

# Airports of Thailand (AOT TB)

## New master plan to support long-term growth

### Solid earnings growth from rising tourist numbers

We retain our BUY on AOT with a higher TP of THB75.0 as we roll forward our valuations to FY25E. We expect FY25E earnings growth of 22% YoY due to a solid recovery in inbound tourists. We estimate 41m arrivals in 2025 (+14% YoY). We see potential 5-6% upside to our FY26-27 core profit forecasts from the PSC for transit-transfer passengers and higher concession revenue from the addition of a new ground and cargo service provider (see our previous report). Key risks to our call include a slowdown in travel to Thailand and heavier than expected capex if new airports in Chiang Mai and Phuket are approved by Cabinet.

### Capex cycle will start in FY27

AOT expects to complete a revised 10-year master plan for the development of Suvarnabhumi Airport (BKK) to be finalised by Feb'25. Current expectations are for a THB159b investment for 150m pax pa (vs. FY24 traffic at 63m). But, AOT could potentially face heavy capex demands from new airports in Phuket and Chiang Mai. Under a worst-case scenario in which all airport projects under consideration are approved by Cabinet, we could see THB290b of capex demand in FY27-FY31. This may translate into negative free cash flow during FY27-FY31 and 20% downside to our fair value. However, there would be no impact on our fair value if all projects are either scrapped or delayed for several years and AOT focuses on already approved terminal expansions at existing airports.

### Robust growth to absorb approved capacity by 2030

We forecast FY24-35 passenger traffic CAGR of 6.6%, in line with Airport Council International's (ACI) forecast for Thailand. This would add 89.5m passengers pa by 2037 and see the approved capacity filled by 2030.

### Expect 4QFY24 earnings to drop QoQ, but grow YoY

We expect AOT to post 4QFY24 (Jul-Sep) earnings (results due 21 Nov) of THB4.1b (+13% YoY -8% QoQ). The QoQ drag stems from both outbound and on-arrival duty-free space reclamation. The YoY earnings increase should be propelled by passenger traffic recovering to 86% of the pre-Covid level. We expect 1QFY25 (Oct-Dec) earnings to grow both QoQ and YoY thanks to high season and the benefits of economies of scale.

FYE Sep (THB m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	16,560	48,141	66,178	73,188	80,787
EBITDA	(2,250)	23,500	38,759	44,916	51,707
Core net profit	(11,379)	9,184	19,359	23,621	28,692
Core EPS (THB)	(0.80)	0.64	1.36	1.65	2.01
Core EPS growth (%)	nm	nm	110.8	22.0	21.5
Net DPS (THB)	0.00	0.36	0.37	0.81	0.99
Core P/E (x)	nm	108.5	47.6	39.0	32.1
P/BV (x)	10.2	9.0	7.4	6.7	6.1
Net dividend yield (%)	0.0	0.5	0.6	1.3	1.5
ROAE (%)	(10.6)	8.2	16.5	18.1	20.0
ROAA (%)	(6.0)	4.8	9.6	11.0	12.5
EV/EBITDA (x)	nm	42.5	23.5	20.2	17.6
Net gearing (%) (incl perps)	2.1	net cash	net cash	net cash	net cash
Consensus net profit	-	-	19,566	23,799	27,608
MIBG vs. Consensus (%)	-	-	(1.1)	(0.7)	3.9

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## BUY

Share Price	THB 64.50
12m Price Target	THB 75.00 (+16%)
Previous Price Target	THB 71.00

### Company Description

AOT operates six domestic and international airports in Thailand.

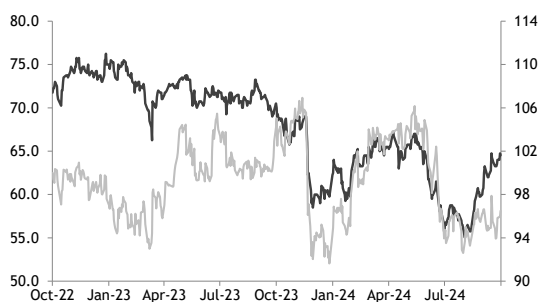
### Statistics

52w high/low (THB)	70.00/55.00
3m avg turnover (USDm)	34.4
Free float (%)	30.0
Issued shares (m)	14,286
Market capitalisation	THB921.4B USD28.1B

### Major shareholders:

Ministry of Finance	70.0%
Thai NVDR Co., Ltd.	4.2%
SOUTH EAST ASIA UK (TYPE C) NOMINEES LIM	1.5%

### Price Performance



— AOT - (LHS, THB) — AOT / Stock Exchange of Thai Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	8	16	(9)
Relative to index (%)	0	3	(7)

Source: FactSet

### Terms defined

PSC - Passenger service charge  
BKK - Suvarnabhumi airport  
HKT - Phuket international airport  
CFO - Cash flow from operation  
TAT - Tourism Authority of Thailand

## Value Proposition

- AOT is Thailand's leading tourism play due to its near-monopoly status. AOT has six airports under current operation, which handle 80% of Thailand's air traffic.
- The company has lower operational and regulatory risks relative to other concession-based sectors like power plants, public transportation, and telecommunications.
- Three growth drivers in FY24 are: 1) rising number of passengers and aircraft traffic at airports; 2) hike in PSC, and; 3) incremental income from the concession business.

### AOT's flight traffic

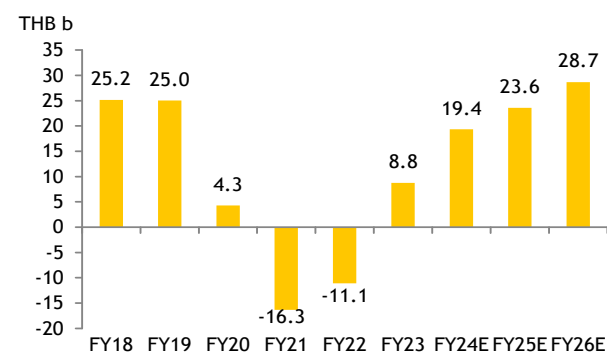


Source: Company, MST

## Financial Metrics

- AOT's profitability is highly dependent on recovery in international arrivals as it earns THB730 (effective 1 Apr'24) in PSC for each international passenger.
- With international passengers forecast to reach 72.4m in FY24E vs 53.9m in FY23, we expect AOT to make a profit of THB21.7b in FY24E, up from THB8.8b in FY23.
- Four-year high earnings will be supported by: 1) increasing non-aeronautical revenue as new contractual terms with concessionaire King Power started on a full-year basis; 2) beneficiary of higher operating leverage; and 3) expanding aeronautical operation along with recovery in foreign tourist arrivals and removal of aircraft parking fee discounts collected from airlines.

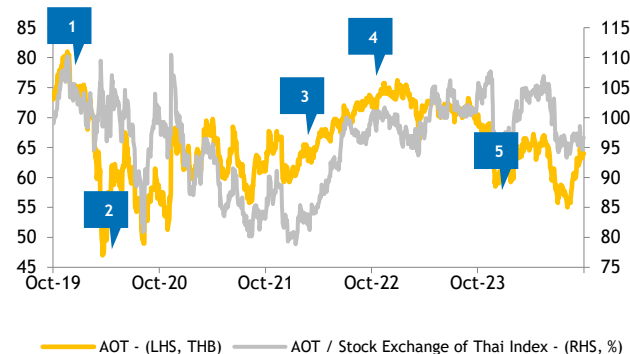
### AOT's profitability



Source: Company

## Price Drivers

### Historical share price trend



Source: Company, MST

1. King Power bid the highest at THB23.4b for duty-free and commercial space, surpassing expectations.
2. The spread of Covid-19 in China, the start of the global pandemic.
3. Thailand international border reopening on July 2022.
4. TAT reported strong rebound in international tourists.
5. Negative sentiment from booking cancellation of flights from China, additional assistance measures for concessionaires, and impending removal of duty-free on arrivals.

## Swing Factors

### Upside

- Better-than-expected number of foreign tourist growth that can lead to higher revenue.
- Potential adjustment of PSC, which could be higher than expectation.
- Weaker THB could lead to more tourist arrivals.

### Downside

- Sluggish recovery in Chinese economy could lead to lower Thailand foreign tourist inbounds.
- Another round of discounts and assistance measures for suppliers and concessionaires could lead to weaker cash flow from operation.
- Impending impact from permanent removal of duty-free shops for arriving passengers, which aiming to encourage foreign tourists and returning Thai travellers to support domestic shops (arrival).

<b>Risk Rating &amp; Score<sup>1</sup></b>	17.1 Low Risk
<b>Score Momentum<sup>2</sup></b>	+1.5
<b>Last Updated</b>	11 August 2023
<b>Controversy Score<sup>3</sup></b> (Updated: DD Mmm YYYY)	Category 1 - Low

## Business Model & Industry Issues

- AOT is the operator of six airports in Thailand, which account for 80% of air traffic. It is the largest airport operator in the world by market capitalization. It is the gateway to Thailand and a proxy to Thai tourism.
- Due to its total exposure to tourism in Thailand, it suffered during the Covid-19 pandemic and this is one of the key risks.
- The company is looking to increase its non-aeronautical revenue the bulk of which comes from duty-free concessions. King Power is the main concessionaire for the duty-free space at the Suvarnabhumi airport.

## Material E issues

- The company adheres to the International Civil Aviation Organisation: ICAO's policy to reduce noise through: 1) land-use planning and management; and 2) setting up procedures for airlines to reduce noise.
- AOT measures noise around the airports twice a year for seven consecutive days each time.
- Since 2009, AOT has set up the Compensation Fund for Impact from the Suvarnabhumi Airport to compensate households affected by the noise from airplanes, around Suvarnabhumi airport.
- In terms of managing air pollution, AOT has an air quality monitoring procedure which monitors the levels of pollutants such as carbon monoxide and nitrogen oxide.
- AOT has a water treatment system in every airport. At the Suvarnabhumi and Phuket airports, after the waste water is treated, it will be recycled and reused.
- All of AOT's airports have participated in Airport Carbon Accreditation Programme of airports Council International to take responsibility for climate change problems.

## Material S issues

- In 2021, the company was listed as one of the top 50 companies by ASEAN Corporate Governance Scorecard. The event is held every two years.
- AOT was recognized in an "Excellence" level in the Corporate Governance Report of Thai Listed Companies 2023 hosted by Thai Institute of Directors Association. AOT provided scholarships, educational equipment, and support in other affairs of the Border Patrol Police Schools for more than 20 years, in a total amount of THB74.7m.

## Key G metrics and issues

- AOT publishes its Corporate Governance (CG) policy on its website (<https://corporate.airportthai.co.th/en/cg-2/>) to provide clarity to all stakeholders on CG issues. The company reviews its CG policy annually.
- AOT is a member of the Dow Jones Sustainability Indices in 2023; it's on both the World and Emerging Market lists.
- Due to the currently challenging business environment, AOT has helped its trade partners by: 1) cutting the rent by 15-50% for all of its tenants (office and retail) and 2) cutting the landing and parking charges for airlines by 50%, all from Apr 2020-Mar 2023.
- AOT implements a strict "no-gift policy".
- The company has a clear succession plan for all senior management members.
- EY Office is AOT's auditor. AOT paid THB6.8m for the audit fee in FY22.
- With regard to the board of directors' structure, AOT has a policy that: 1) there should not be less than 5 members but not more than 15, 2) there should be at least one third independent directors but no less than 3 members, 3) at least half of the directors should reside in Thailand and 4) at least one director should be an expert in the field of accounting and finance.
- Currently, there are 16 board members, of which 5 are women and 10 are independent directors - more than one third required by SET.
- AOT paid THB15.7m to the board of directors, which was 0.2% of revenues in FY21.
- AOT maintains several communication channels (through email, post, call centre, and website) for stakeholders to complain, comment or raise CG concerns. The message will be sent to the related office who will report to the follow-up committee (Complaints Monitoring Committee).

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 20)						
	Particulars	Unit	2020	2021	2022	MAHB (2021)
E	Scope 1 emissions	tCO <sub>2</sub> e	3,202	2,499	2,820	2,171
	Scope 2 emissions	tCO <sub>2</sub> e	171,111	178,974	224,507	76,662
	<b>Total</b>	<b>tCO<sub>2</sub>e</b>	<b>174,313</b>	<b>181,474</b>	<b>227,327</b>	<b>78,834</b>
	Scope 3 emissions	tCO <sub>2</sub> e	N/A	N/A	N/A	340,761
	<b>Total</b>	<b>tCO<sub>2</sub>e</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>419,595</b>
	Scope 1 & 2 emissions intensity	tCO <sub>2</sub> e/passenger	0.0015	0.0037	0.0112	0.02
	Energy consumption intensity	kwh/passenger	9.260	24.021	16.810	11.8
	Water consumption intensity	m <sup>3</sup> /passenger	0.294	0.102	0.048	0.2202
	Waste generated intensity	kg/passenger	1.312	0.380	0.184	0.32
	% of waste diverted away from landfill	%	6.09%	4.34%	1.93%	26.50%
S	Solar energy generated - BKK	MWh	N/A	218,109.66	218,109.66	17,399
	% of women in workforce	%	40.0%	39.9%	39.8%	35.0%
	% of women in management roles	%	47.5%	47.6%	49.9%	0.076%
	Lost Time Injury Frequency Rate (LTIFR)	rate	0.73	0.11	0.22	N/A
	Employee attrition rate	%	1.08%	1.19%	1.97%	6.3%
	Employee training per employee	hours	7.28	3.35	5.54	37.10
G	Fatality (Employees + Contractors)		2	2	1	N/A
	Management salary as % of revenue	%	0.60%	0.29%	0.10%	0.23%
	Independent directors on the Board	%	64%	73%	63%	55%
	Female directors on the Board	%	21%	33%	33%	45%

Qualitative Parameters (Score: 83)	
a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?	<i>Yes, there is an ESG policy. There is a standalone Corporate Governance Committee that is not part of the Risk Committee. The Corporate Governance Committee is in charge of drafting and revising the ESG Policy.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>Yes, there are 3 KPI indicators related to ESG targets that can be used to set the salary of the senior management.</i>
c) Does the company follow the task force of climate related disclosures framework for ESG reporting?	<i>AOT followed the Sustainable Development Master Plan for the fiscal years 2016-2019, the Extended Plan for the fiscal years 2020-2023, and the Sustainable Development Policy to organize projects and activities in compliance with the United Nations Sustainable Development Goals.</i>
d) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?	<i>NA</i>
e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>The AOT plans to substitute more than 4,000 taxis and limousines, as well as 3,400 vehicles for supporting airport operations, with EVs. The company also aims to set up solar cells on buildings and runways to offset 20% of overall electricity consumption in the first two years, which would increase to 50% within four years and 100% within 10 years.</i>
f) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<i>AOT has outlined its strategy to achieve carbon neutrality goal by 2030 and net zero carbon emission by 2032.</i>

Target (Score: 100)		
Particulars	Target	Achieved
Reduce Scope 1 & 2 GHG emissions (tonnes) per passenger by 20% by 2023 compared with 2013	-20%	N/A
To achieve LTIFR for employees by 2026	0	0.22
Number of runway accidents caused by operational errors made by employees (case per 1,000 flights)	0	0
% of residential buildings and structures that are vulnerable annually to noise pollution in proximity being compensated within an agreed timeframe	100%	100%
Impact		
NA		
Overall Score: 69		
As per our ESG matrix, Petronas Chemicals Group (PCHEM MK) has an overall score of 69.		

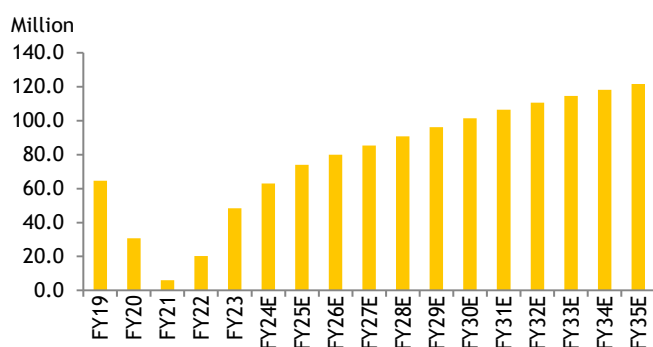
ESG score	Weights	Scores	Final Score
Quantitative	50%	20	10
Qualitative	25%	83	21
Target	25%	100	25
<b>Total</b>			<b>56</b>

As per our ESG assessment, AOT has an established framework, internal policies, and tangible mid/long-term targets but needs to make headway in improving its quantitative "E" metrics. AOT's overall ESG score is 56, which makes its ESG rating above average in our view (average ESG rating = 50).





Fig 2: Passenger traffic at BKK airport



Source: Company data, MST

Fig 3: BKK airport expansion details

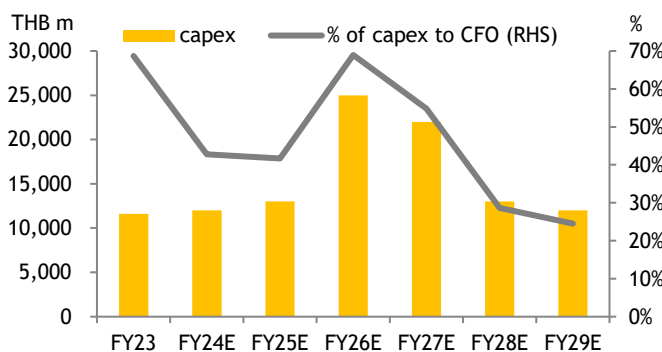
	capex (THBm)	Capacity (Million)	COD	Design
Existing terminal (+SAT 1)		60		
East terminal	9,000	15	2027	completed
West terminal	9,000	15	TBC	8 months
South terminal	120,000	70	2031	14 months
4 <sup>th</sup> Runway	20,000		2030	10 months
Total	158,000	160		

Source: Company data, MST

## 1.2 Impact on valuations

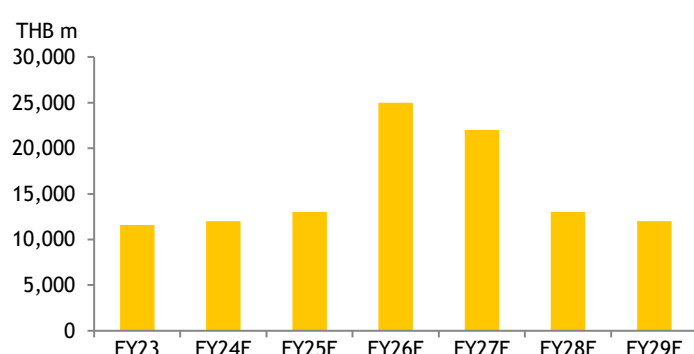
Apart from master plan to expand BKK airport, AOT could be weighed down by capex demand from two new airports 'Andaman int. airport' and 'Lanna int. airport' which will help to address overcapacity issues at Phuket (HKT) and Chiang Mai (CNX), respectively. In worst case that all ongoing studies for these projects (including BKK South and West expansions) are approved by the Cabinet, we expect at least THB290b capex to be allocated from FY27-31. This may translate into negative free cash flow during FY27-31E and loans to finance the projects would be required. In the event both projects are approved by Cabinet, we see 20% downside to our current fair value. However, a best case scenario would see all projects scrapped or delayed for several years and AOT instead focusing on existing airport terminal expansions (approved projects), which are expected to handle traffic growth for at least the next 5-7 years. In this case, we expect no impact to our current fair value.

Fig 4: AOT's capex and % of CFO (approved projects)



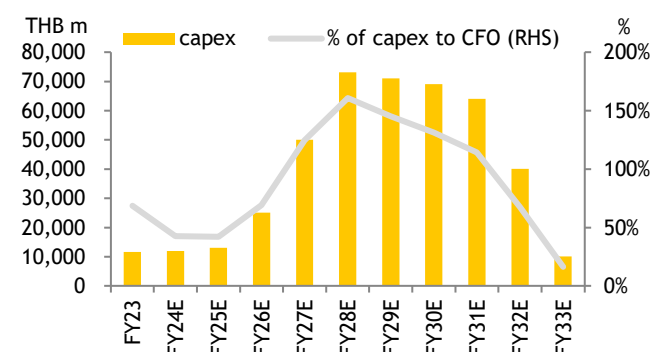
Source: Company data, MST

Fig 5: AOT's current capex guidance



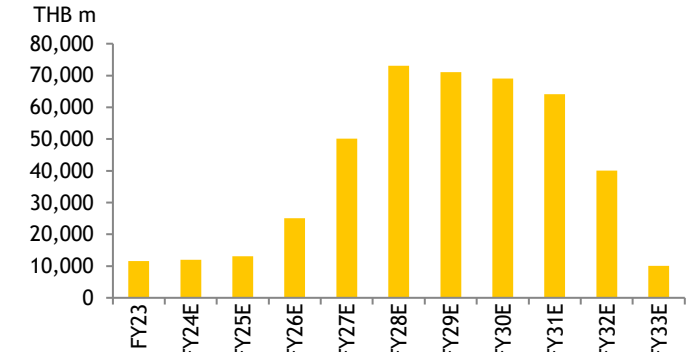
Source: Company data, MST

Fig 6: AOT's capex and % of CFO (including master plan capex)



Source: Company data, MST

Fig 7: Estimated capex if all projects in master plan approved



Source: Company data, MST

Fig 8: AOT's airport expansion plans

Capacity unit (million pax)	Capex (THB m)	COD	Current capacity (m pax)	Expansion Capacity (m pax)	Status
<b>Existing airport expansion</b>	63,830		116	42	
East terminal (BKK)	9,000	2027	60	15	Cabinet approved
3rd phase DMK	36,830	2030	30	10	Cabinet approved
CNX expansion (1st phase)	10,000	2028	8	8.5	Proposing
HKT expansion (2nd phase)	8,000	2029	12.5	5.5	Proposing
CEI expansion (1st phase)		2028	3	3	Proposing
<b>Under management</b>	10,360			21.3	
Krabi	6,400	2H24		12	Processing
Buriram	460			2.8	
Udon Thani	3,500			6.5	
<b>On pending projects</b>	299,000			176.5	
4th runway (BKK)	20,000	2030			
North terminal (BKK)	41,260	2028		30	
West terminal (BKK)	9,000	TBC		30	
South terminal (BKK)	120,000	2031		70	
Lanna int. airport	70,000	2031		24	
Andaman int. airport (Phangnga)	80,000	2031		22.5	
Seaplane terminal	TBC	TBC			
<b>Total</b>	373,190		116	239.8	

Source: Company data, MST

Fig 9: Sensitivity on capex and our fair value

	capex (THBm)	Fair value (THB)	Downside to TP
*Best case	0	75.0	0%
South terminal	120,000	68.5	-9%
South terminal + 4 <sup>th</sup> runway	140,000	67.4	-10%
South terminal + 4 <sup>th</sup> runway + Andaman int. airport	220,000	63.4	-15%
<b>Worst case</b>			
South terminal + 4 <sup>th</sup> runway + Andaman and Lanna airports	290,000	60.0	-20%

Source: Company data, MST

(\*Best case: All four new projects will not include in AOT capex guidance)

### 1.3 Phuket and Chiang Mai expansions

AOT management stated that the feasibility study for Lanna International airport in Chiang Mai is expected to be completed in 2024. Meanwhile, the construction of the airport is due to start by 2027. The second airport in Chiang Mai aims to resolve capacity constraints at Chiang Mai International Airport (CNX) and help promote cultural heritage tourism around Chiang Mai. The airport will be constructed on 11sqkm in the Ban Thi district of the adjacent province of Lamphun, which is about 25km from the existing airport.

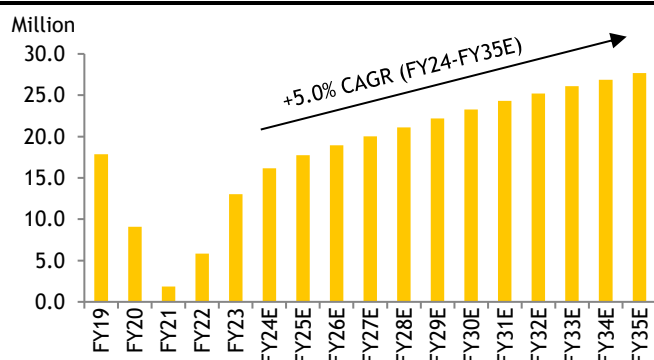
The construction of the new airport is estimated to cost around THB70b and will take seven years to complete (including design and Cabinet approval periods). Once the airport is constructed, it is expected to accommodate up to 20m pax pa and generate approximately THB3b in annual profits.

AOT said that the feasibility study for the Phang Nga - Andaman Int. Airport is expected to be complete by 2024. The construction of the airport is due to kick off by 2027 with completion in 2031.

The new airport is expected to handle around 22.5m passengers per year, compared to current capacity of Phuket International Airport at 12.5m. Once operational, Andaman Airport will be a hub for long-haul services, while the existing Phuket Int. airport will only accommodate domestic and short-haul services. The two airports are 23.4 km apart, with around 20

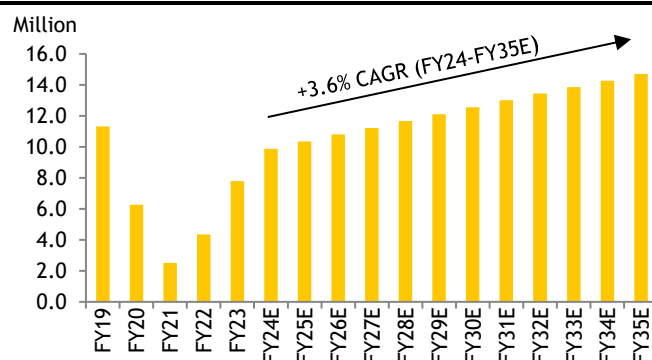
minutes drive between them. We estimate THB5.0b annual profits from this new project, which will translate into 16 years of pay-back period.

**Fig 10: Passenger traffic at HKT**



Source: Company data, MST

**Fig 11: Passenger traffic at CNX**



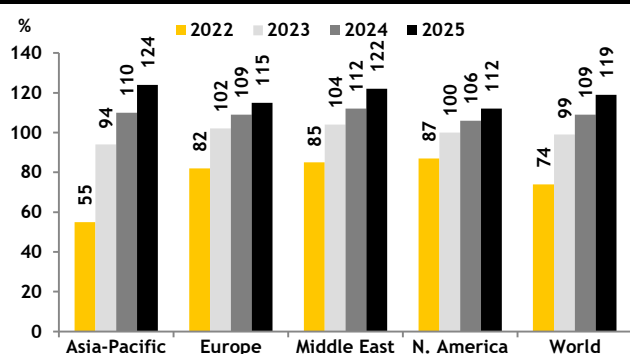
Source: Company data, MST

## 1.4 Demand is expected grow strongly

Based on the TAT's best case scenario, Thailand is expected to welcome 39m international visitors in 2025, 5% below our estimated figure of 41m. For the short-haul international market, TAT plans to roll out more supportive measures and promotions to capture a new generation of travelers from China, Japan, South Korea, Taiwan and Hong Kong. For long-haul markets, the authority will help expand and restore flight capacity and frequency from Europe, Africa, the Middle East, and America.

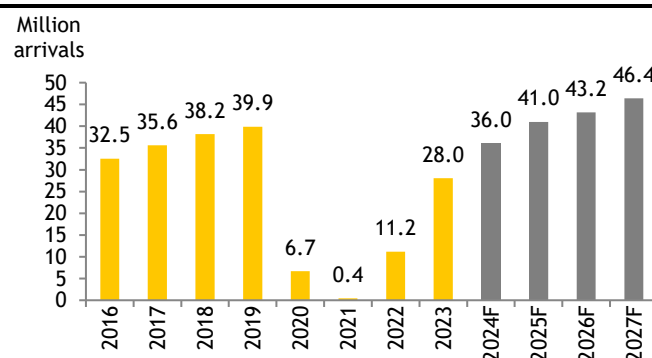
We forecast 6.6% CAGR of passenger traffic in FY24-35, in line with the Airport Council International's (ACI) for Thailand's aviation market that will grow by 118% in the next 20 years from the pre-Covid base. This would result in an additional 89.5m passenger journeys by 2037. Given our 6.6% CAGR for passenger traffic, we expect AOT's additional capacity (excluding South terminal (BKK), West-North terminal (BKK), Andaman and Lanna airports) to be filled by 2030.

**Fig 12: Regional total passengers, % share of 2019 levels**



Source: IATA

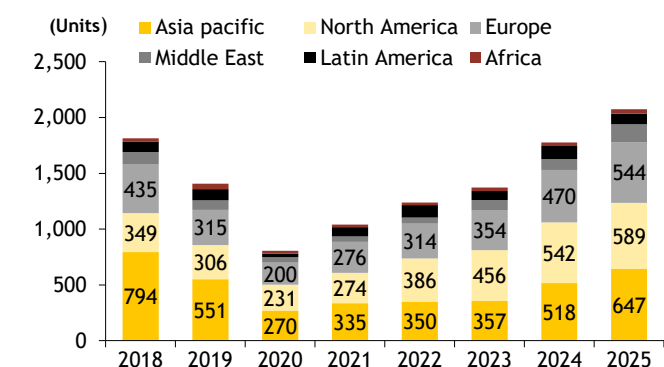
**Fig 13: Foreign tourist arrivals to Thailand**



Source: MOTS, MST

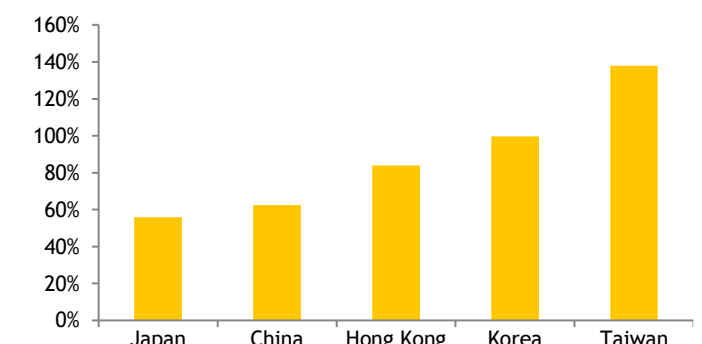


Fig 14: Aircraft deliveries projected by IATA



Source: IATA

Fig 15: % recovery of key short-haul traveller markets vs. 2019



Source: MOTs

## 1.5 4QFY24 earnings preview

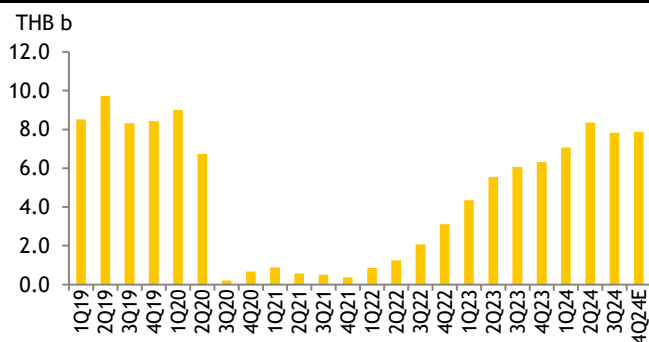
- We expect AOT to post 4QFY24 (Jul-Sep) core profit of THB4.1b (+13% YoY, -8% QoQ), the lowest level in the past four quarters.
- The YoY increase in earnings was likely due to continued recovery in aircraft and passenger traffic. Total passenger traffic at AOT airports reached 29.2m, or 86% of the level reported in 4Q19 (Jul-Aug'19). Meanwhile, flight traffic reached 84% of the 4Q19 level at 184,000 flights (+12% YoY, +1% QoQ).
- We expect revenue at THB16.1b (+5% YoY, -2% QoQ) with the YoY increase driven by aeronautical revenue (+25% YoY). The QoQ drop in revenue was likely weighed down by concession revenue due to impact of duty-free space reclamation. This stems from partial removal of outbound duty-free space effective since 1Jul'24 and cessation of duty-free on arrival from 1 Aug'24.
- Total costs remained high at THB10b (+1% YoY +2% QoQ) as staff expenses and depreciation remained high. However, we expect employee expense to drop 14% YoY to THB3.5b as year-end benefits have been accrued in the past three quarters.
- Given a business with high operating leverage, EBITDA margin dropped QoQ to 54.6% from 56.5% in 3Q24.
- However, we expect earnings to expand YoY and QoQ in 1QFY25 due to the high season for Thai tourism.

Fig 16: Quarterly earnings

Yr-end Dec (THBm)	4Q23	1Q24	2Q24	3Q24	4Q24E	%QoQ	%YoY	FY24E	%YoY	%FY24E
Total revenue	15,362	15,708	18,234	16,405	16,093	-2%	5%	66,178	37%	100%
Total costs	(10,214)	(9,165)	(10,066)	(10,106)	(10,300)	2%	1%	(39,041)	16%	102%
Gross profit	5,148	6,543	8,168	6,299	5,792	-8%	13%	27,136	89%	99%
EBITDA	7,534	9,424	11,087	9,267	8,789	-5%	17%	38,459	93%	100%
Other income	76	62	109	96	96	0%	27%	300	2%	121%
EBIT	5,223	6,605	8,277	6,396	5,889	-8%	13%	27,436	87%	99%
Interest expense	(720)	(692)	(710)	(682)	(685)	0%	-5%	(2,869)	-1%	97%
EBT	4,503	5,913	7,567	5,713	5,204	-9%	16%	24,567	109%	99%
Income tax	(865)	(1,148)	(1,504)	(1,175)	(1,041)	-11%	20%	(4,913)	120%	99%
Equity income	(0)	(0)	0	(0)	(0)	-87%	-8%	0	nm	nm
Minority interests	0	(119)	(-188)	(55)	(60)	9%	nm	(295)	5%	143%
Core profit	3,639	4,645	5,875	4,483	4,103	-8%	13%	19,359	109%	99%
Extra items	(207)	(82)	(90)	80	0	-100%	-100%	0	nm	nm
Net income	3,432	4,563	5,785	4,563	4,103	-10%	20%	19,359	120%	98%
EPS (THB)	0.24	0.32	0.40	0.32	0.29	-10%	20%	1.36	120%	98%
<b>Ratio analysis</b>										
Gross margin (%)	33.5	41.7	44.8	38.4	36.0			41.0		
Operating profit margin (%)	49.0	60.0	60.8	56.5	54.6			58.1		
Net profit margin (%)	22.3	29.0	31.7	27.8	25.5			29.3		

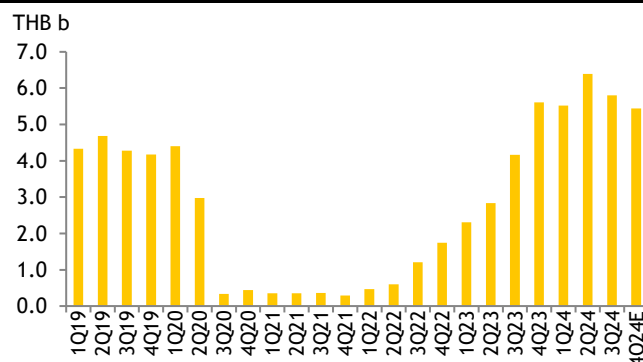
Source: Company data, MST

Fig 17: AOT's aeronautical revenue



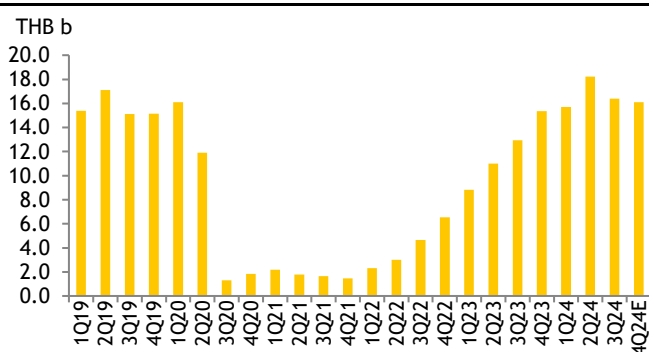
Source: Company data, MST

Fig 18: AOT's concession revenue



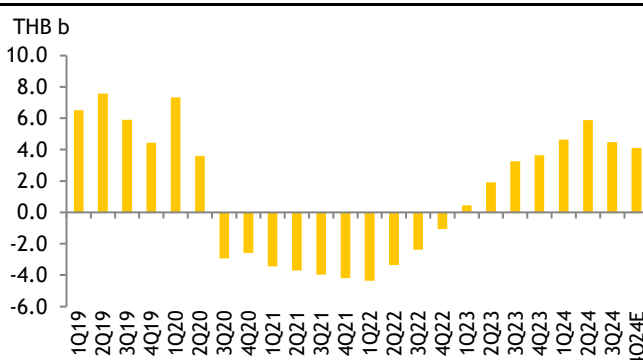
Source: Company data, MST

Fig 19: AOT's total revenue



Source: Company data, MST

Fig 20: AOT's core profit

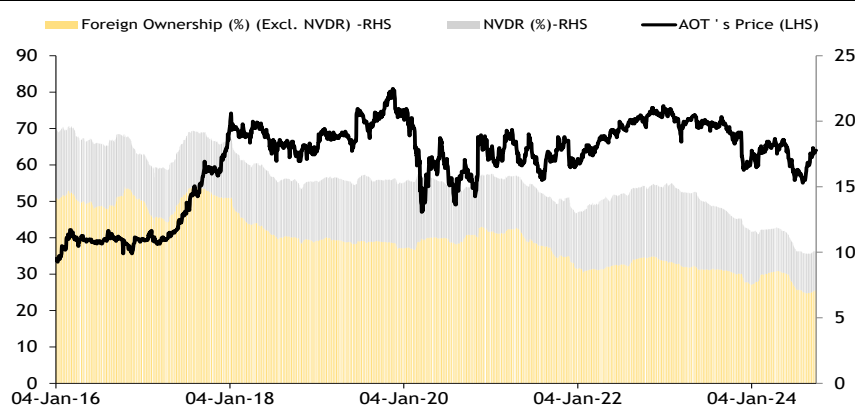


Source: Company data, MST

## 2. Demanding valuation comes with high expectations

AOT is trading at 39x FY25E P/E, close to 39x in FY19 and 45x in FY18. However, the P/E multiple should contract gradually in FY25-26E amid earnings growth as overseas tourist arrivals continue to recover and due to higher concession and PSC revenue. Our target price offers 16% upside from the current level with potential catalysts that could lead to higher earnings forecasts. Therefore, we maintain our BUY with a lower DCF-based TP of THB75 (6.9% WACC and 3.0% terminal growth). Key downsides to our TP include slowdown in travel demand to Thailand and heavy capex investments, mainly for new airports in Chiang Mai and Phuket.

Fig 21: Foreign share ownership in AOT (%)



Source: Company, MST

Fig 22: DCF-based target price calculation

Y	0	1	2	3	4	5	6	7	8	9	10	11
<b>AOT: Forecast by MST (THB m)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>FY31</b>	<b>FY32</b>	<b>FY33</b>	<b>FY34</b>	<b>FY35</b>	<b>FY35</b>
EBIT	32,777	39,153	43,047	50,314	54,386	59,239	63,764	67,780	71,492	74,947	78,435	78,435
Less: corporate tax	(6,555)	(7,831)	(8,609)	(10,063)	(10,877)	(11,848)	(12,753)	(13,556)	(14,298)	(14,989)	(15,687)	(15,687)
NOPAT	26,222	31,322	34,438	40,251	43,509	47,391	51,011	54,224	57,193	59,957	62,748	62,748
Add: Depreciation & amortization	12,139	12,554	13,036	13,069	13,063	13,026	13,007	13,006	13,021	13,050	13,092	13,092
Less: lease liabilities	(6,488)	(6,635)	(6,750)	(6,869)	(6,991)	(7,117)	(7,246)	(7,379)	(7,517)	(7,658)	(7,804)	(7,804)
Change in net working capital	(932)	(1,206)	(805)	(1,273)	(822)	(913)	(865)	(787)	(743)	(706)	(305)	(305)
Less: CAPEX	(13,100)	(25,100)	(21,100)	(14,100)	(12,100)	(10,100)	(10,100)	(10,100)	(10,100)	(10,100)	(10,100)	(10,100)
Free Cash Flow	17,841	10,935	18,818	31,078	36,660	42,287	45,808	48,964	51,855	54,543	57,632	57,632
Terminal value												1,511,581
PV of FCF	17,841	10,227	16,459	25,421	28,044	30,253	30,649	30,638	30,345	29,850	29,498	17,841
PF of TV												773,669
FCFF and Terminal Value	1,052,894											
Cash	22,423											
Debt	3,849											
Equity value	1,071,468											
<b>Shares on issue (m)</b>	<b>14,286</b>											
Target Stock price (THB)	75.0											
<b>WACC calculation assumption</b>												
Market value of Debt (THB m)	3,849											
Corporate Tax rate (%)	20.0%											
Rf	3.0%											
Market equity risk premium	7.4%											
Leveraged Beta	1.0											
Cash+ST Inv on balance sheets (THB m)	22,423											
Terminal growth rate (%)	3.0%											
Kd	2.0%											
Equity weight	61%											
Debt weight	39%											
WACC	6.9%											

Source: Company data, MST

Fig 23: Regional airports peer valuations

Ticker	Name	Rating	Price (LC)	TP (LC)	Mkt Cap (USDm)	P/E (x)		P/BV (x)		ROE (%)		EPS Growth (%)	
						FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
<u>Asian/China</u>													
694 HK	Beijing Capital Intl Airport	NR	2.9	3.1	1,708	na	36.9	0.8	0.8	(2.6)	3.2	87.7	174.7
357 HK	Hainan Meilan Intl	NR	8.8	10.5	538	na	18.6	1.0	0.9	(0.8)	9.6	(45.5)	189.2
600009 CH	Shanghai Intl	NR	38.4	35.6	13,622	45.8	30.9	2.3	2.1	5.0	7.1	166.6	48.3
600004 CH	Guangzhou Baiyun Intl	NR	10.5	11.0	3,527	24.2	20.5	1.3	1.3	5.6	6.5	196.0	18.1
000089 CH	Shenzhen Airport	NR	7.1	7.5	2,072	35.3	22.7	1.3	1.2	3.6	5.3	136.7	55.2
ALA AU	Auckland Intl Airport	NR	6.8	7.4	7,770	39.5	37.5	1.3	1.2	3.2	3.3	na	5.3
9706 JP	Japan Airport Terminal	NR	5,153.0	6,847.1	3,316	29.9	24.5	2.9	2.6	10.4	11.2	163.4	22.0
<b>Average</b>						<b>34.9</b>	<b>27.4</b>	<b>1.6</b>	<b>1.5</b>	<b>3.5</b>	<b>6.6</b>	<b>117.5</b>	<b>73.3</b>
<b>AOT TB</b>	<b>Airports of Thailand</b>	Buy	60.75	75.00	25,542	108.5	47.2	7.3	6.7	16.5	18.1	110.2	22.0

Source: Company data, Bloomberg

FYE 30 Sep	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Key Metrics</b>					
P/E (reported) (x)	nm	118.4	47.6	39.0	32.1
Core P/E (x)	nm	108.5	47.6	39.0	32.1
P/BV (x)	10.2	9.0	7.4	6.7	6.1
P/NTA (x)	10.2	9.0	7.4	6.7	6.1
Net dividend yield (%)	0.0	0.5	0.6	1.3	1.5
FCF yield (%)	nm	0.5	1.7	2.0	1.2
EV/EBITDA (x)	nm	42.5	23.5	20.2	17.6
EV/EBIT (x)	nm	68.2	33.2	27.6	23.2

**INCOME STATEMENT (THB m)**

Revenue	16,560.0	48,140.9	66,177.6	73,188.1	80,786.8
EBITDA	(2,249.7)	23,500.5	38,758.8	44,916.5	51,706.5
Depreciation	(8,741.2)	(8,731.2)	(11,176.6)	(11,989.5)	(12,399.9)
Amortisation	(190.5)	(139.1)	(145.9)	(149.9)	(153.9)
EBIT	(11,181.5)	14,630.2	27,436.2	32,777.0	39,152.7
Net interest income /(exp)	(2,973.0)	(2,929.8)	(2,869.5)	(2,861.6)	(2,852.4)
Associates & JV	(0.2)	(0.2)	0.0	0.0	0.0
Exceptionals	80.9	(456.5)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(14,073.8)	11,243.7	24,566.8	29,915.5	36,300.3
Income tax	2,887.6	(2,235.0)	(4,913.4)	(5,983.1)	(7,260.1)
Minorities	(111.8)	(280.7)	(294.8)	(311.1)	(348.5)
Discontinued operations	(80.9)	456.5	0.0	0.0	0.0
Reported net profit	(11,298.0)	8,727.9	19,358.6	23,621.2	28,691.8
Core net profit	(11,378.9)	9,184.4	19,358.6	23,621.2	28,691.8

**BALANCE SHEET (THB m)**

Cash & Short Term Investments	3,797.7	6,091.0	15,866.5	22,423.3	19,444.3
Accounts receivable	3,784.8	12,183.8	11,079.6	12,088.5	13,345.8
Inventory	337.5	285.1	334.1	345.5	356.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	115,704.7	122,876.0	127,483.1	132,452.9	149,159.8
Intangible assets	1,275.7	1,164.0	1,118.0	1,068.1	1,014.2
Investment in Associates & JVs	13.2	13.1	13.1	13.1	13.1
Other assets	58,899.4	52,998.1	53,170.7	53,347.8	53,529.4
<b>Total assets</b>	<b>183,812.9</b>	<b>195,611.1</b>	<b>209,065.1</b>	<b>221,739.1</b>	<b>236,863.2</b>
ST interest bearing debt	2,599.0	4,212.4	3,190.5	3,272.8	3,272.8
Accounts payable	1,056.3	2,086.3	1,922.5	2,010.7	2,073.5
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	3,314.4	1,646.3	1,152.4	576.2	0.0
Other liabilities	74,325.0	75,488.0	76,243.0	77,005.0	77,775.0
<b>Total Liabilities</b>	<b>81,294.3</b>	<b>83,432.9</b>	<b>82,508.1</b>	<b>82,864.8</b>	<b>83,121.4</b>
Shareholders Equity	101,324.0	110,464.8	124,548.9	136,555.0	151,074.0
Minority Interest	1,194.6	1,713.4	2,008.2	2,319.3	2,667.8
<b>Total shareholder equity</b>	<b>102,518.6</b>	<b>112,178.2</b>	<b>126,557.1</b>	<b>138,874.3</b>	<b>153,741.8</b>
<b>Total liabilities and equity</b>	<b>183,812.9</b>	<b>195,611.1</b>	<b>209,065.1</b>	<b>221,739.1</b>	<b>236,863.2</b>

**CASH FLOW (THB m)**

Pretax profit	(14,073.8)	11,243.7	24,566.8	29,915.5	36,300.3
Depreciation & amortisation	8,931.8	8,870.3	11,322.5	12,139.4	12,553.9
Adj net interest (income)/exp	2,973.0	2,929.8	2,869.5	2,861.6	2,852.4
Change in working capital	(247.3)	(8,463.3)	891.3	(932.0)	(1,205.8)
Cash taxes paid	0.0	(2,235.0)	(4,913.4)	(5,983.1)	(7,260.1)
Other operating cash flow	(3,439.3)	(6,492.4)	(6,676.4)	(6,860.4)	(7,036.0)
Cash flow from operations	(171.4)	16,872.7	28,080.9	31,175.0	36,273.3
Capex	(9,384.6)	(11,592.3)	(12,000.0)	(13,000.0)	(25,000.0)
Free cash flow	(9,555.9)	5,280.5	16,080.9	18,175.0	11,273.3
Dividends paid	(8.0)	(18.2)	(5,274.5)	(11,615.2)	(14,172.7)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	1.0
Change in Debt	(1,576.3)	(12.7)	(1,515.8)	(493.9)	(576.2)
Other invest/financing cash flow	6,459.1	(2,956.2)	484.9	490.8	495.7
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(4,681.1)</b>	<b>2,293.4</b>	<b>9,775.5</b>	<b>6,556.8</b>	<b>(2,978.9)</b>

FYE 30 Sep	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	133.7	190.7	37.5	10.6	10.4
EBITDA growth	nm	nm	64.9	15.9	15.1
EBIT growth	nm	nm	87.5	19.5	19.5
Pretax growth	nm	nm	118.5	21.8	21.3
Reported net profit growth	nm	nm	121.8	22.0	21.5
Core net profit growth	nm	nm	110.8	22.0	21.5
<b>Profitability ratios (%)</b>					
EBITDA margin	nm	48.8	58.6	61.4	64.0
EBIT margin	nm	30.4	41.5	44.8	48.5
Pretax profit margin	nm	23.4	37.1	40.9	44.9
Payout ratio	0.0	58.9	27.2	49.2	49.4
<b>DuPont analysis</b>					
Net profit margin (%)	nm	18.1	29.3	32.3	35.5
Revenue/Assets (x)	0.1	0.2	0.3	0.3	0.3
Assets/Equity (x)	1.8	1.8	1.7	1.6	1.6
ROAE (%)	(10.6)	8.2	16.5	18.1	20.0
ROAA (%)	(6.0)	4.8	9.6	11.0	12.5
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	72.0	46.3	47.6	42.6	42.2
Days receivable outstanding	80.7	59.7	63.3	57.0	56.7
Days inventory outstanding	4.1	3.3	2.9	3.0	3.0
Days payables outstanding	12.8	16.7	18.5	17.4	17.5
Dividend cover (x)	nm	1.7	3.7	2.0	2.0
Current ratio (x)	0.6	0.8	1.2	1.6	1.5
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.3	2.3	2.5	2.7	2.8
Net gearing (%) (incl perps)	2.1	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	2.1	net cash	net cash	net cash	net cash
Net interest cover (x)	na	5.0	9.6	11.5	13.7
Debt/EBITDA (x)	nm	0.2	0.1	0.1	0.1
Capex/revenue (%)	56.7	24.1	18.1	17.8	30.9
Net debt/ (net cash)	2,115.8	(232.3)	(11,523.6)	(18,574.2)	(16,171.5)

Source: Company; Maybank IBG Research



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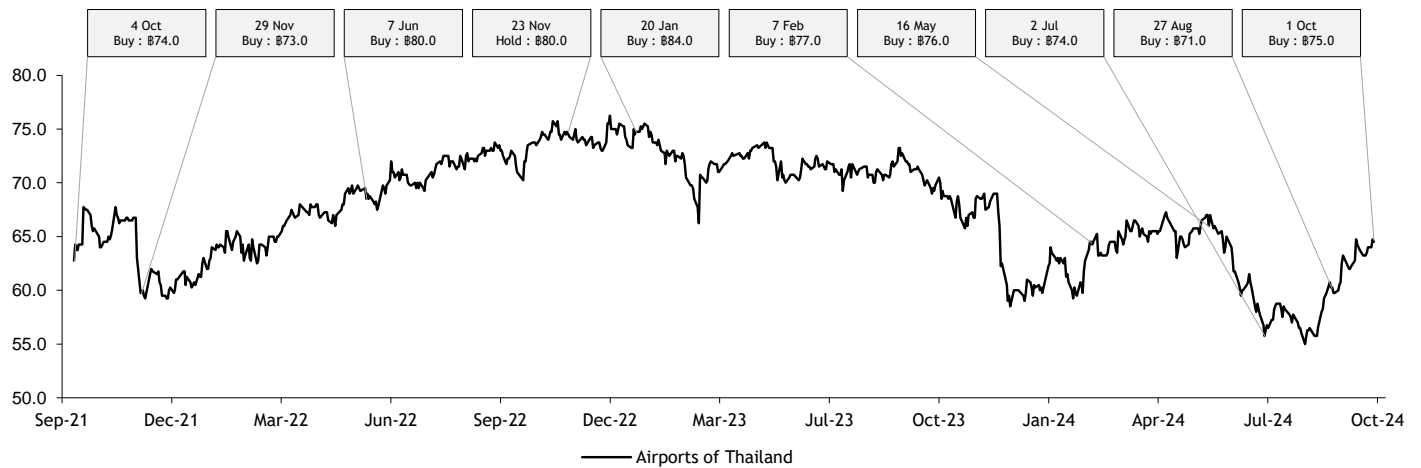
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