre-Covid levels in 2022, AAV's operating cash flow should turn positive, allowing it to repay its interest bearing debt (THB8.2b outstanding as of 2Q21).

Resuming flight capacity without cash liquidity concerns

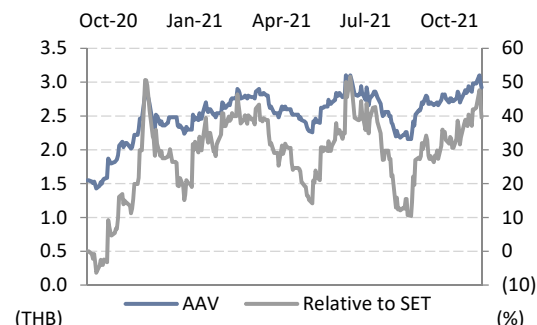
A strong balance sheet would enable AAV to resume its flight capacity and continue to gain more domestic market share from 35% currently, given that some competitors, including Thai Airways, Thai Smile and Nok Air, which have a combined market share of 30%, are under rehabilitation plans. In addition, AAV has expanded and established its second hub at Suvarnabhumi Airport since Sep-20 from the first hub at Don Mueang Airport. We expect AAV to introduce more routes and increase its network for both domestic and international routes. As a result, we expect AAV's total seat capacity to surpass the pre-Covid level by 7% in 2023, leading to a higher number of passengers carried.

Revise up 2023E core profit on better outlook

We incorporate the capital raising transaction into our model and revise up our 2023E earnings by 115% on our expectations of 1) a higher passenger volume due to a larger seat capacity; and 2) a larger profit contribution from TAA. We also revise up our TP to THB3.5/shr, based on 1.1x 2023E adjusted P/BV, in line with its 5-yr avg of 1.2x. Our 2023E adjusted BV is THB41b, calculated from 2023E equity of THB22.3b and adding back a one-off core loss over 2020-21E of THB18.7b.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	14,360	5,658	27,443	44,862
Net profit	(4,764)	(6,331)	(778)	1,944
EPS (THB)	(0.98)	(1.31)	(0.07)	0.15
vs Consensus (%)	-	nm	nm	552.2
EBITDA	(2,236)	(2,859)	6,298	9,469
Core net profit	(4,997)	(5,290)	(778)	1,944
Core EPS (THB)	(1.03)	(1.09)	(0.06)	0.15
Chg. In EPS est. (%)	nm	nm	nm	(19.1)
EPS growth (%)	nm	nm	nm	nm
Core P/E (x)	(2.8)	(2.7)	(48.2)	19.3
Dividend yield (%)	-	-	-	2.1
EV/EBITDA (x)	(24.5)	(18.8)	10.7	7.0
Price/book (x)	1.0	1.8	1.6	1.7
Net debt/Equity (%)	216.3	711.1	157.5	127.2
ROE (%)	(29.2)	(47.7)	(5.3)	8.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	8.1	14.1	86.0
Relative to country (%)	5.9	7.2	37.5
Mkt cap (USD m)	425		
3m avg. daily turnover (USD m)	3.7		
Free float (%)	59		
Major shareholder	Tassapon Bijleveld (41%)		
12m high/low (THB)	3.32/1.40		
Issued shares (m)	12,850.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

AAV is on track for a recovery. We expect its domestic market performance to recover in 4Q21. It 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 continued to trim its non-fuel expenses.

The restructuring plan should improve its balance sheet and support an operational turnaround over 2022-23.

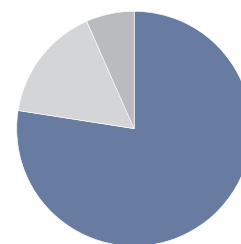
Company profile

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

Principal activities (revenue, 2020)

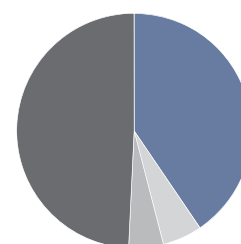
- Ticket sales - 77.5 %
- Ancillaries - 15.9 %
- Other revenue - 6.6 %



Source: Asia Aviation

Major shareholders

- Tassapon Bijleveld - 40.5 %
- Thai NVDR - 5.5 %
- BBL Asset Management - 4.8 %
- Others - 49.3 %



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) Covid vaccine rollouts.

Risks to our call

Downside risks to our P/BV multiple 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
November 2021	3Q21 results announcement
26 November 2021	EGM

Key assumptions

	2021E	2022E	2023E
Number of aircraft (no.)	52	54	56
Pax carried (m)	4	16	23
Load factor (%)	68	84	85
Average ticket fare (THB)	1,093	1,316	1,540
Ancillaries per pax (THB/pax)	193	289	318
Brent spot price (USD/bbl)	61	67	72
Fuel price net hedging (USD/bbl)	82	90	96

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.

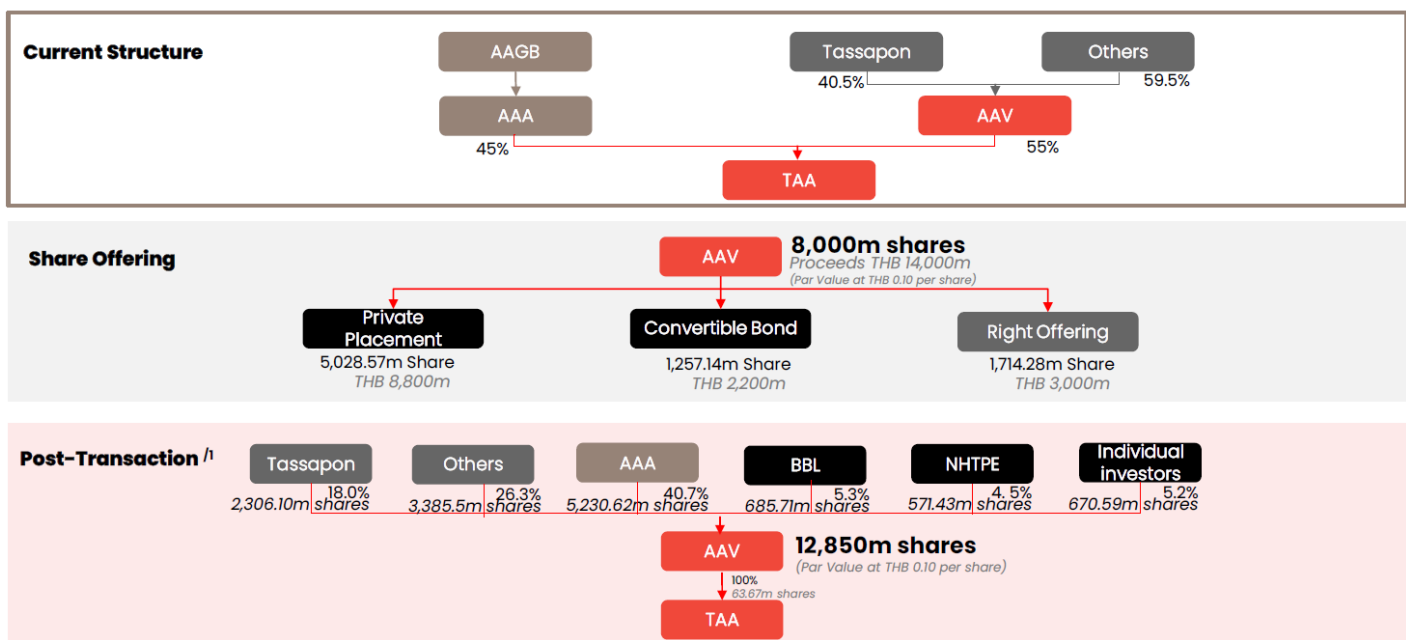
Source: FSSIA estimates

New restructuring plan

AAV announced a new restructure plan to replace the previous one that was announced in April due to its complicated structure. The restructuring plan's steps are as follows:

- 1.) TAA will increase its capital and offer newly-issued shares with a total value of THB3.9b to AAV. AAV's source of funds is from its loan facility from a financial institution. After this capital increase, AAV will increase its shareholding in TAA from 55% currently to 69.2%. TAA will utilise the proceeds of THB3.9b to repay its debt to AAGB.
- 2.) AAV will increase its capital and offer newly-issued shares through a PP, an RO and convertible bonds for total amount of THB14.0b. The offering prices and convertible prices are THB1.75/shr.
- 3.) AAV will use the proceeds of THB14.0b to purchase the remaining 30.8% stake in TAA and repay its loan of THB3.9b to the financial institution.

Exhibit 1: New proposed shareholding structure



Source: AAV

To summarise the transaction, the THB7.8b in proceeds from AirAsia Aviation Limited (AAA), which is a subsidiary of AAGB, will be used for shareholder restructuring. Previously, AAA directly held a 45% share of TAA – after this transaction AAA will indirectly hold a 40.7% share of TAA through AAV.

The remaining proceeds of THB6.2b will serve as liquidity for TAA's operations. The proceed amount is in line with the previous restructuring plan where AAV would get proceeds of cTHB5.9b.

After this transaction, there will be controlled dilution for existing shareholders by 19%. Existing shareholders will hold 44.3% of AAV's shares from 55% pre-transaction (assuming existing shareholders subscribe for RO rights). Note that this plan is subject to EGM approval on 26 Nov. The XR date for the RO is on 15 Dec-21.

Benefit from capital increase

1) Strong balance sheet to pass Covid pandemic

After receiving the proceeds totalling THB14b from the capital increase, AAV plans to use THB3.9b to repay debt to AAGB and another THB3.9b to buy a 100% stake in TAA. The remaining THB6.2b will serve as liquidity. Based on its average cash burn rate of THB200m-300m per month, AAV would have sufficient funds to pass the Covid pandemic.

In addition, AAV has cTHB8.2b in interest bearing debt as of 2Q21. If the situation improves and its operating cash flow turns positive, AAV would be able to repay its debt and reduce interest expenses. We expect to see this occur in 2022.

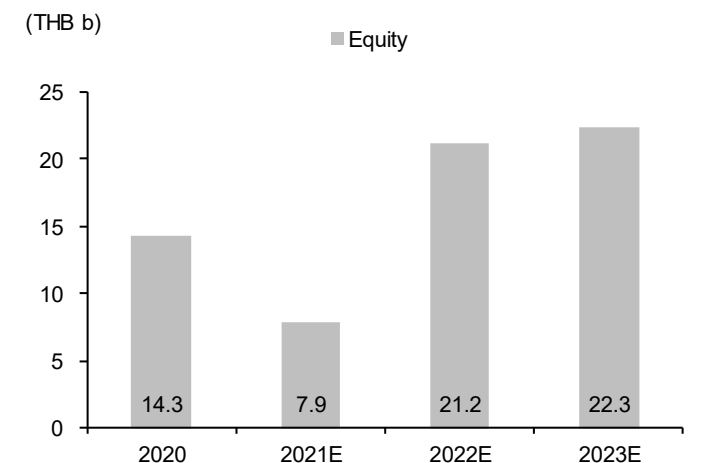
Its IBD/E should significantly reduce from 0.8x as of 2Q21 to 0.2-0.3x over 2022-23, in line with management's guidance of 0.2x after completing the capital increase. Meanwhile, we expect its equity to increase to THB21b by 2022.

Exhibit 2: AAV – IBD/E forecast



Sources: AAV; FSSIA estimates

Exhibit 3: AAV – equity forecast



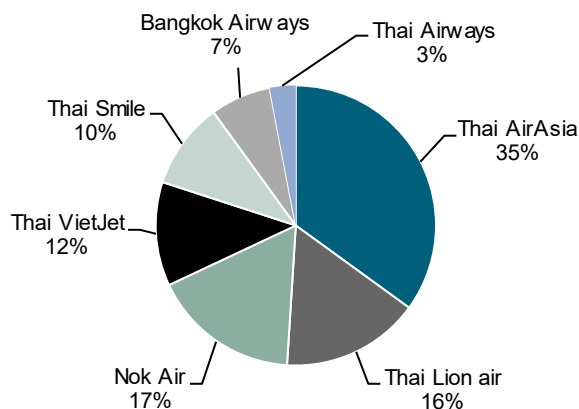
Sources: AAV; FSSIA estimates

2) Strong operations to capture more market share

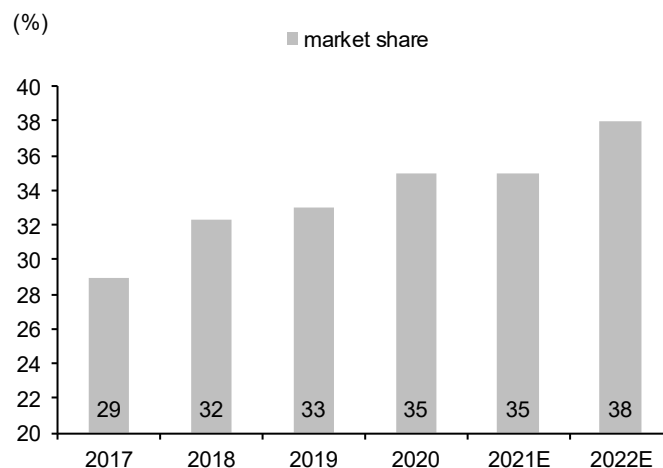
We expect AAV to resume its domestic capacity after having a strong balance sheet. During the Covid pandemic, AAV ramped up its domestic capacity once to the pre-Covid level in 4Q20. However, AAV has ramped up to only 20-30% of its seat capacity in Sep-Oct, given that it has a cash flow issue. Thus, we expect AAV to ramp up its domestic capacity to the pre-Covid level by 4Q21-1Q22, concurrently with the pent-up demand from domestic travellers.

We believe AAV will continue to gain more domestic market share thanks to its greater operational readiness compared to other competing airlines, especially Thai Airways, Thai Smile and Nok Air, which have a combined market share of 30% and are under rehabilitation plans.

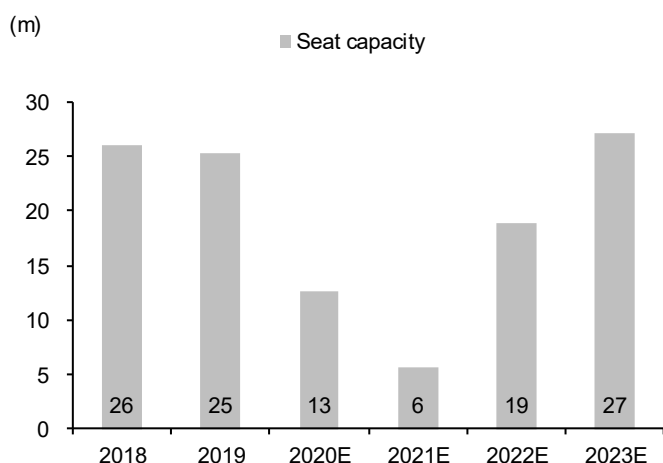
In addition, AAV has expanded its hub from Don Mueang Airport to Suvarnabhumi Airport since Sep-20. We expect AAV to introduce more routes and increase its network for both domestic and international routes. As a result, we expect AAV's total seat capacity to surpass the pre-Covid level by 7% in 2023.

Exhibit 4: Domestic market share as of 2020

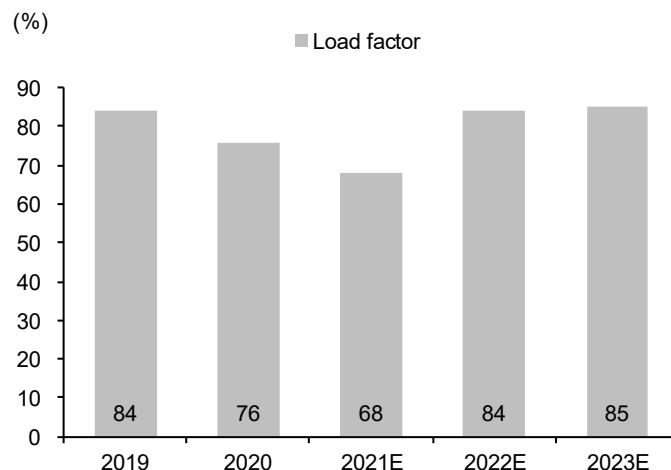
Sources: Department of Airports; AAV

Exhibit 5: AAV should continue to gain more domestic market share

Sources: Department of Airports; AAV; FSSIA estimates

Exhibit 6: Seat capacity

Sources: AAV; FSSIA estimates

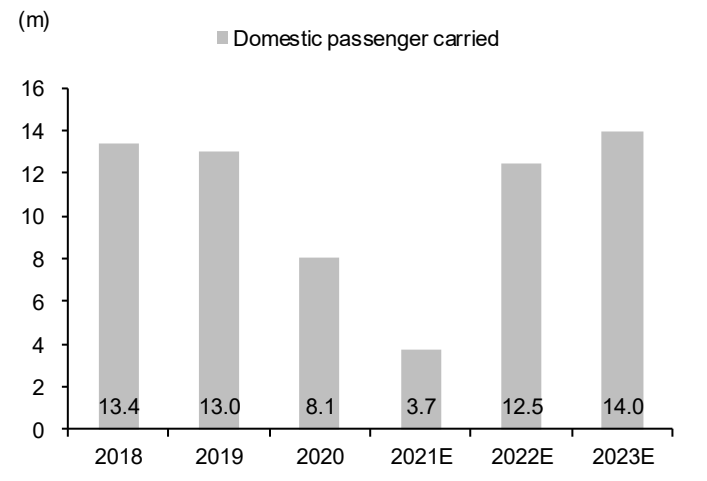
Exhibit 7: Load factor

Sources: AAV; FSSIA estimates

3) Operations to turn around by 2H21

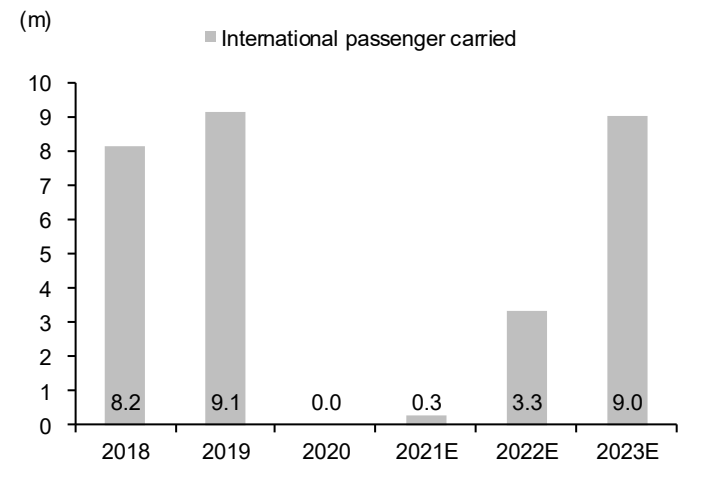
We expect that AAV's operation should continue to improve along with the growing confidence in domestic tourism and Thailand's border reopening. Based on our analysis, AAV would require a domestic passenger volume of c80% and an international passenger volume of c50% of the pre-Covid level to reach net profit breakeven. We expect that to occur by 2H21, given that around 32% of AAV's revenue is derived from Chinese routes, and we expect the Chinese government to reopen the country's borders in 2H21.

Exhibit 8: Domestic passengers carried



Sources: AAV; FSSIA estimates

Exhibit 9: International passengers carried



Sources: AAV; FSSIA estimates

Forecasts and TP revision

We assume that the capital raising transaction will get shareholder approval at the EGM and we incorporate it into our model. We revise down our 2021E earnings by 18% due to AAV's weak operations in 3Q21 following the lockdown restrictions. We also cut our 2022E earnings by 65% due to the larger loss contribution from TAA after AAV's shareholding in TAA increases from 55% to 100%.

However, we revise up our 2023E earnings by 115% due to two reasons. First, we assume a more aggressive seat capacity expansion, as we believe AAV would gain more market share from its competitors, both domestic and international. This should lead to a higher passenger volume by 11%. Second, AAV should recognise a larger profit contribution from TAA after AAV's shareholding in TAA increases from 55% to 100%.

We also revise up our TP to THB3.5/shr, based on 1.1x 2023E adjusted P/BV. Our 2023E adjusted BV is THB41b, calculated from 2023E equity of THB22.3b and adding back a one-off core loss over 2020-21E of THB18.7b.

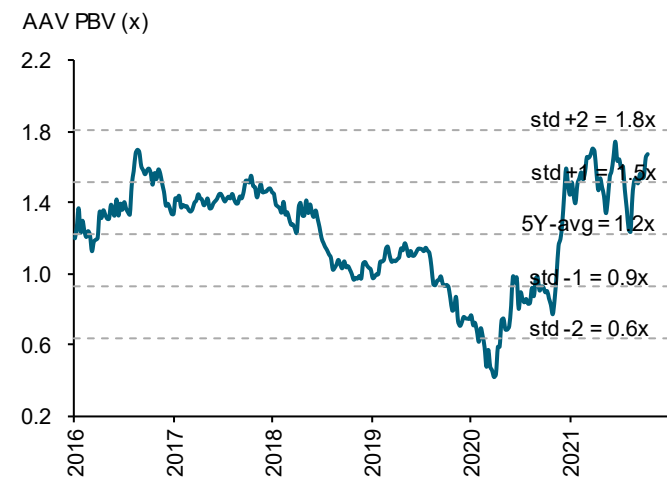
Exhibit 10: Forecast revisions

	Current			Previous			Change (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Passengers carried (m)	3.9	15.8	23.0	3.3	14.1	20.7	19.5	12.5	11.2
Load factor (%)	68	84	85	64	84	85	4.0	0.0	0.0
Average fare (THB)	1,093	1,316	1,540	1,093	1,303	1,496	0.0	0.9	3.0
Fuel prices net hedging (USD/bbl)	82	90	96	76	79	80	8.4	14.2	20.0
Revenue (THB b)	5.7	27.4	44.9	4.6	24.5	39.7	22.4	12.2	13.1
EBITDA margin (%)	(148.9)	2.9	8.7	(144.2)	4.8	10.4	(4.8)	(1.9)	(1.6)
Core earnings (THB m)	(5,290)	(778)	1,944	(4,503)	(471)	906	(17.5)	(65.3)	114.5

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

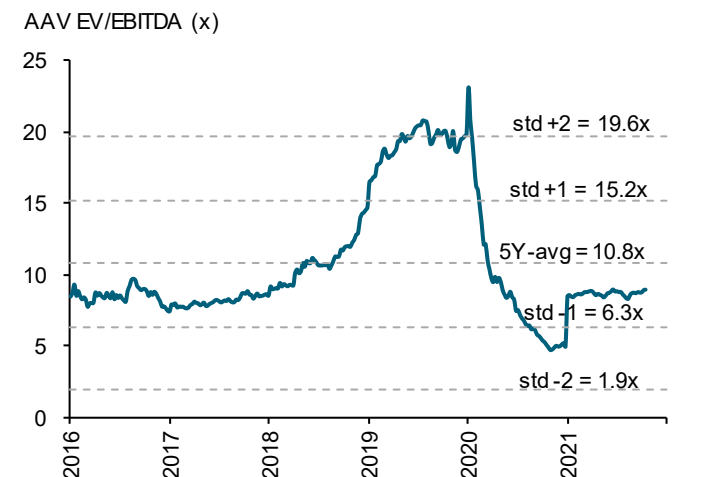
Sources: AAV; FSSIA estimates

Exhibit 11: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 12: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Peer comparisons as of 20 Oct 2021

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/ EBITDA		
			Current	Target	Upside		21E	22E	21E	22E	21E	22E	21E	22E	23E
			(LCY)	(LCY)	(%)		(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)	(x)
Thailand															
Bangkok Airways	BA TB	BUY	11.8	16	35.6	729	(6.8)	403.6	(20.5)	0.4	1.6	1.5	(19.7)	25.2	8.1
Asia Aviation	AAV TB	BUY	2.92	3.5	19.9	425	(2.7)	(48.2)	(47.7)	(5.3)	1.8	1.6	(18.8)	10.7	7.0
Thailand average						1,154	(4.8)	177.7	(34.1)	(2.5)	1.7	1.6	(19.2)	17.9	7.6
Regional															
Spring Airlines Co Ltd-A	601021 CH	n/a	57.96	n/a	n/a	8,302	n/a	76.6	(1.8)	4.5	3.6	3.6	35.5	17.4	14.7
Interglobe Aviation	INDIGO IN	n/a	2,011.95	n/a	n/a	10,470	n/a	n/a	(7.2)	(156.2)	11.2	61.6	nm	nm	10.9
Airasia Group Bhd	AAGB MK	n/a	1.13	n/a	n/a	1,040	n/a	n/a	(116.1)	57.4	2.5	n/a	n/a	24.8	8.2
Cebu Air Inc	CEB PM	n/a	43.65	n/a	n/a	525	n/a	n/a	(53.8)	(108.0)	1.0	3.7	n/a	11.2	n/a
Singapore Airlines	SIA SP	n/a	5.38	n/a	n/a	11,580	47.7	n/a	1.6	(29.6)	0.8	1.2	n/a	7.5	3.4
Japan Airlines	9201 JP	n/a	2,471.00	n/a	n/a	9,472	13.1	n/a	5.5	(33.8)	0.7	1.1	n/a	22.0	5.6
Ana Holdings	9202 JP	n/a	2,689.00	n/a	n/a	11,419	26.4	n/a	3.1	(45.4)	0.8	1.3	n/a	27.2	8.7
Garuda Indonesia	GIAA IJ	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(931.3)	n/a	n/a	n/a	n/a	n/a	n/a
Cathay Pacific Airways	293 HK	n/a	7.19	n/a	n/a	5,919	n/a	n/a	(30.5)	(19.9)	0.7	0.8	24.0	6.9	5.6
Eva Airways	2618 TT	n/a	18.40	n/a	n/a	3,322	n/a	n/a	(7.5)	(4.1)	1.3	n/a	n/a	n/a	n/a
Air New Zealand	AIR NZ	n/a	1.67	n/a	n/a	1,341	n/a	n/a	(4.5)	(26.8)	1.3	1.7	12.9	23.3	5.5
Regional average						63,390	29.0	76.6	(103.8)	(36.2)	2.4	9.4	24.1	17.5	7.8
Overall average						64,544	15.5	144.0	(93.1)	(30.6)	2.3	7.8	6.8	17.6	7.7

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	5,658	27,443	44,862
Cost of goods sold	(36,642)	(14,745)	(7,102)	(19,498)	(32,252)
Gross profit	4,561	(385)	(1,444)	7,945	12,609
Other operating income	-	-	-	-	-
Operating costs	(3,295)	(1,851)	(1,415)	(1,647)	(3,140)
Operating EBITDA	1,266	(2,236)	(2,859)	6,298	9,469
Depreciation	(1,717)	(5,739)	(5,568)	(5,502)	(5,558)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(451)	(7,975)	(8,427)	796	3,911
Net financing costs	(766)	(1,776)	(1,890)	(1,768)	(1,481)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	193	233	(1,041)	0	0
Profit before tax	(1,023)	(9,518)	(11,358)	(973)	2,430
Tax	(1)	660	698	195	(486)
Profit after tax	(1,024)	(8,858)	(10,660)	(778)	1,944
Minority interests	392	3,903	5,180	0	0
Preferred dividends	-	-	-	-	-
Other items	158	191	(852)	0	0
Reported net profit	(474)	(4,764)	(6,331)	(778)	1,944
Non-recurring items & goodwill (net)	(193)	(233)	1,041	0	0
Recurring net profit	(667)	(4,997)	(5,290)	(778)	1,944
Per share (THB)					
Recurring EPS *	(0.14)	(1.03)	(1.09)	(0.06)	0.15
Reported EPS	(0.10)	(0.98)	(1.31)	(0.07)	0.15
DPS	0.00	0.00	0.00	0.00	0.06
Diluted shares (used to calculate per share data)	4,850	4,850	4,850	12,850	12,850
Growth					
Revenue (%)	3.1	(65.1)	(60.6)	385.0	63.5
Operating EBITDA (%)	(39.0)	nm	nm	nm	50.3
Operating EBIT (%)	nm	nm	nm	nm	391.3
Recurring EPS (%)	nm	nm	nm	nm	nm
Reported EPS (%)	nm	nm	nm	nm	nm
Operating performance					
Gross margin inc. depreciation (%)	6.9	(42.6)	(123.9)	8.9	15.7
Gross margin of key business (%)	6.9	(42.6)	(123.9)	8.9	15.7
Operating EBITDA margin (%)	3.1	(15.6)	(50.5)	23.0	21.1
Operating EBIT margin (%)	(1.1)	(55.5)	(148.9)	2.9	8.7
Net margin (%)	(1.6)	(34.8)	(93.5)	(2.8)	4.3
Effective tax rate (%)	0.0	6.8	6.8	20.0	20.0
Dividend payout on recurring profit (%)	-	-	-	-	40.0
Interest cover (X)	(0.6)	(4.5)	(4.5)	0.5	2.6
Inventory days	2.4	6.6	9.1	4.1	4.8
Debtor days	17.2	46.0	61.8	7.2	2.2
Creditor days	10.5	32.2	57.0	25.9	17.1
Operating ROIC (%)	(2.7)	(33.8)	(32.5)	3.2	17.6
ROIC (%)	(1.0)	(14.2)	(14.4)	1.2	5.6
ROE (%)	(3.3)	(29.2)	(47.7)	(5.3)	8.9
ROA (%)	(0.5)	(11.1)	(13.5)	1.0	4.6

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
Ticket sales	31,506	11,123	4,253	20,800	35,424
Ancillaries	7,511	2,285	749	4,567	7,308
Other revenue	2,185	952	655	2,076	2,130

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)	(5,290)	(778)	1,944
Depreciation	1,717	5,739	5,568	5,502	5,558
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,370)	(2,016)	(4,328)	(7,800)	0
Change in working capital	(207)	(1,888)	1,956	(476)	1,664
Cash flow from operations	(3,528)	(3,162)	(2,094)	(3,552)	9,167
Capex - maintenance	(409)	(15,620)	(57)	(4,274)	(3,449)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(409)	(15,620)	(57)	(4,274)	(3,449)
Dividends paid	0	0	0	0	(778)
Equity finance	0	0	0	11,800	2,200
Debt finance	3,476	16,305	3,400	(7,106)	(5,106)
Other financing cash flows	320	(395)	(1,893)	4,286	(2,200)
Cash flow from financing	3,796	15,910	1,507	8,980	(5,884)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(140)	(2,872)	(644)	1,154	(166)
Free cash flow to firm (FCFF)	(3,170.90)	(16,981.93)	(254.15)	(6,054.95)	7,208.33
Free cash flow to equity (FCFE)	(140.39)	(2,871.86)	(644.00)	(10,646.20)	(1,588.04)
Per share (THB)					
FCFF per share	(0.25)	(1.32)	(0.02)	(0.47)	0.56
FCFE per share	(0.01)	(0.22)	(0.05)	(0.83)	(0.12)
Recurring cash flow per share	(0.68)	(0.26)	(0.84)	(0.27)	0.58
Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	33,497	38,701	38,758	43,032	46,481
Less: Accumulated depreciation	(8,620)	(3,944)	(9,512)	(15,014)	(20,572)
Tangible fixed assets (net)	24,877	34,758	29,246	28,018	25,909
Intangible fixed assets (net)	23,704	23,696	23,696	31,496	31,496
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	3,982	1,110	466	1,620	1,455
A/C receivable	2,518	1,100	817	268	268
Inventories	295	240	116	318	525
Other current assets	632	310	122	592	967
Current assets	7,427	2,760	1,521	2,798	3,215
Other assets	6,895	6,764	6,764	6,764	6,764
Total assets	62,903	67,978	61,227	69,076	67,384
Common equity	19,944	14,266	7,935	21,157	22,323
Minorities etc.	7,745	3,094	(2,086)	0	0
Total shareholders' equity	27,688	17,360	5,849	21,157	22,323
Long term debt	20,604	37,659	40,659	33,553	28,447
Other long-term liabilities	666	3,448	3,448	3,448	3,448
Long-term liabilities	21,270	41,106	44,106	37,000	31,894
A/C payable	1,555	1,049	1,167	1,603	1,414
Short term debt	1,750	1,000	1,400	1,400	1,400
Other current liabilities	10,639	7,462	8,705	7,916	10,353
Current liabilities	13,944	9,511	11,272	10,919	13,166
Total liabilities and shareholders' equity	62,903	67,978	61,227	69,076	67,384
Net working capital	(8,749)	(6,861)	(8,817)	(8,341)	(10,006)
Invested capital	46,726	58,356	50,889	57,937	54,163
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	4.11	2.94	1.64	1.82	1.74
Tangible book value per share	(0.78)	(1.94)	(3.25)	(0.89)	(0.71)
Financial strength					
Net debt/equity (%)	66.4	216.3	711.1	157.5	127.2
Net debt/total assets (%)	29.2	55.2	67.9	48.3	42.1
Current ratio (x)	0.5	0.3	0.1	0.3	0.2
CF interest cover (x)	0.8	(0.6)	0.7	(5.0)	(0.1)
Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	(21.2)	(2.8)	(2.7)	(48.2)	19.3
Recurring P/E @ target price (x) *	(25.5)	(3.4)	(3.2)	(57.8)	23.1
Reported P/E (x)	(29.9)	(3.0)	(2.2)	(43.5)	19.3
Dividend yield (%)	-	-	-	-	2.1
Price/book (x)	0.7	1.0	1.8	1.6	1.7
Price/tangible book (x)	(3.8)	(1.5)	(0.9)	(3.3)	(4.1)
EV/EBITDA (x) **	31.8	(24.5)	(18.8)	10.7	7.0
EV/EBITDA @ target price (x) **	34.0	(25.8)	(19.8)	11.7	7.7
EV/invested capital (x)	0.9	0.9	1.1	1.2	1.2
* 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	TTB	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	WIJK	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	IDL	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	TPIPP	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	AMANAH	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	SEAOIL	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	TTB	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	WIIK	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	02-Apr-2020	BUY	3.30	18-May-2021	BUY	3.40
28-Mar-2019	BUY	5.10	21-Dec-2020	BUY	3.40	16-Aug-2021	BUY	3.20
30-Sep-2019	BUY	3.80	29-Mar-2021	BUY	3.80			
12-Nov-2019	BUY	3.30	18-May-2021	BUY	3.40			

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

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Airways (BA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	25-Jun-2021	BUY	16.00	-	-	-

Teerapol Udomvej, CFA started covering this stock from 04-Jun-2021

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 2.92	BUY	Downside risks to our P/BV multiple 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.
Bangkok Airways	BA TB	THB 11.80	BUY	Downside risks to our SoTP-based TP 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.

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 20-Oct-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.