Airports of Thailand Pcl (AOT TB) - BUY

News Update

Saksid Phadthananarak | Email: saksid.pha@thanachartsec.co.th

The Amendment to the terms of use of the state property

- **The change is to make private investors confident for investment.**
- **There will be no impacts on its financial statement.**
- **We see this as a progress of the Airport City project.**
- **We still see AOT is the best play for the tourism recovery.**

- AOT inform the SET that, as per the approval of the Ministry of Finance, AOT will amend the terms of use of the state property for the operation of its six airports. To recap shortly, AOT has leased state property from the Treasury Department (TD) to operate its airport business. The term of such lease is 30 years with the right renew the contracts twice for 10 years each.
- As the period of use for the current contract shall expire on 29 September 2032 or around 11 years from now, AOT request the TD to change the period of use as shown in the following table. The purpose of the changes is to make private investors confident for their investment and joint development in the airports (such as the Airport City projects). As there are no other changes including state property rental, there will be no impacts on its financial statement.

Before the amendment	After the amendment
30 Sep 2002 – 29 Sep 2032 (30 yr.)	30 Sep 2002 – 29 Sep 2021 (19 yr.)
30 Sep 2032 – 29 Sep 2042 (10 yr.)	30 Sep 2021 – 29 Sep 2051 (30 yr.)
30 Sep 2042 – 29 Sep 2052 (10 yr.)	30 Sep 2051 – 29 Sep 2052 (1 yr.)

- However, we see this as positive news for AOT as it shows the progress of the Airport City project. AOT has a total of 570 acres of undeveloped land at Suvarnabhumi Airport. Some 280 acres of this is leasehold land from the TD while 290 acres are owned by AOT. After the regulations have been unlocked, AOT expects to open bids and let property developers proceed with projects such as shopping malls, hotels, certified air cargo warehouses, distribution centers, recreation facilities, exhibition halls, residences, and sports and medical facilities. If we assume 50% of the total land being developed, we roughly estimate additional Bt2/share on top of our TP.
- We like AOT and it is our top sector pick for long-term core holding as: 1) AOT, the largest airport monopoly operator, remains the most direct and highest operating-leverage play once the Thai tourism industry turns around and ***2)*** despite assuming 75% of FY19's international passengers, we expect AOT's earnings to recover to the FY19 level in FY23F due to a rise in concession revenues from the re-implementation of the minimum guarantee for the new duty-free concessions in April 2022.

Key Valuations

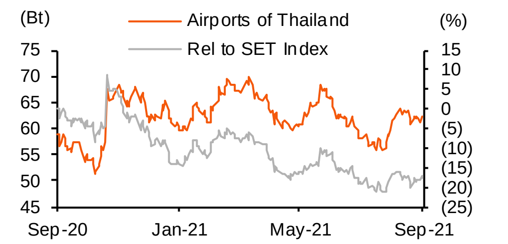
Y/E Sep (Bt m)	2020	2021F	2022F	2023F
Revenue	31,179	8,161	23,607	66,430
Net profit	4,321	(13,979)	(6,041)	23,518
Norm net profit	5,403	(13,979)	(6,041)	23,518
Norm EPS (Bt)	0.4	(1.0)	(0.4)	1.6
Norm EPS gr (%)	(78.0)	na	na	na
Norm PE (x)	164.6	na	na	37.8
EV/EBITDA (x)	84.2	na	170.0	20.7
P/BV (x)	6.3	6.8	6.8	6.0
Div. yield (%)	0.3	0.0	0.0	1.6
ROE (%)	3.6	(10.2)	(4.6)	16.8
Net D/E (%)	(22.7)	(11.0)	(1.3)	(4.8)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	62.25
Target price (Bt)	69.00
Market cap (US$ m)	26,591
Avg daily turnover (US$ m)	42.7
12M H/L price (Bt)	69.75/51.25

Price Performance



Source: Bloomberg

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 117 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ADVA16C2110A, ADVA16C2201A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2109A, AOT16C2112A, BAM16C2110A, BAM16C2112A, BANP16C2109A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BCH16C2109A, BCH16C2111A, BCH16C2111B, BCH16C2201A, BCPG16C2111A, BDMS16C2109A, BGRI16C2110A, BGRI16C2112A, BH16C2109A, CBG16C2109A, CBG16C2109B, CBG16C2201A, CHG16C2111A, CHG16C2112A, COM716C2110A, COM716C2112A, CPAL16C2109A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2109A, DELT16C2109A, DELT16C2112A, DOHO16C2111A, DOHO16C2112A, DTAC16C2112A, EA16C2110A, EGCO16C2110A, EPG16C2109A, GLOB16C2201A, GPSC16C2109A, GPSC16C2110A, GPSC16C2201A, GULF16C2112A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, INTU16C2201A, IRPC16C2110A, IRPC16C2112A, IVL16C2109A, IVL16C2110A, IVL16C2111A, JMAR16C2111A, JMAR16C2201A, JMT16C2110A, KBAN16C2109A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KCE16C2109A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, MEGA16C2112A, MINT16C2109A, MINT16C2112A, MTC16C2109A, MTC16C2112A, OR16C2109A, OR16C2112A, PRM16C2109A, PTG16C2109A, PTG16C2201A, PTT16C2109A, PTT16C2112A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RS16C2109A, RS16C2112A, S5016C2109A, S5016C2109B, S5016C2109C, S5016C2109D, S5016C2112A, S5016C2112B, S5016P2112C, S5016P2109A, S5016P2109B, S5016P2112A, S5016P2112B, SAWA16C2112A, SCB16C2111A, SCB16C2112A, SCC16C2112A, SCGP16C2109A, SCGP16C2201A, SPRC16C2201A, STA16C2112A, STEC16C2110A, STEC16C2201A, STGT16C2111A, TASC16C2109A, TOP16C2112A, TU16C2110A, TU16C2111A (underlying securities are ACE, ADVANC, AMATA, AOT, BAM, BANPU, BCH, BCPG, BDMS, BGRIM, BH, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, EPG, GPSC, GULF, GUNKUL, HANA, IRPC, IVL, JMART, JMT, KBANK, KCE, KTC, MEGA, MINT, MTC, OR, PRM, PTG, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SET50, STA, STEC, STGT, TASCO, TOP, TU). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)