

BANGKOK AIRWAYS

THAILAND / TRANSPORT & LOGISTICS

BA TB

BUY

UNCHANGED

On track to pass 2Q23 with flying colours

- Expect a 2Q23 core profit of THB265m, the first core profit in 2Q (low season) since 2Q15, driven by a strong passenger yield.
- Mild impact from excise tax hike, as it will be passed on to passengers; see upside on our 2023E core profit forecast.
- Maintain BUY with a SoTP-based TP of THB20.0/shr.

TARGET PRICE	THB20.00
CLOSE	THB14.00
UP/DOWNSIDE	+42.9%
PRIOR TP	THB20.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+16.7%

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 (%)	-	57.4	38.2	(2.6)
EBITDA	115	2,663	2,653	2,748
Recurring 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	-	-	-
EPS growth (%)	nm	nm	23.6	10.3
Core P/E (x)	(14.9)	21.5	17.4	15.8
Dividend yield (%)	-	2.8	3.4	3.8
EV/EBITDA (x)	488.4	18.8	17.4	16.0
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

Expect first core profit in 2Q for eight years

We expect BA to report one of the best 2Q core profits in its history. BA has booked a loss in every 2Q since 2Q15 due to the rainy season in Samui and the low season for Thai tourism. We expect a strong load factor of 75% in 2Q23 (vs 65% in 2Q19) and average ticket fares of cTHB3,500 (12% above 2Q19), which should bolster passenger yield to remain above the pre-Covid level at THB5.5/passenger-km (vs THB4.0 in 2Q19). This should support its airline and airport-related business to reach breakeven in 2Q23. BA will also book a dividend from BDMS of cTHB0.3b in this quarter. Hence, we forecast a core profit of THB265m in 2Q23 (vs a THB0.7b loss in 2Q19) – the first 2Q profit since 2Q15.

Partially passing on excise taxes by lifting ticket fares

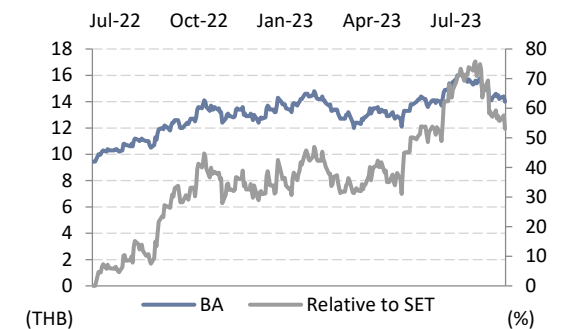
The Finance Ministry's Excise Department resumed collecting excise taxes on jet fuel for domestic flights on 1 July at a rate of THB4.726/litre (vs previous rate of THB0.2). We estimate it would impact BA's bottom line by cTHB200m in 2H23. However, BA will partially pass on costs to passengers by raising ticket fares. In addition, The Airlines Association of Thailand is negotiating with the Finance Ministry to set a new lower rate.

Strong earnings momentum expected in 3Q23

Despite the excise tax hike, we expect strong earnings in 3Q23 thanks to Samui's high tourism season during July-Aug. Passenger volume should increase to 1.0-1.1m (70-80% of pre-Covid level). In addition, BA recently opened a Samui-Hong Kong route and has had positive feedback. If our 2Q23 forecast materialises, we would see an upside to our forecast as the 1H23E profit of THB1.1b accounts for 80% of our 2023E.

Weak share price is a buying opportunity

We maintain our SoTP-based TP of THB20.0/shr. BA trades at a cheap valuation of 17x 2024E P/E. Its share price has fallen by 11% over the last month amid concerns over the excise tax hike and slower-than-expected Chinese tourist recovery. However, we place more weight on the big picture of BA's fundamentals significantly improving. Its 2Q23 results would be a good indicator to confirm our view on the success of its business model refinement via focusing more on the Samui route and the more favourable BAREIT structure compared to SPF.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.8)	15.7	47.4
Relative to country (%)	(12.0)	16.8	50.7
Mkt cap (USD m)	852		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	41		
Major shareholder	Prasartong-Osoth Puttipong (25%)		
12m high/low (THB)	16.30/9.35		
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

We expect BA 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.

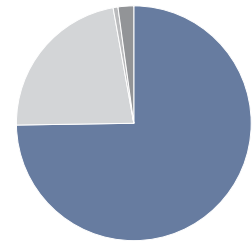
Company profile

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

www.bangkokair.com

Principal activities (revenue, 2022)

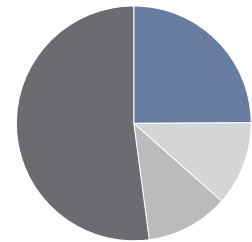
- Air fares - 74.8 %
- Revenue from sales and services - 22.4 %
- Freight - 0.7 %
- Passenger services - 2.2 %



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

2Q23 results preview

We expect the 2Q23 passenger volume to grow 69% y-y to 0.9m, equivalent to 70% of the pre-Covid level, but it should drop from 1.1m in 1Q23 due to Samui's low tourism season. 2Q23 ticket fares should grow by 20% y-y to an average of cTHB3,500, exceeding pre-Covid by 12%. We expect the 2Q23 passenger yield to remain above the pre-Covid level at THB5.5/passenger-km (vs THB4.0 in 2Q19) due to a strong load factor of 75% (vs 65% in 2Q19). As a result, passenger revenue should grow by 90% y-y in 2Q23 and reach 79% of the pre-Covid level. Airport and airport-related revenue should recover to 80% of pre-Covid, led by a higher Samui passenger volume, which should recover to c90% of the pre-Covid level. BA should receive a THB0.3b dividend from Bangkok Dusit Medical Services (BDMS TB, BUY) in this quarter. Overall, we forecast a core profit of THB265m in 2Q23.

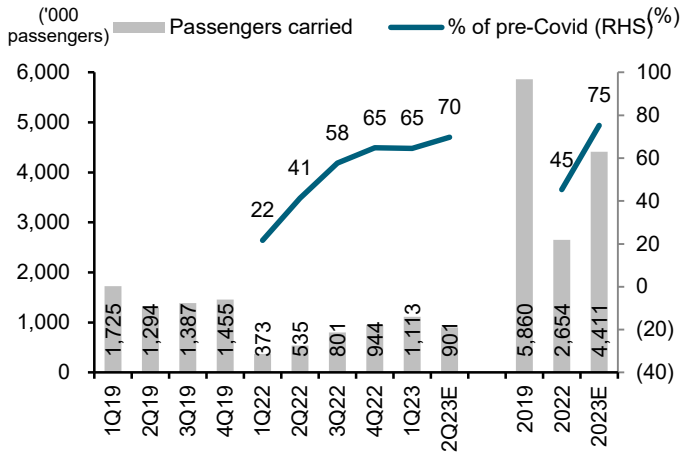
Despite the THB depreciating against USD, we expect a slim FX loss from its aircraft lease liabilities in USD terms, given that BA has entered a cross-currency swap transaction for those liabilities. As a result, we estimate a net profit of THB255m in 2Q23.

Exhibit 1: 2Q23 results preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	2,153	3,454	4,221	5,273	4,095	(22)	90	20,056
- Passenger revenue	1,566	2,677	3,277	4,123	3,162	(23)	102	15,311
- Other revenue	587	776	943	1,151	933	(19)	59	4,745
Expense	(2,959)	(3,866)	(4,309)	(4,468)	(4,074)	(9)	38	(19,420)
- Fuel and oil	(449)	(819)	(890)	(816)	(706)	(14)	57	(3,813)
- Non-fuel operating expenses	(2,509)	(3,047)	(3,420)	(3,652)	(3,368)	(8)	34	(15,607)
Operating profit	(806)	(412)	(89)	805	22	(97)	103	636
Dividend income	207	310	0	0	310			517
Net other income	159	177	391	426	342	(20)	115	1,625
Interest income	2	0	11	12	12	0	571	44
Interest expense	(299)	(373)	(533)	(543)	(543)	0	81	(1,974)
Pretax profit	(737)	(297)	(219)	701	143	(80)	119	847
Income Tax	1	33	(93)	13	(29)			(59)
Associates	104	123	159	122	144	18	39	594
Minority interest	6	3	2	(4)	6	(240)	10	(14)
Core profit	(628)	(138)	(152)	831	265	(68)	142	1,367
Extraordinaries	(220)	(255)	302	44	(10)	(123)	(95)	0
- FX	(221)	(255)	302	44	(10)	(123)	(95)	0
- Derivative	1	0	0	0	0			0
- Others	0	0	0	0	0			0
Net profit	(848)	(393)	150	875	255	(71)	130	1,367
Shares out (end Q, m)	2,100	2,100	2,100	2,100	2,100	0	0	2,100
Pre-ex EPS	(0.30)	(0.07)	(0.07)	0.40	0.13	(68)	142	0.65
EPS	(0.40)	(0.19)	0.07	0.42	0.12	(71)	130	0.65
Depreciation	(622)	(607)	(574)	(494)	(494)	0	(21)	(2,027)
EBITDA	(184)	195	486	1,299	515	(60)	(380)	2,663
Key ratios						(ppt)	(ppt)	
Operating profit margin (%)	(37)	(12)	(2)	15	1	(15)	38	3
EBITDA margin (%)	(9)	6	12	25	13	(12)	21	13
Net profit margin (%)	(39)	(11)	4	17	6	(10)	46	7
Operating stats								
Passenger carried (m)	0.5	0.8	0.9	1.1	0.9			
Load factor (%)	79	77	79	87	75			
RPK (m seats-km)	309	507	616	706	574			
ASK (m seats-km)	394	657	776	811	766			
Average fare (THB)	2,926	3,342	3,471	3,734	3,508			
RASK (THB)	4.5	4.6	5.0	5.8	0.0			
CASK (THB)	6.1	5.0	4.8	4.7	0.0			
CASK ex-fuel (THB)	5.0	3.8	3.0	3.7	0.0			

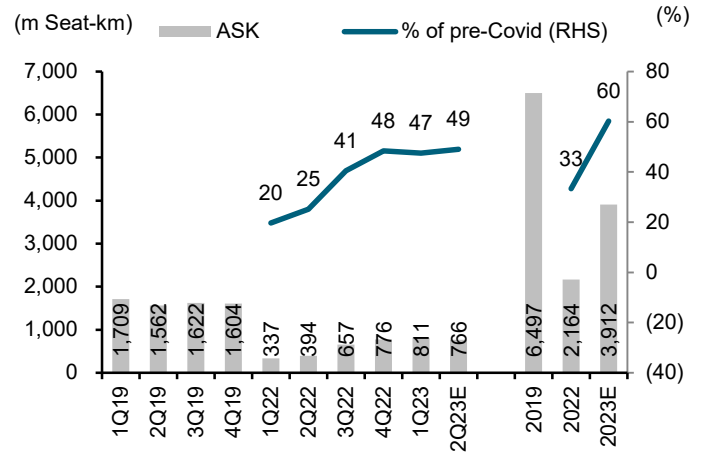
Sources: BA; FSSIA estimates

Exhibit 2: Passengers carried



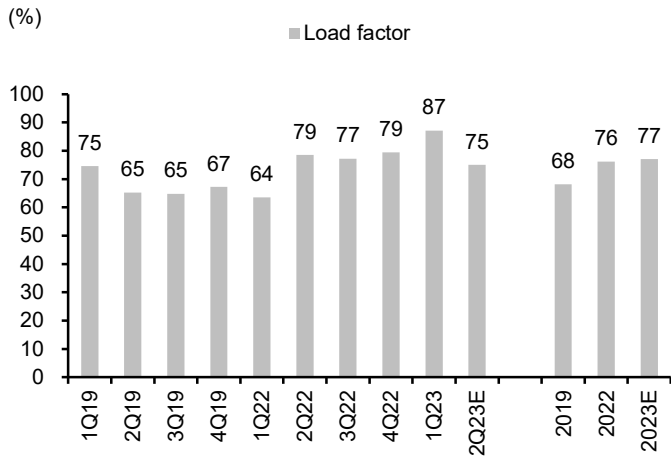
Sources: BA; FSSIA estimates

Exhibit 3: ASK



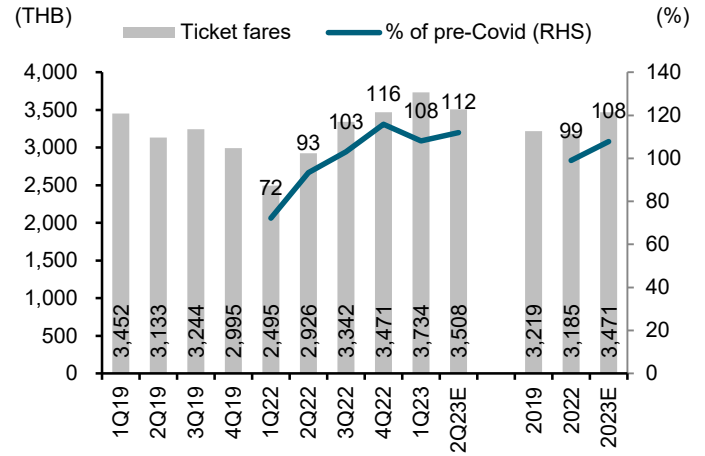
* ASK = available seat kilometres
Sources: BA; FSSIA estimates

Exhibit 4: Load factor



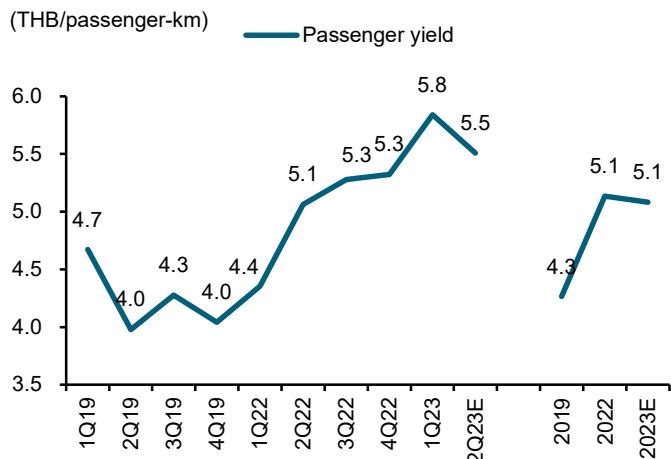
Sources: BA; FSSIA estimates

Exhibit 5: Ticket fares



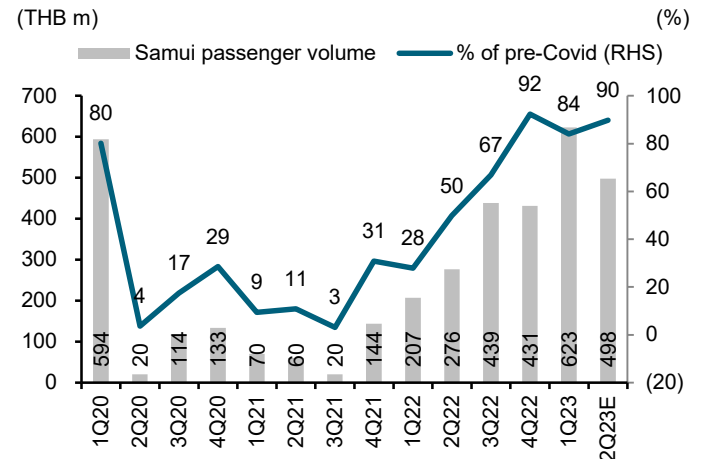
Sources: BA; FSSIA estimates

Exhibit 6: Passenger yield



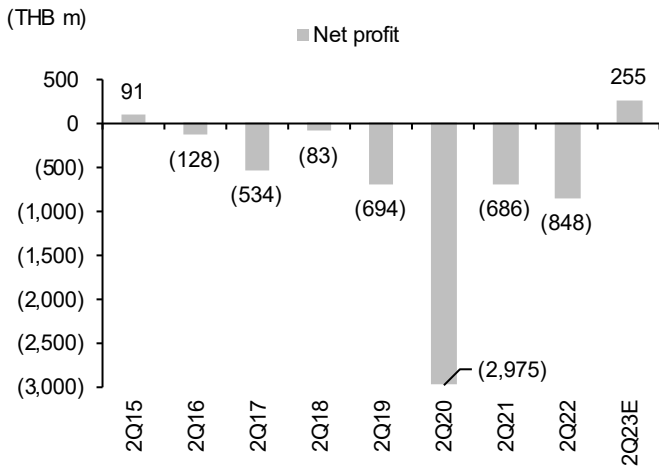
Sources: BA; FSSIA estimates

Exhibit 7: Samui passenger volume



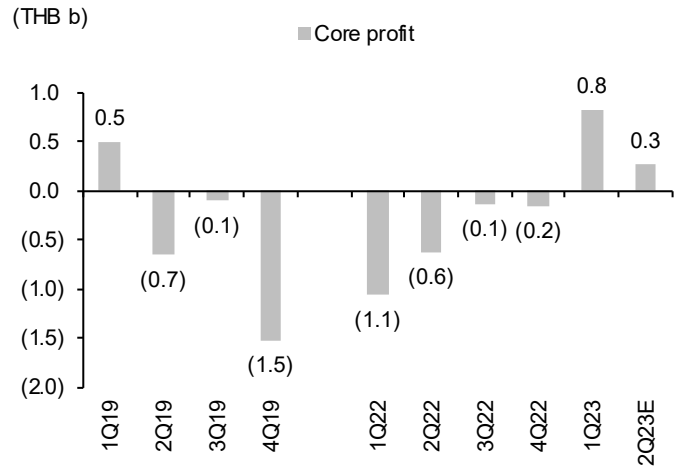
Sources: BA; FSSIA estimates

Exhibit 8: 2Q net profit, 2015-23



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	1.8	0.9	Fair price at consensus TP of THB36.01/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	19.2	9.1	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	3.7	1.7	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	9.7	4.6	At end-2023E
Total value	41.9	20.0	

Source: Bloomberg; FSSIA estimates

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

Company	BBG	Rec	--- Share price ---		Up side (%)	Market cap (USD m)	----- PE -----			---- PBV ----		--- EV/ EBITDA --	
			Current (LCY)	Target (LCY)			23E (x)	24E (x)	25E (x)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand													
Bangkok Airways	BA TB	BUY	14.00	20.00	42.9	852	21.5	17.4	15.8	1.6	1.5	18.8	17.4
Asia Aviation	AAV TB	BUY	2.62	3.70	41.2	923	26.2	20.5	18.3	3.6	3.2	7.6	7.0
Thailand average						1,775	23.9	18.9	17.1	2.6	2.4	13.2	12.2
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	61.13	n/a	n/a	8,263	30.3	18.0	18.0	3.8	3.1	17.3	11.8
Interglobe Aviation	INDIGO IN	n/a	2,584.40	n/a	n/a	12,168	n/a	21.4	21.4	n/a	n/a	18.2	8.8
Cebu Air Inc	CEB PM	n/a	37.40	n/a	n/a	432	7.9	3.9	3.9	64.7	4.0	5.0	3.9
Singapore Airlines	SIA SP	n/a	7.47	n/a	n/a	16,751	11.2	9.9	9.9	1.4	1.4	5.7	5.7
Japan Airlines	9201 JP	n/a	3,074.00	n/a	n/a	9,471	46.9	17.8	17.8	1.6	1.5	7.5	5.9
Ana Holdings	9202 JP	n/a	3,400.00	n/a	n/a	11,609	26.7	17.0	17.0	1.9	1.7	8.1	6.7
Cathay Pacific Airways	293 HK	n/a	8.60	n/a	n/a	7,127	10.0	14.5	14.5	1.0	1.0	5.5	6.2
Vietjet Aviation	VJC VN	n/a	97,100	n/a	n/a	2,211	58.9	28.2	28.2	3.3	2.8	31.8	19.3
Regional average						68,032	27.4	16.3	16.3	11.1	2.2	12.4	8.6
Global													
Eva Airways	2618 TT	n/a	36.90	n/a	n/a	6,408	10.0	15.1	15.1	2.0	1.8	4.3	5.4
Air New Zealand	AIR NZ	n/a	0.79	n/a	n/a	1,644	6.2	7.9	7.9	1.3	1.2	3.0	3.2
Air Arabia	AIRARABIA UH	n/a	2.67	n/a	n/a	3,392	9.7	10.3	10.3	1.6	1.5	5.5	5.5
Easyjet (UK)	EZJ LN	n/a	446.00	n/a	n/a	4,354	9.2	8.1	8.1	1.2	1.1	3.0	2.7
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	10.13	n/a	n/a	893	8.9	4.4	4.4	n/a	n/a	5.7	4.8
JetBlue Airways (US, Latin AM)	JBLU	n/a	7.88	n/a	n/a	2,584	10.5	7.1	7.1	0.7	0.6	4.1	3.4
Norwegian Air Shuttle (Norway)	NWARF US	n/a	1.02	n/a	n/a	969	7.5	5.5	5.5	1.7	1.2	2.5	2.1
Southwest Airlines (US)	LUV US	n/a	35.53	n/a	n/a	21,143	13.3	9.3	9.3	1.8	1.6	5.1	3.9
Global average						41,386	9.4	8.5	8.5	1.5	1.3	4.1	3.9
Overall average						111,193	18.5	13.1	12.9	5.8	1.8	8.8	6.9

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	(6,115)	(11,524)	(16,311)	(20,140)	(21,203)
Gross profit	(3,398)	(219)	3,745	4,297	4,514
Other operating income	-	-	-	-	-
Operating costs	(1,551)	(2,097)	(3,109)	(3,736)	(3,932)
Operating EBITDA	(2,607)	115	2,663	2,653	2,748
Depreciation	(2,342)	(2,431)	(2,027)	(2,093)	(2,166)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(4,949)	(2,316)	636	560	582
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
Profit before tax	(9,246)	(2,013)	1,441	1,946	2,155
Tax	117	(114)	(59)	(198)	(227)
Profit after tax	(9,129)	(2,127)	1,382	1,748	1,928
Minority interests	50	16	(14)	(58)	(64)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(9,079)	(2,112)	1,367	1,690	1,863
Non-recurring items & goodwill (net)	5,180	137	0	0	0
Recurring net profit	(3,899)	(1,974)	1,367	1,690	1,863
Per share (THB)					
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
Growth					
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
Operating performance					
Gross margin inc. depreciation (%)	(125.1)	(1.9)	18.7	17.6	17.6
Gross margin exc. depreciation (%)	(38.9)	19.6	28.8	26.1	26.0
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					
Revenue by Division (THB m)					
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
Cash flow from operations	(7,709)	3,035	6,845	5,947	4,643
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)	-	-	-	-	-
Cash flow from investing	(608)	(9,393)	(1,003)	(1,222)	(1,286)
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
Cash flow from financing	8,262	10,880	(2,759)	(5,058)	(4,215)
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	3,083	(334)	(858)
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	155.55

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)
Tangible fixed assets (net)	16,640	14,393	13,369	12,498	11,617
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	9,730	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
Current assets	3,106	8,608	11,816	11,695	10,896
Other assets	1,002	1,844	1,844	1,844	1,844
Total assets	48,939	62,246	64,429	63,437	61,758
Common equity	13,198	16,818	18,185	19,055	19,904
Minorities etc.	(36)	(55)	(40)	18	82
Total shareholders' equity	13,162	16,764	18,145	19,073	19,987
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	1,994	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
Current liabilities	3,957	6,362	9,924	12,242	12,850
Total liabilities and shareholders' equity	48,939	62,246	64,429	63,437	61,758
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
Recurring P/E (x) *	(7.5)	(14.9)	21.5	17.4	15.8
Recurring P/E @ target price (x) *	(10.8)	(21.3)	30.7	24.9	22.5
Reported P/E (x)	(3.2)	(13.9)	21.5	17.4	15.8
Dividend yield (%)	-	-	2.8	3.4	3.8
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) **	(21.0)	488.4	18.8	17.4	16.0
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)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).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

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.

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History of change in investment rating and/or target price

Bangkok Airways (BA TB)



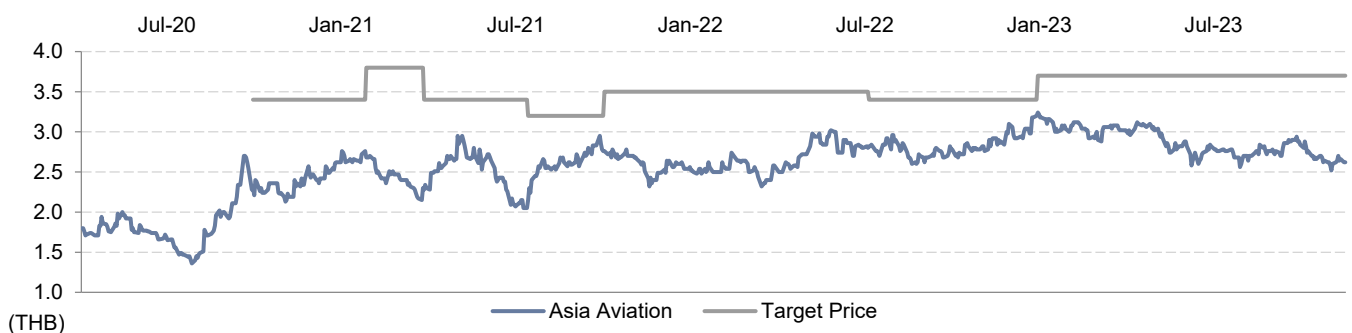
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	01-Sep-2022	BUY	15.00	25-Jan-2023	BUY	18.00
25-Jun-2021	BUY	16.00	20-Oct-2022	BUY	15.60	22-May-2023	BUY	20.00

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)



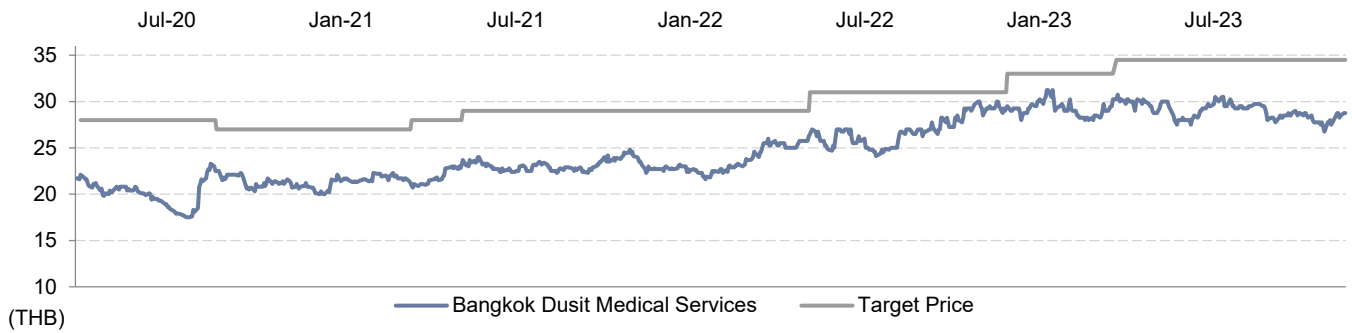
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Dec-2020	BUY	3.40	16-Aug-2021	BUY	3.20	31-Oct-2022	BUY	3.70
29-Mar-2021	BUY	3.80	21-Oct-2021	BUY	3.50			
18-May-2021	BUY	3.40	07-Jun-2022	BUY	3.40			

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

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Airways	BA TB	THB 14.00	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 2.62	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 28.75	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.

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-Jul-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.