

ASIA AVIATION AAV TB

THAILAND / TRANSPORT & LOGISTICS

BUY

UNCHANGED

Full throttle from Chinese tourists

- คาดว่า AAV จะรายงานกำไรปกติที่ 0.3 พัน ลบ. ใน 1Q23 พลิกเป็นกำไรได้เป็นครั้งแรกนับตั้งแต่โควิดเริ่มระบาด
- คาดกำไรจะอยู่ในเกณฑ์ดีตลอดปีนี้จากการฟื้นตัวของนักท่องเที่ยวจีนที่อยู่ในแนวโน้มขาขึ้น
- คงแนะนำซื้อโดยมีระดับการประเมินมูลค่าที่ 1.4x ของค่า 2023E adjusted P/BV

TARGET PRICE	THB3.70
CLOSE	THB2.60
UP/DOWNSIDE	+42.3%
PRIOR TP	THB3.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+12.4%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,012	43,139	47,490	48,664
Net profit	(8,030)	1,284	1,644	1,836
EPS (THB)	(0.66)	0.10	0.13	0.14
vs Consensus (%)	-	122.2	(16.7)	(42.1)
EBITDA	(1,278)	9,376	9,792	10,062
Core net profit	(6,946)	1,284	1,644	1,836
Core EPS (THB)	(0.57)	0.10	0.13	0.14
Chg. In EPS est. (%)	nm	-	-	-
EPS growth (%)	nm	nm	28.0	11.7
Core P/E (x)	(4.6)	26.0	20.3	18.2
Dividend yield (%)	-	1.5	2.0	2.2
EV/EBITDA (x)	(58.4)	7.6	7.0	6.6
Price/book (x)	4.0	3.6	3.2	2.9
Net debt/Equity (%)	540.0	406.1	336.3	283.0
ROE (%)	(49.3)	14.9	16.8	16.8

Load factor ทำสถิติสูงสุดใหม่ใน 1Q23

ใน 1Q23 ปริมาณผู้โดยสารโต 13% q-q เป็น 4.6 ล้านคิดเป็น 78% ของระดับก่อนโควิด (เทียบกับ 75% ใน 4Q22) จำนวนที่นั่ง (Seat capacity) ฟื้นตัวเป็น 76% ของระดับก่อนโควิด (89% ในประเทศและ 59% ระหว่างประเทศ) พร้อม Load factor ที่ทำสถิติสูงสุดใหม่ที่ 92% (เทียบกับ 90% ใน 4Q22 และ 1Q19) เราคาดว่าค่าบัตรโดยสารเฉลี่ยจะค่อนข้างทรงตัว q-q ที่ประมาณ 1,600 บาท สูงกว่าระดับก่อนโควิดอยู่ 4% ในภาพรวมเราคาดว่ารายได้จะโต 11% q-q ค่าเชื้อเพลิงน่าจะลดลงเล็กน้อยที่ 2% q-q จากราคาเชื้อเพลิงอากาศยานที่ลดลง ในขณะที่ค่าใช้จ่ายที่ไม่เกี่ยวข้องกับเชื้อเพลิงน่าจะเพิ่ม 7% q-q ทั้งหมดน่าจะทำให้ AAV รายงานกำไรปกติที่ 0.3 พัน ลบ. นับเป็นกำไรปกติรายไตรมาสครั้งแรกตั้งแต่ 1Q19

แนวโน้มผลประกอบการ 2Q23 อยู่ในเกณฑ์ดีจากนักท่องเที่ยวจีน

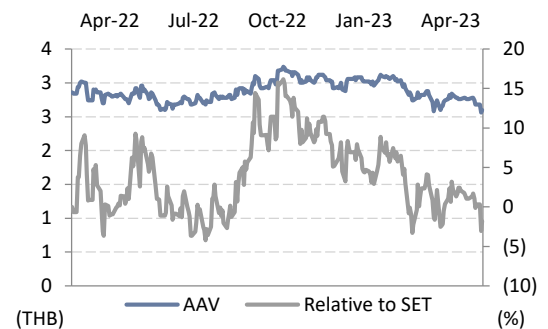
เราคาดว่ากำไรของ AAV จะมีแนวโน้มที่ดีต่อเนื่องใน 2Q23 AAV ได้เพิ่มจำนวนเที่ยวบิน (Flight capacity) ในเส้นทางประเทศจีนจาก 40 เที่ยวบิน/อาทิตย์ในช่วงตารางบินฤดูหนาวเป็น 67 เที่ยวบินในช่วงเริ่มต้นของตารางบินฤดูร้อน (ประมาณสิ้นเดือน มี.ค. 23) และคาดว่าจะเพิ่มเป็น 100 เที่ยวบินภายในสิ้นปี 2Q23 จนแตะ 110 เที่ยวบินในช่วง 2H23 (เทียบกับ 140 เที่ยวบินในปี 2019) เส้นทางประเทศจีนมีความต้องการสูงโดยมี Load factor มากกว่า 90% ในเดือน มี.ค. 23 AAV คาดจำนวนที่นั่งในเที่ยวบินนานาชาติจะปรับขึ้นเป็น 70% ของระดับก่อนโควิดใน 2Q23 (เทียบกับ 59% ใน 1Q23) ซึ่งน่าจะช่วยกระตุ้นปริมาณผู้โดยสารและค่าบัตรโดยสารตั้งแต่ 2Q23 เป็นต้นไป

ภาระด้านต้นทุนจากเครื่องบินที่ไม่ได้ใช้งานจะแปลงเป็นกำไรในปี

เราคาดว่าปัจจัยพื้นฐานของ AAV จะดีขึ้นอย่างมีนัยสำคัญในปีนี้ บริษัทฯ มีส่วนแบ่งตลาดในประเทศแตะ 37% ใน 1Q23 (เทียบกับ 33% ในปี 2019) จากฝูงบินที่ใหญ่กว่าเมื่อเทียบกับคู่แข่ง นอกจากนี้ AAV ยังวางแผนใช้เครื่องบินประมาณ 10 เครื่องที่ไม่ได้ใช้งานในปี 2022 เพื่อให้บริการในเส้นทางประเทศจีนในปีนี้ ซึ่งหมายความว่าบริษัทฯ จะสามารถแปลงภาระในด้านต้นทุนเป็นกำไรได้ในปี

ราคาหุ้นที่อ่อนตัวเป็นโอกาสในการซื้อ

เราคงประมาณการกำไรและราคาเป้าหมายที่ 3.7 บาท ราคาหุ้นของ AAV ได้ปรับตัวลดลงถึง 17% ในช่วง 3 เดือนที่ผ่านมาตรงกันข้ามกับปัจจัยพื้นฐานที่ดีขึ้น เพราะฉะนั้นเราจึงมองราคาหุ้นที่ปรับตัวลงดังกล่าวเป็นโอกาสในการซื้อเพื่อจับกระแสนักท่องเที่ยวจีนไหลเข้าในปี



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.1)	(16.7)	(12.8)
Relative to country (%)	(2.1)	(9.3)	(6.1)
Mkt cap (USD m)	925		
3m avg. daily turnover (USD m)	4.1		
Free float (%)	59		
Major shareholder	AirAsia Aviation Limited (43%)		
12m high/low (THB)	3.30/2.54		
Issued shares (m)	12,164.29		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 27 เมษายน 2023

Investment thesis

We believe AAV is on track for a recovery and expect its passenger volume to recover in 2023. AAV should continue to gain more market share in the domestic market following a faster capacity ramp-up than its peers. Meanwhile, AAV should be able to capture the strong pent-up demand from Chinese tourists after China's borders reopen.

We also expect that its cost structure from 2022 onward will be able to support its operational turnaround, especially its staff costs. AAV has reduced its headcount over the past two years along with aircraft lease payments, as it has negotiated with lessors to restructure lease contracts.

AAV started to collect fuel surcharges for both domestic and international routes in 2022. This should drive ticket fares to exceed the pre-Covid level and offset rising fuel prices.

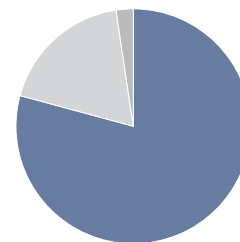
Company profile

AAV owns 100% of Thai AirAsia (TAA, not listed), which is the leading low-cost carrier in Thailand. TAA serves travellers throughout Asia, the Middle East and Europe.

www.aavplc.com

Principal activities (revenue, 2022)

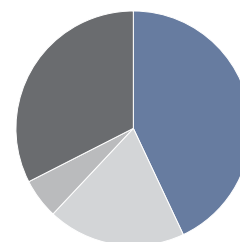
- Ticket sales - 79.2 %
- Ancillaries - 18.4 %
- Other revenue - 2.4 %



Source: Asia Aviation

Major shareholders

- AirAsia Aviation Limited - 43.0 %
- Mr. Tassapon Bijleveld - 19.0 %
- Thai NVDR - 5.5 %
- Others - 32.5 %



Source: Asia Aviation

Catalysts

Key potential growth drivers include: 1) a higher number of passengers carried following a global tourism recovery; 2) lower jet fuel prices; and 3) strong pent-up demand from Chinese tourists.

Risks to our call

Downside risks to our P/BV multiple target price include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.

Event calendar

Date	Event
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Number of aircraft (no.)	54	54	54
Pax carried (m)	20	22	22
Load factor (%)	87	87	87
Average ticket fare (THB)	1,721	1,755	1,773
Ancillaries per pax (THB/pax)	370	377	389
Fuel price net hedging (USD/bbl)	128	123	123

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in load factor, we project a 2023 profit increase of 17% and vice versa, all else being equal.
- For every 1% increase in average ticket fare, we project a 2023 profit increase of 12% and vice versa, all else being equal
- For every 1% increase in Brent spot price, we project a 2023 profit reduction of 5% and vice versa, all else being equal.

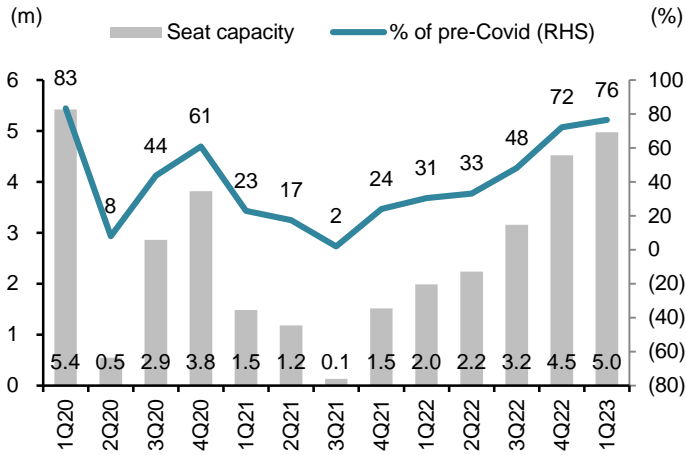
Source: FSSIA estimates

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	1,881	2,747	4,878	8,507	9,414	11	401	43,139
- Passenger revenue	1,478	2,213	3,868	6,709	7,403	10	401	34,448
- Other revenue	403	534	1,010	1,798	2,012	12	399	8,691
Expense	(4,716)	(5,396)	(7,018)	(8,275)	(8,549)	3	81	(39,390)
- Fuel and oil	(860)	(1,557)	(2,490)	(3,369)	(3,295)	(2)	283	(17,871)
- Non-fuel operating expenses	(3,856)	(3,839)	(4,528)	(4,905)	(5,254)	7	36	(21,520)
Operating profit	(2,835)	(2,649)	(2,140)	232	866	273	(131)	3,749
Interest income	6	8	7	8	8	0	23	4
Interest expense	(559)	(552)	(625)	(484)	(504)	4	(10)	(2,147)
Pretax profit	(3,387)	(3,193)	(2,758)	(244)	370	252	111	1,606
Income Tax	722	841	1,578	(690)	(74)	(89)	(110)	(321)
Core profit (TAA)	(2,665)	(2,352)	(1,180)	(934)	296	(132)	(111)	1,284
Core profit (AAV)	(2,473)	(2,352)	(1,180)	(934)	296	132	112	1,284
Extraordinaries	110	(2,372)	(2,870)	4,048	0			0
- FX gain (loss)	210	(2,399)	(2,885)	3,712	0			0
- Derivative gain (loss)	(59)	27	15	(81)	0			0
- Others	(41)	0	0	417	0			0
Reported net profit (TAA)	(2,555)	(4,724)	(4,050)	3,114	296	90	112	1,284
Minority interest	184	0	0	0	0			0
Reported net profit (AAV)	(2,371)	(4,724)	(4,050)	3,114	296	90	112	1,284
Shares out (end Q, m)	9,879	9,879	9,879	9,879	9,879	0	0	12,850
Core EPS	(0.25)	(0.24)	(0.12)	(0.09)	0.03	(132)	(112)	0.10
EPS	(0.24)	(0.48)	(0.41)	0.32	0.03	(90)	(112)	0.10
Depreciation	(1,576)	(1,603)	(1,541)	(1,395)	(1,395)	0	(11)	(5,628)
EBITDA	(1,259)	(1,046)	(599)	1,627	2,261	39	(280)	9,376
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Operating profit margin	(151)	(96)	(44)	3	9	6	160	9
EBITDA margin	(67)	(38)	(12)	19	24	5	91	22
Net profit margin	(126)	(172)	(83)	37	3	(33)	129	3
Operating stats								
Passengers carried (m)	1.5	1.7	2.8	4.1	4.6			
Load factor (%)	73	75	87	90	92			
RPK (m seats-km)	1,012	1,363	2,478	3,774	4,417			
ASK (m seats-km)	1,387	1,811	2,863	4,246	4,895			
Average fare (THB)	1,018	1,317	1,404	1,652	1,616			
RASK (THB)	1.3	1.5	1.7	2.0	1.9			
CASK (THB)	3.7	3.2	2.6	2.0	0.0			
CASK ex-fuel (THB)	3.1	2.3	1.8	1.2	0.0			
Fuel cost per ASK (THB)	0.6	0.9	0.9	0.8	0.0			

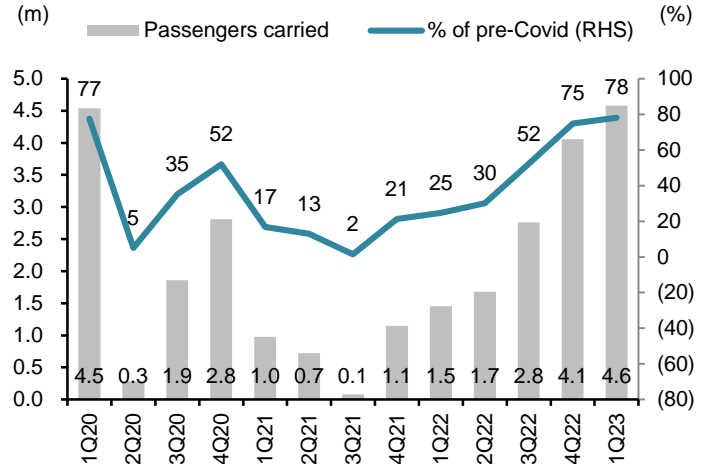
Source: AAV

Exhibit 2: Seat capacity



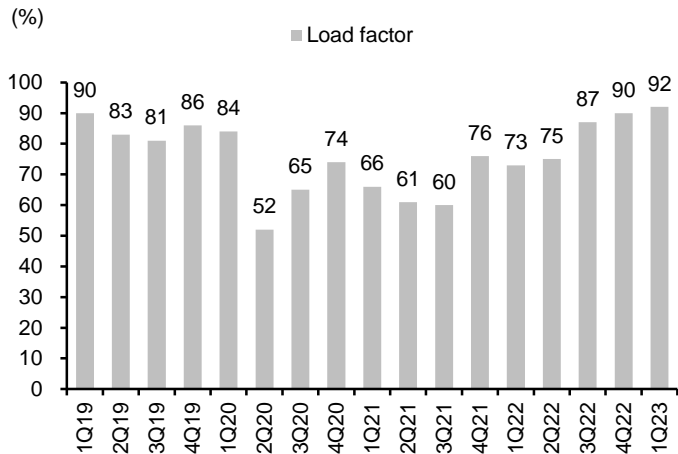
Source: AAV

Exhibit 3: Passengers carried



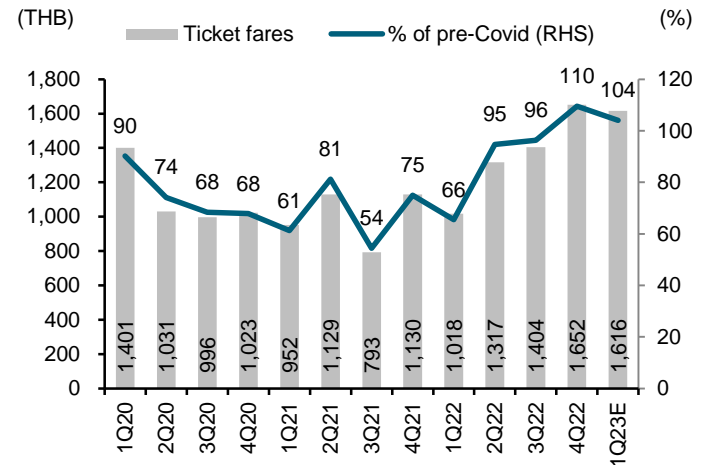
Source: AAV

Exhibit 4: Load factor



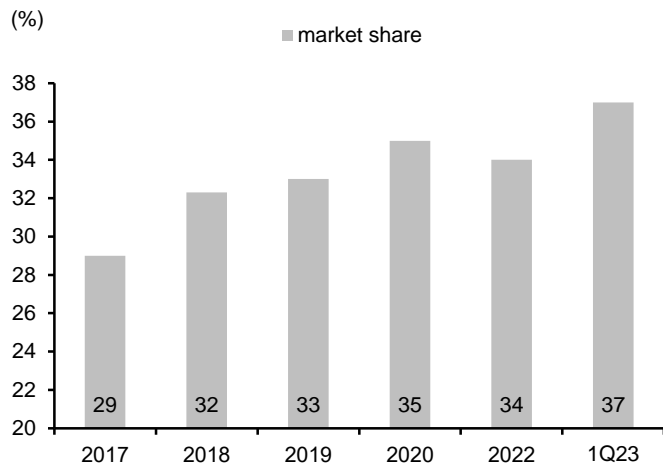
Source: AAV

Exhibit 5: Average ticket fare



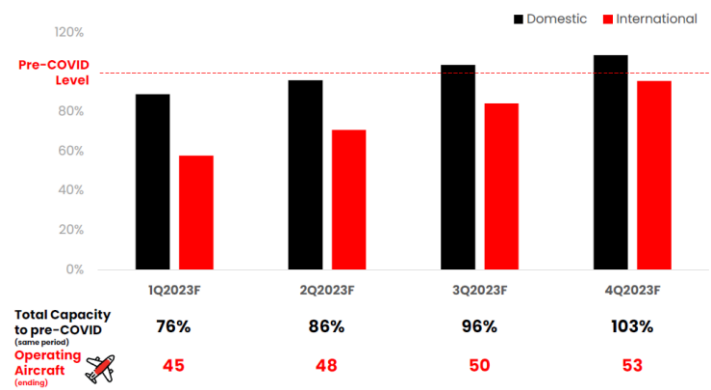
Source: AAV

Exhibit 6: TAA's domestic market share

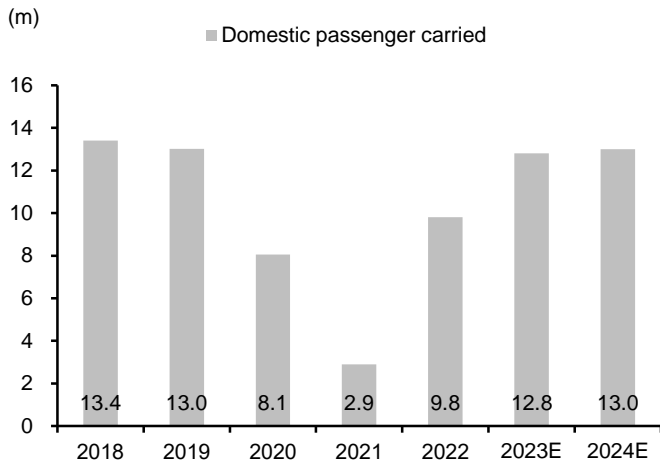


Source: AAV

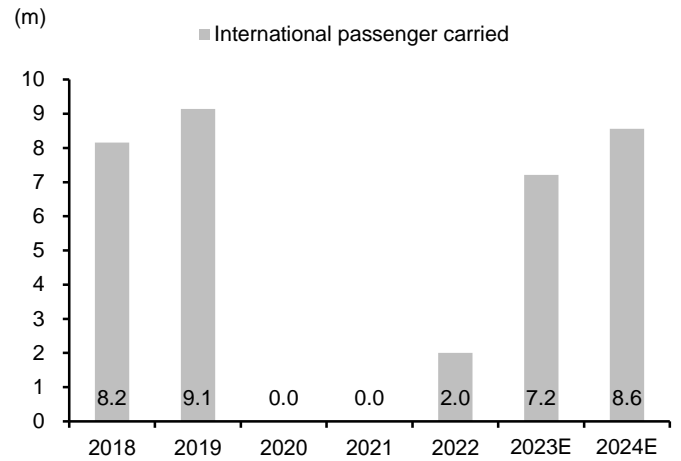
Exhibit 7: Capacity deployment plan



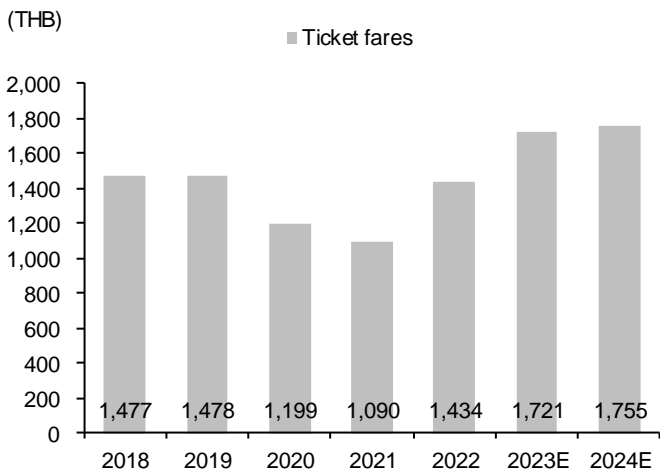
Source: AAV

Exhibit 8: Domestic passengers carried

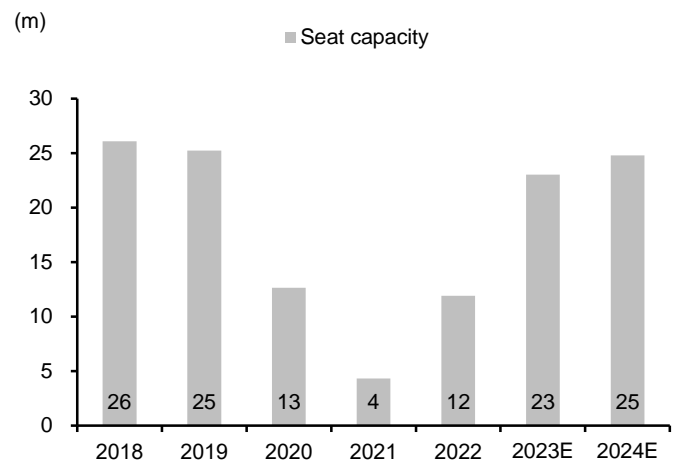
Sources: AAV; FSSIA estimates

Exhibit 9: International passengers carried

Sources: AAV; FSSIA estimates

Exhibit 10: Average ticket fare, annually

Sources: AAV; FSSIA estimates

Exhibit 11: Seat capacity, annually

Sources: AAV; FSSIA estimates

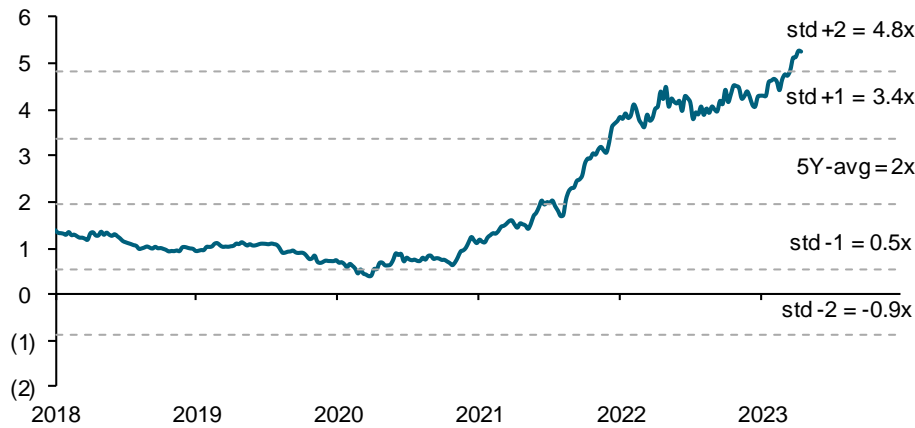
Exhibit 12: P/BV valuation table

Valuation estimate	(THB b)	(THB/share)	Comments
Book value	9.2	0.7	At end-2023E
One-off loss	24.9	1.9	Core loss over 2020-22
Adjusted book value	34.2	2.7	Adding back a one-off core loss
Target price		3.7	Pegged at 1.4x P/BV

Source: FSSIA estimate

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

AAV PBV (x)



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons, airline sector as of 26 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	12.80	18.00	40.6	786	29.3	17.1	15.8	1.5	1.4	21.4	18.2
Asia Aviation	AAV TB	BUY	2.60	3.70	42.3	925	26.0	20.3	18.2	3.6	3.2	7.6	7.0
Thailand average						1,711	27.7	18.7	17.0	2.6	2.3	14.5	12.6
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	60.76	n/a	n/a	8,589	36.4	19.0	19.0	4.1	3.4	19.5	14.5
Interglobe Aviation	INDIGO IN	n/a	2,017.55	n/a	n/a	9,562	n/a	21.8	21.8	n/a	n/a	14.8	8.1
Cebu Air Inc	CEB PM	n/a	39.25	n/a	n/a	435	10.4	6.5	6.5	n/a	18.3	5.9	3.9
Singapore Airlines	SIA SP	n/a	5.81	n/a	n/a	12,947	8.7	10.9	10.9	1.1	1.1	3.2	3.6
Japan Airlines	9201 JP	n/a	2,551.00	n/a	n/a	8,330	39.1	14.2	14.2	1.4	1.3	6.8	5.2
Ana Holdings	9202 JP	n/a	2,885.00	n/a	n/a	10,437	22.8	16.6	16.6	1.6	1.5	7.2	6.3
Cathay Pacific Airways	293 HK	n/a	7.60	n/a	n/a	6,232	18.5	14.2	14.2	0.9	0.9	6.2	6.5
Spicejet (India)	SJET IN	n/a	31.20	n/a	n/a	231	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vietjet Aviation	VJC VN	n/a	95,100	n/a	n/a	2,194	26.2	17.0	17.0	n/a	n/a	22.5	10.9
Regional average						58,957	n/a	15.0	15.0	1.8	4.4	10.8	7.4
Global													
Eva Airways	2618 TT	n/a	26.35	n/a	n/a	4,601	15.3	35.1	35.1	1.4	1.5	4.1	5.9
Air New Zealand	AIR NZ	n/a	0.77	n/a	n/a	1,596	6.9	8.2	8.2	1.3	1.2	3.1	3.3
Air Arabia	AIRARABIA UH	n/a	2.14	n/a	n/a	2,745	7.9	8.3	8.3	1.5	1.4	4.4	4.4
Easyjet (UK)	EZJ LN	n/a	488.50	n/a	n/a	4,708	13.6	10.7	10.7	1.4	1.2	4.0	3.6
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	6.00	n/a	n/a	498	n/a	3.2	3.2	n/a	n/a	5.4	4.7
JetBlue Airways (US, Latin AM)	JBLU	n/a	6.88	n/a	n/a	2,256	10.5	6.0	6.0	0.7	0.5	3.9	3.0
Norwegian Air Shuttle (Norway)	NWARF US	n/a	0.93	n/a	n/a	878	10.0	6.2	6.2	1.8	1.3	3.1	2.4
Southwest Airlines (US)	LUV US	n/a	30.90	n/a	n/a	18,383	11.4	8.0	8.0	1.7	1.4	4.0	3.1
Global average						35,665	10.8	10.7	10.7	1.4	1.2	4.0	3.8
Overall average						96,333	18.3	13.5	13.3	1.7	2.6	8.2	6.4

Sources: Bloomberg; FSSIA estimates

Financial Statements

Asia Aviation

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,117	18,012	43,139	47,490	48,664
Cost of goods sold	(6,035)	(17,579)	(31,088)	(34,659)	(35,488)
Gross profit	(1,918)	433	12,051	12,831	13,176
Other operating income	-	-	-	-	-
Operating costs	(1,236)	(1,711)	(2,675)	(3,039)	(3,114)
Operating EBITDA	(3,153)	(1,278)	9,376	9,792	10,062
Depreciation	(5,434)	(6,114)	(5,628)	(5,628)	(5,628)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(8,587)	(7,392)	3,749	4,164	4,434
Net financing costs	(1,848)	(2,190)	(2,143)	(2,109)	(2,139)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(1,795)	(1,084)	0	0	0
Profit before tax	(12,231)	(10,666)	1,606	2,055	2,295
Tax	1,741	2,452	(321)	(411)	(459)
Profit after tax	(10,490)	(8,214)	1,284	1,644	1,836
Minority interests	5,310	184	0	0	0
Preferred dividends	-	-	-	-	-
Other items	(1,468)	-	-	-	-
Reported net profit	(6,647)	(8,030)	1,284	1,644	1,836
Non-recurring items & goodwill (net)	1,795	1,084	0	0	0
Recurring net profit	(4,853)	(6,946)	1,284	1,644	1,836
Per share (THB)					
Recurring EPS *	(0.49)	(0.57)	0.10	0.13	0.14
Reported EPS	(0.67)	(0.66)	0.10	0.13	0.14
DPS	0.00	0.00	0.04	0.05	0.06
Diluted shares (used to calculate per share data)	9,879	12,164	12,850	12,850	12,850
Growth					
Revenue (%)	(71.3)	337.5	139.5	10.1	2.5
Operating EBITDA (%)	nm	nm	nm	4.4	2.8
Operating EBIT (%)	nm	nm	nm	11.1	6.5
Recurring EPS (%)	nm	nm	nm	28.0	11.7
Reported EPS (%)	nm	nm	nm	28.0	11.7
Operating performance					
Gross margin inc. depreciation (%)	(178.6)	(31.5)	14.9	15.2	15.5
Gross margin of key business (%)	(178.6)	(31.5)	14.9	15.2	15.5
Operating EBITDA margin (%)	(76.6)	(7.1)	21.7	20.6	20.7
Operating EBIT margin (%)	(208.6)	(41.0)	8.7	8.8	9.1
Net margin (%)	(117.9)	(38.6)	3.0	3.5	3.8
Effective tax rate (%)	16.7	25.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(4.6)	(3.4)	1.7	2.0	2.1
Inventory days	14.2	6.6	3.8	2.8	2.9
Debtor days	122.3	25.4	7.2	6.6	6.4
Creditor days	87.4	34.3	16.3	14.7	15.3
Operating ROIC (%)	(21.3)	(18.9)	13.1	16.6	18.9
ROIC (%)	(12.3)	(10.1)	6.1	7.1	7.8
ROE (%)	(28.2)	(49.3)	14.9	16.8	16.8
ROA (%)	(12.4)	(8.1)	4.6	5.0	5.1
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Ticket sales	3,174	14,268	34,448	37,857	38,626
Ancillaries	651	3,319	7,406	8,139	8,468
Other revenue	292	426	1,285	1,494	1,569

Sources: Asia Aviation; FSSIA estimates

Financial Statements

Asia Aviation

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(4,853)	(6,946)	1,284	1,644	1,836
Depreciation	5,434	6,114	5,628	5,628	5,628
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,538)	(9,528)	0	0	0
Change in working capital	(1,117)	2,058	2,890	789	304
Cash flow from operations	(5,074)	(8,302)	9,802	8,061	7,767
Capex - maintenance	(3,885)	(31)	(4,359)	(4,903)	(4,914)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(3,885)	(31)	(4,359)	(4,903)	(4,914)
Dividends paid	0	0	0	(514)	(658)
Equity finance	8,800	4,000	1,200	0	0
Debt finance	6,481	(1,384)	(1,500)	1,000	1,000
Other financing cash flows	(2,073)	1,155	(1,200)	0	0
Cash flow from financing	13,208	3,771	(1,500)	486	342
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	4,249	(4,562)	3,943	3,644	3,195
Free cash flow to firm (FCFF)	(7,059.54)	(6,113.25)	7,590.35	5,293.05	5,037.95
Free cash flow to equity (FCFE)	(4,550.79)	(8,561.78)	2,742.86	4,158.04	3,853.01

Per share (THB)

FCFF per share	(0.58)	(0.50)	0.62	0.44	0.41
FCFE per share	(0.37)	(0.70)	0.23	0.34	0.32
Recurring cash flow per share	(0.40)	(0.85)	0.54	0.57	0.58

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	43,298	36,791	37,723	39,198	40,684
Less: Accumulated depreciation	(4,234)	(4,010)	(6,210)	(8,410)	(10,610)
Tangible fixed assets (net)	39,064	32,781	31,512	30,787	30,074
Intangible fixed assets (net)	23,688	23,684	23,684	23,684	23,684
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	5,360	798	4,741	8,385	11,580
A/C receivable	1,658	854	854	854	854
Inventories	230	401	250	279	285
Other current assets	425	3,184	662	729	747
Current assets	7,673	5,236	6,506	10,246	13,466
Other assets	784	2,984	2,984	2,984	2,984
Total assets	71,208	64,686	64,687	67,702	70,208
Common equity	20,201	7,954	9,239	10,369	11,547
Minorities etc.	(3,372)	0	0	0	0
Total shareholders' equity	16,829	7,954	9,239	10,369	11,547
Long term debt	44,310	42,262	40,762	41,762	42,762
Other long-term liabilities	1,182	734	734	734	734
Long-term liabilities	45,492	42,997	41,497	42,497	43,497
A/C payable	1,841	1,464	1,319	1,471	1,506
Short term debt	829	1,493	1,493	1,493	1,493
Other current liabilities	6,216	10,778	11,139	11,873	12,166
Current liabilities	8,887	13,734	13,951	14,836	15,165
Total liabilities and shareholders' equity	71,208	64,686	64,687	67,702	70,208
Net working capital	(5,744)	(7,803)	(10,693)	(11,482)	(11,786)
Invested capital	57,791	51,646	47,488	45,974	44,956

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

Per share (THB)

Book value per share	2.04	0.65	0.72	0.81	0.90
Tangible book value per share	(0.35)	(1.29)	(1.12)	(1.04)	(0.94)

Financial strength

Net debt/equity (%)	236.4	540.0	406.1	336.3	283.0
Net debt/total assets (%)	55.9	66.4	58.0	51.5	46.5
Current ratio (x)	0.9	0.4	0.5	0.7	0.9
CF interest cover (x)	(1.5)	(2.9)	2.3	3.0	2.8

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(5.3)	(4.6)	26.0	20.3	18.2
Recurring P/E @ target price (x) *	(7.5)	(6.5)	37.0	28.9	25.9
Reported P/E (x)	(3.9)	(3.9)	26.0	20.3	18.2
Dividend yield (%)	-	-	1.5	2.0	2.2
Price/book (x)	1.3	4.0	3.6	3.2	2.9
Price/tangible book (x)	(7.4)	(2.0)	(2.3)	(2.5)	(2.8)
EV/EBITDA (x) **	(19.7)	(58.4)	7.6	7.0	6.6
EV/EBITDA @ target price (x) **	(23.1)	(68.8)	9.1	8.4	8.0
EV/invested capital (x)	1.1	1.4	1.5	1.5	1.5

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

Sources: Asia Aviation; 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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

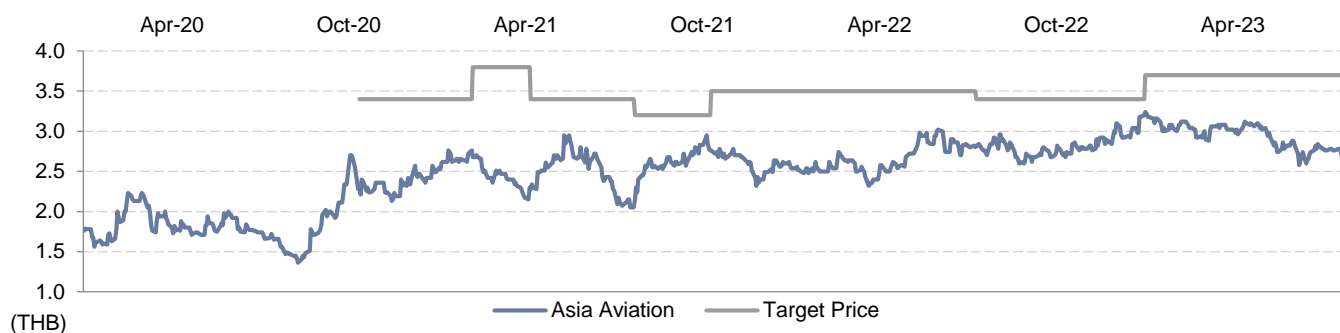
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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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-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

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 2.60	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 12.80	BUY	Downside risks to our SoTP-based TP include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 26-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.