

## Airports of Thailand TH SDR (SGX: TATD)

**NON RATED**



### Beneficiary of Thailand's tourism recovery

Research Analyst

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- Airports of Thailand (AOT) operates six major airports in Thailand, including the Suvarnabhumi Airport (BKK) and Don Mueang International Airport (DMK) in Bangkok. Across its airports, AOT accounts for over 80% of Thailand's air traffic.
- AOT generated 32% of its revenue from departure passenger service charges (PSC) across both international and domestic flights in FY2022. With the re-opening of international borders, revenue from PSC soared to THB 8.3 billion in the first half of FY2023 from THB 1.2 billion in the previous year.
- Despite the recovery, AOT's passenger volume remains more than 30% below pre-COVID levels. Further tourist arrival growth is expected with the return of Chinese tourists, which represent about 33% of total arrivals in 2019.
- AOT's capacity is expected to grow further from 2023, as the development of Suvarnabhumi Phase II will allow it to carry another 15 million passengers per year, an increase of 33% from its current capacity. AOT will also take over the management of three airports in Thailand, including the Krabi International Airport under a new 9.19-billion-baht air transport development project.

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## Company background

Airports of Thailand (AOT) operates six major airports across Thailand. This includes two airports in Bangkok - Suvarnabhumi Airport (BKK), Don Mueang International Airport (DMK) and four at regional sites - Chiang Mai International Airport (CNX), Hat Yai International Airport (HDY), Phuket International Airport (HKT) and Mae Fah Luang - Chiang Rai International Airport (CEI).

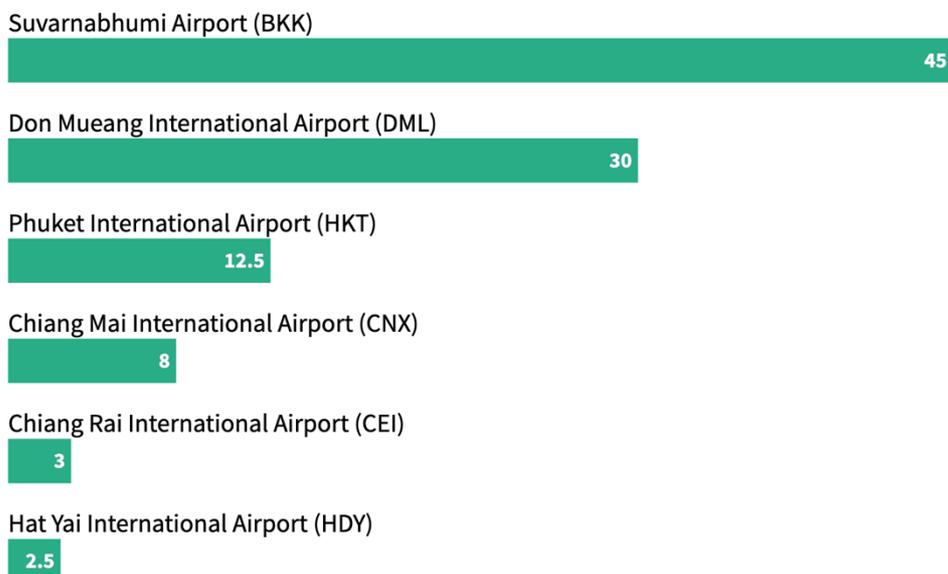
Across its airports, AOT has a total passenger capacity of about 101 million per year. Bangkok airports Suvarnabhumi (BKK) and Don Mueang (DMK) have a combined capacity of about 75 million passengers per year.

AOT airports handled a total number of 46.69 million passengers in FY2022, comprising 13.90 million international passengers and 32.79 million domestic passengers. This was more than double the total number of passengers from the previous year.

The Thailand Ministry of Finance owns a 70% stake in AOT.

**Figure 1: Passenger capacity per year of AOT's Airports**

Capacity in million passengers



Source: Company data

AOT's airports account for over 80% of Thailand's air traffic. There are a total of 39 airports in Thailand, and most of the other airports are smaller in scale and owned by the Department of Civil Aviation (DCA), Royal Thai Navy, and Bangkok Airways Public Company Limited.

**Figure 2: AOT's airports account for over 80% of Thailand's air traffic**



Source: Company data

AOT provides air transport facilities services and manages other commercial activities in the airports. In addition, AOT operates JV airport-related businesses such as the Suvarnabhumi Airport Hotel, Thai Aviation Refueling, AOT Ground Aviation Services Co and Phuket Air Catering.

The company generates a sizeable portion of its revenue from aeronautical services, including departure passenger service charges across both international and domestic flights. It also generates revenue from non-aeronautical services, including concession fees from duty-free and souvenir stores at its airports.

## Aeronautical

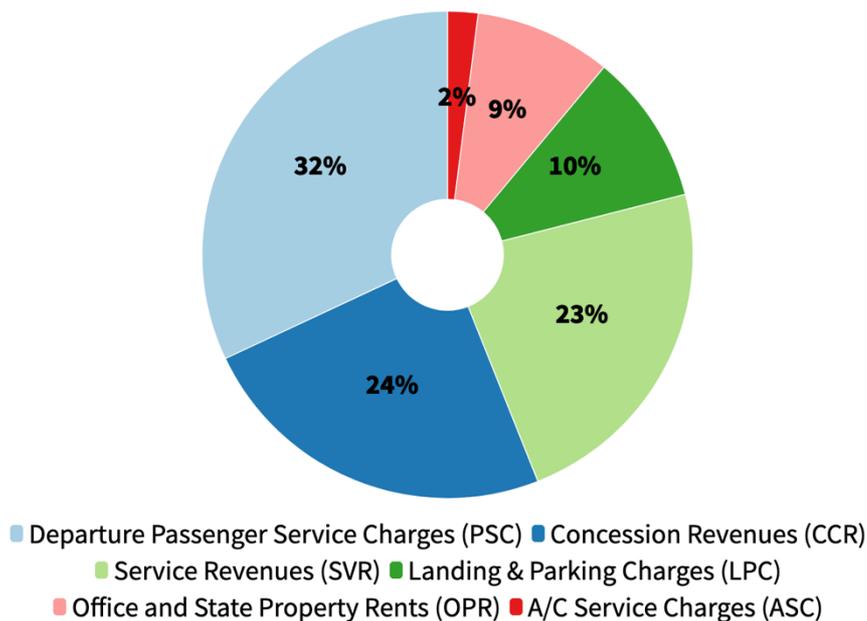
- **Departure Passenger Service Charges (PSC) - 32% of revenue in FY22:** AOT earns a fee of THB500-700 for international passengers and THB 50-100 for domestic passengers
- **Landing and Parking Charges (LPC) - 10% of revenue:** These are fees for landing and parking of aircraft at its airports.
- **Aircraft Service Charges (ASC) - 2% of revenue:** These are fees paid by airlines for using boarding bridges

## Non-Aeronautical

- **Concession (CCR)- 24% of revenue:** This includes Duty Free, souvenirs, F&B, airline catering, fueling, etc.
- **Service revenue (SVR) – 23% of revenue:** This includes utilities, check-in counter, airline announcement, hydrant system, etc.
- **Office & State Property Rents (OPR) – 9% of revenue:** This include rental earned from airline, government agencies and concession tenants.

**Figure 3: AOT generates the majority of its revenue from departure passenger service charges and concession revenues**

Breakdown of revenue in FY22



Source: Company data

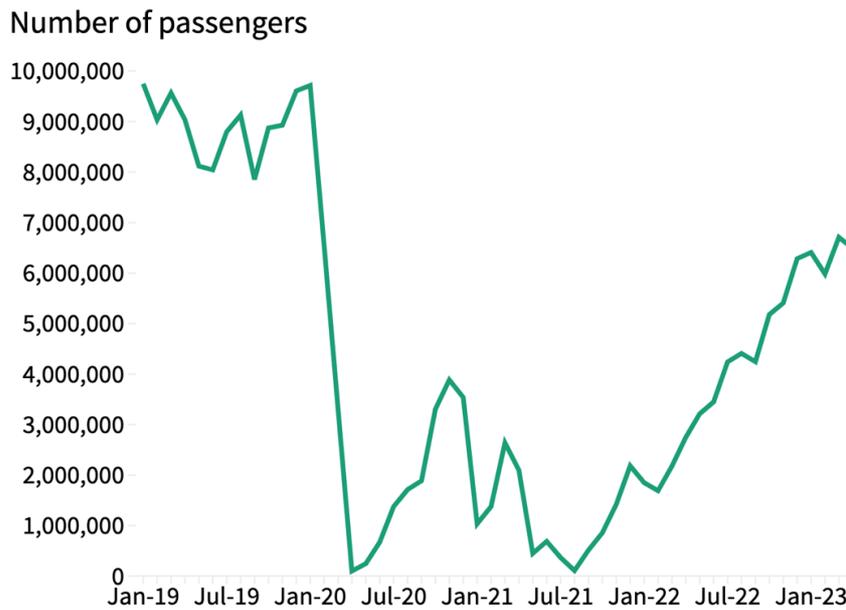
## Industry outlook

### Air traffic recovers from Covid-19 lows

Aircraft and passenger movements have continued to pick up following the full re-opening of Thailand from 1 October 2022, with 1Q FY2023 (October to December 2022) movements tracking ahead of comparable periods in FY2022 and FY2023, but still below pre-Covid levels.

International travelers arriving in Thailand are no longer required to show proof of vaccination and are not required to show ATK or RT-PCR test results.

**Figure 4: AOT's passenger volume has recovered strongly**

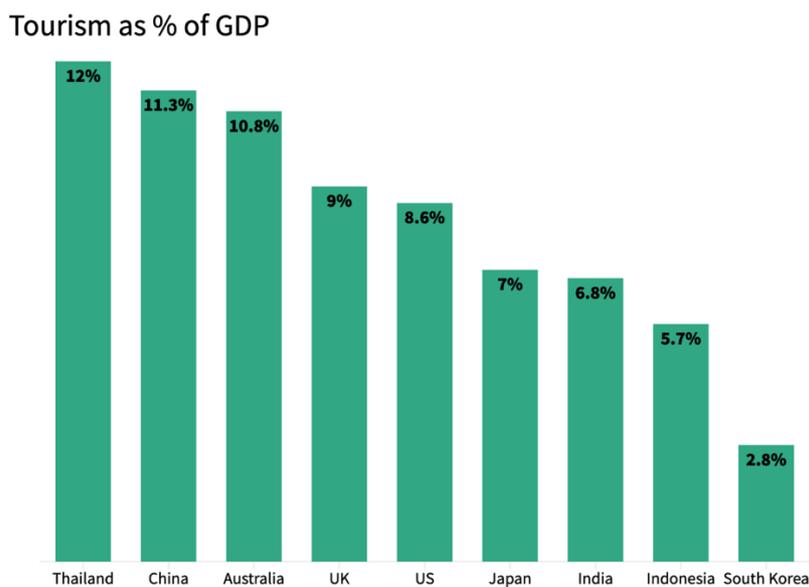


Source: Company Data

## Tourism is a key priority for the Thailand government

Thailand's cabinet has approved a 5-year tourism development plan for 2023-27, with four broad strategies (1) build resilience in the tourism industry (2) develop fundamentals and strive for quality, (3) improve tourism experience, and (4) sustainable tourism. A key target for the plan includes tourism contributing at least 25% to GDP, which compares to its 12% contribution to GDP in 2019.

**Figure 5: Tourism contributed 12% to Thailand's GDP in 2019**



Source: Bank of Thailand

## Company outlook

### Capacity growth at existing airports

AOT's capacity is expected to grow further from 2023, as the development of Suvarnabhumi Phase II will allow it to carry another 15 million passengers per year, an increase of 33% from its current capacity.

**Figure 6: AOT's airport development plans**

Description	Investment cost (THB Billion)	Completion Year	Additional Capacity
Suvarnabhumi Phase II	62.50	2023	15 million annual passengers
Suvarnabhumi Third Runway	28.05	2023	26 aircraft per hour
Suvarnabhumi North Expansion	41.26	2028	30 million annual passengers
Don Muang Phase II	36.83	2029	10 million annual passengers

Source: Company data

### Additional airports under AOT's management

In 2023, AOT will take over the management of three airports under the Department of Airports' supervision. This would include the Udon Thani International Airport, Buriram Airport and Krabi International Airport for a new 9.19-billion-baht air transport development project. Phangnga airport, expected to open in 2031, will later be included in the same development cluster, increasing the total budget to 10.47 billion baht, according to deputy government spokeswoman Traisuree Taisaranakul.

Under the plan, Udon Thani airport will be developed into the main gateway for the upper Northeast, making it both a regional airport and a central air hub, and will be developed along with Buri Ram airport in the lower Northeast to maximise the capacity of air transport in the region. Buri Ram is also an ideal location for the government to promote tourism in minor cities.

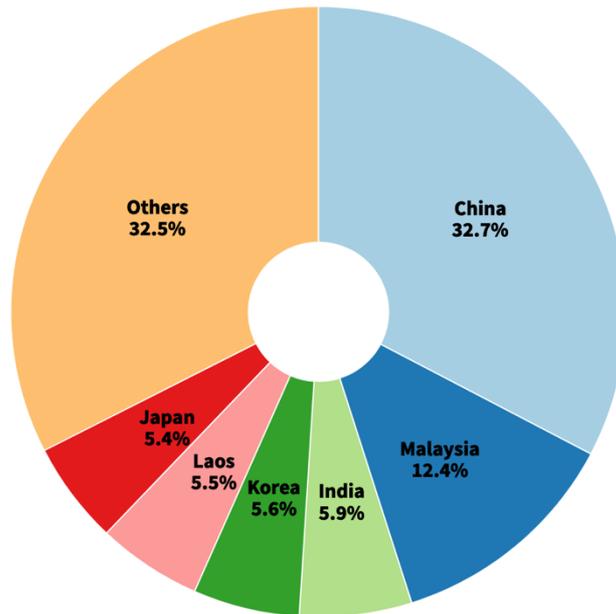
Krabi airport could also be further expanded to catch up expected growth in air travel services demand to the lower path, as Phuket airport has limited space.

## Further recovery of international arrivals in Thailand

Full re-opening of Thailand would likely continue to lead to further recovery of tourist arrivals in Thailand. In particular, the reopening of China would be a key driver of international arrivals as China tourist arrivals made up 33% of Thailand's total tourism arrivals in 2019.

**Figure 7: Tourists from China represented 33% of total tourist arrivals in 2019**

Breakdown of tourist arrivals by country



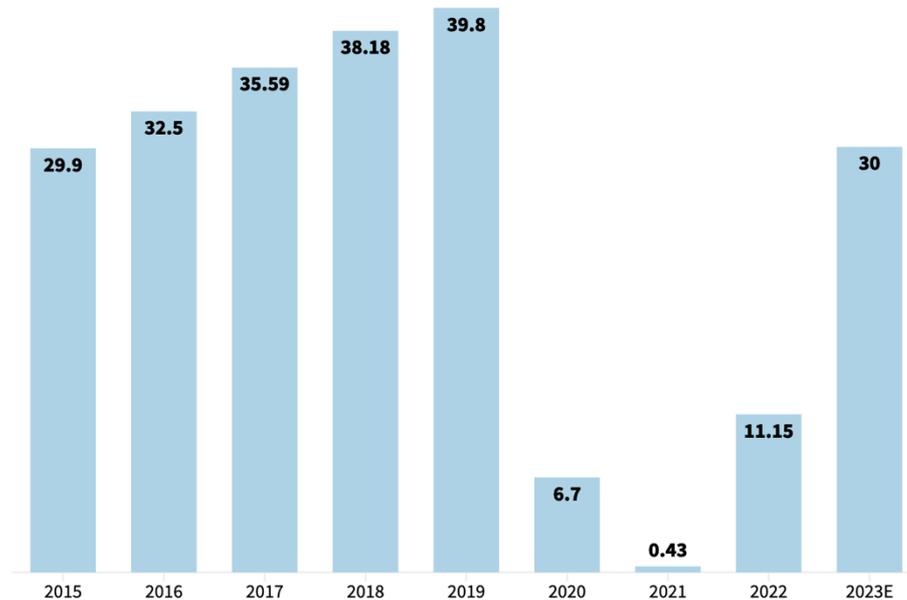
Source: Bank of Thailand

International tourist arrivals reached 11.15 million in 2022, still considerably below 2019's peak of 39.8 million, indicating healthy room for growth ahead. Sisdivachr Cheewarattanaporn, President of Association of Thai Travel Agents, noted that foreign arrivals in 2023 could exceed 30 million, citing the return of Chinese tour groups from February 6.

In June 2022, AOT has forecasted that its air traffic volume in FY2023 to reach 95.70 million passenger, while FY2024 is expected to reach 141.57 million passengers (99% of pre-Covid FY2019).

**Figure 8: Tourists arrivals in Thailand expected to reach 30 million in 2023**

Tourist arrivals in Thailand (in millions)



Source: Bank of Thailand, Association of Thai Travel Agents forecasts

## Risks

### Weaker concession revenue

AOT generates a significant portion of its revenue from granting concessions to other companies to operate various airport services such as duty free shops. As a result, its revenue could be impacted when the business prospects of these duty free shops weaken significantly, like during the Covid-19 pandemic.

### Slower than expected recovery in tourist arrivals

With AOT's revenue dependent on tourist arrivals into Thailand, a slower than expected recovery in air travel could dampen the company's earnings in the coming years. In particular, its revenue could be weaker than expected if there is no significant pick up in Chinese tourist arrivals.

## Key management

### Mr. Kerati Kijmanawat, President

Mr. Kerati Kijmanawat was appointed President of AOT on 24 April 2023. Prior to being President, Mr. Kijmanawat was Senior Executive President of Engineering and Construction at AOT.

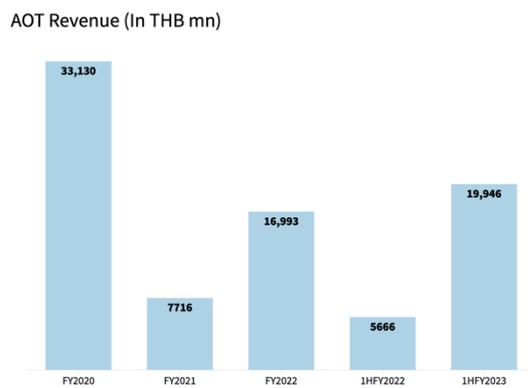


## Financial highlights

AOT's revenue grew to 19.9 billion Thai Baht (THB) in the first half of fiscal year 2023 (ending March 2023), driven by a recovery in passenger traffic as its airports. In particular, passenger service charges grew to THB 8.3 billion from THB 1.2 billion in the previous year with the higher number of flights at its airports.

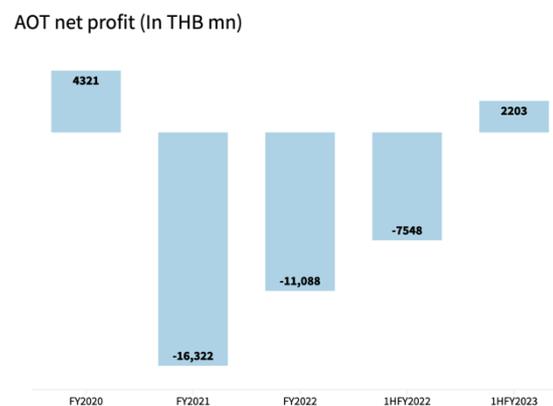
With the higher revenue, AOT generated a net profit of THB 2.2 billion in the first half of FY2023, reversing from a loss of THB 7.5 billion in the previous year.

**Figure 9: AOT's revenue grew to THB 19.9 billion in the first half of FY 2023**



Source: Company Data

**Figure 10: AOT net profit recovered to THB 2.2 billion in the first half of FY 2023**



Source: Company Data

AOT has a dividend policy of paying out not less than 25% of its net profit for each year after deduction of all specified reserves, subject to its investment plans and other considerations that the Board of Director deems appropriate.

The company has a debt to equity ratio of 0.77x as of 31 March 2023, falling from 0.79x as of September 2022.

## Financial summary

**Figure 11: AOT financial summary**

	Consolidated (FY, September)			Consolidated (6M)	
	FY2020	FY2021	FY2022	6M2022	6M2023
<b>Income Statement</b>					
Total Revenues	33,130	7,716	16,993	5,666	19,946
EBITDA	11,424	-8,545	-2,002	-3,339	8,722
EBIT	5,983	-17,572	-10,934	-7,816	4,333
Net Profit	4,321	-16,322	-11,088	-7,548	2,203
EPS (B.)	0.30	-1.14	-0.78	-0.53	0.15
<b>Balance Sheet</b>					
Cash And Cash Equivalents	5,828	8,479	3,798	6,601	4,265
Current Assets	50,491	21,499	8,476	11,258	11,452
Non-Current Assets	123,067	173,587	175,337	171,252	174,213
Total Assets	173,559	195,086	183,813	182,510	185,665
Current Liabilities	15,333	13,610	14,495	9,984	19,170
Non-Current Liabilities	15,194	68,054	66,799	66,624	61,438
Total Liabilities	30,527	81,664	81,294	76,609	80,608
Shareholders' Equity	142,236	112,344	101,324	104,720	103,496
Minority Interest	796	1,078	1,195	1,182	1,562
<b>Cash Flow Statement</b>					
Operating Cash Flow	259	-11,935	-171	-3,096	7,295
Investing Cash Flow	14,705	20,561	-936	3,956	-5,423
Financing Cash Flow	-19,069	-5,976	-3,573	-2,738	-1,405
Net Cash Flow	-4,104	2,651	-4,681	-1,878	467
<b>Ratios Annualized</b>					
	FY2021	FY2022	6M2022	6M2023	
ROE (%)	-12.8	-10.4	-14.8	-1.3	
ROA (%)	-9.5	-5.8	-9.4	0.7	
D/E (X)	0.7	0.8	0.7	0.8	
Gross Profit Margin (%)	96.6	96.6	96.8	100.0	
EBIT Margin (%)	-227.74	-64.4	-137.9	21.7	
Net Profit Margin (%)	-212.2	-64.6	-131.5	11.7	

Source: Stock Exchange of Thailand

## Disclosure Appendix

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