

ASIA AVIATION AAV TB

THAILAND / TRANSPORT & LOGISTICS

BUY

UNCHANGED

Accelerating on domestic and Chinese pax

- Expect core earnings to turn profitable in 4Q23, driven by strong domestic passenger volume; momentum to continue in 1Q24, led by improving demand for China routes following visa-free scheme.
- Expect 2024 ticket fares to exceed pre-Covid by 30-35%.
- Maintain BUY with TP of THB2.8/shr, based on 25x 2024E P/E.

TARGET PRICE	THB2.80
CLOSE	THB2.10
UP/DOWNSIDE	+33.3%
PRIOR TP	THB2.80
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+3.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,012	42,327	50,055	52,736
Net profit	(8,030)	(243)	1,441	1,770
EPS (THB)	(0.66)	(0.02)	0.11	0.14
vs Consensus (%)	-	nm	(4.3)	(31.4)
EBITDA	(1,278)	6,542	9,120	9,751
Recurring net profit	(6,946)	(196)	1,441	1,770
Core EPS (THB)	(0.57)	(0.02)	0.11	0.14
Chg. In EPS est. (%)	nm	nm	0.0	0.0
EPS growth (%)	nm	nm	nm	22.8
Core P/E (x)	(3.7)	(137.5)	18.7	15.2
Dividend yield (%)	-	-	2.1	2.6
EV/EBITDA (x)	(53.6)	10.1	7.0	6.3
Price/book (x)	3.2	3.5	2.9	2.6
Net debt/Equity (%)	540.0	510.7	402.2	331.4
ROE (%)	(49.3)	(2.5)	17.1	18.2

Domestic ticket fares should increase by 15-20% q-q in 4Q23

We believe AAV's strategy to increase the flight capacity of its domestic routes (+15-20% q-q) in 4Q23 worked well and captured the strong demand over the high season. The load factor of domestic routes should remain strong at 93%, with ticket fares increasing to THB1,400-1,500 in 4Q23E (vs cTHB1,200 in 3Q23). Thus, we forecast 4Q23 core profit to turn around to THB0.1b (see page 4). The momentum should continue in 1Q24 with higher demand for China routes premised on the improving load factor of China routes to 91% in Dec-24 from 80% in Sep-23.

China route flights to recover to 60% of pre-Covid in 1Q24

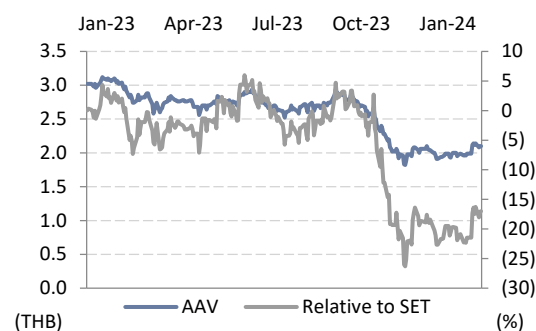
AAV should be one of the top beneficiaries of a reciprocal visa-free scheme for Thai and Chinese citizens starting in Mar-24. We expect the revenue contribution of China routes to end at 12% in 2023, and should improve to 15-20% in 2024 (vs 21% at pre-Covid level). In addition, the Thai passenger demand for China routes should increase from 10-12% normally to 20-30% per flight. AAV aims to increase the flight capacity of its China routes from 77 flights/week in Dec-23 to an average of 80-90 flights in 1Q24 (vs 140 flights at pre-Covid level). Forward bookings for China routes are still promising at 68% in Jan-24 and 40% in Feb-24 (vs overall international routes at 60% and 33%, respectively).

Expect 2024 earnings to turn profitable

We expect a core profit of THB1.4b in 2024. Passenger volume should grow from 18.9m in 2023 to 20-21m in 2024 (vs 22.1m in 2019), as AAV plans to increase its fleet from 56 (50 active) in 2023 to 60 (57 active) in 2024. The key growth driver would be ticket fares, which ramped up to cTHB2,000 in 4Q23, and management expects it to be the base in 2024 (vs THB1,478 in 2019 and THB1,770 in 2023E). We conservatively assume THB1,930 in 2024. Our sensitivity analysis suggests that that every THB50 increase would lift our 2024E profit by THB0.8b.

Cut 2023E and maintain 2024-25E earnings

We cut our 2023 core profit forecast by THB0.2b to reflect our 4Q23 preview and higher-than-expected maintenance costs. We maintain our 2024-25 forecast. We change our valuation method to P/E multiple as we see a high potential for earnings to turn profitable, and peg it at 25x 2024E P/E to derive a TP of THB2.8/shr.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.5	(12.5)	(30.9)
Relative to country (%)	3.1	(11.2)	(17.3)
Mkt cap (USD m)	772		
3m avg. daily turnover (USD m)	2.7		
Free float (%)	38		
Major shareholder	AirAsia Aviation Limited (43%)		
12m high/low (THB)	3.14/1.78		
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 2024. 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 recovery of Chinese tourists, whose volume should recover from 31% of the pre-Covid level in 2023 to 50-60% in 2024.

We also expect that its cost structure will be able to support its operational turnaround, especially its staff costs. AAV has reduced its headcount since the Covid pandemic along with aircraft lease payments, as it has negotiated with lessors to restructure lease contracts.

AAV has 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.

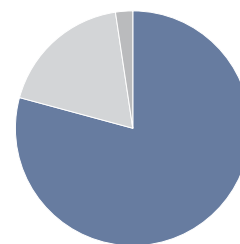
Company profile

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

Principal activities (revenue, 2022)

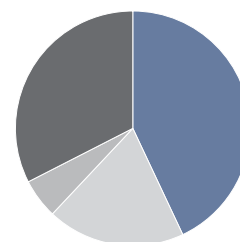
- Ticket sales - 79.2 %
- Ancillaries - 18.4 %
- Other revenue - 2.4 %



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/E 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
Feb 2024	4Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Number of aircraft (no.)	56	60	60
Pax carried (m)	18.9	20.8	21.6
Load factor (%)	90.0	89.0	89.0
Average ticket fare (THB)	1,781	1,930	1,949
Ancillaries per pax (THB/pax)	404	412	424
Fuel price net hedging (USD/bbl)	110	115	115

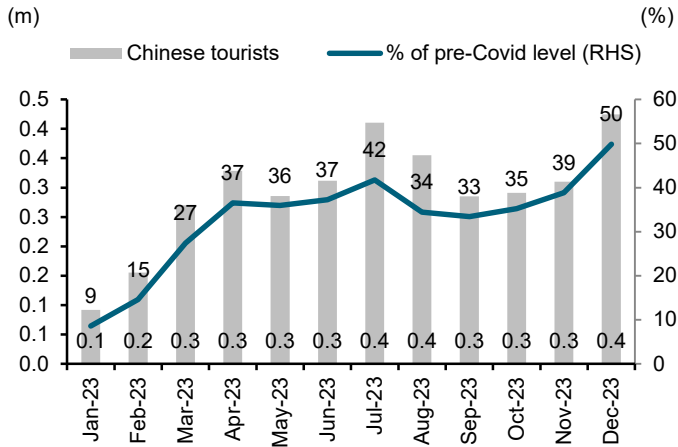
Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in load factor, we project a 2024 profit increase of 17% and vice versa, all else being equal.
- For every 1% increase in average ticket fare, we project a 2024 profit increase of 12% and vice versa, all else being equal
- For every 1% increase in Brent spot price, we project a 2024 profit reduction of 5% and vice versa, all else being equal.

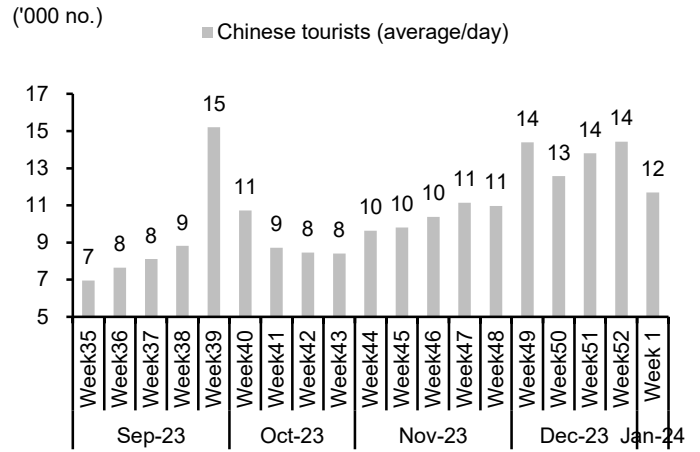
Source: FSSIA estimates

Exhibit 1: Monthly Chinese tourist arrivals



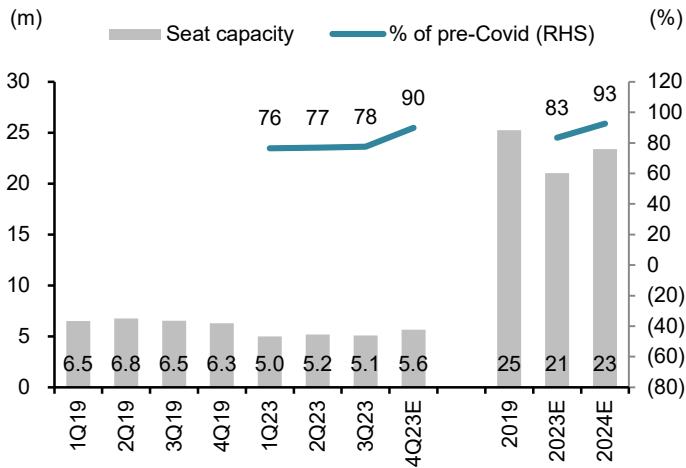
Sources: Ministry of Tourism and Sports (MOTS); FSSIA estimates

Exhibit 2: Weekly Chinese tourist arrivals



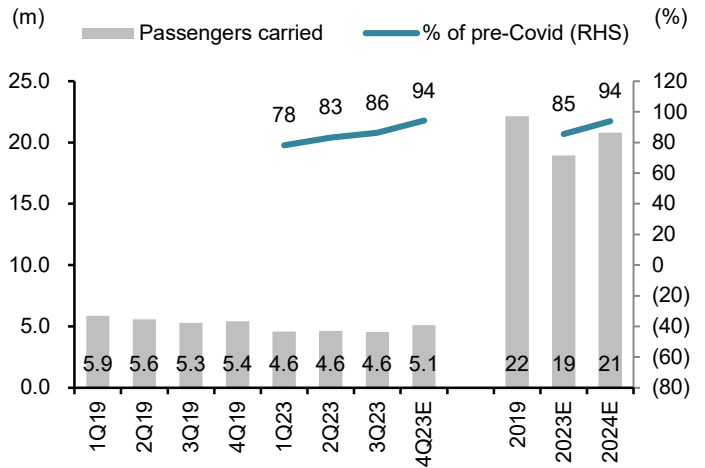
Source: Economic Tourism and Sports Division

Exhibit 3: Seat capacity



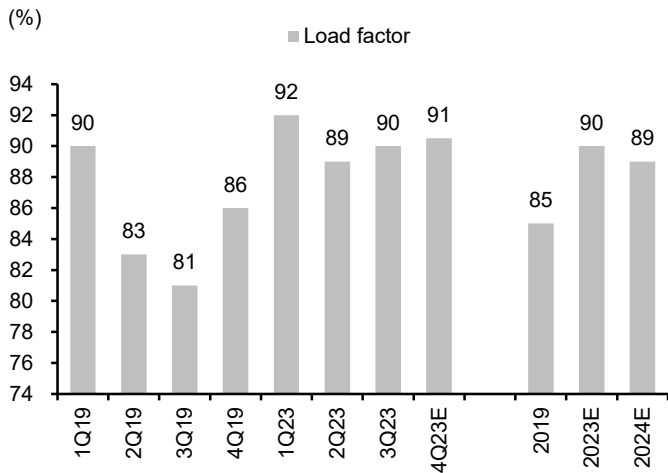
Source: AAV

Exhibit 4: Passengers carried



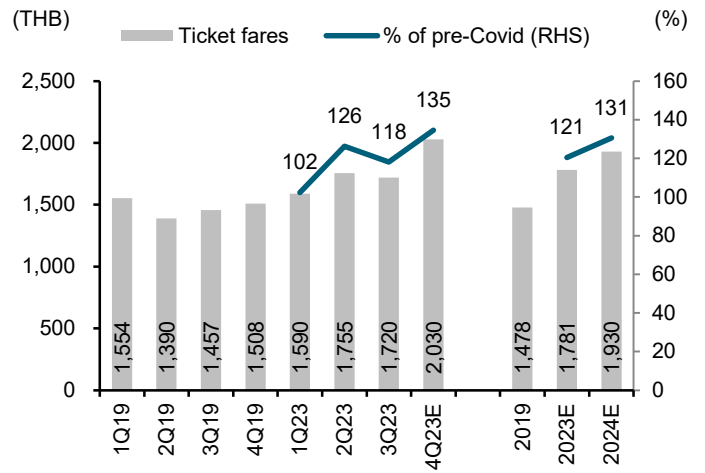
Source: AAV

Exhibit 5: Load factor



Source: AAV

Exhibit 6: Average ticket fare



Source: AAV

4Q23 results preview

We estimate 4Q23 passenger volume to grow by 12% q-q to 5.1m, accounting for 94% of the pre-Covid level (vs 86% in 3Q23), with domestic and international passenger numbers recovering to 97% and 90% of pre-Covid, respectively. Load factor should remain strong at 91% (vs 86% in 4Q19). We estimate the average ticket fare to grow by 18% q-q to THB2,030, exceeding pre-Covid by 35%.

Overall, we estimate 4Q23 revenue to grow by 28% q-q to THB12.7b, exceeding pre-Covid by 24%. Total expenses should increase by 11% q-q, mainly due to fuel expenses which should jump by 20% q-q. The jet fuel spot price is likely to be flat q-q (USD108/bbl in 4Q23E vs USD110/bbl in 3Q22), but it will be hit by additional excise tax expenses for domestic flights given that AAV has heavily increased the flight capacity of its domestic routes by 15-20% q-q.

As a result, we forecast a core profit of THB0.1b in 4Q23, turning around from a core loss of THB0.8b in 3Q23. In addition, AAV should book a cTHB2.0b FX gain on its lease liabilities due to the appreciation of the THB vs USD, resulting in a 4Q23E net profit of THB2.1b.

Exhibit 7: 4Q23 results preview

	4Q22	1Q23	2Q23	3Q23	4Q23E	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	8,507	9,252	10,399	9,899	12,674	28	49	42,327
- Passenger revenue	6,709	7,283	8,148	7,835	10,369	32	55	33,717
- Other revenue	1,798	1,969	2,251	2,064	2,305	12	28	8,610
Expense	(8,275)	(8,581)	(9,691)	(10,541)	(11,680)	11	41	(40,595)
- Fuel and oil	(3,369)	(3,190)	(3,369)	(4,010)	(4,811)	20	43	(15,382)
- Non-fuel operating expenses	(4,905)	(5,391)	(6,322)	(6,531)	(6,869)	5	40	(25,213)
Operating Profit	232	671	708	(642)	994	(255)	328	1,732
Interest income	8	7	9	7	7	0	(5)	4
Interest expense	(484)	(494)	(549)	(596)	(596)	0	23	(2,236)
Pretax profit	(244)	184	169	(1,231)	405	(133)	(266)	(500)
Income Tax	(690)	(140)	289	429	(300)	(170)	(57)	304
Core profit (AAV)	(934)	44	458	(802)	105	113	111	(196)
Extraordinaries	4,048	316	(1,470)	(893)	2,000	(324)	(51)	(47)
- FX gain (loss)	3,712	563	(1,391)	(813)	2,000	(346)	(46)	349
- Derivative gain (loss)	(81)	(10)	0	0	0			0
- Others	417	(237)	(80)	(79)	0			(396)
Minority interest	0	0	0	0	0			0
Reported net profit (AAV)	3,114	359	(1,013)	(1,695)	2,105	224	32	(243)
Shares out (end Q, m)	9,879	9,879	9,879	9,879	9,879	0	0	12,850
Core EPS	(0.09)	0.00	0.05	(0.08)	0.01	(113)	(111)	(0.02)
EPS	0.32	0.04	(0.10)	(0.17)	0.21	(224)	(32)	(0.02)
Depreciation	(1,395)	(1,307)	(1,251)	(1,128)	(1,128)	0	(19)	(4,811)
EBITDA	1,627	1,978	1,960	486	2,122	337	30	6,542
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Operating profit margin	3	7	7	(6)	8	14	5	4
EBITDA margin	19	21	19	5	17	12	(2)	15
Net profit margin	37	4	(10)	(17)	17	34	(20)	(1)
Operating stats								
Passengers carried (m)	4.1	4.6	4.6	4.6	5.1			
Load factor (%)	90	92	89	90	91			
RPK (m seats-km)	3,774	4,417	5,148	5,219	0			
ASK (m seats-km)	4,246	4,895	5,940	5,921	6,270			
Average fare (THB)	1,652	1,590	1,755	1,720	2,030			
RASK (THB)	2.0	1.9	1.7	1.6	2.0			
CASK (THB)	2.0	1.8	1.7	1.9	2.0			
CASK ex-fuel (THB)	1.2	1.2	1.1	1.2	1.2			
Fuel cost per ASK (THB)	0.8	0.7	0.6	0.7	0.8			

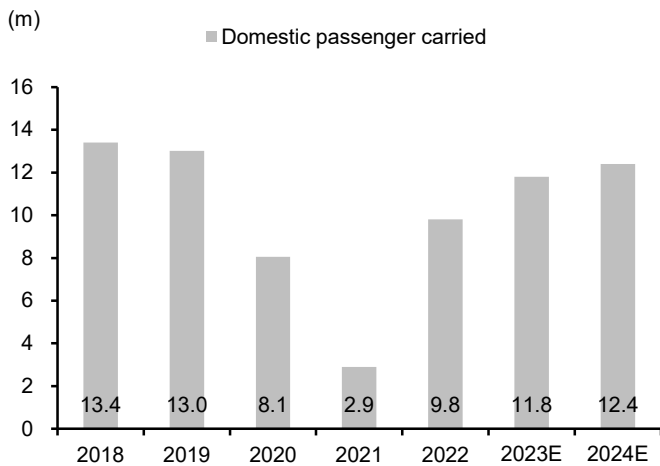
Source: AAV; FSSIA estimates

Exhibit 8: Forecast revisions

	Current			Previous			Change (%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Passengers carried (m)	18.9	20.8	21.6	19.3	21.2	21.5	(1.9)	(2.0)	0.8
Load factor (%)	90	89	89	90	88	88	0.0	1.0	1.0
Average fare (THB)	1,781	1,930	1,949	1,721	1,755	1,773	3.5	9.9	9.9
Fuel price net hedging (USD/bbl)	110	115	115	115	120	120	(4.4)	(4.2)	(4.2)
Revenue (THB b)	42.3	50.1	52.7	42.2	47.5	48.7	0.2	5.5	8.4
EBITDA margin (%)	15.5	18.2	18.5	17.3	20.1	20.9	(1.9)	(1.9)	(2.4)
Core earnings (THB m)	(196)	1,441	1,770	50	1,441	1,770	(494.7)	(0.0)	0.0

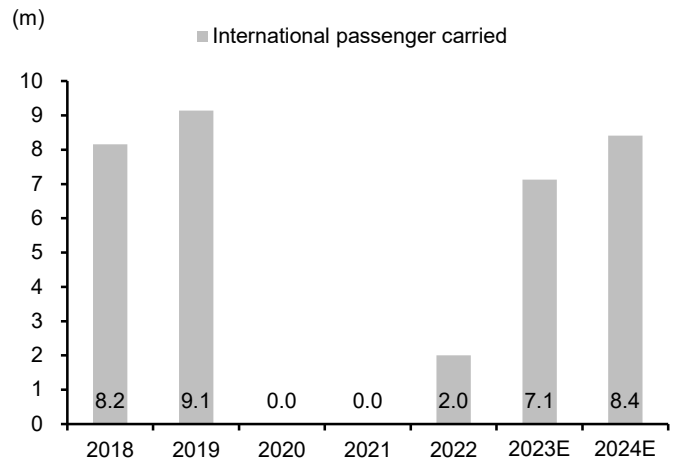
Note: Change of items in percentage terms are represented in ppt change
 Sources: AAV; FSSIA estimates

Exhibit 9: Domestic passengers carried



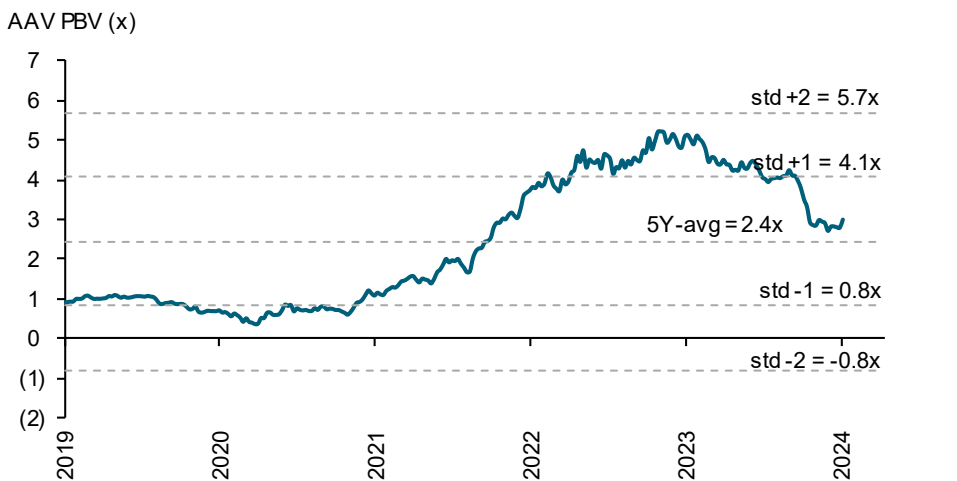
Sources: AAV; FSSIA estimates

Exhibit 10: International passengers carried



Sources: AAV; FSSIA estimates

Exhibit 11: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 12: Peer comparisons, airline sector as of 10 January 2024

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	15.30	22.00	43.8	919	14.8	13.7	12.8	1.6	1.5	13.0	11.6
Asia Aviation	AAV TB	BUY	2.10	2.80	33.3	772	(137.5)	18.7	15.2	3.5	2.9	10.1	7.0
Thailand average						1,691	(61.4)	16.2	14.0	2.5	2.2	11.6	9.3
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	51.85	n/a	n/a	7,077	19.8	14.2	14.2	3.1	2.6	12.5	9.5
Interglobe Aviation	INDIGO IN	n/a	3,082.15	n/a	n/a	14,202	n/a	19.2	19.2	n/a	n/a	20.8	9.4
Cebu Air Inc	CEB PM	n/a	33.40	n/a	n/a	366	5.3	3.4	3.4	9.1	2.2	6.1	5.1
Singapore Airlines	SIA SP	n/a	6.54	n/a	n/a	14,651	9.8	7.5	7.5	1.3	1.3	4.9	4.7
Japan Airlines	9201 JP	n/a	2,831.50	n/a	n/a	8,544	43.6	14.0	14.0	1.5	1.4	6.6	4.9
Ana Holdings	9202 JP	n/a	3,183.00	n/a	n/a	10,648	25.2	13.7	13.7	1.8	1.6	7.1	5.6
Cathay Pacific Airways	293 HK	n/a	8.06	n/a	n/a	6,589	6.2	7.6	7.6	0.9	0.8	4.8	5.5
Vietjet Aviation	VJC VN	n/a	105,700	n/a	n/a	2,338	66.2	25.0	25.0	3.7	3.2	28.4	15.0
Regional average						64,415	25.2	13.1	13.1	3.1	1.9	11.4	7.5
Global													
Eva Airways	2618 TT	n/a	32.00	n/a	n/a	5,612	8.1	12.4	12.4	1.7	1.6	2.9	3.5
Air New Zealand	AIR NZ	n/a	0.64	n/a	n/a	1,347	5.0	9.6	9.6	1.0	1.0	2.5	3.3
Air Arabia	AIRARABIA UH	n/a	2.95	n/a	n/a	3,748	8.5	8.9	8.9	1.9	1.7	5.6	5.7
Easyjet (UK)	EZJ LN	n/a	509.20	n/a	n/a	4,927	10.8	8.9	8.9	1.4	1.2	3.4	2.9
Gol Linhas Aereas Intel. (Brazil)	GOLL4 BS	n/a	7.93	n/a	n/a	679	n/a	6.3	6.3	n/a	n/a	4.8	4.2
JetBlue Airways (US, Latin AM)	JBLU	n/a	5.11	n/a	n/a	1,701	n/a	n/a	n/a	0.5	0.6	8.4	7.6
Norwegian Air Shuttle (Norway)	NWARF US	n/a	0.93	n/a	n/a	1,115	7.1	7.0	7.0	1.6	1.2	2.9	2.7
Southwest Airlines (US)	LUV US	n/a	29.71	n/a	n/a	17,711	21.6	19.0	19.0	1.6	1.3	6.2	5.4
Global average						36,840	10.2	10.3	10.3	1.4	1.2	4.6	4.4
Overall average						102,946	7.6	12.3	12.1	2.3	1.6	8.4	6.3

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	42,327	50,055	52,736
Cost of goods sold	(11,469)	(23,693)	(37,379)	(42,523)	(44,546)
Gross profit	(7,352)	(5,681)	4,949	7,532	8,191
Other operating income	-	-	-	-	-
Operating costs	(1,236)	(1,711)	(3,217)	(3,504)	(3,692)
Operating EBITDA	(3,153)	(1,278)	6,542	9,120	9,751
Depreciation	(5,434)	(6,114)	(4,811)	(5,092)	(5,252)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(8,587)	(7,392)	1,732	4,028	4,499
Net financing costs	(1,848)	(2,190)	(2,232)	(2,234)	(2,287)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(1,795)	(1,084)	(47)	0	0
Profit before tax	(12,231)	(10,666)	(547)	1,794	2,212
Tax	1,741	2,452	304	(353)	(442)
Profit after tax	(10,490)	(8,214)	(243)	1,441	1,770
Minority interests	5,310	184	0	0	0
Preferred dividends	-	-	-	-	-
Other items	(1,468)	-	-	-	-
Reported net profit	(6,647)	(8,030)	(243)	1,441	1,770
Non-recurring items & goodwill (net)	1,795	1,084	47	0	0
Recurring net profit	(4,853)	(6,946)	(196)	1,441	1,770
Per share (THB)					
Recurring EPS *	(0.49)	(0.57)	(0.02)	0.11	0.14
Reported EPS	(0.67)	(0.66)	(0.02)	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
Growth					
Revenue (%)	(71.3)	337.5	135.0	18.3	5.4
Operating EBITDA (%)	nm	nm	nm	39.4	6.9
Operating EBIT (%)	nm	nm	nm	132.6	11.7
Recurring EPS (%)	nm	nm	nm	nm	22.8
Reported EPS (%)	nm	nm	nm	nm	22.8
Operating performance					
Gross margin inc. depreciation (%)	(178.6)	(31.5)	11.7	15.0	15.5
Gross margin exc. depreciation (%)	(46.6)	2.4	23.1	25.2	25.5
Operating EBITDA margin (%)	(76.6)	(7.1)	15.5	18.2	18.5
Operating EBIT margin (%)	(208.6)	(41.0)	4.1	8.0	8.5
Net margin (%)	(117.9)	(38.6)	(0.5)	2.9	3.4
Effective tax rate (%)	16.7	25.6	20.0	19.7	20.0
Dividend payout on recurring profit (%)	-	-	-	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	2.7	2.9
Debtor days	122.3	25.4	7.4	6.2	5.9
Creditor days	87.4	34.3	15.9	14.5	15.1
Operating ROIC (%)	(21.3)	(18.9)	6.0	15.7	18.6
ROIC (%)	(12.3)	(10.1)	2.8	6.8	7.8
ROE (%)	(28.2)	(49.3)	(2.5)	17.1	18.2
ROA (%)	(12.4)	(8.1)	2.5	4.9	5.2
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Ticket sales	3,174	14,268	33,717	40,168	42,176
Ancillaries	651	3,319	7,648	8,576	9,184
Other revenue	292	426	961	1,311	1,376

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)	(196)	1,441	1,770
Depreciation	5,434	6,114	4,811	5,092	5,252
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,538)	(9,528)	(396)	0	0
Change in working capital	(1,117)	2,058	2,744	1,633	693
Cash flow from operations	(5,074)	(8,302)	6,962	8,165	7,715
Capex - maintenance	(3,885)	(31)	(3,734)	(5,592)	(4,619)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(3,885)	(31)	(3,734)	(5,592)	(4,619)
Dividends paid	0	0	0	0	(576)
Equity finance	8,800	4,000	1,200	0	0
Debt finance	6,481	(1,384)	(1,500)	2,000	1,000
Other financing cash flows	(2,073)	1,155	(851)	0	0
Cash flow from financing	13,208	3,771	(1,151)	2,000	424
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	4,249	(4,562)	2,077	4,573	3,519
Free cash flow to firm (FCFF)	(7,059.54)	(6,113.25)	5,464.24	4,822.30	5,422.90
Free cash flow to equity (FCFE)	(4,550.79)	(8,561.78)	876.97	4,573.03	4,095.63

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(0.58)	(0.50)	0.45	0.40	0.45
FCFE per share	(0.37)	(0.70)	0.07	0.38	0.34
Recurring cash flow per share	(0.40)	(0.85)	0.33	0.51	0.55

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	43,298	36,791	37,715	40,215	41,743
Less: Accumulated depreciation	(4,234)	(4,010)	(6,010)	(8,010)	(10,170)
Tangible fixed assets (net)	39,064	32,781	31,704	32,205	31,572
Intangible fixed assets (net)	23,688	23,684	23,684	23,684	23,684
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	5,360	798	2,875	7,448	10,967
A/C receivable	1,658	854	854	854	854
Inventories	230	401	262	301	316
Other current assets	425	3,184	650	768	809
Current assets	7,673	5,236	4,640	9,371	12,946
Other assets	784	2,984	2,984	2,984	2,984
Total assets	71,208	64,686	63,012	68,244	71,187
Common equity	20,201	7,954	7,711	9,152	10,345
Minorities etc.	(3,372)	0	0	0	0
Total shareholders' equity	16,829	7,954	7,711	9,152	10,345
Long term debt	44,310	42,262	40,762	42,762	43,762
Other long-term liabilities	1,182	734	734	734	734
Long-term liabilities	45,492	42,997	41,497	43,497	44,497
A/C payable	1,841	1,464	1,382	1,588	1,667
Short term debt	829	1,493	1,493	1,493	1,493
Other current liabilities	6,216	10,778	10,930	12,514	13,184
Current liabilities	8,887	13,734	13,805	15,595	16,344
Total liabilities and shareholders' equity	71,208	64,686	63,012	68,244	71,187
Net working capital	(5,744)	(7,803)	(10,546)	(12,179)	(12,872)
Invested capital	57,791	51,646	47,826	46,694	45,368

* 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	0.60	0.71	0.81
Tangible book value per share	(0.35)	(1.29)	(1.24)	(1.13)	(1.04)

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	236.4	540.0	510.7	402.2	331.4
Net debt/total assets (%)	55.9	66.4	62.5	53.9	48.2
Current ratio (x)	0.9	0.4	0.3	0.6	0.8
CF interest cover (x)	(1.5)	(2.9)	1.4	3.0	2.8

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(4.3)	(3.7)	(137.5)	18.7	15.2
Recurring P/E @ target price (x) *	(5.7)	(4.9)	(183.3)	25.0	20.3
Reported P/E (x)	(3.1)	(3.2)	(110.9)	18.7	15.2
Dividend yield (%)	-	-	-	2.1	2.6
Price/book (x)	1.0	3.2	3.5	2.9	2.6
Price/tangible book (x)	(6.0)	(1.6)	(1.7)	(1.9)	(2.0)
EV/EBITDA (x) **	(18.1)	(53.6)	10.1	7.0	6.3
EV/EBITDA @ target price (x) **	(20.3)	(60.3)	11.5	8.0	7.2
EV/invested capital (x)	1.0	1.3	1.4	1.4	1.4

* 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 13: 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	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.
★★☆☆☆	>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 14: 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 15: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	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
ESG disclosure score	35.67	43.31	47.08	48.18
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
Environmental				
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 16: 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
Social				
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
Governance				
Board size	9	9	12	12
No. of independent directors (ID)	3	3	4	4
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	—	—
No. of executives / company managers	4	4	3	3
No. of female executives	0	0	0	0
Executive share ownership guidelines	No	No	No	No
Size of audit committee	3	3	3	3
No. of ID on audit committee	3	3	3	3
Audit committee meetings	5	4	5	4
Audit meeting attendance %	87	100	100	100
Size of compensation committee	3	3	3	3
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
Size of nomination committee	3	3	3	3
No. of nomination committee meetings	2	2	3	2
Nomination meeting attendance %	100	100	100	100
Sustainability governance				
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 THSI inclusion , 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. SETTHSI Index 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.																				
CG Score 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%).																				
AGM level 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%). (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&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)	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.																				
Thai CAC 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. (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.)	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.																				
Morningstar Sustainalytics	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. 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 & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.																				
ESG Book	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.																				
MSCI	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="0"> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	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.																					
Refinitiv ESG rating	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. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																					
S&P Global	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.																					
Bloomberg	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.																				

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"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

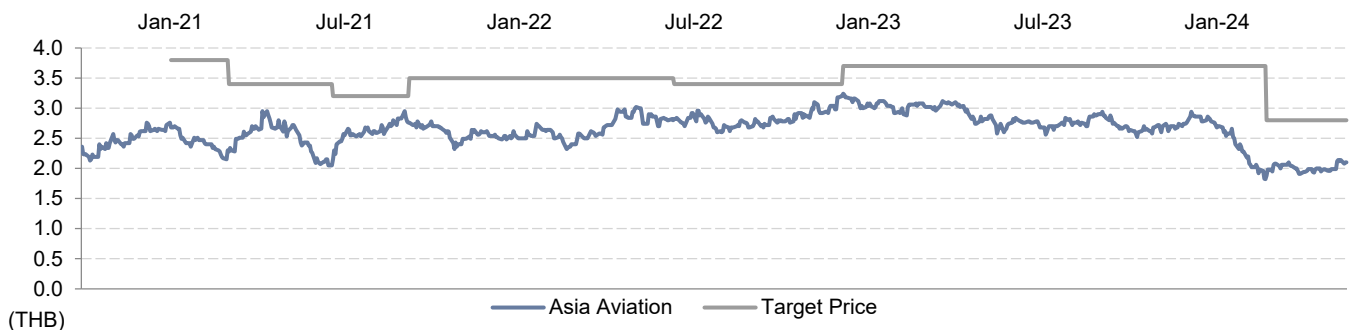
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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



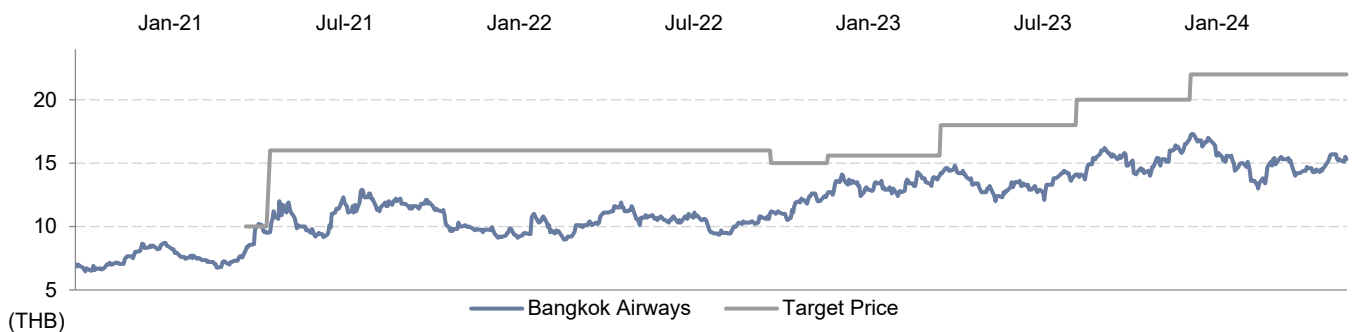
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Mar-2021	BUY	3.80	21-Oct-2021	BUY	3.50	01-Nov-2023	BUY	2.80
18-May-2021	BUY	3.40	07-Jun-2022	BUY	3.40			
16-Aug-2021	BUY	3.20	31-Oct-2022	BUY	3.70			

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 2.10	BUY	Downside risks to our P/E 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 15.30	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 10-Jan-2024 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.