

23 MAY 2024

EQUITY RESEARCH - COMPANY REPORT

ASIA AVIATION AAV TB

THAILAND / TRANSPORT & LOGISTICS

FINANSIA
 FSS INTERNATIONAL INVESTMENT ADVISORY

FSSIA ESG rating


BUY

UNCHANGED

TARGET PRICE	THB3.20
CLOSE	THB2.24
UP/DOWNSIDE	+42.9%
PRIOR TP	THB3.10
CHANGE IN TP	+3.2%
TP vs CONSENSUS	+2.5%

Well begun is half done

- We raise 2024E core profit by 14% to THB2.2b to reflect the impressive 1Q24 core profit.
- Upside to our and consensus 2024E core profit if earnings break even in 2Q-3Q24, driven by strong load factor and ticket fares.
- BUY with higher TP of THB3.2/shr, based on 18x 2024E P/E.

Core earnings may break even in upcoming low season

AAV reported an impressive pre-tax profit of THB1.5b in 1Q24, and we also have positive feedback from the analyst meeting. However, the share price has plunged by 10% since the 1Q24 announcement, possibly due to concern over the upcoming low season. In only three years (2015-17) out of the past ten has AAV recorded a positive core profit in 2Q and 3Q. We believe it might occur this year, premised on a strong load factor of c90% in April and May, a high ticket fare trend (+36% vs pre-Covid in 1Q24) and the potentially strong recovery of Chinese tourist numbers during the upcoming summer season (July and Aug).

Expect core profit to jump to THB2.2b in 2024

We raise our 2024 core profit assumption by 14% to THB2.2b to reflect the strong 1Q24 results. We estimate 2024 revenue growth of 23% y-y, with passengers carried reaching 20.7m (+10% y-y), a load factor of 89% and ticket fares averaging THB2,000 (+13% y-y). Our assumptions are relatively in line with management's guidance. If AAV manages to deliver profits in 2Q24 and 3Q24, this would provide an upside to our 2024 core profit forecast of THB2.2b and the street's estimate of THB1.7b.

Higher international capacity in 2H24

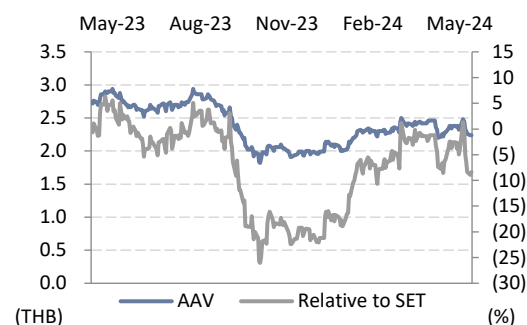
The Thai and Indian governments recently signed a bilateral MOU to increase the seat capacity of airlines operating between the two countries by 22%, or +7,000 seats/week from 32,000 seats currently. This should benefit AAV, which has 9% of total international passengers from the India route. In addition, AAV will launch a fifth-freedom route from Don Muang Airport to Okinawa (via Taipei) and Narita (via Kaohsiung) in June, with positive feedback of 80% forward bookings and potentially higher fares than average by 20-25% between Taiwan and Japan.

Cheap valuation, with better profitability profile than peers

We raise our 2024-26 core profit projections by 4-14% and raise our TP to THB3.2/shr (based on 18x 2024E P/E). AAV is trading at an attractive valuation of 13x 2024E P/E (vs global peers' average, excluding outliers, of 13x). In our view, it deserves to trade at a premium to peers due to its superior earnings growth potential and operating profit margin (10% for AAV vs 5% average for global airlines).

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	42,207	51,929	53,896	55,296
Net profit	466	2,234	2,407	2,644
EPS (THB)	0.04	0.17	0.19	0.21
vs Consensus (%)	-	12.6	(5.5)	(19.2)
EBITDA	7,421	9,636	10,060	10,191
Recurring net profit	110	2,234	2,407	2,644
Core EPS (THB)	0.01	0.17	0.19	0.21
Chg. In EPS est. (%)	-	13.8	6.4	4.4
EPS growth (%)	nm	1,937.8	7.7	9.9
Core P/E (x)	262.5	12.9	12.0	10.9
Dividend yield (%)	-	3.1	3.3	3.7
EV/EBITDA (x)	9.5	7.4	7.0	6.8
Price/book (x)	3.4	2.7	2.4	2.1
Net debt/Equity (%)	496.6	403.0	341.8	290.4
ROE (%)	1.3	23.4	21.1	20.3



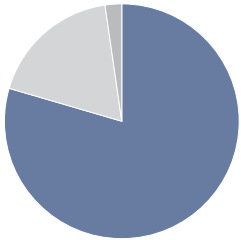
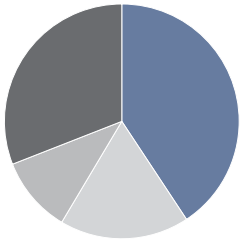
Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.8	0.9	(18.8)
Relative to country (%)	(1.1)	2.6	(10.3)
Mkt cap (USD m)	792		
3m avg. daily turnover (USD m)	2.4		
Free float (%)	36		
Major shareholder	AirAsia Aviation Limited (41%)		
12m high/low (THB)	2.98/1.78		
Issued shares (m)	12,164.29		

Sources: Bloomberg consensus; FSSIA estimates



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<div><h3>Investment thesis</h3><p>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 60-70% in 2024.</p><p>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.</p><p>AAV's ticket fares are in an upward trend and have exceeded the pre-Covid level. This should more than offset the rising fuel prices and aircraft maintenance costs.</p><h3>Company profile</h3><p>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.</p><p>www.aavplc.com</p></div>	<div><h3>Principal activities (revenue, 2023)</h3><div><div><div>Ticket sales - 79.5 %</div><div>Ancillaries - 18.2 %</div><div>Other revenue - 2.3 %</div></div></div><div><p>Source: Asia Aviation</p></div><hr/><div><h3>Major shareholders</h3><div><div><div>AirAsia Aviation Limited - 40.7 %</div><div>Mr.Tassapon Bijleveld - 17.8 %</div><div>Thai NVDR - 10.5 %</div><div>Others - 30.9 %</div></div></div><div><p>Source: Asia Aviation</p></div></div></div>
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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
Aug 2024	2Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Number of aircraft (no.)	60	60	60
Pax carried (m)	20.7	21.1	21.2
Load factor (%)	89.4	89.2	88.8
Average ticket fare (THB)	2,010	2,050	2,091
Ancillaries per pax (THB/pax)	435	444	453
Fuel price spot (USD/bbl)	110	110	110

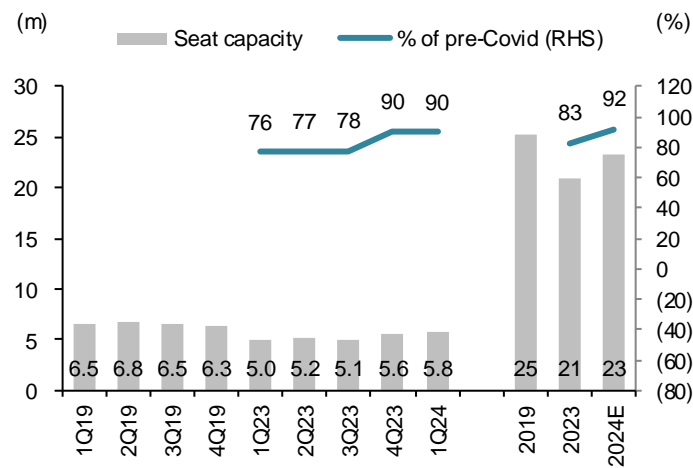
Source: FSSIA estimates

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.

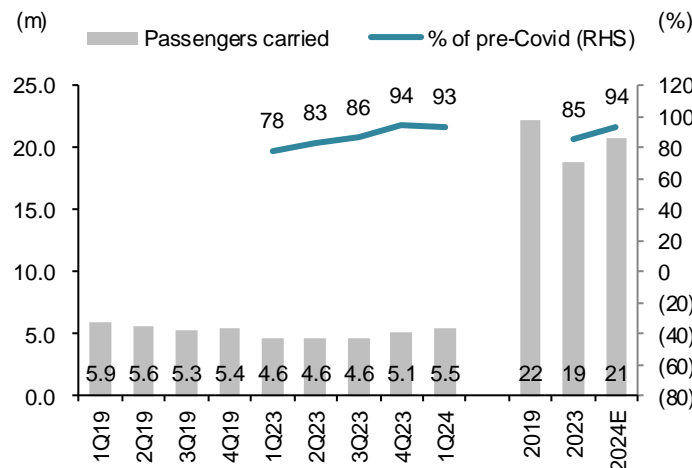
Source: FSSIA estimates

Exhibit 1: Seat capacity



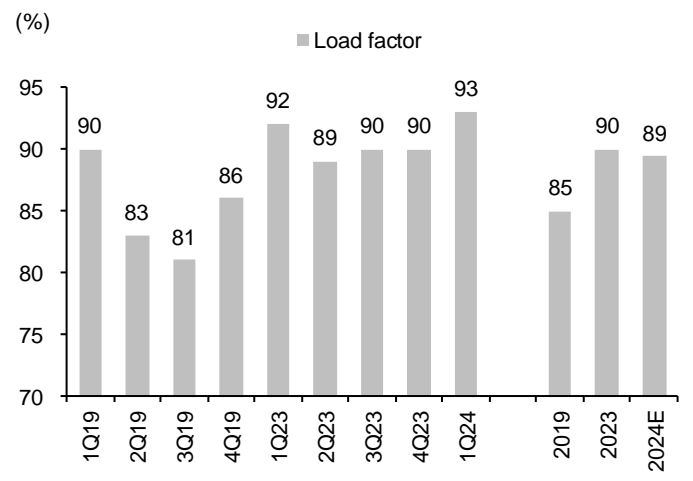
Source: AAV

Exhibit 2: Passengers carried



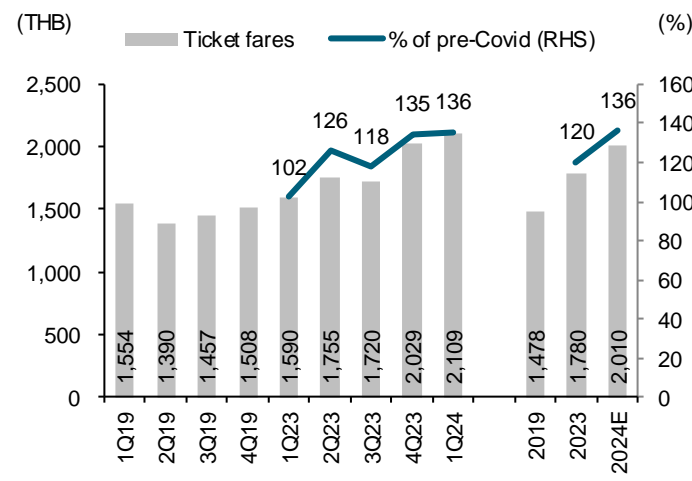
Source: AAV

Exhibit 3: Load factor



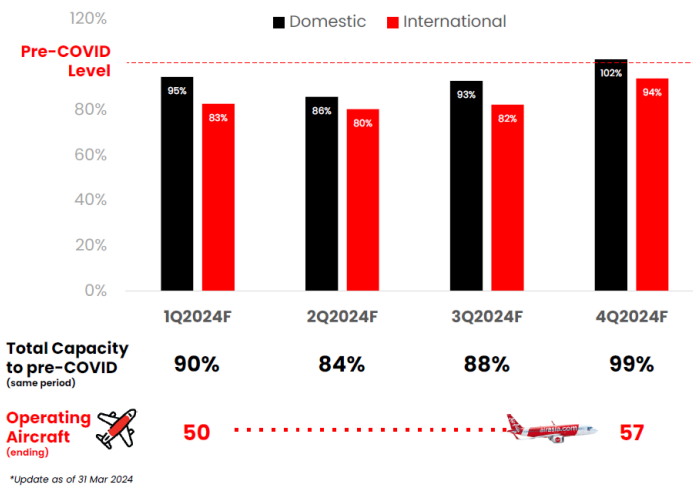
Source: AAV

Exhibit 4: Average ticket fare



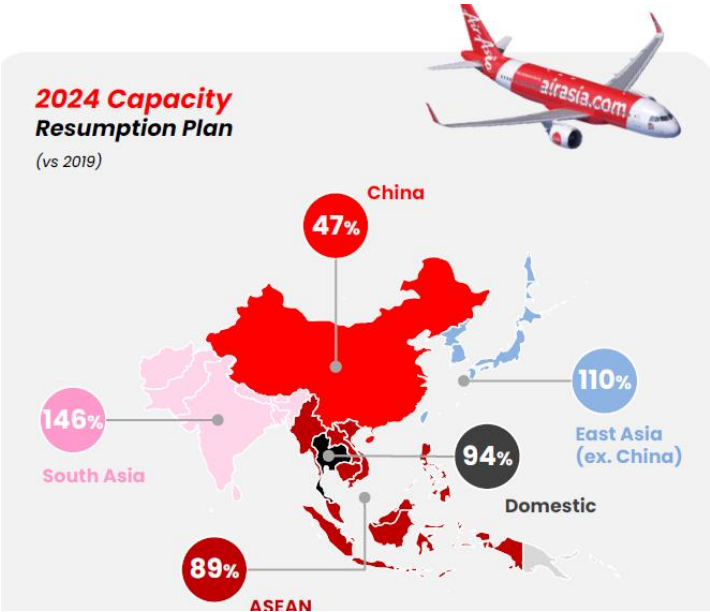
Source: AAV

Exhibit 5: Capacity deployment plan in 2024



Source: AAV

Exhibit 6: Capacity resumption plan by route in 2024



Source: AAV

1Q24 results review

AAV reported a 1Q24 core profit of THB1.6b, beating our estimate of THB1.0b thanks to a better-than-expected operating profit margin. The 1Q24 core profit is the record high for AAV and the third-highest record quarterly profit for TAA (following THB1.84b in 1Q16 and THB1.75b in 1Q18). Note that AAV held 55% of TAA until 2021 and has held 100% from 2022 onward.

Including a THB2.0b FX loss, AAV posted a net loss of TH0.4b in 1Q24.

Passenger revenue jumped 58% y-y. Passengers carried grew by 19% y-y to 5.5m (accounted for 93% of the pre-Covid level) with a strong load factor of 93% (vs 92% in 1Q23). Ticket fares increased by 33% y-y and exceeded pre-Covid by 36%.

Ancillary income jumped 28% y-y in the quarter, with strong ancillary income per passenger at THB426 (vs THB396 in 1Q23).

Expenses increased by 38% y-y mainly due to a 56% y-y higher fuel cost following 20% y-y higher fuel consumption and additional excise tax expenses. Meanwhile, non-fuel costs increased by 28% y-y following 75% y-y higher aircraft maintenance and 28% y-y higher staff costs.

Depreciation decreased by 26% y-y in 1Q24 due to the full amortization of the maintenance reserve fund (MRF) since 4Q23. As a result, the operating profit margin significantly improved to 15% (vs 7% in 1Q23).

Exhibit 7: AAV – 1Q24 results review

	1Q23	2Q23	3Q23	4Q23	1Q24	Change		2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	9,252	10,399	9,899	12,657	14,018	11	52	51,929
- Passenger revenue	7,270	8,136	7,823	10,336	11,514	11	58	41,647
- Other revenue	1,982	2,263	2,076	2,321	2,504	8	26	10,282
Expense	(8,581)	(9,691)	(10,541)	(10,966)	(11,885)	8	38	(46,619)
- Fuel and oil	(3,190)	(3,369)	(4,010)	(4,733)	(4,990)	5	56	(18,565)
- Non-fuel operating expenses	(5,391)	(6,322)	(6,531)	(6,233)	(6,894)	11	28	(28,053)
Operating profit	671	708	(642)	1,691	2,133	26	218	5,310
Interest income	7	9	7	9	10	3	43	53
Interest expense	(494)	(549)	(596)	(652)	(630)	(3)	28	(2,570)
Pretax profit	184	169	(1,231)	1,049	1,513	44	721	2,793
Income Tax	(140)	289	429	(638)	128	(120)	(191)	(559)
Core profit	44	458	(802)	410	1,640	300	3,651	2,234
Core profit adjusting tax 1)	156	179	(965)	873	1,230	41	687	2,234
Extraordinaries	316	(1,470)	(893)	2,403	(2,049)			0
- FX gain (loss)	563	(1,391)	(813)	2,314	(2,049)			0
- Derivative gain (loss)	(10)	0	0	80	0			0
- Others	(237)	(80)	(79)	9	0			0
Minority interest	0	0	0	0	0			0
Reported net profit (AAV)	359	(1,013)	(1,695)	2,814	(409)	(115)	(214)	2,234
Shares out (end Q, m)	9,879	9,879	9,879	9,879	9,879	0	0	12,850
Core EPS	0.00	0.05	(0.08)	0.04	0.17	300	3,651	0.17
EPS	0.04	(0.10)	(0.17)	0.28	(0.04)	(115)	(214)	0.17
Depreciation	(1,307)	(1,251)	(1,128)	(1,306)	(964)	(26)	(26)	(4,326)
EBITDA	1,978	1,960	486	2,997	3,097	3	57	9,636
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Operating profit margin	7	7	(6)	13	15	2	8	10
EBITDA margin	21	19	5	24	22	(2)	1	19
Net profit margin	4	(10)	(17)	22	(3)	(25)	(7)	4
Operating stats								
Passenger carried (m)	4.6	4.6	4.6	5.1	5.5			
Load factor (%)	92	89	90	90	93			
RPK (m seats-km)	4,417	5,148	5,219	5,477	5,787			
ASK (m seats-km)	4,895	5,940	5,921	6,189	6,278			
Average fare (THB)	1,590	1,755	1,720	2,029	2,109			
RASK (THB)	1.9	1.7	1.6	2.0	2.2			
CASK (THB)	1.8	1.7	1.9	1.8	2.0			
CASK ex-fuel (THB)	1.2	1.1	1.2	1.1	1.2			
Fuel cost per ASK (THB)	0.7	0.6	0.7	0.8	0.8			

Note: 1) tax adjusted by excluding tax related to FX gain/loss (assume 20% tax rate)

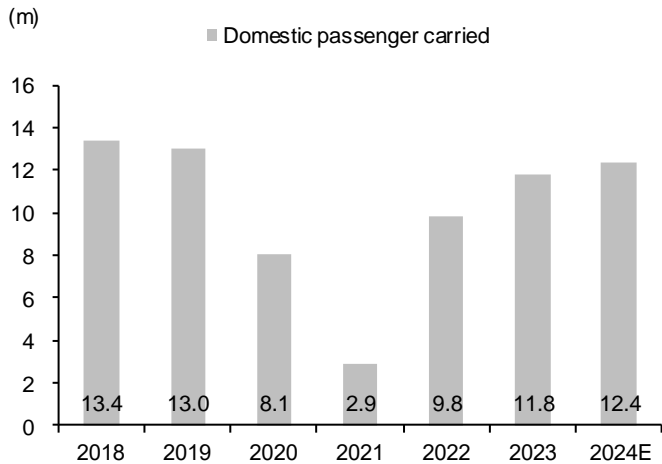
Source: AAV; FSSIA estimates

Exhibit 8: Forecast revisions

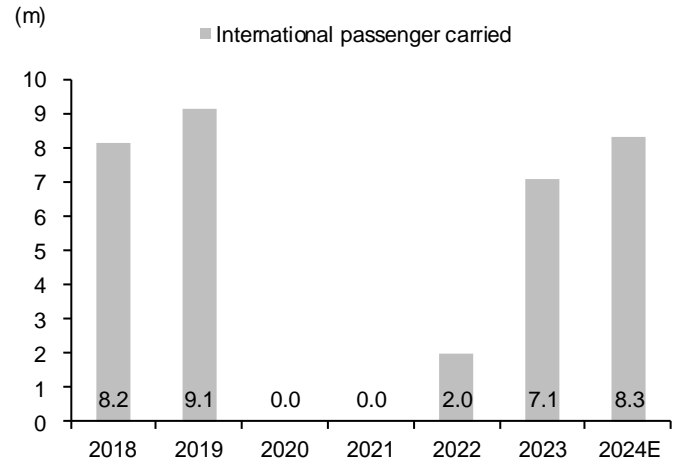
	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Passengers carried (m)	20.7	21.1	21.2	20.6	21.0	21.1	0.4	0.2	0.3
Load factor (%)	89	89	89	89	89	89	0.4	0.2	0.3
Average fare (THB)	2,010	2,050	2,091	1,990	2,030	2,070	1.0	1.0	1.0
Fuel price net hedging (USD/bbl)	110	110	110	110	110	110	0.0	0.0	0.0
Revenue (THB b)	51.9	53.9	55.3	51.3	53.3	54.7	1.2	1.0	1.1
EBITDA margin (%)	18.6	18.7	18.4	20.1	20.3	20.0	(1.5)	(1.6)	(1.6)
Core earnings (THB m)	2,234	2,407	2,644	1,964	2,263	2,532	13.8	6.4	4.4

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

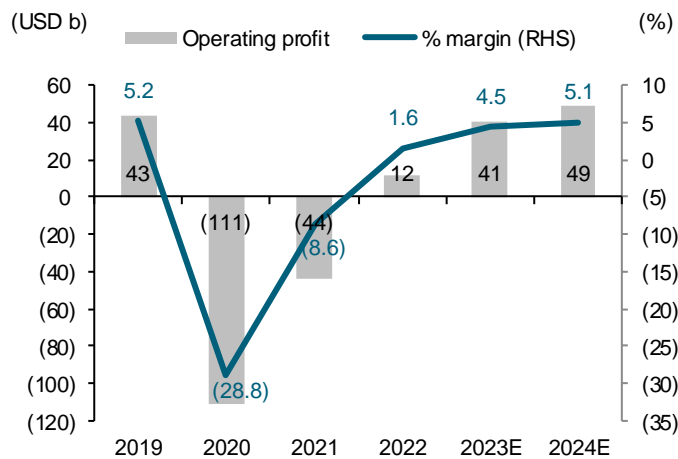
Sources: AAV; FSSIA estimates

Exhibit 9: Domestic passengers carried

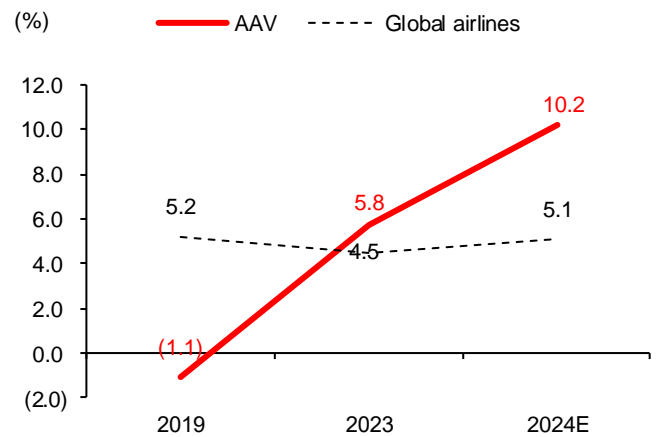
Sources: AAV; FSSIA estimates

Exhibit 10: International passengers carried

Sources: AAV; FSSIA estimates

Exhibit 11: Global airlines operating profit

Source: IATA

Exhibit 12: Operating profit margins of AAV and BA vs global airlines

Sources: IATA, AAV and FSSIA estimates

Exhibit 13: Rolling one-year forward P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer comparisons, airline sector as of 21 May 2024

Company	BBG	Rec	---- Share price ----		Up side	Market cap	----- PE -----			---- PBV ----		--- EV/ EBITDA ---	
			Current (LCY)	Target (LCY)			24E (x)	25E (x)	26E (x)	24E (x)	25E (x)	24E (x)	25E (x)
Thailand													
Bangkok Airways	BA TB	BUY	19.10	22.00	15.2	1,104	17.1	16.0	15.1	2.3	2.3	14.9	14.2
Asia Aviation	AAV TB	BUY	2.24	3.10	38.4	792	12.2	11.3	10.3	2.7	2.3	7.3	6.9
Thailand average						1,896	14.6	13.7	12.7	2.5	2.3	11.1	10.5
Regional													
Spring Airlines Co Ltd-A	601021 CH	n/a	57.92	n/a	n/a	7,765	22.6	17.1	17.1	3.5	3.0	14.0	11.1
Interglobe Aviation	INDIGO IN	n/a	4,355.75	n/a	n/a	20,502	n/a	21.6	21.6	n/a	125.2	28.8	11.5
China Southern Airlines	600029 CH	n/a	6.13	n/a	n/a	13,178	n/a	70.3	70.3	2.6	2.6	11.1	8.6
China Eastern Airlines	600115 CH	n/a	4.05	n/a	n/a	10,846	n/a	n/a	n/a	3.2	2.2	12.3	9.9
Spring Airlines	601021 CH	n/a	57.92	n/a	n/a	7,765	22.6	17.1	17.1	3.5	3.0	14.0	11.1
Air China	601111 CH	n/a	7.79	n/a	n/a	15,116	n/a	28.0	28.0	3.7	2.7	10.4	7.7
Korea Air Lines	003490 KS	n/a	21,150	n/a	n/a	5,758	6.1	7.2	7.2	0.8	0.8	3.6	3.7
Singapore Airlines	SIA SP	n/a	6.76	n/a	n/a	14,782	10.0	7.8	7.8	1.3	1.4	4.9	4.7
Japan Airlines	9201 JP	n/a	2,700.50	n/a	n/a	7,526	41.4	13.0	13.0	1.4	1.3	6.3	4.9
Ana Holdings	9202 JP	n/a	3,042.00	n/a	n/a	9,433	24.1	10.4	10.4	1.7	1.5	6.7	4.9
Cathay Pacific Airways	293 HK	n/a	8.65	n/a	n/a	6,910	6.3	8.1	8.1	1.0	1.0	4.6	5.1
Vietjet Aviation	VJC VN	n/a	109,100	n/a	n/a	2,342	209.7	34.8	34.8	3.9	n/a	42.1	15.4
Regional average						121,923	42.9	21.4	21.4	2.4	13.1	13.2	8.2
Global													
Eva Airways	2618 TT	n/a	35.25	n/a	n/a	5,789	8.5	10.0	10.0	1.8	1.6	3.1	3.8
Ryanair	RYAAY US	n/a	123.39	n/a	n/a	28,130	18.5	13.5	13.5	3.9	3.5	10.0	7.9
Air Arabia	AIRARABIA UH	n/a	2.46	n/a	n/a	3,126	7.1	8.2	8.2	1.6	1.5	4.4	4.5
Easyjet (UK)	EZJ LN	n/a	465.60	n/a	n/a	4,493	9.9	7.0	7.0	1.3	1.1	3.0	2.4
Air Canada	AC CN	n/a	18.52	n/a	n/a	4,853	4.1	5.2	5.2	16.7	3.0	2.8	2.9
American Airline	AAL US	n/a	14.10	n/a	n/a	9,215	5.9	5.7	5.7	n/a	n/a	5.7	5.6
Qantas Airways	QAN AU	n/a	6.25	n/a	n/a	6,699	6.5	7.0	7.0	34.8	36.7	3.3	3.6
Alaska Airlines	ALK US	n/a	43.60	n/a	n/a	5,532	9.8	9.2	9.2	1.4	1.2	4.7	4.3
United Airlines	UAL US	n/a	52.42	n/a	n/a	17,236	5.4	5.1	5.1	1.8	1.2	3.9	3.8
Lufthansa	LHA GY	n/a	6.48	n/a	n/a	8,392	4.2	5.1	5.1	0.8	0.7	2.7	3.0
JetBlue Airways (US, Latin AM)	JBLU	n/a	5.76	n/a	n/a	1,959	n/a	n/a	n/a	0.6	0.7	10.3	13.4
Jet2	JET2 LN	n/a	1,340.00	n/a	n/a	3,662	9.6	7.7	7.7	2.4	2.1	1.8	1.6
Delta Air Lines	DAL US	n/a	51.58	n/a	n/a	33,285	8.4	7.7	7.7	3.3	2.2	5.6	5.2
Southwest Airlines (US)	LUV US	n/a	27.88	n/a	n/a	16,685	20.9	25.6	25.6	1.5	1.6	6.4	6.5
Global average						149,058	9.1	9.0	9.0	5.5	4.4	4.8	4.9
Overall average						272,877	21.3	14.6	14.5	4.0	7.9	8.9	6.7

Sources: Bloomberg; FSSIA estimates

Financial Statements

Asia Aviation

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	18,012	42,207	51,929	53,896	55,296
Cost of goods sold	(23,693)	(36,812)	(43,919)	(45,455)	(46,575)
Gross profit	(5,681)	5,395	8,011	8,441	8,722
Other operating income	-	-	-	-	-
Operating costs	(1,711)	(2,967)	(2,700)	(2,910)	(2,986)
Operating EBITDA	(1,278)	7,421	9,636	10,060	10,191
Depreciation	(6,114)	(4,992)	(4,326)	(4,529)	(4,455)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(7,392)	2,429	5,310	5,531	5,736
Net financing costs	(2,190)	(2,258)	(2,517)	(2,523)	(2,430)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(1,084)	356	0	0	0
Profit before tax	(10,666)	527	2,793	3,008	3,305
Tax	2,452	(61)	(559)	(602)	(661)
Profit after tax	(8,214)	466	2,234	2,407	2,644
Minority interests	184	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(8,030)	466	2,234	2,407	2,644
Non-recurring items & goodwill (net)	1,084	(356)	0	0	0
Recurring net profit	(6,946)	110	2,234	2,407	2,644
Per share (THB)					
Recurring EPS *	(0.57)	0.01	0.17	0.19	0.21
Reported EPS	(0.66)	0.04	0.17	0.19	0.21
DPS	0.00	0.00	0.07	0.07	0.08
Diluted shares (used to calculate per share data)	12,164	12,850	12,850	12,850	12,850
Growth					
Revenue (%)	337.5	134.3	23.0	3.8	2.6
Operating EBITDA (%)	nm	nm	29.8	4.4	1.3
Operating EBIT (%)	nm	nm	118.6	4.2	3.7
Recurring EPS (%)	nm	nm	1,937.8	7.7	9.9
Reported EPS (%)	nm	nm	379.7	7.7	9.9
Operating performance					
Gross margin inc. depreciation (%)	(31.5)	12.8	15.4	15.7	15.8
Gross margin exc. depreciation (%)	2.4	24.6	23.8	24.1	23.8
Operating EBITDA margin (%)	(7.1)	17.6	18.6	18.7	18.4
Operating EBIT margin (%)	(41.0)	5.8	10.2	10.3	10.4
Net margin (%)	(38.6)	0.3	4.3	4.5	4.8
Effective tax rate (%)	25.6	35.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(3.4)	1.1	2.1	2.2	2.4
Inventory days	6.6	5.2	5.3	5.7	5.8
Debtor days	25.4	8.9	9.9	12.5	15.1
Creditor days	34.3	19.3	19.6	21.4	21.4
Operating ROIC (%)	(18.9)	6.4	16.9	16.4	16.9
ROIC (%)	(10.1)	3.0	8.1	8.1	8.4
ROE (%)	(49.3)	1.3	23.4	21.1	20.3
ROA (%)	(8.1)	2.4	6.1	6.1	6.1

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Ticket sales	14,268	33,565	41,647	43,224	44,321
Ancillaries	3,319	7,676	9,015	9,356	9,594
Other revenue	426	966	1,267	1,315	1,381

Sources: Asia Aviation; FSSIA estimates

Financial Statements

Asia Aviation

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	(6,946)	110	2,234	2,407	2,644
Depreciation	6,114	4,992	4,326	4,529	4,455
Associates & minorities	-	-	-	-	-
Other non-cash items	(9,528)	(1,172)	0	0	0
Change in working capital	2,058	(1,025)	(2,325)	(218)	(283)
Cash flow from operations	(8,302)	2,905	4,235	6,718	6,816
Capex - maintenance	(31)	(2,468)	(5,367)	(4,472)	(4,486)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(31)	(2,468)	(5,367)	(4,472)	(4,486)
Dividends paid	0	0	0	(894)	(963)
Equity finance	4,000	1,200	0	0	0
Debt finance	(1,384)	(693)	1,000	500	500
Other financing cash flows	1,155	(457)	0	0	0
Cash flow from financing	3,771	50	1,000	(394)	(463)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(4,562)	487	(132)	1,852	1,868
Free cash flow to firm (FCFF)	(6,113.25)	2,728.13	1,438.38	4,815.81	4,884.51
Free cash flow to equity (FCFE)	(8,561.78)	(713.27)	(131.77)	2,745.72	2,830.23
Per share (THB)					
FCFF per share	(0.50)	0.22	0.12	0.40	0.40
FCFE per share	(0.70)	(0.06)	(0.01)	0.23	0.23
Recurring cash flow per share	(0.85)	0.31	0.51	0.54	0.55
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	36,791	34,626	37,145	38,684	40,237
Less: Accumulated depreciation	(4,010)	(4,369)	(5,847)	(7,443)	(8,966)
Tangible fixed assets (net)	32,781	30,257	31,298	31,241	31,271
Intangible fixed assets (net)	23,684	23,683	23,683	23,683	23,683
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	798	1,285	1,153	3,005	4,872
A/C receivable	854	1,199	1,624	2,065	2,518
Inventories	401	508	633	654	673
Other current assets	3,184	7,013	8,628	8,955	9,188
Current assets	5,236	10,005	12,038	14,679	17,251
Other assets	2,984	3,850	3,850	3,850	3,850
Total assets	64,686	67,794	70,868	73,452	76,054
Common equity	7,954	8,412	10,647	12,160	13,841
Minorities etc.	0	0	0	0	0
Total shareholders' equity	7,954	8,412	10,647	12,160	13,841
Long term debt	42,262	41,812	42,812	43,312	43,812
Other long-term liabilities	734	821	821	821	821
Long-term liabilities	42,997	42,633	43,633	44,133	44,633
A/C payable	1,464	1,893	2,356	2,435	2,506
Short term debt	1,493	1,250	1,250	1,250	1,250
Other current liabilities	10,778	13,605	12,982	13,474	13,824
Current liabilities	13,734	16,749	16,588	17,159	17,580
Total liabilities and shareholders' equity	64,686	67,794	70,868	73,452	76,054
Net working capital	(7,803)	(6,778)	(4,453)	(4,235)	(3,952)
Invested capital	51,646	51,011	54,377	54,538	54,852
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	0.65	0.65	0.83	0.95	1.08
Tangible book value per share	(1.29)	(1.19)	(1.01)	(0.90)	(0.77)
Financial strength					
Net debt/equity (%)	540.0	496.6	403.0	341.8	290.4
Net debt/total assets (%)	66.4	61.6	60.5	56.6	52.8
Current ratio (x)	0.4	0.6	0.7	0.9	1.0
CF interest cover (x)	(2.9)	0.7	0.9	2.1	2.2
Valuation					
Recurring P/E (x) *	(3.9)	262.5	12.9	12.0	10.9
Recurring P/E @ target price (x) *	(5.6)	375.0	18.4	17.1	15.6
Reported P/E (x)	(3.4)	61.8	12.9	12.0	10.9
Dividend yield (%)	-	-	3.1	3.3	3.7
Price/book (x)	3.4	3.4	2.7	2.4	2.1
Price/tangible book (x)	(1.7)	(1.9)	(2.2)	(2.5)	(2.9)
EV/EBITDA (x) **	(54.9)	9.5	7.4	7.0	6.8
EV/EBITDA @ target price (x) **	(64.1)	11.2	8.7	8.2	8.0
EV/invested capital (x)	1.4	1.4	1.3	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

★ ★ ★

Exhibit 15: FSSIA ESG score implication

43.83 /100

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 16: 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 17: 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 18: 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%). <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&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.																				
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. <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.																				
Morningstar Sustainability	The Sustainability's 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 & 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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+																		
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><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. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
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

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History of change in investment rating and/or target price

Asia Aviation (AAV TB)



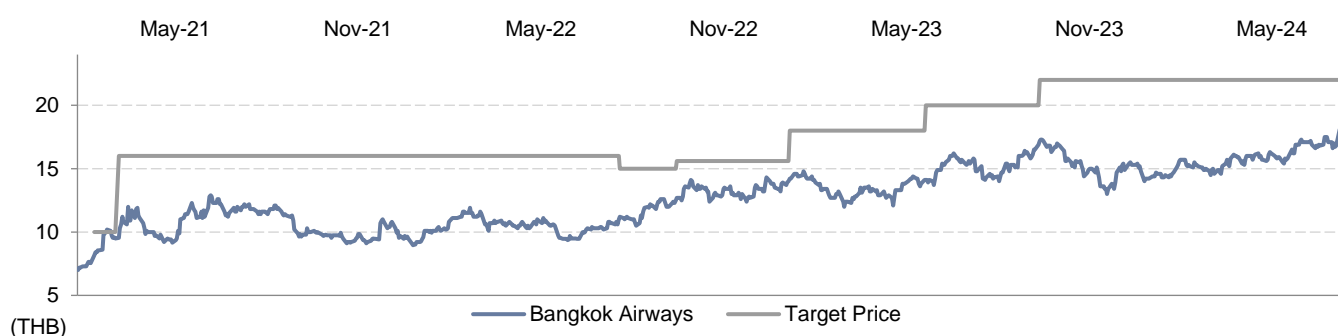
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
16-Aug-2021	BUY	3.20	07-Jun-2022	BUY	3.40	01-Nov-2023	BUY	2.80
21-Oct-2021	BUY	3.50	31-Oct-2022	BUY	3.70	03-Apr-2024	BUY	3.10

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 2.24	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 19.10	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 21-May-2024 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.