

BANGKOK AIRWAYS

THAILAND / TRANSPORT & LOGISTICS

BA TB

BUY

UNCHANGED

Flying back into profitable territory

- Expect BA to post a strong 1Q23 core profit of THB0.5b, its first since the Covid pandemic began in 2020.
- 2023 core profit could exceed THB1.0b led by strong passenger yields from a higher load factor and ticket fares.
- Maintain BUY with an SoTP-based TP of THB18/shr.

TARGET PRICE	THB18.00
CLOSE	THB12.10
UP/DOWNSIDE	+48.8%
PRIOR TP	THB18.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+24.9%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	11,305	19,771	24,267	25,537
Net profit	(2,112)	918	1,573	1,705
EPS (THB)	(1.01)	0.44	0.75	0.81
vs Consensus (%)	-	nm	132.9	0.6
EBITDA	115	2,243	2,419	2,502
Core net profit	(1,974)	918	1,573	1,705
Core EPS (THB)	(0.94)	0.44	0.75	0.81
Chg. In EPS est. (%)	nm	-	-	-
EPS growth (%)	nm	nm	71.4	8.4
Core P/E (x)	(12.9)	27.7	16.2	14.9
Dividend yield (%)	-	2.2	3.7	4.0
EV/EBITDA (x)	453.6	20.7	17.6	16.1
Price/book (x)	1.5	1.4	1.4	1.3
Net debt/Equity (%)	158.6	119.5	90.7	75.4
ROE (%)	(13.2)	5.3	8.6	8.9

Expect 1Q23 core profit to rise to 1Q19 level

We expect passenger volume to grow by 15-20% q-q to 1.1m in 1Q23, equal to 65% of the pre-Covid level. Ticket fares should grow by 3% q-q to cTHB3,600, exceeding pre-Covid by 5%. We expect 1Q23 passenger yield to remain above the pre-Covid level at THB5.5/passenger-km (vs THB4.7 in 1Q19) due to a strong load factor of 84% (vs 79% in 4Q22 and 75% in 1Q19). As a result, passenger revenue should grow by 22% q-q in 1Q23 and reach 68% of the pre-Covid level. Airport operations should also improve q-q from the higher Samui passenger volume, which should recover to c80% of the pre-Covid level. Overall, we forecast core profit to turn positive at THB0.5b in 1Q23, relatively in line with 1Q19 core profit.

Expect to post core profit in every quarter in 2023

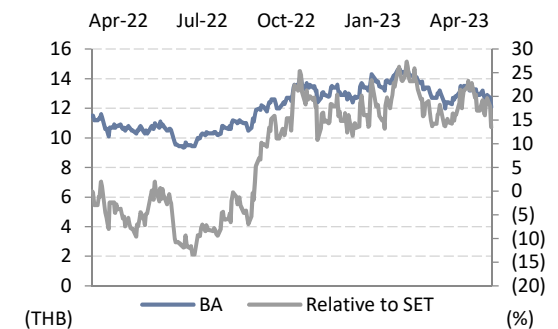
Although BA enters the low season for Samui in 2Q23, we still expect BA to deliver a profit given that 1) passenger volume and ticket fares should be maintained during Songkran in April; and 2) BA will receive a cTHB0.3b dividend from Bangkok Dusit Medical Services (BDMS TB, BUY) in 2Q23. After that, we expect a strong 3Q23 profit premised on Samui's high season and pent-up demand from Chinese tourists during their summer holidays (July and Aug).

The market may revise 2023 earnings estimates higher

If our 1Q23 preview is realised, we should see an upside to our 2023 core profit estimate. We think 1Q23 and 3Q23 should report similar core business (airline and airport-related) profit profiles of THB0.5b per quarter, while core profits in 2Q23 and 4Q23 should be slimmer. With BA set to receive up to THB0.5b in 2023 dividend income from BDMS, we think 2023 core profit could exceed THB1.0b, which is significantly higher than Bloomberg's consensus forecast of a THB0.2b core loss.

Cheaper investment option among Thai tourism stocks

BA is one of our top picks for Thai tourism stocks due to its favourable risk/reward ratio and cheap valuation at 16x 2024E P/E – lower than Asia Aviation (AAV TB, BUY) (20x), Airports of Thailand (AOT TB, BUY) (31x) and the hotel sector's average (31x). A turnaround in 1Q23 earnings should turn the market's attention to BA, and improved earnings visibility could see it return to its peak of THB2.1b in 2016, when its share price traded within a range of THB20.3-27.5.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.5)	(13.6)	5.2
Relative to country (%)	(2.3)	(5.6)	14.4
Mkt cap (USD m)	738		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	38		
Major shareholder	Prasartong-Osoth Puttipong (25%)		
12m high/low (THB)	14.90/9.25		
Issued shares (m)	2,100.00		

Sources: Bloomberg consensus; FSSIA estimates



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The Chairman of The Audit Committee and Independent Director of Finasia Syrus Securities PCL is also BA's Director.

Investment thesis

BA expects to turn its airline business around by focusing more on the higher-yielding Samui route (48% of passenger revenue in 2019). BA also plans to reduce its fleet and cut some expenses, which should support its earnings visibility in the long run.

BA's non-airline business contributes more than half of its gross profit and should be a key driver for the company, especially the airport business based on the U-Tapao Airport project, in which BA holds a 45% stake, and Samui Airport.

Samui Airport is in the process of increasing its flight capacity from 50 to 70 flights/day, and there is the potential for an upgrade to its commercial space. This should improve the airport's long-term profitability.

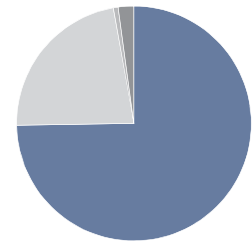
Company profile

BA offers air transportation services. The company operates airports and flights to various resort destinations, including Thailand, CLMV, China and India.

www.bangkokair.com

Principal activities (revenue, 2022)

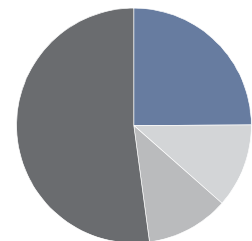
- Air fares - 74.8 %
- Revenue from sales and services - 22.4 %
- Freight - 0.7 %
- Passenger services - 2.2 %



Source: Bangkok Airways

Major shareholders

- Prasarttong-Osoth Puttipong - 24.9 %
- Prasarttong-Osoth Ariya - 11.6 %
- Prasarttong-Osoth Prasert - 11.4 %
- Others - 52.1 %



Source: Bangkok Airways

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) strong pent-up demand from Chinese tourists.

Risks to our call

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.

Event calendar

Date	Event
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Number of aircraft (no.)	27	27	27
Passengers carried (m)	4.4	5.3	5.5
Load factor (%)	76.0	74.0	74.0
Average ticket fare (THB)	3,408	3,544	3,650
Fuel price net hedging (USD/bbl)	125.0	120.0	120.0
THB/USD	35.1	35.1	35.1

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in load factor, we project a 2023 profit increase of 12% and vice versa, all else being equal.
- For every 1% increase in average ticket fare, we project a 2023 profit increase of 8% and vice versa, all else being equal.
- For every 1% increase in Brent spot price, we project a 2023 profit reduction of 2% and vice versa, all else being equal.

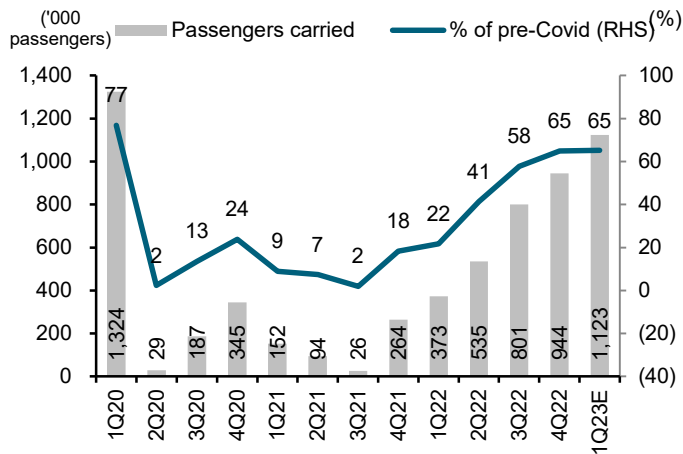
Source: FSSIA estimates

Exhibit 1: 1Q23 results preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	1,478	2,153	3,454	4,221	5,167	22	250	19,771
- Passenger revenue	931	1,566	2,677	3,277	4,071	24	337	15,029
- Other revenue	547	587	776	943	1,096	16	101	4,742
Expense	(2,487)	(2,959)	(3,866)	(4,309)	(4,605)	7	85	(19,682)
- Fuel and oil	(256)	(449)	(819)	(890)	(896)	1	250	(3,926)
- Non-fuel operating expenses	(2,231)	(2,509)	(3,047)	(3,420)	(3,709)	8	66	(15,755)
Operating profit	(1,010)	(806)	(412)	(89)	562	732	156	90
Dividend income	0	207	310	0	0	(21)	0	568
Net other income	183	159	177	391	396	1	116	1,610
Interest income	1	2	0	11	11	0	1,364	44
Interest expense	(285)	(299)	(373)	(533)	(576)	8	102	(1,974)
Pretax profit	(1,111)	(737)	(297)	(219)	393	279	135	338
Income Tax	(56)	1	33	(93)	(79)	(15)	41	(34)
Associates	104	104	123	159	146	(8)	40	628
Minority interest	6	6	3	2	6	296	10	(14)
Core profit	(1,057)	(628)	(138)	(152)	466	407	144	918
Extraordinaries	37	(220)	(255)	302	0			0
- FX	37	(221)	(255)	302	0			0
- Derivative	0	1	0	0	0			0
- Others	0	0	0	0	0			0
Net profit	(1,020)	(848)	(393)	150	466	210	146	918
Shares out (end Q, m)	2,100	2,100	2,100	2,100	2,100	0	0	2,100
Pre-ex EPS	(0.50)	(0.30)	(0.07)	(0.07)	0.22	407	144	0.44
EPS	(0.49)	(0.40)	(0.19)	0.07	0.22	210	146	0.44
Depreciation	(628)	(622)	(607)	(574)	(574)	0	(8)	(2,153)
EBITDA	(382)	(184)	195	486	1,136	134	(398)	2,243
Key Ratios						(ppt)	(ppt)	
Operating profit margin (%)	(68)	(37)	(12)	(2)	11	13	79	0
EBITDA margin (%)	(26)	(9)	6	12	22	10	48	11
Net profit margin (%)	(69)	(39)	(11)	4	9	5	78	5
Operating Stats								
Passengers carried (m)	0.4	0.5	0.8	0.9	1.1			
Load factor (%)	64	79	77	79	84			
RPK (m seats-km)	214	309	507	616	736			
ASK (m seats-km)	337	394	657	776	872			
Average fare (THB)	2,495	2,926	3,342	3,471	3,625			
RASK (THB)	3.5	4.5	4.6	5.0	5.0			
CASK (THB)	5.9	6.1	5.0	4.8	4.5			
CASK ex-fuel (THB)	5.1	5.0	3.8	3.0	0.0			

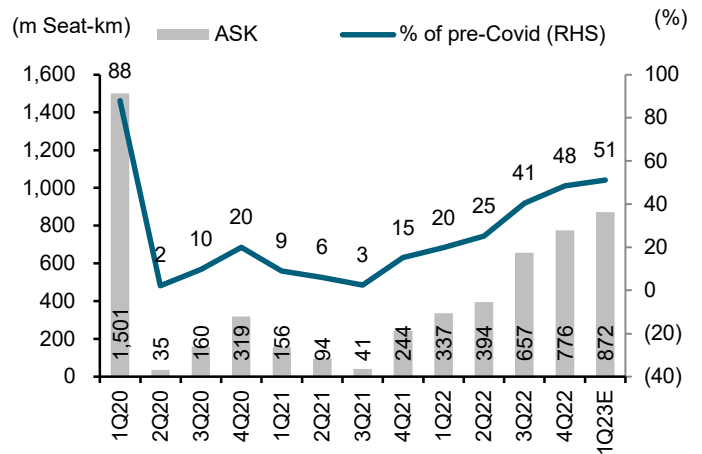
Sources: BA; FSSIA estimates

Exhibit 2: Passengers carried



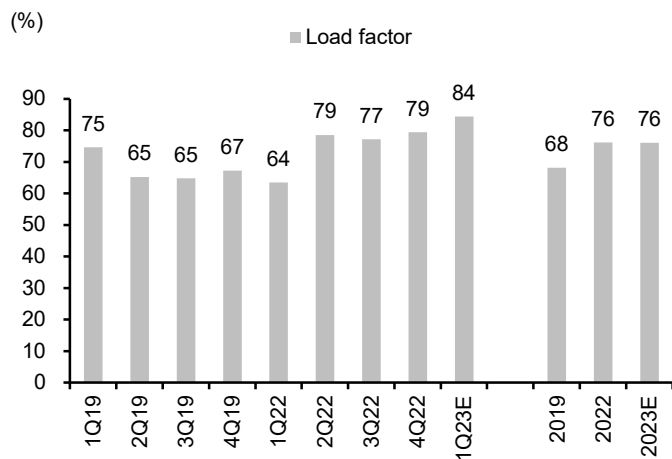
Sources: BA; FSSIA estimates

Exhibit 3: ASK



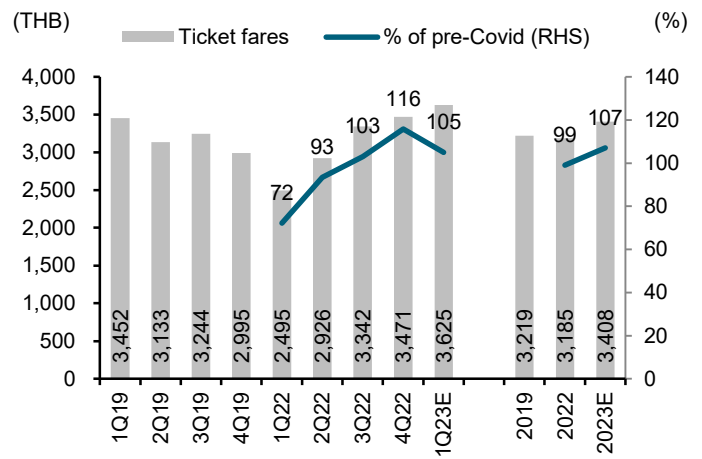
* ASK = available seat kilometres
Sources: BA; FSSIA estimates

Exhibit 4: Load factor



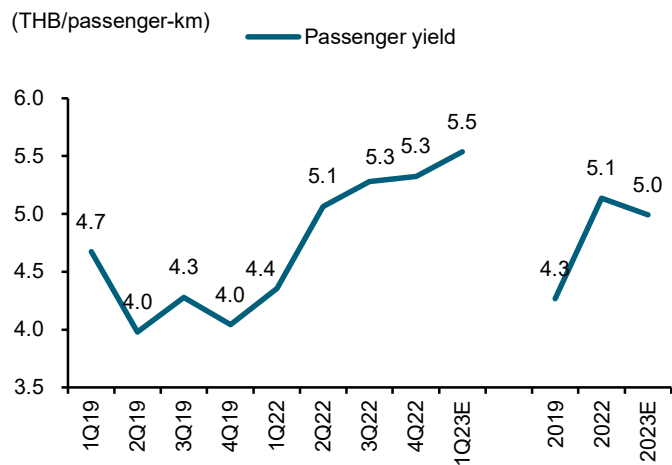
Sources: BA; FSSIA estimates

Exhibit 5: Ticket fares



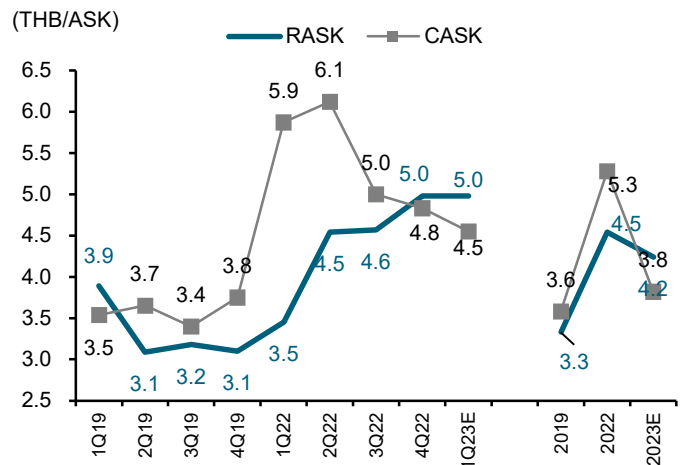
Sources: BA; FSSIA estimates

Exhibit 6: Passenger yield



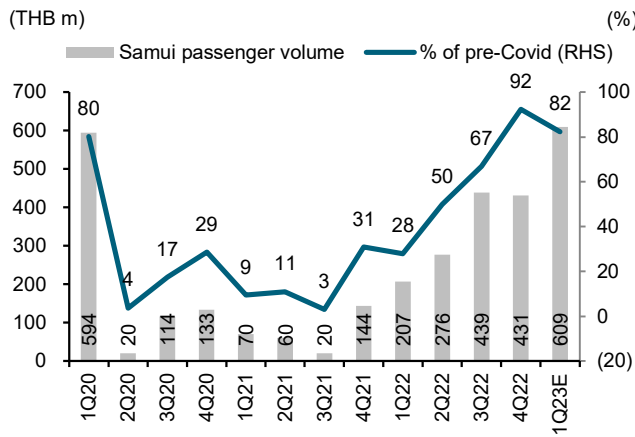
Sources: BA; FSSIA estimates

Exhibit 7: RASK and CASK



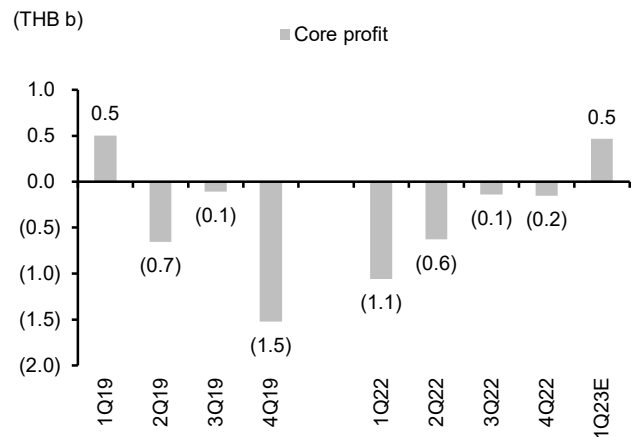
*RASK = revenue per available seat kilometre; CASK = cost per available seat kilometre
Sources: BA; FSSIA estimates

Exhibit 8: Samui passenger volume



Sources: BA; FSSIA estimates

Exhibit 9: Core profit



Sources: BA; FSSIA estimates

Exhibit 10: SoTP valuation

SoTP Base case	(THB b)	(THB/share)	Comments
BDMS	28.5	13.6	Fair price at our TP of THB34.5/shr with 20% holding discount
BAFS	1.9	0.9	Fair price at our TP of THB37.0/shr with 20% holding discount
BAREIT	2.5	1.2	Fair price at consensus TP of THB12.1/shr with 20% holding discount
Airport and airport-related business	17.2	8.2	Net profit (excluding BAREIT lease payment) THB1.3b and pegged at 14x P/E multiple
BAREIT lease liabilities	(13.6)	(6.5)	At end-2023E
Airline business	1.8	0.9	0.6x P/BV multiple of THB3.0b owned aircraft book value as of 2022
Cargo business	3.2	1.5	Share income of THB0.4b and pegged at 8x P/E multiple
Interest bearing debt	(13.1)	(6.2)	At end-2023E
Cash	9.3	4.4	At end-2023E
Total value	37.7	18.0	

Source: FSSIA estimates

Exhibit 11: Peer comparisons, airline sector as of 25 April 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE			PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	25E (x)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand													
Bangkok Airways	BA TB	BUY	12.10	18.00	48.8	738	27.7	16.2	14.9	1.4	1.4	20.7	17.6
Asia Aviation	AAV TB	BUY	2.56	3.70	44.5	905	25.6	20.0	17.9	3.6	3.2	7.5	6.9
Thailand average						1,643	26.6	18.1	16.4	2.5	2.3	14.1	12.2
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	59.27	n/a	n/a	8,379	35.5	18.5	18.5	4.0	3.4	19.1	14.2
Interglobe Aviation	INDIGO IN	n/a	1,992.70	n/a	n/a	9,375	n/a	21.4	21.4	n/a	n/a	14.7	8.0
Cebu Air Inc	CEB PM	n/a	40.20	n/a	n/a	446	10.7	6.6	6.6	n/a	18.8	5.9	3.9
Singapore Airlines	SIA SP	n/a	5.82	n/a	n/a	12,933	8.7	10.9	10.9	1.1	1.1	3.2	3.6
Japan Airlines	9201 JP	n/a	2,585.00	n/a	n/a	8,425	39.6	14.4	14.4	1.4	1.3	6.9	5.2
Ana Holdings	9202 JP	n/a	2,945.00	n/a	n/a	10,634	23.2	16.9	16.9	1.6	1.5	7.7	6.8
Cathay Pacific Airways	293 HK	n/a	7.59	n/a	n/a	6,224	18.5	14.1	14.1	0.9	0.9	6.2	6.5
Spicejet (India)	SJET IN	n/a	30.05	n/a	n/a	221	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vietjet Aviation	VJC VN	n/a	95,900	n/a	n/a	2,213	26.4	17.1	17.1	n/a	n/a	22.6	10.9
Regional average						58,850	n/a	15.0	15.0	1.8	4.5	10.8	7.4
Global													
Eva Airways	2618 TT	n/a	25.65	n/a	n/a	4,477	14.9	34.2	34.2	1.5	1.5	4.1	5.8
Air New Zealand	AIR NZ	n/a	0.77	n/a	n/a	1,587	6.8	8.1	8.1	1.3	1.2	3.1	3.2
Air Arabia	AIRARABIA UH	n/a	2.18	n/a	n/a	2,770	8.0	8.4	8.4	1.5	1.4	4.4	4.4
Easyjet (UK)	EZJ LN	n/a	506.40	n/a	n/a	4,766	14.3	11.1	11.1	1.4	1.3	4.1	3.7
Gol Linhas Aereas Intl. (Brazil)	GOLL4 BS	n/a	6.62	n/a	n/a	550	n/a	3.1	3.1	n/a	n/a	5.6	4.6
JetBlue Airways (US, Latin AM)	JBLU	n/a	6.82	n/a	n/a	2,236	11.6	5.9	5.9	0.7	0.5	4.2	3.3
Norwegian Air Shuttle (Norway)	NWARF US	n/a	0.95	n/a	n/a	891	10.2	6.4	6.4	1.8	1.3	3.2	2.4
Southwest Airlines (US)	LUV US	n/a	32.16	n/a	n/a	19,132	11.9	8.3	8.3	1.8	1.5	4.2	3.2
Global average						36,410	11.1	10.7	10.7	1.4	1.2	4.1	3.8
Overall average						96,903	18.4	13.4	13.2	1.7	2.7	8.2	6.3

Sources: Bloomberg; FSSIA estimates

Financial Statements

Bangkok Airways

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	2,717	11,305	19,771	24,267	25,537
Cost of goods sold	(3,773)	(9,093)	(14,320)	(18,162)	(19,157)
Gross profit	(1,056)	2,212	5,451	6,105	6,381
Other operating income	-	-	-	-	-
Operating costs	(1,551)	(2,097)	(3,208)	(3,686)	(3,879)
Operating EBITDA	(2,607)	115	2,243	2,419	2,502
Depreciation	(2,342)	(2,431)	(2,153)	(2,092)	(2,165)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(4,949)	(2,316)	90	327	337
Net financing costs	(1,258)	(1,475)	(1,931)	(1,793)	(1,655)
Associates	453	489	628	640	652
Recurring non-operating income	2,142	1,916	2,807	3,233	3,284
Non-recurring items	(5,180)	(137)	0	0	0
Profit before tax	(9,246)	(2,013)	966	1,767	1,966
Tax	117	(114)	(34)	(135)	(197)
Profit after tax	(9,129)	(2,127)	932	1,632	1,769
Minority interests	50	16	(14)	(58)	(64)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(9,079)	(2,112)	918	1,573	1,705
Non-recurring items & goodwill (net)	5,180	137	0	0	0
Recurring net profit	(3,899)	(1,974)	918	1,573	1,705
Per share (THB)					
Recurring EPS *	(1.86)	(0.94)	0.44	0.75	0.81
Reported EPS	(4.32)	(1.01)	0.44	0.75	0.81
DPS	0.00	0.00	0.26	0.45	0.49
Diluted shares (used to calculate per share data)	2,100	2,100	2,100	2,100	2,100
Growth					
Revenue (%)	(64.6)	316.1	74.9	22.7	5.2
Operating EBITDA (%)	nm	nm	1,858.8	7.8	3.4
Operating EBIT (%)	nm	nm	nm	264.5	3.0
Recurring EPS (%)	nm	nm	nm	71.4	8.4
Reported EPS (%)	nm	nm	nm	71.4	8.4
Operating performance					
Gross margin inc. depreciation (%)	(125.1)	(1.9)	16.7	16.5	16.5
Gross margin of key business (%)	(125.1)	(1.9)	16.7	16.5	16.5
Operating EBITDA margin (%)	(96.0)	1.0	11.3	10.0	9.8
Operating EBIT margin (%)	(182.2)	(20.5)	0.5	1.3	1.3
Net margin (%)	(143.5)	(17.5)	4.6	6.5	6.7
Effective tax rate (%)	2.6	-4.8	10.0	12.0	15.0
Dividend payout on recurring profit (%)	-	-	60.0	60.0	60.0
Interest cover (X)	(2.2)	(0.3)	1.5	2.0	2.2
Inventory days	44.3	18.1	10.4	8.0	8.7
Debtor days	51.9	25.1	21.9	17.8	16.9
Creditor days	100.9	50.7	45.3	47.9	54.1
Operating ROIC (%)	(32.6)	(19.2)	0.9	6.1	11.5
ROIC (%)	(6.2)	(0.9)	5.5	7.1	7.4
ROE (%)	(23.8)	(13.2)	5.3	8.6	8.9
ROA (%)	(5.5)	(0.8)	4.2	5.1	5.1
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Air fares	1,191	8,451	15,029	18,830	19,965
Revenue from sales and services	1,477	2,534	4,114	4,664	4,772
Freight	6	76	150	201	214
Passenger services	43	244	478	572	587

Sources: Bangkok Airways; FSSIA estimates

Financial Statements

Bangkok Airways

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(3,899)	(1,974)	918	1,573	1,705
Depreciation	2,342	2,431	2,153	2,092	2,165
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,921)	1,005	14	58	64
Change in working capital	(1,232)	1,573	3,347	2,154	546
Cash flow from operations	(7,709)	3,035	6,433	5,877	4,480
Capex - maintenance	(722)	(184)	(989)	(1,213)	(1,277)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	114	(9,209)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(608)	(9,393)	(989)	(1,213)	(1,277)
Dividends paid	0	0	0	(551)	(944)
Equity finance	0	(101)	0	0	0
Debt finance	6,094	5,804	(2,759)	(4,238)	(3,201)
Other financing cash flows	2,168	5,177	0	0	0
Cash flow from financing	8,262	10,880	(2,759)	(4,789)	(4,145)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(55)	4,521	2,685	(125)	(942)
Free cash flow to firm (FCFF)	(7,052.04)	(4,869.16)	7,418.73	6,518.33	4,918.56
Free cash flow to equity (FCFE)	(55.35)	4,622.05	2,685.04	425.72	1.54

Per share (THB)

FCFF per share	(3.36)	(2.32)	3.53	3.10	2.34
FCFE per share	(0.03)	2.20	1.28	0.20	0.00
Recurring cash flow per share	(3.08)	0.70	1.47	1.77	1.87

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	27,064	24,954	25,943	27,156	28,433
Less: Accumulated depreciation	(10,424)	(10,561)	(12,715)	(14,806)	(16,971)
Tangible fixed assets (net)	16,640	14,393	13,228	12,350	11,462
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	28,191	37,401	37,401	37,401	37,401
Cash & equivalents	2,126	6,647	9,332	9,207	8,265
A/C receivable	373	1,185	1,185	1,185	1,185
Inventories	438	465	349	443	467
Other current assets	169	312	545	669	704
Current assets	3,106	8,608	11,411	11,504	10,621
Other assets	1,002	1,844	1,844	1,844	1,844
Total assets	48,939	62,246	63,884	63,098	61,327
Common equity	13,198	16,818	17,736	18,759	19,519
Minorities etc.	(36)	(55)	(40)	18	82
Total shareholders' equity	13,162	16,764	17,696	18,777	19,602
Long term debt	26,515	32,468	29,709	25,471	22,270
Other long-term liabilities	5,305	6,651	6,651	6,651	6,651
Long-term liabilities	31,820	39,120	36,360	32,122	28,921
A/C payable	967	1,558	1,999	2,766	2,917
Short term debt	917	768	768	768	768
Other current liabilities	2,073	4,037	7,060	8,665	9,119
Current liabilities	3,957	6,362	9,827	12,199	12,804
Total liabilities and shareholders' equity	48,939	62,246	63,884	63,098	61,327
Net working capital	(2,060)	(3,633)	(6,980)	(9,134)	(9,680)
Invested capital	43,773	50,004	45,492	42,460	41,026

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

Per share (THB)

Book value per share	6.28	8.01	8.45	8.93	9.29
Tangible book value per share	6.28	8.01	8.45	8.93	9.29

Financial strength

Net debt/equity (%)	192.3	158.6	119.5	90.7	75.4
Net debt/total assets (%)	51.7	42.7	33.1	27.0	24.1
Current ratio (x)	0.8	1.4	1.2	0.9	0.8
CF interest cover (x)	1.0	4.1	2.4	1.2	1.0

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(6.5)	(12.9)	27.7	16.2	14.9
Recurring P/E @ target price (x) *	(9.7)	(19.1)	41.2	24.0	22.2
Reported P/E (x)	(2.8)	(12.0)	27.7	16.2	14.9
Dividend yield (%)	-	-	2.2	3.7	4.0
Price/book (x)	1.9	1.5	1.4	1.4	1.3
Price/tangible book (x)	1.9	1.5	1.4	1.4	1.3
EV/EBITDA (x) **	(19.4)	453.6	20.7	17.6	16.1
EV/EBITDA @ target price (x) **	(24.2)	561.8	26.3	22.7	21.0
EV/invested capital (x)	1.2	1.0	1.0	1.0	1.0

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

Sources: Bangkok Airways; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The CG Score indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the Thai IOD website in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The five underlying categories and weighting used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The Checklist contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A CAC certified member is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member start with by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the CAC Council for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the THSI list, the SET further developed a sustainability SETTHSI Index in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association (Thai IOD) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association (TIA) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption (CAC) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – Wikipedia – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

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.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

Bangkok Airways (BA TB)



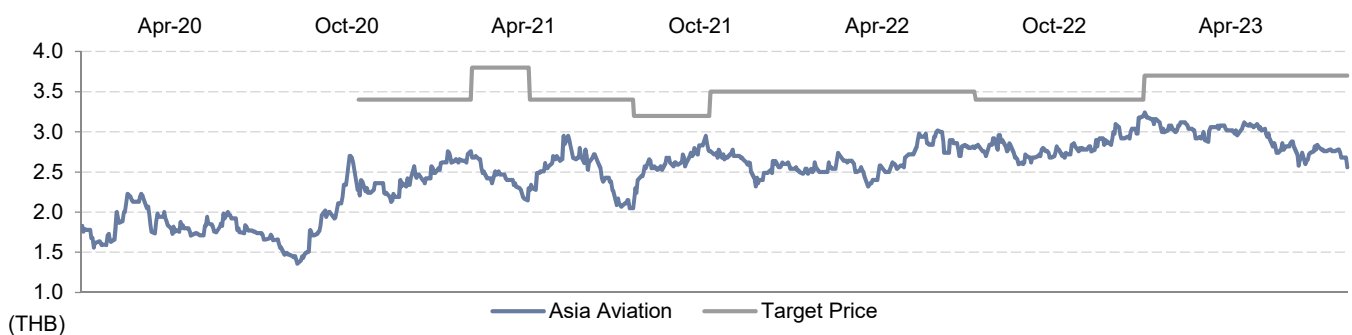
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	01-Sep-2022	BUY	15.00	25-Jan-2023	BUY	18.00
25-Jun-2021	BUY	16.00	20-Oct-2022	BUY	15.60			

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

Price and TP are in local currency

Source: FSSIA estimates

Asia Aviation (AAV TB)



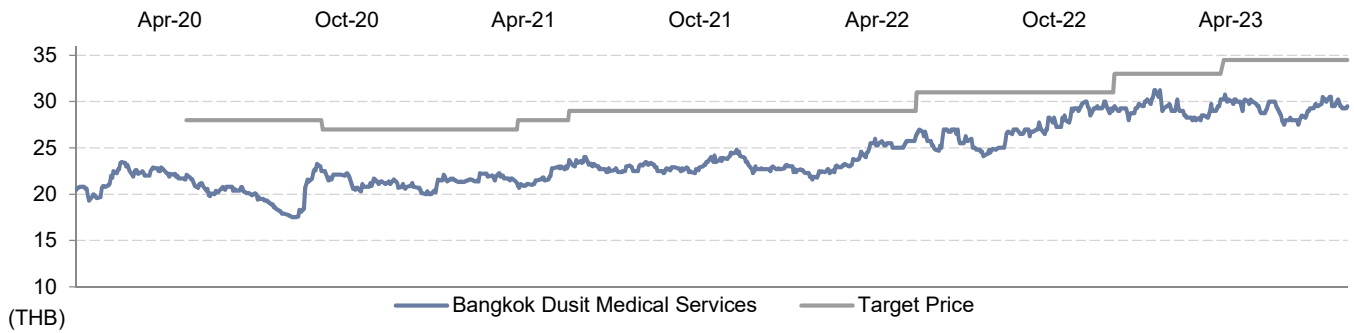
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Dec-2020	BUY	3.40	16-Aug-2021	BUY	3.20	31-Oct-2022	BUY	3.70
29-Mar-2021	BUY	3.80	21-Oct-2021	BUY	3.50			
18-May-2021	BUY	3.40	07-Jun-2022	BUY	3.40			

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

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Dusit Medical Services (BDMS TB)



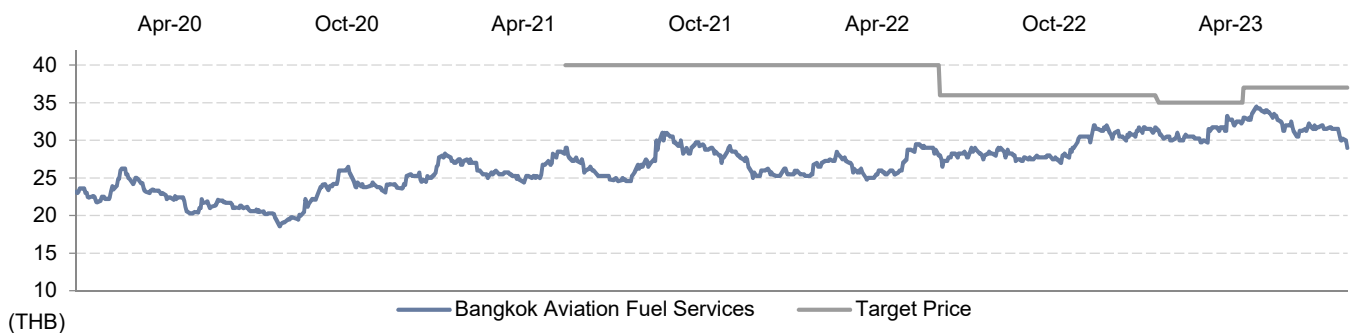
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Jul-2020	BUY	28.00	24-Jun-2021	BUY	29.00	08-Jan-2023	BUY	34.50
24-Nov-2020	BUY	27.00	19-Apr-2022	BUY	31.00			
11-May-2021	BUY	28.00	06-Oct-2022	BUY	33.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Aviation Fuel Services (BAFS TB)



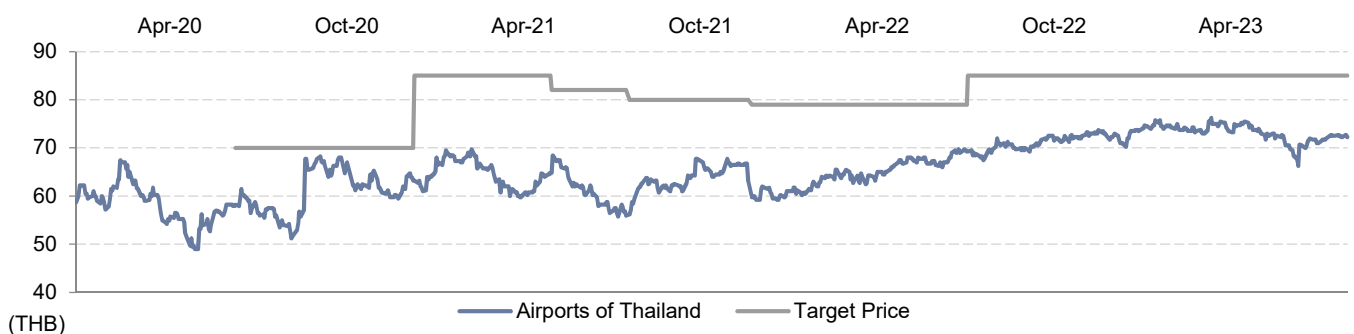
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Jun-2021	BUY	40.00	11-Nov-2022	BUY	35.00	-	-	-
09-May-2022	BUY	36.00	25-Jan-2023	BUY	37.00			

Siriluck Pinthusoonthorn started covering this stock from 11-Nov-2022

Price and TP are in local currency

Source: FSSIA estimates

Airports of Thailand (AOT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Sep-2020	BUY	70.00	09-Jun-2021	BUY	82.00	26-Nov-2021	BUY	79.00
11-Feb-2021	BUY	85.00	13-Aug-2021	BUY	80.00	02-Jun-2022	BUY	85.00

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
Bangkok Airways	BA TB	THB 12.10	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.
Asia Aviation	AAV TB	THB 2.56	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 Dusit Medical Services	BDMS TB	THB 29.50	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 prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bangkok Aviation Fuel Services	BAFS TB	THB 29.00	BUY	Downside risks to our SoTP-based target price include a slower-than-expected vaccination rate, leading to a slower tourism recovery, and uncertainty in fuel volume demand in the north which could lead to volatility in income of Fuel Pipeline Transportation Limited (FPT).
Airports of Thailand	AOT TB	THB 72.25	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 25-Apr-2023 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.