

Airports of Thailand – AOT

4QFY13 net profit seen up 21.8% with possible ex-item

Bloomberg | Reuters
AOT TB | AOT.BK

Report type: Company Preview

Company Overview

AOT is engaged in management, operations and development of six airports namely Suvarnabhumi, Don Muang, Chiang Mai, Chiang Rai, Hat Yai and Phuket.

- We expect AOT to post 4QFY13 net profit growth of 21.8% y-y to Bt1,880mn. Net profit may probably rise to Bt5,080mn if a Bt3,200mn reversal of impairment for Don Muang Airport is recorded in 4QFY13.
- The Tourism Authority of Thailand (TAT) expects international tourist arrivals to Thailand to reach 28mn in CY14 from an estimate of 26mn in CY13 though domestic political tensions and Chinese government's measures to crack down on 'zero dollar' tour rackets may be a cause for some concern.
- We upgrade AOT shares to 'NEUTRAL' with a FY14 DCF-based target price of Bt196/share.

What is the news?

We expect AOT to post 4QFY14 net profit growth of 21.8% y-y to Bt1,880mn boosted by a rise of 18.7% and 17.2% y-y in passenger and aircraft movements and the reopening of Don Muang Airport. The forecast is based on assumptions that (i) total operating revenue will be 19.2% higher than 4QFY12 at Bt9,415mn and (ii) total operating expenses will be 14.8% higher than 4QFY12 on higher-than-provisioned bonuses.

How do we view this?

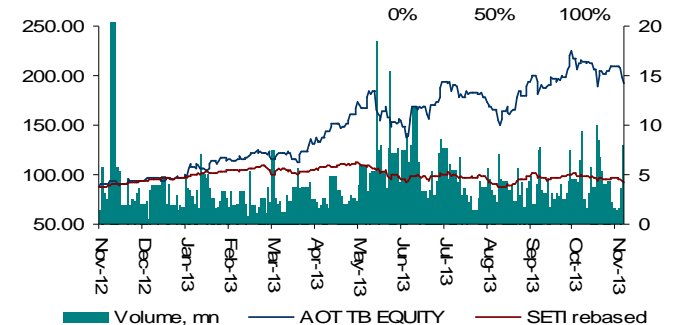
The number of international tourist arrivals to Thailand this year is likely to be in line with TAT's forecast of 26mn though domestic political tensions and Chinese government's measures to crack down on 'zero dollar' tour rackets in Oct 2013 may be a cause for some concern. TAT also expects the number of tourist arrivals in CY14 to reach 28mn. In our view, there is still room for AOT to grow on the back of rising tourist numbers.

Investment Actions?

Our FY14 DCF-based target price for AOT is unchanged at Bt196/share. We upgrade AOT shares to 'NEUTRAL' as current valuation looks less demanding after recent share price retreat on domestic political worries.

Airports of Thailand

Rating	3.00	Neutral
- Previous Rating	4.00	Reduce
Target Price (Bt)	196.00	
- Previous Target Price (Bt)	196.00	
Closing Price (Bt)	192.00	
Expected Capital Gains (%)	2.1%	
Expected Dividend Yield (%)	2.5%	
Expected Total Return (%)	4.6%	
Raw Beta (Past 2yrs weekly data)	1.05	
Market Cap. (USD mm)	8,613	
Enterprise Value (USD mm)	8,706	
Market Cap. (Bt mm)	274,285	
Enterprise Value (Bt mm)	277,189	
3M Average Daily T/O (mm)	3.9	
52 week range	86 - 225	
Closing Price in 52 w week range		



Major Shareholders

	(%)
1. MOF	70.0
2. Thai NVDR Co., Ltd.	4.5
3. HSBC (Singapore) Nominees Pte Ltd.	2.5

Key Financial Summary

FYE	9/11	9/12	9/13F	9/14F
Revenue (Btmn)	28,641	30,472	36,698	41,595
Net Profit (Btmn)	2,215	6,500	12,974	13,542
EPS (Bt)	1.55	4.55	9.08	9.48
Net Profit, adj. (Btmn)	3,414	6,534	10,746	13,542
EPS, adj. (Bt)	2.39	4.57	9.08	9.48
P/E (X),adj.	80.3	42.0	21.1	20.3
BVPS (Bt)	50.59	54.33	61.14	66.08
P/B (X)	3.8	3.5	3.1	2.9
DPS (Bt)	0.80	1.80	4.54	4.74
Div. Yield (%)	0.4	0.9	2.4	2.5

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

** Excluded FX

Valuation Method

DCF (WACC 8.25%, Growth Rate 3%)

Analyst

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4QFY13 net profit seen up 21.8% y-y

We expect AOT to report 4QFY13 net profit of Bt1,880mn, up 21.8% y-y on the back of a rise in passenger and aircraft movements in line with tourism industry. Net profit may probably rise to Bt5,080mn if a Bt3,200mn reversal of impairment for Don Muang Airport is recorded in 4QFY13.

The forecast is based on assumptions that (1) total operating revenue will be up 19.2% y-y to Bt9,414mn on expectations that (i) aeronautical revenue will rise 20.1% y-y on the back of (a) a 24.3% surge in revenue from passenger service charges (PSC) driven by a 18.7% y-y rise in passenger traffic to 21.30mn thanks to a 18.9% y-y increase in international passenger numbers and a 18.5% y-y rise in domestic passenger traffic, (b) a 8.2% rise in revenue from landing and parking charges on account of a 17.2% growth in aircraft movements to 143,570 takeoffs and landings due to the incentive scheme for relocation of low-cost carriers (LCCs) and point-to-point carriers to Don Muang Airport from Suvarnabhumi Airport, and (c) a 15.4% y-y jump in revenue from passenger facility charges, (ii) non-aeronautical revenue will be up 17.8% y-y, buoyed by (a) a 18.9% y-y leap in concession revenue on higher concession and service revenues in line with rising passenger numbers and the reopening of Don Muang Airport, (iii) property rental income will inch up 14.8% y-y, and (iv) service revenue will edge up 16.7% y-y, (2) total operating expenses will be up 14.8% y-y due largely to higher-than-provisioned bonuses, (3) other income will soar 31.3% y-y thanks chiefly to interest income, and (4) FX loss will narrow 86.9% y-y as currency swap contracts at 94.1% of exposure could offset the impact of a weaker baht. There may also be a Bt3,200mn reversal of impairment for Don Muang Airport to be recorded in 4QFY13.

Based on the above 4QCY13 estimate, we expect AOT to achieve CY13 net profit of Bt12,974mn on assumptions that total operating revenue will come in at Bt36,698mn. Full-year net profit could rise to Bt16,174mn if the above reversal of impairment for Don Muang Airport is included.

Progress on capacity addition plan

- (1) The Bt62.5bn second phase expansion of Suvarnabhumi Airport is currently in the design stage with bids for construction to be called in 2QCY14-3QCY14. AOT aims to finish the construction one year ahead of schedule in Dec 2016.
- (2) The Bt3.4bn renovation of the building II at Don Muang Airport is slated to be completed in May 2014. Once completed, passenger handling capacity of building I and II will rise to 27.5mn. AOT is also studying the possibility of renovating domestic terminal and cargo with an investment cost of around Bt7bn.
- (3) The renovation of Phuket Airport is currently underway to boost its passenger handling capacity to 12.5mn with an investment cost of Bt5.8bn. The renovation is expected to be completed in late CY14.
- (4) The construction of a third runway at Suvarnabhumi Airport with an investment cost of Bt16.7bn, comprising construction costs of Bt8.9bn and compensation for noise pollution of Bt7.8bn is currently seeking EIA and HIA approval.

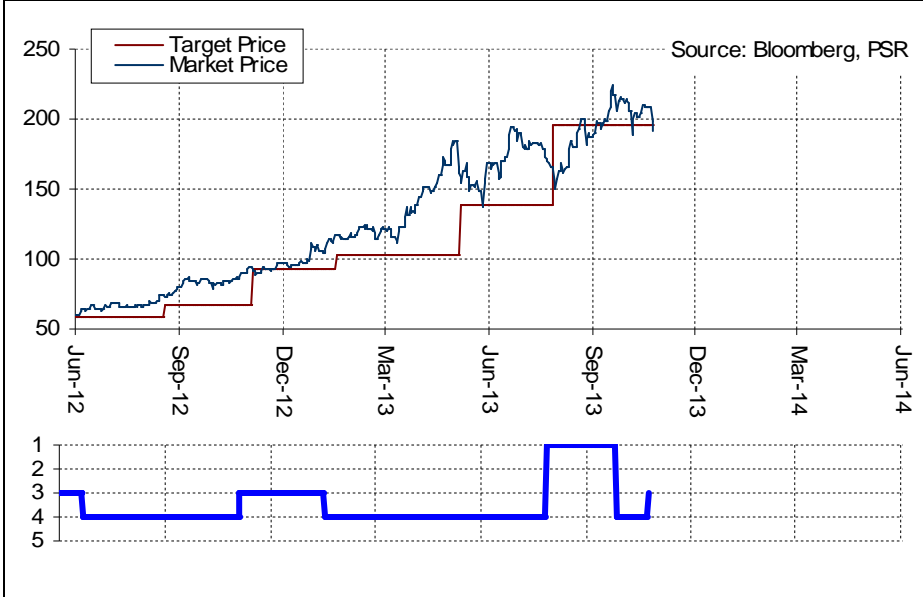
Tourist numbers set to rise further in CY14

International tourist arrivals to Thailand jumped 22.3% y-y to 21.74mn in 10MCY13. For all of CY13, the number of tourist arrivals to Thailand is likely to be in line with TAT's forecast of 26mn though domestic political tensions and a drop in number of Chinese tourists after Chinese government's measures to crack down on 'zero dollar' tour rackets in Oct 2013 may be a cause for some concern. TAT also expects the number of international tourist arrivals in 2014 to reach 28mn.

Upgrade to 'NEUTRAL'

We leave our FY14 estimates for AOT unchanged for the meantime. We estimate AOT will deliver FY14 pre-FX profit of Bt13,542mn based on assumptions that total operating revenue will come in at Bt41,959mn. Our FY14 DCF-based target price for AOT is unchanged at Bt196/share. We upgrade AOT shares to 'NEUTRAL' from 'REDUCE' as current valuation looks less demanding after recent share price retreat on domestic political worries.

Ratings History



Phillip Group Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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