

# BANGKOK AIRWAYS

## THAILAND / TRANSPORT & LOGISTICS

# BA TB

# BUY

UNCHANGED

TARGET PRICE	THB20.00
CLOSE	THB13.80
UP/DOWNSIDE	+44.9%
PRIOR TP	THB18.00
CHANGE IN TP	+11.1%
TP vs CONSENSUS	+35.6%

## Profit soaring above pre-Covid level

- BA reported a surprising 7-year record high core profit of THB0.8b in 1Q23 (vs THB0.5b in 1Q19).
- Core profit has not peaked yet; room for improvement in Samui's international passengers, which should boost ticket fares and PSC.
- Maintain BUY with a higher SoTP-based TP of THB20.0/shr.

### 2Q23 operations still promising, despite low season

BA is one of the few tourism stocks that successfully reported a 1Q23 core profit exceeding 1Q19's, despite Thailand's tourist arrivals recovering to just 60% of the pre-Covid level. The key drivers were a strong load factor that hit a record high of 87% and ticket fares that exceeded pre-Covid by 8%. At the analyst meeting, management guided that both load factor and ticket fares are still promising compared to pre-Covid in 2Q23, even though it is the lowest season of the year.

### Ticket fares should remain high for several years

Despite the strong 1Q23, the market remains doubtful whether strong pent-up demand will end and load factor and ticket fares could normalise soon. We, on the contrary, believe that BA's earnings momentum should continue for at least two years. Firstly, the average ticket fares of OECD countries have exceeded the pre-Covid level by c25%, and are still lower than jet fuel prices which have remained at c40-50% above pre-Covid levels. Second, the international passenger volume of Samui Airport only recovered to 50% of pre-Covid in 1Q23. This suggests more room to improve in terms of both ticket fares and passenger service charges (BA collects THB700 for international passengers vs THB300 for domestic). BA plans to resume servicing routes from Samui to Hong Kong, Chengdu and Chongqing in July 2023. Lastly, jet fuel prices have trended downward from an average of USD106 to USD89 per barrel currently.

### Revise up core profit to reflect higher load factor and ticket fares

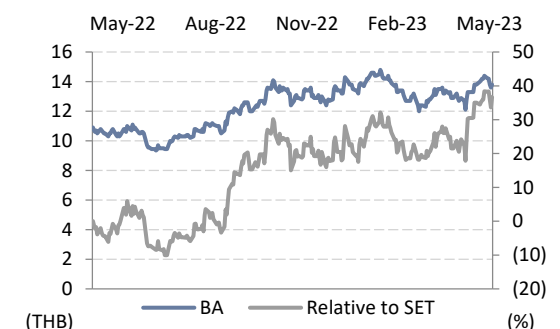
We revise up 2023E core profit by 49% to THB1.4b to reflect management's latest guidance of a higher load factor at 76-77% (from 73%) and average ticket fare of THB3,500 (from THB3,400). We maintain our passenger volume estimate of 4.4m, accounting for 75% of pre-Covid. Upside to our forecast is stronger-than-expected pent-up demand from Chinese tourists, which accounted for c10-15% of revenue in 2019.

### Cheap valuation with re-rating potential

We raise our SoTP-based TP to THB20.0/shr (from THB18/shr) to reflect the better outlook of the airline business. BA trades at a cheap valuation of 17x 2024E P/E. We believe the stock has the potential to re-rate based on the high-valuation components of BDMS and Samui Airport, while the airline business should not further drag the earnings.

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	11,305	20,056	24,436	25,717
Net profit	(2,112)	1,367	1,690	1,863
EPS (THB)	(1.01)	0.65	0.80	0.89
vs Consensus (%)	-	563.3	92.3	3.7
EBITDA	115	2,663	2,653	2,748
Core net profit	(1,974)	1,367	1,690	1,863
Core EPS (THB)	(0.94)	0.65	0.80	0.89
Chg. In EPS est. (%)	nm	48.9	7.4	9.3
EPS growth (%)	nm	nm	23.6	10.3
Core P/E (x)	(14.7)	21.2	17.1	15.6
Dividend yield (%)	-	2.8	3.5	3.9
EV/EBITDA (x)	484.8	18.7	17.3	15.9
Price/book (x)	1.7	1.6	1.5	1.5
Net debt/Equity (%)	158.6	114.3	88.3	72.5
ROE (%)	(13.2)	7.8	9.1	9.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	8.7	(0.7)	27.8
Relative to country (%)	13.4	8.2	35.5
Mkt cap (USD m)	843		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	41		
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



Teerapol Udomvej, CFA

teerapol.udo@fssia.com

+66 2611 3535

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.

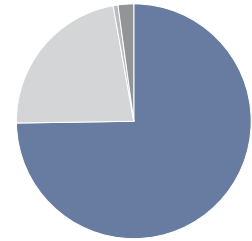
## Company profile

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

[www.bangkokair.com](http://www.bangkokair.com)

## Principal activities (revenue, 2022)

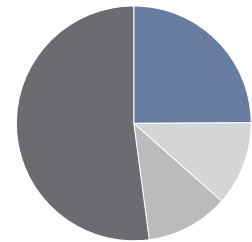
- Air fares - 74.8 %
- Revenue from sales and services - 22.4 %
- Freight - 0.7 %
- Passenger services - 2.2 %



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
Aug 2023	2Q23 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 (%)	77.0	74.0	74.0
Average ticket fare (THB)	3,471	3,576	3,683
Fuel price net hedging (USD/bbl)	125.0	125.0	125.0
THB/USD	34.5	34.5	34.5

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.

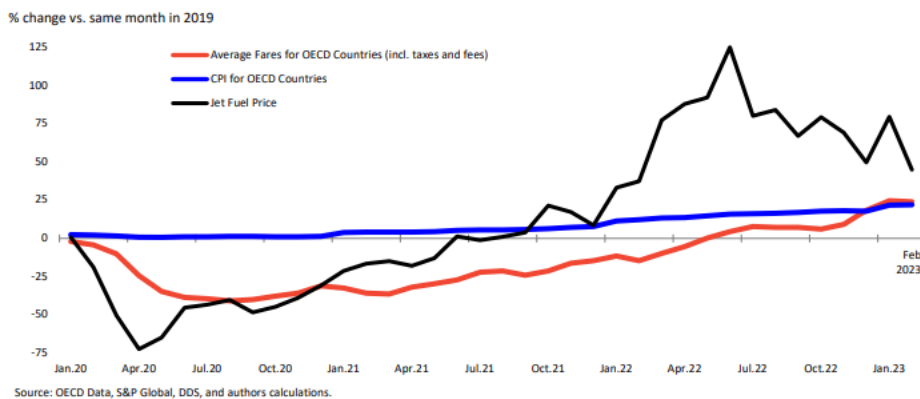
Source: FSSIA estimates

## High ticket fare trend should continue

BA's average ticket fare rose to c8% of the pre-Covid level in 1Q23, and management also guided for an average ticket fare of THB3,500 in 2023 (vs THB3,219 in 2019), implying 9% above pre-Covid.

The market still has doubts over whether or not the ticket fare trend will sustain. We believe Thailand's airline industry should follow a similar trend to the global airline industry. According to the International Air Transport Association (IATA), the average fares of OECD countries have increased by c25%, relatively in line with consumer price inflation (CPI). Normally, ticket fares should follow the jet fuel prices. However, ticket fares have increased at a lower rate than jet fuel prices, which are higher than pre-Covid by 40-50%. Thus, we conclude that BA's target of ticket fares staying above 9% of the pre-Covid level is achievable, based on Thailand's CPI which has increased by c8% from pre-Covid.

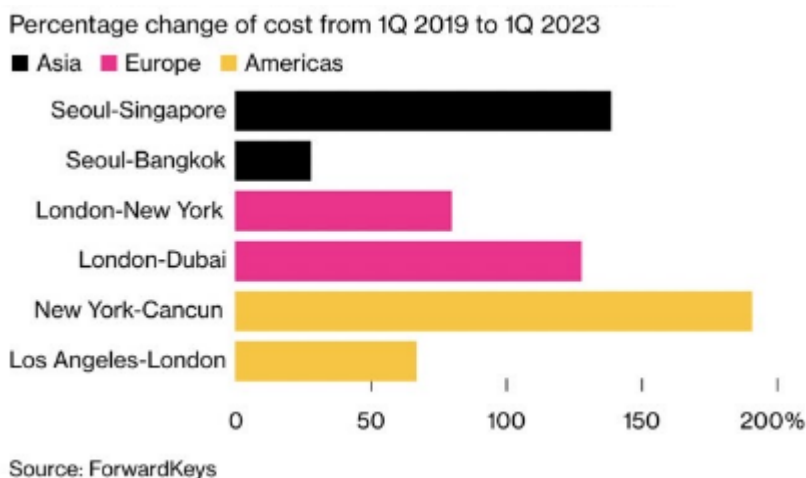
### Exhibit 1: Airfare recovery



Source: IATA

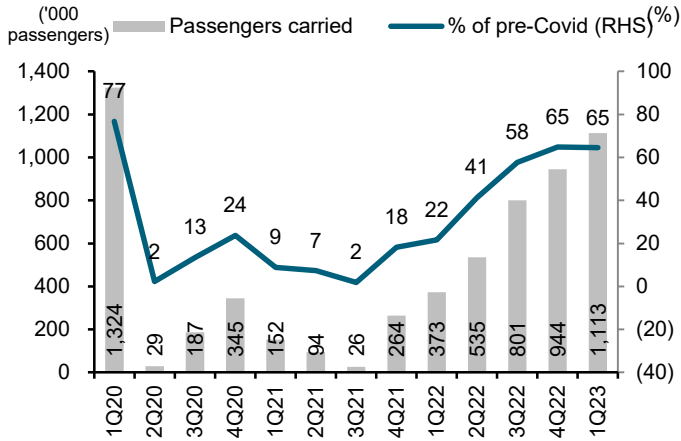
In addition, according to [Bloomberg](#), Michael O'Leary, CEO of Ryanair Holdings Plc, commented that ticket prices should remain elevated for several years. First, there is a shortage of aviation staff, making it difficult for airlines to attract and retain staff. Additional costs are leading to higher ticket fares. Second, crude prices are elevated at c40-50% higher than pre-Covid levels. Most airlines have not hedged fuel costs. Third, the rising prices of aircraft spare parts and labour shortages are limiting aircraft manufacturers' ability to increase production and capacity. As a result, we expect to see a similar pattern in Thailand's aviation industry, which is at the beginning of a recovery.

### Exhibit 2: Skyrocketing ticket fares from the Covid pandemic



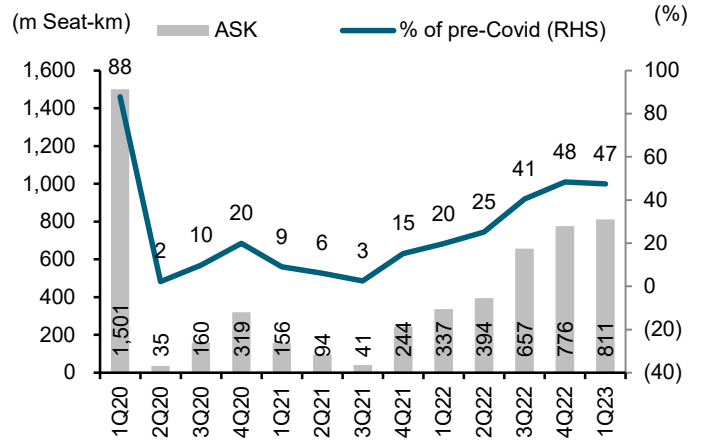
Sources: Bloomberg; ForwardKeys

**Exhibit 3: Passengers carried**



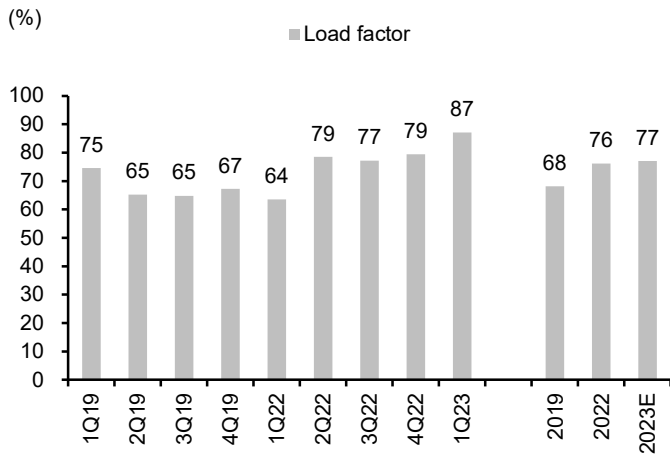
Sources: BA; FSSIA estimates

**Exhibit 4: ASK**



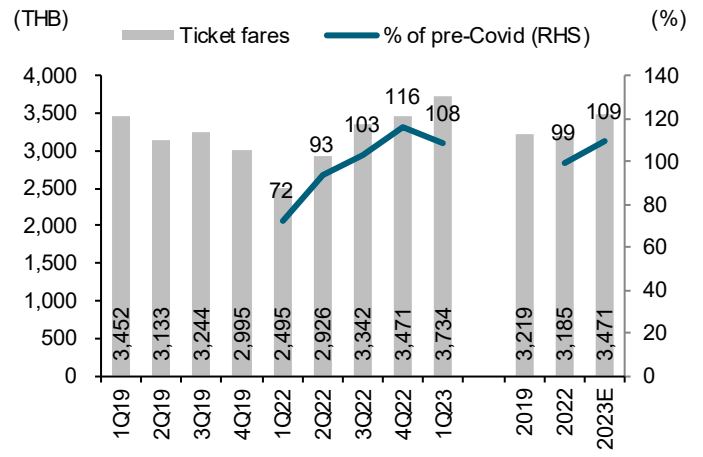
\* ASK = available seat kilometres  
Sources: BA; FSSIA estimates

**Exhibit 5: Load factor**



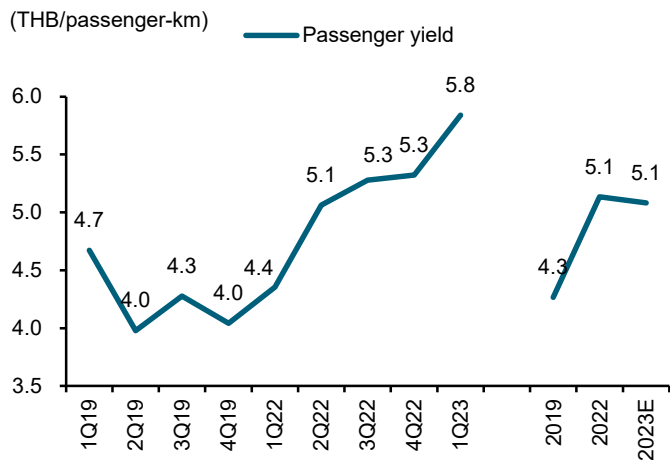
Sources: BA; FSSIA estimates

**Exhibit 6: Ticket fares**



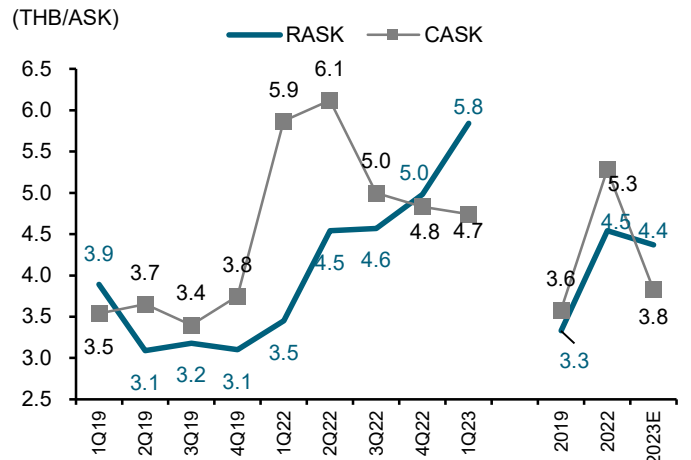
Sources: BA; FSSIA estimates

**Exhibit 7: Passenger yield**



Sources: BA; FSSIA estimates

**Exhibit 8: RASK and CASK**



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

## Key takeaways from 1Q23 analyst meeting

- Management maintained the passenger volume target of 4.4m in 2023 (70-80% of pre-Covid level) and revised up the load factor target to 76-77% (from 73%) and ticket fares to THB3,500 (from THB3,400). This suggests a better margin and profitability.
- Management guided that, despite BA entering the low season and revenue likely dropping q-q in 2Q23, load factor and ticket fares are still promising compared to the pre-Covid levels, and they expect good operational performance in 2Q23.
- BA has reduced its aircraft fleet from 35 to 30 as of 1Q23, and expects to reduce it to 24-28 by the end of this year. The remaining fleet is sufficient to serve the Samui route with up to 45 flights/day, and it has the capacity to serve more than 5m passengers per year (vs 5.9m in 2019). If there is strong demand, BA can ramp up its fleet by leasing within 6-9 months.
- The U-Tapao project is likely to be delayed pending the formation of the new government and the condition precedent of the project.
- BA plans to resume servicing routes from Samui to Hong Kong, Chengdu and Chongqing in July 2023. This should improve both passenger service charges (PSC) and ticket fares given that Samui's international passenger volume only recovered to c50% of the pre-Covid level in 1Q23

### Exhibit 9: Aircraft fleet plan

Aircraft type	2022 (no.)	1Q23 (no.)	2023E (no.)	Remarks
Airbus A320	8	5	3-5	Operating lease
Airbus A319	13	13	11-13	Operating lease
ATR 72-500	1	1	-	Ownership
ATR 72-600	13	11	10	Finance lease / Commercial loan
<b>Total</b>	<b>35</b>	<b>30</b>	<b>24-28</b>	

Source: BA

## Recap: 1Q23 results review

BA booked a core profit of THB0.8b in 1Q23, a record high since 1Q16. It beat our estimate by 78% mainly due to a higher-than-expected load factor and ticket fares and lower-than-expected non-fuel expenses. Including an FX gain of THB44m, BA booked a 1Q23 net profit of THB0.9b

Passenger revenue jumped by 25% q-q in 1Q23 due to a higher number of passengers carried, which accounted for 65% of the pre-Covid level. Available seat kilometres (ASK) also recovered to 47% of pre-Covid. Passenger yield hit THB5.8/passenger-km, exceeding pre-Covid by 23% thanks to a record high of load factor of 87% in 1Q23 (vs 75% in 1Q19). The average ticket fare increased by 8% q-q to THB3,734, exceeding the pre-Covid level by 8%. Revenue from the airport and airport-related business grew by 27% q-q and accounted for 81% of the pre-Covid level.

Expenses increased by 4% q-q in 1Q23 from non-fuel expenses (+7% q-q), while fuel expenses decreased by 8% q-q following lower jet fuel spot prices. The EBITDA margin hit a 7-year record high of 25% (vs 10% in 1Q19). Share income decreased by 23% q-q due to a loss on the change in fair value of BA Airport Leasehold Real Estate Investment Trust (BAREIT).

### Exhibit 10: 1Q23 results review

	1Q22	2Q22	3Q22	4Q22	1Q23	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	5,273	25	257	20,056
- Passenger revenue	931	1,566	2,677	3,277	4,123	26	343	15,311
- Other revenue	547	587	776	943	1,151	22	111	4,745
Expense	(2,487)	(2,959)	(3,866)	(4,309)	(4,468)	4	80	(19,420)
- Fuel and oil	(256)	(449)	(819)	(890)	(816)	(8)	219	(3,813)
- Non-fuel operating expenses	(2,231)	(2,509)	(3,047)	(3,420)	(3,652)	7	64	(15,607)
<b>Operating profit</b>	<b>(1,010)</b>	<b>(806)</b>	<b>(412)</b>	<b>(89)</b>	<b>805</b>	<b>1,006</b>	<b>180</b>	<b>636</b>
Dividend income	0	207	310	0	0	18	50	517
Net other income	183	159	177	391	426	9	133	1,625
Interest income	1	2	0	11	12	12	1,533	44
Interest expense	(285)	(299)	(373)	(533)	(543)	2	90	(1,974)
<b>Pretax profit</b>	<b>(1,111)</b>	<b>(737)</b>	<b>(297)</b>	<b>(219)</b>	<b>701</b>	<b>420</b>	<b>163</b>	<b>847</b>
Income Tax	(56)	1	33	(93)	13	(114)	(123)	(59)
Associates	104	104	123	159	122	(23)	18	594
Minority interest	6	6	3	2	(4)	(383)	(179)	(14)
<b>Core profit</b>	<b>(1,057)</b>	<b>(628)</b>	<b>(138)</b>	<b>(152)</b>	<b>831</b>	<b>648</b>	<b>179</b>	<b>1,367</b>
Extraordinaries	37	(220)	(255)	302	44			0
- FX	37	(221)	(255)	302	44			0
- Derivative	0	1	0	0	0			0
- Others	0	0	0	0	0			0
<b>Net profit</b>	<b>(1,020)</b>	<b>(848)</b>	<b>(393)</b>	<b>150</b>	<b>875</b>	<b>483</b>	<b>186</b>	<b>1,367</b>
Shares out (end Q, m)	2,100	2,100	2,100	2,100	2,100	0	0	2,100
<b>Pre-ex EPS</b>	<b>(0.50)</b>	<b>(0.30)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>0.40</b>	<b>648</b>	<b>179</b>	<b>0.65</b>
<b>EPS</b>	<b>(0.49)</b>	<b>(0.40)</b>	<b>(0.19)</b>	<b>0.07</b>	<b>0.42</b>	<b>483</b>	<b>186</b>	<b>0.65</b>
Depreciation	(628)	(622)	(607)	(574)	(494)	(14)	(21)	(2,027)
EBITDA	(382)	(184)	195	486	1,299	167	(440)	2,663
<b>Key Ratios</b>								
Operating profit margin (%)	(68)	(37)	(12)	(2)	15	17	84	3
EBITDA margin (%)	(26)	(9)	6	12	25	13	50	13
Net profit margin (%)	(69)	(39)	(11)	4	17	13	86	7
<b>Operating Stats</b>								
Passengers carried (m)	0.4	0.5	0.8	0.9	1.1			
Load factor (%)	64	79	77	79	87			
RPK (m seats-km)	214	309	507	616	706			
ASK (m seats-km)	337	394	657	776	811			
Average fare (THB)	2,495	2,926	3,342	3,471	3,734			
RASK (THB)	3.5	4.5	4.6	5.0	5.8			
CASK (THB)	5.9	6.1	5.0	4.8	4.7			
CASK ex-fuel (THB)	5.1	5.0	3.8	3.0	3.7			

Sources: BA; FSSIA estimates

## Valuation and TP revisions

We revise up our core profit estimates by 7-49% in 2023-25 to reflect the better outlook of the airline business. We expect BA to deliver a core profit of THB1.4b in 2023, consisting of a THB0.3b profit from the airline business, a THB0.1b profit for its airport and airport-related businesses, THB0.5b in share income from its cargo business, and THB0.5b in dividend income from Bangkok Dusit Medical Services (BDMS TB, BUY).

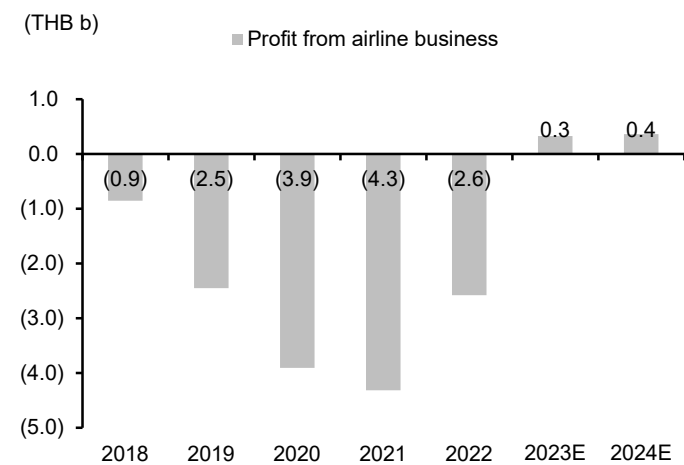
As a result, we revise up our SoTP-based TP to THB20/shr (from THB18/shr), based on 1) the airport and airport-related business pegged at 15x 2024E P/E; 2) the valuations of BDMS and Bangkok Aviation Fuel Services (BAFS TB, BUY) based on our TPs of THB34.5/shr and THB37/shr, respectively, with a 20% holding discount applied; 3) the airline business pegged at 10x 2024 P/E; 4) the cargo business pegged at 8x P/E; and 5) deduct the net interest bearing debt and BAREIT lease liabilities.

### Exhibit 11: Forecast revisions

	Current			Previous			Change (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Passengers carried (m)	4.4	5.3	5.5	4.4	5.3	5.5	0.0	0.0	0.0
Load factor (%)	77	74	74	76	74	74	1.0	0.0	0.0
Average ticket fare (THB)	3,471	3,576	3,683	3,408	3,544	3,650	1.9	0.9	0.9
Fuel price net hedging (USD/bbl)	125	125	125	125	125	125	0.0	0.0	0.0
Revenue (THB m)	20,056	24,436	25,717	19,771	24,267	25,537	1.4	0.7	0.7
EBITDA (THB m)	2,663	2,653	2,748	2,243	2,419	2,502	18.7	9.7	9.9
Core net profit (THB m)	1,367	1,690	1,863	918	1,573	1,705	48.9	7.4	9.3

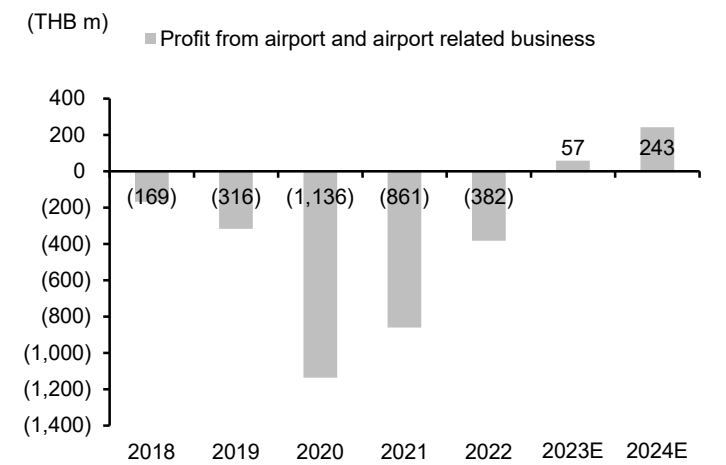
Note: Change of items in percentage terms are represented in ppt change  
Sources: BA; FSSIA estimates

### Exhibit 12: Profit from airline business



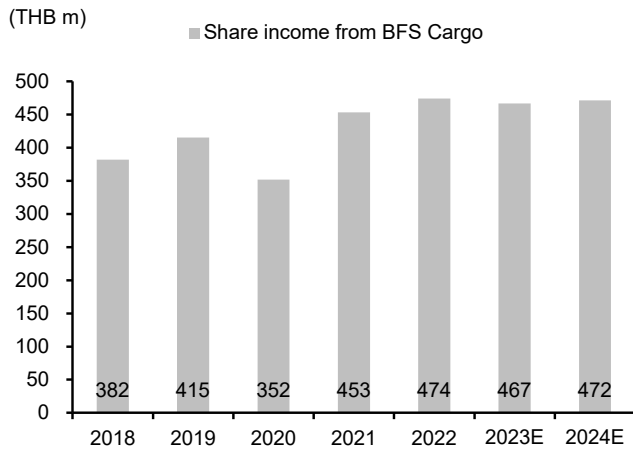
Note: SG&A, interest and tax estimated by FSSIA  
Source: FSSIA estimates

### Exhibit 13: Profit from airport & airport-related business



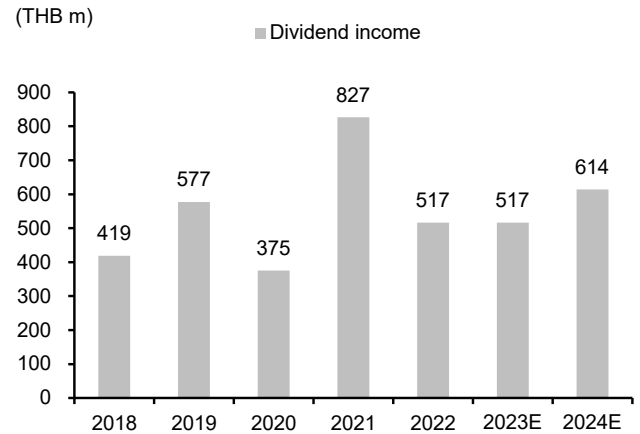
Note: 1) Includes leasehold payment for BAREIT and loss from U-Tapao project; 2) SG&A, interest and tax estimated by FSSIA  
Source: FSSIA estimates

## Exhibit 14: Share income from cargo business



Sources: BA; FSSIA estimates

## Exhibit 15: Dividend income



Sources: BA; FSSIA estimates

## Exhibit 16: 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 businesses	19.2	9.1	2024E net profit (exclude BAREIT lease payment) of THB1.3b and pegged at 15x P/E multiple
BAREIT lease liabilities	(13.6)	(6.5)	At end 2023E
Airline business	3.7	1.7	2024E net profit of THB0.4b and pegged at 10x P/E multiple
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	9.7	4.6	At end 2023E
<b>Total value</b>	<b>42.0</b>	<b>20.0</b>	

Source: FSSIA estimates

## Exhibit 17: Peer comparisons, airline sector as of 19 May 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)
<b>Thailand</b>													
Bangkok Airways	BA TB	BUY	13.80	20.00	44.9	843	21.2	17.1	15.6	1.6	1.5	18.7	17.3
Asia Aviation	AAV TB	BUY	2.76	3.70	34.1	976	27.6	21.6	19.3	3.8	3.4	7.8	7.2
<b>Thailand average</b>						<b>1,819</b>	<b>24.4</b>	<b>19.4</b>	<b>17.4</b>	<b>2.7</b>	<b>2.5</b>	<b>13.2</b>	<b>12.2</b>
<b>Regional</b>													
Spring Airlines Co Ltd-A	601021 CH	n/a	57.92	n/a	n/a	8,221	33.1	18.2	18.2	3.8	3.1	17.3	12.1
Interglobe Aviation	INDIGO IN	n/a	2,266.80	n/a	n/a	10,678	n/a	22.0	22.0	n/a	n/a	16.4	8.7
Cebu Air Inc	CEB PM	n/a	41.55	n/a	n/a	454	11.6	4.5	4.5	n/a	6.8	5.7	3.8
Singapore Airlines	SIA SP	n/a	6.26	n/a	n/a	14,249	9.6	9.8	9.8	1.2	1.2	3.8	4.1
Japan Airlines	9201 JP	n/a	2,701.00	n/a	n/a	8,745	42.3	16.1	16.1	1.5	1.4	7.0	5.4
Ana Holdings	9202 JP	n/a	3,098.00	n/a	n/a	11,056	24.8	17.9	17.9	1.7	1.6	7.7	6.6
Cathay Pacific Airways	293 HK	n/a	7.40	n/a	n/a	6,140	18.7	15.2	15.2	0.9	0.9	6.2	6.5
Spicejet (India)	SJET IN	n/a	29.23	n/a	n/a	208	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vietjet Aviation	VJC VN	n/a	98,700	n/a	n/a	2,271	85.0	46.1	46.1	n/a	n/a	34.2	22.1
<b>Regional average</b>						<b>62,022</b>	<b>n/a</b>	<b>18.7</b>	<b>18.7</b>	<b>1.8</b>	<b>2.5</b>	<b>12.3</b>	<b>8.6</b>
<b>Global</b>													
Eva Airways	2618 TT	n/a	29.60	n/a	n/a	5,355	13.0	14.1	14.1	1.7	1.7	4.4	5.9
Air New Zealand	AIR NZ	n/a	0.77	n/a	n/a	1,641	6.6	8.3	8.3	1.3	1.2	3.0	3.3
Air Arabia	AIRARABIA UH	n/a	2.30	n/a	n/a	2,923	8.6	9.1	9.1	1.6	1.5	4.6	4.6
Easyjet (UK)	EZJ LN	n/a	502.00	n/a	n/a	4,740	12.8	10.1	10.1	1.4	1.3	3.5	3.1
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	7.77	n/a	n/a	651	n/a	7.9	7.9	n/a	n/a	5.6	4.8
JetBlue Airways (US, Latin AM)	JBLU	n/a	7.09	n/a	n/a	2,325	10.6	6.5	6.5	0.6	0.5	4.1	3.2
Norwegian Air Shuttle (Norway)	NWARF US	n/a	1.04	n/a	n/a	1,038	8.5	5.9	5.9	1.9	1.3	2.8	2.4
Southwest Airlines (US)	LUV US	n/a	29.48	n/a	n/a	17,543	11.3	7.9	7.9	1.5	1.3	4.1	3.1
<b>Global average</b>						<b>36,214</b>	<b>10.2</b>	<b>8.7</b>	<b>8.7</b>	<b>1.4</b>	<b>1.2</b>	<b>4.0</b>	<b>3.8</b>
<b>Overall average</b>						<b>100,056</b>	<b>21.6</b>	<b>14.4</b>	<b>14.1</b>	<b>1.8</b>	<b>1.9</b>	<b>8.7</b>	<b>6.9</b>

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	20,056	24,436	25,717
Cost of goods sold	(3,773)	(9,093)	(14,284)	(18,047)	(19,036)
<b>Gross profit</b>	<b>(1,056)</b>	<b>2,212</b>	<b>5,772</b>	<b>6,389</b>	<b>6,680</b>
Other operating income	-	-	-	-	-
Operating costs	(1,551)	(2,097)	(3,109)	(3,736)	(3,932)
<b>Operating EBITDA</b>	<b>(2,607)</b>	<b>115</b>	<b>2,663</b>	<b>2,653</b>	<b>2,748</b>
Depreciation	(2,342)	(2,431)	(2,027)	(2,093)	(2,166)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(4,949)</b>	<b>(2,316)</b>	<b>636</b>	<b>560</b>	<b>582</b>
Net financing costs	(1,258)	(1,475)	(1,931)	(1,790)	(1,654)
Associates	453	489	594	628	640
Recurring non-operating income	2,142	1,916	2,735	3,176	3,227
Non-recurring items	(5,180)	(137)	0	0	0
<b>Profit before tax</b>	<b>(9,246)</b>	<b>(2,013)</b>	<b>1,441</b>	<b>1,946</b>	<b>2,155</b>
Tax	117	(114)	(59)	(198)	(227)
<b>Profit after tax</b>	<b>(9,129)</b>	<b>(2,127)</b>	<b>1,382</b>	<b>1,748</b>	<b>1,928</b>
Minority interests	50	16	(14)	(58)	(64)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(9,079)</b>	<b>(2,112)</b>	<b>1,367</b>	<b>1,690</b>	<b>1,863</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>5,180</b>	<b>137</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(3,899)</b>	<b>(1,974)</b>	<b>1,367</b>	<b>1,690</b>	<b>1,863</b>
<b>Per share (THB)</b>					
Recurring EPS *	(1.86)	(0.94)	0.65	0.80	0.89
Reported EPS	(4.32)	(1.01)	0.65	0.80	0.89
DPS	0.00	0.00	0.39	0.48	0.53
Diluted shares (used to calculate per share data)	2,100	2,100	2,100	2,100	2,100
<b>Growth</b>					
Revenue (%)	(64.6)	316.1	77.4	21.8	5.2
Operating EBITDA (%)	nm	nm	2,225.7	(0.4)	3.6
Operating EBIT (%)	nm	nm	nm	(11.9)	3.9
Recurring EPS (%)	nm	nm	nm	23.6	10.3
Reported EPS (%)	nm	nm	nm	23.6	10.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	(125.1)	(1.9)	18.7	17.6	17.6
Gross margin of key business (%)	(125.1)	(1.9)	18.7	17.6	17.6
Operating EBITDA margin (%)	(96.0)	1.0	13.3	10.9	10.7
Operating EBIT margin (%)	(182.2)	(20.5)	3.2	2.3	2.3
Net margin (%)	(143.5)	(17.5)	6.8	6.9	7.2
Effective tax rate (%)	2.6	(4.8)	7.0	15.0	15.0
Dividend payout on recurring profit (%)	-	-	60.0	60.0	60.0
Interest cover (X)	(2.2)	(0.3)	1.7	2.1	2.3
Inventory days	44.3	18.1	10.4	8.0	8.7
Debtor days	51.9	25.1	21.6	17.7	16.8
Creditor days	100.9	50.7	45.4	48.0	54.1
Operating ROIC (%)	(32.6)	(19.2)	6.9	9.9	19.0
ROIC (%)	(6.2)	(0.9)	6.6	7.2	7.7
ROE (%)	(23.8)	(13.2)	7.8	9.1	9.6
ROA (%)	(5.5)	(0.8)	5.0	5.1	5.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Air fares	1,191	8,451	15,311	18,997	20,143
Revenue from sales and services	1,477	2,534	4,114	4,664	4,772
Freight	6	76	153	203	216
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)	1,367	1,690	1,863
Depreciation	2,342	2,431	2,027	2,093	2,166
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,921)	1,005	14	58	64
Change in working capital	(1,232)	1,573	3,436	2,106	548
<b>Cash flow from operations</b>	<b>(7,709)</b>	<b>3,035</b>	<b>6,845</b>	<b>5,947</b>	<b>4,643</b>
Capex - maintenance	(722)	(184)	(1,003)	(1,222)	(1,286)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	114	(9,209)	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(608)</b>	<b>(9,393)</b>	<b>(1,003)</b>	<b>(1,222)</b>	<b>(1,286)</b>
Dividends paid	0	0	0	(820)	(1,014)
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
<b>Cash flow from financing</b>	<b>8,262</b>	<b>10,880</b>	<b>(2,759)</b>	<b>(5,058)</b>	<b>(4,215)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(55)</b>	<b>4,521</b>	<b>3,083</b>	<b>(334)</b>	<b>(858)</b>
Free cash flow to firm (FCFF)	(7,052.04)	(4,869.16)	7,816.90	6,579.26	5,072.57
Free cash flow to equity (FCFE)	(55.35)	4,622.05	3,083.21	486.66	<b>155.55</b>

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(3.36)	(2.32)	3.72	3.13	2.42
FCFE per share	(0.03)	2.20	1.47	0.23	0.07
Recurring cash flow per share	(3.08)	0.70	1.62	1.83	1.95

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	27,064	24,954	25,957	27,179	28,465
Less: Accumulated depreciation	(10,424)	(10,561)	(12,589)	(14,681)	(16,848)
<b>Tangible fixed assets (net)</b>	<b>16,640</b>	<b>14,393</b>	<b>13,368</b>	<b>12,498</b>	<b>11,617</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	28,191	37,401	37,401	37,401	37,401
Cash & equivalents	2,126	6,647	9,730	9,397	8,538
A/C receivable	373	1,185	1,185	1,185	1,185
Inventories	438	465	348	440	464
Other current assets	169	312	553	674	709
<b>Current assets</b>	<b>3,106</b>	<b>8,608</b>	<b>11,816</b>	<b>11,695</b>	<b>10,896</b>
Other assets	1,002	1,844	1,844	1,844	1,844
<b>Total assets</b>	<b>48,939</b>	<b>62,246</b>	<b>64,429</b>	<b>63,437</b>	<b>61,758</b>
Common equity	13,198	16,818	18,185	19,055	19,904
Minorities etc.	(36)	(55)	(40)	18	82
<b>Total shareholders' equity</b>	<b>13,162</b>	<b>16,764</b>	<b>18,145</b>	<b>19,073</b>	<b>19,987</b>
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
<b>Long-term liabilities</b>	<b>31,820</b>	<b>39,120</b>	<b>36,360</b>	<b>32,122</b>	<b>28,921</b>
A/C payable	967	1,558	1,994	2,748	2,899
Short term debt	917	768	768	768	768
Other current liabilities	2,073	4,037	7,161	8,726	9,183
<b>Current liabilities</b>	<b>3,957</b>	<b>6,362</b>	<b>9,924</b>	<b>12,242</b>	<b>12,850</b>
<b>Total liabilities and shareholders' equity</b>	<b>48,939</b>	<b>62,246</b>	<b>64,429</b>	<b>63,437</b>	<b>61,758</b>
Net working capital	(2,060)	(3,633)	(7,070)	(9,176)	(9,724)
Invested capital	43,773	50,004	45,543	42,567	41,138

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	6.28	8.01	8.66	9.07	9.48
Tangible book value per share	6.28	8.01	8.66	9.07	9.48

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	192.3	158.6	114.3	88.3	72.5
Net debt/total assets (%)	51.7	42.7	32.2	26.5	23.5
Current ratio (x)	0.8	1.4	1.2	1.0	0.8
CF interest cover (x)	1.0	4.1	2.6	1.3	1.1

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>(7.4)</b>	<b>(14.7)</b>	<b>21.2</b>	<b>17.1</b>	<b>15.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(10.8)</b>	<b>(21.3)</b>	<b>30.7</b>	<b>24.9</b>	<b>22.5</b>
Reported P/E (x)	(3.2)	(13.7)	21.2	17.1	15.6
Dividend yield (%)	-	-	2.8	3.5	3.9
Price/book (x)	2.2	1.7	1.6	1.5	1.5
Price/tangible book (x)	2.2	1.7	1.6	1.5	1.5
EV/EBITDA (x) **	(20.8)	484.8	18.7	17.3	15.9
EV/EBITDA @ target price (x) **	(25.8)	598.4	23.5	22.2	20.6
EV/invested capital (x)	1.2	1.1	1.1	1.1	1.1

\* 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) <sup>1</sup>

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) <sup>2</sup>

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) <sup>3</sup>

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) <sup>4</sup> 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 Indices <sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> 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

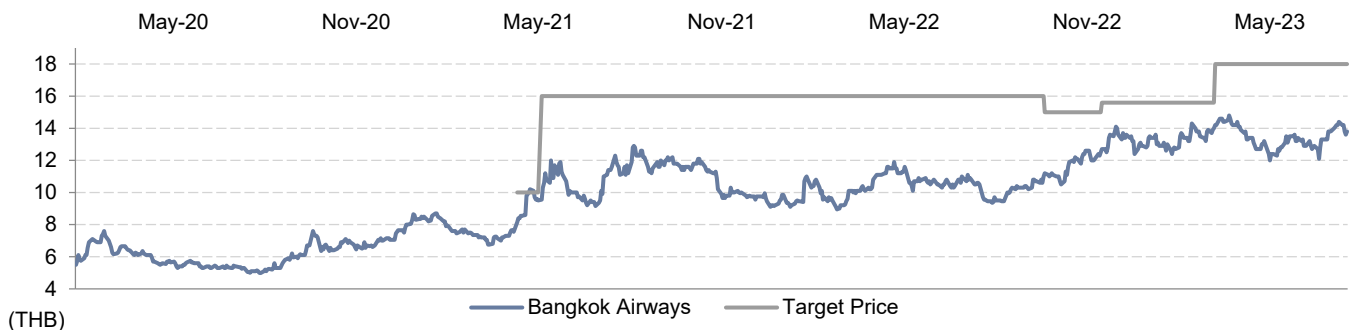
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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)



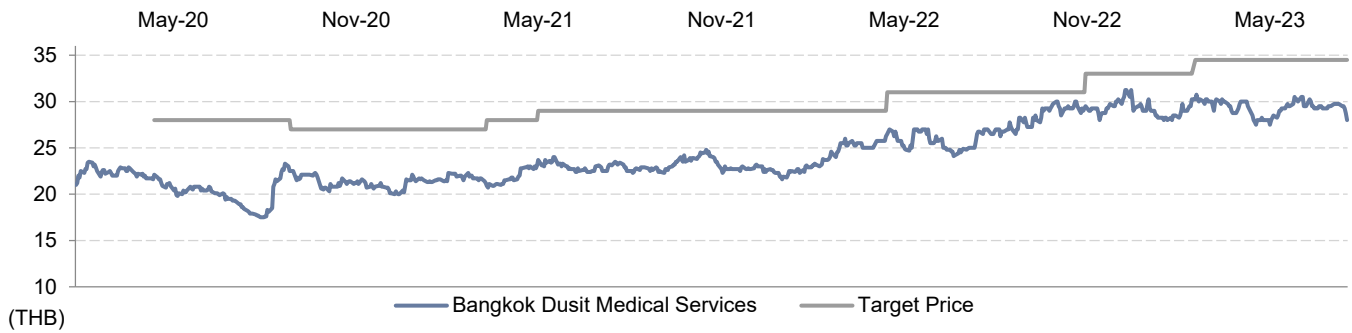
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Dec-2020	BUY	3.40	16-Aug-2021	BUY	3.20	31-Oct-2022	BUY	3.70
29-Mar-2021	BUY	3.80	21-Oct-2021	BUY	3.50			
18-May-2021	BUY	3.40	07-Jun-2022	BUY	3.40			

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)



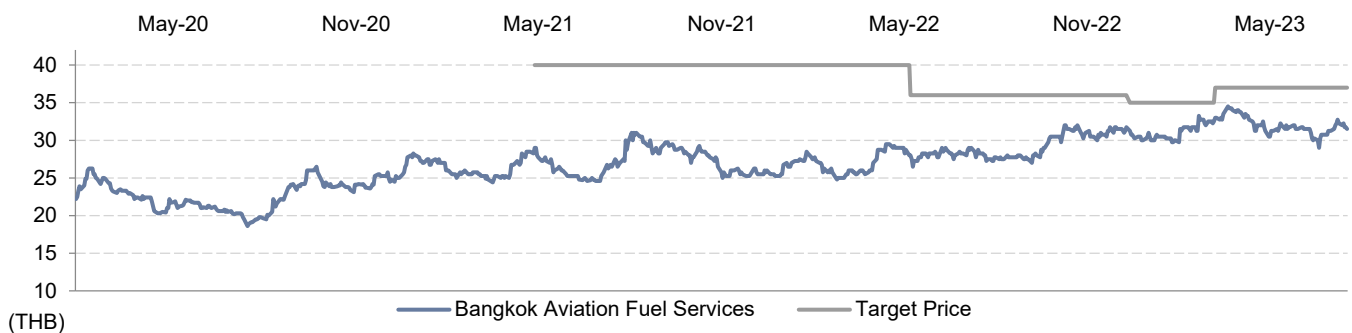
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Jul-2020	BUY	28.00	24-Jun-2021	BUY	29.00	08-Jan-2023	BUY	34.50
24-Nov-2020	BUY	27.00	19-Apr-2022	BUY	31.00			
11-May-2021	BUY	28.00	06-Oct-2022	BUY	33.00			

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			

FSSIA started covering this stock from 21-Jun-2021

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Airways	BA TB	THB 13.80	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.
Asia Aviation	AAV TB	THB 2.76	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 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 prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bangkok Aviation Fuel Services	BAFS TB	THB 31.50	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).

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 19-May-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.