

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

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### News Update

#### King Power's contract renegotiation begins

- **KPD asked AOT to renegotiate its duty-free contracts.**
  - **AOT expects to reach a conclusion within 2 months.**
  - **KPD asked AOT to pay only 20% rev. sharing from now.**
  - **Risks are still high. Maintain a SELL.**
- According to local newspaper, King Power Duty Free (KPD) requested AOT regarding a discussion on the potential termination of its duty-free concession contracts at the three regional airports, Phuket, Chiang Mai, and Had Yai, as a fall in the tourist arrivals, weak spending per head, but rising minimum guaranteed payments caused its significant losses. Ms. Paweena, AOT's acting president, will discuss this issue with the board on 16 June 2025 and expect the conclusion with King Power within 2 months.
- During the negotiation period, King Power also asked AOT to pay only 20% of its revenue without taking minimum guaranteed amount into consideration (vs. either revenue share or a minimum guaranteed payment depending on which one is higher at present).
- Besides the contracts at these airports, we believe King Power also wants to renegotiate the contract for its duty-free business at Suvarnabhumi Airport where is generating the majority of its duty-free revenue and experiencing significant losses.
- In our opinion, as the duty-free operation is its core business, we don't think King Power wants to discontinue it. Instead, we believe King Power really wants to negotiate a reduction in its minimum guaranteed payments. In FY24, AOT got Bt13bn minimum guaranteed revenue from King Power, out of which Bt11bn was from King Power's duty-free business at Suvarnabhumi Airport and Bt2bn from Don Mueang and provincial airports.
- We have yet to factor this risk directly into our earnings forecasts, but we reflect it in our DCF calculation by removing Bt62bn from our future cash flow estimate for AOT. This amount assumes a 27% cut to King Power's minimum guaranteed payments for its both duty-free and commercial space management concession contracts to the amount that the lowest bidders offered when AOT opened the bids in 2019. (see our report, "End of the runway", on 14 May 2025). Note that if we factor the 27% lower minimum guaranteed revenue from King Power in our earnings forecasts, our earnings would fall by 15% to Bt17bn (from Bt20bn) in FY26F and Bt18bn (from Bt21bn) in FY27F.
- As the negotiation between AOT and King Power is still unclear while its PEs at 26x (using Bt17bn earnings in FY26F) and 24x (using Bt18bn earnings in FY27F) is not that attractive, we maintain our SELL call.

#### Key Valuations

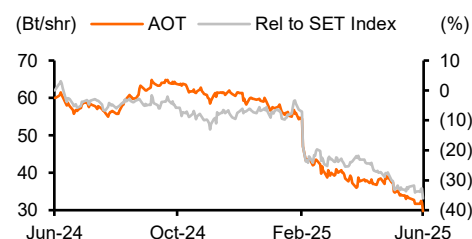
Y/E Sep (Bt m)	2024A	2025F	2026F	2027F
Revenue	67,121	67,274	70,819	74,559
Net profit	19,182	18,150	19,518	21,024
Norm net profit	19,515	18,150	19,518	21,024
Norm EPS (Bt)	1.4	1.3	1.4	1.5
Norm EPS gr (%)	111.0	(7.0)	7.5	7.7
Norm PE (x)	21.8	23.4	21.8	20.2
EV/EBITDA (x)	10.6	10.8	10.0	9.2
P/BV (x)	3.4	3.2	3.0	2.9
Div. yield (%)	2.7	2.6	2.8	3.0
ROE (%)	16.6	14.2	14.4	14.6
Net D/E (%)	(13.4)	(16.9)	(20.6)	(23.1)

Source: Thanachart estimates

#### Stock Data

Closing price (Bt)	29.75
Target price (Bt)	30.00
Market cap (US\$ m)	13,103
Avg daily turnover (US\$ m)	42.6
12M H/L price (Bt)	64.75/29.75

#### Price Performance



Source: Bloomberg

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