

## AIRPORTS OF THAILAND

THAILAND / TRANSPORT &amp; LOGISTICS

## AOT TB

BUY

UNCHANGED

## Short-term pain to improve quality

- Lower minimum guarantee (MG) from the reclamation of commercial areas; to impact FY25 core profit by -4%.
- Upsides to offset the impact are the potential to collect PSC for transit/transfer passengers and higher non-aero revenue.
- Maintain BUY with a lower FY24 DCF-based TP of THB70/shr.

TARGET PRICE	THB70.00
CLOSE	THB58.50
UP/DOWNSIDE	+19.7%
PRIOR TP	THB75.00
CHANGE IN TP	-6.7%
TP vs CONSENSUS	-4.5%

## KEY STOCK DATA

YE Sep (THB m)	2023	2024E	2025E	2026E
Revenue	48,141	64,526	74,483	83,275
Net profit	8,791	19,259	26,837	33,071
EPS (THB)	0.62	1.35	1.88	2.31
vs Consensus (%)	-	(10.7)	(2.9)	2.6
EBITDA	23,230	37,767	47,189	55,435
Recurring net profit	9,247	19,259	26,837	33,071
Core EPS (THB)	0.65	1.35	1.88	2.31
Chg. In EPS est. (%)	-	(1.1)	(3.7)	(3.2)
EPS growth (%)	nm	108.3	39.4	23.2
Core P/E (x)	90.4	43.4	31.1	25.3
Dividend yield (%)	-	1.0	1.5	1.9
EV/EBITDA (x)	38.4	23.2	18.4	15.5
Price/book (x)	7.6	6.4	5.6	5.0
Net debt/Equity (%)	49.4	30.3	20.5	11.9
ROE (%)	8.7	16.0	19.3	20.9

## Don Muang Airport expansion to increase capacity by 33%

AOT hosted a site visit at Don Muang Airport yesterday to provide an update on its phase 3 expansion project. AOT plans to renovate Terminal 3 (currently closed) for international flights with a total capacity of 18 million annual passengers (MAP), while it will renovate Terminal 1 and connect it with Terminal 2 to handle domestic flights with a total capacity of 22 MAP. As a result, this project would lift the capacity from 30 MAP currently to 40 MAP, and it can further increase to 50 MAP to support passenger demand, which AOT forecasts to rise from 41m in 2019 and 2024 to 54m in 2030. AOT will also build a junction building with a commercial area of 19k sqm and link it to the SRT Red Line. Total capex for the expansion is THB37b and it is scheduled for completion by 2030.

## Reclamation of commercial areas at BKK and HKT

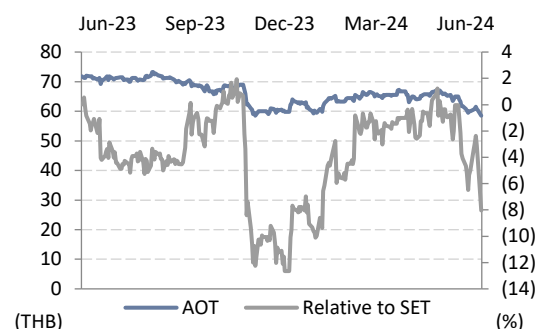
AOT recently announced the reclamation of commercial areas from King Power Duty Free and office areas from government agencies totaling c1,097 sqm (7.5% of total commercial areas) at Suvarnabhumi Airport and c491 sqm (19% of total commercial areas) at Phuket Airport in order to develop relaxing and co-working spaces, kids zones and game zones to reduce congestion. This would lead to a lower MG and impact our FY24E core profit by THB0.3b and FY25E profit by THB1.1b.

## Several upsides to offset lower minimum guarantee

We see three potential upsides to offset the lower concession revenue. First, AOT has studied collecting passenger service charges (PSC) for transit/transfer passengers (c6-7m pax/year). If AOT collects PSC of THB200, it would offset the impact. Second, AOT should collect MG revenue up to THB0.9b/year from more concessionaire contracts over the next five years, including the Airport City project, a third ground handling operator, and the commercial area at Junction Terminal. Third, SAT-1 and the third runway may increase passenger numbers at Suvarnabhumi to 80m by 2027 (vs 65m in FY19 and our forecast of 76m in 2027).

## Revising down profit; trading at attractive valuation

We trim our FY24-26E core profit by 1-4% to reflect the lower concession revenue and derive a new FY24 DCF-TP of THB70/shr. AOT trades at an attractive valuation of 31x FY25E P/E.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.3)	(10.3)	(18.2)
Relative to country (%)	(7.1)	(6.0)	(6.5)
Mkt cap (USD m)	22,794		
3m avg. daily turnover (USD m)	33.6		
Free float (%)	30		
Major shareholder	Ministry of Finance (70%)		
12m high/low (THB)	73.50/56.75		
Issued shares (m)	14,285.70		

Sources: Bloomberg consensus; FSSIA estimates



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The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also AOT's Chairman of Board of Directors.

### Investment thesis

AOT is now in a recovery mode. The domestic passenger volume was at 82% of the pre-Covid level and the international passenger volume was at 93% of the pre-Covid level in May-24. The momentum should continue in 2024-25, led by Chinese tourists.

AOT has been collecting the minimum guarantee (MG) for main concession contracts with King Power under a sharing-per-head basis since Apr-23. We forecast AOT to collect an MG amount equivalent to the amount that King Power proposed by 2027, under our baseline case.

AOT has a healthy balance sheet with an IBD/E ratio of only 0.1x as of FY23, which we think is sufficient to support project expansions over the next three years, including a third runway and the East and North Expansions of BKK Airport.

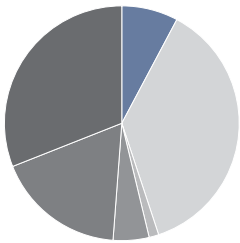
### Company profile

AOT is the operator and developer of the six international airports in Thailand (BKK, DMK, HKT, CNX, HDY and CEI).

[www.airportthai.co.th](http://www.airportthai.co.th)

### Principal activities (revenue, 2023)

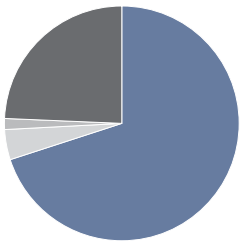
- Landing & parking - 7.8 %
- Passenger service - 37.1 %
- Aircraft service - 1.3 %
- Property rents - 4.9 %
- Service revenue - 17.8 %
- Concession revenue - 31.0 %



Source: Airports of Thailand

### Major shareholders

- Ministry of Finance - 70.0 %
- Thai NVDR - 4.2 %
- South East Asia UK - 1.5 %
- Others - 24.3 %



Source: Airports of Thailand

### Catalysts

Key growth drivers include 1) higher international passenger volumes; 2) BKK’s East Expansion project; and 3) the transfer of new airports from the Department of Airports.

### Risks to our call

Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.

### Event calendar

Date	Event
Aug 2024	3QFY24 results announcement

### Key assumptions

	FY24E	FY25E	FY26E
	(%)	(%)	(%)
Flight traffic growth - international	30.1	17.8	7.0
Flight traffic growth - domestic	13.2	11.9	5.0
Passenger growth - international	32.3	17.8	8.0
Passenger growth - domestic	11.9	11.9	6.0
PSC revenue growth	33.8	20.9	7.8
Concession revenue growth	58.2	13.5	19.8

Source: FSSIA estimates

### Earnings sensitivity

- For every 5% increase in international passenger volume, we project FY25 earnings to rise by 6%, and vice versa, all else being equal.
- For every 5% increase in domestic passenger volume, we project FY25 earnings to rise by 1%, and vice versa, all else being equal.

Source: FSSIA estimates

## Exhibit 1: Summary of concession contracts

Concession contract	Holder	Revenue sharing	MG	Term	Note	MG under sharing per head	Passenger volume to receive MG as proposed
		(%)	(THB b)			(THB per passenger)	(m)
<b>BKK</b>							
Duty-free	King Power	20	14.3	Sep 2020 - Mar 2033	MG revised from THB15.4b from reclamation of commercial areas / Extended from 2032 to 2033	216	66 <sup>1)</sup>
Commercial activities	King Power	15	5.8	Sep 2020 - Mar 2033	Extended from 2032 to 2033	72	81 <sup>2)</sup>
<b>Regional Airport (HKT, CNX, HDY)</b>							
Duty-free	King Power	20	1.9	Sep 2020 - Mar 2033	MG revised from THB2.3b from reclamation of commercial areas at HKT / Extended from 2032 to 2033	103	18 <sup>1)</sup>
<b>DMK</b>							
Duty-free	King Power	20	1.5	Oct 2022- Mar 2033			
Commercial activities T1	King Power	15	0.2	Oct 2018- Sep 2027			
Commercial activities T2	The Mall Group	15	0.4	Oct 2012 - Sep 2024	Extended from 2022 to 2024		
<b>Pick-up counter</b>							
BKK	King Power	3	0.3	Sep 2020 - Dec 2030			
DMK	King Power	3	0.2	Oct 2022 - Dec 2032			
HKT	King Power	3	0.1	Sep 2021- Mar 2032			
<b>Total</b>			<b>24.6</b>				

Note: 1) International passengers only; 2) total passengers

Sources: AOT; FSSIA's compilation

## Exhibit 2: Forecast revisions

	Previous			Current			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
International pax (m)	71.3	84.0	90.8	71.3	84.0	90.8	0.0	0.0	0.0
Domestic pax (m)	51.7	57.8	61.3	51.7	57.8	61.3	0.0	0.0	0.0
Total pax (m)	123.0	141.9	152.1	123.0	141.9	152.1	0.0	0.0	0.0
Revenue (THB b)	64.8	75.8	84.6	64.5	74.5	83.3	(0.4)	(1.7)	(1.6)
Operating profit margin (%)	40.9	48.4	52.9	40.6	47.5	52.2	(0.2)	(0.9)	(0.8)
Core profit (THB b)	19.5	27.9	34.2	19.3	26.8	33.1	(1.1)	(3.7)	(3.2)

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

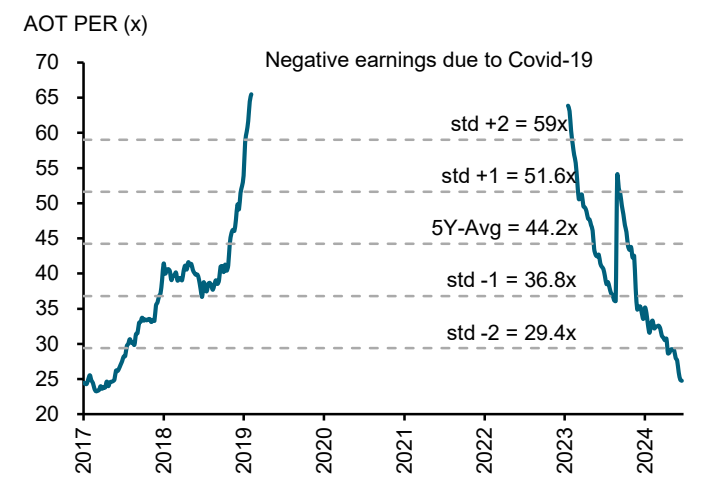
Source: FSSIA estimates

## Exhibit 3: DCF/SoTP valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		3.5
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		0.9			
Cost of equity, Ke		10.2	Net cost of debt, Kd		2.8
Weight applied		70.0	Weight applied		30.0
WACC		8.0			
SOTP valuation		(THB b)	(THB/share)	Comments	
Duty-free and commercial activity concession contracts		418.1	29.3	WACC 8%, risk-free rate 3%, risk premium 8%, terminal growth 3%	
Core business		622.3	43.6	WACC 8%, risk-free rate 3%, risk premium 8%, terminal growth 3%	
Cash & liquid assets		67.2	4.7	At end-FY24E	
Investments		1.0	0.1	At end-FY24E	
Debt		(107.0)	(7.5)	At end-FY24E	
Minorities		(2.0)	(0.1)	At end-FY24E	
<b>Residual ordinary equity</b>		<b>999.5</b>	<b>70.0</b>		

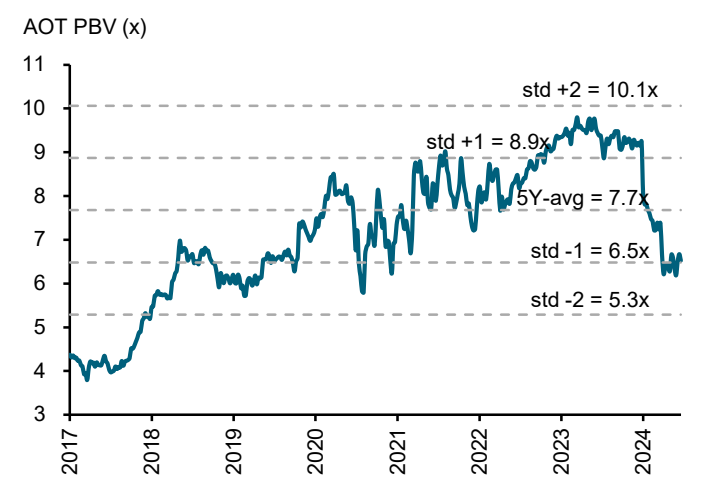
Source: FSSIA estimates

Exhibit 4: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 5: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: Peer comparisons as of 24 Jun 2024

Company	BBG	Rec	--- Share price ---		Market cap	3Y EPS CAGR	----- PE -----			--- ROE ---		--- PBV ---		--- EV/ EBITDA ---		
			Current	Target			24E	25E	26E	24E	25E	24E	25E	24E	25E	26E
			(THB)	(THB)			(USD m)	(%)	(x)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Thailand																
Airports of Thailand**	AOT TB	BUY	58.50	70.00	22,794	53	43.4	31.1	25.3	16.0	19.3	6.4	5.6	23.2	18.4	15.5
Malaysia																
Malaysia Airports	MAHB MK	n/a	9.79	NR	3,449	24	40	21	17	5.8	10.0	2.2	2.1	9.8	7.5	7.5
China																
Beijing Capital Intl -A	694 HK	n/a	2.59	NR	1,543	(139)	n/a	98	19	(7.9)	(2.8)	0.7	0.8	52.5	12.8	12.8
Hainan Meilan Intl	357 HK	n/a	8.04	NR	477	(196)	n/a	26	10	0.3	4.4	0.8	0.8	5.3	4.5	4.5
Shanghai Intl Airport-A	600009 CH	n/a	32.33	NR	10,922	41	83	30	22	2.3	6.0	2.0	1.9	24	15.4	15.4
Guangzhou Baiyun Intl	600004 CH	n/a	9.45	NR	3,054	39	45.9	19.6	16.0	2.5	6.1	1.3	1.2	8.9	7.2	7.2
Shenzhen Airport -A	000089 CH	n/a	6.38	NR	1,810	220	39	29.5	19.7	3.7	4.2	1.2	1.1	14	12.6	12.6
Xiamen Int Airport -A	600897 CH	n/a	12.56	NR	726	15	14	11.1	10	9.5	11.4	1.3	1.2	4.6	3.8	3.8
Australia																
Auckland Intl Airport**	AIA AU	n/a	7.13	NR	7,033	n/a	81	41.3	37.8	1.7	3.2	1.4	1.3	34.2	22.2	22.2
Japan																
Japan Airport Termi***	9706 JP	n/a	5,476	NR	3,223	(8)	n/a	10.4	30.0	3.3	10.4	3.3	3.2	33	11.4	11.4
Average					55,031	23	49.5	31.8	20.7	3.7	7.2	2.1	1.9	21.0	11.6	11.3

\* Fiscal year-end is 30 September; \*\* Fiscal year-end is 30 June; \*\*\* Fiscal year-end is 31 March

Sources: Bloomberg consensus; +FSSIA estimates

## Financial Statements

### Airports of Thailand

Profit and Loss (THB m) Year Ending Sep	2022	2023	2024E	2025E	2026E
Revenue	16,560	48,141	64,526	74,483	83,275
Cost of goods sold	(26,891)	(33,782)	(38,309)	(39,124)	(39,840)
<b>Gross profit</b>	<b>(10,331)</b>	<b>14,359</b>	<b>26,216</b>	<b>35,358</b>	<b>43,435</b>
Other operating income	-	-	-	-	-
Operating costs	0	0	0	0	0
<b>Operating EBITDA</b>	<b>(1,400)</b>	<b>23,230</b>	<b>37,767</b>	<b>47,189</b>	<b>55,435</b>
Depreciation	(8,932)	(8,870)	(11,550)	(11,830)	(12,000)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(10,331)</b>	<b>14,359</b>	<b>26,216</b>	<b>35,358</b>	<b>43,435</b>
Net financing costs	(2,882)	(2,867)	(2,780)	(2,253)	(2,089)
Associates	0	0	0	0	0
Recurring non-operating income	265	271	433	454	468
Non-recurring items	(915)	(457)	0	0	0
<b>Profit before tax</b>	<b>(13,864)</b>	<b>11,307</b>	<b>23,870</b>	<b>33,559</b>	<b>41,814</b>
Tax	2,888	(2,235)	(4,297)	(6,376)	(8,363)
<b>Profit after tax</b>	<b>(10,976)</b>	<b>9,072</b>	<b>19,573</b>	<b>27,183</b>	<b>33,451</b>
Minority interests	(112)	(281)	(314)	(346)	(380)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(11,088)</b>	<b>8,791</b>	<b>19,259</b>	<b>26,837</b>	<b>33,071</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>915</b>	<b>457</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(10,173)</b>	<b>9,247</b>	<b>19,259</b>	<b>26,837</b>	<b>33,071</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.71)	0.65	1.35	1.88	2.31
Reported EPS	(0.78)	0.62	1.35	1.88	2.31
DPS	0.00	0.00	0.60	0.90	1.10
Diluted shares (used to calculate per share data)	14,286	14,286	14,286	14,286	14,286
<b>Growth</b>					
Revenue (%)	133.7	190.7	34.0	15.4	11.8
Operating EBITDA (%)	nm	nm	62.6	24.9	17.5
Operating EBIT (%)	nm	nm	82.6	34.9	22.8
Recurring EPS (%)	nm	nm	108.3	39.4	23.2
Reported EPS (%)	nm	nm	119.1	39.4	23.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	(62.4)	29.8	40.6	47.5	52.2
Gross margin exc. depreciation (%)	(8.5)	48.3	58.5	63.4	66.6
Operating EBITDA margin (%)	(8.5)	48.3	58.5	63.4	66.6
Operating EBIT margin (%)	(62.4)	29.8	40.6	47.5	52.2
Net margin (%)	(61.4)	19.2	29.8	36.0	39.7
Effective tax rate (%)	22.3	19.0	18.0	19.0	20.0
Dividend payout on recurring profit (%)	-	-	44.5	47.9	47.5
Interest cover (X)	(3.5)	5.1	9.6	15.9	21.0
Inventory days	6.5	4.6	4.0	4.1	4.1
Debtor days	81.8	60.5	92.6	109.9	106.5
Creditor days	20.2	23.0	29.5	30.3	30.3
Operating ROIC (%)	(5.2)	7.5	13.2	16.9	19.4
ROIC (%)	(4.5)	6.9	12.3	15.7	18.0
ROE (%)	(9.5)	8.7	16.0	19.3	20.9
ROA (%)	(4.1)	6.2	9.5	10.7	12.2

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Landing & parking	1,619	3,742	6,452	7,500	8,037
Passenger service	5,267	17,882	23,919	28,927	31,178
Aircraft service	403	642	836	972	1,042
Property rents	1,438	2,381	2,429	2,501	2,576

Sources: Airports of Thailand; FSSIA estimates

## Financial Statements

### Airports of Thailand

Cash Flow (THB m) Year Ending Sep	2022	2023	2024E	2025E	2026E
Recurring net profit	(10,173)	9,247	19,259	26,837	33,071
Depreciation	8,932	8,870	11,550	11,830	12,000
Associates & minorities	-	-	-	-	-
Other non-cash items	(1,943)	2,906	314	346	380
Change in working capital	8,846	(5,892)	(4,599)	(1,464)	2,001
<b>Cash flow from operations</b>	<b>5,662</b>	<b>15,132</b>	<b>26,524</b>	<b>37,550</b>	<b>47,452</b>
Capex - maintenance	(8,182)	(12,546)	(11,000)	(20,000)	(24,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(5)	(278)	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(8,187)</b>	<b>(12,823)</b>	<b>(11,000)</b>	<b>(20,000)</b>	<b>(24,000)</b>
Dividends paid	(8)	(18)	0	(8,571)	(12,857)
Equity finance	0	0	0	0	0
Debt finance	(2,477)	(82)	45,558	(6,000)	(6,000)
Other financing cash flows	329	85	0	0	0
<b>Cash flow from financing</b>	<b>(2,156)</b>	<b>(15)</b>	<b>45,558</b>	<b>(14,571)</b>	<b>(18,857)</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>(4,681)</b>	<b>2,293</b>	<b>61,083</b>	<b>2,978</b>	<b>4,595</b>
Free cash flow to firm (FCFF)	404.45	5,198.87	18,341.89	20,221.00	25,977.80
Free cash flow to equity (FCFE)	(4,673.07)	2,311.55	61,082.54	11,549.56	17,452.36
<b>Per share (THB)</b>					
FCFF per share	0.03	0.36	1.28	1.42	1.82
FCFE per share	(0.33)	0.16	4.28	0.81	1.22
Recurring cash flow per share	(0.22)	1.47	2.18	2.73	3.18
<b>Balance Sheet (THB m) Year Ending Sep</b>					
Tangible fixed assets (gross)	290,774	302,942	313,942	333,942	357,942
Less: Accumulated depreciation	(133,776)	(142,269)	(153,819)	(165,649)	(177,649)
<b>Tangible fixed assets (net)</b>	<b>156,998</b>	<b>160,673</b>	<b>160,123</b>	<b>168,292</b>	<b>180,292</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	694	972	972	972	972
Cash & equivalents	3,798	6,091	67,174	70,152	74,747
A/C receivable	3,785	12,184	20,572	24,296	24,296
Inventories	338	285	306	312	319
Other current assets	556	454	608	702	785
<b>Current assets</b>	<b>8,476</b>	<b>19,014</b>	<b>88,660</b>	<b>95,463</b>	<b>100,147</b>
Other assets	17,645	14,952	14,952	14,952	14,952
<b>Total assets</b>	<b>183,813</b>	<b>195,611</b>	<b>264,707</b>	<b>279,679</b>	<b>296,364</b>
Common equity	101,324	110,465	129,724	147,989	168,203
Minorities etc.	1,195	1,713	2,028	2,374	2,754
<b>Total shareholders' equity</b>	<b>102,519</b>	<b>112,178</b>	<b>131,751</b>	<b>150,363</b>	<b>170,957</b>
Long term debt	57,991	51,464	100,837	94,837	88,837
Other long-term liabilities	8,808	8,676	8,676	8,676	8,676
<b>Long-term liabilities</b>	<b>66,799</b>	<b>60,140</b>	<b>109,513</b>	<b>103,513</b>	<b>97,513</b>
A/C payable	1,056	2,086	2,241	2,286	2,332
Short term debt	3,566	10,011	6,197	6,197	6,197
Other current liabilities	9,873	11,195	15,005	17,321	19,365
<b>Current liabilities</b>	<b>14,495</b>	<b>23,293</b>	<b>23,443</b>	<b>25,803</b>	<b>27,893</b>
<b>Total liabilities and shareholders' equity</b>	<b>183,813</b>	<b>195,611</b>	<b>264,707</b>	<b>279,679</b>	<b>296,364</b>
Net working capital	(6,251)	(358)	4,241	5,704	3,703
Invested capital	169,086	176,239	180,287	189,921	199,920
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	7.09	7.73	9.08	10.36	11.77
Tangible book value per share	7.09	7.73	9.08	10.36	11.77
<b>Financial strength</b>					
Net debt/equity (%)	56.3	49.4	30.3	20.5	11.9
Net debt/total assets (%)	31.4	28.3	15.1	11.0	6.8
Current ratio (x)	0.6	0.8	3.8	3.7	3.6
CF interest cover (x)	(0.6)	1.8	23.0	6.1	9.4
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>(82.2)</b>	<b>90.4</b>	<b>43.4</b>	<b>31.1</b>	<b>25.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(98.3)</b>	<b>108.1</b>	<b>51.9</b>	<b>37.3</b>	<b>30.2</b>
Reported P/E (x)	(75.4)	95.1	43.4	31.1	25.3
Dividend yield (%)	-	-	1.0	1.5	1.9
Price/book (x)	8.2	7.6	6.4	5.6	5.0
Price/tangible book (x)	8.2	7.6	6.4	5.6	5.0
EV/EBITDA (x) **	(639.2)	38.4	23.2	18.4	15.5
EV/EBITDA @ target price (x) **	(756.6)	45.5	27.6	21.9	18.5
EV/invested capital (x)	5.3	5.1	4.9	4.6	4.3
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Airports of Thailand; FSSIA estimates

# Airports of Thailand PCL (AOT TB)

FSSIA ESG rating

★★★★

Exhibit 7: FSSIA ESG score implication

77.96 /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 8: 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 9: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	4.27	4.55	5.34	5.47	4.95	4.17	3.41	4.19
BESG environmental pillar score	4.94	4.68	4.74	5.02	5.00	4.10	2.46	3.87
BESG social pillar score	2.97	3.81	5.94	5.98	4.49	3.60	2.85	3.22
BESG governance pillar score	5.06	5.41	5.57	5.57	5.52	5.13	6.18	6.29
ESG disclosure score	51.22	57.00	58.73	62.06	61.32	60.33	60.75	55.78
Environmental disclosure score	34.61	44.82	44.82	53.01	54.97	53.55	53.88	45.70
Social disclosure score	35.34	42.47	47.67	49.49	45.31	43.74	42.17	35.43
Governance disclosure score	83.59	83.59	83.59	83.59	83.59	83.59	86.09	86.09
Environmental								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes
GHG scope 1	3	2	2	3	3	3	3	2
GHG scope 2 location-based	146	212	214	229	215	171	179	—
GHG Scope 3	—	—	—	—	—	—	—	—
Carbon per unit of production	—	0	0	0	0	—	—	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	474	651	667	661	688	545	457	785
Renewable energy use	—	0	0	0	0	0	0	0
Electricity used	474	554	572	570	688	545	457	437
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation



**Exhibit 10: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	0	0	0	0	0	0	0	0
Total waste	29	26	31	32	36	26	19	18
Waste recycled	—	—	—	—	3	2	1	0
Waste sent to landfills	—	23	25	23	28	8	2	3
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	4,075	4,863	6,285	6,490	5,889	4,755	4,783
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	39	38	40	40	40	40	40	40
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	0	0	0	0	0	0
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	6,043	6,726	7,230	7,718	8,117	8,769	8,176	7,919
Employee turnover pct	3	3	2	1	1	2	2	2
Total hours spent by firm - employee training	236,402	278,056	214,370	337,035	169,206	63,867	59,834	74,225
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>14</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>15</b>
<b>No. of independent directors (ID)</b>	<b>7</b>	<b>7</b>	<b>12</b>	<b>11</b>	<b>8</b>	<b>9</b>	<b>11</b>	<b>10</b>
No. of women on board	2	2	2	2	2	3	5	5
No. of non-executive directors on board	14	11	14	14	12	13	14	14
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	15	15	14	14	15	14	15	13
Board meeting attendance pct	92	94	95	98	96	96	98	98
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	44	44	45	47	48	49	44	45
Age of the oldest director	64	62	63	64	64	64	62	63
<b>No. of executives / company managers</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>20</b>	<b>16</b>	<b>16</b>	<b>16</b>
No. of female executives	7	7	7	7	6	2	2	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	12	12	12	12	12	12	12	15
Audit meeting attendance %	97	97	97	100	92	100	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	2	2	3	3	2	2	2	2
No. of compensation committee meetings	1	2	3	2	3	3	2	2
Compensation meeting attendance %	100	100	100	100	100	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	3	3	2	2	3	4	4	2
Nomination meeting attendance %	100	88	100	100	100	94	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	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.																				
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&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.																				
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 Sustainabilitytics	The Sustainabilitytics' 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><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="2">Average:</td><td rowspan="2">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><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																			
AA	7.143-8.570																					
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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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
CCC	0.000-1.428																					
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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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History of change in investment rating and/or target price

Airports of Thailand (AOT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Aug-2021	BUY	80.00	02-Jun-2022	BUY	85.00	14-Feb-2024	BUY	75.00
26-Nov-2021	BUY	79.00	29-Nov-2023	BUY	76.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Airports of Thailand	AOT TB	THB 58.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.

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 24-Jun-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.