Transportation Sector – Neutral

News update

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Thailand will end quarantine for some visitors in November.

- **10 low-risk countries include England, Singapore and China.**
- **More countries will be determined in December.**
- **This news provides a positive sentiment for the sector but…**
- **… we still expect a foreign tourist recovery in 2H22F.**

- Yesterday, Prime Minister Prayuth said that Thailand will end the COVID quarantine requirements for vaccinated visitors from 10 low-risk countries, including England, Singapore, Germany, China and the US, starting from 1 November 2021. More countries will be added later in December.
- Even though this is good news for the tourism industry, including the air transportation sector, we are still cautious about a foreign tourist recovery as we believe 1) high global daily new COVID cases may make foreign tourists unconfident in traveling yet and 2) there are still risks of rising new COVID cases again after the country's reopening. We thus still maintain our view on a recovery of domestic travel demand first in 4Q21F before international travel will recover in 2H22F.
- We thus expect the land transport companies' earnings turnaround in 4Q21F onward and we prefer Bangkok Expressway & Metro (BEM TB, Bt9.0, BUY) to BTS Group (BTS TB, Bt9.55, BUY) given a more direct play on a recovery in traffic volume and ridership, stronger earnings turnaround, cheaper valuation and it being the potential winner for the West Orange Line project which we expect to open for bidding next year.
- Even though we expect the air transport firms to continue making losses until 1H22F, we still like Airports of Thailand (AOT TB, Bt64.25, BUY) for a long-term core holding as 1) AOT is the most direct and highest operating-leverage play on the international tourism recovery, 2) despite assuming only 75% of FY19's international passengers in FY23F, we expect AOT's earnings to recover back to the FY19 level due to a sharp rise in concession revenues from the re-implementation of the minimum guarantee for the new duty-free concessions, and 3) if the government can follow its reopening plan, we expect the share price to start reacting positively in late 2021F.
- Even though we don't like the airline business given intense competition and risks of oil price fluctuations, we have a BUY on Bangkok Airways (BA TB, Bt11.7) given its business diversification into more airport and airport-related businesses and a potential upside from its new U-tapao Airport project.
- Asia Aviation (AAV TB, Bt2.86) will also benefit from a recovery in air travel demand but we put our recommendation under review as we are concerned on its financial constraint, a delay in its capital increase plan and almost 40% EPS dilution if the capital increase plan is successful.

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