

From poster child to copper mine

- From a premium to discount valuation tourism play on Thailand's structural changes in tourism industry that's lost its appeals
- Yet share price plunge has already priced in downsides while upsides loom in medium term on tourism recovery
- Initiated with HOLD and a SoTP TP of THB33

Two challenges engulf AOT's growth outlook

AOT is now facing two grave challenges of 1) structural decline in its lucrative revenue of concessions, particularly from duty free under the 10-year contracts with King Power International; and 2) deteriorating net profits from Passenger Service Charge (PSC) and airport- and airplane-related businesses, thanks to Thailand's structurally weakening tourism industry.

From premium to discount airport play

As a result of two structural weakness of concessions and tourism wanes, we think AOT's valuation and net profit outlook will not be the same, retreating from a "premium" monopoly play to "discount" airport play with higher discount rates, beta, risk premium, and lower forward P/E. While we don't think that AOT's valuations will not return to its golden heyday with forward P/E in the range of 50x-60x, we believe its share price has already plunged to price in most downsides incessantly occurring in the past few years.

Structural depreciations of Thailand's tourism magnet

King Power International, AOT's most prominent concession partner for duty free ventures at AOT's airports, has now been crossing the Rubicon of falling duty free fortress, given multiple structural changes in global and Thailand's tourism industries. Major changes are 1) a sharp drop in the high-spending Chinese tourist number due to rising competition from Japan, Vietnam, and Malaysia; 2) a slow to no-growth in number of tourist arrivals as a result of Thailand's less appealing destination and relatively higher cost; 3) Contaminated image of unsafe tourist destination on Thailand's unchecked cross-border kidnapping.

Concessions downsides unlikely to recover soon

Given concession accounting for 1/3 of revenue but 1/2 of net profit due to its hefty margins, the now-struggled King Power, who recently submitted proposals for "duty free concession haircuts" plan to AOT, would cut AOT's net profit substantially for years to come. Hence, we initiated our coverage on AOT with lower-than-consensus net profit forecasts in 2025E-27E.

Initiated with HOLD and a TP of THB33

We initiated coverage on AOT with HOLD and a SoTP TP of THB33, implying 19x 2025E P/E and 18x 2026E P/E. We think AOT is worth for a long-term investment on its monopoly nature, limited downsides on concession revenue cuts, but still proffers attractiveness as a tourism infrastructure play.

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ESG Rating : A

CG Rating : ▲▲▲▲▲

HOLD

Target Price 12M (THB)	33.00
VS. BB Consensus TP (%)	-2.0%
Share Price (THB)	29.00
Upside/Downside	+13.8%

Share Data

Market Cap (THB m)	414,285.30
Par (THB)	1.00
Free Float (%)	30.00
Issued shares (m shares)	14,286

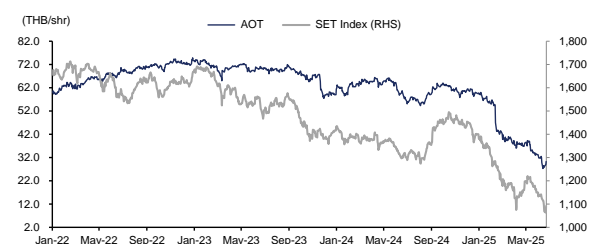
Financial forecast

YE Sep (THB m)	FY24	FY25E	FY26E	FY27E
Revenue	67,121	66,724	68,898	71,198
Net profit	19,182	18,890	19,607	18,195
Core net profit	19,600	18,890	19,607	18,195
vs Consensus (%)		0.9	4.3	(11.3)
Net profit growth (%)	118.2	(1.5)	3.8	(7.2)
Core net profit growth (%)	112.0	(3.6)	3.8	(7.2)
EPS (THB)	1.34	1.32	1.37	1.27
Core EPS (THB)	1.37	1.32	1.37	1.27
Chg from previous (%)		0.00	0.00	0.00
DPS (THB)	1.36	0.33	0.34	0.32
P/E (x)	47.66	21.93	21.13	22.77
P/BV (x)	7.36	3.35	2.99	2.73
ROE (%)	16.70	15.24	14.95	12.53
Dividend yield (%)	2.13	1.14	1.18	1.10

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(14.71)	(27.50)	(51.46)	(51.26)
Market	(5.59)	(19.05)	(36.66)	(35.79)
12M High/Low (THB)				65.00 / 26.75



Major Shareholders (%) as of 6 Dec 2024

Ministry of Finance	70.00
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Company Profile

AOT is the operator of airport business in Thailand, the core tasks of which are airport management and development of country's 6 international airports, namely Suvarnabhumi, Don Mueang, Phuket, Chiang Mai, Hat Yai and Mae Fah Luang-Chiang Rai. All 6 serve both domestic and international flights with Suvarnabhumi designated as the country's main airport.

Source: SETSMART, SET

From poster child to copper mine

King Power concession—End of a golden era?

Has the golden era for AOT come to an end?

A serious risk has appeared that targets the company's biggest source of profit. King Power, the exclusive duty-free retailer in AOT's airports, is demanding to renegotiate its contracts. The reason is simple: King Power's business is being hit hard by fewer Chinese tourists and prices that can't compete, turning AOT's recovery story into one of major uncertainty.

This development adds to AOT's existing challenges, transforming it from a recovery candidate into a stock facing multiple headwinds.

King Power's proposal and AOT's exposure

King Power has requested to renegotiate several key contracts, including the duty-free operations at Suvarnabhumi (BKK), Don Mueang (DMK), and other regional airports (Phuket, Chiang Mai, Hat Yai).

In FY2024 (Oct-23 to Sep-24), AOT's total concession revenue is estimated at THB23b. The breakdown highlights the importance of the assets under negotiation:

- Suvarnabhumi (BKK) Concessions: 43%
- Logistics/Other: 26%
- Retail: 21%
- Regional Airports: 7%
- Don Mueang (DMK): 3%

Impact on 1/3 of revenue, 2/3 of profit. While concession fees account for roughly one-third of AOT's total revenue, their impact on profitability is far greater. As these revenues are high-margin (akin to royalty fees with minimal direct costs), they are estimated to contribute 50-60% of AOT's total profit. A significant reduction in these fees would disproportionately harm AOT's bottom line.

Root Causes of King Power's Distress

1. The Fall of Chinese Tourist Boom: The number of Chinese tourists, the primary drivers of duty-free sales, has plummeted and failed to recover to pre-pandemic levels.

2019 (Peak): 10.9m Chinese tourists (28% of all arrivals)

2023 (post-reopening): 3.5m

Jan-May 2025: 1.96m (-32.7% y-y), accounting for only 14% of total arrivals.

This represents a structural shift. Not only are the numbers down, but the tourists replacing them (e.g., from Russia, India, Malaysia) have significantly lower average spending, estimated at THB45k per person compared to the THB55k-70k spent by Chinese visitors.

2. Eroding Price Competitiveness: King Power's pricing is no longer competitive regionally, deterring savvy shoppers.

Example: La Mer Moisturizing Cream (100ml)

Beijing Airport Price: ~THB 9,896

King Power (BKK) Price: ~THB 14,940 (after a 40% discount available only at the One Bangkok branch)

This stark 51% price difference on a popular item illustrates that both tourists and locals can find better value elsewhere, directly impacting KPD's sales volumes.

The 2019 high-stakes auction

In 2019, during Thailand's peak tourism year, KPD won the BKK duty-free concession with a staggering THB15b minimum annual guarantee (MG). This bid was substantially higher than the competition:

King Power International: THB15b (Winner)

BA & Lotte Duty Free: THB8.5b

Royal Orchid Sheraton & Dufry: (Lower bid)

Despite proposals from retail associations to award contracts to two operators (one local, one international) to foster competition, similar to Incheon and Changi airports, AOT opted to grant a sole monopoly to King Power across all its airports.)

Potential Downsides for AOT

AOT's management has stated that any renegotiated revenue should not fall below the second-place bid from 2019. Based on this, we can model the potential annual profit impact for AOT from the duty-free contract renegotiations, which total THB12.5b in MG revenue (BKK: THB10b, DMK: THB0.7b, Regional: THB1.8b).

Has the Stock Priced in the Bad News?

AOT has historically traded at high forward P/E multiples (30x-50x) due to its predictable cash flows, making it suitable for DCF valuation. However, a permanent reduction in its highest-margin revenue stream could trigger a significant de-rating.

A 5% to 14% drop in concession-related earnings could reduce the DCF-derived fair value by 20% to 40%.

Consensus price targets, previously in the THB 55-60 range, could fall to THB 30-36.

At a share price of THB 27, a worst-case FY2026 EPS of THB 1.26 would imply a P/E ratio of ~21x, a significant discount to historical levels.

Initiated with HOLD and a TP of THB33

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Exhibit 1: SoTP TP

Cost of equity assumptions (%)		Cost of debt assumptions (%)	
Risk free rate	2.3	Pretax cost of debt	3.5
Market risk premium	8.5	Marginal tax rate	20.0
Stock beta	0.9		
Cost of equity, Ke	9.9	Net cost of debt, Kd	2.8
Weight applied	70.0	Weight applied	30.0
WACC	7.8		

DCF valuation estimate	(THB b)	THB/share	Comments
NPV	522.8	36.0	WACC 7.8%, RF 3%, RPM 8.5%, terminal growth 2.3%
- Duty free and commercial activity concession contracts	369.6	25.9	WACC 7.8%, RF 3%, RPM 8.5%, terminal growth 2.3%
- Core business	153.2	10.7	WACC 7.8%, RF 3%, RPM 8.5%, terminal growth 2.3%
Cash & liquid assets	49.7	3.5	At end-2025E
Investments	2.2	0.2	At end-2025E
Debt	(100.0)	(7.0)	At end-2025E
Minorities	(2.7)	(0.2)	At end-2025E
Residual ordinary equity	471.3	33.0	

Sources: Name of source

Balance sheet (THB m)					
Year ending Sep	FY23	FY24	FY25E	FY26E	FY27E
Current assets					
Cash & ST investment	6,091	18,487	50,028	39,725	36,183
Account receivable	12,184	10,767	9,358	7,903	6,400
Inventories	285	399	408	432	451
Others	454	572	569	587	607
Non-current assets					
Net fixed assets	132,614	137,272	152,807	174,557	188,072
Others	43,983	38,654	38,654	38,654	38,654
Total Assets	195,611	206,150	251,822	261,858	270,367
Current liabilities					
Account payable	2,086	1,767	1,808	1,915	2,001
ST borrowing	10,011	6,836	4,100	4,100	4,100
Others	11,195	14,759	14,672	15,150	15,656
Long-term liabilities					
Long-term debts	51,464	47,393	95,872	89,872	83,872
Others	8,676	8,995	8,995	8,995	8,995
Total liabilities	83,433	79,751	125,447	120,032	114,624
Paid-up capital	14,286	14,286	14,286	14,286	14,286
Retained earnings	82,841	96,881	96,343	111,227	124,520
Others	13,338	13,066	13,066	13,066	13,066
Minority interest	1,713	2,166	2,681	3,248	3,871
Shareholders' equity	112,178	126,399	126,376	141,826	155,743

Key ratios					
Year ending Sep	FY23	FY24	FY25E	FY26E	FY27E
Growth (%YoY)					
Sales	190.7	39.4	(0.6)	3.3	3.3
Operating profit	1,069.7	65.4	(2.7)	1.2	2.4
EBITDA	1,069.7	65.4	(2.7)	1.2	2.4
Net profit	179.3	118.2	(1.5)	3.8	(7.2)
Core net profit	182.8	112.0	(3.6)	3.8	(7.2)
EPS	179.3	118.2	(1.5)	3.8	(7.2)
Core EPS	182.8	112.0	(3.6)	3.8	(7.2)
Profitability (%)					
Gross margin	48.3	57.3	56.0	54.9	54.4
Operation margin	48.3	57.3	56.0	54.9	54.4
EBITDA margin	48.3	57.3	56.0	54.9	54.4
Net margin	18.3	28.6	28.3	28.5	25.6
ROE	8.7	16.7	15.2	15.0	12.5
ROA	4.6	9.5	8.2	7.6	6.8
Stability					
Interest bearing debt/equity (x)	0.5	0.4	0.8	0.7	0.6
Net debt/equity (x)	0.5	0.3	0.4	0.4	0.3
Interest coverage (x)	5.0	9.8	10.1	10.8	10.8
Interest & ST debt coverage (x)	1.1	2.8	3.9	4.0	3.8
Cash flow interest coverage (x)	0.1	0.4	0.3	0.3	0.3
Current ratio (x)	0.8	1.3	2.9	2.3	2.0
Quick ratio (x)	0.8	1.3	2.9	2.3	2.0
Net debt (THB m)	55,384.1	35,742.4	49,944.0	54,246.6	51,788.5
Activity					
Asset turnover (X)	0.3	0.3	0.3	0.3	0.3
Days receivables	60.5	62.4	55.0	45.7	36.7
Days inventory	4.6	4.3	5.0	4.9	5.0
Days payable	23.0	24.5	22.2	21.9	22.0
Cash cycle days	42.1	42.2	37.8	28.8	19.6

Profit & loss (THB m)					
Year ending Sep	FY23	FY24	FY25E	FY26E	FY27E
Revenue	48,141	67,121	66,724	68,898	71,198
Cost of goods sold	(24,911)	(28,694)	(29,354)	(31,089)	(32,496)
Gross profit	23,230	38,427	37,371	37,809	38,703
Operating expenses	0	0	0	0	0
Operating profit	23,230	38,427	37,371	37,809	38,703
EBIT	14,359	27,023	25,905	26,182	24,493
Depreciation	(8,870)	(11,404)	(11,465)	(11,627)	(14,209)
EBITDA	23,230	38,427	37,371	37,809	38,703
Non-operating income					
Other incomes	271	597	615	633	652
Other non-op income	24	100	305	825	655
Non-operating expense	(2,890)	(2,757)	(2,568)	(2,423)	(2,278)
Interest expense	(2,890)	(2,757)	(2,568)	(2,423)	(2,278)
Other non-op expense	0	0	0	0	0
Equity income/(loss)	(0)	(1)	(1)	(1)	(1)
Pre-tax Profit	11,763	24,963	24,257	25,217	23,522
Extraordinary items	(457)	(418)	0	0	0
Current taxation	(2,235)	(4,903)	(4,851)	(5,043)	(4,704)
Minorities	(281)	(460)	(515)	(567)	(623)
Net Profit	8,791	19,182	18,890	19,607	18,195
Core net profit	9,247	19,600	18,890	19,607	18,195
EPS (THB)	0.62	1.34	1.32	1.37	1.27
Core EPS (THB)	0.65	1.37	1.32	1.37	1.27

Cash flow (THB m)					
Year ending Sep	FY23	FY24	FY25E	FY26E	FY27E
Operating cash flow					
Net profit	8,791	19,182	18,890	19,607	18,195
Depre. & amortization	8,870	11,404	11,465	11,627	14,209
Change in working capital	(5,892)	4,431	1,356	1,997	2,057
Others	0	0	0	0	0
Investment cash flow	(16,034)	(17,256)	(27,000)	(33,377)	(27,724)
Net CAPEX	(15,756)	(16,062)	(27,000)	(33,377)	(27,724)
Change in LT investment	0	0	0	0	0
Change in other assets	(278)	(1,194)	0	0	0
Free cash flow	(4,265)	17,761	4,712	(147)	6,736
Financing cash flow					
Change in share capital	0	0	0	0	0
Net change in debt	(82)	(7,246)	45,743	(6,000)	(6,000)
Dividend paid	(7)	(6)	(19,429)	(4,723)	(4,902)
Others	6,647	1,887	515	567	623
Net cash flow	2,293	12,396	31,541	(10,303)	(3,542)

Per share (THB)					
EPS	0.62	1.34	1.32	1.37	1.27
Core EPS	0.65	1.37	1.32	1.37	1.27
CFPS	1.29	2.20	2.16	2.23	2.31
BVPS	7.73	8.70	8.66	9.70	10.63
Sales/share	3.37	4.70	4.67	4.82	4.98
EBITDA/share	1.63	2.69	2.62	2.65	2.71
DPS	0.36	1.36	0.33	0.34	0.32
Valuation					
P/E (x)	113.35	47.66	21.93	21.13	22.77
P/BV (x)	9.02	7.36	3.35	2.99	2.73
Dividend yield (%)	0.52	2.13	1.14	1.18	1.10
Dividend payout ratio (%)	58.50	101.29	25.00	25.00	25.00

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.