

BANGKOK AIRWAYS
THAILAND / TRANSPORT & LOGISTICS**BA TB****BUY**

UNCHANGED

หุ้น 2Q ที่ดีที่สุดในรอบหลายปี

- ค่ากำไรปกติ 2Q23 ที่ 265 ลบ. นับเป็นกำไรปกติแรกที่เกิดขึ้นใน 2Q (ซึ่งเป็นฤดูที่ซบเซา) นับตั้งแต่ 2Q15 จาก Passenger yield ที่ดี
- ผลกระทบเล็กน้อยจากการขึ้นภาษีสรรพสามิตเนื่องจากบริษัท อาจจะส่งต่อค่าใช้จ่ายภาษีบางส่วนไปยังผู้โดยสาร ประมาณการกำไรปกติปี 2023 ของเรามี Upside
- คงแนะนำซื้อที่ราคาเป้าหมาย 20 บาท (SoTP)

| | |
|-----------------|-----------|
| 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 |

คาดการณ์กำไรปกติแรกใน 2Q ในรอบ 8 ปี

เราคาดว่า BA จะรายงานหนึ่งในกำไรปกติ 2Q ที่ดีที่สุดนับตั้งแต่ก่อตั้ง โดย BA บันทึกผลขาดทุนในทุก ๆ 2Q มาตั้งแต่ 2Q15 จากฤดูฝนที่เกาะสมุยและฤดูกาลท่องเที่ยวที่ซบเซาของไทย เราคาดว่า Load factor จะอยู่ในเกณฑ์ที่ดีที่ 75% ใน 2Q23 (เทียบกับ 65% ใน 2Q19) และค่าบัตรโดยสารเฉลี่ยจะอยู่ที่ประมาณ 3,500 บาท (12% สูงกว่า 2Q19) ซึ่งน่าจะช่วยหนุน Passenger yield ให้ทรงตัวเหนือระดับก่อนโควิดที่ 5.5 บาท/ผู้โดยสาร-กม. (เทียบกับ 4 บาทใน 2Q19) ปัจจัยดังกล่าวจะช่วยหนุนธุรกิจสายการบินและท่าอากาศยานให้เท่าทุนได้ใน 2Q23 นอกจากนี้ BA ยังจะบันทึกเงินปันผลจาก BDMS จำนวนประมาณ 0.3 พัน ลบ. ในไตรมาสดังกล่าว เพราะฉะนั้นเราจึงคาดการณ์กำไรปกติที่ 265 ลบ. ใน 2Q23 (เทียบกับผลขาดทุน 0.7 พัน ลบ. ใน 2Q19) – นับเป็นกำไร 2Q แรกตั้งแต่ 2Q15

ส่งผ่านภาษีสรรพสามิตบางส่วนโดยการปรับเพิ่มค่าบัตรโดยสาร

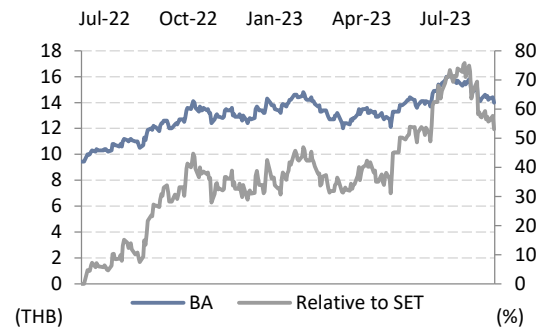
กรมสรรพสามิต กระทรวงการคลังกลับมาเก็บภาษีสรรพสามิตจากน้ำมันเชื้อเพลิงอากาศยานที่ใช้กับเที่ยวบินในประเทศเมื่อวันที่ 1 ก.ค. เป็นจำนวน 4.726 บาท/ลิตร (เทียบกับที่เคยเก็บ 0.2 บาทก่อนหน้า) เราคาดว่าปัจจัยดังกล่าวจะส่งผลกระทบต่อผลประกอบการของ BA โดยคาดว่าจะอยู่ที่ประมาณ 200 ลบ. ในช่วง 2H23 อย่างไรก็ดี BA จะส่งผ่านต้นทุนดังกล่าวบางส่วนให้แก่ผู้โดยสารโดยจะปรับเพิ่มค่าบัตรโดยสาร นอกจากนี้สมาคมสายการบินประเทศไทยก็กำลังเจรจากับกระทรวงการคลังให้คิดอัตราใหม่ที่ลดลง

คาดการณ์กำไร 3Q23 อยู่ในเกณฑ์ดี

แม้ว่าจะมีการขึ้นภาษีสรรพสามิต เราคาดว่ากำไร 3Q23 จะอยู่ในเกณฑ์ดีจากฤดูกาลท่องเที่ยวของสมุยในช่วงเดือน ก.ค. - ส.ค. ปริมาณผู้โดยสารน่าจะเพิ่มเป็น 1-1.1 ล้าน (70-80% ของระดับก่อนโควิด) นอกจากนี้ BA ได้เปิดเส้นทางสมุย - ฮองกงไปเมื่อไม่นานมานี้และได้รับผลตอบแทนที่ดี ถ้าผลประกอบการ 2Q23 ออกมาตามคาด ประมาณการของเราจะมี Upside เนื่องจากประมาณการกำไรในช่วง 1H23 ที่ 1.1 พัน ลบ. คิดเป็น 80% ของประมาณการปี 2023 ของเรา

ราคาหุ้นที่อ่อนแอเป็นโอกาสในการซื้อ

เราลงราคาเป้าหมายที่ 20 บาท (SoTP) BA มีการซื้อขายในระดับการประเมินมูลค่าที่ต่ำที่ 17x ของค่า 2024E P/E ราคาหุ้นได้ปรับตัวลดลงถึง 11% ในช่วงเดือนที่ผ่านมาในท่ามกลางความกังวลเกี่ยวกับการขึ้นภาษีสรรพสามิตและการฟื้นตัวของนักท่องเที่ยวจีนที่ช้ากว่าคาด อย่างไรก็ตาม เราให้ความสำคัญเกี่ยวกับภาพรวมของปัจจัยพื้นฐานของ BA ซึ่งปรับตัวดีขึ้นอย่างมีนัยสำคัญ ผลประกอบการ 2Q23 ของบริษัท น่าจะเป็นตัวชี้วัดที่ดีที่ยืนยันมุมมองของเราเกี่ยวกับความสำเร็จของการปรับรูปแบบธุรกิจของบริษัท ผ่านการมุ่งเน้นไปที่เส้นทางสมุยเพิ่มขึ้นและโครงสร้าง BAREIT ที่เกือหนุนมากกว่าเมื่อเทียบกับ 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

**Teerapol Udomvej, CFA**

Register no. 080523

teerapol.udo@fssia.com, +66 2611 3535

The Chairman of The Audit Committee and Independent Director of Finansia 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.

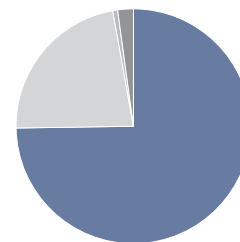
Company profile

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)

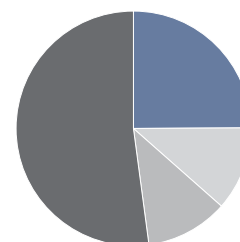
- Air fares - 74.8 %
- Revenue from sales and services - 22.4 %
- Freight - 0.7 %
- Passenger services - 2.2 %



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.

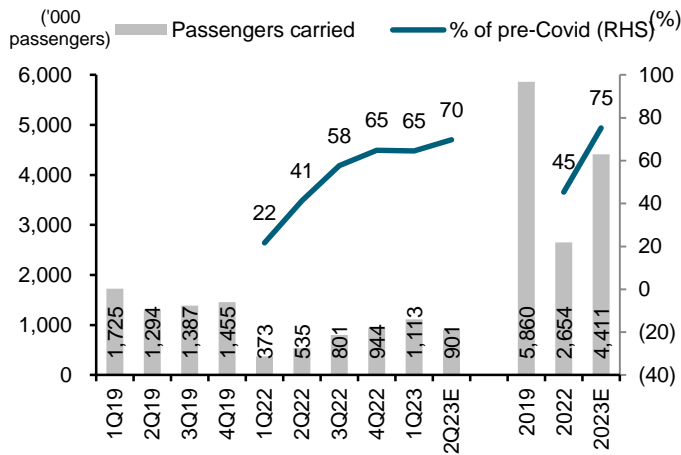
Exhibit 1: 2Q23 results preview

| | 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 | | |
|--------------------|-----|-----|-----|-----|-----|--|--|

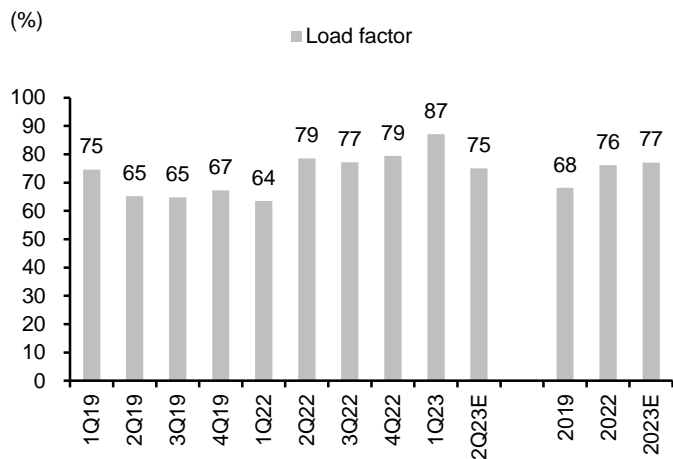
Sources: BA; FSSIA estimates

Exhibit 2: Passengers carried



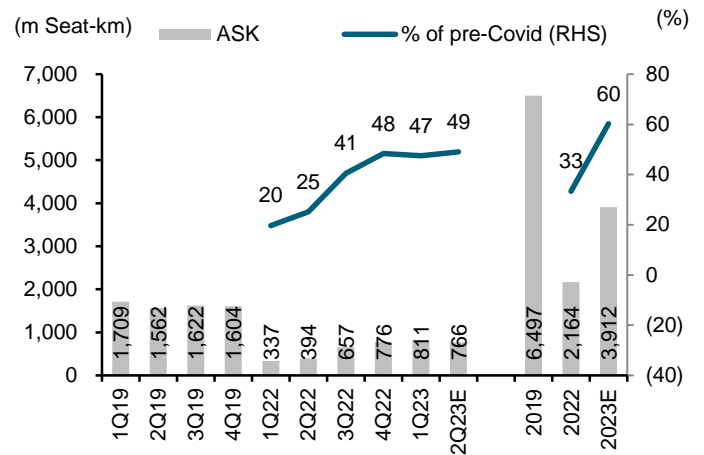
Sources: BA; FSSIA estimates

Exhibit 4: Load factor



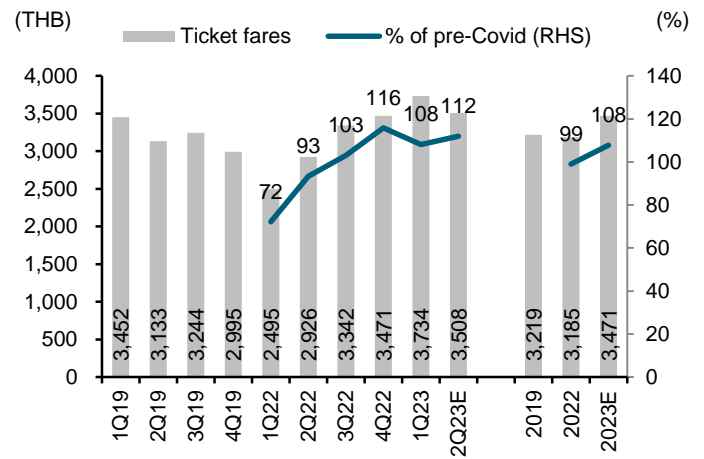
Sources: BA; FSSIA estimates

Exhibit 3: ASK



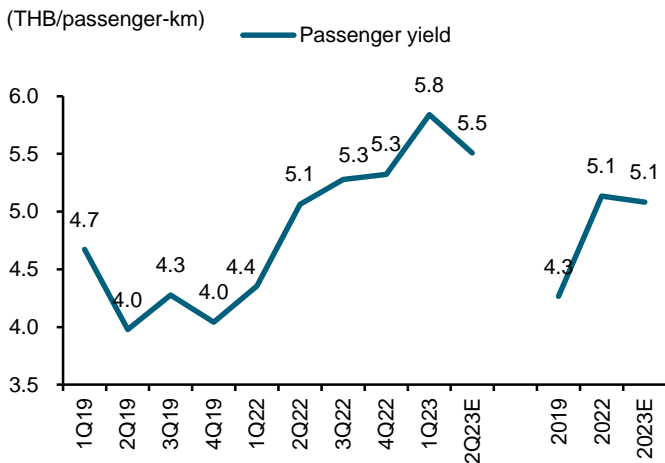
* ASK = available seat kilometres
Sources: BA; FSSIA estimates

Exhibit 5: Ticket fares



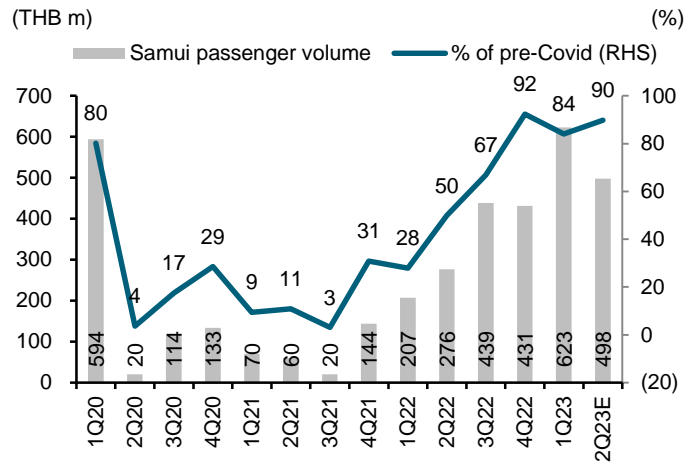
Sources: BA; FSSIA estimates

Exhibit 6: Passenger yield



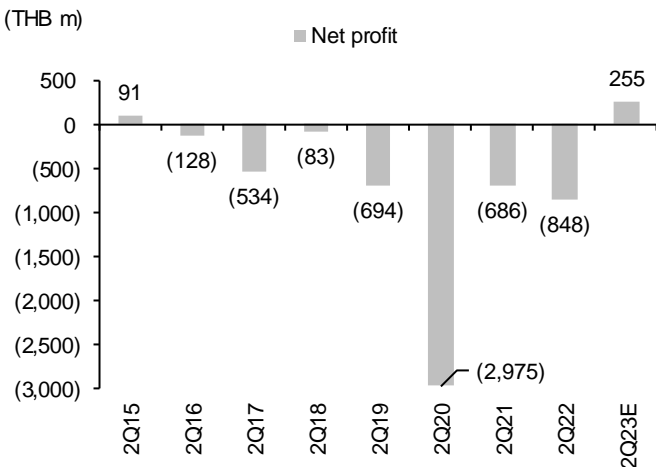
Sources: BA; FSSIA estimates

Exhibit 7: Samui passenger volume



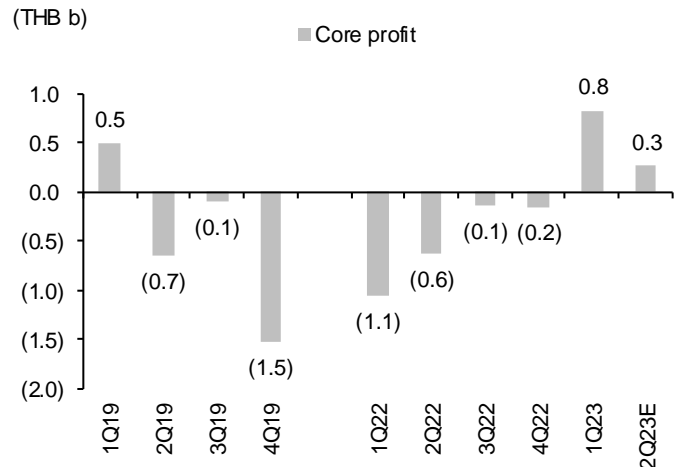
Sources: BA; FSSIA estimates

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)

| | | | | | |
|-------------------------------|--------|--------|------|------|------|
| 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 | 13,368 | 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)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| 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

| | | | | | |
|---------------------------|-------|-------|-------|------|------|
| 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 **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

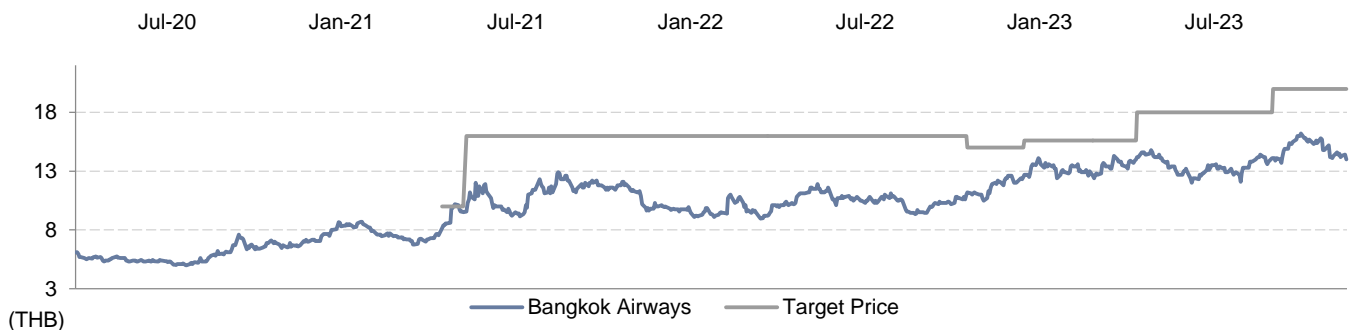
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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)



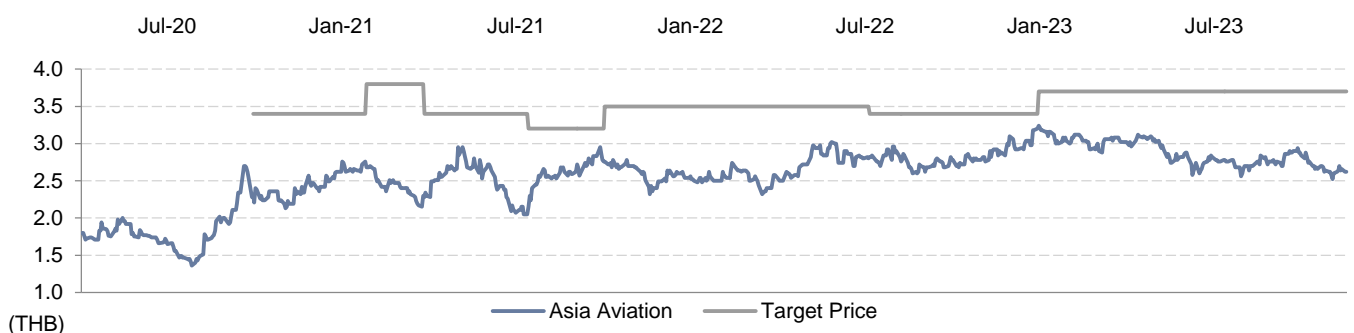
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 04-Jun-2021 | BUY | 10.00 | 01-Sep-2022 | BUY | 15.00 | 25-Jan-2023 | BUY | 18.00 |
| 25-Jun-2021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



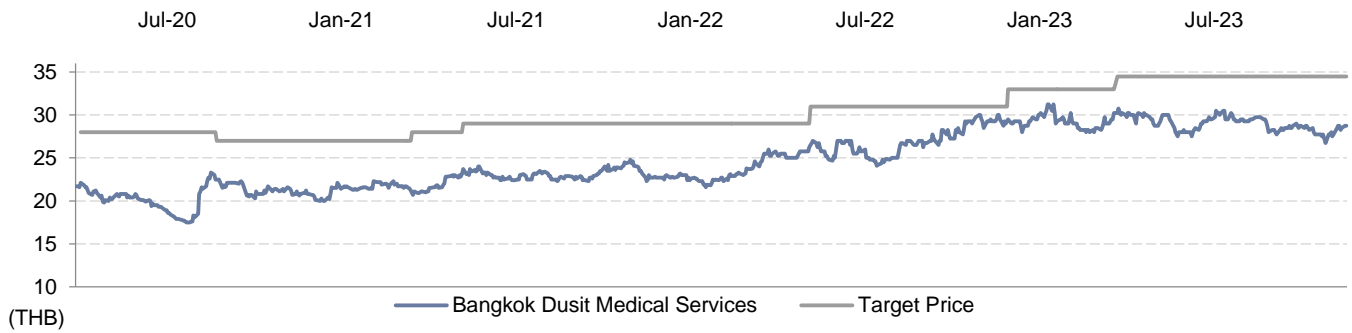
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 21-Dec-2020 | BUY | 3.40 | 16-Aug-2021 | BUY | 3.20 | 31-Oct-2022 | BUY | 3.70 |
| 29-Mar-2021 | 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.