

COMPANY UPDATE

Airports of Thailand (AOT TB)

Another Key Beneficiary Of Thailand's Tourism Recovery

We expect AOT's 4QFY23 earnings to continue to rise yoy and qoq, underpinned by: a) 12% qoq growth in international passenger numbers, and b) adjustment of concession revenue. We cut 2023 earnings by 8% to reflect the slow recovery of Chinese visitors but maintain 2024 earnings with an assumption of 140m passengers. AOT is another key beneficiary of Thailand's tourism recovery. Maintain BUY. Target price: Bt83.00.

WHAT'S NEW

- **Most passengers from overseas.** Despite the low travel season in Thailand, demand for travel outside Thailand remains robust. In Jul and Aug 23, there was a yoy and qoq improvement in the total number of passengers to 17.9m (+53% yoy, +6% qoq). This growth was driven by international passengers (+113% yoy, +12% qoq), while domestic passengers increased yoy and remained steady qoq (+9% yoy, -2% qoq). In terms of the recovery rate, international passengers rebounded to 73% of pre-COVID-19 levels, while domestic passengers reached 80% of pre-COVID-19 levels. Hence, the total number of passengers for Jul-Aug 23 recovered to 75% of the normalised period.
- **4QFY23 earnings likely to improve yoy and qoq.** We expect 4QFY23 earnings to increase yoy and qoq to Bt4.2b-4.5b. The yoy earnings growth is expected to be driven by: a) implementation of new revenue collection methods for airline operators and concessionaires, and b) a higher number of flights and passengers due to the relaxation of COVID-19 restrictions globally. On the other hand, the qoq earnings increase can be attributed to: a) an improvement in international passenger numbers; and b) adjustment of concession revenue, as the concession revenue in 3QFY23 was based on forecasted numbers that were lower than the actual figures. Hence, the adjustment between the actual and forecasted numbers in 3QFY23 is expected to be rectified in 4QFY23.

KEY STATISTICS

Key Stats	Jul 19	Aug 19	Apr 23	May 23	Jun 23	Jul 23	Aug 23	qoq (%)	mom (%)	To Pre-COVID
Inter Aircraft	41,632	42,384	28,166	28,541	27,862	30,721	30,690	8%	0%	73%
Domestic Aircraft	32,438	32,804	26,753	25,395	24,082	24,723	25,910	-3%	5%	78%
Total Aircraft	74,070	75,188	54,919	53,936	51,944	55,444	56,600	3%	2%	75%
Inter PAX (m)	7.1	7.3	4.8	4.5	4.6	5.3	5.2	12%	0%	73%
Domestic PAX (m)	4.6	4.7	3.9	3.6	3.4	3.7	3.7	-2%	1%	80%
Total PAX (m)	11.7	12.1	8.7	8.2	8.0	8.9	9.0	6%	0%	75%

Source: AOT, UOB Kay Hian

KEY FINANCIALS

Year to 30 Sep (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	7,086	16,560	47,561	78,730	82,586
EBITDA	(6,605)	684	26,872	53,537	56,984
Operating profit	(15,632)	(8,248)	17,420	42,628	45,473
Net profit (rep./act.)	(16,322)	(11,088)	9,591	29,470	31,552
Net profit (adj.)	(16,322)	(11,088)	9,591	29,470	31,552
EPS (Bt)	(1.1)	(0.8)	0.7	2.1	2.2
PE (x)	n.m.	n.m.	106.1	34.5	32.3
P/B (x)	9.1	10.0	9.2	7.6	6.8
EV/EBITDA (x)	n.m.	1,569.3	40.0	20.1	18.8
Dividend yield (%)	0.0	0.0	0.6	1.7	1.9
Net margin (%)	(230.4)	(67.0)	20.2	37.4	38.2
Net debt/(cash) to equity (%)	49.7	58.3	49.2	29.6	21.1
Interest cover (x)	(2.4)	0.2	8.9	17.5	18.3
ROE (%)	n.a.	n.a.	9.0	24.0	22.3
Consensus net profit	-	-	11,132	28,383	34,604
UOBKH/Consensus (x)	-	-	0.86	1.04	0.91

Source: Airports of Thailand, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	Bt71.25
Target Price	Bt83.00
Upside	+16.5%

COMPANY DESCRIPTION

AOT operates 6 of the 38 airports in Thailand, but collectively these six airports account for 83% of the total pax throughput.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	AOT TB
Shares issued (m):	14,285.7
Market cap (Btm):	1,017,856.1
Market cap (US\$m):	28,665.5
3-mth avg daily t'over (US\$m):	33.8

Price Performance (%)

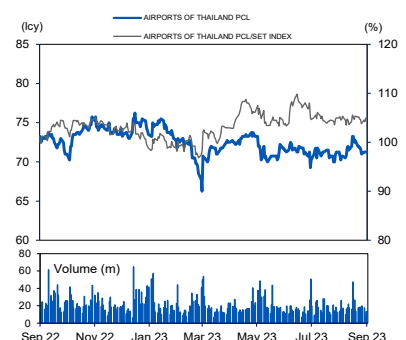
52-week high/low			Bt76.25/Bt66.25	
1mth	3mth	6mth	1yr	YTD
0.0	(1.4)	4.0	(1.7)	(5.0)

Major Shareholders

	%
Finance Ministry	70.0
Thai NVDR Co Ltd	4.5

FY23 NAV/Share (Bt)	7.77
FY23 Net Debt/Share (Bt)	3.82

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Earnings should spike in 1HFY24.** We expect 1HFY24 earnings to continue to exhibit yoy and qoq growth. The primary drivers for this growth are: a) the high season of travel in Thailand, b) visa exemptions for Chinese visitors, and c) the implementation of new revenue collection methods for airline operators and concessionaires. Additionally, the upcoming Chinese National holiday from 1-6 Oct 23, combined with the visa exemption for Chinese visitors, is expected to attract more tourists from China to Thailand.
- **Update on visa exemption policy for Chinese visitors.** On 13 Sep 23 (yesterday), the visa-free policy for Chinese travellers was discussed in the Cabinet meeting. The exemption period will last for five months, starting from 25 Sep 23, which is earlier than the previous expectation of 1 Oct 23, until Feb 24. The earlier starting date of 25 September comes as a positive as it coincides with both the moon festival (29-30 Sep 23) and China's National holidays (1-6 Oct 23).

EARNINGS REVISION/RISK

- **Revise 2023 earnings down to reflect the slow recovery of international tourists.** We revise 2023 earnings down by 8% to reflect the slow recovery of Chinese arrivals due to the restricted visa requirement. However, we maintain 2024 earnings with an assumption of 140m total passengers, in line with the company's guidance of 142m. Despite a slower-than-expected recovery in the number of Chinese outbound tourists, we maintain an optimistic view on Thailand's tourism as: a) Thailand is still a popular destination for Chinese travellers, and b) the visa exemption for Chinese tourists should facilitate the visa process.

KEY EARNINGS REVISION

(Btm)	2023F			2024F		
	New	Old	% Chg	New	Old	% Chg
Aero revenue	22,240	23,338	-4.7%	34,684	34,684	0.0%
Non- aero revenue	25,321	26,126	-3.1%	44,046	44,046	0.0%
Total revenue	47,561	49,465	-3.8%	78,730	78,730	0.0%
Gross profit	17,420	18,495	-5.8%	42,628	42,628	0.0%
SG&A	-	-	0.0%	-	-	0.0%
Operating profit	17,420	18,495	-5.8%	42,628	42,628	0.0%
Operating EBITDA	26,872	27,947	-3.8%	53,537	53,537	0.0%
Net profit	9,591	10,368	-7.5%	29,470	29,470	0.0%
	New	Old	ppt chg	New	Old	ppt chg
Gross margin	36.6%	37.4%	-0.76	54.1%	54.1%	0.00
SG&A to sales	0.0%	0.0%	0.00	0.0%	0.0%	0.00
Net profit margin	20.2%	21.0%	-0.79	37.4%	37.4%	0.00
Assumption	New	New	chg	New	Old	chg
Aircraft movement	650,000	670,000	-3%	900,000	900,000	0%
No. PAX (m)	96	99	-3%	140	140	0%
Avg. concession sales per head	164	164	0%	216	216	0%

Source: UOB Kay Hian

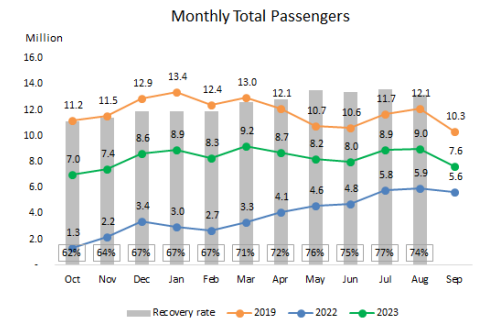
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt83.00.** The 2023 earnings forecast cut does not impact the target price as our valuation is based on 2024 EV/EBITDA of 24x, 1SD above its historical pre-COVID-19 trading level. AOT is another key beneficiary of Thailand's tourism recovery. Our assumption has upside from an increase in flight capacity from China and adjustment in passenger service charge (PSC).

SHARE PRICE CATALYST

- **Positive catalysts:** a) increase in flight capacity, b) increase in PSC, c) visa exemption policy for other nationalities
- **Negative catalysts:** a) minimum wage hike; b) slower-than-expected travel demand recovery; and c) the reopening of other countries, resulting in travellers shifting their focus from Thailand to other travel destinations.

MONTHLY TOTAL PASSENGERS



Source: AOT, UOB Kay Hian

MONTHLY INTERNATIONAL PASSENGERS



Source: AOT, UOB Kay Hian

MONTHLY CHINESE VISITORS



Source: MOTS, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Net turnover	16,560	47,561	78,730	82,586
EBITDA	684	26,872	53,537	56,984
Deprec. & amort.	8,932	9,452	10,909	11,511
EBIT	(8,248)	17,420	42,628	45,473
Total other non-operating income	(2,934)	(2,235)	(2,441)	(2,593)
Associate contributions	0	0	0	0
Net interest income/(expense)	(2,882)	(3,013)	(3,053)	(3,121)
Pre-tax profit	(13,864)	12,172	37,134	39,759
Tax	2,888	(2,434)	(7,427)	(7,952)
Minorities	(112)	(146)	(238)	(254)
Net profit	(11,088)	9,591	29,470	31,552
Net profit (adj.)	(11,088)	9,591	29,470	31,552

CASH FLOW

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Operating	(3,764)	26,110	40,446	43,050
Pre-tax profit	(13,864)	12,172	37,134	39,759
Tax	2,888	(2,434)	(7,427)	(7,952)
Deprec. & amort.	8,932	9,452	10,909	11,511
Working capital changes	165	3,289	325	(40)
Non-cash items	(1,885)	3,631	(494)	(228)
Other operating cashflows	n.a.	n.a.	n.a.	n.a.
Investing	(8,756)	(21,813)	(20,255)	(17,112)
Capex (growth)	(17,019)	(21,640)	(20,076)	(16,930)
Investments	8,702	(172)	(178)	(182)
Others	(438)	0	0	0
Financing	(1,056)	(3,707)	(5,567)	(18,054)
Dividend payments	(8)	0	(5,755)	(17,682)
Issue of shares	0	0	0	0
Proceeds from borrowings	(1,233)	(3,899)	(97)	(677)
Others/interest paid	185	191	285	304
Net cash inflow (outflow)	(13,576)	590	14,625	7,884
Beginning cash & cash equivalent	8,479	3,798	4,388	18,983
Changes due to forex impact	8,895	0	(30)	(58)
Ending cash & cash equivalent	3,798	4,388	18,983	26,809

BALANCE SHEET

Year to 30 Sep (Btm)	2022	2023F	2024F	2025F
Fixed assets	156,998	169,361	178,737	184,395
Other LT assets	18,339	15,926	18,208	18,807
Cash/ST investment	3,798	4,388	18,983	26,809
Other current assets	4,679	3,365	5,446	5,702
Total assets	183,813	193,039	221,374	235,713
ST debt	3,738	948	1,066	600
Other current liabilities	10,757	13,715	17,741	18,158
LT debt	59,094	57,985	57,770	57,559
Other LT liabilities	7,705	8,090	8,495	8,920
Shareholders' equity	101,324	110,961	134,723	148,644
Minority interest	1,195	1,341	1,578	1,833
Total liabilities & equity	183,813	193,039	221,374	235,713

KEY METRICS

Year to 30 Sep (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	4.1	56.5	68.0	69.0
Pre-tax margin	(83.7)	25.6	47.2	48.1
Net margin	(67.0)	20.2	37.4	38.2
ROA	n.a.	5.1	14.2	13.8
ROE	n.a.	9.0	24.0	22.3
Growth				
Turnover	133.7	187.2	65.5	4.9
EBITDA	n.a.	3,827.5	99.2	6.4
Pre-tax profit	n.a.	n.a.	205.1	7.1
Net profit	n.a.	n.a.	207.2	7.1
Net profit (adj.)	n.a.	n.a.	207.2	7.1
EPS	n.a.	n.a.	207.2	7.1
Leverage				
Debt to total capital	38.0	34.4	30.2	27.9
Debt to equity	62.0	53.1	43.7	39.1
Net debt/(cash) to equity	58.3	49.2	29.6	21.1
Interest cover (x)	0.2	8.9	17.5	18.3

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