

## Airports of Thailand Pcl (AOT TB) - BUY

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News Update

### Concerns on King Power's credit risk

- **King Power delays its payments to AOT for 18 months.**
  - **King Power contribute around 50% of AOT's earnings.**
  - **Inter. pax. is expected to grow 31% y-y in Apr.-Oct. 2025.**
  - **New PSCs are likely to be concluded by July 2025.**
- A 14% fall in AOT's share price on last Friday was mainly due to the market's concerns on King Power's credit risk as AOT management mentioned in the Analyst meeting that King Power requested for a delay in its minimum guarantee payments during August 2024 to February 2025 due to its liquidity crunch, causing AOT's non-current trade account receivable to increase from Bt2bn in 1QFY24 to Bt6bn in 1QFY25. The deferred payment will incur an 18% penalty charge but King Power is in negotiation with AOT to lower it to 9%.
- As King Power's business still continues as normal while its account with the bank is still classified as normal loans and the deferred payments are fully covered through bank guarantees, AOT doesn't set any provisions.
- In our view, even though we are concerned on King Power's credit risk as it contributes around 50% of AOT's earnings, we still don't expect it to default on its loans as we expect its business to continue to recover along with AOT's continued strong passenger growth (see more detail below). However, we do a sensitivity analysis of AOT's earnings in Exhibit 1 if it gets lower minimum guaranteed revenue from duty-free and commercial space concessions.
- In the meeting, AOT also expected a strong passenger recovery to continue in 2HFY25F. In 4MFY25, its international passengers grew 23% y-y to 101% of the 4MFY19 level. For the summer schedule (30 Mar 25 – 25 Oct 25), it saw the aircraft movement growth of 27% y-y from airlines that already made reservation for its airport slots and it expected the passenger growth of 31% y-y (see Exhibit 2-4).
- For the new passenger service charge (PSC) structure, AOT will have a meeting with the Civil Aviation Authority of Thailand (CAAT) by end of this moth to talk about the results of the third party's study on Thailand's new PSC structure. Both AOT and CAAT agrees to get a final conclusion on the new PSC by July 2025. We also do a sensitivity analysis of AOT's earnings on its PSC hikes in Exhibit 5.
- As we don't expect King Power to default on its loans, we maintain our earnings forecast on AOT with a growth of 18/16% y-y in FY25-26F. Even though we see a rising credit risk of King Power could lead to valuation derating for AOT, causing us to put our current TP of Bt70/share under review, we believe a 22% fall in its share price from its peak this year has been factored in bad news. We reiterate our BUY call.

### Key Valuations

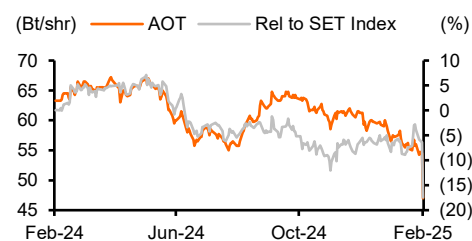
Y/E Sep (Bt m)	2024A	2025F	2026F	2027F
Revenue	67,121	73,703	80,718	86,213
Net profit	19,182	23,041	26,804	29,372
Norm net profit	19,515	23,041	26,804	29,372
Norm EPS (Bt)	1.4	1.6	1.9	2.1
Norm EPS gr (%)	111.0	18.1	16.3	9.6
Norm PE (x)	34.4	29.1	25.0	22.9
EV/EBITDA (x)	17.0	14.7	12.8	11.6
P/BV (x)	5.4	4.9	4.5	4.1
Div. yield (%)	0.8	2.1	2.4	2.6
ROE (%)	16.6	17.6	18.7	18.8
Net D/E (%)	(13.4)	(22.6)	(30.6)	(33.1)

Source: Thanachart estimates

### Stock Data

Closing price (Bt)	47.00
Target price (Bt)	70.00
Market cap (US\$ m)	19,971
Avg daily turnover (US\$ m)	32.1
12M H/L price (Bt)	67.25/47.00

### Price Performance



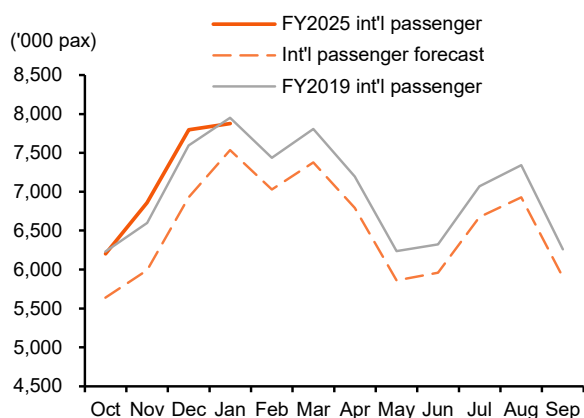
Source: Bloomberg

**Ex 1: A Sensitivity Analysis of AOT's Earnings On A Change In King Power's Minimum Guaranteed Revenue**

	King Power's MAG (Bt m)			AOT's Earnings (Bt m)			Target Price (Bt/share)
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	
Our base case	14,445	15,966	16,973	23,041	26,804	29,372	70
10% lower	13,001	14,370	15,276	21,939	25,555	28,017	67
20% lower	11,556	12,773	13,579	20,836	24,307	26,662	64
30% lower	10,112	11,176	11,881	19,734	23,058	25,307	61
40% lower	8,667	9,580	10,184	18,632	21,809	23,953	58

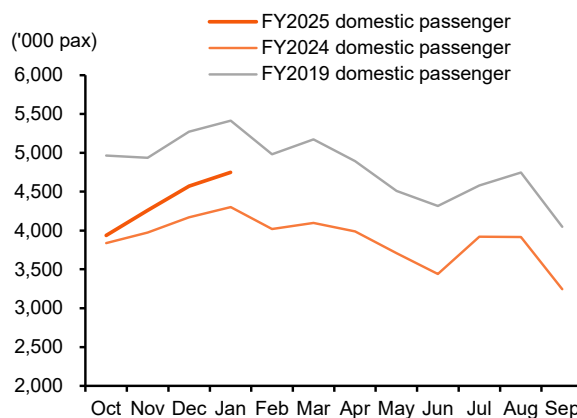
Source: Thanachart estimates

**Ex 2: AOT's International Passengers**



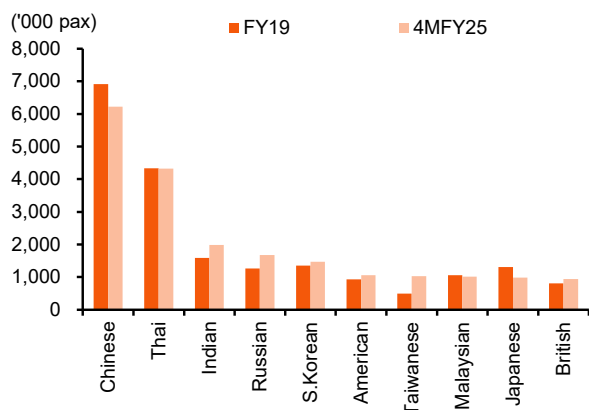
Source: Company data

**Ex 3: AOT's Domestic Passengers**



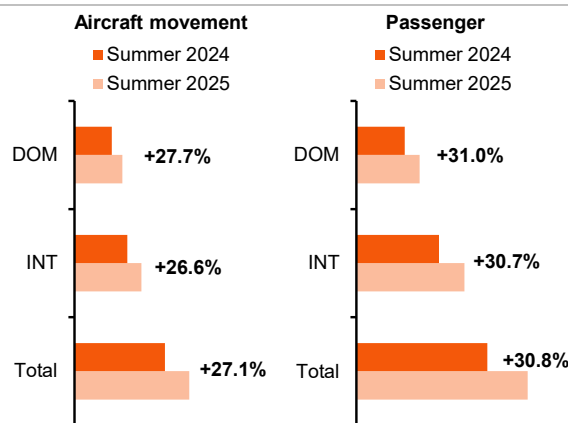
Source: Company data

**Ex 4: AOT's Inter. Pax. Breakdown In 4MFY25**



Source: Company data

**Ex 5: AOT's Forecast For Its Summer Schedule**



Source: Company data

**Ex 6: A Sensitivity Analysis of AOT's Earnings On A Change In The Passenger Service Charges**

	Inter. Pax.'s PSC (Bt/Pax.)	Total PSC (Bt m)			AOT's Earnings (Bt m)			Target Price (Bt/share)
		FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	
Our base case	700	28,238	30,992	32,859	23,041	26,804	29,372	70
7% higher	750	30,100	33,046	35,041	24,462	28,410	31,114	72
14% lower	800	31,963	35,101	37,224	25,882	30,017	32,857	75
21% lower	850	33,825	37,155	39,407	27,303	31,623	34,599	78

Source: Thanachart estimates

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