

# ASIA AVIATION AAV TB

## THAILAND / TRANSPORT & LOGISTICS

# BUY

UNCHANGED

TARGET PRICE	THB2.80
CLOSE	THB1.83
UP/DOWNSIDE	+53.0%
PRIOR TP	THB3.70
CHANGE IN TP	-24.3%
TP vs CONSENSUS	-13.9%

## Temporary turbulence in 3Q23

- Expect to post a core loss of THB0.6b and a net loss of THB1.6b in 3Q23, pressured by rising jet fuel spot prices and excise taxes.
- Expect AAV to turn profitable in 4Q23, driven by a higher Chinese passenger volume and the high season for the domestic market.
- Maintain BUY with valuation based on 1.1x 2024E adjusted P/BV.

### Load factor in 3Q23 remained healthy at 90%

3Q23 passenger volume was flat q-q at 4.6m, accounting for 86% of pre-Covid (vs 83% in 2Q23), with domestic and international passenger numbers recovering to 89% and 83% of pre-Covid, respectively. Load factor remained strong at 90% (vs 81% in 3Q19). We estimate the average 3Q ticket fare to exceed pre-Covid by 18%. On a negative note, fuel expenses should jump by 27% q-q due to higher jet fuel spot prices (USD110/bbl in 3Q23 vs USD92 in 2Q22) and an additional excise tax expense. As a result, we forecast a core loss of THB0.6b in 3Q23. AAV should book a cTHB1.0b FX loss on its lease liabilities due to the depreciation of the THB vs USD, resulting in a net loss of THB1.6b.

### Chinese tourist arrivals likely to recover in Nov-23 onwards

We expect AAV to turn profitable in 4Q23 premised on the high season for the domestic market. In addition, Chinese tourist arrivals, which slowed to c8,000-9,000/day after Golden Week, are likely to pick up. According to the Immigration Bureau, Chinese tourist arrivals recovered to 9,433 on 28 Oct. We believe the trend should continue following the festive season in Nov-23 to Jan-24 and peak in Feb-23, which is the Chinese New Year period. This should benefit AAV which plans to increase the flight capacity of its China routes from 71 flights/week at end-3Q23 to 100 flights in 4Q23 (vs 140 flights at pre-Covid level).

### Potential upside from positive excise tax negotiation

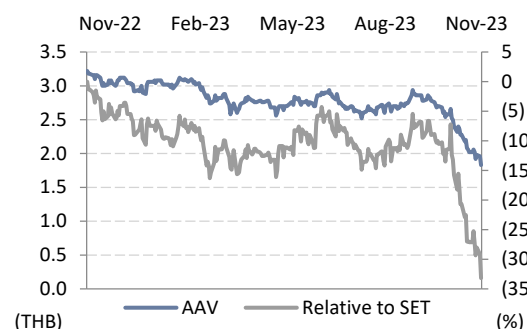
Another key factor to drag AAV's operation is the rising excise tax to THB4.726/litre, effective July (vs previous rate of THB0.2). We estimate it to hit AAV's bottom line by cTHB0.4-0.5b in 2H23 and 0.9b in 2024. The Airlines Association of Thailand is negotiating with the Finance Ministry to set a new lower rate. We believe there will be a conclusion by the end of this year. A lower rate should lead to an upside in our 2024 forecast.

### Cut earnings; operations to improve in 4Q23-1Q24

We cut 2024-25E profit by 4-12% on the lower-than-expected Chinese tourist numbers and higher jet fuel expense, and derive a new TP of THB2.8/shr based on 1.1x 2024E adjusted P/BV. Its share price plunged by 29% in the past month, pricing in all negative news. Operations should improve in 4Q23-1Q24. Thus, we see this as an opportunity to Buy.

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,012	42,236	47,462	48,657
Net profit	(8,030)	(2,067)	1,441	1,770
EPS (THB)	(0.66)	(0.16)	0.11	0.14
vs Consensus (%)	-	nm	(26.7)	(37.2)
EBITDA	(1,278)	7,321	9,543	10,155
Recurring net profit	(6,946)	50	1,441	1,770
Core EPS (THB)	(0.57)	0.00	0.11	0.14
Chg. In EPS est. (%)	nm	(96.1)	(12.3)	(3.6)
EPS growth (%)	nm	nm	2,797.6	22.8
Core P/E (x)	(3.2)	472.9	16.3	13.3
Dividend yield (%)	-	0.1	2.5	3.0
EV/EBITDA (x)	(51.0)	8.8	6.4	5.8
Price/book (x)	2.8	4.0	3.2	2.8
Net debt/Equity (%)	540.0	697.0	518.9	418.0
ROE (%)	(49.3)	0.7	21.8	22.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(29.1)	(32.7)	(42.8)
Relative to country (%)	(24.5)	(24.2)	(33.4)
Mkt cap (USD m)	646		
3m avg. daily turnover (USD m)	3.2		
Free float (%)	38		
Major shareholder	AirAsia Aviation Limited (43%)		
12m high/low (THB)	3.30/1.82		
Issued shares (m)	12,164.29		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

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

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

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

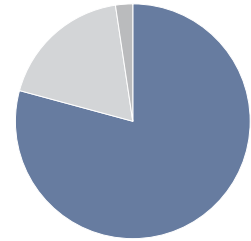
## Company profile

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

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

## Principal activities (revenue, 2022)

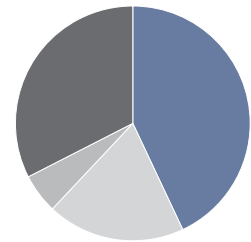
- Ticket sales - 79.2 %
- Ancillaries - 18.4 %
- Other revenue - 2.4 %



Source: Asia Aviation

## Major shareholders

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



Source: Asia Aviation

## Catalysts

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

## Risks to our call

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

## Event calendar

Date	Event
Nov 2023	3Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Number of aircraft (no.)	54	54	54
Pax carried (m)	19	21	21
Load factor (%)	90	88	88
Average ticket fare (THB)	1,721	1,755	1,773
Ancillaries per pax (THB/pax)	400	408	420
Fuel price net hedging (USD/bbl)	115	120	120

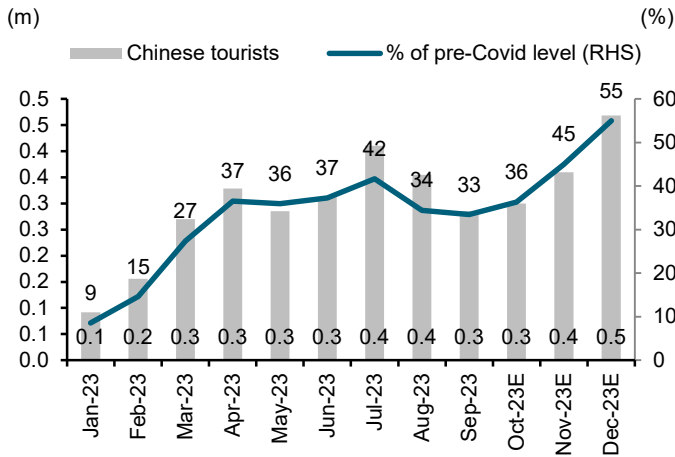
Source: FSSIA estimates

## Earnings sensitivity

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

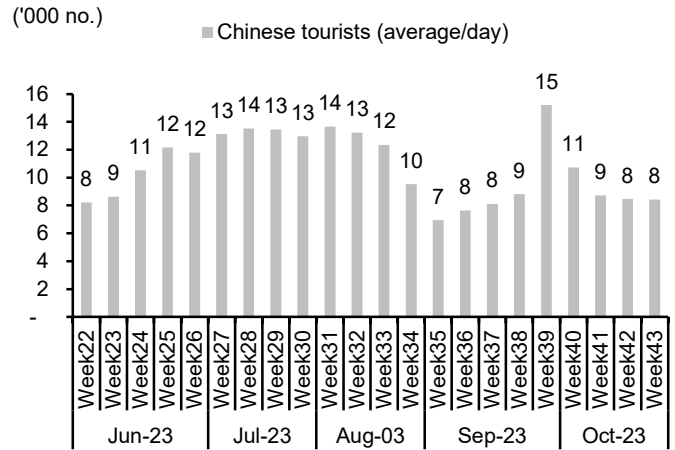
Source: FSSIA estimates

**Exhibit 1: Monthly Chinese tourist arrivals**



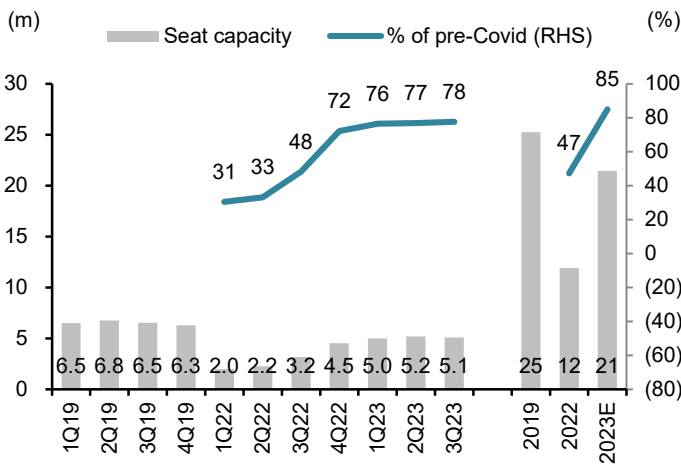
Sources: Ministry of Tourism and Sports (MOTS); FSSIA estimates

**Exhibit 2: Weekly Chinese tourist arrivals**



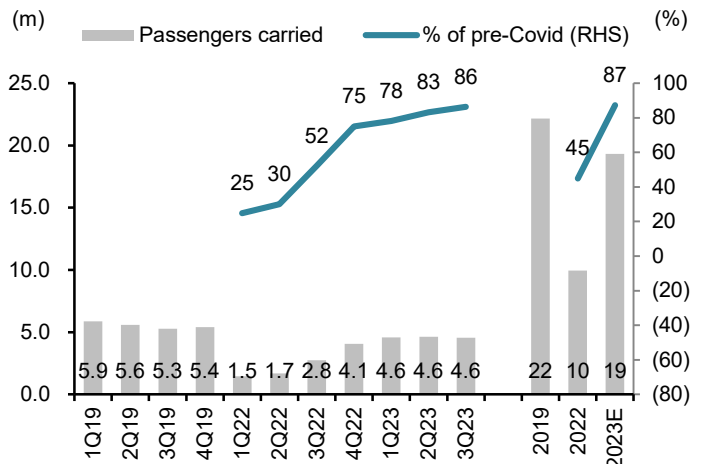
Source: Economic Tourism and Sports Division

**Exhibit 3: Seat capacity**



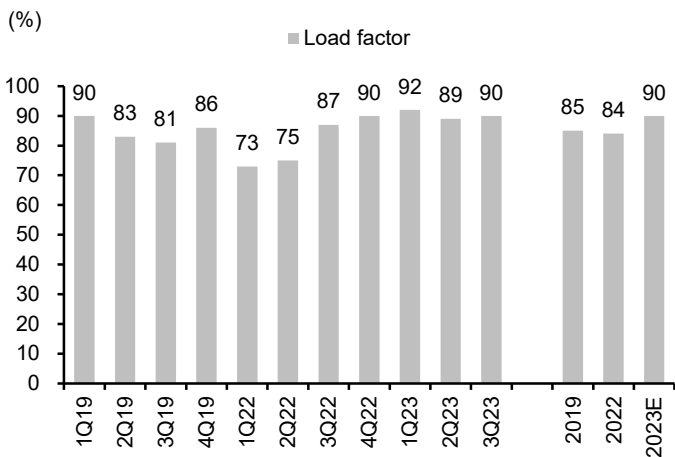
Source: AAV

**Exhibit 4: Passengers carried**



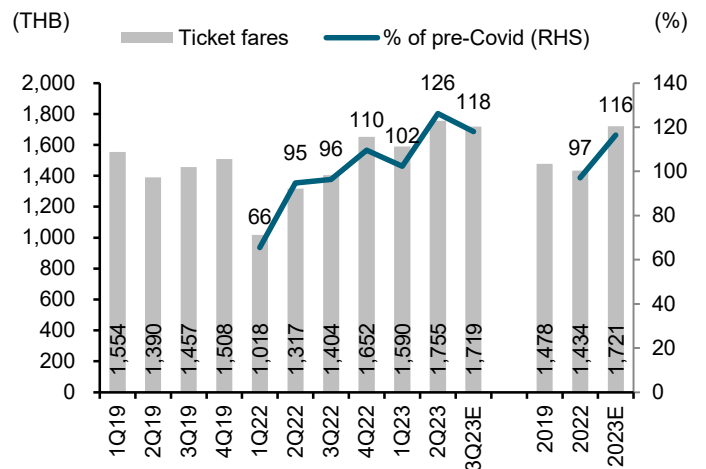
Source: AAV

**Exhibit 5: Load factor**



Source: AAV

**Exhibit 6: Average ticket fare**



Source: AAV

## Exhibit 7: 3Q23 results preview

	3Q22	4Q22	1Q23	2Q23	3Q23E	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
<b>Sales</b>	<b>4,878</b>	<b>8,507</b>	<b>9,252</b>	<b>10,399</b>	<b>10,050</b>	<b>(3)</b>	<b>106</b>	<b>42,236</b>
- Passenger revenue	3,868	6,709	7,283	8,148	7,832	(4)	102	33,228
- Other revenue	1,010	1,798	1,969	2,251	2,218	(1)	120	9,007
<b>Expense</b>	<b>(7,018)</b>	<b>(8,275)</b>	<b>(8,581)</b>	<b>(9,691)</b>	<b>(10,547)</b>	<b>9</b>	<b>50</b>	<b>(40,543)</b>
- Fuel and oil	(2,490)	(3,369)	(3,190)	(3,369)	(4,267)	27	71	(16,161)
- Non-fuel operating expenses	(4,528)	(4,905)	(5,391)	(6,322)	(6,280)	(1)	39	(24,382)
<b>Operating profit</b>	<b>(2,140)</b>	<b>232</b>	<b>671</b>	<b>708</b>	<b>(497)</b>	<b>(170)</b>	<b>77</b>	<b>1,693</b>
Interest income	7	8	7	9	9	0	27	4
Interest expense	(625)	(484)	(494)	(549)	(549)	0	(12)	(2,147)
<b>Pretax profit</b>	<b>(2,758)</b>	<b>(244)</b>	<b>184</b>	<b>169</b>	<b>(1,037)</b>	<b>(715)</b>	<b>62</b>	<b>(450)</b>
Income Tax	1,578	(690)	(140)	289	397	38	(75)	500
<b>Core profit (TAA)</b>	<b>(1,180)</b>	<b>(934)</b>	<b>44</b>	<b>458</b>	<b>(639)</b>	<b>(240)</b>	<b>46</b>	<b>50</b>
<b>Core profit (AAV)</b>	<b>(1,180)</b>	<b>(934)</b>	<b>44</b>	<b>458</b>	<b>(639)</b>	<b>(240)</b>	<b>46</b>	<b>50</b>
Extraordinaries	(2,870)	4,048	316	(1,470)	(950)	(35)	(67)	(2,117)
- FX gain (loss)	(2,885)	3,712	563	(1,391)	(950)	(32)	(67)	(1,800)
- Derivative gain (loss)	15	(81)	(10)	0	0			0
- Others	0	417	(237)	(80)	0			(317)
<b>Reported net profit (TAA)</b>	<b>(4,050)</b>	<b>3,114</b>	<b>359</b>	<b>(1,013)</b>	<b>(1,589)</b>	<b>57</b>	<b>61</b>	<b>(2,067)</b>
Minority interest	0	0	0	0	0			0
<b>Reported net profit (AAV)</b>	<b>(4,050)</b>	<b>3,114</b>	<b>359</b>	<b>(1,013)</b>	<b>(1,589)</b>	<b>57</b>	<b>61</b>	<b>(2,067)</b>
Shares out (end Q, m)	9,879	9,879	9,879	9,879	9,879	0	0	12,850
<b>Core EPS</b>	<b>(0.12)</b>	<b>(0.09)</b>	<b>0.00</b>	<b>0.05</b>	<b>(0.06)</b>	<b>(240)</b>	<b>46</b>	<b>0.00</b>
<b>EPS</b>	<b>(0.41)</b>	<b>0.32</b>	<b>0.04</b>	<b>(0.10)</b>	<b>(0.16)</b>	<b>57</b>	<b>61</b>	<b>(0.16)</b>
Depreciation	(1,541)	(1,395)	(1,307)	(1,251)	(1,251)	0	(19)	(5,628)
EBITDA	(599)	1,627	1,978	1,960	754	(62)	226	7,321
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>
Operating profit margin	(44)	3	7	7	(5)	(12)	39	4
EBITDA margin	(12)	19	21	19	8	(11)	20	17
Net profit margin	(83)	37	4	(10)	(16)	(6)	67	(5)
<b>Operating stats</b>								
Passengers carried (m)	2.8	4.1	4.6	4.6	4.6			
Load factor (%)	87	90	92	89	90			
RPK (m seats-km)	2,478	3,774	4,417	5,148	5,219			
ASK (m seats-km)	2,863	4,246	4,895	5,940	5,921			
Average fare (THB)	1,404	1,652	1,590	1,755	1,719			
RASK (THB)	1.7	2.0	1.9	1.7	1.6			
CASK (THB)	2.6	2.0	1.8	1.7	1.9			
CASK ex-fuel (THB)	1.8	1.2	1.2	1.1	1.2			
Fuel cost per ASK (THB)	0.9	0.8	0.7	0.6	0.7			

Source: AAV; FSSIA estimates

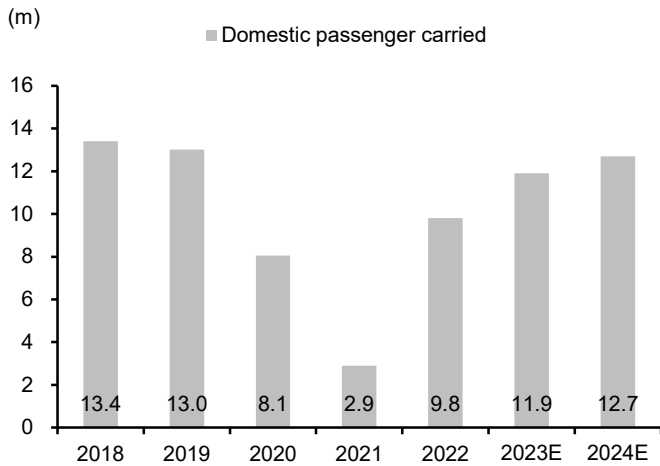
## Exhibit 8: Forecast revisions

	Current			Previous			Change (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Passengers carried (m)	19.3	21.2	21.5	20.0	21.6	21.8	(3.5)	(1.5)	(1.5)
Load factor (%)	90	88	88	87	87	87	3.0	1.0	1.0
Average fare (THB)	1,721	1,755	1,773	1,721	1,755	1,773	0.0	0.0	0.0
Fuel price net hedging (USD/bbl)	115	120	120	128	123	123	(10.2)	(2.4)	(2.4)
Revenue (THB b)	42.2	47.5	48.7	43.1	47.5	48.7	(2.1)	(0.1)	(0.0)
EBITDA margin (%)	17.3	20.1	20.9	21.7	20.6	20.7	(4.4)	(0.5)	0.2
Core earnings (THB m)	50	1,441	1,770	1,284	1,644	1,836	(96.1)	(12.3)	(3.6)

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

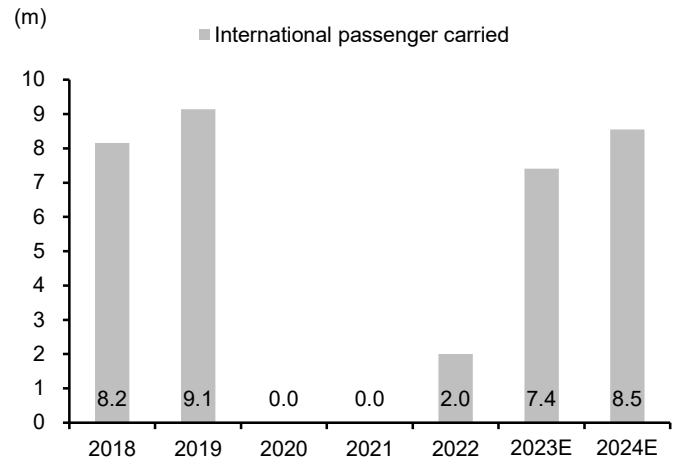
Sources: AAV; FSSIA estimates

**Exhibit 9: Domestic passengers carried**



Sources: AAV; FSSIA estimates

**Exhibit 10: International passengers carried**



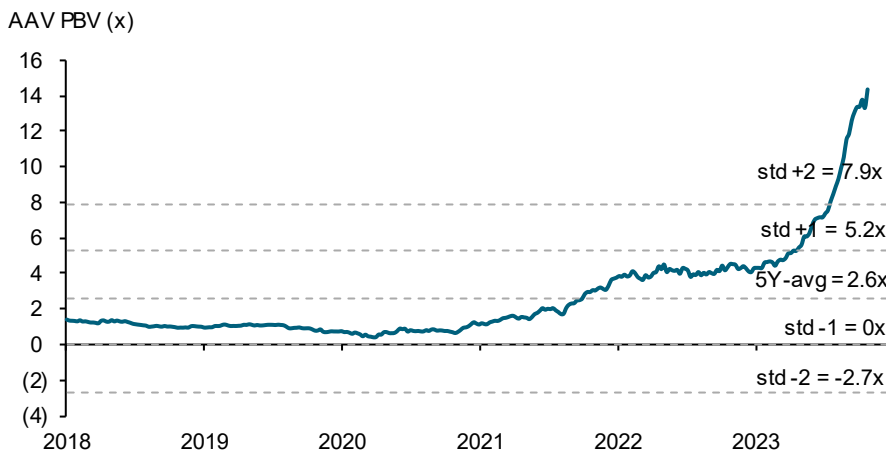
Sources: AAV; FSSIA estimates

**Exhibit 11: P/BV valuation table**

Valuation estimate	(THB b)	(THB/share)	Comments
Book value	7.3	0.6	At end-2024E
One-off loss	24.9	1.9	Core loss over 2020-22
Adjusted book value	32.2	2.5	Adding back a one-off core loss
<b>Target price</b>		<b>2.8</b>	<b>Pegged at 1.1x P/BV</b>

Source: FSSIA estimates

**Exhibit 12: Rolling one-year forward P/BV band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 13: Peer comparisons, airline sector as of 31 October 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)
<b>Thailand</b>													
Bangkok Airways	BA TB	BUY	13.60	22.00	61.8	795	13.1	12.2	11.4	1.4	1.3	11.9	10.6
Asia Aviation	AAV TB	BUY	1.83	2.80	53.0	646	472.9	16.3	13.3	4.0	3.2	8.8	6.4
<b>Thailand average</b>						<b>1,441</b>	<b>243.0</b>	<b>14.3</b>	<b>12.4</b>	<b>2.7</b>	<b>2.3</b>	<b>10.4</b>	<b>8.5</b>
<b>Regional</b>													
Spring Airlines Co Ltd-A	601021 CH	n/a	54.50	n/a	n/a	7,286	23.6	15.0	15.0	3.4	2.8	13.8	10.0
Interglobe Aviation	INDIGO IN	n/a	2,453.85	n/a	n/a	11,259	n/a	15.2	15.2	n/a	n/a	17.5	8.1
Cebu Air Inc	CEB PM	n/a	33.00	n/a	n/a	361	4.6	2.9	2.9	n/a	4.1	5.8	4.7
Singapore Airlines	SIA SP	n/a	6.11	n/a	n/a	13,264	9.1	7.6	7.6	1.2	1.1	4.8	4.7
Japan Airlines	9201 JP	n/a	2,688.00	n/a	n/a	7,765	41.2	12.9	12.9	1.4	1.3	6.3	4.7
Ana Holdings	9202 JP	n/a	2,955.50	n/a	n/a	9,459	23.3	13.2	13.2	1.6	1.5	6.6	5.2
Cathay Pacific Airways	293 HK	n/a	7.86	n/a	n/a	6,426	6.7	8.1	8.1	0.9	0.8	4.6	5.3
Vietjet Aviation	VJC VN	n/a	99,000	n/a	n/a	2,265	94.5	35.5	35.5	3.7	3.3	33.8	20.5
<b>Regional average</b>						<b>58,086</b>	<b>29.0</b>	<b>13.8</b>	<b>13.8</b>	<b>2.0</b>	<b>2.1</b>	<b>11.7</b>	<b>7.9</b>
<b>Global</b>													
Eva Airways	2618 TT	n/a	28.60	n/a	n/a	4,755	7.3	12.2	12.2	1.4	1.2	2.8	3.9
Air New Zealand	AIR NZ	n/a	0.68	n/a	n/a	1,322	5.3	8.2	8.2	1.1	1.1	2.6	3.1
Air Arabia	AIRARABIA UH	n/a	2.62	n/a	n/a	3,367	8.7	8.8	8.8	1.7	1.6	5.1	5.2
Easyjet (UK)	EZJ LN	n/a	366.00	n/a	n/a	3,372	7.7	6.8	6.8	1.0	0.9	2.5	2.3
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	8.55	n/a	n/a	711	5.1	5.2	5.2	n/a	n/a	5.3	4.5
JetBlue Airways (US, Latin AM)	JBLU	n/a	3.76	n/a	n/a	1,253	n/a	n/a	n/a	0.4	0.3	6.7	5.6
Norwegian Air Shuttle (Norway)	NWARF US	n/a	0.72	n/a	n/a	689	8.2	6.6	6.6	1.5	1.2	2.1	1.9
Southwest Airlines (US)	LUV US	n/a	22.23	n/a	n/a	13,252	15.5	11.8	11.8	1.2	1.1	4.0	3.5
<b>Global average</b>						<b>28,720</b>	<b>8.3</b>	<b>8.5</b>	<b>8.5</b>	<b>1.2</b>	<b>1.1</b>	<b>3.9</b>	<b>3.7</b>
<b>Overall average</b>						<b>88,246</b>	<b>46.7</b>	<b>11.7</b>	<b>11.4</b>	<b>1.7</b>	<b>1.7</b>	<b>8.1</b>	<b>6.1</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Asia Aviation

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,117	18,012	42,236	47,462	48,657
Cost of goods sold	(11,469)	(23,693)	(37,924)	(40,509)	(41,192)
<b>Gross profit</b>	<b>(7,352)</b>	<b>(5,681)</b>	<b>4,311</b>	<b>6,953</b>	<b>7,466</b>
Other operating income	-	-	-	-	-
Operating costs	(1,236)	(1,711)	(2,619)	(3,038)	(3,114)
<b>Operating EBITDA</b>	<b>(3,153)</b>	<b>(1,278)</b>	<b>7,321</b>	<b>9,543</b>	<b>10,155</b>
Depreciation	(5,434)	(6,114)	(5,628)	(5,628)	(5,804)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(8,587)</b>	<b>(7,392)</b>	<b>1,693</b>	<b>3,916</b>	<b>4,352</b>
Net financing costs	(1,848)	(2,190)	(2,143)	(2,128)	(2,156)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(1,795)	(1,084)	(2,117)	0	0
<b>Profit before tax</b>	<b>(12,231)</b>	<b>(10,666)</b>	<b>(2,567)</b>	<b>1,787</b>	<b>2,196</b>
Tax	1,741	2,452	500	(346)	(426)
<b>Profit after tax</b>	<b>(10,490)</b>	<b>(8,214)</b>	<b>(2,067)</b>	<b>1,441</b>	<b>1,770</b>
Minority interests	5,310	184	0	0	0
Preferred dividends	-	-	-	-	-
Other items	(1,468)	-	-	-	-
<b>Reported net profit</b>	<b>(6,647)</b>	<b>(8,030)</b>	<b>(2,067)</b>	<b>1,441</b>	<b>1,770</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,795</b>	<b>1,084</b>	<b>2,117</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(4,853)</b>	<b>(6,946)</b>	<b>50</b>	<b>1,441</b>	<b>1,770</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.49)	(0.57)	0.00	0.11	0.14
Reported EPS	(0.67)	(0.66)	(0.16)	0.11	0.14
DPS	0.00	0.00	0.00	0.04	0.06
Diluted shares (used to calculate per share data)	9,879	12,164	12,850	12,850	12,850
<b>Growth</b>					
Revenue (%)	(71.3)	337.5	134.5	12.4	2.5
Operating EBITDA (%)	nm	nm	nm	30.4	6.4
Operating EBIT (%)	nm	nm	nm	131.3	11.1
Recurring EPS (%)	nm	nm	nm	2,797.6	22.8
Reported EPS (%)	nm	nm	nm	nm	22.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	(178.6)	(31.5)	10.2	14.7	15.3
Gross margin exc. depreciation (%)	(46.6)	2.4	23.5	26.5	27.3
Operating EBITDA margin (%)	(76.6)	(7.1)	17.3	20.1	20.9
Operating EBIT margin (%)	(208.6)	(41.0)	4.0	8.3	8.9
Net margin (%)	(117.9)	(38.6)	0.1	3.0	3.6
Effective tax rate (%)	16.7	25.6	20.0	19.4	19.4
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(4.6)	(3.4)	0.8	1.8	2.0
Inventory days	14.2	6.6	3.7	2.8	2.9
Debtor days	122.3	25.4	7.4	6.6	6.4
Creditor days	87.4	34.3	16.0	14.9	15.4
Operating ROIC (%)	(21.3)	(18.9)	5.9	15.7	18.8
ROIC (%)	(12.3)	(10.1)	2.7	6.7	7.7
ROE (%)	(28.2)	(49.3)	0.7	21.8	22.4
ROA (%)	(12.4)	(8.1)	2.8	5.0	5.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Ticket sales	3,174	14,268	33,228	37,299	38,066
Ancillaries	651	3,319	7,723	8,669	9,022
Other revenue	292	426	1,285	1,494	1,569

Sources: Asia Aviation; FSSIA estimates

## Financial Statements

### Asia Aviation

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(4,853)	(6,946)	50	1,441	1,770
Depreciation	5,434	6,114	5,628	5,628	5,804
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,538)	(9,528)	(317)	0	0
Change in working capital	(1,117)	2,058	2,712	968	298
<b>Cash flow from operations</b>	<b>(5,074)</b>	<b>(8,302)</b>	<b>8,072</b>	<b>8,037</b>	<b>7,871</b>
Capex - maintenance	(3,885)	(31)	(4,350)	(4,902)	(4,914)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(3,885)</b>	<b>(31)</b>	<b>(4,350)</b>	<b>(4,902)</b>	<b>(4,914)</b>
Dividends paid	0	0	0	(20)	(576)
Equity finance	8,800	4,000	1,200	0	0
Debt finance	6,481	(1,384)	(1,500)	1,000	1,000
Other financing cash flows	(2,073)	1,155	(3,000)	0	0
<b>Cash flow from financing</b>	<b>13,208</b>	<b>3,771</b>	<b>(3,300)</b>	<b>980</b>	<b>424</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>4,249</b>	<b>(4,562)</b>	<b>422</b>	<b>4,114</b>	<b>3,381</b>
Free cash flow to firm (FCFF)	(7,059.54)	(6,113.25)	5,869.91	5,269.26	5,142.00
Free cash flow to equity (FCFE)	(4,550.79)	(8,561.78)	(777.58)	4,134.26	3,957.07

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(0.58)	(0.50)	0.48	0.43	0.42
FCFE per share	(0.37)	(0.70)	(0.06)	0.34	0.33
Recurring cash flow per share	(0.40)	(0.85)	0.42	0.55	0.59

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	43,298	36,791	37,714	39,188	40,675
Less: Accumulated depreciation	(4,234)	(4,010)	(6,210)	(8,410)	(10,786)
<b>Tangible fixed assets (net)</b>	<b>39,064</b>	<b>32,781</b>	<b>31,503</b>	<b>30,778</b>	<b>29,889</b>
<b>Intangible fixed assets (net)</b>	<b>23,688</b>	<b>23,684</b>	<b>23,684</b>	<b>23,684</b>	<b>23,684</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	5,360	798	1,220	5,335	8,715
A/C receivable	1,658	854	854	854	854
Inventories	230	401	260	280	285
Other current assets	425	3,184	648	728	747
<b>Current assets</b>	<b>7,673</b>	<b>5,236</b>	<b>2,982</b>	<b>7,197</b>	<b>10,600</b>
Other assets	784	2,984	2,984	2,984	2,984
<b>Total assets</b>	<b>71,208</b>	<b>64,686</b>	<b>61,153</b>	<b>64,643</b>	<b>67,157</b>
Common equity	20,201	7,954	5,887	7,308	8,501
Minorities etc.	(3,372)	0	0	0	0
<b>Total shareholders' equity</b>	<b>16,829</b>	<b>7,954</b>	<b>5,887</b>	<b>7,308</b>	<b>8,501</b>
Long term debt	44,310	42,262	40,762	41,762	42,762
Other long-term liabilities	1,182	734	734	734	734
<b>Long-term liabilities</b>	<b>45,492</b>	<b>42,997</b>	<b>41,497</b>	<b>42,497</b>	<b>43,497</b>
A/C payable	1,841	1,464	1,370	1,480	1,502
Short term debt	829	1,493	1,493	1,493	1,493
Other current liabilities	6,216	10,778	10,906	11,865	12,164
<b>Current liabilities</b>	<b>8,887</b>	<b>13,734</b>	<b>13,770</b>	<b>14,838</b>	<b>15,159</b>
<b>Total liabilities and shareholders' equity</b>	<b>71,208</b>	<b>64,686</b>	<b>61,153</b>	<b>64,643</b>	<b>67,157</b>
Net working capital	(5,744)	(7,803)	(10,515)	(11,483)	(11,781)
Invested capital	57,791	51,646	47,657	45,963	44,776

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	2.04	0.65	0.46	0.57	0.66
Tangible book value per share	(0.35)	(1.29)	(1.38)	(1.27)	(1.18)

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	236.4	540.0	697.0	518.9	418.0
Net debt/total assets (%)	55.9	66.4	67.1	58.7	52.9
Current ratio (x)	0.9	0.4	0.2	0.5	0.7
CF interest cover (x)	(1.5)	(2.9)	0.6	2.9	2.8

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>(3.7)</b>	<b>(3.2)</b>	<b>472.9</b>	<b>16.3</b>	<b>13.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(5.7)</b>	<b>(4.9)</b>	<b>723.5</b>	<b>25.0</b>	<b>20.3</b>
Reported P/E (x)	(2.7)	(2.8)	(11.4)	16.3	13.3
Dividend yield (%)	-	-	0.1	2.5	3.0
Price/book (x)	0.9	2.8	4.0	3.2	2.8
Price/tangible book (x)	(5.2)	(1.4)	(1.3)	(1.4)	(1.5)
EV/EBITDA (x) **	(17.3)	(51.0)	8.8	6.4	5.8
EV/EBITDA @ target price (x) **	(20.3)	(60.3)	10.5	7.7	7.0
EV/invested capital (x)	0.9	1.3	1.4	1.3	1.3

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

Sources: Asia Aviation; FSSIA estimates



# Asia Aviation PCL (AAV TB)

**FSSIA ESG rating**

**43.83 /100**
**Exhibit 14: FSSIA ESG score implication**

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	>39-59	<b>Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.</b>
★★☆☆☆	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

**Exhibit 15: ESG – peer comparison**

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
AAV	43.83	--	Y	Y	5.00	4.00	--	High	48.81	--	--	42.50	--	3.11	48.18
AOT	77.96	Y	Y	Y	5.00	5.00	--	Low	64.96	A	39.00	50.87	77.00	4.19	55.78
BA	18.75	--	--	--	4.00	4.00	--	High	--	--	--	--	16.00	--	--
PSL	55.45	--	Y	Y	5.00	5.00	Certified	Medium	59.76	BB	--	--	51.00	--	--
RCL	27.51	--	--	--	4.00	4.00	--	High	41.46	--	--	20.37	13.00	.94	30.36
TTA	65.35	--	Y	Y	5.00	5.00	Certified	Medium	56.56	AA	--	50.79	25.00	3.31	56.20

Sources: SETTRADE.com; FSSIA's compilation

**Exhibit 16: ESG score by Bloomberg**

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	--	--	3.70	3.11
BESG environmental pillar score	--	--	3.04	1.77
BESG social pillar score	--	--	4.66	4.21
BESG governance pillar score	--	--	3.34	3.86
<b>ESG disclosure score</b>	<b>35.67</b>	<b>43.31</b>	<b>47.08</b>	<b>48.18</b>
Environmental disclosure score	11.48	27.82	28.99	30.75
Social disclosure score	19.29	20.86	36.03	37.61
Governance disclosure score	76.10	81.10	76.10	76.10
<b>Environmental</b>				
Emissions reduction initiatives	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	Yes
Risks of climate change discussed	No	No	Yes	Yes
GHG scope 1	1,947	696	203	663
GHG scope 2 location-based	2	2	1	1
GHG Scope 3	--	--	--	143
Carbon per unit of production	--	--	--	--
Biodiversity policy	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes
Total energy consumption	--	--	--	--
Renewable energy use	--	--	--	--
Electricity used	3	2	2	2
Fuel used - natural gas	--	--	--	--

Sources: Bloomberg; FSSIA's compilation

## Exhibit 17: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes
Hazardous waste	—	0	0	0
Total waste	0	0	0	0
Waste recycled	—	—	—	—
Waste sent to landfills	—	—	—	—
Environmental supply chain management	No	Yes	Yes	Yes
Water policy	No	No	Yes	Yes
Water consumption	16	10	6	7
<b>Social</b>				
Human rights policy	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No
Quality assurance and recall policy	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes
Equal opportunity policy	No	No	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	—	—	36	36
Pct disabled in workforce	—	1	1	1
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	0	0
Total recordable incident rate - employees	—	—	1	1
Training policy	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	5,974	5,586	5,003	4,677
Employee turnover pct	3	4	4	5
Total hours spent by firm - employee training	—	—	150,090	121,602
Social supply chain management	Yes	Yes	Yes	Yes
<b>Governance</b>				
<b>Board size</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>
No. of women on board	0	0	0	1
No. of non-executive directors on board	5	5	7	4
Company conducts board evaluations	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	7	7	4
Board meeting attendance pct	87	98	98	94
Board duration (years)	3	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	—	46	—	—
Age of the oldest director	—	64	—	—
<b>No. of executives / company managers</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>
No. of female executives	0	0	0	0
Executive share ownership guidelines	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3
Audit committee meetings	5	4	5	4
Audit meeting attendance %	87	100	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	3	3	3	2
No. of compensation committee meetings	2	2	3	2
Compensation meeting attendance %	100	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	2	2	3	2
Nomination meeting attendance %	100	100	100	100
<b>Sustainability governance</b>				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																												
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
NEGL	Low	Medium	High	Severe																										
0-10	10-20	20-30	30-40	40+																										
<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																											
<b>AA</b>	7.143-8.570																													
<b>A</b>	5.714-7.142																													
<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers																											
<b>BB</b>	2.857-4.285																													
<b>B</b>	1.429-2.856																													
<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																											
<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																													
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

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

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### History of change in investment rating and/or target price

#### Asia Aviation (AAV TB)



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

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

Price and TP are in local currency

Source: FSSIA estimates

#### Bangkok Airways (BA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	20-Oct-2022	BUY	15.60	28-Aug-2023	BUY	22.00
25-Jun-2021	BUY	16.00	25-Jan-2023	BUY	18.00			
01-Sep-2022	BUY	15.00	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

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 1.83	BUY	Downside risks to our P/BV multiple target price include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Bangkok Airways	BA TB	THB 13.60	BUY	Downside risks to our SoTP-based TP include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.

Source: FSSIA estimates

### Additional Disclosures

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

All share prices are as at market close on 31-Oct-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / 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.