

Thailand Aviation

Operations to recover with windfall in 4Q22

- Global airline industry has the potential to turn profitable in 2023, according to IATA.
- Lower jet fuel prices and THB appreciation are two short-term catalysts.
- 4Q22 core loss should reduce for AAV but widen for BA due to the BAREIT impact.
- Overweight on sector with BUY rating for AAV (THB3.7 TP) and BA (THB15.6 TP).

Global airline industry to turn around in 2023

According to the International Air Transport Association (IATA), global domestic and international connectivity recovered to 89% and 68% of the pre-Covid levels in Nov-22, respectively. Global airline revenue is expected to recover to 87% of pre-Covid in 2022 and 93% in 2023. Passenger load factor should reach 81% in 2023 (vs 83% in 2019). This should result in the airline industry turning profitable in 2023. Asia Pacific airlines should remain loss making due to the lagging Chinese market, but the loss should significantly reduce in 2023 with an ASK assumption of 75% of pre-Covid next year (vs 51% in 2022).

Two favourable factors to support earnings

Jet fuel spot prices have declined from an average of USD142/bbl in 2Q22 and USD128/bbl in 3Q22 to USD119/bbl QTD4Q22 and USD120/bbl currently. This should support the potential turnaround of Thai airlines given that fuel costs accounted for 29% of AAV's and 16% of BA's total expenses as of 9M22. According to IATA, the spread between jet fuel and Brent should fall next year, premised on an increase in global refining capacity. Note that we assume jet fuel prices of USD110-120/bbl in 2023. In addition, the THB has appreciated against the USD, from THB37.8/USD to THB34.8/USD. This should lead to a reduction in fuel expenses, which are in USD terms. Airlines should also book FX gains from lease liabilities totalling cTHB2.0b-3.0b for AAV and cTHB240m-360m for BA in 4Q22.

4Q22 net profits should turn positive from FX gains

We expect AAV's core loss to reduce to THB0.8b in 4Q22 (vs THB1.2b loss in 3Q22). Passenger volume should recover to 75-80% of the pre-Covid level (vs 52% in 3Q22). AAV has started to collect domestic fuel surcharges of cTHB200-250, or 20-25% of the average domestic ticket fare. Thus, the ticket fare total should exceed pre-Covid in 4Q22. For BA, passenger volume should recover to 60-65% of pre-Covid (vs 58% in 3Q22). The recovery magnitude may not be strong as Nov is the low season for Samui. BA should have no dividend income from BDMS and pay a higher interest expense for the BAREIT transaction. Thus, we expect a core loss of THB0.3b in 4Q22 (vs THB0.1b loss in 3Q22). On a positive note, AAV and BA's net profits should turn positive from the FX gains mentioned above.

Overweight on sector with catalysts lying ahead

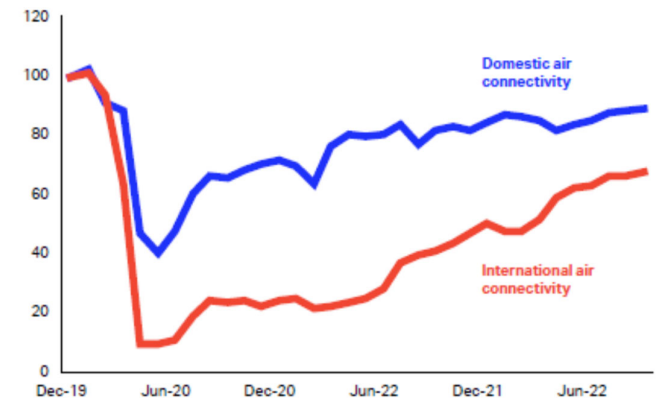
We have a BUY rating for both BA and AAV. We think both stocks can potentially turn profitable next year. Share price catalysts for AAV would be China's reopening (32% revenue contribution in 2019) and lower domestic market competition, while catalysts for BA include the uplift project for Samui Airport (flight capacity expansion and terminal renovation) and a higher passenger yield from focusing more on the Samui route.



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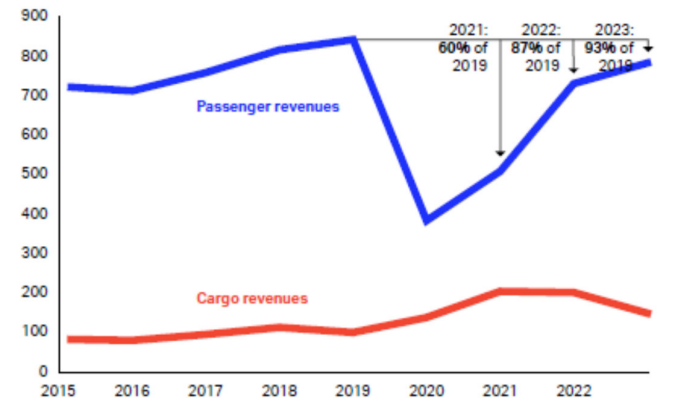
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Exhibit 1: Global air connectivity index



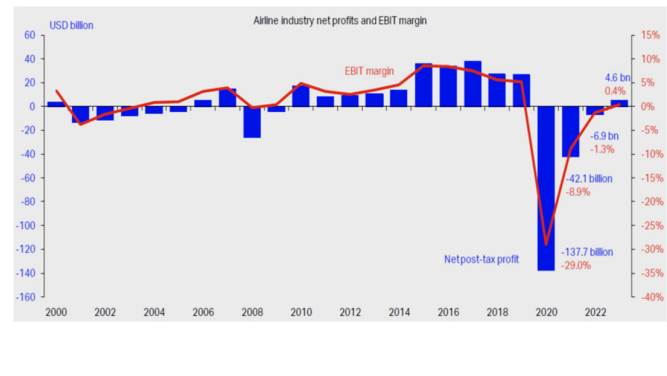
Note: 2019 = 100
Source: The International Air Transport Association (IATA)

Exhibit 2: Passenger revenue is rising



Source: IATA

Exhibit 3: Airline industry is expected to turn around in 2023



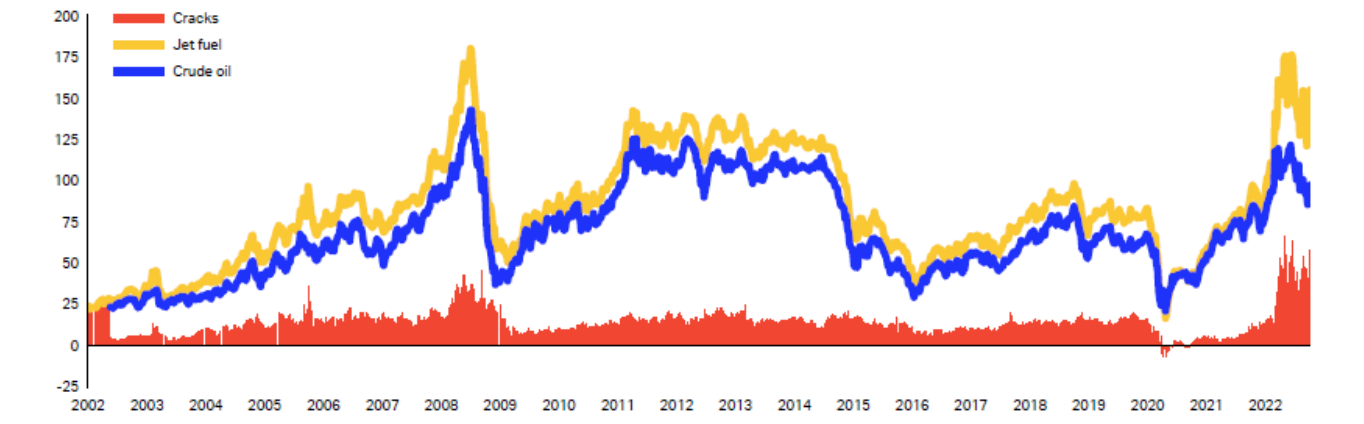
Source: IATA

Exhibit 4: Jet spot prices



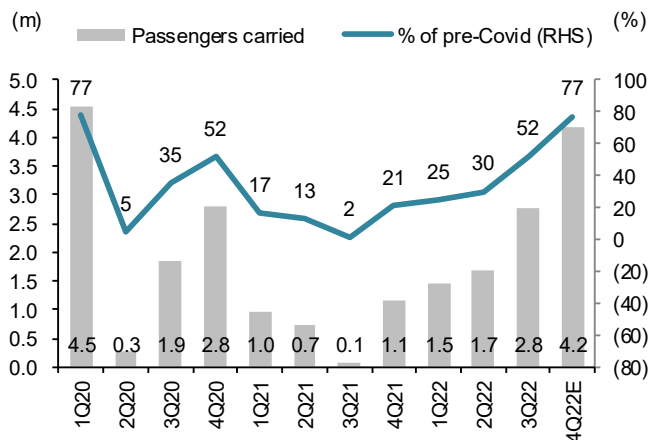
Source: Bloomberg

Exhibit 5: Brent, jet fuel prices and the crack spread



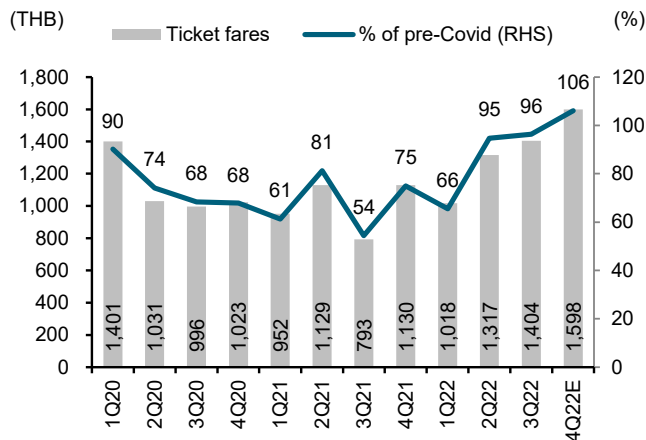
Source: IATA

Exhibit 6: AAV's passenger volume



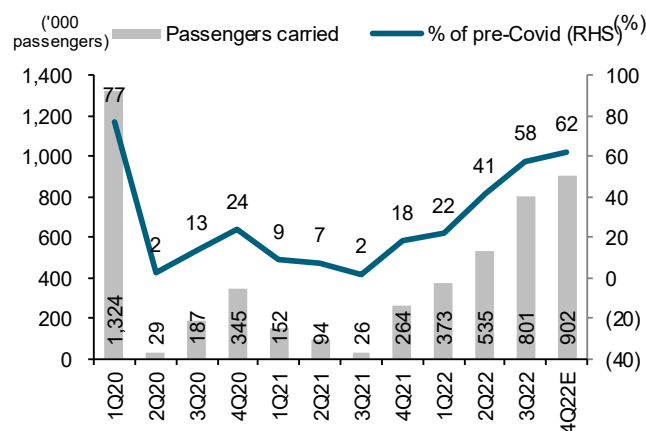
Sources: AAV; FSSIA estimates

Exhibit 7: AAV's ticket fares



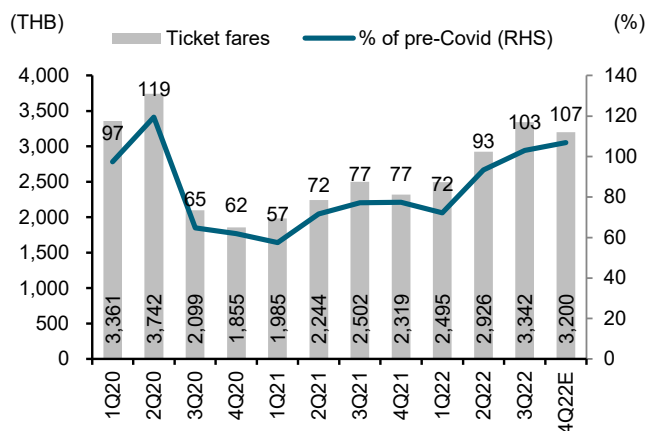
Sources: AAV; FSSIA estimates

Exhibit 8: BA's passenger volume



Sources: BA; FSSIA estimates

Exhibit 9: BA's ticket fares



Sources: BA; FSSIA estimates

Exhibit 10: 4Q22 earnings outlook

Airline	4Q21 (THBm)	1Q22 (THBm)	2Q22 (THBm)	3Q22 (THBm)	4Q22E (THBm)	----- Change -----	FSSIA's 4Q22E views
						(y-y %) (q-q %)	
Core profit							
AAV	(1,296)	(2,473)	(2,352)	(1,180)	(782)	40 34	Pax volume to recover to 75-80% of pre-Covid level
BA	(949)	(1,057)	(628)	(138)	(282)	70 (104)	Pax volume to recover to 60-65% of pre-Covid level/ absence of BDMS dividend/ higher interest expenses from BAREIT
Net profit							
AAV	(993)	(2,371)	(4,724)	(4,050)	1,718	273 142	To book FX gain of THB2.0b-3.0b
BA	(141)	(1,020)	(848)	(393)	18	113 105	To book FX gain of THB240m-360m

Source: FSSIA estimates

Exhibit 11: Peer comparisons as of 13 December 2022

Company	BBG	Rec	--- Share price ---		Up side	Market Cap (USD m)	----- PE -----			---- PBV ----		- EV/ EBITDA -	
			Current (LCY)	Target (LCY)			22E (x)	23E (x)	24E (x)	22E (x)	23E (x)	22E (x)	23E (x)
Thailand													
Bangkok Airways	BA TB	BUY	13.10	15.60	19.1	790	(11.4)	31.7	17.5	2.6	2.4	(251.3)	25.4
Asia Aviation	AAV TB	BUY	3.02	3.70	22.5	1,018	(5.2)	30.2	31.8	2.2	2.3	1,004.7	8.7
Thailand average						1,808	(8.3)	30.9	24.6	2.4	2.3	376.7	17.1
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	65.00	n/a	n/a	9,135	n/a	41.3	23.1	5.0	4.5	n/a	21.9
Interglobe Aviation	INDIGO IN	n/a	2,030.45	n/a	n/a	9,427	n/a	421.6	19.6	n/a	n/a	51.4	13.5
Cebu Air Inc	CEB PM	n/a	39.95	n/a	n/a	444	n/a	5.4	n/a	n/a	n/a	n/a	n/a
Singapore Airlines	SIA SP	n/a	5.55	n/a	n/a	12,257	n/a	9.5	14.2	1.5	1.1	11.0	3.4
Japan Airlines	9201 JP	n/a	2,783.00	n/a	n/a	8,874	n/a	29.9	13.2	1.5	1.4	n/a	6.9
Ana Holdings	9202 JP	n/a	2,922.00	n/a	n/a	10,381	n/a	31.2	15.4	1.5	1.6	141.8	8.7
Cathay Pacific Airways	293 HK	n/a	8.76	n/a	n/a	7,194	n/a	17.8	13.3	1.0	0.9	8.9	7.3
Spicejet (India)	SJET IN	n/a	41.45	n/a	n/a	298	n/a	n/a	n/a	n/a	n/a	155.4	n/a
Tigerair Taiwan	6757 TT	n/a	31.30	n/a	n/a	417	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vietjet Aviation	VJC VN	n/a	112,000	n/a	n/a	2,517	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Regional average						60,945	n/a	79.5	16.5	2.1	1.9	73.7	10.3
Global													
Eva Airways	2618 TT	n/a	27.75	n/a	n/a	4,873	18.6	15.0	51.7	1.7	1.5	4.8	4.5
Air New Zealand	AIR NZ	n/a	0.79	n/a	n/a	1,709	n/a	7.3	9.1	1.3	1.2	192.1	3.4
Air Arabia	AIRARABIA UH	n/a	2.20	n/a	n/a	2,795	8.7	7.9	9.4	1.7	1.6	4.9	4.6
Easyjet (UK)	EZJ LN	n/a	369.80	n/a	n/a	3,467	n/a	15.9	9.2	1.1	1.0	5.7	3.6
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	7.40	n/a	n/a	587	n/a	n/a	9.9	n/a	n/a	10.6	6.3
JetBlue Airways (US, Latin AM)	JBLU	n/a	7.10	n/a	n/a	2,300	n/a	10.0	5.3	0.7	0.6	8.8	3.8
Norwegian Air Shuttle (Norway)	NWARF US	n/a	0.87	n/a	n/a	825	n/a	17.8	7.1	2.3	1.9	11.0	2.9
Southwest Airlines (US)	LUV US	n/a	37.77	n/a	n/a	22,426	16.4	11.7	9.2	2.0	1.7	5.0	4.2
Global average						38,982	14.6	12.3	13.9	1.5	1.4	30.4	4.1
Overall average						101,736	5.4	44.0	16.2	1.9	1.7	91.0	8.1

Sources: Bloomberg consensus; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BPCG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TPIPP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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* 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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIIK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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)

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

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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
21-Dec-2020	BUY	3.40	16-Aug-2021	BUY	3.20	31-Oct-2022	BUY	3.70
29-Mar-2021	BUY	3.80	21-Oct-2021	BUY	3.50			
18-May-2021	BUY	3.40	07-Jun-2022	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)



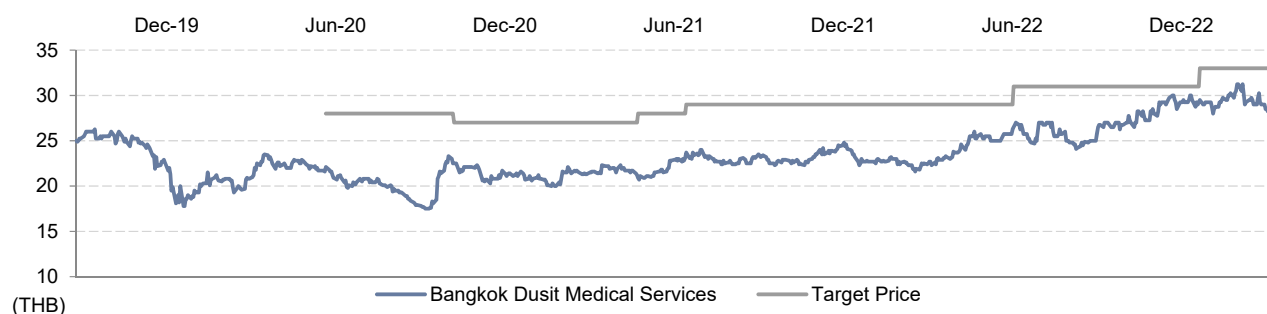
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	01-Sep-2022	BUY	15.00	-	-	-
25-Jun-2021	BUY	16.00	20-Oct-2022	BUY	15.60			

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

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Dusit Medical Services (BDMS TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Jul-2020	BUY	28.00	11-May-2021	BUY	28.00	19-Apr-2022	BUY	31.00
24-Nov-2020	BUY	27.00	24-Jun-2021	BUY	29.00	06-Oct-2022	BUY	33.00

Teerapol Udomvej, CFA started covering this stock from 30-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 3.02	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 13.10	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.
Bangkok Dusit Medical Services	BDMS TB	THB 28.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.

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 13-Dec-2022 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.