Asia Aviation Pcl (AAV TB) - U.R., Price Bt2.16, TP Bt2.50

Results Comment

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2Q21 loss was slightly better than expected

- AAV reported a normalized loss of Bt902m for 2Q21 versus a normalized loss of Bt2.8bn in 2Q20 and a normalized loss of Bt649m in 1Q21. The loss was slightly lower than what we had expected due to higher-than-expected revenue.
- We expect AAV to report a higher loss in 3Q21F as it has halted the operation since mid-July due to the severe third wave of Covid-19 pandemic.
- Even though its share price is now 16% below our TP, we put our recommendation under review (from BUY) as the ongoing Covid-19 pandemic makes us concerned on its financial constraint. Despite its survival plans via 1) asking for bridging loans from banks, 2) considering selling and leasing back its airplanes and 3) capital increase, risks are still high if the Covid-19 pandemic prolongs.
- AAV's revenue increased 269% y-y in 2Q21 due to the low base last year during the first wave of Covid-19. Its passengers increased 157% y-y while its air fares rose 10% y-y.
- Despite a cut in its operating costs by 21% y-y in 2Q21 and SG&A expenses by 6% y-y, its revenue was still not enough to cover the costs making AAV to reported an operating loss of Bt2bn.
- Cash on hand now remained at only Bt234m at end 2Q21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	267	2,122	3,433	1,147	983
Gross profit	**(3,254)**	**(2,248)**	**(1,110)**	**(1,670)**	**(1,807)**
SG&A	332	307	592	335	313
Operating profit	(3,585)	(2,555)	(1,702)	(2,004)	(2,120)
EBITDA	**(2,561)**	**(1,141)**	**(288)**	**(860)**	**(836)**
Other income	150	285	182	62	106
Other expense	0	0	0	19	1
Interest expense	391	410	447	426	425
Profit before tax	**(3,826)**	**(2,681)**	**(1,967)**	**(2,387)**	**(2,439)**
Income tax	(106)	(183)	319	(212)	(152)
Equity & invest. income	0	0	0	0	0
Minority interests	934	1,504	914	1,526	1,386
Extraordinary items	1,645	(843)	257	(1,216)	(790)
Net profit	**(1,141)**	**(1,837)**	**(1,114)**	**(1,865)**	**(1,692)**
Normalized profit	**(2,786)**	**(994)**	**(1,372)**	**(649)**	**(902)**
EPS (Bt)	(0.24)	(0.38)	(0.23)	(0.38)	(0.35)
Normalized EPS (Bt)	(0.57)	(0.20)	(0.28)	(0.13)	(0.19)

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(14)	269	61	3,509	13,213
Gross profit	**na**	**na**	**na**	**(7,446)**	**(4,397)**
SG&A	(6)	(6)	53	1,228	1,718
Operating profit	na	na	na	(8,674)	(6,114)
EBITDA	**na**	**na**	**na**	**(2,828)**	**197**
Other income	71	(29)	24	706	700
Other expense	(95)	na	na	0	0
Interest expense	(0)	9	45	1,887	2,097
Profit before tax	**na**	**na**	**na**	**(9,856)**	**(7,511)**
Income tax	na	na	na	(986)	(751)
Equity & invest. income					
Minority interests	(9)	48	73	3,992	3,042
Extraordinary items	na	na	na	0	0
Net profit	**na**	**na**	**na**	**(4,879)**	**(3,718)**
Normalized profit	**na**	**na**	**na**	**(4,879)**	**(3,718)**
EPS (Bt)	na	na	na	(1.01)	(0.77)
Normalized EPS (Bt)	na	na	na	(1.01)	(0.77)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	2,833	2,352	1,110	1,220	234
A/C receivable	528	442	284	295	267
Inventory	239	185	240	219	214
Other current assets	788	947	1,125	1,090	1,000
Investment	0	0	0	0	0
Fixed assets	5,964	6,090	6,230	6,168	5,899
Other assets	63,140	61,826	58,987	57,894	56,987
Total assets	**73,492**	**71,842**	**67,978**	**66,885**	**64,601**
S-T debt	2,933	3,573	3,286	2,796	3,643
A/C payable	769	616	757	838	813
Other current liabilities	14,414	15,150	13,780	16,270	17,224
L-T debt	4,448	4,074	4,672	5,140	4,598
Other liabilities	29,555	29,579	28,122	27,678	27,231
Minority interest	4,902	3,766	3,094	1,655	272
Shareholders' equity	**16,471**	**15,084**	**14,266**	**12,508**	**10,820**
Working capital	(3)	11	(232)	(325)	(332)
Total debt	7,381	7,647	7,958	7,936	8,241
Net debt	**4,548**	**5,295**	**6,848**	**6,717**	**8,008**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(97.2)	(77.5)	(65.7)	(85.3)	268.9
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	na	na	na
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(1,220.6)	(106.0)	(32.3)	(145.6)	(183.7)
Operating margin	(1,345.1)	(120.4)	(49.6)	(174.8)	(215.6)
EBITDA margin	(960.9)	(53.8)	(8.4)	(75.0)	(85.0)
Norm net margin	(1,045.3)	(46.8)	(40.0)	(56.6)	(91.7)
D/E (x)	0.4	0.5	0.6	0.6	0.8
Net D/E (x)	0.3	0.4	0.5	0.5	0.7
Interest coverage (x)	(6.6)	(2.8)	(0.6)	(2.0)	(2.0)
Interest rate	20.4	21.8	22.9	21.4	21.0
Effective tax rate	2.8	6.8	(16.2)	8.9	6.2
ROA	(14.9)	(5.5)	(7.8)	(3.9)	(5.5)
ROE	(66.3)	(25.2)	(37.4)	(19.4)	(30.9)

Sources: Company data, Thanachart estimates

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