

**BUY** (Unchanged)

Company Update

**TP: Bt 245.00** (Unchanged)**Upside : 47.6%****16 JANUARY 2014**

# Airports of Thailand Pcl (AOT TB)

## The resilience of pax. growth

**TAT still reported strong tourist arrival growth of 9% in December despite the political protests, confirming our view on the resilience of Thai tourism to various crises. Though its share price has rebounded, we still see its valuation as enticing with a 22% EPS CAGR in FY14-16F. AOT remains a country top pick.**

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### Attractive valuation, in our view

Despite its recent share price rebound, we still see AOT's valuation as very attractive. The counter is trading at PE multiples of 19.2x in FY14F, 16.5x in FY15F and 13.1x in FY16F versus the averages for its peers of 19x in 2014F and 16.8x in 2015F. This is despite: 1) Thailand's tourism industry continuing to show its crisis resilience, 2) we forecast AOT's earnings CAGR at 22% a year during FY14-16F (fiscal year ending September), and 3) it has a huge cash cushion that could be used to address operating challenges. Besides the resilience of passenger growth to the current political unrest, we expect a catalyst from the scheduled opening of Don Mueang Airport's Terminal 2 in June 2014 bringing more passengers from low-cost carriers and higher concession revenues. We reiterate our BUY call.

### Thai tourism shows crisis resilience

Despite the crackdown on Chinese zero-dollar tours starting from October 2013 onward, AOT's passenger numbers still grew by 12.1% in October-November 2013. Even with the big political protests in December, the Tourism Authority of Thailand (TAT) still reported tourist arrival growth of 9%. Looking at the past decade, AOT only suffered passenger number contractions twice of 0.6% in FY03 due to the outbreak of SARS in Asia and 14% in FY09 due to the US financial crisis and political strife causing the shutdown of Bangkok's airports and street violence. But the passenger recoveries a year later were stronger than the falls with passenger growth of 18% in FY04 and 15% in FY10.

### 22% earnings CAGR during FY14-16F

Despite the political uncertainty, we still forecast AOT's normalized earnings to grow by 25% in FY14, 16% in FY15 and 27% in FY16, driven by: 1) passenger growth of 8.1-8.8% in FY14-15F, 2) higher landing and parking charges on lower discounts at Don Mueang, and low-cost carriers' aggressive fleet expansions, 3) higher concession revenues from rising revenue-sharing rates and minimum guarantee amounts, 4) expected PSC hikes in FY16, and 5) greater operating leverage benefits.

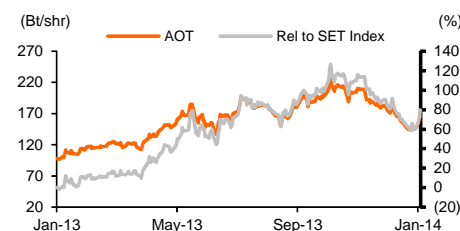
### Very low cash break-even point

AOT has come to the stage where its cash break-even point is very low and this could provide a cushion against any operating challenges. We project its cash costs, including SG&A and interest expenses, at Bt19.7bn in FY14 but it has a minimum guarantee amount from concession contracts and interest income of Bt6.8bn. Thus, its net cash costs of Bt13bn in FY14 could be covered by 47% of the revenues in FY13. This simply implies that AOT's passenger number has to fall by 53% y-y in FY14 to cause its operating cash flow to decline to break-even level.

### COMPANY VALUATION

Y/E Sep (Bt m)	2013A	2014F	2015F	2016F
Sales	36,810	39,641	43,471	51,119
Net profit	16,290	12,379	14,350	18,156
Consensus NP	—	12,594	15,046	17,819
Diff frm cons (%)	—	(1.7)	(4.6)	1.9
Norm profit	9,878	12,379	14,350	18,156
Prev. Norm profit	—	12,379	14,350	18,156
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	6.9	8.7	10.0	12.7
Norm EPS grw (%)	50.8	25.3	15.9	26.5
Norm PE (x)	24.0	19.2	16.5	13.1
EV/EBITDA (x)	12.1	11.5	10.7	9.1
P/BV (x)	2.6	2.4	2.2	2.0
Div yield (%)	2.2	2.1	2.4	3.1
ROE (%)	11.7	13.0	13.9	16.0
Net D/E (%)	2.7	14.4	21.1	29.0

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 16-Jan-14 (Bt)	166.00
Market cap (US\$ m)	7,214.8
Listed shares (m shares)	1,428.6
Free float (%)	30.0
Avg daily turnover (US\$ m)	26.6
12M price H/L (Bt)	225.0/96.0
Sector	Transportation
Major shareholder	Ministry of Finance 70%

Sources: Bloomberg, Company data, Thanachart estimates

**Daiwa**  
Capital Markets**Thanachart Securities**

## Attractive valuation, in our view

*Despite its share price rebound, we still see AOT's valuation as attractive ...*

*...due to the resilience of Thailand's tourism to various crises...*

*...a 22% EPS CAGR during FY14-16F...*

*...its very low cash break-even point*

The sharp fall in Airports of Thailand's (AOT) share price by 36% from its peak of Bt225 in October 2013 to a low of Bt142.5 this month due to concern over the impact of the domestic political strife made it the cheapest airline stock in the region on our estimates. Despite its recent share price rebound, we still see its valuation as attractive as the counter is now trading at PE multiples of 19.2x PE in FY14F, 16.5x in FY15F and 13.1x in FY16F, or about the averages for its peers of 19x in 2014F and 16.8x in 2015F. However, we believe AOT deserves to trade at a premium valuation versus its peers for the following reasons:

**First**, we remain confident that Thailand's long-term tourism prospects should be very decent and we expect the current political uncertainty to impact the tourism industry only over the short term (please see more details in the next section).

**Secondly**, we expect AOT to offer stronger earnings growth than its peers with a CAGR of 22% during FY14-16F (please see more details in the third section).

**Thirdly**, AOT has now come to a stage where its cash break-even point is very low and this could provide a cushion against any operating challenges (please see more details in the fourth section). It also had huge cash on hand of Bt39.3bn or Bt27.5 per share at end FY13.

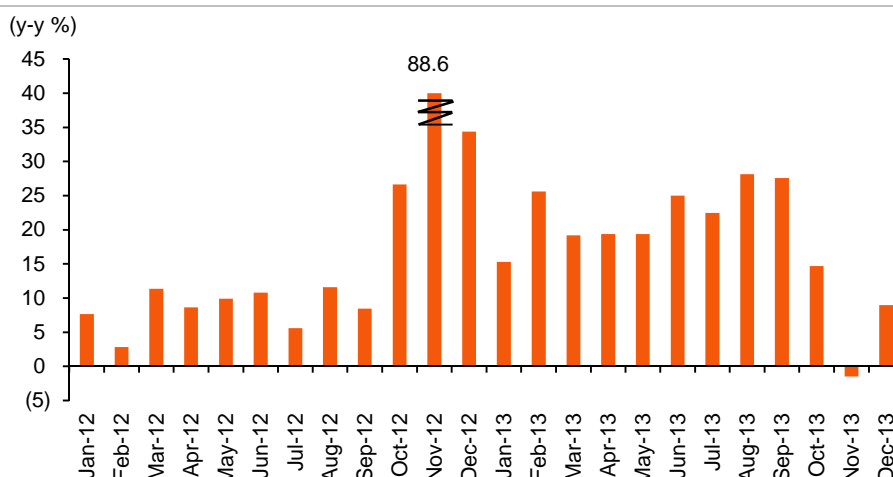
Besides continued surprisingly strong passenger growth, we expect a short-term share price catalyst from the scheduled opening of Don Mueang Airport's Terminal 2 in June 2014 which should bring more passengers from low-cost carriers and allow AOT to earn more concession revenues.

### Ex 1: Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			14F (%)	15F (%)	14F (x)	15F (x)	14F (x)	15F (x)	14F (x)	15F (x)	14F (%)	15F (%)
Beijing Capital Int'l	694 HK	China	17.0	14.8	15.9	13.8	1.5	1.4	7.4	6.9	2.4	2.6
Malaysia Airports Holdings	MAHB MK	Malaysia	2.8	11.1	23.8	21.4	2.1	2.0	13.6	12.0	2.1	2.4
SATS	SATS SP	Singapore	10.7	10.2	17.1	15.5	2.5	2.4	11.5	10.5	4.7	5.0
Airports of Thailand*	AOT TB	Thailand	25.3	15.9	19.2	16.5	2.4	2.2	11.5	10.7	2.1	2.4
<b>Average</b>			<b>13.9</b>	<b>13.0</b>	<b>19.0</b>	<b>16.8</b>	<b>2.1</b>	<b>2.0</b>	<b>11.0</b>	<b>10.0</b>	<b>2.8</b>	<b>3.1</b>

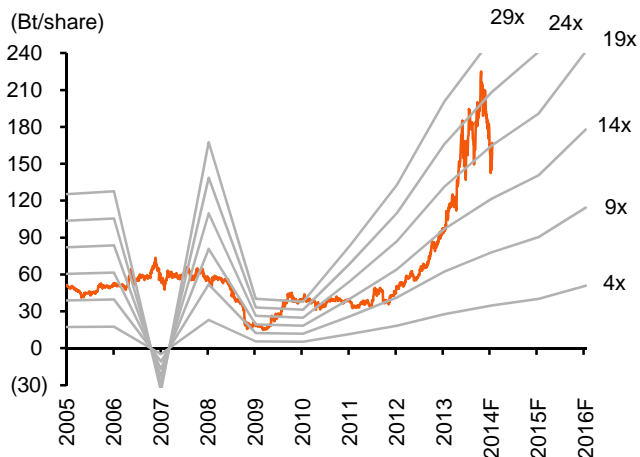
Sources: Company data, Thanachart estimates

### Ex 2: Thailand's Tourist Arrival Growth



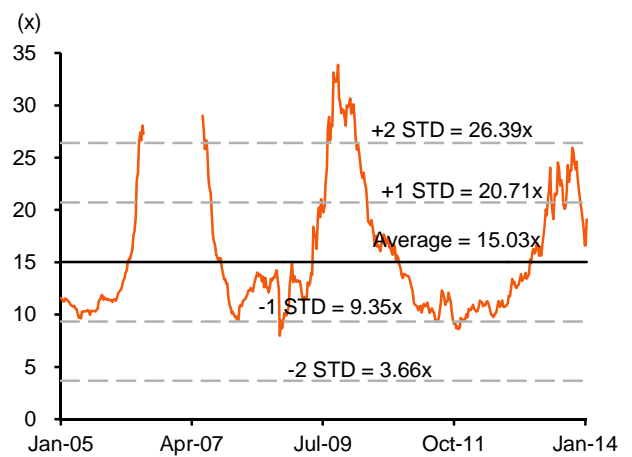
Source: Department of Tourism

Ex 3: PE Band



Sources: Company data, Thanachart estimates

Ex 4: Standard PE Band



Sources: Company data, Thanachart estimates

### Thai tourism shows crisis resilience

**Despite the protests in December, TAT reported tourist arrival growth of 9%**

Despite the crackdown on Chinese zero-dollar tours starting from October 2013 onward, AOT's passenger numbers still grew by 12.1% in October-November 2013. Moreover, even with the major political protests in Bangkok in December, the Tourism Authority of Thailand still reported tourist arrival growth of 9%.

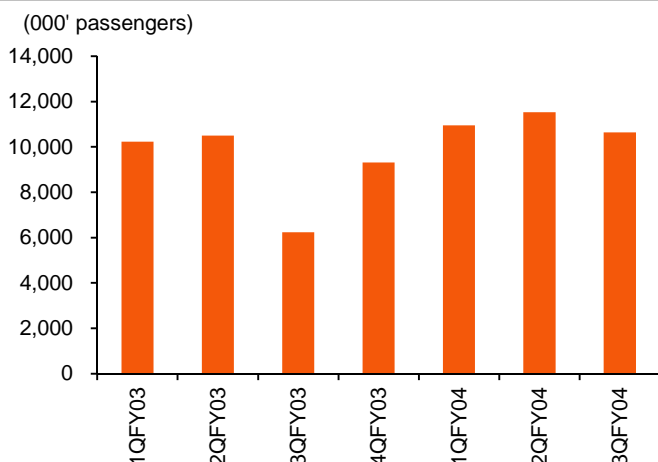
**AOT has only reported passenger contractions twice over the past decade**

Looking at the past decade, AOT reported passenger growth of 8.3% a year on average while it only faced contractions in passenger numbers twice in FY03 and FY09.

In 2003 when there was the SARS outbreak in Asia, AOT's passenger numbers fell by 0.6% y-y in FY03. In fact, there was only an impact in 3QFY03 before the passenger number returned to normal in 4QFY03.

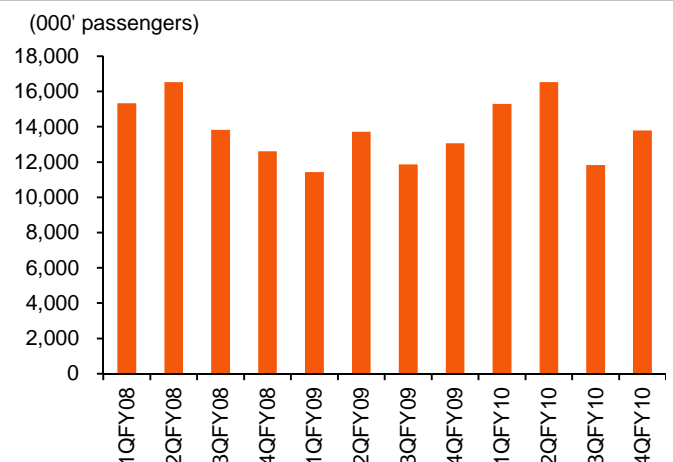
In 2009, the impact of the US financial crisis with Lehman Brothers going bankrupt in 3Q08, yellow-shirt protesters shutting down Bangkok's airports in 4Q08 and the political violence in 2Q09 caused AOT's passenger numbers to fall by 14.1% y-y in FY09. However, there was a swift recovery in FY10-11 with growth of 14.7% y-y and 15.5% y-y, respectively.

Ex 5: AOT's Passenger Numbers In FY02-04



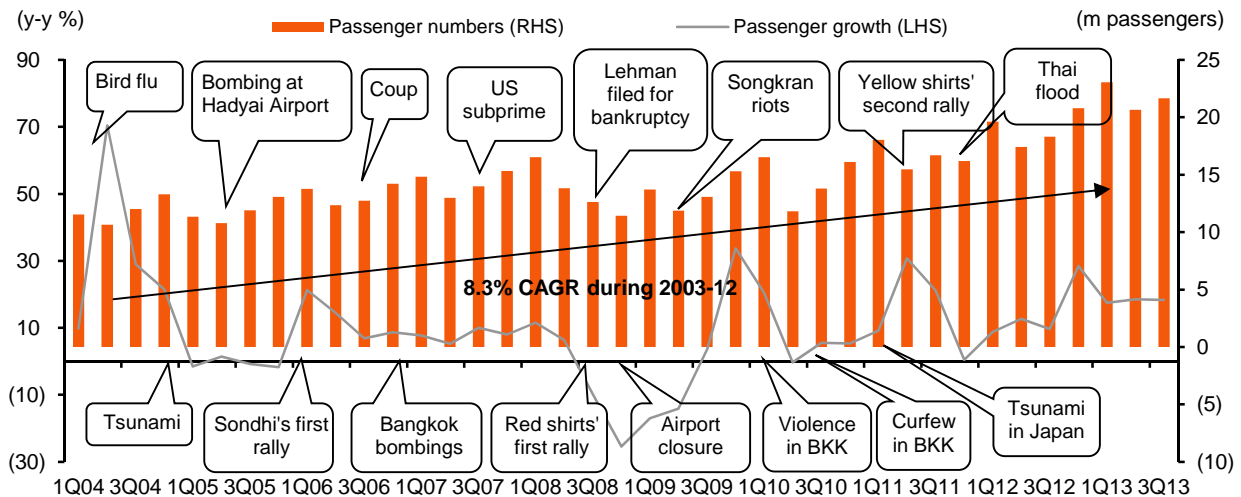
Source: Company data

Ex 6: AOT's Passenger Numbers In FY08-10



Source: Company data

**Ex 7: AOT's Passenger Numbers Have Been Resilient To Various Crises**



Source: Thanachart compilation

We believe there are three major factors that have made Thailand's tourism industry resilient to various crises.

**First**, Thailand has many beautiful tourist attractions with the mountainous North, cosmopolitan Bangkok, beaches and islands in the South and archaeologically rich Northeast. Along with good food and quality accommodation, we see travel in Thailand as being a value-for-money proposition.

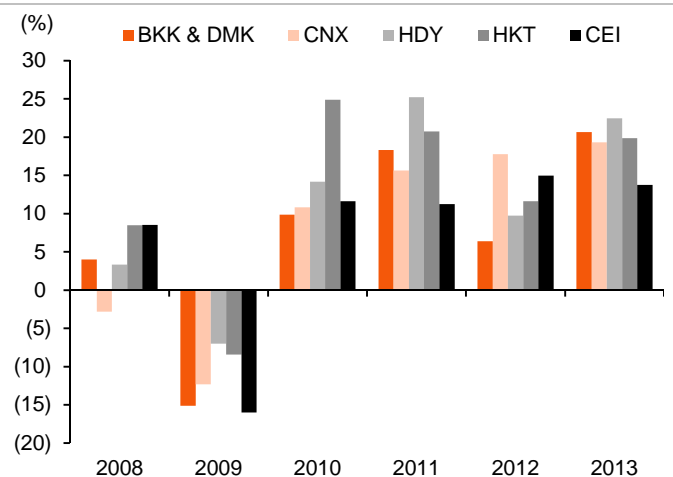
*Many attractions in Thailand provide tourists with travel choices*

**Secondly**, despite unrest in some areas, various attractions around the country still offer tourists travel choices. For example, AOT's passenger numbers at Suvarnabhumi and Don Mueang airports fell by 6% y-y in 2Q10 due to the Bangkok curfew as a result of political violence but passenger numbers at regional airports still grew by 7.6% y-y. In 4Q11, Suvarnabhumi and Don Mueang airports' passengers dropped by 3.5% y-y due to the major flooding in Bangkok but passenger numbers at regional airports grew by 14.5% y-y.

*Low-cost airline boom is also driving passenger growth*

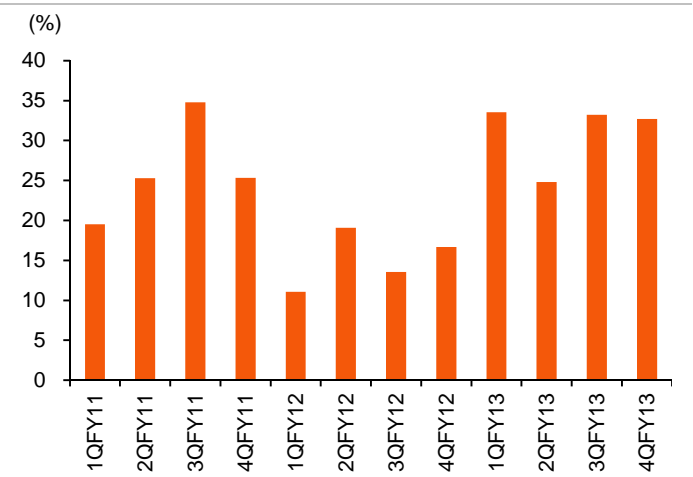
**Thirdly**, the emergence of low-cost carriers has allowed middle-income passengers to travel more frequently. Since the introduction of low-cost carriers, their passenger numbers grew by 29.7% a year on average during FY04-13.

**Ex 8: AOT's Passenger Growth By Airport**



Source: Company data

**Ex 9: Low-cost Carriers' Passenger Numbers**



Source: Company data

*Political strife should only have a short-term impact on the tourism industry*

Therefore, we expect the current political uncertainty to only have a short-term negative impact on Thailand’s tourism industry and not derail what we regard as the positive prospects over the long term. In fact, despite the impact of the protests in Bangkok and the crackdown on Chinese zero-dollar tours since October 2013, AOT’s passenger numbers still grew by 12.1% in 2MFY14 (October-November 2013). The growth was driven by two major factors:

**First**, even though Suvarnabhumi Airport’s passenger numbers rose by only 5.8% y-y in 2MFY14, Don Mueang Airport’s passenger numbers still increased by 26.3% y-y. As it serves mostly low-cost carriers, Don Mueang benefits from their aggressive expansions.

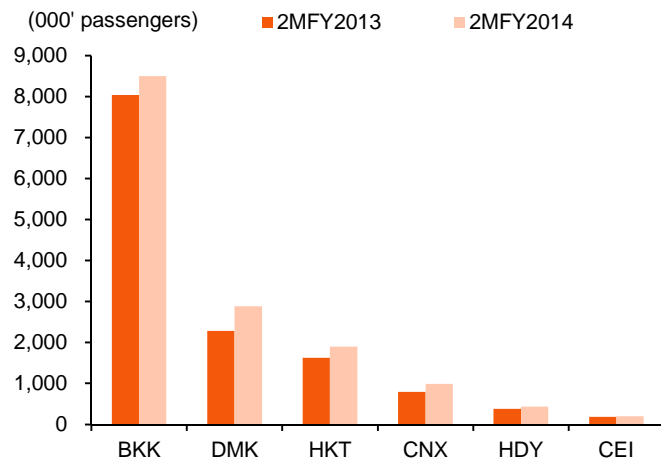
**Ex 10: Thai Low-cost Airlines’ Fleet Expansion Plans**

Number of aircraft	2013	2014	2015	2016
Thai Smile	14	17	20	20
Thai AirAsia	35	42	48	54
Air Asia X	—	2	na	na
Nok Air	21	27	33	na
Lion Air	2	10-12	na	na

Sources: Company data

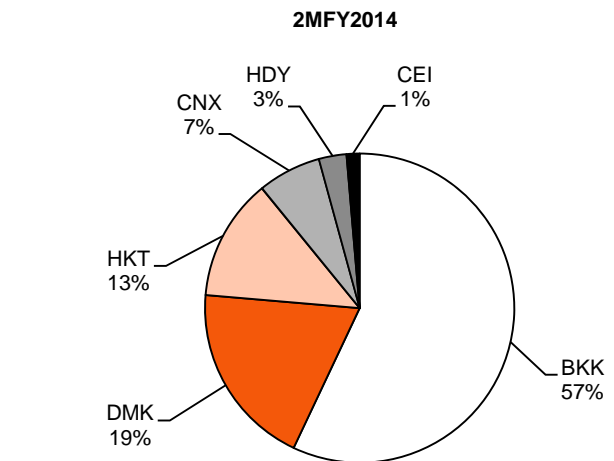
**Secondly**, as the protests have mainly been limited to Bangkok, tourists with destinations in the provinces have still travelled to Thailand. AOT’s total passenger number at its regional airports, including Chiang Mai, Phuket, Chiang Rai and Had Yai, grew by 18.2% y-y in 2MFY14.

**Ex 11: AOT’s Passenger Numbers By Airport In 2MFY14**



Source: Company data

**Ex 12: Regional Airport vs Bangkok Passenger Numbers**



Source: Company data

## 22% earnings CAGR during FY14-16F

*We forecast AOT's 22% EPS CAGR during FY14-16 to be driven by... continued passenger growth...*

*...airlines' aggressive fleet expansions...*

*...higher concession revenues...*

Despite the current political uncertainty, we still forecast AOT's earnings to grow 25.3% y-y in FY14, 15.9% y-y in FY15 and 26.5% y-y in FY16, driven by the following factors:

- 1) Given the resilience of Thailand's tourism industry, we forecast AOT's passenger growth at 8.1% y-y in FY14, 8.8% in FY15 and 7.6% in FY16 versus 12.1% in 1QFY14 and an 8.3% CAGR during FY03-13.
- 2) Following airlines' aggressive fleet expansions, we assume AOT's aircraft movements grow by 9.9% y-y in FY14, 9.3% in FY15 and 8.4% in FY16 versus 17.3% in 1QFY14 and a 6.9% CAGR during FY03-13.
- 3) We assume AOT's concession revenues grow by 7.3% in FY14, 13.1% in FY15 and 7.3% in FY16 versus 12.4% CAGR during FY03-13 due to:
  - The revenue-sharing rate with the duty-free operator at Suvarnabhumi Airport increasing incrementally by 1% a year from 15% in FY13 to 16-20% in FY14-18 while the minimum guarantee amounts from the duty-free and retail space operators at Don Mueang Airport are also due to rise by 10% a year.

**Ex 13: Duty-free Concession & Retail Space Management Contracts At Suvarnabhumi**

	Min. guarantee (FY08-20)	Concession fee (% of gross revenues)	Additional
King Power Duty Free	Bt16,736m (10 years)	15-20%*	Prepaid Bt2,460m at contract signing
King Power Suvarnabhumi (retail space)	Bt1,431m / year (10 years)	15%	Prepaid Bt2,000m at contract signing

Sources: Company data

**Ex 14: Duty-free Concession & Retail Space Management Contracts At Don Mueang**

	Min. guarantee (In FY13-22)	Concession fee (% of gross revenues)	Additional
King Power Duty Free	Bt63m / month (10 years)	15%	10% increase every year
The Mall Group (retail space)	Bt16.7m / month (10 years)	15%	10% increase every year

Sources: Company data

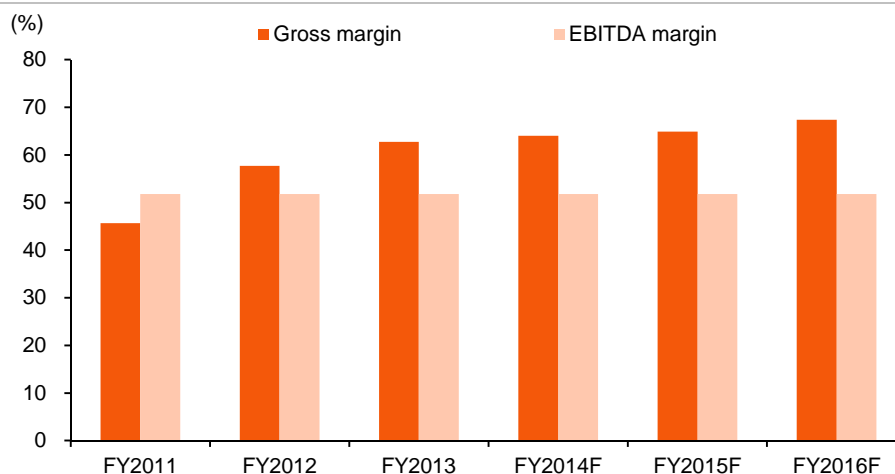
Note: \*15% for the first five years and increasing by an increment of 1% to 16-20% during FY14-20

- We assume additional retail space of around 20,000 sq m given the plan to open Terminal 2 at Don Mueang Airport in June 2013 generates additional concession revenue of Bt478m in FY15 and Bt526m in FY16.

*...PSC hikes expected in FY16...*

*...we anticipate benefits from economies of scale*

- 4) We expect hikes in passenger service charges (PSCs) of Bt100 per passenger (from Bt100 to Bt200 per domestic passenger and Bt700 to Bt800 per international passenger) in FY16.
- 5) We forecast benefits from economies of scale to continue to improve AOT's gross margin to 64% in FY14, 64.9% in FY15 and 67.4% in FY16 from 62.8% in FY13.

**Ex 15: AOT's Gross Margin vs EBITDA Margin**

Sources: Company data, Thanachart estimates

**Very low cash break-even point**

*AOT's cash break-even point is very low*

Operating leverage benefits over the past few years have led AOT's cash break-even point to be very low, allowing it to have a very strong cash cushion should it need to address any operating challenges.

We forecast AOT's cash costs, including personnel, repairs and maintenance, SG&A and interest expenses, at Bt19.7bn in FY14. Deducting by the minimum guarantee amount of Bt5.4bn from duty-free and retail space operators and projected interest income of Bt1.4bn in FY14, we estimate its net cash costs at Bt13.0bn.

*Passenger numbers would have to fall by about 53% to cause cash from operation to drop to break-even*

In FY13, AOT reported a PSC amount of Bt16.7bn, landing and parking charges of Bt4.8bn and other revenues of Bt6.1bn, so the total came to Bt27.5bn. Thus, we calculate that AOT's net cash costs of Bt13bn in FY14F could be covered by 47% of the mentioned revenues it generated in FY13. In other words, we believe AOT's passenger numbers in FY14 would have to fall by 53% y-y to cause its operating cash flow to decline to break-even level. Please note that this scenario assumes landing and parking charges and other revenues, including aircraft service charges, office and state property rental and services, fall along with passenger numbers. In fact, some revenues such as office and state property rental would not decline with fewer passengers.

**Ex 16: Low Cash Costs To Cushion Cash Inflow**

	FY14F
Total costs including SG&A and interest expenses	(24,630)
Minus depreciation	4,908
<b>Total cash costs</b>	<b>(19,722)</b>
Minimum concession revenues guaranteed by duty-free and retail operators	5,392
Interest income	1,370
47% of passenger service charges in FY13	7,842
47% of landing and parking charges in FY13	2,238
47% of other revenues in FY13	2,851
<b>Total cash flow</b>	<b>19,693</b>
<b>Operating cash flow</b>	<b>(30)</b>

Sources: Company data, Thanachart estimates



*Given huge cash on hand, we don't see its new capex cycle as a concern*

Moreover, AOT had accumulated cash on hand of up to Bt39.3bn at end FY13. Combined with its EBITDA of Bt21.8bn in FY14F, Bt24.3bn in FY15F and Bt29.7bn in FY16F, we don't see AOT's new capex cycle of investing Bt62.5bn in Suvarnabhumi Airport's phase II expansion during 2011-17, Bt5.8bn in Phuket Airport's expansion during 2009-14 and Bt10bn in Don Mueang Airport's expansion during 2014-15 as being a concern.

#### Ex 17: 12-month DCF-based TP Calculation

(Bt m)		2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	Terminal Value
EBITDA		21,770	24,290	29,743	32,246	34,352	36,248	39,234	42,386	45,762	49,010	52,457	56,150	—
Free cash flow		(3,236)	(5,029)	(4,420)	11,237	13,143	19,576	21,925	24,413	27,069	29,623	32,332	35,228	819,646
PV of free cash flow		—	(4,268)	(3,454)	8,090	8,716	11,958	12,334	12,650	12,920	13,024	13,091	13,139	202,679
Risk-free rate (%)	4.5													
Market risk premium (%)	8.0													
Beta	0.9													
WACC (%)	8.6													
Terminal growth (%)	2.0													
Enterprise value - add investments	363,316													
Net debt (2013F)	14,279													
Minority interest	171													
Equity value	348,866													
# of shares	1,429													
Equity value/share	245													

Sources: Company data, Thanachart estimates

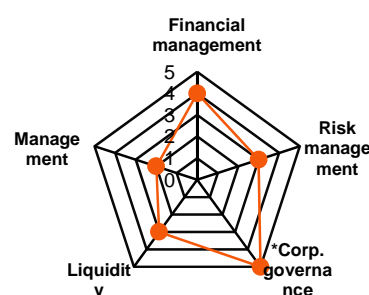


## COMPANY DESCRIPTION

The Airports of Thailand (AOT) was corporatized from a state enterprise and is Thailand's leading airport business operator. AOT is responsible for six international airports: Don Mueang, Phuket, Chiang Mai, Hat Yai, Chiang Rai and Suvarnabhumi, all of which accommodate both domestic and international flights. With commercial operations beginning on 28 September 2006, Suvarnabhumi serves as the main airport and can accommodate up to 45m passengers and 3m tonnes of cargo a year. Within a single hour, the airport can operate up to 76 flights.

Source: Thanachart

## COMPANY RATING



### Rating Scale

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

Source: Thanachart; \*CG Awards

## THANACHART'S SWOT ANALYSIS

### S — Strength

- AOT is an airport monopoly.
- As a state enterprise, the company's operations and finances receive support from the government.

### O — Opportunity

- Thailand is a very popular destination for tourists.
- Strong economic growth in the Asia-Pacific is boosting the tourism industry in the region.
- The Thai healthcare industry is also spurring medical tourism to Thailand.

### W — Weakness

- AOT has little revenue diversity so its quarterly earnings are volatile and follow the different tourism seasons.
- Unclear direction due to changes in government policies have caused AOT to miss out on the chance of benefiting fully from Thailand's strong tourism industry.

### T — Threat

- Airport competition is fierce. Many airports in Asia are reducing fees to attract airlines.
- Disease outbreaks such as SARS and bird flu present a threat to the industry.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	213.00	245.00	15%
<b>Net profit 14F (Bt m)</b>	12,594	12,379	-2%
<b>Net profit 15F (Bt m)</b>	15,046	14,350	-5%
<b>Consensus REC</b>	<b>BUY: 16</b>	<b>HOLD: 6</b>	<b>SELL: 5</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our net earnings estimates are lower than other brokers' as we are more conservative in our assumptions for AOT's passenger growth.
- However, our TP is above the Street's as we factor in the PSC hike in FY16.

Sources: Bloomberg consensus, Thanachart forecasts

## RISKS TO OUR INVESTMENT CASE

- As Thailand is a global tourist destination, tourism would be affected by any global economic volatility.
- Political unrest in Thailand is another concern as it can have a significant impact on the tourism industry.
- Political interference and corruption are also concerns. As a state enterprise, AOT's major investments still have to be approved by the cabinet.
- Disease outbreaks are a risk to the tourism industry and could have significant impacts on AOT's passenger numbers.

Source: Thanachart

## INCOME STATEMENT

FY ending Sep (Bt m)	2012A	2013A	2014F	2015F	2016F
Sales	30,472	36,810	39,641	43,471	51,119
Cost of sales	12,897	13,709	14,256	15,269	16,687
<b>Gross profit</b>	<b>17,575</b>	<b>23,102</b>	<b>25,385</b>	<b>28,202</b>	<b>34,433</b>
% gross margin	57.7%	62.8%	64.0%	64.9%	67.4%
Selling & administration expenses	6,795	8,038	8,523	9,129	10,224
<b>Operating profit</b>	<b>10,780</b>	<b>15,064</b>	<b>16,862</b>	<b>19,073</b>	<b>24,209</b>
% operating margin	35.4%	40.9%	42.5%	43.9%	47.4%
Depreciation & amortization	4,669	4,775	4,908	5,217	5,534
<b>EBITDA</b>	<b>15,449</b>	<b>19,839</b>	<b>21,770</b>	<b>24,290</b>	<b>29,743</b>
% EBITDA margin	50.7%	53.9%	54.9%	55.9%	58.2%
Non-operating income	1,387	1,727	1,608	1,468	1,182
Non-operating expenses	(57)	(57)	(100)	(100)	(100)
Interest expense	(2,060)	(1,977)	(1,851)	(1,790)	(1,694)
<b>Pre-tax profit</b>	<b>10,050</b>	<b>14,757</b>	<b>16,518</b>	<b>18,651</b>	<b>23,596</b>
Income tax	3,494	4,869	4,130	4,290	5,427
<b>After-tax profit</b>	<b>6,556</b>	<b>9,887</b>	<b>12,389</b>	<b>14,361</b>	<b>18,169</b>
% net margin	21.5%	26.9%	31.3%	33.0%	35.5%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(6)	(9)	(10)	(11)	(13)
Extraordinary items	(50)	6,412	0	0	0
<b>NET PROFIT</b>	<b>6,500</b>	<b>16,290</b>	<b>12,379</b>	<b>14,350</b>	<b>18,156</b>
<b>Normalized profit</b>	<b>6,550</b>	<b>9,878</b>	<b>12,379</b>	<b>14,350</b>	<b>18,156</b>
EPS (Bt)	4.5	11.4	8.7	10.0	12.7
Normalized EPS (Bt)	4.6	6.9	8.7	10.0	12.7

*EBITDA margin is very high as depreciation makes up over 35% of AOT's operating costs*

*Increase in PSCs should further drive AOT's earnings growth in FY16F*

## BALANCE SHEET

FY ending Sep (Bt m)	2012A	2013A	2014F	2015F	2016F
<b>ASSETS:</b>					
Current assets:	37,129	43,532	43,588	35,032	25,917
Cash & cash equivalent	32,056	39,271	39,000	30,000	20,000
Account receivables	2,035	2,275	2,450	2,687	3,160
Inventories	0	0	0	0	0
Others	3,038	1,986	2,138	2,345	2,757
Investments & loans	3,625	5,925	5,925	5,925	5,925
Net fixed assets	88,662	91,406	107,165	126,739	149,461
Other assets	19,632	12,198	13,000	14,256	16,764
<b>Total assets</b>	<b>149,049</b>	<b>153,061</b>	<b>169,678</b>	<b>181,951</b>	<b>198,066</b>
<b>LIABILITIES:</b>					
Current liabilities:	17,418	19,452	18,030	21,191	22,815
Account payables	1,259	1,297	1,348	1,444	1,578
Bank overdraft & ST loans	0	5	0	0	0
Current LT debt	5,445	4,455	5,682	5,629	5,844
Others current liabilities	10,714	13,695	11,000	14,118	15,394
<b>Total LT debt</b>	<b>51,153</b>	<b>37,325</b>	<b>47,597</b>	<b>47,154</b>	<b>48,955</b>
Others LT liabilities	2,682	4,544	5,000	5,483	6,448
<b>Total liabilities</b>	<b>71,254</b>	<b>61,321</b>	<b>70,627</b>	<b>73,827</b>	<b>78,218</b>
Minority interest	152	161	171	182	195
Preferred shares	0	0	0	0	0
Paid-up capital	14,286	14,286	14,286	14,286	14,286
Share premium	12,568	12,568	12,568	12,568	12,568
Warrants	0	0	0	0	0
Surplus	320	479	479	479	479
<b>Retained earnings</b>	<b>50,470</b>	<b>64,246</b>	<b>71,547</b>	<b>80,609</b>	<b>92,321</b>
Shareholders' equity	77,643	91,579	98,880	107,941	119,653
<b>Liabilities &amp; equity</b>	<b>149,049</b>	<b>153,061</b>	<b>169,678</b>	<b>181,951</b>	<b>198,066</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Sep (Bt m)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Earnings before tax	10,050	14,757	16,518	18,651	23,596
Tax paid	(3,494)	(4,869)	(4,130)	(4,290)	(5,427)
Depreciation & amortization	4,669	4,775	4,908	5,217	5,534
Chg In working capital	(157)	(203)	(123)	(141)	(339)
Chg In other CA & CL / minorities	439	3,600	(2,945)	2,315	137
<b>Cash flow from operations</b>	<b>11,507</b>	<b>18,060</b>	<b>14,228</b>	<b>21,753</b>	<b>23,502</b>
Capex	(3,317)	(7,519)	(20,667)	(24,791)	(28,256)
ST loans & investments	0	0	0	0	0
LT loans & investments	2,626	(2,299)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	1,547	13,006	(248)	(176)	(817)
<b>Cash flow from investments</b>	<b>856</b>	<b>3,188</b>	<b>(20,916)</b>	<b>(24,967)</b>	<b>(29,073)</b>
Debt financing	(6,210)	(11,678)	11,494	(497)	2,016
Capital increase	0	0	0	0	0
Dividends paid	(1,143)	(2,571)	(5,135)	(5,346)	(6,501)
Warrants & other surplus	155	216	57	57	57
<b>Cash flow from financing</b>	<b>(7,199)</b>	<b>(14,033)</b>	<b>6,416</b>	<b>(5,785)</b>	<b>(4,428)</b>
<b>Free cash flow</b>	<b>8,190</b>	<b>10,541</b>	<b>(6,439)</b>	<b>(3,038)</b>	<b>(4,754)</b>

**VALUATION**

<b>FY ending Sep</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Normalized PE (x)	36.2	24.0	19.2	16.5	13.1
Normalized PE - at target price (x)	53.4	35.4	28.3	24.4	19.3
PE (x)	36.5	14.6	19.2	16.5	13.1
PE - at target price (x)	53.8	21.5	28.3	24.4	19.3
EV/EBITDA (x)	16.9	12.1	11.5	10.7	9.1
EV/EBITDA - at target price (x)	24.2	17.8	16.7	15.3	12.9
P/BV (x)	3.1	2.6	2.4	2.2	2.0
P/BV - at target price (x)	4.5	3.8	3.5	3.2	2.9
P/CFO (x)	20.6	13.1	16.7	10.9	10.1
Price/sales (x)	7.8	6.4	6.0	5.5	4.6
Dividend yield (%)	1.1	2.2	2.1	2.4	3.1
FCF Yield (%)	3.5	4.4	(2.7)	(1.3)	(2.0)
<b>(Bt)</b>					
Normalized EPS	4.6	6.9	8.7	10.0	12.7
EPS	4.5	11.4	8.7	10.0	12.7
DPS	1.8	3.7	3.5	4.0	5.1
BV/share	54.4	64.1	69.2	75.6	83.8
CFO/share	8.1	12.6	10.0	15.2	16.5
FCF/share	5.7	7.4	(4.5)	(2.1)	(3.3)

Sources: Company data, Thanachart estimates

*We believe AOT deserves a premium valuation*

## FINANCIAL RATIOS

FY ending Sep	2012A	2013A	2014F	2015F	2016F
<b>Growth Rate</b>					
Sales (%)	6.4	20.8	7.7	9.7	17.6
Net profit (%)	193.5	150.6	(24.0)	15.9	26.5
EPS (%)	193.5	150.6	(24.0)	15.9	26.5
Normalized profit (%)	59.6	50.8	25.3	15.9	26.5
Normalized EPS (%)	59.6	50.8	25.3	15.9	26.5
Dividend payout ratio (%)	39.6	32.6	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	57.7	62.8	64.0	64.9	67.4
Operating margin (%)	35.4	40.9	42.5	43.9	47.4
EBITDA margin (%)	50.7	53.9	54.9	55.9	58.2
Net margin (%)	21.5	26.9	31.3	33.0	35.5
D/E (incl. minor) (x)	0.7	0.5	0.5	0.5	0.5
Net D/E (incl. minor) (x)	0.3	0.0	0.1	0.2	0.3
Interest coverage - EBIT (x)	5.2	7.6	9.1	10.7	14.3
Interest coverage - EBITDA (x)	7.5	10.0	11.8	13.6	17.6
ROA - using norm profit (%)	4.4	6.5	7.7	8.2	9.6
ROE - using norm profit (%)	8.7	11.7	13.0	13.9	16.0
<b>DuPont</b>					
ROE - using after tax profit (%)	8.8	11.7	13.0	13.9	16.0
- asset turnover (x)	0.2	0.2	0.2	0.2	0.3
- operating margin (%)	39.7	45.5	46.3	47.0	49.5
- leverage (x)	2.0	1.8	1.7	1.7	1.7
- interest burden (%)	83.0	88.2	89.9	91.2	93.3
- tax burden (%)	65.2	67.0	75.0	77.0	77.0
WACC (%)	8.6	8.6	8.6	8.6	8.6
ROIC (%)	6.5	9.9	13.4	13.0	14.3
NOPAT (Bt m)	7,032	10,093	12,647	14,686	18,641

Sources: Company data, Thanachart estimates

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