

BANGKOK AIRWAYS

 THAILAND / TRANSPORT & LOGISTICS

BA TB

BUY

UNCHANGED

Flying to a new high

- Expect passenger volume to grow h-h in 2H23; ticket fares should stay above the pre-Covid level by more than 10% in 2023.
- Expect 2023 core profit to hit a record high of THB2.2b; potential growth from higher Samui Airport capacity and PSC.
- Maintain BUY with a higher SoTP-based TP of THB22.0/shr.

TARGET PRICE	THB22.00
CLOSE	THB16.50
UP/DOWNSIDE	+33.3%
PRIOR TP	THB20.00
CHANGE IN TP	+10.0%
TP vs CONSENSUS	+21.0%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	11,305	20,526	25,010	25,896
Net profit	(2,112)	2,205	2,342	2,502
EPS (THB)	(1.01)	1.05	1.12	1.19
vs Consensus (%)	-	36.4	42.9	29.1
EBITDA	115	3,539	3,530	3,688
Recurring net profit	(1,974)	2,164	2,342	2,502
Core EPS (THB)	(0.94)	1.03	1.12	1.19
Chg. In EPS est. (%)	nm	58.3	38.6	34.3
EPS growth (%)	nm	nm	8.2	6.8
Core P/E (x)	(17.5)	16.0	14.8	13.8
Dividend yield (%)	-	3.7	4.1	4.3
EV/EBITDA (x)	534.3	15.4	14.4	13.2
Price/book (x)	2.1	1.8	1.7	1.6
Net debt/Equity (%)	158.6	105.4	80.9	66.6
ROE (%)	(13.2)	12.1	12.0	12.1

Positive feedback from analyst meeting

Management maintains its passenger volume target of 4.4m in 2023, implying 2.4m in 2H23 (vs 2.0m in 1H23). In addition, BA expects average ticket fares of THB3,600 in 2023, which is 12% above the pre-Covid average of cTHB3,200. Although the excise taxes on jet fuel for domestic flights have been raised to THB4.726/litre from THB0.2 since July, we believe BA will partially pass the cost through to passengers by raising ticket fares. Samui's domestic passenger volume has already reached the pre-Covid level, while the international volume recovered to only 53% in 2Q23. It should improve in 2H23, as BA plans to resume more routes (i.e. Hong Kong, Chongqing and Chengdu). This would increase both ticket fares and passenger service charge (PSC) revenue.

Preparing to pay a dividend (last time in March 2020)

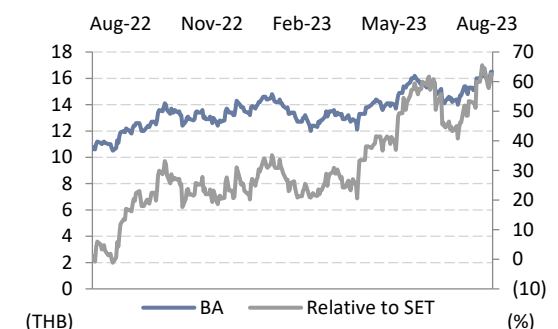
BA announced the transfer of legal reserves and share premiums totalling THB9.4b to compensate for an accumulated loss of THB13.7b. After the transaction (subject to EGM on 28 Sep), the loss should shrink to THB4.3b. We think this implies that BA sees its earnings significantly improving and is planning for a dividend. Note, BA has a healthy balance sheet with cash on hand of THB8.4b and IBD/E of 0.8x as of 2Q23.

Several growth drivers lie ahead

Investors may be concerned that the strong 2023 earnings may come from pent-up demand, and question future growth. We see some aspects that support future growth. First, Samui is seeking approval to increase its flight capacity from 50 to 70 flights/day. Second, Samui Airport's PSC could increase following AOT's plan to increase them for its six airports. Lastly, Trat Airport's expansion (complete in 2025) can serve A320 aircraft for Chinese airlines, while the existing can serve only ATR-72.

2023 earnings should hit a new record high

We revise up 2023E core profit to THB2.2b to reflect the strong outlook. This implies record-high earnings (vs current record of THB2.1b in 2016). We raise our SoTP-based TP to THB22.0/shr (from THB20/shr). BA trades at a cheap valuation of 16x 2023E P/E. A new earnings high could catch the market's attention and push the share price to convert to its IPO price of THB25/shr, premised on a larger BDMS market cap (THB437b currently vs THB307b in 2015) and a better BAREIT structure vs SPF.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	17.9	18.7	54.2
Relative to country (%)	16.6	16.5	62.6
Mkt cap (USD m)	989		
3m avg. daily turnover (USD m)	1.7		
Free float (%)	41		
Major shareholder	Prasartong-Osoth Puttipong (25%)		
12m high/low (THB)	16.80/10.40		
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 Finansia Syrus Securities PCL is also BA's Director.

Investment thesis

BA has successfully turned 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 trim its costs, 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 Samui Airport and the U-Tapao Airport project, in which BA holds a 45% stake.

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.

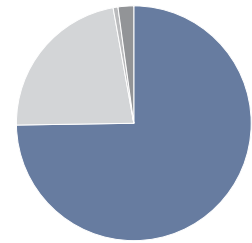
Company profile

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

www.bangkokair.com

Principal activities (revenue, 2022)

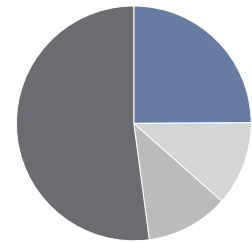
- Air fares - 74.8 %
- Revenue from sales and services - 22.4 %
- Freight - 0.7 %
- Passenger services - 2.2 %



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
Nov 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Number of aircraft (no.)	25	25	27
Passengers carried (m)	4.4	5.2	5.2
Load factor (%)	82.0	77.0	78.0
Average ticket fare (THB)	3,602	3,746	3,877
Fuel price net hedging (USD/bbl)	130.0	130.0	130.0
THB/USD	34.5	34.5	34.5

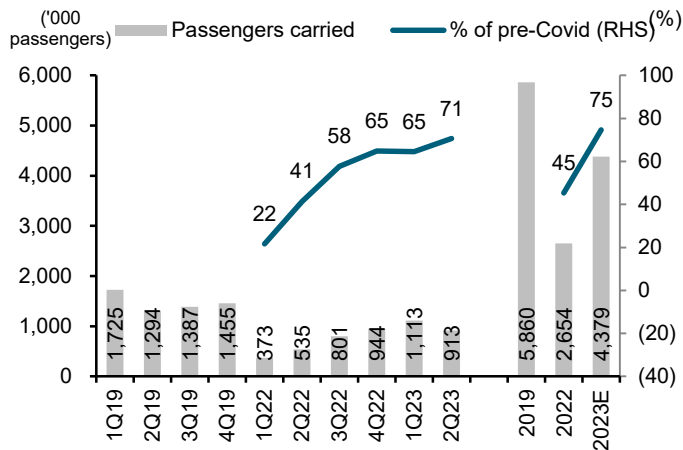
Source: FSSIA estimates

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.

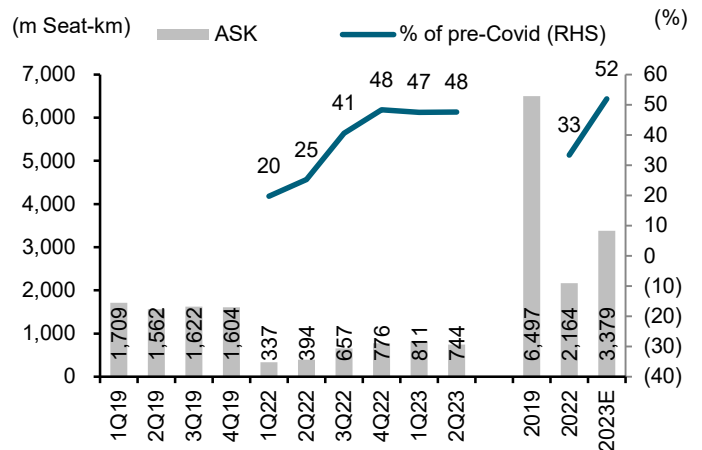
Source: FSSIA estimates

Exhibit 1: Passengers carried



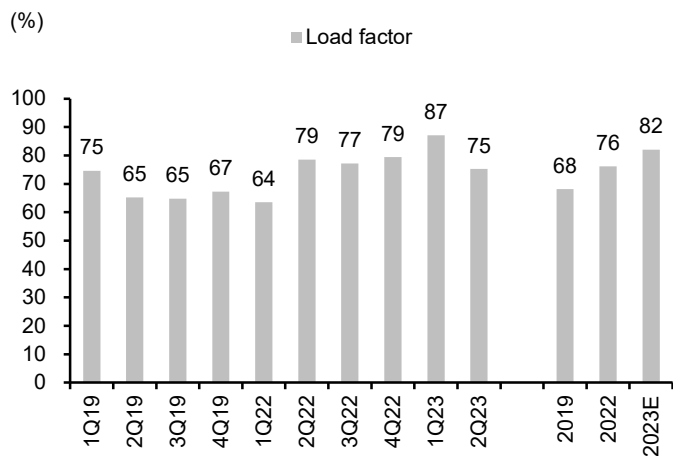
Sources: BA; FSSIA estimates

Exhibit 2: ASK



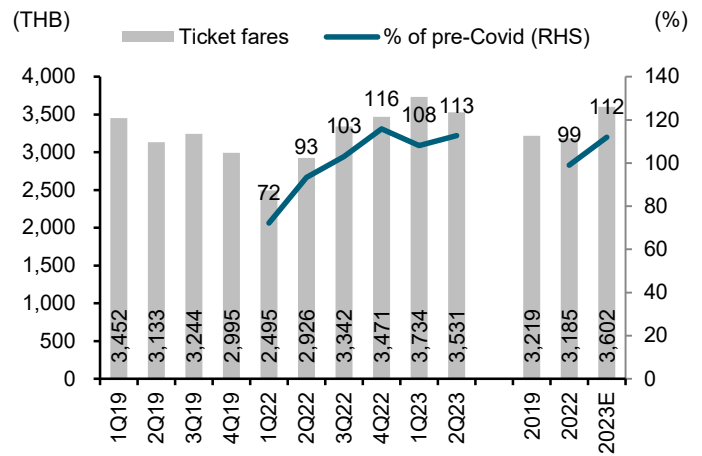
* ASK = available seat kilometres
Sources: BA; FSSIA estimates

Exhibit 3: Load factor



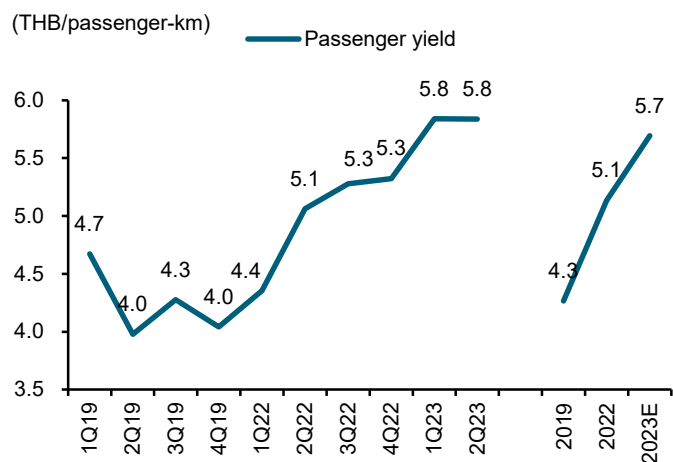
Sources: BA; FSSIA estimates

Exhibit 4: Ticket fares



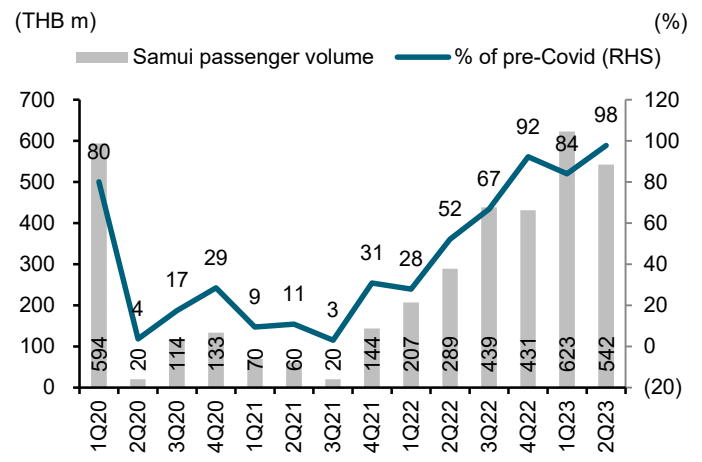
Sources: BA; FSSIA estimates

Exhibit 5: Passenger yield



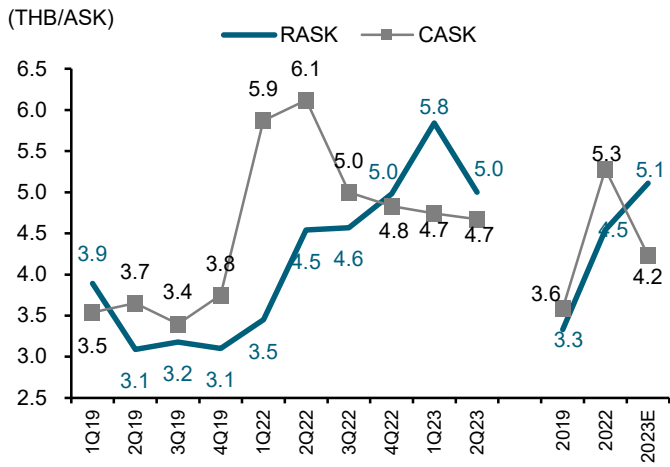
Sources: BA; FSSIA estimates

Exhibit 6: Samui passenger volume



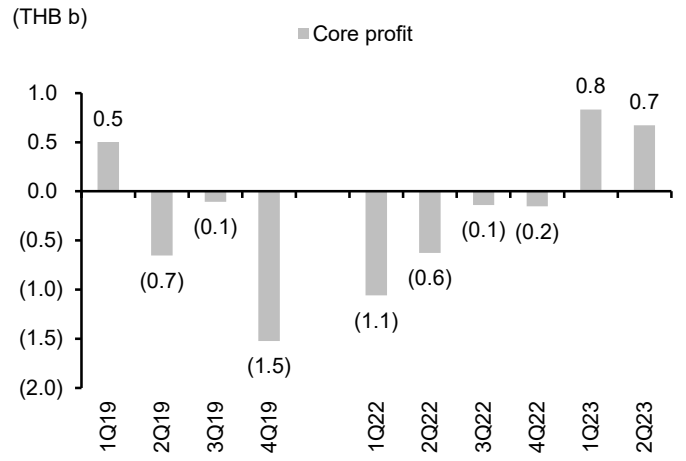
Sources: BA; FSSIA estimates

Exhibit 7: RASK and CASK



Sources: BA; FSSIA estimates

Exhibit 8: Core profit



Sources: BA; FSSIA estimates

Valuation and TP revisions

We revise up our core profit estimates by 34-58% in 2023-25 to reflect the stronger-than-expected 2Q23 and better outlook of the airline business.

We expect BA to deliver a new record high core profit of THB2.2b in 2023 (vs current record high of THB2.1b in 2016), consisting of a THB1.3b profit from the airline business (including tax revenue of THB0.2b), breakeven for its airport and airport-related businesses, THB0.5b in share income from its cargo business, and THB0.3b in dividend income from Bangkok Dusit Medical Services (BDMS TB, BUY).

As a result, we revise up our SoTP-based TP to THB22/shr (from THB20/shr), based on 1) the airport and airport-related business pegged at 12x 2024E P/E; 2) the valuations of BDMS, Bangkok Aviation Fuel Services (BAFS TB, not rated) and BA Airport Leasehold Real Estate Investment Trust (BAREIT TB, not rated) based on our TP of THB34.5/shr and the fair value consensus prices of THB35.01/shr and THB12.1/shr, respectively, with a 20% holding discount applied; 3) the airline business pegged at 7x 2024E P/E; 4) the cargo business pegged at 8x 2024E P/E; and 5) deducting the net interest bearing debt and BAREIT lease liabilities.

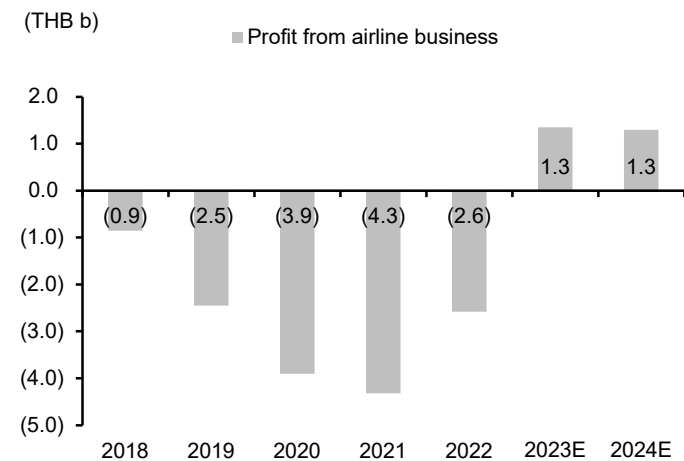
Exhibit 9: Forecast revisions

	Current			Previous			Change (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Passengers carried (m)	4.4	5.2	5.2	4.4	5.3	5.5	(0.7)	(1.7)	(4.7)
Load factor (%)	82	77	78	77	74	74	5.0	3.0	4.0
Average ticket fare (THB)	3,602	3,746	3,877	3,471	3,576	3,683	3.8	4.8	5.3
Fuel price net hedging (USD/bbl)	130	130	130	125	125	125	4.0	4.0	4.0
Revenue (THB m)	20,526	25,010	25,896	20,056	24,436	25,717	2.3	2.3	0.7
EBITDA (THB m)	3,539	3,530	3,688	2,663	2,653	2,748	32.9	33.1	34.2
Core net profit (THB m)	2,164	2,342	2,502	1,367	1,690	1,863	58.3	38.6	34.3

Note: Change of items in percentage terms are represented in ppt change

Sources: BA; FSSIA estimates

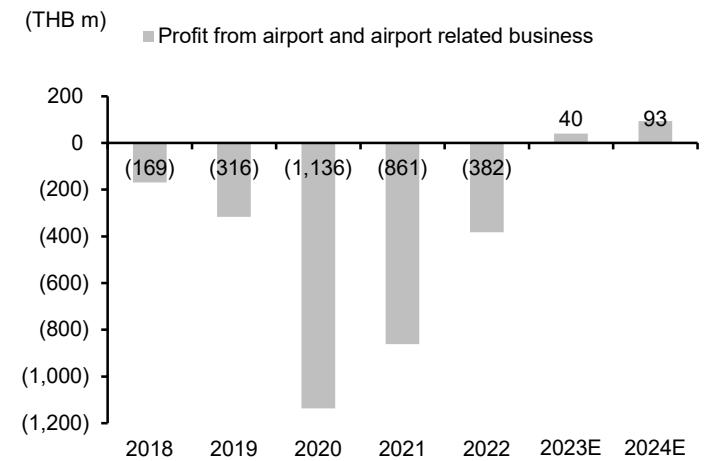
Exhibit 10: Profit from airline business



Note: 1) SG&A, interest and tax estimated by FSSIA; 2) 2023 profit includes tax revenue of THB230m

Source: FSSIA estimates

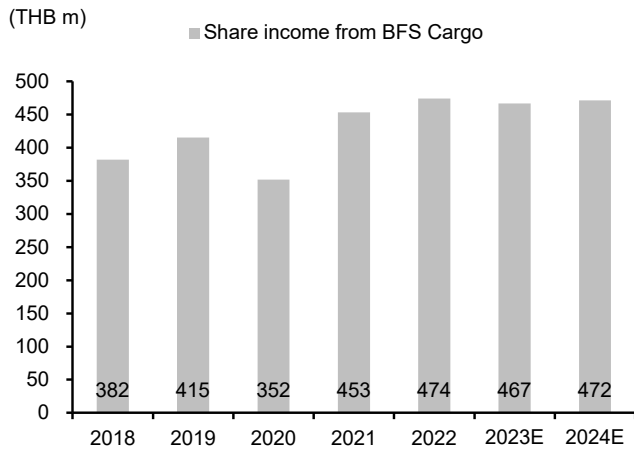
Exhibit 11: Profit from airport & airport-related business



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

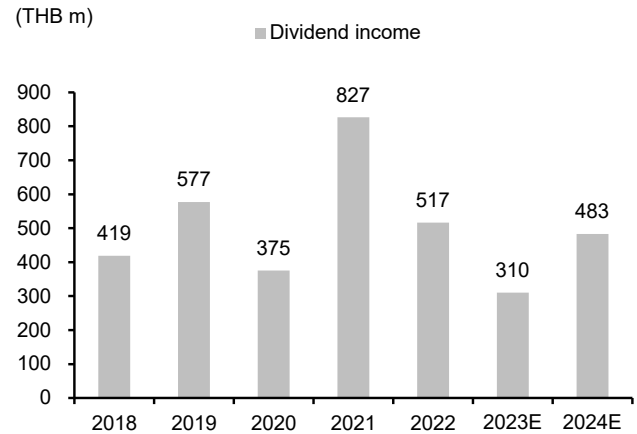
Source: FSSIA estimates

Exhibit 12: Share income from cargo business



Sources: BA; FSSIA estimates

Exhibit 13: Dividend income



Sources: BA; FSSIA estimates

Exhibit 14: SoTP valuation

SoTP Base case	(THB b)	(THB/share)	Comments
BDMS	27.3	13.0	Fair price at our TP of THB34.5/shr with 20% holding discount
BAFS	1.8	0.9	Fair price at consensus TP of THB35.01/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	14.4	6.9	2024E net profit (excluding BAREIT lease payment) of THB1.2b and pegged at 12x P/E multiple
BAREIT lease liabilities	(13.5)	(6.4)	At end 2024E
Airline business	9.1	4.3	2024E net profit of THB1.3b and pegged at 7x P/E multiple
Cargo business	3.2	1.5	Share income of THB0.4b and pegged at 8x P/E multiple
Interest bearing debt	(11.1)	(5.3)	At end 2024E
Cash	12.7	6.0	At end 2024E
Total value	46.3	22.0	

Source: FSSIA estimates

Exhibit 15: Peer comparisons, airline sector as of 25 Aug 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE			PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	25E (x)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand													
Bangkok Airways	BA TB	BUY	16.50	22.00	33.3	989	16.0	14.8	13.8	1.8	1.7	15.4	14.4
Asia Aviation	AAV TB	BUY	2.76	3.70	34.1	958	27.6	21.6	19.3	3.8	3.4	7.8	7.2
Thailand average						1,947	21.8	18.2	16.6	2.8	2.6	11.6	10.8
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	56.21	n/a	n/a	7,547	28.6	16.5	16.5	3.5	2.9	16.3	11.2
Interglobe Aviation	INDIGO IN	n/a	2,458.15	n/a	n/a	11,484	n/a	16.6	16.6	n/a	n/a	17.5	8.3
Cebu Air Inc	CEB PM	n/a	36.00	n/a	n/a	395	6.5	3.7	3.7	61.3	3.8	5.6	4.4
Singapore Airlines	SIA SP	n/a	6.85	n/a	n/a	15,112	10.3	8.4	8.4	1.3	1.1	5.3	5.1
Japan Airlines	9201 JP	n/a	2,993.50	n/a	n/a	8,805	45.2	16.9	16.9	1.6	1.5	7.0	5.4
Ana Holdings	9202 JP	n/a	3,288.00	n/a	n/a	10,718	25.6	16.1	16.1	1.8	1.6	7.4	6.1
Cathay Pacific Airways	293 HK	n/a	8.25	n/a	n/a	6,828	6.5	7.8	7.8	0.9	0.9	5.0	5.6
Vietjet Aviation	VJC VN	n/a	97,000	n/a	n/a	2,193	55.6	25.5	25.5	3.3	2.8	26.0	15.8
Regional average						63,082	25.5	14.0	14.0	10.5	2.1	11.3	7.7
Global													
Eva Airways	2618 TT	n/a	33.05	n/a	n/a	5,476	8.5	13.2	13.2	1.7	1.6	3.3	4.4
Air New Zealand	AIR NZ	n/a	0.78	n/a	n/a	1,562	6.2	8.3	8.3	1.2	1.2	2.8	3.3
Air Arabia	AIRARABIA UH	n/a	2.94	n/a	n/a	3,735	9.7	9.9	9.9	1.9	1.8	6.0	5.8
Easyjet (UK)	EZJ LN	n/a	412.40	n/a	n/a	3,933	8.5	7.5	7.5	1.1	1.0	2.7	2.5
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	7.26	n/a	n/a	624	4.6	4.2	4.2	n/a	n/a	5.0	4.3
JetBlue Airways (US, Latin AM)	JBLU	n/a	6.06	n/a	n/a	2,019	35.9	10.9	10.9	0.6	0.5	4.4	3.3
Norwegian Air Shuttle (Norway)	NWARF US	n/a	0.88	n/a	n/a	823	6.7	5.6	5.6	1.5	1.1	2.2	2.0
Southwest Airlines (US)	LUV US	n/a	31.22	n/a	n/a	18,596	15.1	11.0	11.0	1.6	1.5	4.9	3.7
Global average						36,769	11.9	8.8	8.8	1.4	1.2	3.9	3.7
Overall average						101,797	18.6	12.1	12.0	5.6	1.8	8.0	6.3

Sources: Bloomberg; FSSIA estimates

Financial Statements

Bangkok Airways

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	2,717	11,305	20,526	25,010	25,896
Cost of goods sold	(6,115)	(11,524)	(15,866)	(19,530)	(20,190)
Gross profit	(3,398)	(219)	4,660	5,480	5,706
Other operating income	-	-	-	-	-
Operating costs	(1,551)	(2,097)	(2,935)	(3,824)	(3,960)
Operating EBITDA	(2,607)	115	3,539	3,530	3,688
Depreciation	(2,342)	(2,431)	(1,814)	(1,874)	(1,941)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(4,949)	(2,316)	1,724	1,656	1,747
Net financing costs	(1,258)	(1,475)	(2,081)	(1,854)	(1,738)
Associates	453	489	594	628	640
Recurring non-operating income	2,142	1,916	2,306	2,696	2,842
Non-recurring items	(5,180)	(137)	41	0	0
Profit before tax	(9,246)	(2,013)	1,990	2,498	2,851
Tax	117	(114)	230	(140)	(332)
Profit after tax	(9,129)	(2,127)	2,220	2,358	2,520
Minority interests	50	16	(14)	(16)	(17)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(9,079)	(2,112)	2,205	2,342	2,502
Non-recurring items & goodwill (net)	5,180	137	(41)	0	0
Recurring net profit	(3,899)	(1,974)	2,164	2,342	2,502
Per share (THB)					
Recurring EPS *	(1.86)	(0.94)	1.03	1.12	1.19
Reported EPS	(4.32)	(1.01)	1.05	1.12	1.19
DPS	0.00	0.00	0.62	0.67	0.71
Diluted shares (used to calculate per share data)	2,100	2,100	2,100	2,100	2,100
Growth					
Revenue (%)	(64.6)	316.1	81.6	21.8	3.5
Operating EBITDA (%)	nm	nm	2,990.1	(0.2)	4.5
Operating EBIT (%)	nm	nm	nm	(4.0)	5.5
Recurring EPS (%)	nm	nm	nm	8.2	6.8
Reported EPS (%)	nm	nm	nm	6.2	6.8
Operating performance					
Gross margin inc. depreciation (%)	(125.1)	(1.9)	22.7	21.9	22.0
Gross margin exc. depreciation (%)	(38.9)	19.6	31.5	29.4	29.5
Operating EBITDA margin (%)	(96.0)	1.0	17.2	14.1	14.2
Operating EBIT margin (%)	(182.2)	(20.5)	8.4	6.6	6.7
Net margin (%)	(143.5)	(17.5)	10.5	9.4	9.7
Effective tax rate (%)	2.6	(4.8)	7.0	7.5	15.0
Dividend payout on recurring profit (%)	-	-	60.0	60.0	60.0
Interest cover (X)	(2.2)	(0.3)	1.9	2.3	2.6
Inventory days	44.3	18.1	10.5	8.0	8.8
Debtor days	51.9	25.1	21.1	17.3	16.7
Creditor days	100.9	50.7	45.7	48.1	54.7
Operating ROIC (%)	(32.6)	(19.2)	18.7	30.4	47.0
ROIC (%)	(6.2)	(0.9)	7.8	9.1	9.2
ROE (%)	(23.8)	(13.2)	12.1	12.0	12.1
ROA (%)	(5.5)	(0.8)	6.4	6.1	6.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Air fares	1,191	8,451	15,772	19,561	20,214
Revenue from sales and services	1,477	2,534	4,231	4,754	4,867
Freight	6	76	79	196	202
Passenger services	43	244	444	499	614

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)	2,164	2,342	2,502
Depreciation	2,342	2,431	1,814	1,874	1,941
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,921)	1,005	55	16	17
Change in working capital	(1,232)	1,573	3,565	2,116	368
Cash flow from operations	(7,709)	3,035	7,599	6,349	4,829
Capex - maintenance	(722)	(184)	(1,026)	(1,250)	(1,295)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	114	(9,209)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(608)	(9,393)	(1,026)	(1,250)	(1,295)
Dividends paid	0	0	0	(1,299)	(1,405)
Equity finance	0	(101)	0	0	0
Debt finance	6,094	5,804	(1,082)	(3,277)	(3,238)
Other financing cash flows	2,168	5,177	0	0	0
Cash flow from financing	8,262	10,880	(1,082)	(4,576)	(4,643)
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	5,490	523	(1,109)
Free cash flow to firm (FCFF)	(7,052.04)	(4,869.16)	8,697.66	7,031.97	5,355.45
Free cash flow to equity (FCFE)	(55.35)	4,622.05	5,490.26	1,821.35	295.97

Per share (THB)

FCFF per share	(3.36)	(2.32)	4.14	3.35	2.55
FCFE per share	(0.03)	2.20	2.61	0.87	0.14
Recurring cash flow per share	(3.08)	0.70	1.92	2.02	2.12

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	27,064	24,954	25,981	27,231	28,526
Less: Accumulated depreciation	(10,424)	(10,561)	(12,376)	(14,250)	(16,191)
Tangible fixed assets (net)	16,640	14,393	13,605	12,981	12,335
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	12,137	12,660	11,551
A/C receivable	373	1,185	1,185	1,185	1,185
Inventories	438	465	343	431	445
Other current assets	169	312	566	689	714
Current assets	3,106	8,608	14,231	14,965	13,894
Other assets	1,002	1,844	1,844	1,844	1,844
Total assets	48,939	62,246	67,080	67,190	65,473
Common equity	13,198	16,818	19,024	20,067	21,164
Minorities etc.	(36)	(55)	(40)	(24)	(7)
Total shareholders' equity	13,162	16,764	18,983	20,043	21,157
Long term debt	26,515	32,468	31,754	28,477	25,239
Other long-term liabilities	5,305	6,651	6,651	6,651	6,651
Long-term liabilities	31,820	39,120	38,405	35,128	31,890
A/C payable	967	1,558	1,962	2,689	2,779
Short term debt	917	768	400	400	400
Other current liabilities	2,073	4,037	7,329	8,930	9,247
Current liabilities	3,957	6,362	9,691	12,019	12,426
Total liabilities and shareholders' equity	48,939	62,246	67,080	67,190	65,473
Net working capital	(2,060)	(3,633)	(7,198)	(9,314)	(9,682)
Invested capital	43,773	50,004	45,651	42,911	41,896

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

Per share (THB)

Book value per share	6.28	8.01	9.06	9.56	10.08
Tangible book value per share	6.28	8.01	9.06	9.56	10.08

Financial strength

Net debt/equity (%)	192.3	158.6	105.4	80.9	66.6
Net debt/total assets (%)	51.7	42.7	29.8	24.1	21.5
Current ratio (x)	0.8	1.4	1.5	1.2	1.1
CF interest cover (x)	1.0	4.1	3.6	2.0	1.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(8.9)	(17.5)	16.0	14.8	13.8
Recurring P/E @ target price (x) *	(11.8)	(23.4)	21.3	19.7	18.5
Reported P/E (x)	(3.8)	(16.4)	15.7	14.8	13.8
Dividend yield (%)	-	-	3.7	4.1	4.3
Price/book (x)	2.6	2.1	1.8	1.7	1.6
Price/tangible book (x)	2.6	2.1	1.8	1.7	1.6
EV/EBITDA (x) **	(23.0)	534.3	15.4	14.4	13.2
EV/EBITDA @ target price (x) **	(27.4)	635.1	18.7	17.7	16.3
EV/invested capital (x)	1.4	1.2	1.2	1.2	1.2

* 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. **FSSIA** 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

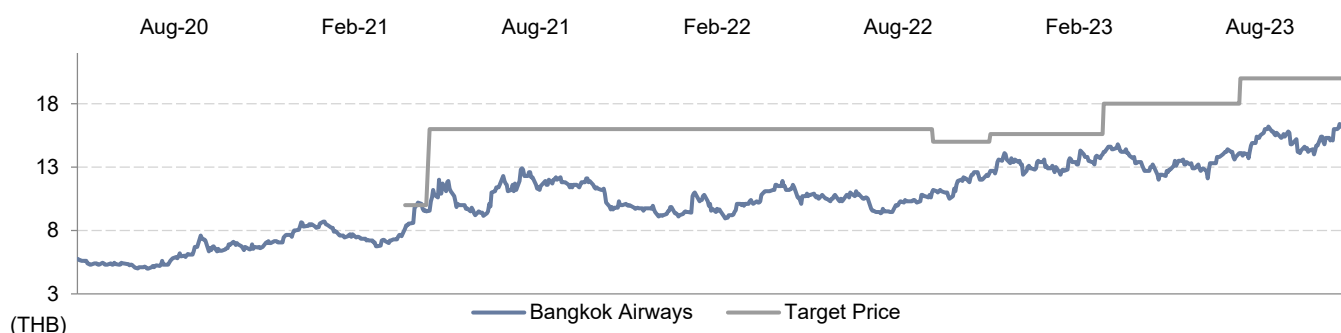
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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.

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History of change in investment rating and/or target price

Bangkok Airways (BA TB)



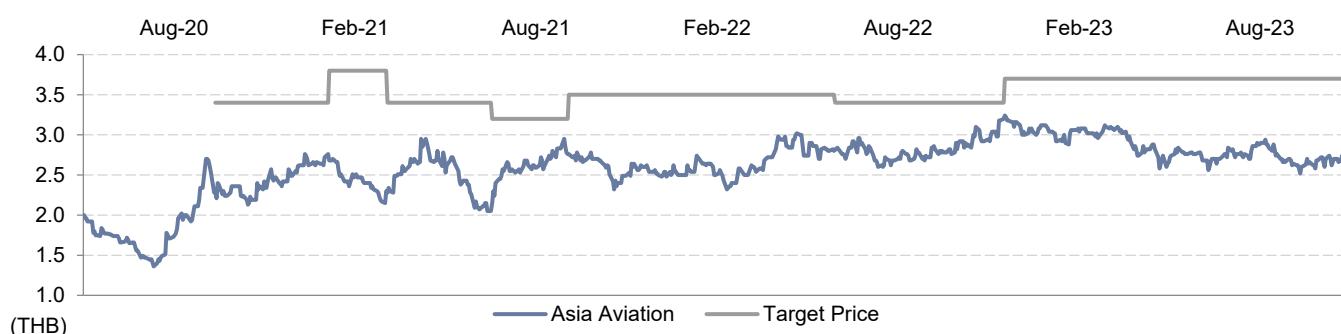
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	01-Sep-2022	BUY	15.00	25-Jan-2023	BUY	18.00
25-Jun-2021	BUY	16.00	20-Oct-2022	BUY	15.60	22-May-2023	BUY	20.00

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)



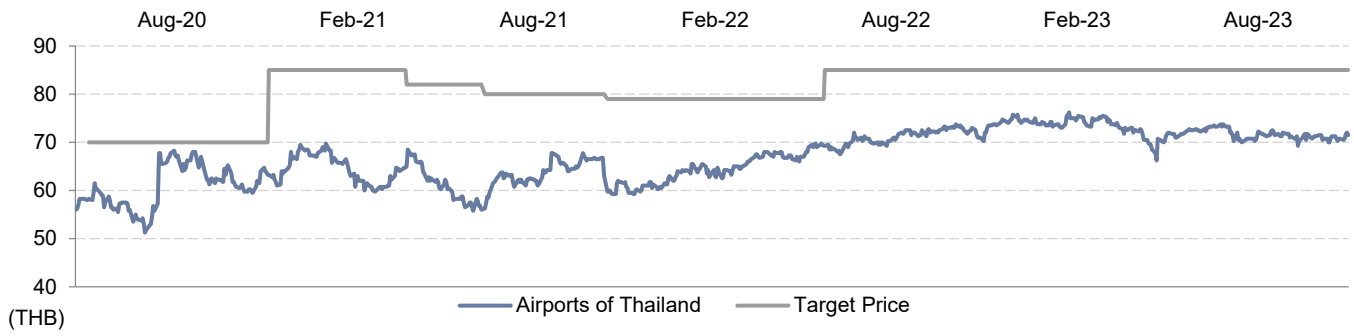
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Dec-2020	BUY	3.40	16-Aug-2021	BUY	3.20	31-Oct-2022	BUY	3.70
29-Mar-2021	BUY	3.80	21-Oct-2021	BUY	3.50			
18-May-2021	BUY	3.40	07-Jun-2022	BUY	3.40			

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

Price and TP are in local currency

Source: FSSIA estimates

Airports of Thailand (AOT TB)



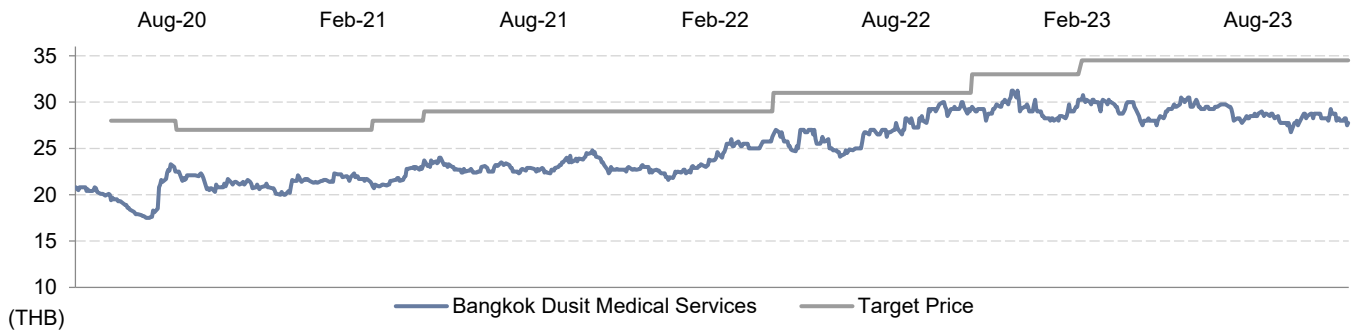
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Sep-2020	BUY	70.00	09-Jun-2021	BUY	82.00	26-Nov-2021	BUY	79.00
11-Feb-2021	BUY	85.00	13-Aug-2021	BUY	80.00	02-Jun-2022	BUY	85.00

Teerapol Udomvej, CFA started covering this stock from 10-Sep-2020

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Dusit Medical Services (BDMS TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Sep-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 16.50	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.
Airports of Thailand	AOT TB	THB 71.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Bangkok Dusit Medical Services	BDMS TB	THB 27.75	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-Aug-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.