

BUY (Unchanged)

Change in Numbers

TP: Bt 3.20

Upside : 15.9%

(From: Bt 3.00)

2 DECEMBER 2024

Small Cap Research

Asia Aviation Pcl (AAV TB)

Another record year

The strong recovery in Thailand's tourist arrivals and ongoing supply chain disruptions cause us to raise AAV's earnings and TP to Bt3.2. Given its record-high earnings next year, improving balance sheet, and attractive valuation at a PE multiple of 11x in 2025F vs. its peers' average of 15x, we reaffirm our BUY call.

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Raising our TP to Bt3.2; reaffirming BUY

Higher-than-expected tax expenses in 9M24 have led us to cut our earnings estimates for AAV by 12% y-y this year. However, we have raised them by 6/16% in 2025-26F as ongoing supply chain disruptions prompt us to assume 1-2pp higher load factors in 2024-26F and 1-6% airfare hikes. This causes our DCF-derived 12-month TP, using a 2025F base year, to rise to Bt3.2/share (from Bt3). We reaffirm our BUY call on AAV and foresee share price catalysts from **1)** its continued record-high earnings next year, **2)** what we regard as an attractive valuation at an 11x PE in 2025F vs. its peers' average of 15x, and **3)** its strengthening balance sheet with less concern about it facing credit risks.

Sustained high airfares

AAV expects its airfares and load factors to stay high next year as excess demand looks set to continue. IATA reported a rise in Asian air travel demand, measured in revenue passenger kilometers (RPK), by 19% y-y in 9M24 (vs. 11% y-y growth for the total market). Thailand's tourist arrivals grew even more at 29% y-y in 10M24 to 29m (or 88% of the 2019 level), and the Tourism Authority of Thailand expects them to reach 36m this year and 40m next year. However, Asia's airline capacity, measured in available seat kilometers (ASK), grew by only 14% y-y in 9M24 as ongoing supply chain disruptions are causing lengthy delays in new aircraft deliveries and existing aircraft maintenance schedules. IATA expects to take up to five more years to bring aircraft suppliers' capacity back to normal.

Record earnings next year before a gradual fall

While we expect AAV's passenger growth at 12/7/5% y-y in 2024-26F (vs. 11% y-y growth in 9M24), we estimate the industry's aircraft shortages due to the supply chain disruptions to cause airfares to increase 12% y-y this year (vs. a 16% y-y hike in 9M24) and remain high in 2026F before a gradual easing of the shortages makes them fall by 5% y-y in 2026F. With our load factor assumptions of 90/89/88% in 2024-26F (vs. 91% in 9M24), we project AAV's earnings growth at 1,118/8% y-y in 2024-25F before a drop of 6% y-y in 2026F.

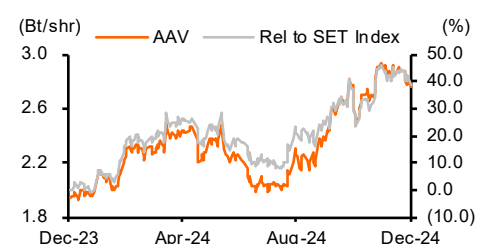
Strengthening balance sheet

Even though we project more intense competition to cause AAV's earnings to fall in 2026F, we estimate it to generate EBITDA of Bt10/10.2/9.7bn in 2024-26F (vs. Bt244m in 2019), strengthen its balance sheet with a net D/E ratio of 0.9x in 2023 to a net cash position in 2026F, and turn a retained loss of Bt9bn in 2023 to a retained profit of Bt2bn in 2026F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	41,241	50,880	54,328	54,495
Net profit	466	4,534	3,213	3,016
Consensus NP	—	2,599	3,087	3,730
Diff frm cons (%)	—	74.5	4.1	(19.1)
Norm profit	244	2,974	3,213	3,016
Prev. Norm profit	—	3,366	3,030	2,596
Chg frm prev (%)	—	(11.7)	6.0	16.2
Norm EPS (Bt)	0.02	0.23	0.25	0.23
Norm EPS grw (%)	na	1,118.2	8.1	(6.1)
Norm PE (x)	145.3	11.9	11.0	11.8
EV/EBITDA (x)	6.6	3.9	3.5	3.4
P/BV (x)	4.2	2.7	2.2	1.8
Div yield (%)	0.0	0.0	0.0	0.0
ROE (%)	3.0	27.8	22.1	17.1
Net D/E (%)	87.7	24.3	1.1	(12.8)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 2-Dec-24 (Bt)	2.76
Market Cap (US\$ m)	1,028.3
Listed Shares (m shares)	12,850.0
Free Float (%)	36.1
Avg Daily Turnover (US\$ m)	3.7
12M Price H/L (Bt)	2.94/1.93
Sector	Transportation
Major Shareholder	AirAsia Group 41%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P9



Raising our TP to Bt3.2

We raise our earnings estimates for AAV by 6-16% in 2025-26F

Even though Asia Aviation Pcl's (AAV) higher-than-expected tax expenses in 9M24 have caused us to cut our earnings estimate by 12% y-y this year, the ongoing excess demand due to Thailand's strong tourist arrivals amid ongoing supply chain disruptions which have delayed airlines' capacity ramp-ups have led us to raise them by 6/16% in 2025-26F. We now assume:

- 1) 1-2ppt higher load factors of 90/89/88% in 2024-26F (vs. 91% in 9M24).
- 2) 1-6% higher load factors of Bt1,999/1,999/1,892 per passenger in 2024-26F (vs. Bt1,964 in 9M24).
- 3) 1-2ppt higher gross margins of 16/16/15% in 2024-26F (vs. 15% in 9M24) to reflect our expectation of a fall in jet fuel prices by 5-8% to US\$96/91/87/bbl in 2024-26F (vs. US\$96 on average so far this year and US\$90 at present).

Our TP increases to Bt3.2

As a result, our DCF-derived 12-month TP, using a 2025F base year, increases to Bt3.2/share (from Bt3).

Ex 1: Key Assumption Changes

	2021	2022	2023	2024F	2025F	2026F
Load factor (%)						
- New	69.4	83.7	88.3	89.9	89.3	88.1
- Old				88.7	87.4	86.5
- Change (ppt)				1.2	1.9	1.6
Airfares (Bt/passenger)						
- New	1,090	1,434	1,780	1,999	1,999	1,892
- Old				1,978	1,892	1,839
- Change (%)				1.1	5.7	2.9
Gross margin (%)						
- New	(193.2)	(34.1)	10.7	16.4	16.1	15.4
- Old				15.7	15.0	13.9
- Change (ppt)				0.7	1.1	1.5
Normalized profit (Bt m)						
- New	(5,516)	(7,203)	244	2,974	3,213	3,016
- Old				3,366	3,030	2,596
- Change (%)				(11.7)	6.0	16.2

Sources: Company data, Thanachart estimates

Reaffirming our BUY

We reaffirm BUY given...

...the continued decent industry outlook...

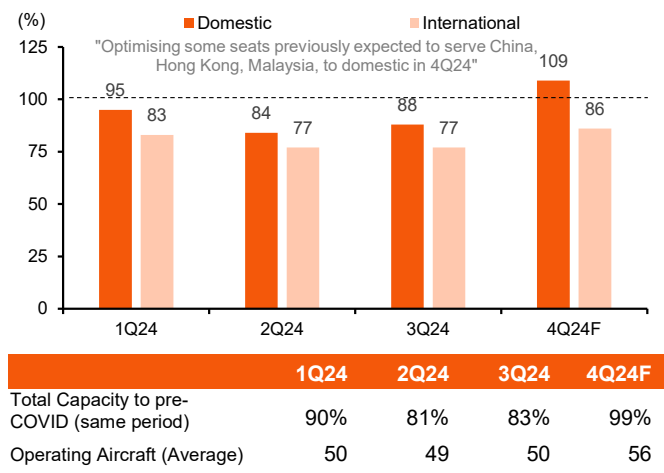
...its solid strategies...

We reaffirm our BUY call on AAV as:

Firstly, the airline industry’s outlook still appears decent, with excess demand in the Asia market likely to continue next year (see the next section).

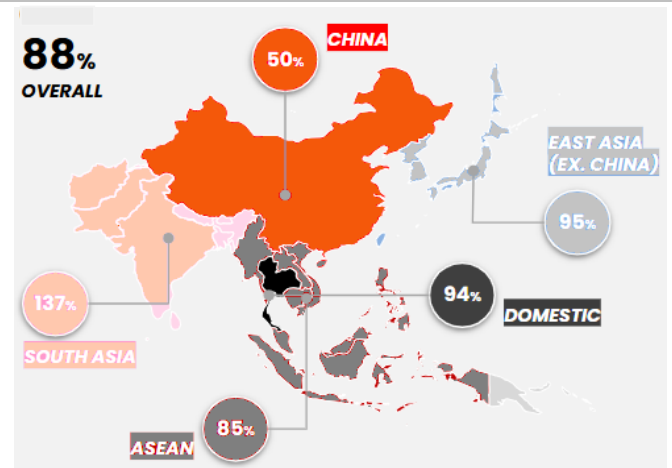
Secondly, besides being one of the most efficient low-cost airlines in the region, which operates in Thailand, one of the world’s top tourist destinations, with the highest domestic market share of 39% as of September 2024, we like AAV’s rapid capacity adjustment strategy in response to changing demand patterns to achieve optimal aircraft utilization. Despite the slow recovery of Chinese tourist arrivals, AAV is focusing on opening new routes to India and elsewhere in Southeast Asia to balance its portfolio.

Ex 2: AAV’s Capacity Adjustment To Match Demand



Source: Company data

Ex 3: AAV’s Capacity Resumption Plan

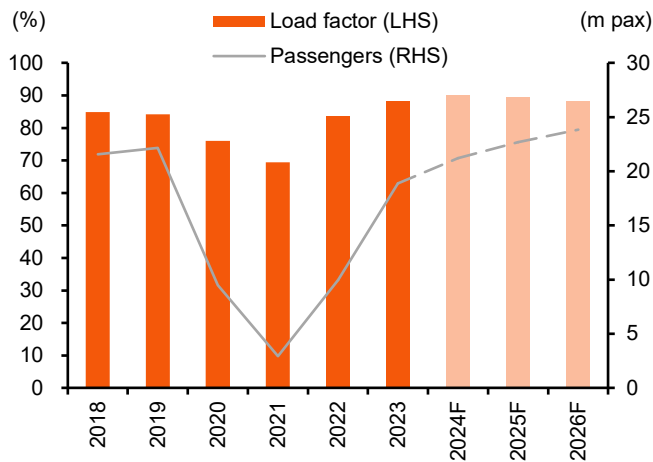


Source: Company data

...its record-high earnings...

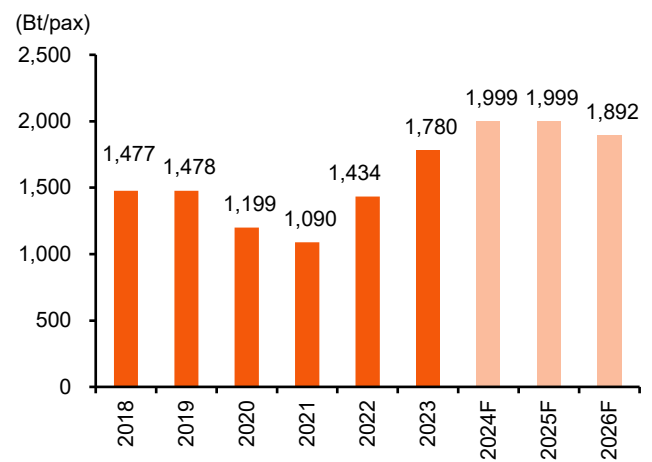
Thirdly, we project its earnings to reach a record high in 2024-25F with growth of 1,118% y-y in 2024F and 8% y-y in 2025F. We assume a gradual easing of the aircraft shortage will lower AAV’s load factors and airfares in 2026F, but these negative factors should be partly offset by lower jet fuel prices, causing its earnings to fall by 6% y-y in 2026F.

Ex 4: AAV's Load Factors And Passengers Carried



Sources: Company data, Thanachart estimates

Ex 5: AAV's Average Airfares



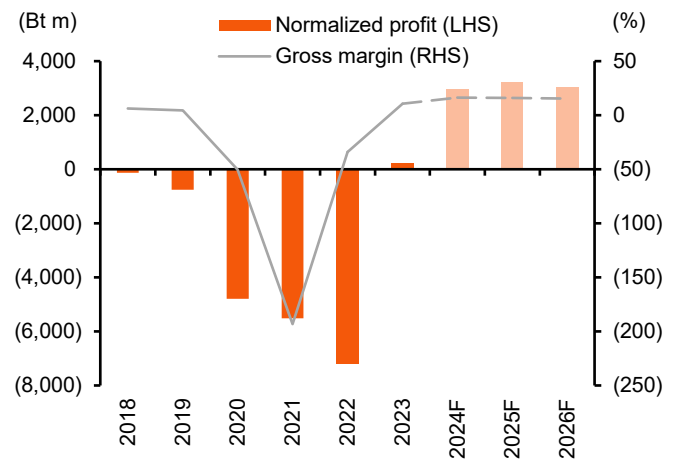
Sources: Company data, Thanachart estimates

Ex 6: Jet Fuel Prices



Source: Bloomberg

Ex 7: AAV's Gross Margin And Earnings



Sources: Company data, Thanachart estimates

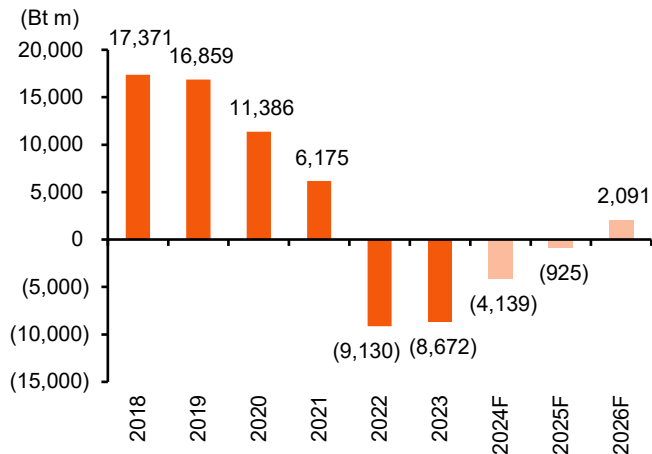
...its strengthening balance sheet, and...

Fourthly, we forecast AAV's significant performance improvement to strengthen its balance sheet with EBITDA of Bt10/10.2/9.7bn in 2024-26F (vs. Bt244m in 2019), a 0.9x net D/E ratio in 2023 turning to a net cash position in 2026F, and a Bt9bn retained loss in 2023 turning to a Bt2bn retained profit in 2026F.

...what we regard as an attractive valuation

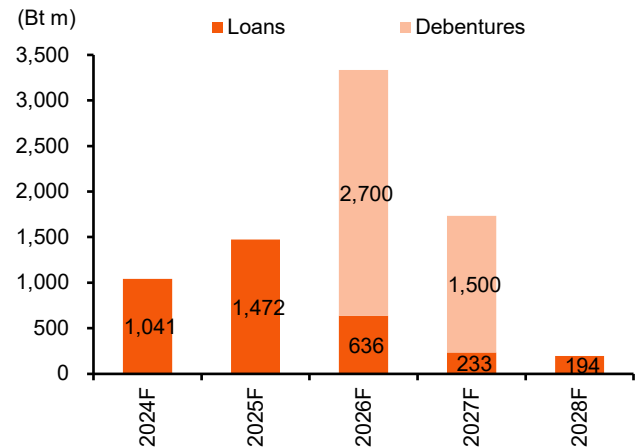
Finally, despite being one of the most efficient low-cost airlines in the region, its shares still trade at a PE multiple of 11x in 2025F vs. its peers' average of 15x.

Ex 8: AAV's Retained Earnings



Sources: Company data, Thanachart estimates

Ex 9: AAV's Debt Repayment Schedule



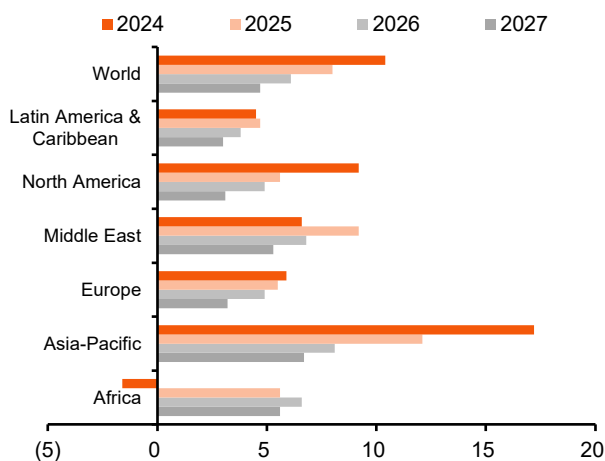
Sources: Company data, Thanachart estimates

Excess demand continuing

Continued strong air travel demand but...

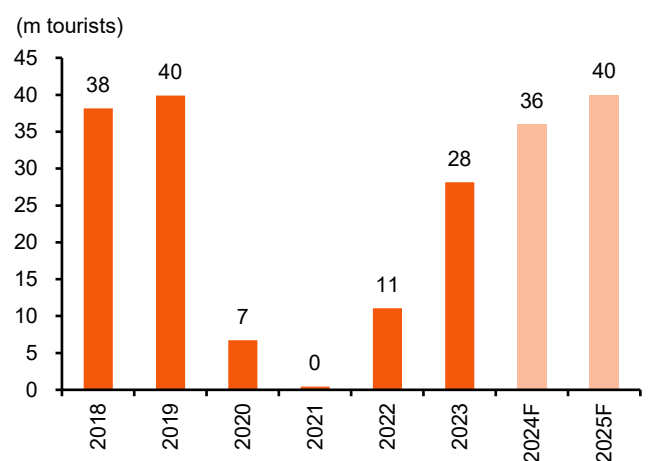
AAV expects its load factor and airfares to remain high as excess demand due to Thailand's strong tourism recovery amid aircraft shortages looks set to continue next year. According to the International Air Transport Association (IATA), air travel demand in Asia, measured in revenue passenger kilometers (RPK), experienced a 19% y-y growth in 9M24, compared to other markets' average growth of 11% y-y. IATA forecasts total passenger numbers in Asia to grow 17% y-y this year and 12/8/7% y-y in 2025-27F. In Thailand, tourist arrivals grew at an even higher rate of 29% y-y in 10M24 to 29m tourists (or 88% of the 2019 level), and the Tourism Authority of Thailand (TAT) expects the figure to reach 36m this year and 40m next year.

Ex 10: IATA's Passenger Growth Rate Forecasts



Source: IATA

Ex 11: TAT's Thailand Tourist Arrivals Forecasts



Source: TAT

Ex 12: Air Passenger Market In September 2024

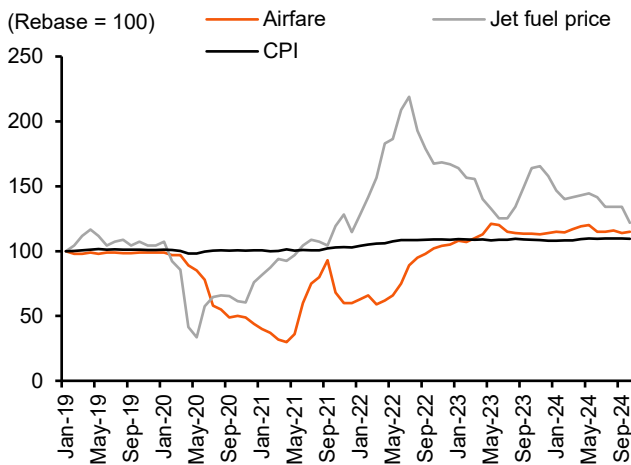
Data as of Sep-24	% y-y		% year-to-date	
	RPK	ASK	RPK	ASK
Total	7.1%	5.8%	11.3%	9.7%
Africa	12.2%	6.9%	13.9%	10.9%
Asia Pacific	12.4%	8.0%	18.6%	13.8%
Europe	6.7%	6.4%	9.0%	8.6%
Latin America	7.2%	7.6%	8.2%	7.3%
Middle East	4.7%	4.6%	10.3%	9.9%
North America	1.1%	2.2%	5.5%	5.7%

Sources: IATA

...persistent supply chain disruptions to keep load factors and airfares high next year

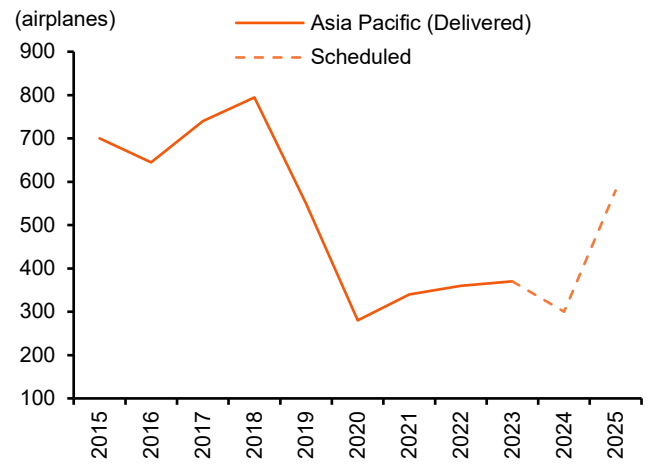
However, airline capacity in Asia, measured in available seat kilometers (ASK), grew by only 14% y-y in 9M24 due to aircraft shortages caused by **1)** ongoing supply chain disruptions caused by mass layoffs during the pandemic downturn resulting in lengthy delays in new aircraft deliveries and longer engine maintenance times for existing aircraft (from 2-3 months to 4-6 months), **2)** Pratt & Whitney engine issues causing many airplanes to be grounded for inspection, and **3)** Boeing’s financial problems and workers’ strike. IATA believes the supply chain issues could last up to five more years. The mismatch between demand and supply has caused airlines’ (including AAV’s) load factors and airfares to rise significantly in the past few years. As the problems have persisted, we project load factors and airfares in Thailand to stay high in 2025F before gradually falling in 2026F.

Ex 13: Thailand’s Average Airfare, Jet Fuel Price, And CPI



Source: IATA

Ex 14: Asia’s New Aircraft Deliveries With Potential Delays



Source: IATA

Ex 15: 12-month DCF-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA	7,134	6,771	6,048	6,029	6,040	6,088	6,146	6,256	6,382	6,549	—
Free cash flow	4,460	4,224	3,638	3,604	3,611	3,651	3,694	3,782	3,881	4,014	48,513
PV of free cash flow	4,447	3,495	2,738	2,466	2,247	2,012	1,843	1,709	1,587	1,487	17,967
Risk-free rate (%)	2.5										
Market risk premium (%)	8.0										
Beta	1.0										
WACC (%)	9.9										
Terminal growth (%)	2.0										
Enterprise value - add investments	41,999										
Net debt (2024F)	185										
Minority interest	—										
Equity value	41,814										
# of shares (m)*	12,850										
Target price/share (Bt)	3.2										

Source: Thanachart estimates

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Company	Code	Country	EPS Growth		PE		P/BV		EV/EBITDA		Div. Yield	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Air Arabia PJSC	AIRARABI UH	UAE	(8.9)	0.0	9.9	9.9	1.8	1.6	5.6	5.3	6.2	6.4
EasyJet PLC	EZJ LN	UK	14.9	8.1	7.7	7.2	1.2	1.0	2.6	2.4	2.8	3.2
Singapore Airlines	SIA SP	Singapore	(25.2)	(31.8)	9.4	13.8	1.2	1.2	5.4	5.7	4.6	8.3
Eva Airways Corp	2618 TT	Taiwan	30.3	(10.8)	8.3	9.3	1.9	1.6	3.5	4.0	5.3	4.4
China Southern (China)	600029 CH	China	na	586.6	123.0	17.8	3.1	2.7	9.0	8.2	0.0	0.4
Air China (China)	601111 CH	China	48.8	na	na	30.5	3.6	3.2	10.9	9.0	0.0	0.6
Asia Aviation	AAV TB*	Thailand	1,118.2	8.1	11.9	11.0	2.7	2.2	3.9	3.5	0.0	0.0
Average			196.4	93.4	28.4	14.2	2.2	1.9	5.8	5.4	2.7	3.3

Source: Bloomberg

Note: * Thanachart estimates using Normalized EPS

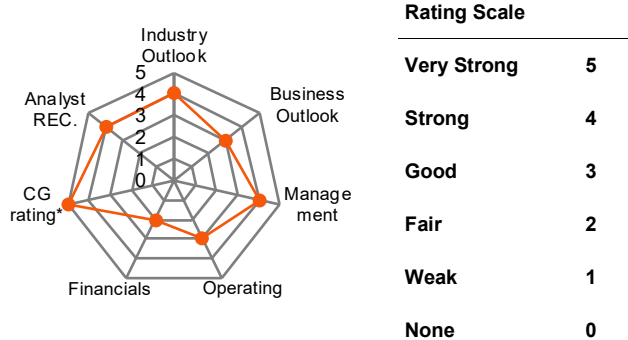
Based on 2 December 2024 closing prices

COMPANY DESCRIPTION

Asia Aviation Pcl (AAV) owns a 100% stake in Thai AirAsia (TAA), the leading low-cost carrier based in Thailand. It currently operates 57 airplanes from four hubs in Thailand: Suvarnabhumi, Don Mueang, Phuket and Chiang Mai airports. Its service areas are in Asia with less-than-four-hour flights from its hubs.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG rating

Rating Scale

Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

THANACHART'S SWOT ANALYSIS

S — Strength

- It is one of the lowest-cost carriers in Asia.
- Its revenue-generating model is built on an expanding network and the sale of ancillary items.
- Being a member of the AirAsia group allows it to benefit from bargaining power, cross-selling opportunities, and scale.

O — Opportunity

- Asia is one of the fastest-growing low-cost airline markets.
- Thailand is one of the top destinations for tourists.
- Its service areas cover some parts of China and India, the No.1 and No.2 countries by population.

W — Weakness

- Most aircraft are leased, causing high operating expenses.
- Service areas are limited with a maximum four-hour flight.
- Its financial status is weak due to the prolonged COVID-19 crisis.

T — Threat

- Highly volatile jet fuel prices pose a major risk.
- Competition in the aviation industry is fierce while demand for travel is also dependent on the global economic situation.
- Other transportation options such as high-speed trains are being developed.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.61	3.20	-11%
Net profit 24F (Bt m)	2,599	4,534	74%
Net profit 25F (Bt m)	3,087	3,213	4%
Consensus REC	BUY: 11	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings in 2024F are 74% higher than the Bloomberg consensus number, which we attribute to us assuming a significant forex gain in 2H24F due to the strengthening baht.
- Our DCF-based TP is 11% lower than the Street's, likely due to our lower earnings forecasts over the long term.

Sources: Bloomberg consensus, Thanachart forecasts

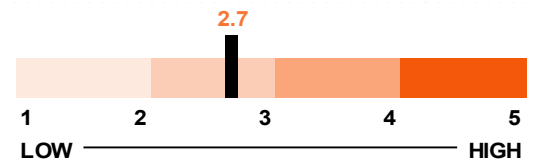
RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected tourism recovery represents a downside risk to our earnings forecasts.
- Fuel expenses are one of Thai AirAsia's major costs. Higher-than-expected jet fuel prices would present further downside risks to our earnings forecasts.
- Lower-than-expected RASK due to fierce competition would be another downside risk to our earnings forecasts.

Source: Thanachart

AAV owns a 100% stake in Thai AirAsia (TAA), the leading Thai low-cost carrier focusing on providing high-frequency services on short-haul international and domestic routes. Its operation releases greenhouse gases. However, our ESG score of 2.74 is moderate to reflect its attempts and measures to mitigate the effects on the environment.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
AAV	-	-	-	-	59.24	37.12	-	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" in the following back page.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- Thai AirAsia has developed strategies to decarbonize and aims to achieve net zero by 2050 by upgrading its fleet to the latest generation Airbus A321neo aircraft and meeting all CORSIA requirements of the International Civil Aviation Organization (ICAO).
- By continuing its green operating procedure and improving flight schedule management, Thai AirAsia reduced its carbon intensity ratio to 5gCo2/RPK per year in 2023 (vs. its target of reducing 3gCo2/RPK per year). It also initiated discussions with domestic fuel partners on their production plans for Sustainable Aviation Fuels (SAF) while keeping abreast of developments in CORSIA certification for carbon projects in Thailand.
- It achieved the target for its Don Mueang station to recycle 100% of non-hazardous waste in 2023.
- It was also able to achieve the target of consuming 57.5 liters of water per flight (vs. its target of no more than 60 liters) in 2023.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- Thai AirAsia's health and safety policy is in accordance with national and global regulations and international standards. Its Safety Management System is in compliance with requirements set by the International Civil Aviation Organization (ICAO) and aligns with the State Safety Policy (SSP).
- It is ISO 9001:2005 Quality Management Systems certified. In 2023, there were no work-related fatalities among Thai AirAsia employees or contractors and no Thai AirAsia employees or contractors experienced work-related diseases.
- It had an on-time performance rate of 83% in 2023 (vs. its target of 90%). Its employee satisfaction measured by the Net Promoter Score was 32 (vs. its target of 50), while it achieved its customer service target with a Net Promoter Score of 59% (vs. its target of 50%).

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- AAV has a 12-member board of directors (BOD), four of whom are independent directors and one woman.
- Skytrax awarded Thai AirAsia the World's Best Low-Cost Airline award. It has also been listed as one of the companies in the Thailand Sustainability Investment (THIS) list.
- AAV's audit committee consists of three independent directors to review financial statements, its internal control system, risk management, and compliance with the law and government regulations.
- It has appointed EY Office Limited as the independent auditor for the company.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	17,553	41,241	50,880	54,328	54,495
Cost of sales	23,533	36,812	42,530	45,562	46,088
Gross profit	(5,980)	4,430	8,350	8,766	8,407
% gross margin	-34.1%	10.7%	16.4%	16.1%	15.4%
Selling & administration expenses	1,711	2,967	2,951	3,151	3,161
Operating profit	(7,691)	1,463	5,399	5,615	5,246
% operating margin	-43.8%	3.5%	10.6%	10.3%	9.6%
Depreciation & amortization	6,114	4,992	4,567	4,589	4,466
EBITDA	(1,577)	6,456	9,966	10,204	9,712
% EBITDA margin	-9.0%	15.7%	19.6%	18.8%	17.8%
Non-operating income	344	998	864	890	890
Non-operating expenses	0	0	0	0	0
Interest expense	(2,219)	(2,291)	(2,546)	(2,488)	(2,366)
Pre-tax profit	(9,567)	170	3,717	4,017	3,770
Income tax	(2,179)	(74)	743	803	754
After-tax profit	(7,388)	244	2,974	3,213	3,016
% net margin	-42.1%	0.6%	5.8%	5.9%	5.5%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	184	0	0	0	0
Extraordinary items	(827)	222	1,560	0	0
NET PROFIT	(8,030)	466	4,534	3,213	3,016
Normalized profit	(7,203)	244	2,974	3,213	3,016
EPS (Bt)	(0.6)	0.0	0.4	0.3	0.2
Normalized EPS (Bt)	(0.6)	0.0	0.2	0.3	0.2

We forecast AAV's earnings to reach a record high next year...

...driven by sustained high load factors and airfares

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	5,236	10,005	14,837	14,964	14,975
Cash & cash equivalent	798	1,285	3,000	3,000	3,000
Account receivables	854	1,199	1,255	1,340	1,344
Inventories	401	508	583	624	631
Others	3,184	7,013	10,000	10,000	10,000
Investments & loans	0	0	0	0	0
Net fixed assets	4,185	4,083	4,065	4,045	4,020
Other assets	55,264	53,706	53,858	52,788	50,847
Total assets	64,686	67,794	72,760	71,797	69,842
LIABILITIES:					
Current liabilities:	21,893	25,023	25,926	24,834	23,603
Account payables	1,464	1,893	1,049	1,123	1,136
Bank overdraft & ST loans	1,493	1,250	1,229	637	108
Current LT debt	1,828	2,485	738	382	65
Others current liabilities	17,109	19,394	22,911	22,691	22,294
Total LT debt	3,978	4,926	4,180	2,166	366
Others LT liabilities	30,860	29,433	29,708	28,638	26,697
Total liabilities	56,731	59,382	59,814	55,637	50,667
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	1,216	1,285	1,285	1,285	1,285
Share premium	14,668	15,800	15,800	15,800	15,800
Warrants	0	0	0	0	0
Surplus	1,200	0	0	0	0
Retained earnings	(9,130)	(8,672)	(4,139)	(925)	2,091
Shareholders' equity	7,954	8,412	12,946	16,159	19,176
Liabilities & equity	64,686	67,794	72,760	71,797	69,842

We expect its retained earnings to turn positive in 2026F

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	(9,567)	170	3,717	4,017	3,770
Tax paid	2,179	74	(743)	(803)	(754)
Depreciation & amortization	6,114	4,992	4,567	4,589	4,466
Chg In working capital	13	(23)	(974)	(52)	2
Chg In other CA & CL / minorities	8,002	374	529	(219)	(397)
Cash flow from operations	6,741	5,587	7,096	7,532	7,086
Capex	(1,594)	(1,541)	(1,500)	(1,500)	(1,500)
Right of use	(169)	(2,231)	(3,000)	(2,000)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(3,595)	(3,356)	(366)	(1,070)	(1,941)
Cash flow from investments	(5,358)	(7,128)	(4,866)	(4,570)	(4,441)
Debt financing	(1,727)	2,035	(514)	(2,962)	(2,646)
Capital increase	4,000	1,200	0	0	0
Dividends paid	0	0	0	0	0
Warrants & other surplus	(8,217)	(1,208)	0	0	0
Cash flow from financing	(5,944)	2,027	(514)	(2,962)	(2,646)
Free cash flow	5,147	4,047	5,596	6,032	5,586

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	na	145.3	11.9	11.0	11.8
Normalized PE - at target price (x)	na	168.5	13.8	12.8	13.6
PE (x)	na	76.1	7.8	11.0	11.8
PE - at target price (x)	na	88.3	9.1	12.8	13.6
EV/EBITDA (x)	na	6.6	3.9	3.5	3.4
EV/EBITDA - at target price (x)	na	7.5	4.4	4.0	4.0
P/BV (x)	4.5	4.2	2.7	2.2	1.8
P/BV - at target price (x)	5.2	4.9	3.2	2.5	2.1
P/CFO (x)	5.2	6.3	5.0	4.7	5.0
Price/sales (x)	2.0	0.9	0.7	0.7	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	14.6	11.4	15.8	17.0	15.8
(Bt)					
Normalized EPS	(0.6)	0.0	0.2	0.3	0.2
EPS	(0.6)	0.0	0.4	0.3	0.2
DPS	0.0	0.0	0.0	0.0	0.0
BV/share	0.6	0.7	1.0	1.3	1.5
CFO/share	0.5	0.4	0.6	0.6	0.6
FCF/share	0.4	0.3	0.4	0.5	0.4

Sources: Company data, Thanachart estimates

Valuation looks attractive to us at PE of 11x in 2025F vs. its peers' average of 15x

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	358.5	135.0	23.4	6.8	0.3
Net profit (%)	na	na	873.3	(29.1)	(6.1)
EPS (%)	na	na	873.3	(29.1)	(6.1)
Normalized profit (%)	na	na	1,118.2	8.1	(6.1)
Normalized EPS (%)	na	na	1,118.2	8.1	(6.1)
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Operating performance					
Gross margin (%)	(34.1)	10.7	16.4	16.1	15.4
Operating margin (%)	(43.8)	3.5	10.6	10.3	9.6
EBITDA margin (%)	(9.0)	15.7	19.6	18.8	17.8
Net margin (%)	(42.1)	0.6	5.8	5.9	5.5
D/E (incl. minor) (x)	0.9	1.0	0.5	0.2	0.0
Net D/E (incl. minor) (x)	0.8	0.9	0.2	0.0	(0.1)
Interest coverage - EBIT (x)	na	0.6	2.1	2.3	2.2
Interest coverage - EBITDA (x)	na	2.8	3.9	4.1	4.1
ROA - using norm profit (%)	na	0.4	4.2	4.4	4.3
ROE - using norm profit (%)	na	3.0	27.8	22.1	17.1
DuPont					
ROE - using after tax profit (%)	na	3.0	27.8	22.1	17.1
- asset turnover (x)	0.3	0.6	0.7	0.8	0.8
- operating margin (%)	na	6.0	12.3	12.0	11.3
- leverage (x)	4.8	8.1	6.6	5.0	4.0
- interest burden (%)	130.2	6.9	59.3	61.8	61.4
- tax burden (%)	na	143.2	80.0	80.0	80.0
WACC (%)	9.9	9.9	9.9	9.9	9.9
ROIC (%)	(34.2)	14.5	27.4	27.9	25.7
NOPAT (Bt m)	(7,691)	2,095	4,319	4,492	4,197
invested capital (Bt m)	14,455	15,789	16,093	16,344	16,715

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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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 24.35% of the shareholding in TMBThanachart Bank Pcl.

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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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