

11 NOVEMBER 2021

THAILAND / TRANSPORT &amp; LOGISTICS

# AIRPORTS OF THAILAND AOT TB

## BUY

UNCHANGED

TARGET PRICE	THB80.00
CLOSE	THB66.75
UP/DOWNSIDE	+19.9%
PRIOR TP	THB80.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+16.0%

## A light at the end of the runway

### Signs of a recovery in 1QFY22 (Oct-Dec)

We estimate that a 4QFY21 (Jul-Sep) core loss of THB4.1b should mark the bottom for AOT. The domestic passenger volume has picked up to 25% of the pre-Covid level in Oct from an average of 5% in Jul-Sep, and the momentum should continue on the pent-up demand for domestic travel. We are also positive on the recovery of international tourists. The Tourism Authority of Thailand (TAT) expects 1m tourist arrivals during Nov-21 to Mar-22 (6% of pre-Covid level) before accelerating to 13m in 2022 (33% of pre-Covid level).

### Expect AOT to turn profitable in 3QFY22

Similar to TAT, we expect international passengers to recover to 31% of the pre-Covid level in FY22. Broken down by quarter, we expect the volume to reach 50-60% of the pre-Covid level in 3Q-4QFY22. This should be the driver for AOT's earnings to turn around as, based on our analysis, AOT would require an international passenger volume of around 40-50% of pre-Covid to turn around. Therefore, we forecast AOT to book a core loss in 1HFY22 and a core profit of THB1.7b-2.3b in 3Q-4QFY22. We expect its FY23 core profit to exceed pre-Covid by 9%, driven by a larger minimum guarantee (MG) from King Power's concession contract.

### MG scheme with King Power will not see any adjustment

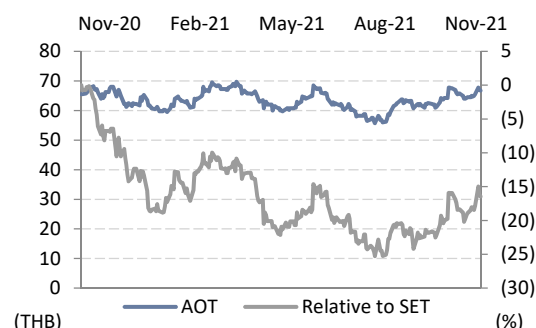
The pressure point for AOT is whether it will extend any assistance measures for operators or not, considering that the current measures will end in Mar-22. In its latest analyst meeting, management stated that it has not ruled out the possibility that AOT will extend its assistance measures. We believe AOT will inform operators soon in preparation for the resumption of operations. On a positive note, AOT insisted that the MG under the spending per head scheme for King Power is still intact and will not be adjusted. The likely scenario in our view is that AOT will extend the current assistance measures for another six months. In this case, our FY22 earnings forecast would turn to a THB3.5b core loss.

### Maintain FY23-24 forecast

We revise down our FY22E earnings from a THB3.6b core profit to a THB0.9b core loss to reflect our lower international passenger estimates. However, we maintain our FY23-24E core profit and our TP of THB80. The gradual recovery of international tourist numbers should support AOT's share price to return to the pre-Covid level of THB70/shr.

### KEY STOCK DATA

YE Sep (THB m)	2020	2021E	2022E	2023E
Revenue	31,179	7,906	28,430	67,168
Net profit	4,321	(15,202)	(904)	26,614
EPS (THB)	0.30	(1.06)	(0.06)	1.86
vs Consensus (%)	-	nm	nm	29.8
EBITDA	8,912	(6,853)	11,164	46,250
Core net profit	3,236	(15,249)	(904)	26,614
Core EPS (THB)	0.23	(1.07)	(0.06)	1.86
Chg. In EPS est. (%)	-	nm	nm	0.0
EPS growth (%)	(86.7)	nm	nm	nm
Core P/E (x)	294.7	(62.5)	(1,054.5)	35.8
Dividend yield (%)	0.3	0.7	0.9	1.3
EV/EBITDA (x)	103.4	(144.2)	90.8	21.5
Price/book (x)	6.7	8.4	9.1	7.7
Net debt/Equity (%)	(22.7)	29.6	56.4	33.5
ROE (%)	2.2	(11.9)	(0.8)	23.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.9	15.6	(1.5)
Relative to country (%)	4.5	9.4	(19.0)
Mkt cap (USD m)			29,106
3m avg. daily turnover (USD m)			55.5
Free float (%)			30
Major shareholder		Ministry of Finance (70%)	
12m high/low (THB)			70.00/55.50
Issued shares (m)			14,285.70

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We believe AOT's operation has already passed the bottom and is now in a recovery mode. Domestic passenger volumes were at 25% of pre-Covid-19 levels in Oct-21. Meanwhile, we expect international passengers to gradually recover after Thailand's reopening in Nov-21.

Despite waiving the MG until Mar-22, and changing its calculation scheme to a sharing per head basis for concession contracts, we forecast AOT to collect an MG amount equivalent to the amount that King Power proposed by 2025, under our baseline case.

AOT has a healthy balance sheet with an IBD/E ratio of only 0.1x and cash on hand of THB4.7b as of 3QFY21, implying that it can pass this crisis.

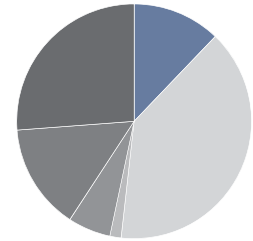
## Company profile

AOT is the operator and developer of the six international airports in Thailand (BKK, DMK, HKT, CNX, HDY and CEI).

[www.airportthai.co.th](http://www.airportthai.co.th)

## Principal activities (revenue, 2020)

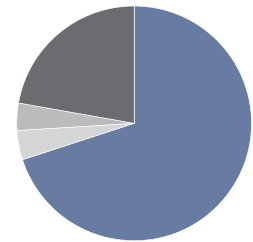
- Landing & parking - 12.2 %
- Passenger service - 39.6 %
- Aircraft service - 1.6 %
- Property rents - 5.9 %
- Service revenue - 14.6 %
- Concession revenue - 26.2 %



Source: Airports of Thailand

## Major shareholders

- Ministry of Finance - 70.0 %
- Thai NVDR - 4.0 %
- South East Asia UK - 3.7 %
- Others - 22.2 %



Source: Airports of Thailand

## Catalysts

Key growth drivers include 1) higher international passenger volumes; 2) BKK's North Expansion project; and 3) the transferral of new airports from the Department of Airports.

## Risks to our call

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.

## Event calendar

Date	Event
Nov 2021	4QFY21 results announcement

## Key assumptions

	FY21E	FY22E	FY23E
	(%)	(%)	(%)
Flight traffic growth - international	(72.6)	215.6	97.7
Flight traffic growth - domestic	(34.1)	52.5	33.6
Passenger growth - international	(97.5)	2,663.4	198.9
Passenger growth - domestic	(45.8)	88.4	39.9
PSC revenue growth	(90.6)	689.0	172.9
Concession revenue	(80.2)	440.3	194.7

Source: FSSIA estimates

## Earnings sensitivity

- For every 5% increase in international passenger volume, we project FY22 earnings to rise by 16%, and vice versa, all else being equal.
- For every 5% increase in domestic passenger volume, we project FY22 earnings to rise by 2%, and vice versa, all else being equal.

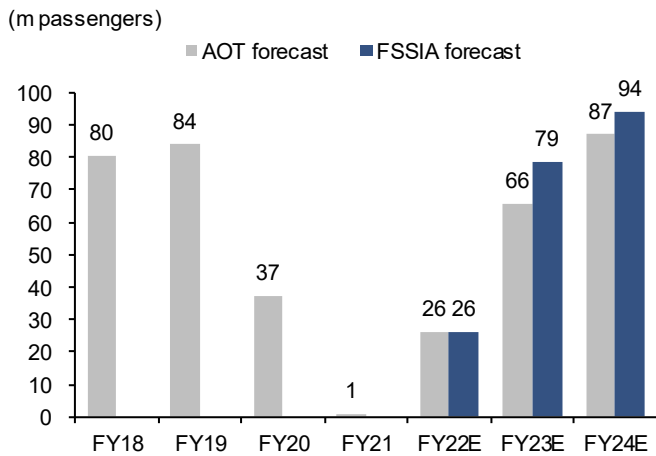
Source: FSSIA estimates

## Earnings should turn around in 3QFY22

AOT recently revised down its passenger volume estimates by 2-15% over FY22-24. In this report, we revise down our FY22 passenger volume assumption to match AOT's assumption.

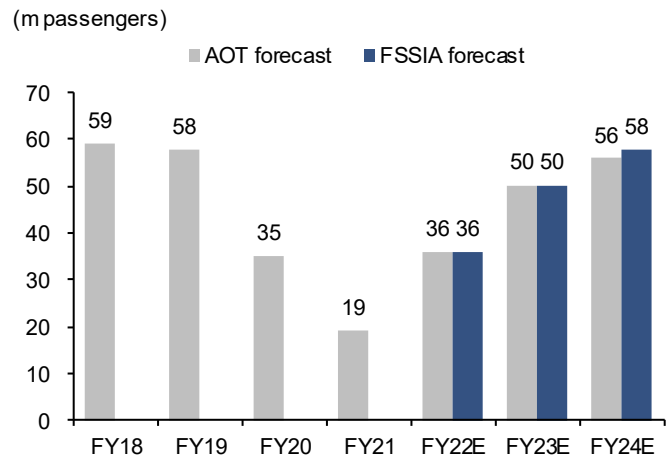
However, we have a slightly bullish view on our international passenger volume assumptions for FY23-24, with 8-19% larger numbers vs AOT's current assumptions, as we expect strong pent-up demand for Chinese tourists, for which the border should open around 2H22.

### Exhibit 1: International passenger volume



Source: AOT; FSSIA estimates

### Exhibit 2: Domestic passenger volume

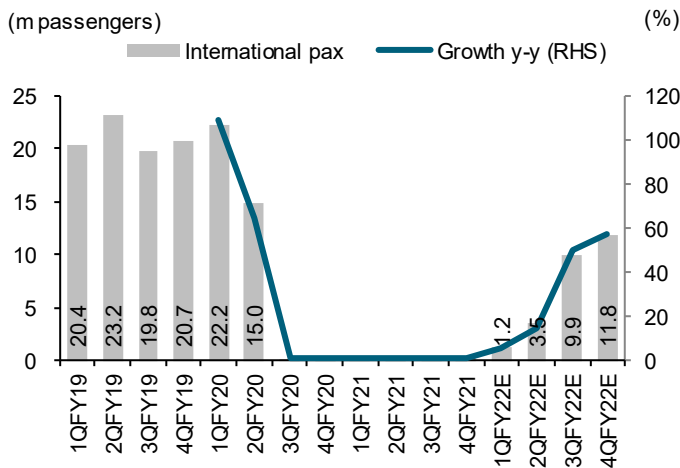


Source: AOT; FSSIA estimates

We have translated and estimated AOT's assumption in FY22 into a quarterly basis. We expect international passengers to reach 50-60% of the pre-Covid level in 3Q-4QFY22. This should be key driver for AOT's earnings to turn around as, based on our analysis, AOT would require an international passenger volume of around 40-50% of pre-Covid to turn around.

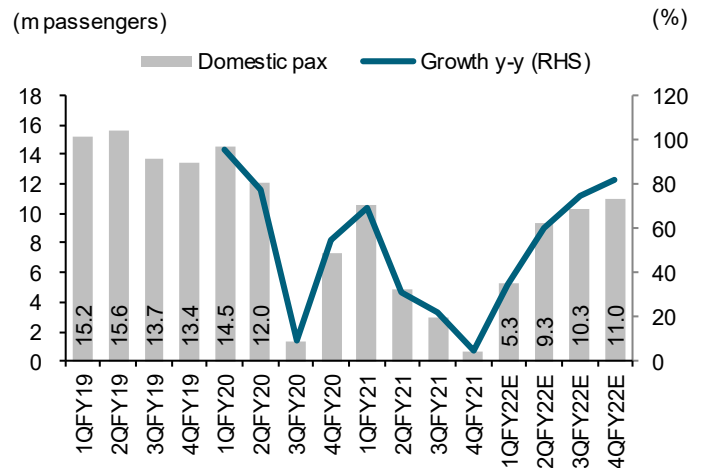
Another key factor is that AOT plans to start collecting MG fees from operators, especially King Power, from 3QFY22 onward. An MG per head (THB233 for duty-free contract at Suvarnabhumi Airport) will replace the average THB89 per head concession fee that AOT receives from King Power via revenue sharing. Thus, we forecast a core loss of THB1.8b-3.1b in 1Q-2QFY22 before turning around to a core profit of THB1.7b-2.3b in 3Q-4QFY22.

### Exhibit 3: International passenger volume, quarterly



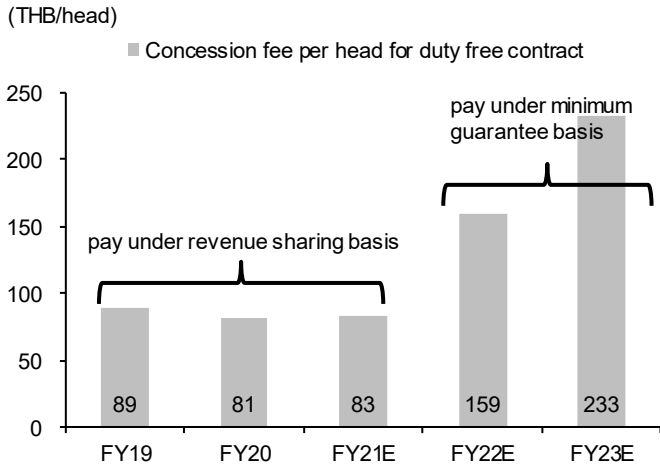
Source: FSSIA estimates

### Exhibit 4: Domestic passenger volume, quarterly



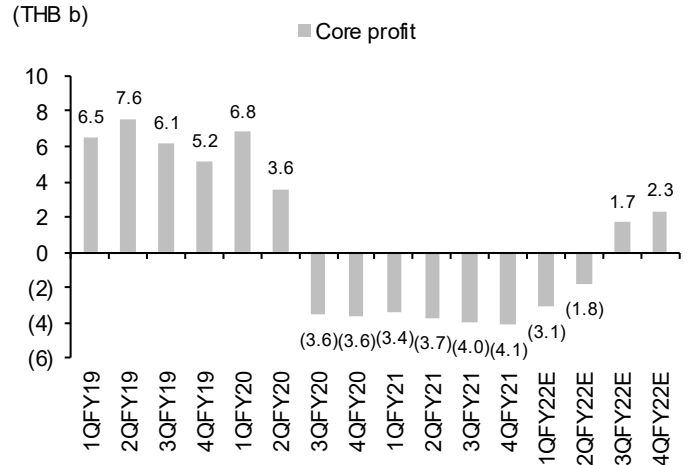
Source: FSSIA estimates

**Exhibit 5: Concession fee per head that AOT receives from King Power under duty-free contract at Suvarnabhumi Airport**



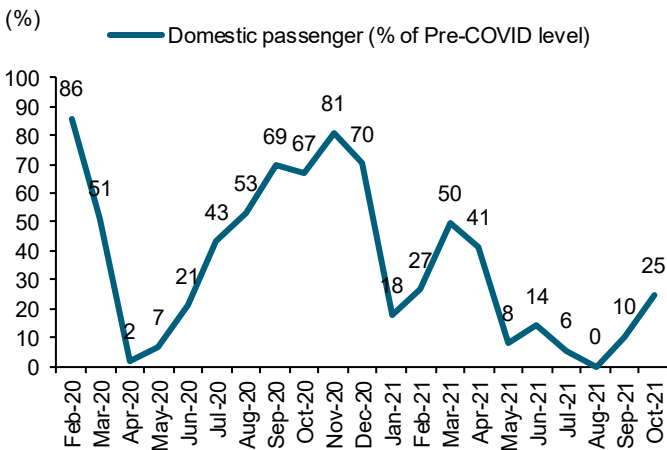
Sources: AOT; FSSIA estimates

**Exhibit 6: Core profit forecast, quarterly**



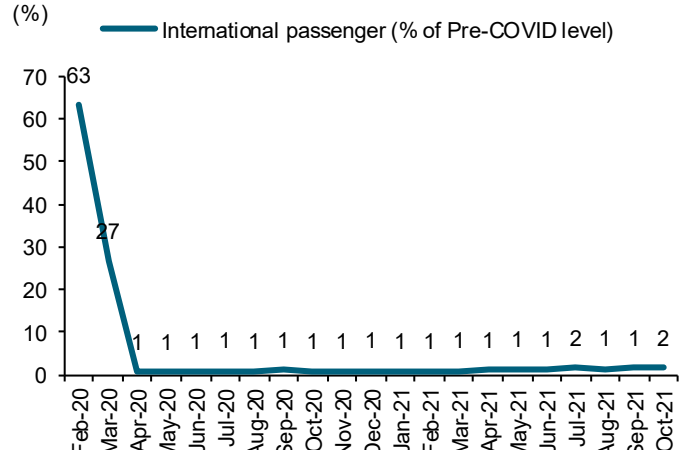
Source: FSSIA estimates

**Exhibit 7: Percentage of domestic passengers to pre-Covid level**



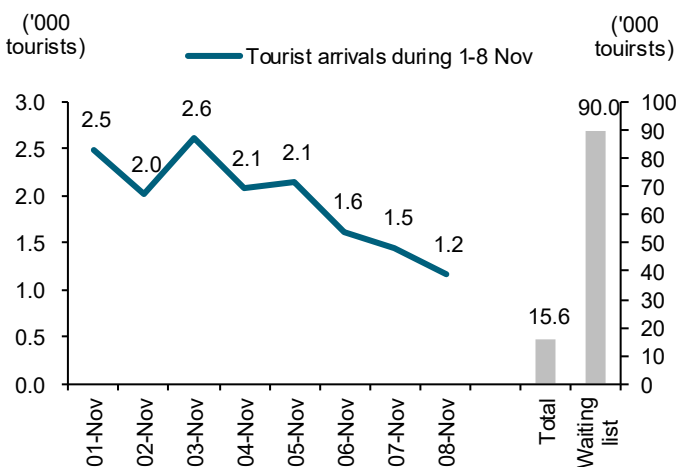
Source: AOT

**Exhibit 8: Percentage of international passengers to pre-Covid level**



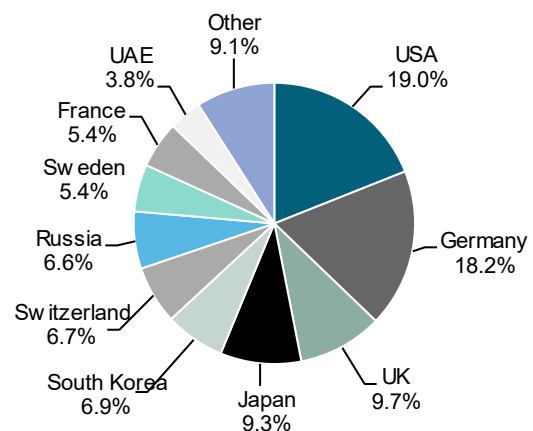
Source: AOT

**Exhibit 9: Tourist arrivals since border reopening**



Sources: Center of Covid-19 Situation Administration (CCSA)

**Exhibit 10: Breakdown of tourist arrivals during 1-8 Nov**



Source: CCSA

## Sensitivity for extension of assistance measures to operators and lower-than-expected international passengers

At its latest analyst meeting, management did not rule out the possibility that AOT would extend the assistance measures for airline and retail operators, which are scheduled to end in Mar-22.

The likely scenario in our view is that AOT will extend the current assistance measures for another six months. In this case, our FY22 earnings forecast would turn to a THB3.5b core loss. Note that AOT may extend credit terms to operators. In this case, there would be no impact to our P/L forecast and TP.

Another key risk is the international passenger volume. We have run a sensitivity analysis on the international passenger volume in FY22 from a base case of 31% of the pre-Covid level to 10-20% of the pre-Covid level. At 10-20%, we see an FY22 earnings downside in the range of a THB4.5b-7.7b loss. However, if the international passenger volume reaches 40% of the pre-Covid level, FY22 earnings should turn positive.

### Exhibit 11: Summary of assistance measures to operators

Operator	Measures	Period
Operated airlines	50% discount in landing and parking charges	April 2020 - Mar 2022
Non-operated airlines	Waive parking charges	April 2020 - Mar 2022
Concessionaires and airlines	50% discount in office and state property rents	April 2020 - Mar 2022
Concessionaires with MG	Waive MG and collect fees under revenue sharing basis	April 2020 - Mar 2022
Concessionaires with fixed monthly fees	20% discount on monthly fees	April 2020 - Mar 2022

Sources: AOT; FSSIA's compilation

### Exhibit 12: Sensitivity analysis

Sensitivity	Detail	FY22E core profit (THB m)
Base case	Inter pax 31% of pre-Covid	(904)
Case 1	Inter pax 10% of pre-Covid	(7,686)
Case 2	Inter pax 20% of pre-Covid	(4,496)
Case 3	Inter pax 40% of pre-Covid	1,884
Case 4	Inter pax 50% of pre-Covid	5,074
Case 5	Extend assistance measures to Sep-22	(3,462)

Sources: AOT; FSSIA's compilation

## Key takeaways from analyst meeting

AOT held an analyst meeting on 8 Nov, hosted by Khun Nitinai, to provide an outlook on its business after Thailand's reopening. The overall tone was neutral with a cautious view.

Management provided three checkpoints to consider whether the reopening would be successful or not:

- 1) **Supply constraints.** AOT is concerned about the ability of airline operators to resume their flight capacities. There should be more clarity on this after Nov.
- 2) **Demand.** Management said that the real demand would come in Dec, and is also concerned about public health facilities' capacity to handle more Covid patients after the reopening. There should be more clarity on this after Dec.
- 3) **Supply chain on tourism.** Management is concerned about the cash flows of tourism-related operators, as they have to inject new cash flows to resume operations and will likely have cash burns during first period of recovery.

Management guided that AOT is considering extending the assistance measures for operators based on whether or not most of operators can resume operations. AOT is currently running an analysis for each operator segment to determine the most suitable measures.

For King Power, management commented that it would receive similar assistance measures to other operators. On a positive note, AOT insisted that the spending per head scheme is still intact and there would not be any adjustment. Therefore, we believe the measures may relate to extending the MG waiver or offering more credit terms to King Power.

Management mentioned that the breakeven point of AOT would require about 50% of the traffic of the pre-Covid level for both domestic and international passenger volumes. Based on AOT's latest assumption that forecasts a pax volume of 31% of the pre-Covid level in FY22, we expect that AOT may turn profitable in FY23 or 2HFY22 at the earliest.

## 4QFY21E results preview

We expect AOT to post a larger core loss of THB4.1b in 4QFY21 (Jul-Sep), compared to the THB4.0b core loss in 3QFY21, due to the lockdown restrictions in dark red provinces. 4QFY21 domestic and international passenger volumes accounted for only 5% and 1% of the pre-Covid levels, respectively.

Note that we expect AOT to book a one-time state property rental charge reversal of cTHB1.5b-2.0b, as the Treasury Department should temporarily waive the MG rental fee for six airports for FY21. Thus, we expect a net loss of THB2.6b in 4QFY21.

### Exhibit 13: 4QFY21E results preview

	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21E	----- Change -----		FY21E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
Sales	1,853	2,176	1,778	1,667	1,323	(21)	(29)	7,906	(75)
Expense (Incl. depreciation)	(6,459)	(6,037)	(5,798)	(5,925)	(5,850)	(1)	(9)	(23,748)	(14)
<b>Operating profit</b>	<b>(4,606)</b>	<b>(3,861)</b>	<b>(4,020)</b>	<b>(4,259)</b>	<b>(4,526)</b>	<b>(6)</b>	<b>2</b>	<b>(15,843)</b>	<b>(556)</b>
Net other income	6	109	66	77	77	0	1,250	392	(10)
Interest income	157	103	59	40	40	0	(74)	569	(43)
Interest expense	(148)	(748)	(743)	(740)	(740)	0	401	(3,087)	378
<b>Pretax profit</b>	<b>(4,591)</b>	<b>(4,397)</b>	<b>(4,639)</b>	<b>(4,882)</b>	<b>(5,150)</b>	<b>(5)</b>	<b>(12)</b>	<b>(17,969)</b>	<b>(523)</b>
Income tax	973	945	923	885	978	11	1	2,695	(360)
Minority interest	9	9	6	33	40	23	346	25	12
<b>Core profit</b>	<b>(3,609)</b>	<b>(3,443)</b>	<b>(3,710)</b>	<b>(3,965)</b>	<b>(4,131)</b>	<b>(4)</b>	<b>(14)</b>	<b>(15,249)</b>	<b>(571)</b>
Extraordinaries	(193)	(20)	(6)	(20)	1,500			47	n/a
Forex gain/(loss)	74	349	144	(208)				0	n/a
Derivative gain/(loss)		(328)	(72)	114					n/a
<b>Reported net profit</b>	<b>(3,728)</b>	<b>(3,442)</b>	<b>(3,644)</b>	<b>(4,078)</b>	<b>(2,631)</b>	<b>35</b>	<b>29</b>	<b>(15,202)</b>	<b>(453)</b>
Shares (end Q, m)	14,286	14,286	14,286	14,286	14,286	0	0	14,286	0
<b>Core EPS (THB)</b>	<b>(0.25)</b>	<b>(0.24)</b>	<b>(0.26)</b>	<b>(0.28)</b>	<b>(0.29)</b>	<b>4</b>	<b>14</b>	<b>(1.07)</b>	<b>(571)</b>
<b>EPS (THB)</b>	<b>(0.26)</b>	<b>(0.24)</b>	<b>(0.26)</b>	<b>(0.29)</b>	<b>(0.18)</b>	<b>(35)</b>	<b>(29)</b>	<b>(1.06)</b>	<b>(453)</b>
Expenses (excl depreciation)	(5,077)	(3,886)	(3,691)	(3,834)	(3,758)	(2)	(26)	(14,758)	(34)
Depreciation	(1,381)	(2,151)	(2,107)	(2,091)	(2,091)	0	51	(8,990)	65
EBITDA	(3,225)	(1,710)	(1,913)	(2,168)	(2,435)	12	(24)	(6,853)	(177)
<b>Key Ratios</b>									
Operating profit margin (%)	(249)	(177)	(226)	(256)	(342)	<i>nm</i>	<i>nm</i>	(200)	(212)
EBITDA margin (%)	(174)	(79)	(108)	(130)	(184)	<i>nm</i>	<i>nm</i>	(87)	(115)
Net profit margin (%)	(201)	(158)	(205)	(245)	(199)	<i>nm</i>	<i>nm</i>	(193)	(207)
<b>Operating stat</b>									
International pax growth (y-y %)	(99)	(99)	(99)	81	60				
Domestic pax growth (y-y %)	(45)	(28)	(60)	131	(91)				
Total pax growth (y-y %)	(78)	(71)	(81)	127	(87)				

Sources: AOT; FSSIA estimates

## Forecast revisions

We revise down our FY22E earnings from a THB3.6b core profit to a THB0.9b core loss to reflect our lower international passenger volume assumptions. However, we maintain our FY23-24E core profit. Our assumptions reflect our expectation of the domestic and international passenger numbers reaching the pre-Covid level by FY24. We maintain our TP of THB80/shr (8% WACC, 3% LTG).

### Exhibit 14: Forecast revisions

	----- Previous -----				----- Current -----				----- Change (%) -----			
	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
International Pax (m)	0.8	32.0	78.6	94.0	1.0	26.3	78.6	94.0	13.3	(17.8)	(0.1)	0.0
Domestic Pax (m)	21.0	45.0	50.2	57.5	19.1	35.9	50.2	57.8	(9.2)	(20.2)	0.0	0.5
Total Pax (m)	21.8	77.0	128.9	151.5	20.0	62.2	128.8	151.8	(8.4)	(19.2)	(0.0)	0.2
Revenue (THB b)	8.8	35.5	69.3	81.1	7.9	28.4	67.2	78.7	(10.5)	(19.9)	(3.1)	(2.9)
Operating profit margin (%)	(177.3)	18.6	51.2	53.4	(200.4)	3.9	53.2	55.3	(23.1)	(14.7)	1.9	1.9
Core profit (THB b)	(15.1)	3.6	26.6	33.2	(15.2)	(0.9)	26.6	33.2	(0.9)	(125.3)	0.0	0.1

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

Source: FSSIA estimates

### Exhibit 15: DCF/SOTP valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		3.5
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		0.9			
Cost of equity, Ke		10.2	Net cost of debt, Kd		2.8
Weight applied		70.0	Weight applied		30.0
WACC		8.0			
SOTP valuation		(THB b)	(THB/share)	Comments	
Duty-free and commercial activity concession contracts		652.5	45.7	WACC 8%, risk-free rate 3%, risk premium 8%, terminal growth 3%	
Core business		549.6	38.5	WACC 8%, risk-free rate 3%, risk premium 8%, terminal growth 3%	
Cash & liquid assets		(0.0)	(0.0)	At end-FY22E	
Investments		0.7	0.1	At end-FY22E	
Debt		(59.6)	(4.2)	At end-FY22E	
Minorities		(0.7)	(0.1)	At end-FY22E	
<b>Residual ordinary equity</b>		<b>1,142.4</b>	<b>80.0</b>		

Source: FSSIA estimates



## Exhibit 16: Peer comparisons as of 10 Nov 2021

Company	BBG	Rec	Share price		Market Cap (USD m)	PE		DivYld		ROE		PBV	
			Current (THB)	Target (THB)		21E (x)	22E (x)	21E (%)	22E (%)	21E (%)	22E (%)	21E (x)	22E (x)
<b>Thailand</b>													
Airports of Thailand*+	AOT TB	BUY	66.75	80.00	29,106	(62.5)	(1,054.5)	0.7	0.9	(11.9)	(0.8)	8.4	9.1
<b>Malaysia</b>													
Malaysia Airports	MAHB MK	NR	6.39	NR	2,550	n/a	n/a	0.0	0.5	(12.6)	(1.5)	1.6	1.6
<b>China</b>													
Beijing Capital Intl Airport	694 HK	NR	5.20	NR	3,057	n/a	n/a	0.0	0.6	(7.8)	(0.0)	0.9	0.9
Hainan Meilan Intl	357 HK	NR	26.10	NR	1,585	14.6	17.1	1.4	1.5	15.3	13.7	2.3	2.0
Shanghai Intl Airport-A	600009 CH	NR	49.13	NR	14,818	n/a	95.4	0.0	0.2	(4.8)	4.2	3.4	3.3
Guangzhou Baiyun Intl -A	600004 CH	NR	11.93	NR	4,419	n/a	52.2	0.1	0.6	(2.2)	2.9	1.5	1.5
Shenzhen Airport -A	000089 CH	NR	7.18	NR	2,305	90.5	36.8	0.2	0.6	1.2	3.0	1.2	1.2
Xiamen Int Airport -A	600897 CH	NR	17.02	NR	793	18.0	11.8	3.2	4.2	7.4	10.8	1.3	1.2
<b>Australia</b>													
Sydney Airport	SYD AU	NR	8.42	NR	16,713	n/a	300.4	0.0	1.7	(26.2)	16.3	24.0	34.9
Auckland Intl Airport**	AIA AU	NR	7.94	NR	8,600	n/a	1,642.6	0.0	0.0	(0.5)	0.0	1.8	1.5
<b>Japan</b>													
Japan Airport Terminal***	9706 JP	NR	5,940	NR	4,856	n/a	(11.2)	0.0	0.0	2.8	(11.2)	3.1	3.6
<b>Average</b>					<b>88,803</b>	<b>15.1</b>	<b>121.2</b>	<b>0.5</b>	<b>1.0</b>	<b>(3.6)</b>	<b>3.4</b>	<b>4.5</b>	<b>5.5</b>

\*Fiscal year-end is 30 September; \*\* Fiscal year-end is 30 June; \*\*\* Fiscal year-end is 31 March

Sources: Bloomberg consensus; +FSSIA estimates

## Exhibit 17: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

## Exhibit 18: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Airports of Thailand

Profit and Loss (THB m) Year Ending Sep	2019	2020	2021E	2022E	2023E
Revenue	62,783	31,179	7,906	28,430	67,168
Cost of goods sold	(26,844)	(22,267)	(14,758)	(17,267)	(20,918)
<b>Gross profit</b>	<b>35,940</b>	<b>8,912</b>	<b>(6,853)</b>	<b>11,164</b>	<b>46,250</b>
Other operating income	-	-	-	-	-
Operating costs	0	0	0	0	0
<b>Operating EBITDA</b>	<b>35,940</b>	<b>8,912</b>	<b>(6,853)</b>	<b>11,164</b>	<b>46,250</b>
Depreciation	(5,851)	(5,441)	(8,990)	(10,041)	(10,531)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>30,088</b>	<b>3,470</b>	<b>(15,843)</b>	<b>1,123</b>	<b>35,719</b>
Net financing costs	354	345	(2,518)	(2,677)	(2,892)
Associates	0	0	0	0	0
Recurring non-operating income	433	437	392	390	401
Non-recurring items	609	1,085	47	0	0
<b>Profit before tax</b>	<b>31,484</b>	<b>5,337</b>	<b>(17,922)</b>	<b>(1,165)</b>	<b>33,228</b>
Tax	(6,389)	(1,038)	2,695	233	(6,646)
<b>Profit after tax</b>	<b>25,096</b>	<b>4,299</b>	<b>(15,227)</b>	<b>(932)</b>	<b>26,582</b>
Minority interests	(69)	22	25	28	31
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>25,026</b>	<b>4,321</b>	<b>(15,202)</b>	<b>(904)</b>	<b>26,614</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(609)</b>	<b>(1,085)</b>	<b>(47)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>24,417</b>	<b>3,236</b>	<b>(15,249)</b>	<b>(904)</b>	<b>26,614</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.71	0.23	(1.07)	(0.06)	1.86
Reported EPS	1.75	0.30	(1.06)	(0.06)	1.86
DPS	1.05	0.19	0.50	0.60	0.90
Diluted shares (used to calculate per share data)	14,286	14,286	14,286	14,286	14,286
<b>Growth</b>					
Revenue (%)	3.7	(50.3)	(74.6)	259.6	136.3
Operating EBITDA (%)	(0.9)	(75.2)	nm	nm	314.3
Operating EBIT (%)	(1.8)	(88.5)	nm	nm	3,082.0
Recurring EPS (%)	(2.5)	(86.7)	nm	nm	nm
Reported EPS (%)	(0.6)	(82.7)	nm	nm	nm
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	47.9	11.1	(200.4)	3.9	53.2
Gross margin of key business (%)	47.9	11.1	(200.4)	3.9	53.2
Operating EBITDA margin (%)	57.2	28.6	(86.7)	39.3	68.9
Operating EBIT margin (%)	47.9	11.1	(200.4)	3.9	53.2
Net margin (%)	38.9	10.4	(192.9)	(3.2)	39.6
Effective tax rate (%)	20.7	24.4	15.0	20.0	20.0
Dividend payout on recurring profit (%)	61.4	83.9	(46.8)	(947.9)	48.3
Interest cover (X)	(86.3)	(11.3)	(6.1)	0.6	12.5
Inventory days	4.5	5.5	7.0	5.2	5.1
Debtor days	20.0	39.8	148.9	41.4	17.5
Creditor days	22.0	27.2	37.2	27.5	27.1
Operating ROIC (%)	25.8	2.5	(10.2)	0.6	17.0
ROIC (%)	24.8	2.7	(9.7)	0.7	16.8
ROE (%)	16.4	2.2	(11.9)	(0.8)	23.3
ROA (%)	12.5	1.6	(7.3)	0.7	14.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Landing & parking	7,426	3,789	1,017	2,405	6,479
Passenger service	26,743	12,351	1,157	9,132	24,923
Aircraft service	842	486	185	364	735
Property rents	2,296	1,838	1,655	1,655	2,234

Sources: Airports of Thailand; FSSIA estimates

## Financial Statements

### Airports of Thailand

Cash Flow (THB m) Year Ending Sep	2019	2020	2021E	2022E	2023E
Recurring net profit	24,417	3,236	(15,249)	(904)	26,614
Depreciation	5,851	5,441	8,990	10,041	10,531
Associates & minorities	-	-	-	-	-
Other non-cash items	1,475	570	(11,171)	(28)	(31)
Change in working capital	3,405	(12,572)	(5,950)	4,976	9,320
<b>Cash flow from operations</b>	<b>35,148</b>	<b>(3,325)</b>	<b>(23,380)</b>	<b>14,085</b>	<b>46,434</b>
Capex - maintenance	(13,282)	(11,875)	(40,032)	(32,949)	(19,673)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	95	440	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(13,187)</b>	<b>(11,435)</b>	<b>(40,032)</b>	<b>(32,949)</b>	<b>(19,673)</b>
Dividends paid	(14,998)	(14,999)	(2,714)	(7,143)	(8,571)
Equity finance	0	0	0	0	0
Debt finance	(4,211)	(2,604)	50,448	(1,429)	(4,308)
Other financing cash flows	351	11	0	0	0
<b>Cash flow from financing</b>	<b>(18,858)</b>	<b>(17,591)</b>	<b>47,734</b>	<b>(8,571)</b>	<b>(12,879)</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>3,103</b>	<b>(32,352)</b>	<b>(15,678)</b>	<b>(27,435)</b>	<b>13,882</b>
Free cash flow to firm (FCFF)	22,775.79	(14,114.34)	(60,324.98)	(15,822.39)	29,659.20
Free cash flow to equity (FCFE)	18,101.46	(17,352.98)	(12,963.87)	(20,292.33)	22,453.52

Per share (THB)	2019	2020	2021E	2022E	2023E
FCFF per share	1.59	(0.99)	(4.22)	(1.11)	2.08
FCFE per share	1.27	(1.21)	(0.91)	(1.42)	1.57
Recurring cash flow per share	2.22	0.65	(1.22)	0.64	2.60

Balance Sheet (THB m) Year Ending Sep	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	212,166	222,734	233,766	266,715	286,388
Less: Accumulated depreciation	(99,456)	(103,591)	(83,581)	(93,622)	(104,153)
<b>Tangible fixed assets (net)</b>	<b>112,709</b>	<b>119,143</b>	<b>150,185</b>	<b>173,093</b>	<b>182,235</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,162	722	722	722	722
Cash & equivalents	75,909	43,558	27,879	444	14,326
A/C receivable	3,582	3,225	3,225	3,225	3,225
Inventories	335	340	225	264	320
Other current assets	961	3,368	854	3,072	7,257
<b>Current assets</b>	<b>80,787</b>	<b>50,491</b>	<b>32,184</b>	<b>7,005</b>	<b>25,128</b>
Other assets	3,723	3,202	3,202	3,202	3,202
<b>Total assets</b>	<b>198,382</b>	<b>173,559</b>	<b>186,293</b>	<b>184,022</b>	<b>211,286</b>
Common equity	153,899	142,236	113,127	105,079	123,121
Minorities etc.	640	796	771	744	712
<b>Total shareholders' equity</b>	<b>154,539</b>	<b>143,032</b>	<b>113,898</b>	<b>105,823</b>	<b>123,834</b>
Long term debt	10,516	8,245	59,441	57,512	53,205
Other long-term liabilities	7,145	6,949	6,949	6,949	6,949
<b>Long-term liabilities</b>	<b>17,661</b>	<b>15,194</b>	<b>66,390</b>	<b>64,461</b>	<b>60,153</b>
A/C payable	1,509	1,809	1,199	1,402	1,699
Short term debt	3,181	2,848	2,100	2,600	2,600
Other current liabilities	21,492	10,677	2,707	9,735	23,000
<b>Current liabilities</b>	<b>26,182</b>	<b>15,333</b>	<b>6,006</b>	<b>13,738</b>	<b>27,299</b>
<b>Total liabilities and shareholders' equity</b>	<b>198,382</b>	<b>173,559</b>	<b>186,293</b>	<b>184,022</b>	<b>211,286</b>
Net working capital	(18,123)	(5,551)	399	(4,577)	(13,898)
Invested capital	99,471	117,516	154,508	172,440	172,261

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

Per share (THB)	2019	2020	2021E	2022E	2023E
Book value per share	10.77	9.96	7.92	7.36	8.62
Tangible book value per share	10.77	9.96	7.92	7.36	8.62

Financial strength	2019	2020	2021E	2022E	2023E
Net debt/equity (%)	(40.3)	(22.7)	29.6	56.4	33.5
Net debt/total assets (%)	(31.4)	(18.7)	18.1	32.4	19.6
Current ratio (x)	3.1	3.3	5.4	0.5	0.9
CF interest cover (x)	(50.2)	51.3	(4.1)	(6.6)	8.8

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>39.1</b>	<b>294.7</b>	<b>(62.5)</b>	<b>(1,054.5)</b>	<b>35.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>46.8</b>	<b>353.2</b>	<b>(74.9)</b>	<b>(1,263.8)</b>	<b>42.9</b>
Reported P/E (x)	38.1	220.7	(62.7)	(1,054.5)	35.8
Dividend yield (%)	1.6	0.3	0.7	0.9	1.3
Price/book (x)	6.2	6.7	8.4	9.1	7.7
Price/tangible book (x)	6.2	6.7	8.4	9.1	7.7
EV/EBITDA (x) **	24.8	103.4	(144.2)	90.8	21.5
EV/EBITDA @ target price (x) **	30.1	124.7	(171.8)	107.8	25.6
EV/invested capital (x)	9.0	7.8	6.4	5.9	5.8

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

Sources: Airports of Thailand; 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	ICI	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	TRC	TSC	TSR	TSTE	TSTH
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	MITSIB	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	IHL	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	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	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

#### Airports of Thailand (AOT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Jun-2019	HOLD	72.00	11-Feb-2021	BUY	85.00	13-Aug-2021	BUY	80.00
02-Apr-2020	HOLD	72.00	08-Apr-2021	BUY	85.00			
10-Sep-2020	BUY	70.00	09-Jun-2021	BUY	82.00			

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
Airports of Thailand	AOT TB	THB 66.75	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 10-Nov-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.