

13 February 2020

Transport | Airport Services

Airports of Thailand (AOT TB)

Take Profit

Until The Crosswind Calms; Keep TAKE PROFIT

Target Price (Return):	THB67.00 (-5.3%)
Price:	THB70.75
Market Cap:	USD32,480m
Avg Daily Turnover (THB/USD)	1,937m/63.5m

- **Keep TAKE PROFIT with new FY20F TP of THB67 from THB72, 5.3% downside.** Airport of Thailand's 1QFY20 results were neutral, while its outlook over the remaining quarters this year may be weak. We believe it may be too early to factor in the strong FY21F growth vs -5% earnings and 41x P/E in FY20F.
- **Neutral 1QFY20 results.** AoT's 1QFY20 core profit of THB6.80bn (+4% YoY, +28% QoQ) was in line with our and Street forecasts. This excluded a one-time extra gain from the reversal of provision from non-occurring lawsuit cases. A moderate growth in core revenue of 6% YoY and 7% QoQ was driven by a rebound in Chinese passengers (c.23% of total passengers) mainly in Oct-Nov 2019. Improving operating leverage in the high travel season also boosted earnings growth QoQ and maintained its profit margins YoY. 1Q results account for 28% of our FY20 forecasts.
- **Weak 2QFY20F outlook.** We expect 1Q results to be the best of FY20F. There was a dramatic slowdown in international passengers from +5% YoY in Dec 2019 to +3% YoY in Jan 2020 and -28% YoY on 1-8 Feb following the coronavirus spread, which has affected air travel mainly from key source markets like China. This may lead to the worst performance in 2Q given that AoT's fixed expenses for airport operations remain. Its 2HFY20F earnings may be also unattractive during the low travel period.
- **Earnings cut on weakening Thai tourism.** We revise down AoT's core profit by 15% in FY20F and 23% in FY21-22F. We currently assume the outbreak will last two months in Feb-Mar 2020. We also remove the passenger service charge (PSC) THB100 hike assumption from FY21F onwards based on the Government's policy focus to reduce the public's living expenses. FY20F core profit may drop 5%, before jumping 62% in FY21F and 8% in FY22F, supported by the planned launch of Suvarnabhumi Airport (BKK) extension phase by Dec 2020 and new concessions for duty-free shops and retail area management at BKK and regional airports from 28 Sep 2020, for which the combined minimum guarantee will be as much as THB23.5bn, or 2x from the current contracts.
- **Too soon to price in FY21F outlook.** AoT's FY21F earnings appear optimistic. While there is positive sentiment on progress in its long-term projects – a study on BKK's North Terminal and planned launches of its non-aeronautical activities (BKK Airport City project, certified hub for Thai exports, digital applications) – details remain unclear. We also expect AoT to see unattractive concession renewal results for duty-free shops and pick-up counters at BKK and Don Mueang Airport (DMK) due to no competition in the bids. We think the current premium valuation is not justifiable based on 41x P/E (+1.5SD) vs its -5% FY20F core profit, and potential weak earnings throughout the remaining quarters this year in tandem with the tourism industry.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.7)	(4.4)	(11.0)	1.4	4.0
Relative	(2.2)	(1.8)	(5.7)	8.1	10.3
52-wk Price low/high (THB)				63.8	81.0

Airport of Thailand PCL (AOT TB)



Source: Bloomberg

Forecasts and Valuation	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
Total turnover (THBm)	60,537	62,783	63,489	85,820	91,447
Recurring net profit (THBm)	25,194	25,606	24,384	39,379	42,493
Recurring net profit growth (%)	14.7	1.6	(4.8)	61.5	7.9
Recurring P/E (x)	40.12	39.47	41.45	25.67	23.79
P/B (x)	7.1	6.6	6.2	5.4	4.9
P/CF (x)	35.55	29.89	39.82	25.49	17.13
Dividend Yield (%)	1.5	1.5	1.4	2.3	2.5
EV/EBITDA (x)	25.03	24.27	24.99	16.18	14.80
Return on average equity (%)	18.4	16.9	15.5	22.5	21.6
Net debt to equity (%)	(38.0)	(40.2)	(35.1)	(44.2)	(51.1)

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (THB)	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
Thailand	Recurring EPS	1.76	1.79	1.71	2.76	2.97
Transport	DPS	1.05	1.05	1.02	1.64	1.77
Airports of Thailand	BVPS	10.01	10.72	11.37	13.11	14.44
AOT TB	Return on average equity (%)	18.4	16.9	15.5	22.5	21.6
Take Profit						
	Valuation metrics	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
Valuation basis	Recurring P/E (x)	40.12	39.47	41.45	25.67	23.79
DCF	P/B (x)	7.1	6.6	6.2	5.4	4.9
	FCF Yield (%)	2.0	2.1	0.9	3.4	5.6
Key drivers	Dividend Yield (%)	1.5	1.5	1.4	2.3	2.5
i. Rising number of aircrafts and passengers;	EV/EBITDA (x)	25.03	24.27	24.99	16.18	14.80
ii. Stronger sales from duty-free concession;	EV/EBIT (x)	29.42	28.58	30.29	18.43	16.74
iii. Efficient cost control;						
iv. New investment projects.						
	Income statement (THBm)	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
Key risks	Total turnover	60,537	62,783	63,489	85,820	91,447
i. Limitations to fee and charge hikes;	Gross profit	33,305	34,038	32,608	52,309	56,064
ii. Delay in project investment plans;	EBITDA	37,808	38,730	37,791	56,798	60,583
iii. Changes in government's policy and political uncertainty.	Depreciation and amortisation	(5,642)	(5,851)	(6,610)	(6,921)	(7,008)
	Operating profit	32,167	32,879	31,180	49,877	53,575
Company Profile	Net interest	(1,016)	(815)	(618)	(521)	(316)
AOT is the operator of airport business in Thailand, the core tasks of which are airport management and development of the country's six international airports, namely Suvarnabhumi, Don Mueang, Chiang Mai, Mae Fah Luang-Chiang Rai, Phuket and Hat Yai. All six serve both domestic and international flight,s with Suvarnabhumi designated as the country's main airport.	Pre-tax profit	31,127	31,484	30,562	49,356	53,259
	Taxation	(5,903)	(6,389)	(6,112)	(9,871)	(10,652)
	Reported net profit	25,171	25,026	24,384	39,379	42,493
	Recurring net profit	25,194	25,606	24,384	39,379	42,493
	Cash flow (THBm)	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
	Change in working capital	1,879	3,336	(3,633)	(1,028)	(265)
	Cash flow from operations	28,432	33,814	25,382	39,659	58,986
	Capex	(8,323)	(12,854)	(15,904)	(5,046)	(2,500)
	Cash flow from investing activities	(9,503)	(12,278)	(16,165)	(5,352)	(2,579)
	Dividends paid	(12,285)	(14,998)	(15,000)	(14,533)	(23,470)
	Cash flow from financing activities	(19,644)	(20,206)	(13,479)	(21,275)	(26,560)
	Cash at beginning of period	9,318	8,602	9,932	5,671	18,880
	Net change in cash	(716)	1,330	(4,262)	13,032	29,847
	Ending balance cash	8,602	9,932	5,671	18,703	48,727
	Balance sheet (THBm)	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
	Total cash and equivalents	72,806	75,909	73,627	92,273	112,370
	Tangible fixed assets	96,334	104,069	113,927	112,432	108,362
	Total investments	9,810	9,368	8,996	8,620	8,232
	Total assets	187,709	198,382	205,178	223,407	239,432
	Short-term debt	4,223	3,181	6,532	6,343	6,327
	Total long-term debt	13,768	10,571	9,613	2,566	48
	Total liabilities	43,439	43,843	41,585	34,951	31,903
	Total equity	144,269	154,539	163,592	188,456	207,529
	Total liabilities & equity	187,709	198,382	205,178	223,407	239,432
	Key metrics	Sep-18	Sep-19	Sep-20F	Sep-21F	Sep-22F
	Revenue growth (%)	10.3	3.7	1.1	35.2	6.6
	Recurrent EPS growth (%)	14.7	1.6	(4.8)	61.5	7.9
	Gross margin (%)	55.0	54.2	51.4	61.0	61.3
	Operating EBITDA margin (%)	62.5	61.7	59.5	66.2	66.2
	Net profit margin (%)	41.6	39.9	38.4	45.9	46.5
	Capex/sales (%)	13.7	20.5	25.0	5.9	2.7
	Interest cover (x)	31.7	40.4	50.4	95.8	169.5

Source: Company data, RHB

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Further downsides. Based on our sensitivity analysis, every one month extension of the coronavirus spread would affect FY20F total international passengers by 3% and core profit by 5%, FY21F-22F core profit by 3% and TP by THB2. A scenario where AoT has to provide a 10% share of its total PSC revenue to the state's Airport Development Fund (proposed by the Transport Minister) is also currently under study. This scenario would affect core profit by 8% from FY21F onwards and TP by THB5.

Figure 1: AoT's DCF valuation

THBm	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	31,180	49,877	53,575	56,705	59,318	62,001	65,213	68,591	71,606	74,784
EBIT (1-t)	24,944	39,902	42,860	45,364	47,455	49,601	52,170	54,873	57,285	59,827
Depreciation & Amortization	6,610	6,921	7,008	7,057	7,112	7,205	7,308	7,455	7,632	7,869
Net working capital	(8,570)	(852)	15,772	(5,341)	(1,322)	(1,731)	(46)	(37)	(4)	(31)
Capex	(16,085)	(4,987)	(2,500)	(2,000)	(2,000)	(3,500)	(3,500)	(5,000)	(6,000)	(8,000)
Net free cash flow to firm	6,900	40,984	63,140	45,080	51,244	51,575	55,932	57,292	58,913	59,665
Terminal value										1,253,833
PV	6,900	37,968	54,189	35,843	37,745	35,194	35,358	33,552	31,963	660,191
Terminal growth		3.0%								
WACC		7.9%								
Total discounted firm value	968,903									
Less: Net debt	10,474									
Less: Minority interest	640									
Equity value	957,789									
Number of shares (m)	14,286									
Equity value per share (THB)	67.00									

Source: RHB

Figure 2: AoT's P/E and SD levels



Source: Bloomberg, RHB

Figure 3: AoT's P/E band



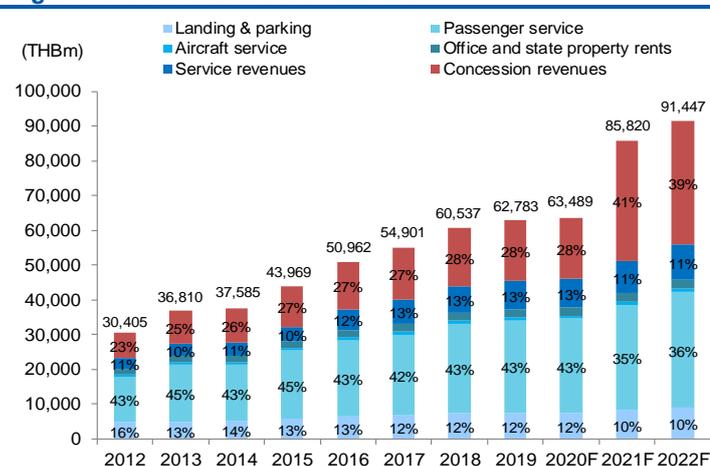
Source: RHB

Figure 4: AoT's key operational assumptions

	2013	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F
International flights ('000)	317	325	365	403	415	462	492	506	566	623
% growth	18%	3%	12%	10%	3%	11%	6%	3%	12%	10%
Domestic flights ('000)	243	285	342	374	408	413	404	392	412	428
% growth	15%	17%	20%	9%	9%	1%	-2%	-3%	5%	4%
Average landing & parking charges (THB/flight)	17,022	17,452	16,243	16,561	16,348	16,694	16,574	16,574	16,905	17,243
International flight passengers (m)	54.3	51.2	61.3	68.1	72.5	80.5	84.0	84.5	94.2	103.2
% growth	22%	-6%	20%	11%	7%	11%	4%	1%	11%	10%
Domestic flight passengers (m)	31.9	36.4	45.5	51.9	56.7	59.0	57.8	57.7	64.3	70.4
% growth	17%	14%	25%	14%	9%	4%	-2%	0%	11%	10%
Passenger service charge - international (THB/person)	700	700	700	700	700	700	700	700	700	700
Passenger service charge - domestic (THB/person)	100	100	100	100	100	100	100	100	100	100

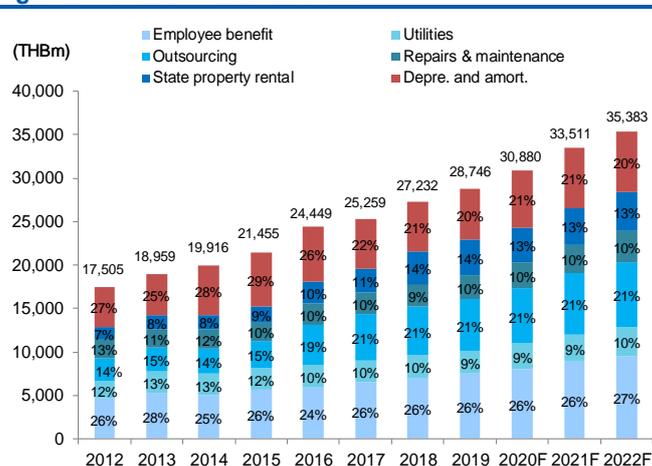
Source: Company data, RHB

Figure 5: AoT's revenue breakdown



Source: Company data, RHB

Figure 6: AoT's cost breakdown



Source: Company data, RHB

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Figure 7: AoT's 1QFY20 results review

FYE Sep (THBm)	1Q19	4Q19	1Q20	YoY % chg	QoQ % chg	Remarks
Landing and parking charges	1,912	1,796	1,911	-0.1	6.4	
Passenger service charges	6,396	6,431	6,879	7.6	7.0	Enhanced flow of international passengers in the high season supported the PSC growth
Aircraft service charges	217	208	215	-0.7	3.5	
Aeronautical revenue	8,525	8,436	9,006	5.6	6.8	
Office and state property rents	580	572	584	0.7	2.2	
Service revenue	1,955	1,974	2,112	8.0	7.0	
Concession revenue	4,336	4,170	4,403	1.5	5.6	
Non-aeronautical revenue	6,871	6,715	7,099	3.3	5.7	
Turnover	15,396	15,151	16,105	4.6	6.3	
Other income	402	402	480	19.5	19.5	
Gross profit	8,609	7,227	9,013	4.7	24.7	
EBIT	8,397	6,865	8,833	5.2	28.7	
<i>EBIT margin (%)</i>	<i>54.5</i>	<i>45.3</i>	<i>54.8</i>			
EBITDA	9,828	8,347	10,212	3.9	22.3	
<i>EBITDA margin (%)</i>	<i>63.8</i>	<i>55.1</i>	<i>63.4</i>			
Interest expense	(225)	(187)	(178)	-21.0	-4.9	
Pretax profit	8,172	6,678	8,655	5.9	29.6	
Tax	(1,643)	(1,351)	(1,838)	11.9	36.1	
Net profit	6,376	5,120	7,335	15.0	43.3	One-time gain of THB523 as AoT has reversed the provision from non-occurred cases of lawsuits
Core profit	6,516	5,302	6,803	4.4	28.3	Moderate revenue growth and profit margin maintenance supported core profit growth YoY, while the improving operating leverage in the high travel season boosted earnings expansion QoQ
Gross margin (%)	55.9	47.7	56.0			Employee benefit expense rose 11% YoY, but overall costs were still controllable
SG&A/sales (%)	4.0	5.0	4.1			
Net margin (%)	41.4	33.8	45.5			
Key indicators						
International aircraft movement	120,224	124,315	127,126	5.7	2.3	A rebound in Chinese passengers (23% of total international passengers) mainly in Oct-Nov 2019 boosted air traffic Budget carriers have turned to operate more international flights than domestic flights
Domestic aircraft movement	106,677	94,825	97,245	-8.8	2.6	
Total aircraft movement	226,901	219,140	224,371	-1.1	2.4	
International passengers	20,421,914	20,676,371	22,194,671	8.7	7.3	
Domestic passengers	15,168,121	13,371,986	14,531,884	-4.2	8.7	
Total passengers	35,590,035	34,048,357	36,726,555	3.2	7.9	
Total embarking passengers	17,498,578	16,947,895	18,101,029	3.4	6.8	
Total freight (tonnes)	422,587	360,897	393,491	-6.9	9.0	
Per unit analysis						
Average PSC per pax (THB)	366	379	380	4.0	0.1	
Landing and parking charges per aircraft (THB)	16,854	16,393	17,037	1.1	3.9	
Concession revenue per pax (THB)	122	122	120	-1.6	-2.1	

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2019-11-28	Take Profit	72.0	75.5
2019-06-21	Take Profit	72.0	74.5
2019-06-04	Take Profit	55.5	65.0
2019-03-19	Take Profit	55.5	67.8
2019-02-14	Take Profit	55.5	68.8
2018-12-03	Take Profit	55.5	65.8
2018-10-12	Take Profit	55.5	63.5

Source: RHB, Bloomberg

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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

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- ได้รับการรับรอง CAC

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